

IntelGenx Technologies Corp.  
Form 424B3  
August 22, 2016

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**Filed pursuant to Rule 424(b)(3)  
Registration No. 333-190065**

**PROSPECTUS SUPPLEMENT NO. 1  
(to Prospectus dated April 15, 2016)**

**INTELGENX TECHNOLOGIES CORP.**

Up to 7,231,123 shares of Common Stock issuable upon exercise of 7,231,123 Warrants

The prospectus supplement modifies and supplements the prospectus of IntelGenx Technologies Corp. (the Company ) dated April 15, 2016, which relates to the issuance and sale of 7,231,123 shares of the common stock of the Company to holders of outstanding warrants upon exercise of such warrants. The warrants were issued on December 16, 2013 in a registered offering. The warrants have an exercise price of \$0.5646 per share and are exercisable at any time prior to the close of business on December 15, 2018.

This prospectus supplement should be read in conjunction with, and may not be delivered or utilized without, the prospectus, including any amendments or supplements thereto. This prospectus supplement is qualified in its entirety by reference to the prospectus, except to the extent that the information in this prospectus supplement supersedes the information contained in the prospectus.

This prospectus supplement includes the attached quarterly report on Form 10-Q, as filed with the Securities and Exchange Commission (the SEC ) on August 11, 2016.

**NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus supplement is August 22, 2016.

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2016

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.

Large accelerated filer  Accelerated filer

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

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

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

Yes  No

APPLICABLE TO CORPORATE ISSUERS:

63,615,256 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of August 09, 2016.

IntelGenx Technologies Corp.  
Form 10-Q

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# IntelGenx Technologies Corp.

**Consolidated Interim Financial Statements**  
**June 30, 2016**  
**(Expressed in U.S. Funds)**  
**(Unaudited)**

## Contents

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## IntelGenx Technologies Corp.

### Consolidated Balance Sheet

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

(Unaudited)

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| <b>Current</b>  |                  |                      |
| Cash and cash equivalents   | \$ 1,096         | \$ 2,865             |
| Accounts receivable   | 750              | 1,140                |
| Prepaid expenses  | 109              | 70                   |
| Investment tax credits receivable   | 150              | 97                   |
| <b>Total Current Assets</b>   | <b>2,105</b>     | <b>4,172</b>         |
| <b>Leasehold Improvements and Equipment, net (note 4)</b>   | <b>5,895</b>     | <b>4,238</b>         |
| <b>Security Deposit</b>   | <b>735</b>       | <b>506</b>           |
| <b>Total Assets</b>   | <b>\$ 8,735</b>  | <b>\$ 8,916</b>      |
| <b>Liabilities</b>  |                  |                      |
| <b>Current</b>  |                  |                      |
| Accounts payable and accrued liabilities  | 1,157            | 1,595                |
| Current portion of long-term debt (note 6)  | 577              | 184                  |
| <b>Total Current Liabilities</b>  | <b>1,734</b>     | <b>1,779</b>         |
| <b>Deferred lease obligations</b>   | <b>45</b>        | <b>27</b>            |
| <b>Long-term debt (note 6)</b>  | <b>2,813</b>     | <b>1,546</b>         |
| <b>Total Liabilities</b>  | <b>4,592</b>     | <b>3,352</b>         |
| <b>Shareholders' Equity</b>   |                  |                      |
| Capital Stock, common shares, \$0.00001 par value; 100,000,000 shares authorized; 63,615,255 shares issued and outstanding (note 7) | 1                | 1                    |
| Additional Paid-in-Capital (note 8)   | 22,938           | 22,846               |
| Accumulated Deficit   | (18,143)         | (16,557)             |

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Accumulated Other Comprehensive Loss | (653)        | (726)        |
| <b>Total Shareholders Equity</b>     | <b>4,143</b> | <b>5,564</b> |
|                                      | \$ 8,735     | \$ 8,916     |

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 June 30, 2016

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

(Unaudited)

|   | Capital Stock<br>Number | Stock<br>Amount | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|---|-------------------------|-----------------|----------------------------------|------------------------|---|----------------------------------|
| <b>Balance -<br/>December 31,<br/>2015</b>    | 63,615,255              | \$ 1            | \$ 22,846                        | \$ (16,557)            | \$ (726)                                      | \$ <b>5,564</b>                  |
| Foreign currency<br>translation<br>adjustment | -                       | -               | -                                | -                      | 73  | <b>73</b>                        |
| Stock-based<br>compensation<br>(note 8)       | -                       | -               | 92                               | -                      | -   | <b>92</b>                        |
| Net loss for the<br>period                    | -                       | -               | -                                | (1,586)                | -   | <b>(1,586)</b>                   |
| <b>Balance June 30,<br/>2016</b>              | <b>63,615,255</b>       | <b>\$ 1</b>     | <b>\$ 22,938</b>                 | <b>\$ (18,143)</b>     | <b>\$ (653)</b>                               | <b>\$ 4,143</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 |                   | For the Six-Month Period |                   |
|--|----------------------------|-------------------|--------------------------|-------------------|
|  | Ended June 30,             |                   | Ended June 30,           |                   |
|  | 2016                       | 2015              | 2016                     | 2015              |
| <b>Revenues</b>                                |                            |                   |                          |                   |
| Royalties                                      | \$ 672                     | \$ 192            | \$ 1,051                 | \$ 426            |
| License and other revenue                      | -                          | 393               | 439                      | 784               |
| <b>Total Revenues</b>                          | <b>672</b>                 | <b>585</b>        | <b>1,490</b>             | <b>1,210</b>      |
| <b>Expenses</b>                                |                            |                   |                          |                   |
| Cost of royalty and license revenue            | 66                         | 19                | 131                      | 103               |
| Research and development expense               | 426                        | 252               | 907                      | 369               |
| Selling, general and administrative expense    | 874                        | 559               | 1,765                    | 952               |
| Depreciation of tangible assets                | 100                        | 6                 | 187                      | 13                |
| Amortization of intangible assets              | -                          | 10                | -                        | 19                |
| <b>Total Expenses</b>                          | <b>1,466</b>               | <b>846</b>        | <b>2,990</b>             | <b>1,456</b>      |
| <b>Operating loss</b>                          | <b>(794)</b>               | <b>(261)</b>      | <b>(1,500)</b>           | <b>(246)</b>      |
| <b>Interest income</b>                         | <b>-</b>                   | <b>3</b>          | <b>-</b>                 | <b>13</b>         |
| <b>Financing and Interest expense</b>          | <b>(46)</b>                | <b>(17)</b>       | <b>(86)</b>              | <b>(95)</b>       |
| <b>Net Loss</b>                                | <b>(840)</b>               | <b>(275)</b>      | <b>(1,586)</b>           | <b>(328)</b>      |
| <b>Other Comprehensive Income (Loss)</b>       |                            |                   |                          |                   |
| Foreign currency translation adjustment        | 34                         | 55                | 73                       | (268)             |
| <b>Comprehensive Loss</b>                      | <b>\$ (806)</b>            | <b>\$ (220)</b>   | <b>\$ (1,513)</b>        | <b>\$ (596)</b>   |
| <b>Basic and Diluted Weighted Average</b>      |                            |                   |                          |                   |
| <b>Number of</b>                               |                            |                   |                          |                   |
| <b>Shares Outstanding</b>                      | <b>63,615,255</b>          | <b>63,501,519</b> | <b>63,615,255</b>        | <b>63,483,487</b> |
| <b>Basic and Diluted Loss Per Common Share</b> |                            |                   |                          |                   |
| (note 10)                                      | <b>\$ (0.01)</b>           | <b>\$ (0.00)</b>  | <b>\$ (0.02)</b>         | <b>\$ (0.01)</b>  |
|  | See accompanying notes     |                   |                          |                   |



# IntelGenx Technologies Corp.

## Consolidated Statement of Cash Flows

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

(Unaudited)

|   | For the Three-Month Period<br>Ended June 30, |                | For the Six-Month Period<br>Ended June 30, |                |
|---|--|----------------|--|----------------|
|   | 2016   | 2015           | 2016                                       | 2015           |
| <b>Funds Provided (Used) -</b>                |  |                |  |                |
| <b>Operating Activities</b>                   |  |                |  |                |
| Net loss                                      | \$ (840)                                     | \$ (275)       | \$ (1,586)                                 | \$ (328)       |
| Amortization and depreciation                 | 100  | 16             | 187  | 32             |
| Stock-based compensation                      | 29   | 59             | 92   | 80             |
|   | (711)  | (200)          | (1,307)                                    | (216)          |
| Changes in assets and liabilities:            |  |                |  |                |
| Accounts receivable                           | (260)  | (39)           | 390  | 537            |
| Prepaid expenses                              | (27)   | (3)            | (39)                                       | 21             |
| Investment tax credits                        | (24)   | 74             | (53)                                       | 60             |
| receivable                                    |  |                |  |                |
| Security deposit                              | (3)  | (3)            | (229)                                      | (240)          |
| Accounts payable and accrued                  | 422  | 359            | (438)                                      | 138            |
| liabilities                                   |  |                |  |                |
| Deferred revenue                              | -  | (390)          | -  | (779)          |
| Deferred lease obligations                    | 1  |                | 18   |                |
| <b>Net change in assets and liabilities</b>   | <b>109</b>                                   | <b>(2)</b>     | <b>(351)</b>                               | <b>(263)</b>   |
| <b>Net cash used by operating activities</b>  | <b>(602)</b>                                 | <b>(202)</b>   | <b>(1,658)</b>                             | <b>(479)</b>   |
| <b>Financing Activities</b>                   |  |                |  |                |
| Issuance of term loans                        | 1,177  | 4              | 1,569                                      | 399            |
| Repayment of term loans                       | (53)   |                | (70)                                       |                |
| Proceeds from exercise of warrants            |  |                |  |                |
| and stock                                     |  |                |  |                |
| options                                       | -  | 34             | -  | 34             |
| <b>Net cash provided by financing</b>         | <b>1,124</b>                                 | <b>38</b>      | <b>1,499</b>                               | <b>433</b>     |
| <b>activities</b>                             |  |                |  |                |
| <b>Investing Activities</b>                   |  |                |  |                |
| Additions to property and equipment           | (1,554)                                      | (1,039)        | (1,844)                                    | (1,425)        |
| <b>Net cash used in investing activities</b>  | <b>(1,554)</b>                               | <b>(1,039)</b> | <b>(1,844)</b>                             | <b>(1,425)</b> |
| <b>Decrease in Cash and Cash Equivalents</b>  | <b>(1,032)</b>                               | <b>(1,203)</b> | <b>(2,003)</b>                             | <b>(1,471)</b> |
| <b>Effect of Foreign Exchange on Cash and</b> | <b>61</b>                                    | <b>47</b>      | <b>234</b>                                 | <b>(265)</b>   |
| <b>Cash Equivalents</b>                       |  |                |  |                |
| <b>Cash and Cash Equivalents</b>              |  |                |  |                |
| <b>Beginning of Period</b>                    | <b>2,067</b>                                 | <b>3,819</b>   | <b>2,865</b>                               | <b>4,399</b>   |

|                      |    |              |    |       |    |              |    |       |
|----------------------|----|--------------|----|-------|----|--------------|----|-------|
| <b>End of Period</b> | \$ | <b>1,096</b> | \$ | 2,663 | \$ | <b>1,096</b> | \$ | 2,663 |
|----------------------|----|--------------|----|-------|----|--------------|----|-------|

See accompanying notes

# IntelGenx Technologies Corp.

## Notes to Consolidated Interim Financial Statements

June 30, 2016

(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, 2015. Operating results for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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 2015-16, Business Combinations, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this Update apply to all entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial

statements that have not yet been issued. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

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

The FASB issued amendments to ASU 2015-03, Interest Imputation of Interest, which are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and 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 of operations.

The FASB issued amendments to ASU 2015-01, Income Statement - Extraordinary and Unusual Items, eliminating from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present and disclose extraordinary events and transactions. This ASU will also align more closely U.S. GAAP income statement presentation guidance with IAS 1, *Presentation of Financial Statements*, which prohibits the presentation and disclosure of extraordinary items. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this Statement did not have a material effect on the Company's financial position or results of operations.

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

# IntelGenx Technologies Corp.

## Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

### 3. Significant Accounting Policies

#### Recently Issued Accounting Pronouncements

##### **ASU 2016-06 - Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments**

The amendments in this Update clarify 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. An entity performing the assessment under the amendments in this Update is required 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 financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and should be applied on a retrospective basis.

##### **ASU 2016-09 - Compensation Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting**

FASB issued this Update as part of its Simplification Initiative. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the 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 annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity 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.

##### **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.





## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

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

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 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.

### Revenue from Contracts with Customers (Topic 606):

During the six months ended June 30, 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 clarify 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.



## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

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

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.

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.

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.

## **IntelGenx Technologies Corp.**

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

**June 30, 2016**

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

**(Unaudited)**

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

#### **ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory**

The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). 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. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method.

The Board has amended some of the other guidance in Topic 330 to more clearly articulate the requirements for the measurement and disclosure of inventory. However, the Board does not intend for those clarifications to result in any changes in practice. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory within the scope of this Update, there are no other substantive changes to the guidance on measurement of inventory.

The amendments in this Update do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost.

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. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of this Statement is not expected to have a material effect on the Company's financial position or results of operations.

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

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

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

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

##### ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ( ASU 2015-17 )

In November 2015, the FASB issued ASU 2015-17, which require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position.

The amendments apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments.

For public business entities, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

#### 4. Leasehold Improvements and Equipment

As at June 30, 2016 no depreciation has been recorded on manufacturing equipment in the amount of \$2,591 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\$55 thousand. Borrowings under the operating demand line of credit bear interest at the Bank's prime lending rate plus 2%. The credit facility and term loan (see note 6) 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 June 30, 2016, the Company has not drawn on its credit facility.

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

#### 6. Long-term debt

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

|                        | June 30, 2016 | December 31, 2015 |
|------------------------|---------------|-------------------|
|                        | \$            | \$                |
| (in U.S. \$ thousands) |               |                   |
| Term loan facility     | 2,616         | 1,188             |
| Secured loan           | 774           | 542               |
| Total debt             | 3,390         | 1,730             |
| Less: current portion  | 577           | 184               |
| Total long-term debt   | 2,813         | 1,546             |

The Company's term loan facility consists of a total of CAD\$3.5 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 of which CAD\$0.75 million was disbursed as at December 2015, and CAD\$0.25 million was disbursed in May 2016, bearing interest at prime plus 7.3%, reimbursable in monthly principal payments of CAD\$16.67 thousand from January 2017 to December 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:

|                        |       |
|------------------------|-------|
| (in U.S. \$ thousands) |       |
| 2016                   | \$250 |
| 2017                   | 654   |
| 2018                   | 654   |
| 2019                   | 654   |
| 2020                   | 654   |
| Thereafter             | 524   |

## IntelGenx Technologies Corp.

### Notes to Consolidated Interim Financial Statements

June 30, 2016

(Expressed in U.S. Funds)

(Unaudited)

#### 7. Capital Stock

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| Authorized -  |                  |                      |
| 100,000,000 common shares of \$0.00001 par value          |                  |                      |
| 20,000,000 preferred shares of \$0.00001 par value        |                  |                      |
| Issued -  |                  |                      |
| 63,615,255 (December 31, 2015 - 63,615,255) common shares | \$ 636           | \$ 636               |

#### 8. Additional Paid-In Capital

##### Stock options

During the six-month period ended June 30, 2016, on January 19, 2016, 250 thousand options to purchase common stock were granted to non-employee directors and 225 thousand options were granted to employees under the 2006 Stock Option Plan. The options have an exercise price of \$0.41. The options granted to the non-employee directors vest immediately and expire 5 years after the grant date. The options granted to the employees vest over a period of 2 years at the rate of 25% every six months and expire 5 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 \$82 thousand.

No stock options were exercised during the six-month period ended June 30, 2016. During the six-month period ended June 30, 2015 a total of 75,000 stock options were exercised for 75,000 common shares having a par value of \$0 thousand in aggregate, for cash consideration of \$34 thousand, resulting in an increase in additional paid-in capital of \$34 thousand.

Compensation expenses for stock-based compensation of \$92 thousand and \$80 thousand were recorded during the six-month periods ended June 30, 2016 and June 30, 2015 respectively. The entire amounts expensed in each of the two quarters of 2016 and 2015 relates to stock options granted to employees and directors. As at June 30, 2016 the Company has \$128 thousand (2015 - \$50 thousand) of unrecognized stock-based compensation.

##### Warrants

No warrants were exercised during either of the six-month periods ended June 30, 2016 or June 30, 2015.



## **IntelGenx Technologies Corp.**

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

**June 30, 2016**

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

**(Unaudited)**

#### **9. Related Party Transactions**

Included in management salaries are \$2 thousand (2015 - \$1 thousand) for options granted to the Chief Executive Officer, \$30 thousand (2015 - \$13 thousand) for options granted to the Chief Financial Officer, \$3 thousand (2015- \$3 thousand) for options granted to the Vice President, Operations, \$2 thousand (2015 - nil) for options granted to the Vice-President, Research and Development, and \$5 thousand (2015 - nil) for options granted to the Vice President, Corporate Development under the 2006 Stock Option Plan and \$41 thousand (2015 - \$55 thousand) for options granted to non-employee directors.

Also included in management salaries are director fees of \$89 thousand (2015 - \$88 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.

#### **10. Basic and Diluted Loss Per Common Share**

Basic and diluted loss per common share is calculated based on the weighted average number of shares outstanding during the period. The warrants, share-based compensation and convertible notes have been excluded from the calculation of diluted loss per share since they are anti-dilutive.

#### **11. Subsequent Event**

On August 5, 2016, the Company sold its royalty on future sales of Forfivo XL<sup>®</sup> to SWK Holdings Corporation for \$6 million.

Under the terms of the agreement, SWK has 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. 10% of the proceeds will be paid to our former development partner, Cary Pharmaceuticals Inc.

## 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 and six-month periods ended June 30, 2016 and 2015.

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 the Company's MD&A for the year ended December 31, 2015. In preparing this MD&A, we have taken into account information available to us up to August 11, 2016, 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, 2015 (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 forward looking 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 2015 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 are in the process of establishing a state-of-the-art manufacturing facility for the future manufacture of our VersaFilm products. Construction of the manufacturing and laboratories are now completed and equipment is being prepared to begin manufacturing in 2017. 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.

## Development of New Drug Delivery Technologies

The rapidly disintegrating film technology contained in our VersaFilm<sup>®</sup>, and our AdVersa<sup>®</sup> mucosal adhesive tablet, are two examples of our efforts to develop alternate technology platforms. As we work with various partners on different products, we seek opportunities to develop new proprietary technologies.

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

As previously announced, we have financed the project from cash in hand and a government-backed bank financing of up to CAD\$3.5 million with the Bank as well as a CAD\$1 million loan from Investissement Québec ( IQ ).

We plan to hire new personnel, primarily in the areas of research and development, manufacturing, and administration on an as-needed basis as we enter into partnership agreements, establish our VersaFilm<sup>®</sup> manufacturing capability, and increase our research and development activities.

### **Most recent key developments**

We are actively pursuing late-stage discussions with the global pharmaceutical company for up to three products with the potential goal of concluding a definitive agreement to be finalized in the third quarter of 2016.

Also, just following the end of the quarter, on July 5, 2016, the Company announced the signing of the definitive agreement with Grupo Juste S.A.Q.F. for the commercialization of RIZAPORT, a unique oral thin film for the treatment of acute migraines, in the country of Spain. All commercial manufacturing of RIZAPORT will take place at our new state-of-the-art manufacturing facility in Canada. Grupo Juste is a prominent private Spanish company with over 90 years of experience in the research, development and commercialization of proprietary pharmaceutical products, including migraine and other central nervous system drugs, in Europe, Latin America and other territories.

According to the definitive agreement, Grupo Juste has obtained exclusive rights to register, promote and distribute RIZAPORT in Spain. In exchange, we and Redhill Biopharma will receive upfront and milestone payments, together with a share of the net sales of RIZAPORT. Commercial launch in Spain is estimated to take place in the second half of 2017. The initial term of the definitive agreement shall be for ten years from the date of first commercial sale of the product and shall automatically renew for one additional two-year term. The agreement will give Grupo Juste the right to market the product in the territory of Spain, with the right of first refusal for a predefined term for certain Latin American and Middle East countries.

On July 13, 2016, the company announced the initiation of a phase 1 clinical trial of montelukast, a unique drug repurposing opportunity for the treatment of degenerative diseases of the brain, such as: mild cognitive impairment and Alzheimers disease, the most prominent form of dementia. The objectives of the trial are to demonstrate that IntelGenx oral film product will provide therapeutically effective blood levels of montelukast, and that montelukast when delivered using IntelGenx oral film crosses the blood brain barrier.

We are collaborating with Dr. Ludwig Aigner, a neuroscientist who is a member of IntelGenx Scientific Advisory Board and head of the Institute of Molecular Regenerative Medicine at the Paracelsus Medical University in Salzburg, Austria. Dr. Aigner has made major contributions in the field of brain and spinal cord regeneration over the last 25 years. He was the first to develop tools to visualize neurogenesis in living animals and identified signaling mechanisms that are crucially involved in limiting brain regeneration. One of these mechanisms, leukotriene signaling, is related to asthma. In consequence, Dr. Aigner and his team recently demonstrated that the anti-asthmatic drug montelukast structurally and functionally rejuvenates the aged brain. His main aim is to develop molecular and cellular therapies for patients with neurodegenerative diseases and for the aged population.



We expect results from the phase 1 trial to be available in September 2016. Following the completion of the phase 1 results, the Company will begin preparation work to initiate a phase 2 study where patients will be enrolled. We will be actively seeking a partnership or alliance opportunity to complete the remaining developmental work and commercialization of this product.

## **Product related developments**

### ***Anti-depressant tablet, Forfivo XL®***

Forfivo XL®, our first FDA approved product, was launched in October 2012 and is being marketed in the United States under the terms of a license agreement between us and Edgemont Pharmaceuticals. Forfivo XL® is indicated for the treatment of Major Depressive Disorder ( MDD ) and is the only extended-release bupropion HCl product to provide a once-daily, 450mg dose in a single tablet. The active ingredient in Forfivo XL® is bupropion, the same active ingredient used in the well-known antidepressant product Wellbutrin XL®. Prior to the launch of Forfivo XL®, most patients in the U.S. requiring a 450mg dose of bupropion had been taking multiple tablets to achieve their 450mg dose requirement. With Forfivo XL® now available in the U.S., these patients can simplify their dosing regimen to a single Forfivo XL® tablet, once-daily.

According to the official Edgemont Pharmaceuticals sales report, net sales of Forfivo XL® totaled \$3.1 million in the second quarter ended June 30, 2016, representing an increase of 24% compared to \$2.5 million recorded in the first quarter ended March 31, 2016 and an increase of 48% compared to \$2.1 million recorded in last year's corresponding period.

## **Corporate related developments**

### ***New Manufacturing Facility with increased R&D and Administration space***

On April 24, 2015, we entered into an agreement to lease approximately 17,000 square feet in a property located at 6420 Abrams, St-Laurent, Quebec (the Lease ). The Lease has a 10 year and 6 month term which commenced on September 1, 2015 and we have retained two options to extend the Lease, with each option being for an additional five years. Under the terms of the Lease we will be required to pay base rent of approximately CAD\$110 thousand (approximately \$85 thousand) per year, which will increase at a rate of CAD\$0.25 (\$0.19) per square foot /per year, every two years. We plan to use the newly leased space to manufacture our oral film VersaFilm products, to enlarge our research and development capabilities, and for administration purposes.

We also finalised negotiations on April 29, 2015 for an agreement for the construction of manufacturing facilities, laboratories, and offices within the property located at 6420 Abrams, St-Laurent, Quebec, at an aggregate cost of CAD\$2.9 million (approximately \$2.5 million). The construction agreement was awarded to BTL Construction Inc. ( BTL ) in Quebec following a tender process that was completed in December 2014. BTL specializes in the construction and renovation of facilities for the pharmaceutical industry, and has completed projects for various major pharmaceutical companies. We funded this project from cash on hand as well as a CAD\$1 million loan from IQ. Construction was successfully completed in Q1, 2016.

As of June 30, 2016, we have received CAD\$3.5 million in cash as part of a credit facility of up to CAD\$3.5 million (approximately \$3.0 million) negotiated with the Bank. The credit facility is supported by a 50% guarantee under the Export Guarantee Program from Export Development Canada, Canada's export credit agency. The financial covenants of the credit facility require us to maintain a Minimum Debt Service Coverage ratio of 1.25:1, and a Maximum Total Debt to Tangible Net Worth ratio of 2.5:1. As part of securing the credit facility, we will maintain our operating bank account with the Bank and we will conduct all future banking transactions related to our business operations through the Bank. We used the funds for the purchase and installation of new equipment for our new, state-of-the-art, manufacturing facility.





On March 16, 2015 we placed an order for two packaging machines to be manufactured by Harro Höfliger Verpackungsmaschinen GmbH ( Harro Höfliger ). Harro Hofliger is widely recognized as a technological leader in the supply of production and packaging equipment to the pharmaceutical and medical device industries. Our purchase order consisted of one commercial scale packaging machine for the commercial packaging of our VersaFilm products, and one smaller machine for our R&D laboratories to be used for clinical trials, submission batches and manufacturing scale up. The purchase order, in the aggregate amount of approximately €1.5 million (approximately \$1.7 million), required a payment of a 20% deposit with a further 70% to be paid upon delivery of each machine and the balance of 10% to be paid upon satisfactory completion of a Site Acceptance Test of each machine. The laboratory packaging machine was delivered in Q4, 2015 and the commercial packaging machine was delivered and installed in our new state-of-the-art facility in Q2, 2016. We financed the acquisition of these two machines with the credit facility negotiated with the Bank, as discussed above.

*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 six-month period ended June 30, 2016 report an accumulated other comprehensive loss due to foreign currency translation adjustments of \$653 due to the fluctuations in the rates used to prepare our financial statements, \$73 of which positively impacted our comprehensive loss for the six-month period ended June 30, 2016. The following Management Discussion and Analysis takes this into consideration whenever material.

### **Reconciliation of Comprehensive Income (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 income (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-US-GAAP Financial Information**

| In U.S.\$ thousands  | Three-month period<br>ended June 30, |      |              |                | Six-month period<br>ended June 30, |              |
|--|--------------------------------------|------|--------------|----------------|------------------------------------|--------------|
|  | 2016                                 | 2015 |              | 2016           | 2015                               |              |
|  | \$                                   | \$   | \$           | \$             | \$                                 | \$           |
| Comprehensive loss   | (806)                                |      | (220)        | (1,513)        |                                    | (596)        |
| <b>Add (deduct):</b>   |                                      |      |              |                |                                    |              |
| Depreciation and amortization  | 100                                  |      | 16           | 187            |                                    | 32           |
| Finance costs  | 46                                   |      | 17           | 86             |                                    | 95           |
| Finance income   | -                                    |      | (3)          | -              |                                    | (13)         |
| Share-based compensation   | 29                                   |      | 59           | 92             |                                    | 80           |
| Foreign currency translation adjustment  | (34)                                 |      | (55)         | (73)           |                                    | 268          |
| <b>Adjusted EBITDA</b>   | <b>(665)</b>                         |      | <b>(186)</b> | <b>(1,221)</b> |                                    | <b>(134)</b> |
| <b>Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)</b> |                                      |      |              |                |                                    |              |

Adjusted EBITDA decreased by \$479 for the three-month period ended June 30, 2016 to (\$665) compared to (\$186) for the three-month period ended June 30, 2015. Adjusted EBITDA decreased by \$1,087 for the six-month period ended June 30, 2016 to (\$1,221) compared to (\$134) for the six-month period ended June 30, 2015. The decrease in Adjusted EBITDA of \$479 for the three month period ended June 30, 2016 is mainly attributable to an increase in selling, general and administrative expenses of \$315 as well as an increase in research and development expenses of \$174. The decrease in Adjusted EBITDA of \$1,087 for the six month period ended June 30, 2016 is mainly attributable to an increase in selling, general and administrative expenses of \$813 as well as an increase in research and development expenses of \$538 partially offset by an increase in revenues of \$280.

**Results of operations for the three-month and six-month periods ended June 30, 2016 compared with the three-month and six-month periods ended June 30, 2015.**

| In U.S.\$ thousands                          | Three-month period<br>ended June 30, |              | Six-month period ended<br>June 30, |              |
|--|--------------------------------------|--------------|------------------------------------|--------------|
|  | 2016                                 | 2015         | 2016                               | 2015         |
| Revenue                                      | \$ 672                               | \$ 585       | \$ 1,490                           | 1,210        |
| Cost of Royalty and License Revenue          | 66                                   | 19           | 131                                | 103          |
| Research and Development Expenses            | 426                                  | 252          | 907                                | 369          |
| Selling, General and Administrative Expenses | 874                                  | 559          | 1,765                              | 952          |
| Depreciation of tangible assets              | 100                                  | 6            | 187                                | 13           |
| Amortization of intangible assets            | -                                    | 10           | -                                  | 19           |
| <b>Operating loss</b>                        | <b>(794)</b>                         | <b>(261)</b> | <b>(1,500)</b>                     | <b>(246)</b> |
| <b>Net loss</b>                              | <b>(840)</b>                         | <b>(275)</b> | <b>(1,586)</b>                     | <b>(328)</b> |
| <b>Comprehensive loss</b>                    | <b>(806)</b>                         | <b>(220)</b> | <b>(1,513)</b>                     | <b>(596)</b> |

Total revenues for the three-month period ended June 30, 2016 amounted to \$672, representing an increase of \$87 or 15% compared to \$585 for the three-month period ended June 30, 2015. Total revenues for the six-month period ended June 30, 2016 amounted to \$1,490, representing an increase of \$280 or 23% compared to \$1,210 for the six-month period ended June 30, 2015. The increase for the three-month period ended June 30, 2016 compared to the last year's corresponding period is mainly attributable to an increase in royalties of \$480 due to the Company's recording of both Q1 and Q2 royalty amounts in the present quarter. Edgemont reported the Q2 royalties to the Company shortly after the end of the quarter which allowed the Company to record the revenues in the second quarter. The increase was offset by a decrease in deferred revenues recognized of \$393. The increase for the six-month period ended June 30, 2016 compared to the last year's corresponding period is mainly attributable to an increase in royalties of \$625 as just previously explained offset by a decrease in deferred revenues recognized of \$345.

**Cost of royalty and license revenue**

We recorded \$66 for the cost of royalty and license revenue in the three-month period ended June 30, 2016 compared with \$19 in the same period of 2015. We recorded \$131 for the cost of royalty and license revenue in the six-month period ended June 30, 2016 compared with \$103 in the same period of 2015. 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.

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

R&D expenses for the three-month period ended June 30, 2016 amounted to \$426, representing an increase of \$174 or 69%, compared to \$252 for the three-month period ended June 30, 2015. R&D expenses for the six-month period ended June 30, 2016 amounted to \$907, representing an increase of \$538 or 146%, compared to \$369 for the six-month period ended June 30, 2015.



The increase in R&D expenses for the three-month period ended June 30, 2016 is mainly attributable to increases in patent costs of \$64, analytical costs of \$35 and lab supplies of \$49. The increase in R&D expenses for the six-month period ended June 30, 2016 is mainly attributable to increases in patent costs of \$270, study costs of \$54, analytical costs of \$47, lab supplies of \$96 as well as R&D salaries of \$41.

In the three-month period ended June 30, 2016 we recorded estimated Research and Development Tax Credits and refunds of \$23, compared with \$24 that was recorded in the same period of the previous year. In the six-month period ended June 30, 2016 we recorded estimated Research and Development Tax Credits and refunds of \$45, compared with \$48 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 June 30, 2016 amounted to \$874, representing an increase of \$315 or 56%, compared to \$559 for the three-month period ended June 30, 2015. SG&A expenses for the six-month period ended June 30, 2016 amounted to \$1,765, representing an increase of \$813 or 85%, compared to \$952 for the six-month period ended June 30, 2015.

The increase in SG&A expenses for the three-month period ended June 30, 2016 is mainly attributable to an increase in salaries and benefits of \$193 attributable to the hiring of new executives as well as employees in manufacturing and quality departments to support the beginning of the manufacturing operations. The increase was also attributable to an increase in business development expenses of \$70 and an increase in leasehold expenses of \$40. The increase in SG&A expenses for the six-month period ended June 30, 2016 is mainly attributable to an increase in salaries and benefits of \$475 attributable to the hiring of new executives as well as employees in manufacturing and quality departments to support the beginning of the manufacturing operations. The increase was also attributable to an increase in business development expenses of \$113 and an increase in leasehold expenses of \$65, an increase in office expenses of \$53 as well as an increase in foreign exchange loss of \$136.

### **Depreciation of tangible assets**

In the three-month period ended June 30, 2016 we recorded an expense of \$100 for the depreciation of tangible assets, compared with an expense of \$6 thousand for the same period of the previous year. In the six-month period ended June 30, 2016 we recorded an expense of \$187 for the depreciation of tangible assets, compared with an expense of \$13 thousand for the same period of the previous year. The increases in the depreciation of tangible assets are mainly attributable to the commencement of the depreciation of the leasehold improvement as well as the plant equipment.

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

Share-based compensation warrants and share-based payments expense for the three-month period ended June 30, 2016 amounted to \$29 compared to \$59 for the three-month period ended June 30, 2015. Share-based compensation warrants and share-based payments expense for the six-month period ended June 30, 2016 amounted to \$92 compared to \$80 for the six-month period ended June 30, 2015.

We expensed approximately \$25 in the three-month period ended June 30, 2016 for options granted to our employees in 2013, 2014 and 2015 under the 2006 Stock Option Plan, and approximately \$4 for options granted to non-employee directors in 2013, 2014 and 2015, compared with \$7 and \$52 respectively that was expensed in the same period of the previous year. We expensed approximately \$51 in the six-month period ended June 30, 2016 for options granted to our employees in 2013, 2014 and 2015 under the 2006 Stock Option Plan, and approximately \$41 for options granted to non-employee directors in 2013, 2014 and 2015, compared with \$25 and \$55 respectively that was expensed in the same period of the previous year.





There remains approximately \$128 in stock based compensation to be expensed in fiscal 2016 and 2017, all of which relates to the issuance of options to our employees and directors during 2013 to 2015. 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                     | June 30,<br>2016 | December<br>31, 2015 | Increase/<br>(Decrease) | Percentage<br>Increase/<br>(Decrease) |
|---|------------------|----------------------|-------------------------|---------------------------------------|
| Current Assets                          | \$ 2,105         | \$ 4,172             | \$ (2,067)              | (50%)                                 |
| Leasehold improvements<br>and Equipment | 5,895            | 4,238                | 1,657                   | 39%                                   |
| Security Deposit                        | 735              | 506                  | 229                     | 45%                                   |
| Current Liabilities                     | 1,734            | 1,779                | (45)                    | (3%)                                  |
| Long-term debt                          | 2,813            | 1,546                | 1,267                   | 82%                                   |
| Capital Stock                           | 1                | 1                    | 0                       | 0%                                    |
| Additional Paid-in-Capital              | 22,938           | 22,846               | 92                      | 4%                                    |

#### Current assets

Current assets totaled \$2,105 as at June 30, 2016 compared with \$4,172 at December 31, 2015. The decrease of \$2,067 is mainly attributable to a decrease in cash and cash equivalents of approximately \$1,769 and a decrease in accounts receivable of approximately \$390, partially offset by an increase in investment tax credits receivable of \$53.

#### Cash and cash equivalents

Cash and cash equivalents totaled \$1,096 as at June 30, 2016 representing a decrease of \$1,769 compared with the balance of \$2,865 as at December 31, 2015. The decrease in cash on hand relates to net cash used by operating activities of \$1,658 as well as net cash used in investing activities of \$1,844, partially offset by net cash provided by financing activities of \$1,499 and an unrealized foreign exchange gain of \$234.

The cash provided by financing activities derives from an additional loan disbursement in the amount of \$1,569 negotiated with 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.

#### Accounts receivable

Accounts receivable totaled \$750 as at June 30, 2016 representing a decrease of \$390 compared with the balance of \$1,140 as at December 31, 2015. The main reason for the decrease is related to the remaining balance of \$1,000 received in Q1 2016 from Edgemont's \$3,000 milestone payment.

### **Prepaid expenses**

As at June 30, 2016 prepaid expenses totaled \$109 compared with \$70 as of December 31, 2015. The increase in prepaid expenses is attributable to the advance payment in January 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 \$150 as at June 30, 2016 compared with \$97 as at December 31, 2015. The increase relates to the accrual estimated and recorded for the first half of 2016.

### **Leasehold improvements and equipment**

As at June 30, 2016, the net book value of leasehold improvements and equipment amounted to \$5,895, compared to \$4,238 at December 31, 2015. In the six-month period ended June 30, 2016 additions to assets totaled \$1,844 and mainly comprised of \$1,540 for manufacturing and packaging equipment required for our new, state-of-the-art, VersaFilm manufacturing facility, and \$187 for leasehold improvements related to our new manufacturing facility at 6420 Abrams, St-Laurent, Quebec, Canada, and \$90 for laboratory equipment.

### **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 June 30, 2016. Security deposits in the amount of CAD\$650 for the term loans were also recorded as at June 30, 2016.

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

Accounts payable and accrued liabilities totaled \$1,157 as at June 30, 2016 compared with \$1,595 as at December 31, 2015. The decrease is mainly attributable to the outstanding amount due to the construction Company related to our new facility located at 6420 Abrams, St-Laurent, Quebec that was paid in the six-month period ended June 30, 2016.

### **Long-term debt**

Long-term debt totaled \$3,390 as at June 30, 2016 (December 31, 2015 - \$1,730). An amount of \$2,616 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.

An amount of \$774 is attributable to a second loan secured by a second ranking on all present and future property of the Company reimbursable in monthly principal payments starting January 2017 to December 2021.

### **Shareholders equity**

As at June 30, 2016 we had accumulated a deficit of \$18,143 compared with an accumulated deficit of \$16,557 as at December 31, 2015. Total assets amounted to \$8,735 and shareholders equity totaled \$4,143 as at June 30, 2016, compared with total assets and shareholders equity of \$8,916 and \$5,564 respectively, as at December 31, 2015.

### **Capital stock**

As at June 30, 2016 capital stock amounted to \$0.636 (December 31, 2015: \$0.636) . Capital stock is disclosed at its par value with the excess of proceeds shown in Additional Paid-in-Capital.



**Additional paid-in-capital**

Additional paid-in capital totaled \$22,938 as at June 30, 2016, as compared to \$22,846 as at December 31, 2015. Additional paid in capital increased by \$92 for stock based compensation attributable to the amortization of stock options granted to employees and directors.

**Taxation**

As at December 31, 2015, the date of our latest annual tax return, we had Canadian and provincial net operating losses of approximately \$6,462 (December 31, 2014: \$9,530) and \$6,725 (December 31, 2014: \$9,683) 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 2035. A portion of the net operating losses may expire before they can be utilized.

As at December 31, 2015, we had non-refundable tax credits of \$1,022 (December 31, 2014: \$1,100) of which \$8 is expiring in 2026, \$9 is expiring in 2027, \$163 is expiring in 2028, \$143 is expiring in 2029, \$122 is expiring in 2030, \$129 is expiring in 2031, \$162 is expiring in 2032, \$108 is expiring in 2033, \$82 expiring in 2034 and \$96 is expiring in 2035. We also had undeducted research and development expenses of \$6,315 (December 31, 2014: \$4,805) 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                       | June 30,<br>2016 | June 30,<br>2015 | Increase/<br>(Decrease) | Percentage<br>Increase/<br>(Decrease) |
|---|------------------|------------------|-------------------------|---------------------------------------|
| Operating Activities                      | \$ (1,658)       | \$ (479)         | \$ (1,179)              | (246%)                                |
| Financing Activities                      | 1,499            | 433              | 1,066                   | 246%                                  |
| Investing Activities                      | (1,844)          | (1,425)          | (419)                   | (29%)                                 |
| Cash and cash equivalents - end of period | 1,096            | 2,663            | (1,567)                 | (59%)                                 |

**Statement of cash flows**

Net cash used in operating activities was \$1,658 for the six-month period ended June 30, 2016, compared to \$479 for the six-month period ended June 30, 2015. For the six-month period ended June 30, 2016, net cash used by operating activities consisted of a net loss of \$1,586 (2015: \$328) and a decrease in non-cash operating elements of working capital of \$351 (2015: \$263).

The net cash provided by financing activities was \$1,499 for the six-month period ended June 30, 2016, compared to \$433 provided in the same period of the previous year. An amount of \$1,569 derives from disbursements of a term loan negotiated with the Bank for the six-month period ended June 30, 2016 (2015: \$399).

Net cash used in investing activities amounted to \$1,844 for the six-month period ended June 30, 2016 compared to \$1,425 in the same period of 2015. The net cash used in investing activities for the six-month period ended June 30, 2016 relates exclusively to the purchase of fixed assets and mainly comprised of \$1,540 for manufacturing and packaging equipment required for our new, state-of-the-art, VersaFilm manufacturing facility, and \$187 for leasehold improvements related to our new manufacturing facility at 6420 Abrams, St-Laurent, Quebec, and \$90 for laboratory equipment.



The balance of cash and cash equivalents as at June 30, 2016 amounted to \$1,096, compared to \$2,663 as at June 30, 2015.

### **Subsequent Event**

On August 5, 2016, the Company sold its royalty on future sales of Forfivo XL<sup>®</sup> to SWK Holdings Corporation for \$6 million.

Under the terms of the agreement, SWK has 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. 10% of the proceeds will be paid to our former development partner, Cary Pharmaceuticals Inc.

### **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: August 11, 2016

By: */s/ Horst G. Zerbe*

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

Date: August 11, 2016

By: */s/ Andre Godin*

Andre Godin  
Principal Accounting Officer