IntelGenx Technologies Corp.
Form 10-Q
May 10, 2011

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, 2011

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:

39,808,896 shares of the issuer s common stock, par value $.00001 per share, were issued and outstanding as of May 9, 2010.

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March 31, 2011
(Expressed in U.S. Funds)
(Unaudited)

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

		March 31, 2011		December 31, 2010
Assets				
Current				
Cash and cash equivalents	**$**	**575**	$	1,144
Accounts receivable		**273**		278
Prepaid expenses		**65**		47
Investment tax credits receivable		**243**		197
		1,156		1,666
Property and Equipment		**158**		159
	$	**1,314**	$	1,825
Liabilities				
Current				
Accounts payable and accrued liabilities		**278**		349
Shareholders' Equity				
Capital Stock (note 5)		**0**		0
Additional Paid-in-Capital		**11,207**		11,087
Accumulated Deficit		**(10,361)**		(9,761)
Accumulated Other Comprehensive Income		**190**		150
		1,036		1,476
	$	**1,314**	$	1,825

See accompanying notes

Approved on Behalf of the Board:

/s/ J. Bernard Boudreau Director

/s/ *Horst G. Zerbe* Director

IntelGenx Technologies Corp.

Consolidated Statement of Shareholders' Equity
For the Period Ended March 31, 2011
(Expressed in Thousands of U.S. Dollars ($000 s) Except Share and Per Share Data)
(Unaudited)

	Capital Stock		Additional		Accumulated Other	
	Number	Amount	Paid-In Capital	Accumulated Deficit	Comprehensive Income	**Total Shareholders' Equity**
Balance - December 31, 2010	39,581,271	$ 0	$ 11,087	$ (9,761)	$ 150	**$ 1,476**
Foreign currency translation adjustment	-	-	-	-	40	**40**
Agents options exercised (note 6)	227,625	-	108	-	-	**108**
Stock-based compensation (note 6)	-	-	12	-	-	**12**
Net loss for the period	-	-	-	(600)	-	**(600)**
Balance March 31, 2011	**39,808,896**	**$ 0**	**$ 11,207**	**$ (10,361)**	**$ 190**	**$ 1,036**

See accompanying notes

IntelGenx Technologies Corp.

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

	For the Three-Month Period Ended March 31,	
	2011	2010
Revenue	**$ 96**	$ 182
Other income	**2**	-
	98	182
Expenses		
Research and development	**329**	330
Research and development tax credits	**(41)**	(24)
Management salaries	**139**	147
General and administrative	**110**	65
Professional fees	**153**	425
Depreciation	**8**	10
Foreign exchange	**(1)**	1
Interest and financing fees	**1**	-
	698	954
Net Loss	**(600)**	(772)
Other Comprehensive Loss		
Foreign currency translation adjustment	**40**	55
Comprehensive Loss	**$ (560)**	$ (717)
Basic Weighted Average Number of Shares Outstanding	**39,649,559**	33,081,271
Basic and Diluted Loss Per Common Share (note 8)	**$ (0.01)**	$ (0.02)

See accompanying notes

IntelGenx Technologies Corp.

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

	For the Three-Month Period Ended March 31,	
	2011	2010
Funds Provided (Used) -		
Operating Activities		
Net loss	**$ (600)**	$ (772)
Depreciation	**8**	10
Investor relations services	**4**	3
Stock-based compensation	**8**	8
Accounts receivable write-off	**52**	-
	(528)	(751)
Changes in non-cash operating elements of working capital	**(184)**	217
	(712)	(534)
Financing Activities		
Issue of capital stock	**108**	-
	108	-
Investing Activities		
Additions to property and equipment	**(3)**	(3)
	(3)	(3)
Decrease in Cash and Cash Equivalent	**(607)**	(537)
Effect of Foreign Exchange on Cash and Cash Equivalents	**38**	49
Cash and Cash Equivalents		
Beginning of Period	**1,144**	1,525
End of Period	**$ 575**	$ 1,037

See accompanying notes

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
March 31, 2011
(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, 2010. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. 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. Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has reported an accumulated deficit of $10,361 thousand (as at December 31, 2010 - $9,761 thousand). To date, these losses have been financed principally through the issuance of capital stock, long-term debt and debt from related parties. Additional capital and/or borrowings may be necessary in order for the Company to continue in existence and attain profitable operations. With the Company's existing working capital levels, it should be able to continue operations at least into the third quarter of fiscal 2011 based on historical factors.

The first product fully-developed by the Company, a prenatal multivitamin supplement marketed as Gesticare® in the USA, was commercialized in November 2008 and has generated in excess of half a million dollars in royalty income to date. Historically, however, revenues for the Company have consisted primarily of research and development fees and have not been sufficient to sustain operations. Nonetheless, the Company does expect to generate significant revenues from sales and manufacturing royalties in future years following successful development and commercialization of products within its current pipeline.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
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2. Going Concern (Cont d)

The Company currently has a pipeline of 14 products under development. Of the products under development, CPI-300, a higher strength of the antidepressant bupropion HCl, the active ingredient in Wellbutrin XL®, formulated using the Company s proprietary controlled release technology, is the most advanced. The Company submitted a New Drug Application (NDA) (505(b)(2) for this product to the U.S. Food and Drug Administration (FDA) in the first quarter of 2009. Subsequently, Biovail Laboratories SLR (Biovail), holder of the Wellbutrin XL® patent, sued the Company in the U.S. District Court of Delaware for patent infringement. The Company incurred approximately $1.1 million of legal costs directly related to this litigation until the US District Court of Delaware ruled in favor of IntelGenx regarding claim construction for the two patent terms at issue and, in February 2011, subsequently dismissed the litigation.

The Company anticipates FDA approval of CPI-300 during the second half of 2011, with commercialization of the product following in the fourth quarter. Nonetheless, in order to achieve profitability, revenue streams will have to increase significantly from current levels and there is no assurance that revenues can increase to such a level.

The Company raised net cash proceeds of approximately $2.1 million through the issuance of common shares in the year ended December 31, 2010 compared to net proceeds of approximately $2.1 million (net of amounts used to repay convertible notes and debt) raised in the previous year. The Company is currently reviewing its cash requirements for fiscal 2011 in order to determine whether further fundraising will be necessary.

The Company can give no assurance that any additional capital that it is able to obtain will be sufficient to meet its needs, or will be on terms favorable to it. If the Company is unsuccessful at obtaining additional financing as needed, it may be required to significantly curtail operations. The Company may also receive funds through the exercise of outstanding stock options and warrants in addition to funds that may be generated from pre-commercialization payments. There can be no assurance that such proceeds, if any, will be material.

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

IntelGenx Technologies Corp.

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

3. Adoption of New Accounting Standards

Revenue Recognition and Disclosures

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 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 adoption of ASU 2009-13 did not have a material effect on the Company s financial position or results of operations.

In April 2010, the FASB issued Update No. 2010-17, Revenue Recognition Milestone Method (Topic 605): Milestone Method of Revenue Recognition . This ASU provides guidance on defining a milestone under Topic 605 and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and non substantive milestones that should be evaluated individually. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The adoption of ASU 2010-07 did not have a material effect on the Company s financial position or results of operations.

4. Significant Accounting Policies

Recently Issued Accounting Pronouncements

IntelGenx Technologies Corp.

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(Unaudited)

In January 2011, the FASB issued Update No. 2011-01, Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 . ASU 2010-20 amends Topic 310 to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. ASU 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities.

The FASB believes this guidance will be effective for interim and annual periods ending after June 15, 2011. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

In April 2011, the FASB issued Update No. 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring . The amendments in ASU 2011-02 apply to all creditors that restructure receivables that fall within the scope of Subtopic 310-40, Receivables Troubled Debt Restructurings by Creditors. The amendments in this ASU provide additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. ASU 2011-2 is effective for public companies for interim and annual periods beginning on or after June 15, 2011 and is to be applied retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. Early application is permitted. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

5. Capital Stock

	March 31, 2011	**December 31, 2010**
Authorized -		
100,000,000 common shares of $0.00001 par value		
20,000,000 preferred shares of $0.00001 par value		
Issued -		
39,808,896 (December 31, 2010 - 39,581,271) common shares	**$ 398**	$ 396

During the three month period ended March 31, 2011 a total of 227,625 agents warrants were exercised for 227,625 common shares having a par value of $0 thousand in aggregate, for cash consideration of $108 thousand, resulting in an increase in additional paid-in capital of $108 thousand.

IntelGenx Technologies Corp.

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6. Additional Paid-In Capital

Stock options

Compensation expenses for stock-based compensation of $12 thousand and $11 thousand were recorded during the three-month period ended March 31, 2011 and 2010 respectively. Of the amount expensed in 2011, $4 thousand (2010 - $3 thousand) relates to stock options granted to investor relations firms as compensation for investor relation services, and $8 thousand (2010 - $8 thousand) relates to stock options granted to employees and directors. As at March 31, 2011, the Company has $41 thousand (2010 - $54 thousand) of unrecognized stock- based compensation.

7. Related Party Transactions

Included in management salaries are $1 thousand (2010 - $6 thousand) for options granted to the Chief Financial Officer and $1 thousand (2010 - $1 thousand) for options granted to the Chief Executive Officer under the 2006 Stock Option Plan and $2 thousand (2010 - $Nil) for options granted to non-employee directors.

Also included in management salaries are director fees of $19 thousand (2010 - $13 thousand) for attendance to board meetings and audit committee meetings.

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

8. Basic and Diluted Loss Per Common Share

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

Item 2 Management's Discussion and Analysis of Financial Conditions and Results of Operations.

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 our business, to enhance our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows. Unless otherwise indicated, all financial and statistical information included herein relates to our continuing operations. Unless otherwise indicated or the context otherwise requires, the words, "IntelGenx, "Company", "we", "us", and "our" refer to IntelGenx Technologies Corp. and its subsidiaries, including IntelGen Corp. This information should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and Notes thereto.

Company Background

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

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

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

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

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

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

Key Developments

We achieved a number of milestones in our strategic development, growth and future income potential throughout the first quarter of 2011, most notably:

CPI-300 Antidepressant Tablet:

Background:

CPI-300 is a higher strength of the antidepressant bupropion HCl, the active ingredient in Wellbutrin XL®.

April 2009: submitted a New Drug Application ("NDA") to the FDA for CPI-300.

August 2009: sued by Biovail Laboratories SLR ("Biovail") for patent infringement under the Hatch-Waxman Act.

January 2010: announced manufacturing site change for the manufacture of CPI-300 to Pillar5 Pharma. March 2010: U.S. PTO issued patent number US 7,674,479 protecting CPI-300 against generic copies. February 2010: Complete Response Letter received from FDA

June 2010: met with FDA to clarify steps necessary to obtain regulatory approval.

Progress in 2011:

On January 4, 2011, we announced that the United States District Court of Delaware has ruled in our favor regarding claim construction for the two patent terms at issue in the patent infringement action brought forward by Biovail. The ruling arises from a special proceeding required under U.S. patent law called a "Markman Hearing" where both sides present to the court their arguments on how they believe the patent terms at issue should be interpreted.

On February 3, 2011, we announced that the United States District Court of Delaware had dismissed the lawsuit against us. Biovail agreed to dismissal of the action following the ruling on the Markman Hearing.

We expect to file the amendment to the NDA in the second quarter of 2011.

Anti-Psychcotic Film:

On February 7, 2011, we announced the completion of a pilot study that indicates that we have successfully developed a novel oral film, INT0022, which is likely to be bioequivalent to a leading anti-psychotic in a pivotal bioequivalency study. INT0022 has been developed using our proprietary immediate release "VersaFilm" drug delivery technology.

This was a randomized, two-period, two-way crossover study in healthy male subjects. The study was designed to determine whether INT0022 will be bioequivalent to a leading anti-psychotic product in a pivotal bioequivalency study as measured by industry standard pharmacokinetic measures, peak plasma concentration (Cmax) and area under the curve (AUC). The study results indicate that INT0022 will likely be bioequivalent with the brand product and allow us to advance the product to the pivotal stage.

Insomnia Film:

Subsequent to the end of the quarter, on April 6, 2011 we announced the completion of a pilot biostudy indicating that we have developed a novel oral film, INT0020, that suggests bioequivalency to a leading branded product for the treatment of insomnia. INT0020 has been developed using our proprietary immediate release "VersaFilm" drug delivery technology.

This was a randomized, two-period, two-way crossover study in healthy male subjects. The study was designed to determine whether INT0020 is bioequivalent to a leading insomnia product as measured by industry standard pharmacokinetic measures, peak plasma concentration (Cmax) and area under the curve (AUC). The study results indicate that INT0020 should meet acceptance criteria for bioequivalency for both Cmax and AUC once we decide to advance the product to the larger pivotal bioequivalency study.

Currency rate fluctuations

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

Results of Operations for the three month period ended March 31, 2011 compared to the three month period ended March 31, 2010.

In U.S.$ thousands	2011	2010	Increase/ (Decrease)	Percentage Change
Revenue	$ 98	$ 182	$ (84)	46%
Research and Development Expenses	329	330	(1)	0%
Research and Development Tax Credit	(41)	(24)	17	71%
Management Salaries	139	147	(8)	5%
General and Administrative Expenses	110	65	45	69%
Professional Fees	153	425	(272)	64%
Net Loss	(600)	(772)	(172)	22%

Revenue

Total revenue and other income decreased from $182 thousand in the first quarter of 2010 to $98 thousand in the first quarter of 2011.

In the first quarter of 2011, royalty revenues earned from commercialization of the first product fully-developed by us, a prenatal multivitamin supplement marketed as Gesticare® in the USA, decreased to approximately $30 thousand from $74 thousand in the same period of the previous year. The deterioration results from increased competition in the nutritional supplement market.

Revenue earned from our pharmaceutical partners for development milestones achieved decreased from $108 thousand in the first quarter of 2010 to $66 thousand in the first quarter of 2011. The decrease reflects the changing status of research and development projects as they progress and development milestones are realized, new development projects are undertaken, or projects are completed.

Research and Development (R&D) Expenses

R&D expenses totaled $329 thousand in the first quarter of 2011, compared with $330 thousand in the first quarter of 2010.

Included within R&D expenses for 2011 are R&D Salaries of $163 thousand, of which approximately $3 thousand represents non-cash compensation. This compares to R&D Salaries of $108 thousand in 2010, of which approximately $1 thousand represented non-cash compensation. The increase in R&D Salaries is primarily attributable to the addition of a scientist in May 2010, the return of a scientist from maternity leave, and R&D staff salary increases.

In the first quarter of 2011 we recorded estimated Research and Development Tax Credits and refunds of $41 thousand, compared with $24 that was recorded in the first quarter of the previous year.

Management Salaries and General and Administrative ("G&A") Expenses

Management salaries decreased from $147 thousand in the first quarter of 2010 to $139 thousand in the first quarter of 2011. The decrease relates to the termination of a consultancy agreement for business development activities in the fourth quarter of 2010, which was partially compensated by the additional costs of temporary assistance for business development in the first quarter of 2011.

Included in management salaries are approximately $3 thousand (2010: $7 thousand) in non-cash compensation resulting from options granted to management employees in 2008 and 2009, and $2 thousand (2010: $Nil) in non-cash compensation from options granted to non-employee directors in 2010.

General and administrative expenses increased from $65 thousand in the first quarter of 2010 to $110 thousand in the first quarter of 2011. The increase relates to the write-off of a receivable in the amount of approximately $52 thousand, which is no longer collectible.

Professional Fees

Professional fees for the first quarter of 2011 decreased by $272 thousand, or 64%, to $153 thousand from $425 thousand in the first quarter of 2010.

The decrease in professional fees is primarily attributable to the dismissal by the United States District Court of Delaware in February 2011 of the patent infringement lawsuit against IntelGenx that was initiated by Biovail in August 2009. The dismissal of the litigation followed our previous announcement on January 4th, 2011 that the court had ruled in favor of IntelGenx regarding claim construction for the two patent terms at issue in the patent infringement action brought forward by Biovail under the Drug Price Competition and Patent Term Restoration Act ("Hatch-Waxman Act"). The ruling arose from a special proceeding required under U.S. patent law called a "Markman Hearing" where both sides presented to the court their arguments on how they believed the patent terms at issue should be interpreted. Subsequent to the ruling on the Markman Hearing, Biovail agreed to dismissal of the action.

In the first quarter of 2010 we incurred legal expenses in respect of the Biovail litigation of approximately $313 thousand, compared with $20 thousand in the first quarter of 2011.

Included within professional fees in the first quarter of 2011 is a non-cash expense of approximately $4 thousand (2010: $3 thousand) for options granted to investor relation firms for investor relation services.

Share-Based Compensation Expense, Warrants and Stock Based Payments

Share-based compensation expense, warrants and share-based payments totaled $12 thousand in the first quarter of 2011, compared with $11 thousand in the first quarter of 2010.

We expensed approximately $6 thousand in the first quarter of 2011 for options granted to our employees in 2009 and 2010 under the 2006 Stock Option Plan and approximately $2 thousand for options granted to non-employee directors in 2010, compared with $8 thousand and $Nil, respectively, which was expensed in the first quarter of the previous year.

We also expensed $4 thousand in the first quarter of 2011 for options granted to investor relation firms for investor relation services, compared to $3 thousand that was expensed in the first quarter of 2010.

There remains approximately $41 thousand in stock-based compensation to be expensed in fiscal 2011 and 2012 of which approximately $31 thousand relates to the issuance of options to our employees and directors during 2009 and 2010, and approximately $10 thousand relates to options granted to investor relations firms. We anticipate the issuance of additional options and warrants in the future, which will continue to result in stock-based compensation expense.

Net Loss

The net loss for the first quarter of 2011 improved by $172 thousand, or 22%, versus the net loss of $772 thousand in the same period of the previous year. The decrease in net loss primarily relates to a decrease in legal fees of $293 thousand related to the dismissal of the Biovail litigation that was partly offset by a decrease in revenue and other income of $84 thousand, and the write-off of an accounts receivable in the amount of $52 thousand deemed to be no longer collectible

Included within the net loss for the first quarter of 2011 is a loss of approximately $35 thousand related to a foreign exchange impact arising from the translation of our operating currency into our reporting currency, which is the effect of the strengthening of the Canadian dollar versus the U.S. dollar.

Key items from the Balance Sheet as at March 31, 2011 compared to December 31, 2010

In U.S.$ thousands

	2011	2010	Increase/ (Decrease)	Percentage Change
Current Assets	$ 1,156	$ 1,666	$ (510)	31%
Property and Equipment	158	159	(1)	1%
Current Liabilities	278	349	(71)	20%
Total Equity	11,207	11,087	120	1%

Current Assets

Current assets totaled $1,156 thousand at March 31, 2011 compared with $1,666 thousand at December 31, 2010. The decrease of $510 thousand is attributable to a decrease in cash and cash equivalents of approximately $569 thousand and a decrease in accounts receivable of approximately $5 thousand, partially off-set by an increase in prepaid expenses of $18 thousand and an increase in investment tax credits receivable of approximately $46 thousand.

Prepaid Expenses

As of March 31, 2011 prepaid expenses totaled $65 thousand, compared to $47 thousand at December 31, 2010. The increase relates primarily to a deposit paid in respect of planned attendance at an exhibition in the fourth quarter of 2011.

Liquidity and Capital Resources

Cash and cash equivalents totaled $575 thousand as at March 31, 2011, representing a decrease of $569 thousand, compared to $1,144 thousand as at December 31, 2010.

On March 4, 2011, $108 thousand agents' warrants were exercised for 227,625 common shares having a par value of $0 thousand for cash consideration of $108 thousand, resulting in an increase in additional paid-in capital of $108 thousand.

As at March 31, 2011, we had accumulated a deficit of $10,361 thousand compared with an accumulated deficit of $9,761 thousand as at December 31, 2010. Total assets amounted to $1,314 thousand and shareholders' equity totaled $1,036 thousand as at March 31, 2011, compared with total assets and shareholders' equity of $1,825 thousand and $1,476 thousand, respectively, as at December 31, 2010.

Accounts receivable totaled $273 thousand (December 31, 2010: $278 thousand) as at March 31, 2011, of which approximately $135 thousand is a sales tax refund that we expect to receive in the second quarter of 2011. In the first quarter of 2011 we wrote-off a receivable in the amount of approximately $52 thousand that was no longer deemed to be collectible.

In addition, we had R&D investment tax credits receivable of approximately $243 thousand as at March 31, 2011 as compared to $197 thousand as at December 31, 2010. We expect to receive a refund of approximately $200 thousand of the R&D investment tax credits during the fourth quarter of 2011.

Accounts payable and accrued liabilities as at March 31, 2011amounted to $278 thousand (December 31, 2010 - $349 thousand), of which approximately $31 thousand relates to research and development activities, approximately $85 thousand relates to professional fees, and approximately $148 thousand relates to accrued payroll liabilities.

Property and Equipment

As at March 31, 2011, the net book value of property and equipment amounted to $158 thousand, compared to $159 thousand at December 31, 2010. In the quarter ended March 31, 2011 additions to assets totaled $3 thousand, total depreciation amounted to $8 thousand and a foreign exchange gain of $4 thousand was recorded.

Capital Stock

As at March 31, 2011, capital stock amounted to $398 compared to $396 at December 31, 2010. The increase reflects the issuance of 227,625 shares at par value of $0.00001 related to the exercise of agents' warrants on March 4, 2011. 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 $11,207 thousand at March 31, 2011 compared with $11,087 thousand at December 31, 2010. The change is made up of an increase of $108 thousand related to the exercise of agents' warrants and $12 thousand for stock-based compensation, of which approximately $4 thousand is attributable to the amortization of stock options granted to our investor relations consultants and approximately $8 thousand is attributable to the amortization of stock options granted to employees and directors.

Key items from the Statement of Cash Flows for the three month period ended March 31, 2011 compared to the three month period ended March 31, 2010

In U.S.$ thousands	2011	2010	Increase/ (Decrease)	Percentage Change
Operating Activities	$ (712)	$ (534)	$ 178	33%
Financing Activities	108	-	108	N/A
Investing Activities	(3)	(3)	-	0%
Cash and cash equivalents - end of period	575	1,037	(462)	45%

Statement of cash flows

Net cash used by operating activities was $712 thousand in the three months ended March 31, 2011 compared to $534 thousand for the same period in 2010. In the first quarter of 2011, net cash used by operating activities consisted of an operating loss of $600 thousand and a decrease in non-cash operating elements of working capital of $184 thousand.

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

The net cash provided by financing activities was $108 thousand in the first quarter of 2011, compared to $Nil in the same period of the previous year. On March 4, 2011 agents warrants were exercised for 227,625 common shares having a par value of $0 thousand for cash consideration of $108 thousand, resulting in an increase in additional paid-in capital of $108 thousand.

Net cash used in investing activities amounted to $3 thousand in the quarter ended March 31, 2011 compared to $3 thousand in the first quarter of 2010.

The balance of cash and cash equivalents as at March 31, 2011 amounted to $575 thousand, compared to $1,037 thousand at March 31, 2010.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Forward-Looking and Cautionary Statements

This report contains certain forward-looking statements that involve risks and uncertainties relating to, among other things, our future financial performance or future events. Forward-looking statements give management s current expectations, plans, objectives, assumptions or forecasts of future events. All statements other than statements of current or historical fact contained in this Form 10Q, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as anticipate, estimate, plans, potential, projects, ongoing, expects, management believes, we believe similar expressions. These statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause actual results to differ materially from the results set forth in this Annual Report. You should not place undue reliance on these forward-looking statements. You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors such as:

continued development of our technology;
lack of product revenues
successful completion of clinical trials and obtaining regulatory approval to market
ability to protect our intellectual property
dependence on collaborative partners
ability to generate positive cash flow
ability to raise additional capital if and when necessary
dependence on key personnel;
competitive factors;
the operation of our business; and
general economic conditions.

These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward looking statements. These forward-looking statements speak only as of the date on which they are made, and except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Item 3. Controls and Procedures.

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

PART II

Item 1. Legal Proceedings

In June of 2009, we announced that our New Drug Application filing for our antidepressant CPI-300 had been accepted by the FDA for standard review. CPI-300 is a higher strength of the antidepressant Bupropion HCl, the active ingredient in Wellbutrin XL®.

As required under NDA filings, our former 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, we learned that Cary was named in a lawsuit filed by Biovail in the U.S. District Court for the District of Delaware (the Court) for patent infringement under the provisions of the Drug Price Competition and Patent Term Restoration Act of 1984 with respect to Biovail's U.S. Patent No. 6,096,341 for Wellbutrin XL®. The filing of the patent infringement lawsuit instituted an automatic stay of any FDA approval of the NDA until the earlier of a judgment or January 3, 2012.

On May 7, 2010 we executed a Project Transfer Agreement (the Agreement) with Cary, whereby Cary assigned its 50% ownership stake in CPI-300 to us. Pursuant to the Agreement, IntelGenx and Cary (collectively, the Parties) agreed to terminate the Collaborative Agreement entered into in November 2007 and Cary further agreed to transfer and assign the CPI-300 project to us. In addition, Cary assigned to us all rights and interest in the regulatory approvals that Cary had or may have had, including the NDA, and we assumed responsibility for the costs associated therewith. We obtained 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. We also assumed all obligations to, and responsibility for, the Biovail litigation, including the costs thereof. On October 19, 2010, the Court granted a motion to substitute us as defendant and counter plaintiff in place of Cary.

On January 4, 2011 we learned that the Court had ruled in our favor regarding claim construction for the two patent terms at issue in the action brought forward by Biovail. The ruling arises from a special proceeding required under U.S. patent law called a "Markman Hearing", where both sides present to the court their arguments on how they believe the patent terms at issue should be interpreted.

Subsequent to the ruling on the Markman Hearing, on February 3, 2011, we announced that the United States District Court of Delaware had dismissed the lawsuit against us.

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.
E x h i b i t 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.

*Confidential treatment has been requested for partners of this document, which are omitted and filed separately with the SEC.

SIGNATURES

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

INTELGENX TECHNOLOGIES CORPORATION

Date: May 10, 2011 By: /S/ *Horst Zerbe*
Horst G. Zerbe
President, C.E.O. and
Director

Date: May 10, 2011 By: /S/ *Paul Simmons*
Paul A. Simmons
Principal Accounting Officer