

IntelGenx Technologies Corp.
Form 10-Q
November 09, 2009

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

FORM 10-Q

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

For the quarterly period ended September 30, 2009 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

INTELGEX TECHNOLOGIES CORP.

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

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

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.

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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) Smaller reporting company

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

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

Yes No

APPLICABLE TO CORPORATE ISSUERS:

33,081,271 shares of the issuer's common stock, par value \$.00001 per share, were issued and outstanding as of November 09, 2009.

IntelGenx Technologies Corp.
Form 10-Q

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IntelGenx Technologies Corp.

Consolidated Interim Financial Statements

September 30, 2009

(Expressed in U.S. Funds)

(Unaudited)

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IntelGenx Technologies Corp.**Consolidated Balance Sheet**

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

(Unaudited)

	September 30, 2009	December 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 2,197.5	\$ 556.0
Restricted cash (note 4)	-	277.2
Accounts receivable, net of allowance for doubtful accounts of \$107.7 (2008-\$NIL)	604.2	317.1
Prepaid expenses	54.3	44.9
Investment tax credits receivable	432.3	269.2
	3,288.3	1,464.4
Property and Equipment	166.6	157.2
	\$ 3,454.9	\$ 1,621.5
Liabilities		
Current		
Accounts payable and accrued liabilities	703.3	525.8
Convertible notes (note 5)	-	714.5
Deferred income tax liability	-	127.4
	703.3	1,367.7
Loan Payable, Shareholder	93.7	82.4
Contingency (note 4)		
Shareholders' Equity		
Capital Stock (note 6)	0.3	0.2
Additional Paid-in-Capital	8,772	5,080.8
Accumulated Other Comprehensive Loss	(24.9)	(184.4)
Accumulated Deficit	(6089.5)	(4,725.0)
	2,657.9	171.6
	\$ 3,454.9	\$ 1,621.5

See accompanying
notes**Approved on Behalf
of the Board:**/s/ Bernard J. Director
Boudreau

/s/ Horst G. Zerbe Director

IntelGenx Technologies Corp.

Consolidated Statement of Shareholders' Equity (Deficiency)

For the Period Ended September 30, 2009

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

(Unaudited)

	Capital Stock		Additional	Accumulated			Total
	Number	Amount	Paid-In	Other	Comprehensive	Deficit	Shareholders'
			Capital	Income (Loss)			Equity
Balance - December 31, 2008	20,850,002	\$ 0.2	\$ 5,080.8	\$ (184.4)	\$ (4,725.0)	\$	171.6
Foreign currency translation adjustment	-	-	-	159.5	-	-	159.5
Issue of common stock, net of transaction costs of \$633,352 (note 6)	11,076,000	0.1	1,845.0	-	-	-	1,845.1
Warrants issued, net of transaction costs of \$350,556 (note 7)	-	-	1,022.7	-	-	-	1,022.7
Stock-based compensation (note 7)	-	-	66.9	-	-	-	66.9
Agents options	-	-	160.7	-	-	-	160.7
Options exercised (note 6)	31,071	-	21.8	-	-	-	21.8
Convertible notes conversions (note 5)	705,158	-	428.8	-	-	-	428.8
Agents stock compensation (note 6)	419,040	-	145.3	-	-	-	145.3
Net loss for the period	-	-	-	-	(1,364.5)	-	(1,364.5)
Balance September 30, 2009	33,081,271	\$ 0.3	\$ 8,772.0	\$ (24.9)	\$ (6,089.5)	\$	2,657.9

See accompanying notes

IntelGenx Technologies Corp.

Consolidated Statement of Operations and Comprehensive Loss

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

(Unaudited)

	For the Three-Month Period Ended September 30,		For the Nine-Month Period Ended September 30,	
	2009	2008	2009	2008
Revenue	\$ 382.6	\$ 271.6	\$ 1,083.0	\$ 708.1
Interest	0.8	10.6	1.8	30.2
	383.4	282.2	1,084.8	738.3
Expenses				
Research and development	356.4	664.8	1,109.3	1,630.7
Research and development tax	(41.3)	(42.8)	(116.1)	(132.3)
credits				
Management salaries	151.6	178.4	366.2	464.6
General and administrative	199.3	64.0	287.8	168.7
Professional fees	78.5	234.6	227.8	658.2
Depreciation	12.1	13.1	32.2	40.3
Foreign exchange	(62.2)	(78.5)	(96.1)	(153.3)
Interest and financing fees	388.0	116.8	765.6	633.4
	1,082.4	1,150.4	2,576.7	3,310.3
Loss Before Income Taxes	(699.0)	(868.2)	(1,491.9)	(2,572.0)
Income taxes (note 8)	(43.2)	(29.0)	(127.4)	(117.9)
Net Loss	(655.8)	(839.2)	(1,364.5)	(2,454.1)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	185.1	(52.5)	159.5	(95.8)
Comprehensive Loss	\$ (470.7)	\$ (891.7)	\$ (1,205.0)	\$ (2,549.9)
Basic Weighted Average Number of Shares Outstanding	23,192,082	20,791,035	21,644,965	19,256,730
Basic and Diluted Loss Per Common Share (note 10)	\$ (0.02)	\$ (0.04)	\$ (0.06)	\$ (0.13)

See accompanying notes

IntelGenx Technologies Corp.

Consolidated Statement of Cash Flows

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

(Unaudited)

	For the Three-Month Period Ended September 30,		For the Nine-Month Period Ended September 30,	
	2009	2008	2009	2008
Funds Provided (Used) -				
Operating Activities				
Net loss	\$ (655.8)	\$ (839.2)	\$ (1,364.5)	\$ (2,454.1)
Depreciation	12.0	13.1	32.2	40.3
Investor relations services	-	-	36.0	-
Stock-based compensation	7.6	64.2	30.9	125.7
Modification of warrant terms	-	-	-	92.6
Interest accretion	198.8	96.1	523.9	348.9
Deferred income tax	(43.2)	(29.0)	(127.4)	(117.9)
Debt conversion expense	174.9	-	174.9	-
Issue of capital stock	-	-	-	111.6
	(305.5)	(694.8)	(694.0)	(1,853.0)
Changes in non-cash operating elements of working capital	47.7	151.9	(282.0)	633.1
	(257.8)	(542.9)	(976.0)	(1,219.9)
Financing Activities				
Issue of capital stock	3,851.8	55.2	3,873.5	2,930.4
Transaction costs	(677.9)	-	(677.9)	(451.6)
Repayment of convertible notes (note 5)	(976.3)	-	(976.3)	-
	2,197.6	55.2	2,219.3	2,478.8
Investing Activities				
Additions to property and equipment	(17.9)	-	(20.9)	(7.6)
Restricted cash (note 4)	10.4	259.9	277.2	(724.5)
	(7.5)	259.9	256.3	(732.1)
Increase (Decrease) in Cash and Cash Equivalent	1,932.3	(227.8)	1,499.6	526.8
Effect of Foreign Exchange on Cash and Cash Equivalents	170.4	(49.6)	141.9	(91.8)
Cash and Cash Equivalents				
Beginning of Period	94.8	1,043.4	556.0	331.0
End of Period	\$ 2,197.5	\$ 766.0	\$ 2,197.5	\$ 766.0

See accompanying notes

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements

September 30, 2009

(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 financial statements at December 31, 2008. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States. 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 on November 9, 2009 and concluded that there are no additional significant events requiring recognition or disclosure.

2.

Adoption of New Accounting Standards

Fair Value Measurements

SFAS No.157 as codified in FASB ASC 820 Fair Value Measurement and Disclosures is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008. The Company adopted ASC 820 for financial assets and liabilities in the first quarter of fiscal 2008 with no material impact to the consolidated financial statements. The Company adopted ASC 820 for non-financial assets and liabilities in the first quarter of fiscal 2009 with no material impact to the consolidated financial statements.

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements

September 30, 2009

(Expressed in U.S. Funds)

(Unaudited)

2.

Adoption of New Accounting Standards (Cont d)

ASC 820 applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There are no assets or liabilities measured at fair value as at September 30, 2009.

Fair Value of Financial Instruments

The table below presents the carrying value and fair value of Company's financial instruments expressed in thousands of US\$. The disclosure excludes leases.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of receivables and payables arising in the ordinary course of business and the investment tax credits receivable and the convertible notes approximate fair value because of the relatively short period of time between their origination and expected realization. The loan payable, shareholder is presumed to have a fair value measured by the cash proceeds exchanged at issuance

The convertible notes use significant unobservable inputs and thus are shown as Level 3 hierarchy items. The fair value of the convertible notes is calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated equity component. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived changes in credit risk of the borrower.

IntelGenx Technologies Corp.**Notes to Consolidated Interim Financial Statements September 30, 2009****(Expressed in U.S. Funds)****(Unaudited)**

2.

Adoption of New Accounting Standards (Cont d)

<u>US\$ thousands</u>	Level	September 30, 2009		December 31, 2008	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets					
Cash and cash equivalents	Level 1	\$ 2,197.5	\$ 2,197.5	\$ 556.0	\$ 556.0
Restricted cash	Level 1	-	-	277.2	277.2
Accounts receivable	Level 1	604.2	604.2	317.1	317.1
Investment tax credits receivable	Level 1	432.3	432.3	269.2	269.2
Financial liabilities					
Accounts payable and accrued liabilities	Level 1	703.3	515.2		