

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. For the fiscal year ended November 30, 2019

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission File No. 0-53805

INTELLIPHARMACEUTICS

INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

30 Worcester Road

Toronto, Ontario M9W 5X2

(Address of principal executive offices)

**Dr. Amina Odidi, President, Chief Operating Officer and Acting Chief Financial Officer, Intellipharmaceutics International Inc., 30 Worcester Road,
Toronto, Ontario M9W 5X2, Telephone: (416) 798-3001, Fax: (416) 798-3007**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None		

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Common shares, no par value

As of November 30, 2019, the registrant had 22,085,856 common shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual report or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark 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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this annual report constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and/or “forward-looking information” under the Securities Act (Ontario). These statements include, without limitation, statements expressed or implied regarding our expectations, plans, goals and milestones, status of developments or expenditures relating to our business, plans to fund our current activities, and statements concerning our partnering activities, health regulatory submissions, strategy, future operations, future financial position, future sales, revenues and profitability, projected costs and market penetration and risks or uncertainties arising from the delisting of our shares from Nasdaq and our ability to comply with OTCQB Venture Market (“**OTCQB**”) and Toronto Stock Exchange (“**TSX**”) requirements. In some cases, you can identify forward-looking statements by terminology such as “appear”, “unlikely”, “target”, “may”, “will”, “should”, “expects”, “plans”, “plans to”, “anticipates”, “believes”, “estimates”, “predicts”, “confident”, “prospects”, “potential”, “continue”, “intends”, “look forward”, “could”, “would”, “projected”, “goals”, “set to”, “seeking” or the negative of such terms or other comparable terminology. We made a number of assumptions in the preparation of our forward-looking statements. You should not place undue reliance on our forward-looking statements, which are subject to a multitude of known and unknown risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those stated in or implied by the forward-looking statements. Risks, uncertainties and other factors that could affect our actual results include, but are not limited to, the effects of general economic conditions, securing and maintaining corporate alliances, our estimates regarding our capital requirements, and the effect of capital market conditions and other factors, including the current status of our product development programs, capital availability, the estimated proceeds (and the expected use of any proceeds) we may receive from any offering of our securities, the potential dilutive effects of any financing, potential liability from and costs of defending pending or future litigation, risks associated with the novel coronavirus (COVID-19), including its impact on our business and operations, our programs regarding research, development and commercialization of our product candidates, the timing of such programs, the timing, costs and uncertainties regarding obtaining regulatory approvals to market our product candidates and the difficulty in predicting the timing and results of any product launches, the timing and amount of profit-share payments from our commercial partners, and the timing and amount of any available investment tax credits, the actual or perceived benefits to users of our drug delivery technologies, products and product candidates as compared to others, our ability to establish and maintain valid and enforceable intellectual property rights in our drug delivery technologies, products and product candidates, the scope of protection provided by intellectual property rights for our drug delivery technologies, products and product candidates, recent and future legal developments in the United States and elsewhere that could make it more difficult and costly for us to obtain regulatory approvals for our product candidates and negatively affect the prices we may charge, increased public awareness and government scrutiny of the problems associated with the potential for abuse of opioid-based medications, pursuing growth through international operations could strain our resources, our limited manufacturing, sales, marketing and distribution capability and our reliance on third parties for such, the actual size of the potential markets for any of our products and product candidates compared to our market estimates, our selection and licensing of products and product candidates, our ability to attract distributors and/or commercial partners with the ability to fund patent litigation and with acceptable product development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts, sources of revenues and anticipated revenues, including contributions from distributors and commercial partners, product sales, license agreements and other collaborative efforts for the development and commercialization of product candidates, our ability to create an effective direct sales and marketing infrastructure for products we elect to market and sell directly, the rate and degree of market acceptance of our products, delays in product approvals that may be caused by changing regulatory requirements, the difficulty in predicting the timing of regulatory approval and launch of competitive products, the difficulty in predicting the impact of competitive products on sales volume, pricing, rebates and other allowances, the number of competitive product entries, and the nature and extent of any aggressive pricing and rebate activities that may follow, the inability to forecast wholesaler demand and/or wholesaler buying patterns, seasonal fluctuations in the number of prescriptions written for our generic Focalin XR® capsules, which may produce substantial fluctuations in revenue, the timing and amount of insurance reimbursement regarding our products, changes in laws and regulations affecting the conditions required by the United States Food and Drug Administration (“**FDA**”) for approval, testing and labeling of drugs including abuse or overdose deterrent properties, and changes affecting how opioids are regulated and prescribed by physicians, changes in laws and regulations, including Medicare and Medicaid, affecting among other things, pricing and reimbursement of pharmaceutical products, the effect of recent changes in U.S. federal income tax laws, including but not limited to, limitations on the deductibility of business interest, limitations on the use of net operating losses and application of the base erosion minimum tax, on our U.S. corporate income tax burden, the success and pricing of other competing therapies that may become available, our ability to retain and hire qualified employees, the availability and pricing of third-party sourced products and materials, challenges related to the development, commercialization, technology transfer, scale-up, and/or process validation of manufacturing processes for our products or product candidates, the manufacturing capacity of third-party manufacturers that we may use for our products, potential product liability risks, the recoverability of the cost of any pre-launch inventory, should a planned

product launch encounter a denial or delay of approval by regulatory bodies, a delay in commercialization, or other potential issues, the successful compliance with FDA, Health Canada and other governmental regulations applicable to us and our third party manufacturers' facilities, products and/or businesses, our reliance on commercial partners, and any future commercial partners, to market and commercialize our products and, if approved, our product candidates, difficulties, delays, or changes in the FDA approval process or test criteria for Abbreviated New Drug Applications ("ANDAs") and New Drug Applications ("NDAs"), challenges in securing final FDA approval for our product candidates, including our oxycodone hydrochloride extended release tablets ("Aximris XR™") product candidate, in particular, if a patent infringement suit is filed against us with respect to any particular product candidates (such as in the case of Oxycodone ER), which could delay the FDA's final approval of such product candidates, healthcare reform measures that could hinder or prevent the commercial success of our products and product candidates, the risk that the FDA may not approve requested product labeling for our product candidate(s) having abuse-deterrent properties and targeting common forms of abuse (oral, intra-nasal and intravenous), risks associated with cyber-security and the potential vulnerability of our digital information or the digital information of a current and/or future drug development or commercialization partner of ours, and risks arising from the ability and willingness of our third-party commercialization partners to provide documentation that may be required to support information on revenues earned by us from those commercialization partners.

Additional risks and uncertainties relating to us and our business can be found in the "Risk Factors" section in Item 3.D below, the "Risk Factors" sections of our latest annual information form and our latest registration statements on Form F-1 and F-3 (including any documents forming a part thereof or incorporated by reference therein), as amended, as well as in our reports, public disclosure documents and other filings with the securities commissions and other regulatory bodies in Canada and the U.S., which are available on www.sedar.com and www.sec.gov. The forward-looking statements reflect our current views with respect to future events, and are based on what we believe are reasonable assumptions as of the date of this document and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Nothing contained in this document should be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of our actual operating results.

In this annual report, unless the context otherwise requires, the terms "we", "us", "our", "Intellipharmaeutics," and the "Company" refer to Intellipharmaeutics International Inc. and its subsidiaries. Any reference in this annual report to our "products" includes a reference to our product candidates and future products we may develop. Whenever we refer to any of our current product candidates (including additional product strengths of products we are currently marketing) and future products we may develop, no assurances can be given that we, or any of our strategic partners, will successfully commercialize or complete the development of any of such product candidates or future products under development or proposed for development, that regulatory approvals will be granted for any such product candidate or future product, or that any approved product will be produced in commercial quantities or sold profitably.

Unless stated otherwise, all references to "\$", "U.S.\$", or "U.S. Dollars" are to the lawful currency of the United States and all references to "C\$" are to the lawful currency of Canada. In this annual report, we refer to information regarding potential markets for our products, product candidates and other industry data. We believe that all such information has been obtained from reliable sources that are customarily relied upon by companies in our industry. However, we have not independently verified any such information.

Intellipharmaeutics™, Hypermatrix™, Drug Delivery Engine™, IntelliFoam™, IntelliGITransporter™, IntelliMatrix™, IntelliOsmotics™, IntelliPaste™, IntelliPellets™, IntelliShuttle™, nPODDDS™, PODRAS™, Regabatin™ XR and Aximris XR™ are our trademarks. These trademarks are important to our business. Although we may have omitted the "TM" trademark designation for such trademarks in this annual report, all rights to such trademarks are nevertheless reserved. Unless otherwise noted, other trademarks used in this annual report are the property of their respective holders.

We initially named our oxycodone hydrochloride extended-release tablets “Rexista™,” but later changed the name of our product candidate to “Aximris XR™” as the FDA did not approve the proposed name “Rexista”. References in this annual report, and/or the documents incorporated by reference herein or therein to Oxycodone ER, Rexista™ or Aximris XR™ are intended to refer to our oxycodone hydrochloride extended release tablets product candidate.

Unless the context otherwise requires, references in this document to (i) share amounts, per share data, share prices, exercise prices and conversion rates have been adjusted to reflect the effect of the 1-for-10 reverse split (the “**reverse split**”) which became effective on each of Nasdaq and TSX at the open of market on September 14, 2018, and (ii) “**consolidation**” or “**share consolidation**” are intended to refer to such reverse split. The Common Shares of the Company are currently traded on the OTCQB and the TSX.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

Item 2 Offer Statistics and Expected Timetable

A. Offer statistics

Not applicable.

B. Method and expected timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following selected financial data of the Company has been derived from the audited consolidated financial statements of the Company as at and for the years ended November 30, 2019, 2018, 2017, 2016, and 2015. The comparative number of shares issued and outstanding, basic and diluted loss per share have been amended to give effect to this arrangement transaction. These statements were prepared in accordance with accounting principles generally accepted in the United States of America (“**U.S. GAAP**”). All dollar amounts in this annual report are expressed in U.S. dollars, unless otherwise indicated.

(In thousands of U.S. dollars, except for per share data)

	As at and for the year ended November 30, 2019	As at and for the year ended November 30, 2018	As at and for the year ended November 30, 2017	As at and for the year ended November 30, 2016	As at and for the year ended November 30, 2015
	\$	\$	\$	\$	\$
Revenue	3,481	1,713	5,504	2,247	4,094
Loss for the year	(8,085)	(13,747)	(8,857)	(10,144)	(7,436)
Total assets	3,797	11,474	7,397	7,975	5,224
Total liabilities	7,489	7,372	7,010	6,858	5,362
Net assets	(3,692)	4,102	386	1,116	(138)
Capital stock	45,561	44,328	35,290	29,831	21,481
Loss per share - basic and diluted	(0.37)	(2.89)	(2.86)	(3.80)	(3.13)
Dividends	Nil	Nil	Nil	Nil	Nil
Weighted average common shares	21,580	4,762	3,101	2,670	2,377

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Prospects for companies in the pharmaceutical industry generally may be regarded as uncertain given the research and development (“R&D”) nature of the industry and uncertainty regarding the prospects of successfully commercializing product candidates and, accordingly, investments in companies such as ours should be regarded as very speculative. An investor should carefully consider the risks and uncertainties described below, as well as other information contained in this annual report. The list of risks and uncertainties described below is not an exhaustive list. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any one or more of the following risks occur, our business, financial condition and results of operations could be seriously harmed. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline. If any of the following risks actually occurs, our business, operating results, or financial condition could be materially adversely affected.

Our activities entail significant risks. In addition to the usual risks associated with a business, the following is a general description of certain significant risk factors which may be applicable to us.

Risks related to our Company

We have a history of operating losses, which may continue for the foreseeable future and our auditors have indicated that there is a substantial doubt about our ability to continue as a going concern.

To date, we have not been profitable and have incurred significant losses and cash flow deficits. For fiscal year ended November 30, 2019, we reported net losses of \$8,084,646, and negative cash flow from operating activities of \$6,663,677. As of November 30, 2019, we had an aggregate accumulated deficit of \$93,705,585. We anticipate that we will continue to report losses and negative operating cash flow. As a result of these net losses and other factors our independent auditors issued an audit opinion with respect to our financial statements for the three years ended November 30, 2019 that indicated that there is a substantial doubt about our ability to continue as a going concern.

There can be no assurance that we will ever be able to achieve or sustain profitability or positive cash flow. In addition to the other factors described in this annual report, our ultimate success will depend on how many of our product candidates receive approval by the FDA or Health Canada and the regulatory authorities of the other countries in which our products are proposed to be sold and whether we are able to successfully market approved products. We cannot be certain that we will be able to receive FDA, Health Canada or such other regulatory approval for any of our current or future product candidates, or that we will reach the level of sales and revenues necessary to achieve and sustain profitability. If we are unsuccessful in commercializing our products and/or securing sufficient financing, we may need to cease or curtail our operations.

Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. These adjustments would likely include substantial impairment of the carrying amount of our assets and potential contingent liabilities that may arise if we are unable to fulfill various operational commitments. In addition, the value of our securities would be greatly impaired. Our ability to continue as a going concern is dependent upon generating sufficient cash flow from operations and obtaining additional capital and financing. If our ability to generate cash flow from operations is delayed or reduced and we are unable to raise additional funding from other sources, we may be unable to continue in business.

Our business is capital intensive and requires significant investment to conduct the research and development, clinical and regulatory activities necessary to bring our products to market, which capital may not be available in amounts or on terms acceptable to us, if at all.

Our business requires substantial capital investment in order to conduct the R&D, clinical and regulatory activities and to defend against patent litigation claims in order to bring our products to market and to establish commercial manufacturing, marketing and sales capabilities. As of November 30, 2018, we had a cash balance of \$6.6 million. As of November 30, 2019, our cash balance was \$64,622. We currently expect to meet short-term cash requirements from quarterly profit share payments from Par and by cost savings associated with managing operating expense levels. If we are able to supply products to our marketing and distribution partner, Tris Pharma (as defined below), and it achieves sales of our generic Seroquel XR®, generic Pristiq and generic Effexor XR at anticipated rates, then we may satisfy our cash needs with reduced staff and cost saving measures. We will need to obtain additional funding to further product commercialization activities and development of our product candidates. Potential sources of capital may include payments from licensing agreements, and/or new strategic partnership agreements which the Company is actively exploring. The Company has funded its business activities principally through the issuance of securities, loans from related parties (see “Related Party Transactions” for more information related to the terms of such loans and applicable maturities) and funds from development agreements. There is no certainty that such funding will be available going forward. If conditions permit, we intend to utilize the equity markets and/or debt financing to bridge any funding shortfall. Our future operations are highly dependent upon our ability to source additional capital to support advancing our product pipeline through continued R&D activities and to fund any significant expansion of our operations. Our ultimate success will depend on whether our product candidates receive approval by the FDA or Health Canada and the regulatory authorities of other countries in which our products are proposed to be sold and whether we are able to successfully market our approved products. We cannot be certain that we will receive FDA or Health Canada or such other regulatory approval for any of our current or future product candidates, that we will reach the level of sales and revenues necessary to achieve and sustain profitability or that we can secure other capital sources on terms or in amounts sufficient to meet our needs, or at all. Our cash requirements for R&D during any period depend on the number and extent of the R&D activities we focus on. At present, we are focused principally on the development of 505(b)(2) product candidates, such as our Regabatin™ XR of Oxycodone ER 505(b)(2) product candidates, and selected generic product candidate development projects. Our development of Oxycodone ER required significant expenditures, including costs to defend against the Purdue (as defined below) litigation (as described in the “Legal Proceedings and Regulatory Actions” section), and some of those are still owed by the Company. For our Regabatin™ XR product candidate, Phase III clinical trials can be capital intensive, and will only be undertaken consistent with the availability of funds and a prudent cash management strategy.

The availability of equity or debt financing will be affected by, among other things, the results of our R&D, our ability to obtain regulatory approvals, our success in commercializing approved products with our commercial partners and the market acceptance of our products, the state of the capital markets generally, the delisting of our shares from Nasdaq, strategic alliance agreements and other relevant commercial considerations. In addition, if we raise additional funds by issuing equity securities, our then-existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. In the event that we do not obtain sufficient additional capital, it will raise substantial doubt about our ability to continue as a going concern, realize our assets, and pay our liabilities as they become due. Our cash outflows are expected to consist primarily of internal and external R&D, legal and consulting expenditures to advance our product pipeline and selling, general and administrative expenses to support our commercialization efforts. Depending upon the results of our R&D programs, the impact of the Purdue litigation and other litigation to which we are a party and the availability of financial resources, we could decide to accelerate, terminate, or reduce certain projects, or commence new ones. Any failure on our part to successfully commercialize approved products or raise additional funds on terms favorable to us, or at all, may require us to significantly change or curtail our current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated,

and could result in us not taking advantage of business opportunities, in the termination or delay of clinical trials or us not taking any necessary actions required by the FDA or Health Canada for one or more of our product candidates, in curtailment of our product development programs designed to identify new product candidates, in the sale or assignment of rights to our technologies, products or product candidates, and/or our inability to file ANDAs, Abbreviated New Drug Submissions (“ANDSs”) or NDAs, at all or in time to competitively market our products or product candidates.

Delays, suspensions and terminations in our preclinical studies and clinical trials could result in increased costs to us and delay our ability to generate product revenues.

The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- demonstrating sufficient safety and efficacy to obtain regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- manufacturing sufficient quantities of a drug candidate;
- obtaining institutional review board approval to conduct a clinical trial at a prospective clinical trial site;
- patient enrollment; and
- for controlled substances, obtaining specific permission to conduct a study, and obtaining import and export permits to ship study samples.

Once a clinical trial has begun, it may be delayed, suspended or terminated due to a number of factors, including:

- the number of patients that participate in the trial;
- the length of time required to enroll suitable subjects;
- the duration of patient follow-up;
- the number of clinical sites included in the trial;
- changes in regulatory requirements or regulatory delays or clinical holds requiring suspension or termination of the trials;
- delays, suspensions or termination of clinical trials due to the institutional review board overseeing the study at a particular site;
- failure to conduct clinical trials in accordance with regulatory requirements;
- unforeseen safety issues, including serious adverse events or side effects experienced by participants; and
- inability to manufacture, through third party manufacturers, adequate supplies of the product candidate being tested.

Based on results at any stage of product development, we may decide to repeat or redesign preclinical studies or clinical trials, conduct entirely new studies or discontinue development of products for one or all indications. In addition, our product candidates may not demonstrate sufficient safety and efficacy in pending or any future preclinical testing or clinical trials to obtain the requisite regulatory approvals. Even if such approvals are obtained for our products, they may not be accepted in the market as a viable alternative to other products already approved or pending approvals.

If we experience delays, suspensions or terminations in a preclinical study or clinical trial, the commercial prospects for our products will be harmed, and our ability to generate product revenues will be delayed or we may never be able to generate such revenues.

Loss of key scientists and/or failure to attract qualified personnel could limit our growth and negatively impact our operations.

We are dependent upon the scientific expertise of Dr. Isa Odidi, our Chairman, Chief Executive Officer and Co-Chief Scientific Officer, and Dr. Amina Odidi, our President, Chief Operating Officer and Co-Chief Scientific Officer. Although we employ other qualified scientists, Drs. Isa and Amina Odidi are our only employees with the knowledge and experience necessary for us to continue the development of controlled-release products. We do not maintain key-person life insurance on any of our officers or employees. Although we have employment agreements with key members of our management team, each of our employees may terminate his or her employment at any time. The success of our business depends, in large part, on our continued ability to attract and retain highly qualified management, scientific, manufacturing and sales and marketing personnel, on our ability to successfully integrate new employees, and on our ability to develop and maintain important relationships with leading research and medical institutions and key distributors. If we lose the services of our executive officers or other qualified personnel or are unable to attract and retain qualified individuals to fill these roles or develop key relationships, our business, financial condition and results of operations could be materially adversely affected.

Our intellectual property may not provide meaningful protection for our products and product candidates.

We hold certain U.S., Canadian and foreign patents and have pending applications for additional patents outstanding. We intend to continue to seek patent protection for, or maintain as trade secrets, all of our commercially promising drug delivery platforms and technologies. Our success depends, in part, on our and our collaborative partners' ability to obtain and maintain patent protection for products and product candidates, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Without patent and other similar protection, other companies could offer substantially identical products without incurring sizeable development costs which could diminish our ability to recover expenses of and realize profits on our developed products. If our pending patent applications are not approved, or if we are unable to obtain patents for additional developed technologies, the future protection for our technologies will remain uncertain. Furthermore, third parties may independently develop similar or alternative technologies, duplicate some or all of our technologies, design around our patented technologies or challenge our issued patents. Such third parties may have filed patent applications, or hold issued patents, relating to products or processes competitive with those we are developing or otherwise restricting our ability to do business in a particular area. If we are unable to obtain patents or otherwise protect our trade secrets or other intellectual property and operate without infringing on the proprietary rights of others, our business, financial condition and results of operations could be materially adversely affected.

We may be subject to intellectual property claims that could be costly and could disrupt our business.

Third parties may claim we have infringed their patents, trademarks, copyrights or other rights. We may be unsuccessful in defending against such claims, which could result in the inability to protect our intellectual property rights or liability in the form of substantial damages, fines or other penalties such as injunctions precluding our manufacture, importation or sales of products. The resolution of a claim could also require us to change how we do business or enter into burdensome royalty or license agreements; provided, however, we may not be able to obtain the necessary licenses on acceptable terms, or at all. Insurance coverage may be denied or may not be adequate to cover every claim that third parties could assert against us. Even unsuccessful claims could result in significant legal fees and other expenses, diversion of management's time and disruptions in our business. Any of these claims could also harm our reputation. Any of the foregoing may have a material adverse effect upon our business and financial condition.

We are a defendant in litigation and are at risk of additional similar litigation in the future that could divert management's attention and adversely affect our business and could subject us to significant liabilities.

We are a defendant in the litigation matters described in this annual report. The defense of such litigation may increase our expenses and divert our management's attention and resources, and any unfavorable outcome could have a material adverse effect on our business and results of operations. Any adverse determination in such litigation, or any settlement of such litigation matters could require that we make significant payments. In addition, we may be the target of other litigation in the future. Any negative outcome in any ongoing or future litigation may have a material adverse effect on our business and financial condition.

Recent and future legal developments could make it more difficult and costly for us to obtain regulatory approvals for our product candidates and negatively affect the prices we may charge.

In the United States and elsewhere, recent and proposed legal and regulatory changes to healthcare systems could prevent or delay our receipt of regulatory approval for our product candidates, restrict or regulate our post-approval marketing activities, and adversely affect our ability to profitably sell our products. We do not know whether additional legislative changes will be enacted, or whether the FDA's regulations, guidance or interpretations will be changed, or what impact any such changes will have, if any, on our ability to obtain regulatory approvals for our product candidates. Further, the U.S. Centers for Medicare and Medicaid Services ("CMS") frequently changes product descriptors, coverage policies, product and service codes, payment methodologies and reimbursement values. Also, increased scrutiny by the U.S. Congress of the FDA's approval process could significantly delay or prevent our receipt of regulatory approval for our product candidates and subject us to more stringent product labeling and post-marketing testing and other requirements.

We operate in a highly litigious environment.

From time to time, we may be exposed to claims and legal actions in the normal course of business. There has been substantial litigation in the pharmaceutical industry concerning the manufacture, use and sale of new products that are the subject of conflicting patent rights. When we file an ANDA or 505(b)(2) new drug application (NDA) for a bioequivalent version of a drug, we may, in some circumstances, be required to certify to the FDA that any patent which has been listed with the FDA as covering the branded product has expired, the date any such patent will expire, or that any such patent is invalid or will not be infringed by the manufacture, sale or use of the new drug for which the application is submitted. Approval of an ANDA is not effective until each listed patent expires, unless the applicant certifies that the patents at issue are not infringed or are invalid and so notifies the patent holder and the holder of the branded product. A patent holder may challenge a notice of non-infringement or invalidity by suing for patent infringement within 45 days of receiving notice. Such a challenge prevents FDA approval for a period which ends 30 months after the receipt of notice, or sooner if an appropriate court rules that the patent is invalid or not infringed. From time to time, in the ordinary course of business, we face and have faced such challenges and may continue to do so in the future.

As of the date of this annual report, we are not aware of any pending or threatened material litigation claims against us, other than as described in this annual report under the caption "Legal Proceedings and Regulatory Actions". Litigation to which we are, or may be, subject could relate to, among other things, our patent and other intellectual property rights or such rights of others, business or licensing arrangements with other persons, product liability or financing activities. Such litigation could include an injunction against the manufacture or sale of one or more of our products or potential products or a significant monetary judgment, including a possible punitive damages award, or a judgment that certain of our patent or other intellectual property rights are invalid or unenforceable or infringe the intellectual property rights of others. If such litigation is commenced, our business, results of operations, financial condition and cash flows could be materially adversely affected.

We rely on maintaining as trade secrets our competitively sensitive know-how and other information, the intentional or unintentional disclosure of which could impair our competitive position.

As to many technical aspects of our business, we have concluded that competitively sensitive information is either not patentable or that for competitive reasons it is not commercially advantageous to seek patent protection. In these circumstances, we seek to protect this know-how and other proprietary information by maintaining it in confidence as a trade secret. To maintain the confidentiality of our trade secrets, we generally enter into agreements that contain confidentiality provisions with our employees, consultants, collaborators, contract manufacturers and advisors upon commencement of their relationships with us. These provisions generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. We may not have these arrangements in place in all circumstances, and the confidentiality provisions in our favour may be breached. We may not become aware of, or have adequate remedies in the event of, any such breach. In addition, in some situations, the confidentiality provisions in our favour may conflict with, or be subject to, the rights of third parties with whom our employees, consultants, collaborators, contract manufacturers or advisors have previous employment or consulting relationships. To the extent that our employees, consultants, collaborators, contract manufacturers or advisors use trade secrets or know-how owned by others in their work for us, disputes may arise as to the ownership of relative inventions. Also, others may independently develop substantially equivalent trade secrets, processes and know-how, and competitors may be able to use this information to develop products that compete with our products, which could adversely impact our business. The disclosure of our trade secrets could impair our competitive position. Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information.

Our founders potentially may be able to exercise influence over certain corporate actions.

Our founders, Drs. Amina and Isa Odidi, our President, Chief Operating Officer and Co-Chief Scientific Officer and our Chairman, Chief Executive Officer and Co-Chief Scientific Officer, respectively, and shareholders of our Company, and Odidi Holdings Inc., a privately-held company controlled by Drs. Amina and Isa Odidi, own in the aggregate approximately 2.44% of our issued and outstanding Common Shares as of March 30, 2020 (and collectively beneficially owned in the aggregate approximately 19.71% of our Common Shares, including Common Shares issuable upon the exercise of outstanding options and the conversion of the 2018 Debenture (as defined below), May 2019 Debenture (as defined below) and the November 2019 Debenture (as defined below and collectively with the 2018 Debenture and the May 2019 Debenture, the “**Debentures**”). As a result, these shareholders potentially may be able to exercise influence over matters submitted to our shareholders for approval.

Approvals for our product candidates may be delayed or become more difficult to obtain if the FDA changes its approval requirements.

The FDA may institute changes to its ANDA approval requirements, which may make it more difficult or expensive for us to obtain approval for our new generic products. For instance, in July 2012, the Generic Drug User Fee Amendments of 2012 (“**GDUFA**”), was enacted into law. The GDUFA legislation implemented substantial fees for new ANDAs, Drug Master Files, and product and establishment fees. In return, the program is intended to provide faster and more predictable ANDA reviews by the FDA and more timely inspections of drug facilities. For the FDA’s fiscal year 2020, the user fee rate is \$176,237. For the FDA’s fiscal year 2020, the FDA will also charge an annual facility user fee of \$210,662 plus a general program fee of \$166,168. Under GDUFA, generic product companies face significant penalties for failure to pay the new user fees, including rendering an ANDA not “substantially complete” until the fee is paid. It is currently uncertain the effect the new fees will have on our ANDA process and business. However, any failure by us or our suppliers to pay the fees or to comply with the other provisions of GDUFA may adversely impact or delay our ability to file ANDAs, obtain approvals for new generic products and generate revenues and thus may have a material adverse effect on our business, results of operations and financial condition.

We cannot ensure the availability of raw materials.

Certain raw materials necessary for the development and subsequent commercial manufacture of our product candidates may be proprietary products of other companies. While we attempt to manage the risk associated with such proprietary raw materials through contractual provisions in supply contracts, by management of inventory and by continuing to search for alternative authorized suppliers of such materials or their equivalents, if our efforts fail, or if there is a material shortage, contamination, and/or recall of such materials, the resulting scarcity, and scarcity as a result of any other reason (such as the novel coronavirus (COVID-19)), could adversely affect our ability to develop or manufacture our product candidates. In addition, many third party suppliers are subject to governmental regulation and, accordingly, we are dependent on the regulatory compliance of, as well as on the strength, enforceability and terms of our various contracts with, these third party suppliers.

Further, the FDA requires identification of raw material suppliers in applications for approval of drug products. If raw materials are unavailable from a specified supplier, the supplier does not give us access to its technical information for our application or the supplier is not in compliance with FDA or other applicable requirements, FDA approval of the supplier could delay the manufacture of the drug involved. Any inability to obtain raw materials on a timely basis, or any significant price increases which cannot be passed on to our customers, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our product candidates may not be successfully developed or commercialized.

Successful development of our product candidates is highly uncertain and is dependent on numerous factors, many of which are beyond our control. Products that appear promising in research or early phases of development may fail to reach later stages of development or the market for several reasons including:

- for ANDA candidates, bioequivalence studies results may not meet regulatory requirements or guidelines for the demonstration of bioequivalence;
- for NDA candidates, a product may not demonstrate acceptable large-scale clinical trial results, even though it demonstrated positive preclinical or initial clinical trial results;
- for NDA candidates, a product may not be effective in treating a specified condition or illness;
- a product may have harmful side effects on humans;
- products may fail to receive the necessary regulatory approvals from the FDA or other regulatory bodies, or there may be delays in receiving such approvals;
- changes in the approval process of the FDA or other regulatory bodies during the development period or changes in regulatory review for each submitted product application may also cause delays in the approval or result in rejection of an application;
- difficulties may be encountered in formulating products, scaling up manufacturing processes or in getting approval for manufacturing;
- difficulties may be encountered in the manufacture and/or packaging of our products;
- once manufactured, our products may not meet prescribed quality assurance and stability tests;
- manufacturing costs, pricing or reimbursement issues, other competitive therapeutics, or other commercial factors may make the product uneconomical; and
- the proprietary rights of others, and their competing products and technologies, may prevent the product from being developed or commercialized.

Further, success in preclinical and early clinical trials does not ensure that large-scale clinical trials will be successful, nor does success in preliminary studies for ANDA candidates ensure that bioequivalence studies will be successful. Results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. The length of time necessary to complete bioequivalence studies or clinical trials and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict.

As a result, there can be no assurance that any of our product candidates currently in development will ever be successfully commercialized.

Near-term revenue depends significantly on the success of our commercialized products

Our ability to generate significant near-term revenue will depend upon successful commercialization of our ANDA products.

Our ANDA product, a once daily generic Focalin XR® capsules, for which we received final approval from the FDA in November 2013 under the Company ANDA (as defined below) to launch the 15 and 30 mg strengths. Commercial sales of these strengths were launched immediately by our commercialization partner in the U.S., Par Pharmaceutical, Inc. (“**Par**”). Our 5, 10, 20 and 40 mg strengths were also then tentatively FDA approved, subject to the right of Teva Pharmaceuticals USA, Inc. (“**Teva**”) to 180 days of generic exclusivity from the date of first launch of such products. Teva launched its own 5, 10, 20 and 40 mg strengths of generic Focalin XR® capsules on November 11, 2014, February 2, 2015, June 22, 2015 and November 19, 2013, respectively. In January 2017, Par launched the 25 and 35 mg strengths of its generic Focalin XR® capsules in the U.S., and in May 2017, Par launched the 10 and 20 mg strengths, complementing the 15 and 30 mg strengths of our generic Focalin XR® marketed by Par. The FDA granted final approval under the Par ANDA (as defined in Item 4.B. below) for its generic Focalin XR® capsules in the 5, 10, 15, 20, 25, 30, 35 and 40 mg strengths. As the first filer of an ANDA for generic Focalin XR® in the 25 and 35 mg strengths, Par had 180 days of U.S. generic marketing exclusivity for those strengths. In November 2017, Par launched the remaining 5 and 40 mg strengths of generic Focalin XR®, complementing the 10, 15, 20, 25, 30 and 35 mg strengths previously launched and marketed by Par and providing us with the full line of general Focalin XR® strengths available in the U.S. market. Under the Par agreement (as defined below), we receive calendar quarterly profit-share payments on Par’s U.S. sales of generic Focalin XR®. There can be no assurance that commercialization of the product will produce significant revenue for us. We depend significantly on the actions of our marketing partner Par in the prosecution, regulatory approval and commercialization of our generic Focalin XR® capsules and on their timely payment to us of the contracted calendar quarterly payments as they come due.

On August 15, 2019, we announced a license and commercial supply agreement with Tris Pharma, granting Tris Pharma the exclusive license to market, sell and distribute all strengths of generic Seroquel XR® (quetiapine fumarate extended-release tablets) in the United States. In May 2019, we received approval from the FDA for our ANDA for desvenlafaxine extended-release tablets in the 50 and 100 mg strengths and on September 5, 2019, we announced an agreement with Tris Pharma, granting Tris Pharma an exclusive license to market, sell and distribute that product in the United States. Our Venlafaxine hydrochloride extended-release capsules received final approval from the FDA in the 37.5, 75 and 150 mg strengths in November 2018; and the Company announced an exclusive licensing agreement with Tris Pharma to market, sell and distribute that product in the United States in November 2019.

There can be no assurance that any strengths of products licensed to Tris Pharma will be successfully commercialized. We depend significantly on the actions of our marketing partner Tris Pharma in the commercialization of these licensed products and on their timely payment to us of the contracted payments as they come due.

Our near-term ability to generate significant revenue will depend upon successful commercialization of our products in the U.S., whether the branded products are in the market. Although we have some NDA 505(b)(2) product candidates in our pipeline, these are at early stages of development. We have ANDAs still under review by the FDA and commercial alternatives for our products that have been approved by the FDA that are not licensed.

Our significant expenditures on R&D may not lead to successful product introductions.

We conduct R&D primarily to enable us to manufacture and market pharmaceuticals in accordance with FDA regulations. Typically, research expenses related to the development of innovative compounds and the filing of NDAs are significantly greater than those expenses associated with ANDAs. As we continue to develop new products, our research expenses will likely increase. We are required to obtain FDA approval before marketing our drug products and the approval process is costly and time consuming. Because of the inherent risk associated with R&D efforts in our industry, particularly with respect to new drugs, our R&D expenditures may not result in the successful introduction of FDA approved new pharmaceuticals.

We may not have the ability to develop or license, or otherwise acquire, and introduce new products on a timely basis.

Product development is inherently risky, especially for new drugs for which safety and efficacy have not been established and the market is not yet proven. Likewise, product licensing involves inherent risks including uncertainties due to matters that may affect the achievement of milestones, as well as the possibility of contractual disagreements with regard to terms such as license scope or termination rights. The development and commercialization process, particularly with regard to new drugs, also requires substantial time, effort and financial resources. The process of obtaining FDA or other regulatory approval to manufacture and market new and generic pharmaceutical products is rigorous, time consuming, costly and largely unpredictable. We, or a partner, may not be successful in obtaining FDA or other required regulatory approval or in commercializing any of the product candidates that we are developing or licensing.

Our business and operations are increasingly dependent on information technology and accordingly we would suffer in the event of computer system failures, cyber-attacks or a deficiency in cyber-security.

Our internal computer systems, and those of our vendors and current and/or future drug development or commercialization partners of ours, may be vulnerable to damage from cyber-attacks, computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures. The risk of a security breach or disruption, particularly through cyber-attacks, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions have increased. If such an event were to occur and cause interruptions in our operations or those of a drug development or commercialization partner, it could result in a material disruption of our product development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur significant liability and damage to our reputation. In addition, further development of our drug candidates could be adversely affected.

In addition, the unauthorized dissemination of sensitive personal information could expose us or other third parties to regulatory fines or penalties, litigation and potential liability, or otherwise harm our business.

Our business can be impacted by wholesaler buying patterns, increased generic competition and, to a lesser extent, seasonal fluctuations, which may cause our operating results to fluctuate.

We believe that the revenues derived from our generic Focalin XR[®] capsules and other licensed products are subject to wholesaler buying patterns, increased generic competition negatively impacting price, margins and market share consistent with industry post-exclusivity experience and, to a lesser extent, seasonal fluctuations in relation to generic Focalin XR[®] capsules (as these products are indicated for conditions including attention deficit hyperactivity disorder which we expect may see increases in prescription rates during the school term and declines in prescription rates during the summer months). Accordingly, these factors may cause our operating results to fluctuate.

We may not achieve our projected development goals in the time frames we announce and expect.

We set goals regarding the expected timing of meeting certain corporate objectives, such as the commencement and completion of clinical trials, anticipated regulatory approval and product launch dates. From time to time, we may make certain public statements regarding these goals. The actual timing of these events can vary dramatically due to, among other things, insufficient funding, delays or failures in our clinical trials or bioequivalence studies, the uncertainties inherent in the regulatory approval process, such as failure to secure appropriate product labeling approvals, requests for additional information, delays in achieving manufacturing or marketing arrangements necessary to commercialize our product candidates and failure by our collaborators, marketing and distribution partners, suppliers and other third parties to fulfill contractual obligations. In addition, the possibility of a patent infringement suit regarding one or more of our product candidates could delay final FDA approval of such candidates. If we fail to achieve one or more of these planned goals, the price of our common shares could decline.

We have limited manufacturing, sales, marketing or distribution capability and we must rely upon third parties for such.

While we have our own manufacturing facility in Toronto, we rely on third-party manufacturers to supply pharmaceutical ingredients, and we will be reliant upon a third-party manufacturer to produce certain of our products and product candidates. Third-party manufacturers may not be able to meet our deadlines or adhere to quality standards and specifications. Our reliance on third parties for the manufacture of pharmaceutical ingredients and finished products creates a dependency that could severely disrupt our research and development, our clinical testing, and ultimately our sales and marketing efforts if such third party manufacturers fail to perform satisfactorily, or do not adequately fulfill their obligations. If our manufacturing operation or any contracted manufacturing operation is unreliable or unavailable, we may not be able to move forward with our intended business operations and our entire business plan could fail. There is no assurance that our manufacturing operation or any third-party manufacturers will be able to meet commercialized scale production requirements in a timely manner or in accordance with applicable standards or current Good Manufacturing Practices (“cGMP”).

If our manufacturing facility is unable to manufacture our product(s) or the manufacturing process is interrupted due to failure to comply with regulations or for other reasons, it could have a material adverse impact on our business.

If our manufacturing facility fails to comply with regulatory requirements or encounter other manufacturing difficulties, it could adversely affect our ability to supply products. All facilities and manufacturing processes used for the manufacture of pharmaceutical products are subject to inspection by regulatory agencies at any time and must be operated in conformity with the current cGMP regulations. Compliance with FDA and Health Canada cGMP requirements applies to both drug products seeking regulatory approval and to approved drug products. In complying with cGMP requirements, pharmaceutical manufacturing facilities must continually expend significant time, money and effort in production, record-keeping and quality assurance and control so that their products meet applicable specifications and other requirements for product safety, efficacy and quality. Failure to comply with applicable legal requirements subjects our manufacturing facility to possible legal or regulatory action, including shutdown, which may adversely affect our ability to manufacture product. Were we not able to manufacture products at our manufacturing facility because of regulatory, business or any other reasons, the manufacture and marketing of these products would be interrupted. This could have a material adverse impact on our business, results of operations, financial condition, cash flows and competitive position.

The use of legal and regulatory strategies by competitors with innovator products, including the filing of citizen petitions, may delay or prevent the introduction or approval of our product candidates, increase our costs associated with the introduction or marketing of our products, or significantly reduce the profit potential of our product candidates.

Companies with innovator drugs often pursue strategies that may serve to prevent or delay competition from alternatives to their innovator products. These strategies include, but are not limited to:

- filing “citizen petitions” with the FDA that may delay competition by causing delays of our product approvals;
- seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate a product’s bioequivalence or “sameness” to the related innovator product;
- filing suits for patent infringement that automatically delay FDA approval of products seeking approval based on the Section 505(b)(2) pathway;
- obtaining extensions of market exclusivity by conducting clinical trials of innovator drugs in pediatric populations or by other methods;
- persuading the FDA to withdraw the approval of innovator drugs for which the patents are about to expire, thus allowing the innovator company to develop and launch new patented products serving as substitutes for the withdrawn products;
- seeking to obtain new patents on drugs for which patent protection is about to expire; and
- initiating legislative and administrative efforts in various states to limit the substitution of innovator products by pharmacies.

These strategies could delay, reduce or eliminate our entry into the market and our ability to generate revenues from our products and product candidates.

Our products and product candidates, if approved for sale, may not gain acceptance among physicians, patients and the medical community, thereby limiting our potential to generate revenue.

Even if we are able to obtain regulatory approvals for our product candidates, the success of any of our products will be dependent upon market acceptance by physicians, healthcare professionals and third-party payers and our profitability and growth will depend on a number of factors, including:

- demonstration of safety and efficacy;
- changes in the practice guidelines and the standard of care for the targeted indication;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- the availability of alternative products from competitors;
- the prices of our products relative to those of our competitors;
- pricing, reimbursement and cost effectiveness, which may be subject to regulatory control;
- the number of competitive product entries, and the nature and extent of any aggressive pricing and rebate activities that may follow;
- the timing of our market entry;
- the ability to market our products effectively at the retail level;
- the acceptance of our products by government and private formularies; and
- the availability of adequate third-party insurance coverage or reimbursement.

If any product candidate that we develop does not provide a treatment regimen that is as beneficial as, or is perceived as being as beneficial as, the current standard of care or otherwise does not provide patient benefit, that product candidate, if approved for commercial sale by the FDA or other regulatory authorities, likely will not achieve market acceptance. Our ability to effectively promote and sell any approved products will also depend on pricing and cost-effectiveness, including our ability to produce a product at a competitive price and our ability to obtain sufficient third-party coverage or reimbursement. If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, patients and third-party payers, our ability to generate revenues from that product would be substantially reduced. In addition, our efforts to educate the medical community and third-party payers on the benefits of our product candidates may require significant resources, may be constrained by FDA rules and policies on product promotion, and may never be successful.

The risks and uncertainties inherent in conducting clinical trials could delay or prevent the development and commercialization of our own branded products, which could have a material adverse effect on our results of operations, liquidity, financial condition, and growth prospects.

There are a number of risks and uncertainties associated with clinical trials, which may be exacerbated by our relatively limited experience in conducting and supervising clinical trials and preparing NDAs. The results of initial clinical trials may not be indicative of results that would be obtained from large scale testing. Clinical trials are often conducted with patients having advanced stages of disease and, as a result, during the course of treatment these patients can die or suffer adverse medical effects for reasons that may not be related to the pharmaceutical agents being tested, but which nevertheless affect the clinical trial results. In addition, side effects experienced by the patients may cause delay of approval of our product candidates or a limited application of an approved product. Moreover, our clinical trials may not demonstrate sufficient safety and efficacy to obtain FDA approval.

Failure can occur at any time during the clinical trial process and, in addition, the results from early clinical trials may not be predictive of results obtained in later and larger clinical trials, and product candidates in later clinical trials may fail to show the desired safety or efficacy despite having progressed successfully through earlier clinical testing. A number of companies in the pharmaceutical industry have suffered significant setbacks in clinical trials, even in advanced clinical trials after showing positive results in earlier clinical trials. In the future, the completion of clinical trials for our product candidates may be delayed or halted for many reasons, including those relating to the following:

- delays in patient enrollment, and variability in the number and types of patients available for clinical trials;
- regulators or institutional review boards may not allow us to commence or continue a clinical trial;
- our inability, or the inability of our partners, to manufacture or obtain from third parties materials sufficient to complete our clinical trials;
- delays or failures in reaching agreement on acceptable clinical trial contracts or clinical trial protocols with prospective clinical trial sites;
- risks associated with trial design, which may result in a failure of the trial to show statistically significant results even if the product candidate is effective;
- difficulty in maintaining contact with patients after treatment commences, resulting in incomplete data;
- poor effectiveness of product candidates during clinical trials;
- safety issues, including adverse events associated with product candidates;
- the failure of patients to complete clinical trials due to adverse side effects, dissatisfaction with the product candidate, or other reasons;
- governmental or regulatory delays or changes in regulatory requirements, policy and guidelines; and
- varying interpretation of data by the FDA or other applicable foreign regulatory agencies.

In addition, our product candidates could be subject to competition for clinical study sites and patients from other therapies under development by other companies which may delay the enrollment in or initiation of our clinical trials. Many of these companies have significantly more resources than we do.

The FDA or other foreign regulatory authorities may require us to conduct unanticipated additional clinical trials, which could result in additional expense and delays in bringing our product candidates to market. Any failure or delay in completing clinical trials for our product candidates would prevent or delay the commercialization of our product candidates. There can be no assurance our expenses related to clinical trials will lead to the development of brand-name drugs which will generate revenues in the near future. Delays or failure in the development and commercialization of our own branded products could have a material adverse effect on our results of operations, liquidity, financial condition, and our growth prospects.

We rely on third parties to conduct clinical trials for our product candidates, and if they do not properly and successfully perform their legal and regulatory obligations, as well as their contractual obligations to us, we may not be able to obtain regulatory approvals for our product candidates.

We design the clinical trials for our product candidates, but rely on contract research organizations and other third parties to assist us in managing, monitoring and otherwise carrying out these trials, including with respect to site selection, contract negotiation and data management. We do not control these third parties and, as a result, they may not treat our clinical studies as their highest priority, or in the manner in which we would prefer, which could result in delays. Although we rely on third parties to conduct our clinical trials, we are responsible for confirming that each of our clinical trials is conducted in accordance with our general investigational plan and protocol. Moreover, the FDA and foreign regulatory agencies require us to comply with regulations and standards, commonly referred to as good clinical practices (“**good clinical practices**”), for conducting, recording and reporting the results of clinical trials to ensure that the data and results are credible and accurate and that the trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities and requirements. The FDA enforces good clinical practices through periodic inspections of trial sponsors, principal investigators and trial sites. If we, our contract research organizations or our study sites fail to comply with applicable good clinical practices, the clinical data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving our marketing applications. There can be no assurance that, upon inspection, the FDA will determine that any of our clinical trials comply with good clinical practices. In addition, our clinical trials must be conducted with product manufactured under the FDA’s cGMP regulations. Our failure, or the failure of our contract manufacturers, if any are involved in the process, to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If third parties do not successfully carry out their duties under their agreements with us; if the quality or accuracy of the data they obtain is compromised due to failure to adhere to our clinical protocols or regulatory requirements; or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, our clinical trials may not meet regulatory requirements. If our clinical trials do not meet regulatory requirements or if these third parties need to be replaced, such clinical trials may be extended, delayed, suspended or terminated. If any of these events occur, we may not be able to obtain regulatory approval of our product candidates, which could have a material adverse effect on our results of operations, financial condition and growth prospects.

Competition in our industry is intense, and developments by other companies could render our products and product candidates obsolete.

Many of our competitors, including medical technology, pharmaceutical or biotechnology and other companies, universities, government agencies, or research organizations, have substantially greater financial and technical resources and production and marketing capabilities than we have. They also may have greater experience in conducting bioequivalence studies, preclinical testing and clinical trials of pharmaceutical products, obtaining FDA and other regulatory approvals, and ultimately commercializing any approved products. Therefore, our competitors may succeed in developing and commercializing technologies and products that are more effective than the drug delivery technologies we have developed or we are developing or that will cause our technologies or products to become obsolete or non-competitive. In addition, such competitors may obtain FDA approval for products faster than us. Any of the foregoing could render our products obsolete and uncompetitive, which would have a material adverse effect on our business, financial condition and results of operations. Even if we commence further commercial sales of our products, we will be competing against the greater manufacturing efficiency and marketing capabilities of our competitors, areas in which we have limited or no experience.

We rely on collaborative arrangements with third parties that provide manufacturing and/or marketing support for some or all of our products and product candidates. Even if we find a potential partner, we may not be able to negotiate an arrangement on favourable terms or achieve results that we consider satisfactory. In addition, such arrangements can be terminated under certain conditions and do not assure a product's success. We also face intense competition for collaboration arrangements with other pharmaceutical and biotechnology companies.

Although we believe that our ownership of patents for some of our drug delivery products will limit direct competition for such products, we must also compete with established existing products and other technologies, products and delivery alternatives that may be more effective than our products and proposed products. In addition, we may not be able to compete effectively with other commercially available products or drug delivery technologies.

We require regulatory approvals for any products that use our drug delivery technologies.

Our drug delivery technologies can be quite complex, with many different components. The development required to take a technology from its earliest stages to its incorporation in a product that is sold commercially can take many years and cost a substantial amount of money. Significant technical challenges are common as additional products incorporating our technologies progress through development.

Any particular technology such as our abuse-deterrent technology may not perform in the same manner when used with different therapeutic agents, and therefore this technology may not prove to be as useful or valuable as originally thought, resulting in additional development work.

If our efforts do not repeatedly lead to successful development of product candidates, we may not be able to grow our pipeline or to enter into agreements with marketing and distribution partners or collaborators that are willing to distribute or develop our product candidates. Delays or unanticipated increases in costs of development at any stage, or failure to solve a technical challenge, could adversely affect our operating results.

If contract manufacturers fail to devote sufficient time and resources to our concerns, or if their performance is substandard, the commercialization of our products could be delayed or prevented, and this may result in higher costs or deprive us of potential product revenues.

We rely on contract manufacturers for certain components and ingredients of our clinical trial materials, such as active pharmaceutical ingredients (“APIs”), and we may rely on such manufacturers for commercial sales purposes as well. Our reliance on contract manufacturers in these respects will expose us to several risks which could delay or prevent the commercialization of our products, result in higher costs, or deprive us of potential product revenues, including:

- Difficulties in achieving volume production, quality control and quality assurance, or technology transfer, as well as with shortages of qualified personnel;
- The failure to establish and follow cGMP and to document adherence to such practices;
- The need to revalidate manufacturing processes and procedures in accordance with FDA and other nationally mandated cGMPs and potential prior regulatory approval upon a change in contract manufacturers;
- Failure to perform as agreed or to remain in the contract manufacturing business for the time required to produce, store and distribute our products successfully;
- The potential for an untimely termination or non-renewal of contracts; and
- The potential for us to be in breach of our collaboration and marketing and distribution arrangements with third parties for the failure of our contract manufacturers to perform their obligations to us.

In addition, drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state and foreign agencies to ensure strict compliance with cGMP and other government regulations. While we may audit the performance of third-party contractors, we will not have complete control over their compliance with these regulations and standards. Failure by either our third-party manufacturers or by us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of applicable regulatory authorities to grant review of submissions or market approval of drugs, delays, suspension or withdrawal of approvals, product seizures or recalls, operating restrictions, facility closures and criminal prosecutions, any of which could harm our business.

We are subject to currency rate fluctuations that may impact our financial results.

Although our financial results are reported in U.S. dollars and our revenues are payable in U.S. dollars, a majority of our expenses are payable in Canadian dollars. Our financial condition may be affected by movements of the U.S. dollar against the Canadian dollar. There may be instances where we have net foreign currency exposure. Any fluctuations in exchange rates may have an adverse effect on our financial results.

We are exposed to risks arising from the ability and willingness of our third-party commercialization partners to provide documentation that may be required to support information on revenues earned by us from those commercialization partners.

If our third-party commercialization partners, from whom we receive revenues, are unable or unwilling to supply necessary or sufficient documentation to support the revenue numbers in our financial statements in a timely manner to the satisfaction of our auditors, this may lead to delays in the timely publication of our financial results, our ability to obtain an auditor’s report on our financial statements and our possible inability to access the financial markets during the time our results remain unpublished.

We rely on commercial partners, and may rely on future commercial partners, to market and commercialize our products and, if approved, our product candidates, and one or more of those commercial partners may fail to develop and effectively commercialize our current, and any future, products.

Our core competency and strategic focus is on drug development and we now, and may in the future, utilize strategic commercial partners to assist in the commercialization of our products and our product candidates, if approved by the FDA. If we enter into strategic partnerships or similar arrangements, we will rely on third parties for financial resources and for commercialization, sales and marketing. Our commercial partners may fail to develop or effectively commercialize our current, and any future products, for a variety of reasons, including, among others, intense competition, lack of adequate financial or other resources or focus on other initiatives or priorities. Any failure of our third-party commercial partners to successfully market and commercialize our products and product candidates would diminish our revenues.

We have limited sales, marketing and distribution experience.

We have limited experience in the sales, marketing, and distribution of pharmaceutical products. There can be no assurance that, if required, we would be able to establish sales, marketing, and distribution capabilities or make arrangements with our collaborators, licensees, or others to perform such activities or that such efforts would be successful. If we fail to establish successful marketing and sales capabilities or to make arrangements with third parties, our business, financial condition and results of operations will be materially adversely affected.

Our effective tax rate may vary.

Various internal and external factors may have favorable or unfavorable effects on our future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, future levels of R&D spending, the availability of tax credit programs for the reimbursement of all or a significant proportion of R&D spending, and changes in overall levels of pre-tax earnings. At present, we qualify in Canada for certain research tax credits for qualified scientific research and experimental development pertaining to our drug delivery technologies and drug products in research stages. If Canadian tax laws relating to research tax credits were substantially negatively altered or eliminated, or if a substantial portion of our claims for tax credits were denied by the relevant taxing authorities, pursuant to an audit or otherwise, it would have a material adverse effect upon our financial results.

The effect of U.S. federal income tax law changes enacted in 2017 on the U.S. corporate income tax burden on our future U.S. operations cannot be predicted. Although such legislation reduced the maximum corporate income tax rate from 35% to 21%, it also introduced several changes that could increase our effective rate of tax to a rate in excess of 21% on any net operating income we earn in the future. For example, if our operations are highly leveraged, the new limitations on business interest deductions may prevent us from being able to reduce our corporate income tax base by a significant amount of interest incurred on debt necessary to fund operations. In addition, newly enacted limitations on a corporation's ability to reduce its taxable income by net operating loss carryovers may prevent us from using prior year accumulated losses fully to offset taxable income earned in profitable years. Finally, if we make significant payments for interest, royalties, services and otherwise deductible items to our foreign affiliates, the base erosion minimum tax enacted in 2017 may apply to increase our effective rate of U.S. corporate income tax.

Shareholder ownership interest in the Company may be diluted as a result of future financings and acquisitions.

The Company may seek to raise funds from time to time in public or private issuances of equity in the near future or over the longer term. Sales of the Company's securities offered through future equity offerings may result in substantial dilution to the interests of the Company's current shareholders. The sale of a substantial number of securities to investors, or anticipation of such sales, could make it more difficult for the Company to sell equity or equity-related securities in the future at a time and at a price that the Company might otherwise wish to effect sales. In addition, the Company may issue its Common Shares for various acquisitions in the future, which may also result in substantial dilution to the interests of the Company's current shareholders.

Authorized capital includes an unlimited number of shares of Common Shares.

The Company's authorized capital consists of an unlimited number of shares of one class designated as Common Shares. The directors may create any class or series of shares by resolution but may not make any modification to the provisions attaching to our Common Shares without the affirmative vote of two-thirds of the votes cast by the holders of the Common Shares. The Company's Common Shares do not have pre-emptive rights to purchase additional shares.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

We are a "foreign private issuer," as such term is defined under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), and, therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act") and related rules and regulations. Under the U.S. Securities Act, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on May 30, 2020.

In the future, we would lose our foreign private issuer status if a majority of our shares are owned by U.S. residents and a majority of our directors or executive officers are U.S. citizens or residents or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the Securities and Exchange Commission ("SEC"), which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus and equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F permits foreign private issuers to disclose compensation information on an aggregate basis. We would also have to mandatorily comply with U.S. federal proxy requirements, and our executive officers, directors and principal shareholders would become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the U.S. Exchange Act. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers. Such transition and modifications would involve additional costs and may divert our management's attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations.

Future issuances of our shares could adversely affect the trading price of our Common Shares and could result in substantial dilution to shareholders.

We may need to issue substantial amounts of Common Shares in the future. There can be no assurance that we will be able to sell any additional shares. To the extent that the market price of our Common Shares declines, we will need to issue an increasing number of Common Shares per dollar of equity investment. In addition to our Common Shares issuable in connection with the exercise of our outstanding warrants, our employees, and directors will hold rights to acquire substantial amounts of our Common Shares. In order to obtain future financing if required, it is likely that we will issue additional Common Shares or financial instruments that are exchangeable for or convertible into Common Shares. Also, in order to provide incentives to employees and induce prospective employees and consultants to work for us, we may offer and issue options to purchase Common Shares and/or rights exchangeable for or convertible into Common Shares. Future issuances of shares could result in substantial dilution to shareholders. Capital raising activities, if available, and dilution associated with such activities could cause our share price to decline. In addition, the existence of Common Share purchase warrants may encourage short selling by market participants. Also, in order to provide incentives to current employees and directors and induce prospective employees and consultants to work for us, we have historically granted options and deferred share units ("DSUs"), and intend to continue to do so or offer and issue other rights exchangeable for or convertible into Common Shares. Future issuances of shares could result in substantial dilution to all our shareholders. In addition, future public sales by holders of our Common Shares could impair our ability to raise capital through any future equity offerings.

Risks related to our Industry

Generic drug manufacturers will increase competition for certain products and may reduce our expected royalties.

Part of our product development strategy includes making NDA filings relating to product candidates involving the novel reformulation of existing drugs with active ingredients that are off-patent. Such NDA product candidates, if approved, are likely to face competition from generic versions of such drugs in the future. Regulatory approval for generic drugs may be obtained without investing in costly and time consuming clinical trials. Because of substantially reduced development costs, manufacturers of generic drugs are often able to charge much lower prices for their products than the original developer of a new product. If we face competition from manufacturers of generic drugs on products we may commercialize, such as our once-daily Oxycodone ER product candidate, the prices at which such of our products are sold and the revenues we may receive could be reduced.

Revenues from generic pharmaceutical products typically decline as a result of competition, both from other pharmaceutical companies and as a result of increased governmental pricing pressure.

Our generic drugs face intense competition. Prices of generic drugs typically decline, often dramatically, especially as additional generic pharmaceutical companies (including low-cost generic producers based in China and India) receive approvals and enter the market for a given product and competition intensifies. Consequently, our ability to sustain our sales and profitability on any given product over time is affected by the number of new companies selling such product and the timing of their approvals.

In addition, intense pressure from government healthcare authorities to reduce their expenditures on prescription drugs could result in lower pharmaceutical pricing, causing decreases in our revenues.

Furthermore, brand pharmaceutical companies continue to defend their products vigorously. For example, brand companies often sell or license their own generic versions of their products, either directly or through other generic pharmaceutical companies (so-called “**authorized generics**”). No significant regulatory approvals are required for authorized generics, and brand companies do not face any other significant barriers to entry into such market. Brand companies may seek to delay introductions of generic equivalents through a variety of commercial and regulatory tactics. These actions may increase the costs and risks of our efforts to introduce generic products and may delay or prevent such introduction altogether.

Market acceptance of our products will be limited if users of our products are unable to obtain adequate reimbursement from third-party payers.

Government health administration authorities, private health insurers and other organizations generally provide reimbursement for products like ours, and our commercial success will depend in part on whether appropriate reimbursement levels for the cost of our products and related treatments are obtained from government authorities, private health insurers and other organizations, such as health maintenance organizations and managed care organizations. Even if we succeed in bringing any of our products to market, third-party payers may not provide reimbursement in whole or in part for the use of such products.

Significant uncertainty exists as to the reimbursement status of newly approved health care products. Some of our product candidates, such as our once-daily Oxycodone ER, are intended to replace or alter existing therapies or procedures. These third-party payers may conclude that our products are less safe, less effective or less economical than those existing therapies or procedures. Therefore, third-party payers may not approve our products for reimbursement. We may be required to make substantial pricing concessions in order to gain access to the formularies of large managed-care organizations. If third party payers do not approve our products for reimbursement or fail to reimburse them adequately, sales will suffer as some physicians or their patients may opt for a competing product that is approved for reimbursement or is adequately reimbursed. Even if third-party payers make reimbursement available, these payers’ reimbursement policies may adversely affect our ability and our potential marketing and distribution partners’ ability to sell our products on a profitable basis.

We are subject to significant costs and uncertainties related to compliance with the extensive regulations that govern the manufacturing, labeling, distribution, cross-border imports and promotion of pharmaceutical products as well as environmental, safety and health regulations.

Governmental authorities in the United States and Canada regulate the research and development, testing and safety of pharmaceutical products. The regulations applicable to our existing and future products may change. Regulations require extensive clinical trials and other testing and government review and final approval before we can market our products. The cost of complying with government regulation can be substantial and may exceed our available resources, causing delay or cancellation of our product introductions.

Some abbreviated application procedures for controlled-release drugs and other products, including those related to our ANDA filings, or to the ANDA filings of unrelated third parties in respect of drugs similar to or chemically related to those of our ANDA filings, are or may become the subject of petitions filed by brand-name drug manufacturers or other ANDA filers seeking changes from the FDA in the interpretation of the statutory approval requirements for particular drugs as part of their strategy to thwart or advance generic competition. We cannot predict whether the FDA will make any changes to its interpretation of the requirements applicable to our ANDA applications as a result of these petitions, or whether unforeseen delays will occur in our ANDA filings while the FDA considers such petitions or changes or otherwise, or the effect that any changes may have on us. Any such changes in FDA interpretation of the statutes or regulations, or any legislated changes in the statutes or regulations, may make it more difficult for us to file ANDAs or obtain further approval of our ANDAs and generate revenues and thus may materially harm our business and financial results.

Any failure or delay in obtaining regulatory approvals could make it so that we are unable to market any products we develop and therefore adversely affect our business, results of operations, financial condition and cash flows. Even if product candidates are approved in the United States or Canada, regulatory authorities in other countries must approve a product prior to the commencement of marketing the product in those countries. The time required to obtain any such approval may be longer than in the United States or Canada, which could cause the introduction of our products in other countries to be cancelled or materially delayed.

The manufacturing, distribution, processing, formulation, packaging, labeling, cross-border importation and advertising of our products are subject to extensive regulation by federal agencies, including the FDA, Drug Enforcement Administration, Federal Trade Commission, Consumer Product Safety Commission and Environmental Protection Agency in the United States, and Health Canada and Canada Border Services Agency in Canada, among others. We are also subject to state and local laws, regulations and agencies. Compliance with these regulations requires substantial expenditures of time, money and effort in such areas as production and quality control to ensure full technical compliance. Failure to comply with FDA and Health Canada and other governmental regulations can result in fines, disgorgement, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production or distribution, suspension of the FDA's or Health Canada's review of NDAs, ANDAs or ANDSSs, as the case may be, enforcement actions, injunctions and civil or criminal prosecution.

Environmental laws have changed in recent years and we may become subject to stricter environmental standards in the future and face larger capital expenditures in order to comply with environmental laws. We are subject to extensive federal, state, provincial and local environmental laws and regulations which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in, or result from, our operations. We are also subject periodically to environmental compliance reviews by environmental, safety, and health regulatory agencies and to potential liability for the remediation of contamination associated with both present and past hazardous waste generation, handling, and disposal activities. We cannot accurately predict the outcome or timing of future expenditures that we may be required to make in order to comply with the federal, state, local and provincial environmental, safety, and health laws and regulations that are applicable to our operations and facilities.

There has been an increased public awareness of the problems associated with the potential for abuse opioid-based medications.

There has been increasing legislative attention to opioid abuse in the U.S., including passage of the 2016 Comprehensive Addiction and Recovery Act and the 21st Century Cures Act, which, among other things, strengthens state prescription drug monitoring programs and expands educational efforts for certain populations. These laws could result in fewer prescriptions being written for opioid drugs, which could impact future sales of our Oxycodone ER and related opioid product candidates.

Federal, state and local governmental agencies have increased their level of scrutiny of commercial practices of companies marketing and distributing opioid products, resulting in investigations, litigation and regulatory intervention affecting other companies. A number of counties and municipalities have filed lawsuits against pharmaceutical wholesale distributors, pharmaceutical manufacturers and retail chains related to the distribution of prescription opioid pain medications. Policy makers and regulators are seeking to reduce the impact of opioid abuse on families and communities and are focusing on policies aimed at reversing the potential for abuse. In furtherance of those efforts, the FDA has developed an action plan and has committed to enhance safety labeling, require new data, strengthen post-market requirements, update the Risk Evaluation and Mitigation Strategy (REMS) program, expand access to and encourage the development of abuse-deterrent formulations and alternative treatments, and re-examine the risk-benefit profile of opioids to consider the wider public health effects of opioids, including the risk of misuse. Several states also have passed laws and have employed other clinical and public health strategies to curb prescription drug abuse, including prescription limitations, increased physician education requirements, enhanced monitoring programs, tighter restrictions on access, and greater oversight of pain clinics. This increasing scrutiny and related governmental and private actions, even if not related to a product that we intend to manufacture and commercialize, could have an unfavorable impact on the overall market for opioid-based products such as our Oxycodone ER product candidate, or otherwise negatively affect our business.

Healthcare reform measures could hinder or prevent the commercial success of our products and product candidates.

In the United States, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system that could affect our future revenues and potential profitability. Federal and state lawmakers regularly propose and, at times, enact legislation that results in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. An example of this is the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or, collectively, the Affordable Care Act. In addition, other legislative changes have been proposed and adopted in the U.S. since the Affordable Care Act was enacted.

Members of the U. S. Congress and the Trump administration have expressed an intent to pass legislation or adopt executive orders to fundamentally change or repeal parts of the Affordable Care Act.

The cost of prescription pharmaceuticals has also been the subject of considerable discussion in the U.S. Members of Congress and the Trump administration have indicated that they will address such costs through new legislative and administrative measures. To date, there have been several U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products. At the federal level, Congress and the Trump administration have each indicated that it will continue to pursue new legislative and/or administrative measures to control drug costs. The Trump administration has proposed a plan to reduce the cost of drugs. The Trump administration's plan contains certain measures that the U.S. Department of Health and Human Services is already working to implement. For example, on October 25, 2018, CMS issued an Advanced Notice of Proposed Rulemaking ("ANPRM"), indicating it is considering issuing a proposed rule in the Spring of 2019 on a model called the International Pricing Index. This model would utilize a basket of other countries' prices as a reference for the Medicare program to use in reimbursing for drugs covered under Part B. The ANPRM also included an updated version of the Competitive Acquisition Program, as an alternative to current "buy and bill" payment methods for Part B drugs. Such a proposed rule could limit our product pricing and have material adverse effects on our business.

Individual state legislatures in the U.S. have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing. Some of these measures include price or patient reimbursement constraints, discounts, restrictions on certain product access, marketing cost disclosure and transparency measures, and, in some cases, measures designed to encourage importation from other countries and bulk purchasing. In addition, regional health care authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, and which could result in reduced demand for our products once approved or additional pricing pressures, and may adversely affect our operating results.

Our ability to market and promote our Oxycodone ER product candidate and its abuse-deterrent features will be determined by FDA-approved labeling requirements.

The commercial success of our Oxycodone ER product candidate will depend upon our ability to obtain requested FDA-approved labeling describing its abuse-deterrent features. Our failure to achieve FDA approval of requested product labeling containing such information will prevent us from advertising and promoting the abuse-deterrent features of our product candidate in a way to differentiate it from competitive products. This would make our product candidate less competitive in the market. Moreover, FDA approval is required in order to make claims that a product has an abuse-deterrent effect.

In April 2015, the FDA published final guidance with respect to the evaluation and labeling of abuse-deterrent opioids. The guidance provides direction as to the studies and data required for obtaining abuse-deterrent claims in a product label. If a product is approved by the FDA to include such claims in its label, the applicant may use the approved labeling information about the abuse-deterrent features of the product in its marketing efforts to physicians.

Although we intend to provide data to the FDA to support approval of abuse-deterrence label claims for Oxycodone ER, there can be no assurance that Oxycodone ER or any of our other product candidates will receive FDA-approved labeling that describes the abuse-deterrent features of such products. The FDA may find that our studies and data do not support our requested abuse-deterrent labeling or that our product candidate does not provide substantial abuse-deterrence benefits because, for example, its deterrence mechanisms do not address the way it is most likely to be abused. Furthermore, the FDA could change its guidance, which could require us to conduct additional studies or generate additional data. If the FDA does not approve our requested abuse-deterrent labeling, we will be limited in our ability to promote Oxycodone ER based on its abuse-deterrent features and, as a result, our business may suffer.

We may be subject to product liability claims for which we may not have or be able to obtain adequate insurance coverage.

The testing and marketing of pharmaceutical products entails an inherent risk of product liability. Liability exposures for pharmaceutical products can be extremely large and pose a material risk. In some instances, we may be or may become contractually obligated to indemnify third parties for such liability. Our business may be materially and adversely affected by a successful product liability claim or claims in excess of any insurance coverage that we may have. Further, even if claims are not successful, the costs of defending such claims and potential adverse publicity could be harmful to our business.

While we currently have, and in some cases are contractually obligated to maintain, insurance for our business, property and our products as they are administered in bioavailability/bioequivalence studies, first and third party insurance is increasingly costly and narrow in scope. Therefore, we may be unable to meet such contractual obligations or we may be required to assume more risk in the future. If we are subject to third party claims or suffer a loss or damage in excess of our insurance coverage, we may be required to bear that risk in excess of our insurance limits. Furthermore, any first or third party claims made on our insurance policy may impact our ability to obtain or maintain insurance coverage at reasonable costs or at all in the future. Any of the foregoing may have a material adverse effect on our business and financial condition.

Our products involve the use of hazardous materials and waste, and as a result we are exposed to potential liability claims and to costs associated with complying with laws regulating hazardous waste.

Our R&D activities involve the use of hazardous materials, including chemicals, and are subject to Canadian federal, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and waste products. It is possible that accidental injury or contamination from these materials may occur. In the event of an accident, we could be held liable for any damages, which could exceed our available financial resources. Further, we may not be able to maintain insurance to cover these costs on acceptable terms, or at all. In addition, we may be required to incur significant costs to comply with environmental laws and regulations in the future.

Our operations may be adversely affected by risks associated with international business.

We may be subject to certain risks that are inherent in an international business, including:

- varying regulatory restrictions on sales of our products to certain markets and unexpected changes in regulatory requirements;
- tariffs, customs, duties, and other trade barriers;
- difficulties in managing foreign operations and foreign distribution partners;
- longer payment cycles and problems in collecting accounts receivable;
- political risks;
- foreign exchange controls that may restrict or prohibit repatriation of funds;
- export and import restrictions or prohibitions, and delays from customs brokers or government agencies;
- seasonal reductions in business activity in certain parts of the world; and
- potentially adverse tax consequences.

Depending on the countries involved, any or all of the foregoing factors could materially harm our business, financial condition and results of operations.

In the event we pursue growth through international operations, such growth could strain our resources, and if we are unable to manage any growth we may experience, we may not be able to successfully implement our business plan.

In connection with any geographic expansion we may pursue, international operations would involve substantial additional risks, including, among others: difficulties complying with the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws. difficulties maintaining compliance with the various laws and regulations of multiple jurisdictions that may be applicable to our business, many of which may be unfamiliar to us. more complexity in our regulatory and accounting compliance. differing or changing obligations regarding taxes, duties or other fees. limited intellectual property protection in some jurisdictions. risks associated with currency exchange and convertibility, including vulnerability to appreciation and depreciation of foreign currencies. uncertainty related to developing legal and regulatory systems and standards for economic and business activities in some jurisdictions. trade restrictions or barriers, including tariffs or other charges and import-export regulations, changes in applicable laws or policies. the impact of and response to natural disasters. and the potential for war, civil or political unrest and economic and financial instability. The occurrence of any of these risks could limit our ability to pursue international expansion, increase our costs or expose us to fines or other legal sanctions, any of which could negatively impact our business, reputation and financial condition.

Our business could be adversely affected by the current novel coronavirus (COVID-19) outbreak.

In December 2019, a novel strain of the coronavirus was first identified in Wuhan, Hubei Province, China. Currently, this coronavirus spread to other parts of the world, including Canada as well as the United States, India and Europe from where we obtain services and supplies. As the virus has spread, we and third parties with which we contract are having to ask employees to temporarily work from home, which could adversely impact the productivity of our workforce or the workforce of third parties on which we rely for supplies and services required for our operations. The result is interruptions or delays in our business operations. The limitations on travel and interruption in global shipping may affect the transport of supplies and raw materials. Any disruption of our suppliers would likely impact our ability to conduct research and development and commercial operations, and ultimately materially adversely affect our operating results.

The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

Risks related to our common shares

Trading on the OTC Markets is volatile and sporadic, which could depress the market price of the Company's Common Shares and make it difficult for the Company's shareholders to resell their shares.

The Company's Common Shares are quoted on the OTCQB tier of the OTC Markets. Trading in stock quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's operations or business prospects. This volatility could depress the market price of the Company's Common Shares for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like the New York Stock Exchange. These factors may result in investors having difficulty reselling any shares of the Company's Common Shares.

We may on occasion be unable to timely file certain periodic reports and other documents with the regulatory bodies in Canada and the United States.

We may not be able to timely file with the regulatory bodies in Canada and the United States our year-end and quarterly financial statements and management discussion and analysis, or our Annual Information Form and annual report on Form 20-F by the requisite due dates. If we are not able to file any required reports and other documents in the future in the times specified by the U.S. Exchange Act, we will continue to lose our eligibility to use Form F-3 for future capital raises, and that could impair our ability to conduct public offerings of our stock. Our inability to timely file required reports in the future could materially and adversely affect our financial condition and results of operations.

Our share price has been highly volatile and our shares could suffer a further decline in value.

The trading price of our Common Shares has been highly volatile and could continue to be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- sales of our Common Shares, including any sales made in connection with future financings;
- announcements regarding new or existing corporate relationships or arrangements;
- announcements by us of significant acquisitions, joint ventures, or capital commitments;
- actual or anticipated period-to-period fluctuations in financial results;
- clinical and regulatory development regarding our product candidates;
- litigation or threat of litigation;

- failure to achieve, or changes in, financial estimates by securities analysts;
- comments or opinions by securities analysts or members of the medical community;
- announcements regarding new or existing products or services or technological innovations by us or our competitors;
- conditions or trends in the pharmaceutical and biotechnology industries;
- additions or departures of key personnel or directors;
- economic and other external factors or disasters or crises;
- limited daily trading volume; and
- developments regarding our patents or other intellectual property or that of our competitors.

In addition, the stock market in general and the market for drug development companies in particular have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Further, there has been significant volatility in the market prices of securities of life science companies. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. Litigation of this type has been instituted against us could result in substantial costs, potential liabilities, and the diversion of management's attention and resources.

Sales of a significant number of our Common Shares in the public markets, or the perception that such sales could occur, could depress the market price of the Common Shares.

Sales of a substantial number of our Common Shares or securities convertible or exchangeable into Common Shares in the public markets could depress the market price of the Common Shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of Common Shares would have on the market price of our Common Shares.

As of March 30, 2020, we had approximately 23,678,105 Common Shares outstanding. In order to raise additional capital, we intend to offer additional Common Shares or other securities convertible into or exchangeable for our Common Shares. In addition, a substantial portion of our Common Shares are currently freely trading without restriction under the U.S. Securities Act, having been registered for resale or held by their holders for over six months and are eligible for sale under Rule 144.

If the holders of our registered Common Shares choose to sell such shares in the public market or if holders of our convertible securities exercise or convert their securities and sell the underlying Common Shares in the public market, or if holders of currently restricted Common Shares choose to sell such shares in the public market, the prevailing market price of our Common Shares may decline. The sale of shares issued upon the exercise of our securities convertible into or exchangeable for our Common Shares could also further dilute the holdings of our then-existing shareholders. In addition, future public sales by holders of our Common Shares could impair our ability to raise capital through equity offerings.

In November 2013, we established an at-the-market equity program pursuant to which we originally could, from time to time, sell up to 530,548 of our Common Shares for up to an aggregate of \$16.8 million (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations). We issued and sold an aggregate of 474,035 Common Shares for aggregate gross proceeds of \$13,872,929 under the at-the-market program. On March 13, 2018, we terminated the continuous offering by us under the prospectus supplement dated July 18, 2017 and prospectus dated July 17, 2017 in respect of our at-the-market program. If we seek to continue to offer and sell Common Shares under our at-the-market program, we would be required to file another prospectus supplement prior to making such additional offers and sales. We are not required to sell shares under the at-the-market program. Moreover, currently we do not meet the requirements to utilize our Form F-3 (described below) to issue any further securities at-the-market equity program (or otherwise) under the Form F-3.

On July 17, 2017, the Company's most recent registration statement on Form F-3 (the "**Shelf Registration Statement**") was declared effective by the SEC. The Shelf Registration Statement allows for, subject to securities regulatory requirements and limitations, the potential offering of up to an aggregate of US\$100 million of the Company's Common Shares, preference shares, warrants, subscription receipts, subscription rights and units, or any combination thereof, from time to time in one or more offerings, and are intended to give the Company the flexibility to take advantage of financing opportunities when, and if, market conditions are favorable to the Company. The specific terms of such future offerings, if any, would be established, subject to the approval of the Company's board of directors (the "**Board**"), at the time of such offering and will be described in detail in a prospectus supplement filed at the time of any such offering. To the extent any securities of the Company are issued by the Company under the Shelf Registration Statement or the shelf prospectus, a shareholder's percentage ownership will be diluted and our stock price could be further adversely affected. As of March 30, 2020, the Company has issued 1,246,969 Common Shares (including shares issued under the at-the-market program described above) using the Shelf Registration Statement, and there can be no assurance that any additional securities will be sold under the Shelf Registration Statement or the shelf prospectus. As noted above, currently the Company does not meet the requirements to utilize its Form F-3 to issue any further securities under the Form F-3.

On October 22, 2009, IntelliPharmaCeutics Ltd. ("**IPC Ltd**") and Vasogen Inc. ("**Vasogen**") completed a plan of arrangement and merger (the "**IPC Arrangement Agreement**"), resulting in the formation of the Company. Our shareholders who received shares under the IPC Arrangement Agreement who were not deemed "affiliates" of either Vasogen, IPC Ltd. or us prior to the IPC Arrangement Agreement were able to resell the Common Shares that they received without restriction under the U.S. Securities Act. The Common Shares received by an "affiliate" after the IPC Arrangement Agreement or who were "affiliates" of either Vasogen, IPC Ltd. or us prior to the IPC Arrangement Agreement are subject to certain restrictions on resale under Rule 144.

As of March 30, 2020, there are currently Common Shares issuable upon the exercise of outstanding options and warrants and the conversion of the outstanding Debentures for an aggregate of approximately 28,213,854 Common Shares. To the extent any of our options and warrants are exercised and the Debentures are converted, a shareholder's percentage ownership will be diluted and our stock price could be further adversely affected. Moreover, as the underlying shares are sold, the market price could drop significantly if the holders of these restricted shares sell them or if the market perceives that the holders intend to sell these shares.

We have no history or foreseeable prospect of paying cash dividends.

We have not paid any cash dividends on our common shares and do not intend to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business. Dividend payments in the future may also be limited by loan agreements or covenants contained in other securities we may issue. Any future determination to pay cash dividends will be at the discretion of our Board and depend on our financial condition, results of operations, capital and legal requirements and such other factors as our Board deems relevant.

There may not be an active, liquid market for our Common Shares.

There is no guarantee that an active trading market for our Common Shares will be maintained on OTCQB or TSX. Investors may not be able to sell their shares quickly or at the latest market price if trading in our Common Shares is not active.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our Common Shares.

The Company may, from time to time, issue additional Common Shares, including any securities that are convertible into or exchangeable for, or that represent the right to receive, Common Shares. The market price of our Common Shares could decline as a result of sales of Common Shares or securities that are convertible into or exchangeable for, or that represent the right to receive, Common Shares or the perception that such sales could occur.

Future sales of our Common Shares may cause the prevailing market price of our Common Shares to decrease.

We have registered a substantial number of outstanding Common Shares and Common Shares that are issuable upon the exercise of outstanding warrants. If the holders of our registered Common Shares choose to sell such shares in the public market or if holders of our warrants exercise their purchase rights and sell the underlying Common Shares in the public market, or if holders of currently restricted Common Shares choose to sell such shares in the public market, the prevailing market price for our Common Shares may decline. The sale of shares issued upon the exercise of our warrants (and options) could also further dilute the holdings of our then existing shareholders. In addition, future public sales by holders of our Common Shares could impair our ability to raise capital through equity offerings.

We may in the future issue preference shares which could adversely affect the rights of holders of our common shares and the value of such shares.

Our Board has the ability to authorize the issue of an unlimited number of preference shares in series, and to determine the price, rights, preferences and privileges of those shares without any further vote or action by the holders of our Common Shares. Although we have no preference shares issued and outstanding, preference shares issued in the future could adversely affect the rights and interests of holders of our Common Shares.

Our Common Shares may not continue to be listed on the TSX.

Failure to maintain the applicable continued listing requirements of the TSX could result in our Common Shares being delisted from the TSX. The TSX will normally consider the delisting of securities if, in the opinion of the exchange, it appears that the public distribution, price, or trading activity of the securities has been so reduced as to make further dealings in the securities on TSX unwarranted. For example, participating securities may be delisted from the TSX if, among other things, the market value of an issuer's securities that are listed on the TSX is less than C\$3,000,000 over any period of 30 consecutive trading days. In such circumstances, the TSX may notify an issuer that it is under delisting review and the issuer will normally be given up to 120 days from the date of such notification to correct the fall in market value and such other deficiencies noted by the TSX. At any time prior to the end of the delisting review period, the TSX will provide the issuer with an opportunity to be heard where the issuer may present submissions to satisfy the TSX that all deficiencies identified in the TSX's notice have been rectified. If at the conclusion of the hearing the issuer cannot satisfy the TSX that the deficiencies identified have been rectified and that no other delisting criteria are then applicable to the issuer, the TSX will determine whether to delist the issuer's securities.

If the market price of our Common Shares declines further or we are unable to maintain other listing requirements, the TSX may determine to delist our Common Shares. If our Common Shares are no longer listed on the TSX, they may be eligible for listing on the TSX Venture Exchange. In the event that we are not able to maintain a listing for our Common Shares on the TSX or the TSX Venture Exchange, it may be extremely difficult or impossible for shareholders to sell their Common Shares in Canada. Moreover, if we are delisted from the TSX, but obtain a substitute listing for our Common Shares on the TSX Venture Exchange, our Common Shares will likely have less liquidity and more price volatility than experienced on the TSX.

Shareholders may not be able to sell their Common Shares on any such substitute exchange in the quantities, at the times, or at the prices that could potentially be available on a more liquid trading market. As a result of these factors, if our Common Shares are delisted from the TSX, the price of our Common Shares is likely to decline.

Our Common Shares are currently a "penny stock" under SEC rules. It may be more difficult to resell shares of Common Shares classified as "penny stock."

Our Common Shares are a "penny stock" under applicable SEC rules. Transactions in securities that are traded in the United States by companies with net tangible assets of \$5,000,000 or less and a market price per share of less than \$5.00 that are not traded on Nasdaq or on other securities exchanges may be subject to the "penny stock" rules promulgated under the U.S. Exchange Act. Under these rules, broker-dealers who recommend such securities to persons other than institutional investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to a transaction prior to sale;

- provide the purchaser with risk disclosure documents which identify risks associated with investing in “penny stocks” and which describe the market for these “penny stocks” as well as a purchaser’s legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a “penny stock” can be completed.
- As a result of these requirements, since our Common Shares are subject to the “penny stock” rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in these shares in the United States may be significantly limited. Accordingly, the market price of the shares may be depressed, and investors may find it more difficult to sell the shares.

As long as our stock price remains below \$5.00 per share, our shareholders will face restrictions in using our shares as collateral for margin accounts.

The closing price of our Common Shares on the OTCQB on March 27, 2020 was \$0.11 per share. If the market price of our Common Shares remains below \$5.00 per share, under Federal Reserve regulations and account maintenance rules of many brokerages, our shareholders will face restrictions in using such shares as collateral for borrowing in margin accounts. These restrictions on the use of our Common Shares as collateral may lead to sales of such shares creating downward pressure on and increased volatility in, the market price of our Common Shares. In addition, many institutional investors will not invest in stocks whose prices are below \$5.00 per share.

Our shareholders may face significant restrictions on the resale of our Common Shares due to state “Blue Sky” laws.

Each state has its own securities laws, often called “blue sky” laws, which (i) limit sales of securities to a state’s residents unless the securities are registered in that state or qualify for an exemption from registration, and (ii) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or the transaction must be exempt from registration. The applicable broker must be registered in that state.

Absent compliance with such individual state laws, our Common Shares may not be traded in such jurisdictions. Because the securities have not been registered for resale under the Blue Sky laws of any state, the holders of such shares and persons who desire to purchase them in any trading market that might develop in the future, should be aware that there may be significant state Blue Sky law restrictions upon the ability of investors to sell the securities and of purchasers to purchase the securities. Accordingly, investors may not be able to liquidate their investments and should be prepared to hold our Common Shares for an indefinite period of time. You should therefore consider the resale market for our Common Shares to be limited, as you may be unable to resell your shares without the significant expense of state registration or qualification.

As a foreign private issuer in the United States, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer.

As a foreign private issuer under U.S. securities laws we are not required to comply with all the periodic disclosure requirements of the U.S. Exchange Act applicable to domestic United States companies and therefore the publicly available information about us may be different or more limited than if we were a United States domestic issuer. In addition, our officers, directors, and principal shareholders are exempt from the “real time” reporting and “short swing” profit recovery provisions of Section 16 of the U.S. Exchange Act and the rules thereunder. Although under Canadian rules, our officers, directors and principal shareholders are generally required to file on SEDI (www.sedi.ca) reports of transactions involving our Common Shares within five calendar days of such transaction, our shareholders may not know when our officers, directors and principal shareholders purchase or sell our Common Shares as timely as they would if we were a United States domestic issuer.

We are exposed to risks if we are unable to comply with laws and future changes to laws affecting public companies, including the Sarbanes-Oxley Act of 2002 (“SOX”), and also to increased costs associated with complying with such laws.

Any future changes to the laws and regulations affecting public companies, as well as compliance with existing provisions of SOX in the United States and applicable Canadian securities laws, regulations, rules and policies, may cause us to incur increased costs to comply with such laws and requirements, including, among others, hiring additional personnel and increased legal, accounting and advisory fees. Delays, or a failure to comply with applicable laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits. The new laws and regulations may increase potential costs to be borne under indemnities provided by us to our officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers; as such, we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult to attract and retain qualified persons to serve on our Board, or as executive officers.

We are required annually to review and report on the effectiveness of our internal control over financial reporting in accordance with SOX Section 404 and Multilateral Instrument 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings of the Canadian Securities Administrators. The results of this review are reported in our Annual Report on Form 20-F and in our Management Discussion and Analysis.

Management’s review is designed to provide reasonable, not absolute, assurance that all material weaknesses in our internal controls are identified. Material weaknesses represent deficiencies in our internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on our quarterly or annual financial statements. In addition, there can be no assurance that any remedial actions we take to address any material weaknesses identified will be successful, nor can there be any assurance that further material weaknesses will not be identified in future years. Material errors, omissions or misrepresentations in our disclosures that occur as a result of our failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, financial condition, results of operations, and the value of our Common Shares.

We may be classified as a “passive foreign investment company” (“PFIC”), for U.S. income tax purposes, which could have significant and adverse tax consequences to U.S. investors.

The possible classification of our Company as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes could have significant and adverse tax consequences for U.S. Holders (as defined below) with respect to the sale or other disposition of our Common Shares acquired through the exercise of certain warrants. It may be possible for U.S. Holders of Common Shares to mitigate certain of these consequences by making an election (a so-called “**QEF Election**”) to treat us as a “**qualified electing fund**” or “**QEF**” under Section 1295 of the Internal Revenue Code (the “**Code**”); or a mark-to-market election under Section 1296 of the Code. A non-U.S. corporation generally will be a PFIC if, for a taxable year (a) 75% or more of the gross income of such corporation for such taxable year consists of specified types of passive income or (b) on average, 50% or more of the assets held by such corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets or on the adjusted tax basis of such assets, if such non-U.S. corporation is not publicly traded and either is a “controlled foreign corporation” under Section 957(a) of the Code, or makes an election to determine whether it is a PFIC based on the adjusted basis of the assets.

The determination of whether we are, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to various interpretations. We believe that there is a substantial basis for concluding that we were not a PFIC during our 2019 taxable year and will not likely be a PFIC during our 2020 taxable year, although that conclusion is not free from doubt. Because PFIC status is based on our income, assets and activities for the entire taxable year, and our market capitalization, it is not possible to determine whether we will be characterized as a PFIC for the 2020 taxable year until after the close of the taxable year. The tests for determining PFIC status are subject to a number of uncertainties. These tests are applied annually, and it is difficult to accurately predict future income, assets and activities relevant to this determination. In addition, because the market price of our Common Shares is likely to fluctuate, the market price may affect the determination of whether we will be considered a PFIC. There can be no assurance that we will not be considered a PFIC for any taxable year (including our 2020 taxable year). Absent one of the elections described above, if we are a PFIC for any taxable year during which a U.S. Holder holds our Common Shares, we generally will continue to be treated as a PFIC regardless of whether we cease to meet the PFIC tests in one or more subsequent years. Accordingly, no assurance can be given that we will not constitute a PFIC in the current (or any future) tax year or that the Internal Revenue Service (the “**IRS**”) will not challenge any determination made by us concerning our PFIC status.

If we are a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of our Common Shares will depend to some extent on whether such U.S. Holder makes a QEF or mark-to-market election after acquisition of such shares through the exercise of warrants. Unless otherwise provided by the IRS, a U.S. holder of our Common Shares is generally required to file an informational return annually to report its ownership interest in the Company during any year in which we are a PFIC.

The foregoing only speaks to the United States federal income tax considerations as to the Code in effect on the date of this annual report.

The foregoing does not purport to be a complete enumeration or explanation of the tax risks involved in an investment in our company. Prospective investors should read this entire annual report and consult with their own legal, tax and financial advisors before deciding to invest in our company.

It may be difficult to obtain and enforce judgments against us because of our Canadian residency.

We are governed by the laws of Canada. All of our directors and officers are residents of Canada and all or a substantial portion of our assets and the assets of such persons may be located outside of the United States. As a result, it may be difficult for shareholders to effect service of process upon us or such persons within the United States or to realize in the United States on judgments of courts of the United States predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States. In addition, there is doubt as to the enforceability in Canada of liabilities predicated solely upon U.S. federal securities law against us, our directors, controlling persons and officers who are not residents of the United States, in original actions or in actions for enforcements of judgments of U.S. courts.

Other Risks

There are other unidentified risks.

The risks set forth above are not a complete list of the risks facing purchasers of our securities. We acknowledge that there may exist significant risks yet to be recognized or encountered to which we may not be able to effectively respond. There can be no assurance that we will succeed in addressing these risks or future potential risks, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Item 4. Information on the Company

A. History and Development of the Company

The Company, Intellipharma International Inc., was incorporated under the Canada Business Corporations Act (the “CBCA”) by certificate and articles of arrangement dated October 22, 2009.

Our registered principal office is located at 30 Worcester Road, Toronto, Ontario, Canada M9W 5X2. Our telephone number is (416) 798-3001 and our facsimile number is (416) 798-3007.

Our agent for service in the United States is Corporation Service Company at 1090 Vermont Avenue N.W., Washington, D.C. 20005.

On October 19, 2009, the shareholders of IPC Ltd. and Vasogen approved the IPC Arrangement Agreement that resulted in the October 22, 2009 court-approved merger of IPC Ltd. and another U.S. subsidiary of Intellipharma Inc., coincident with an arrangement pursuant to which a predecessor of the Company combined with 7231971 Canada Inc., a new Vasogen company that acquired substantially all of the assets and certain liabilities of Vasogen, including the proceeds from its non-dilutive financing transaction with Cervus LP (the “**IPC Arrangement Transaction**”). The completion of the IPC Arrangement Transaction on October 22, 2009 resulted in the formation of the Company, which is incorporated under the laws of Canada and governed by the CBCA. The Common Shares of the Company are traded on the TSX and OTCQB.

For the years ended November 30, 2019, 2018 and 2017, we spent a total of \$6,608,794, \$10,827,293, and \$9,271,353, respectively, on research and development. Over the past three fiscal years and up to March 30, 2020, we have raised approximately \$26,936,546 in gross proceeds from the issuance of equity and convertible debt securities. Our Common Shares are listed on the TSX and on OTCQB under the symbol "IPCI" and "IPCIF" respectively.

During the last and current financial year, we have not been aware of any indications of public takeover offers by third parties in respect of the Company's shares or by the Company in respect of other companies' shares.

For additional information on key events, see Item 4.B below.

For information on the availability of, and access to, information regarding the Company filed with the SEC or presented on the Company's website, see Item 10.H. below.

B. Business Overview

Corporate Developments

- On February 5, 2020, we announced the resignation of Greg Powell, our Chief Financial Officer, for personal and family reasons. Mr. Powell has agreed to continue to offer his services to us through March 4, 2020 and is willing to continue thereafter on a consulting basis on mutually agreeable terms. Pending the hiring of a replacement for Mr. Powell, the functions of Chief Financial Officer for us will be carried out by our President and former Chief Financial Officer, Dr. Amina Odidi. Fazayill Shaideen, who has been our Controller for the past 8 years, will continue to handle accounting activities.
- On January 15, 2020, at a joint meeting of the Anesthetic and Analgesic Drug Products Advisory Committee and Drug Safety and Risk Management Advisory Committee ("**Advisory Committees**") of the FDA to review our NDA for Aximris XR™, abuse-deterrent oxycodone hydrochloride extended-release tablets, the Advisory Committees voted 24 to 2 against the approval of our NDA for Aximris XR™ for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate. The FDA has continued to review the NDA, and the Company expects the FDA to take action on the application on completion of their review.
- On November 25, 2019, we announced that we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Venlafaxine ER in the 37.5, 75, and 150 mg strengths approved for sale in the US market by the FDA. Several other generic versions of these licensed products are currently available in the market.
- On November 15, 2019, we issued to Drs. Isa and Amina Odidi, by way of a private placement, an unsecured convertible debenture of the Company in the aggregate principal amount of \$250,000 (the "**November 2019 Debenture**"). The principal amount owing under the November 2019 Debenture is convertible at any time and from time to time into Common Shares at a conversion price equal to \$0.12 per Common Share. Up to an aggregate of 2,083,333 Common Shares may be issued upon conversion of the principal amount owing under the November 2019 Debenture. The November 2019 Debenture bears interest at a rate of 12% per annum (calculated monthly) and, subject to our right to prepay the November 2019 Debenture in whole or in part at any time without penalty, is now scheduled to mature on March 31, 2020. We used the proceeds from the November 2019 Debenture for working capital and general corporate purposes. Dr. Isa Odidi is our Chairman, Chief Executive Officer and Co-Chief Scientific Officer, and Dr. Amina Odidi is our President, Chief Operating Officer and Co-Chief Scientific Officer.

- On November 7, 2019, we announced that the parties in *Shanawaz v. Intellipharmaceutics International, Inc. et al.* case No. 1:17-cv-05761-JPO., an action pending in the Southern District of New York asserting claims under the U.S. federal securities laws on behalf of an alleged class of investors in Intellipharmaceutics Common Shares against us, our Chief Executive Officer, Dr. Isa Odidi, who is also a member of our Board, and a former Chief Financial Officer, Domenic Della Penna, had entered into a stipulation of settlement to resolve all claims asserted in the action. The settlement is subject to the approval of the court following notice to class members. The stipulation of settlement provides for a settlement payment of \$1.6 million, which we anticipate will be funded by available insurance. As part of the settlement, we also agreed to contribute to the settlement fund specific anticipated Canadian tax refunds of up to \$400,000 to the extent received within 18 months after the entry of final judgment. The stipulation acknowledges that we and the other defendants continue to deny that we committed any violation of the U.S. securities laws or engaged in any other wrongdoing and that we are entering into the settlement at this time based on the burden, expense, and inherent uncertainty of continuing the litigation. If the stipulation of settlement is not approved or otherwise fails to become effective, then the parties will be returned to their respective positions in the litigation as of August 9, 2019. Given the lack of activity for the past several months, plaintiffs' counsel filed on March 11, 2020, a letter on behalf of all parties jointly requesting a conference with the Court about the preliminary approval motion for the settlement.
- On October 7, 2019, a complaint was filed in the U.S. District Court for the Southern District of New York by Alpha Capital Anstalt (“**Alpha**”) against the Company, two of its existing officers and directors and its former Chief Financial Officer. In the complaint, Alpha alleges that the Company and the executive officers/directors named in the complaint violated Sections 11, 12(a)(2) and 15 of the U.S. Securities Act by allegedly making false and misleading statements in the Company's Registration Statement on Form F-1 filed with the U.S. Securities and Exchange Commission on September 20, 2018, as amended by failing to disclose certain information regarding the resignation of the Company's then Chief Financial Officer, which was announced several weeks after such registration statement was declared effective. In the complaint Alpha seeks unspecified damages, rescission of its purchase of the Company's securities in the relevant offering, attorneys' fees and other costs and further relief as the court may find just and proper. On December 12, 2019, the Company and the other defendants in the action filed a motion to dismiss for failure to state a claim. The plaintiff filed an opposition to that motion on February 4, 2020 and a reply brief in further support of the motion to dismiss the action was filed March 6, 2020. In addition, the Court scheduled the mandatory settlement conference with the Magistrate Judge for April 23, 2020. The Company and other defendants intend to defend against the allegations set forth in the complaint.
- On October 4, 2019 we announced that following the filing of a bankruptcy stay by Purdue Pharma L.P. (“**Purdue**”), our ongoing litigation case numbers 1:17-cv-00392-RGA and 1:18-cv-00404-RGA-SRF between Purdue Pharma L.P. et al and us have been stayed and the existing trial dates in both cases vacated by orders issued in each case by the judge in the District of Delaware on October 3, 2019. During a status update March 13, 2020, the stay was ordered to be continued. The parties are required to submit a joint status report no less than two business days before June 3, 2020. On April 24, 2019, an order had been issued, setting the trial date for case number 17-392 in the District of Delaware, and also extending the 30-month stay date for regulatory approval to March 2, 2020. With the current litigation stay order, the previous 30-month stay date of March 2, 2020 was unchanged, and has now expired.
- On September 30, 2019, pursuant to an ANDA sale agreement (the "**Levetiracetam ANDA Agreement**") we sold all of the assets relating to our ANDA for Levetiracetam extended-release 500 mg and 750 mg tablets (collectively, the "**Transferred Levetiracetam ANDA**") to the ANDA Repository, LLC (the "**Levetiracetam ANDA Purchaser**") in exchange for a purchase price of \$1. Additionally, pursuant to the Levetiracetam ANDA Agreement, we agreed to pay the Levetiracetam ANDA Purchaser an annual fee for each fiscal year, equal to 50% of the difference between the FDA Program Fee for 6 to 19 approved ANDAs and the FDA Program Fee for 1 to 5 approved ANDAs. Under the Levetiracetam ANDA Agreement, we have the option to repurchase at any time the Transferred Levetiracetam ANDA for a purchase price of \$1.
- On September 5, 2019, we announced we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Desvenlafaxine Succinate ER in the 50 and 100 mg strengths approved for sale in the U.S. market by the FDA. Several other generic versions of these licensed products are currently available in the market.
- On August 15, 2019, we announced we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Quetiapine ER in the 50, 150, 200, 300 and 400 mg strengths approved for sale in the U.S. market by the FDA. Several other generic versions of these licensed products are currently available in the market.

- On July 24, 2019, we announced that the Company has been advised by the FDA that the FDA “is postponing product-specific advisory committee meetings for opioid analgesics,” including the one previously scheduled to discuss the Company’s NDA, “while it continues to consider a number of scientific and policy issues relating to this class of drugs.” The Company had resubmitted the NDA on February 28, 2019 and the FDA assigned a Prescription Drug User Fee Act (“**PDUFA**”) goal date of August 28, 2019 for the application. Because of the postponement of the advisory committee meeting in respect of the application, the FDA did not meet that PDUFA goal date.
- On July 8, 2019, we announced that the Company had obtained an equity financing commitment of up to \$10,000,000 from Silverback Capital Corporation, a private investment firm. We have not used this commitment and are exploring terminating it.
- On May 30, 2019, we announced that our pre-existing license to conduct activities with cannabidiol (“**CBD**”) had been migrated by Health Canada to a Cannabis Drug License (“**CDL**”) under the Cannabis Regulations. Our CDL allows us to continue to possess cannabis, produce a drug containing cannabis and sell a drug containing cannabis. The CDL is unique from other forms of cannabis licenses in Canada as, according to Health Canada, it is a requirement for any company that intends to produce and sell a prescription drug containing cannabis or cannabinoids. Previously, we were authorized to possess, produce, sell and deliver drug products containing various controlled substances, including CBD, in Canada because we hold a dealer’s license under the Narcotics Control Regulations (“**NCR**”). With the CDL, a specific license for CBD, CBD is no longer covered under the controlled substance license.
- On May 10, 2019, we announced that we had received approval from the FDA for our ANDA for desvenlafaxine extended-release tablets in the 50 and 100 mg strengths. The approved product is a generic equivalent of the branded product Pristiq®. Desvenlafaxine extended-release tablets are a serotonin and norepinephrine reuptake inhibitor (“**SNRI**”) indicated for the treatment of major depressive disorder (“**MDD**”).
- On April 12, 2019, we and Mallinckrodt LLC (“**Mallinckrodt**”) mutually agreed to terminate our license and commercial supply agreement with Mallinckrodt (the “**Mallinckrodt agreement**”). Effective August 12, 2019 the Mallinckrodt agreement was terminated.
- On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture (as defined below), subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by a new debenture (the “**May 2019 Debenture**”). On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the May 2019 Debenture.
- As more fully described below (under the heading “Nasdaq Delisting and OTCQB Quotation”), in March 2019, a Nasdaq Hearings Panel (the “**Nasdaq Panel**”) determined to delist our Common Shares from Nasdaq based upon our non-compliance with the \$1.00 minimum bid price requirement, as set forth in Nasdaq Listing Rule 5550(a)(2). The suspension of trading on Nasdaq took effect at the open of business on March 21, 2019. Our Common Shares began trading on the OTCQB, which is operated by the OTC Markets Group Inc., commencing on March 21, 2019. Our Common Shares are also listed on the TSX and our non-compliance with Nasdaq’s bid price requirement did not impact our listing or trading status on that exchange.
- On February 21, 2019, we and our CEO, Dr. Isa Odidi, were served with a Statement of Claim filed in the Superior Court of Justice of Ontario for a proposed class action under the Ontario Class Proceedings Act. The action was brought by Victor Romita, the proposed representative plaintiff, on behalf of a class of Canadian persons who traded Common Shares during the period from February 29, 2016 to July 26, 2017. The Statement of Claim, under the caption *Victor Romita v. Intellipharmaeutics International Inc. and Isa Odidi*, asserted that the defendants knowingly or negligently made certain public statements during the relevant period that contained or omitted material facts concerning Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets. The plaintiff alleged that he and the class suffered loss and damages as a result of their trading in our shares during the relevant period. The plaintiff seeks, among other remedies, unspecified damages, legal fees and court and other costs as the Court may permit. The defendants intend to vigorously defend the action and have filed a Notice of Intent to Defend.

- In January 2019, we announced that we had commenced a R&D program of pharmaceutical CBD based products. As part of this R&D program, we filed provisional patent applications with the United States Patent and Trademark Office pertaining to the delivery and application of cannabinoid-based therapeutics, began talks with potential commercialization partners in the cannabidiol industry, and identified a potential supplier of CBD. We hold a Health Canada Drug Establishment License (or “DEL”) and a dealer’s license under the NCR. Under the NCR license, we are currently authorized to possess, produce, sell and deliver drug products containing CBD in Canada.

There can be no assurance that our products, including any of the products licensed to Tris Pharma, will be successfully commercialized or produce significant revenues for us. Also, there can be no assurance that we will not be required to conduct further studies for our Oxycodone ER product candidate, that the FDA will approve any of our requested abuse-deterrence label claims or that the FDA will ultimately approve the NDA for the sale of our Oxycodone ER product candidate in the U.S. market that we will be successful in submitting any additional ANDAs or NDAs with the FDA or ANDSs with Health Canada, that the FDA or Health Canada will approve any of our current or future product candidates for sale in the U.S. market and Canadian market, that any of our products or product candidates will receive regulatory approval for sale in other jurisdictions (including the Philippines, Malaysia and Vietnam) that our desvenlafaxine extended-release will receive final FDA approval, or that any of our products will ever be successfully commercialized and produce significant revenue for us, or that the litigation cases against us can be resolved in our favor. Moreover, there can be no assurance that any cannabidiol-based product candidates we develop will ever be successfully commercialized or produce significant revenue for us. Furthermore, there can be no assurance if or when the now-vacated dates in the Purdue litigation will be reinstated. There can also be no assurance that any of our provisional patent applications will successfully mature into patents.

Nasdaq Delisting and OTCQB Quotation

In March 2019, we received formal notice that the Nasdaq Panel had determined to delist our shares from Nasdaq based upon our non-compliance with the \$1.00 bid price requirement, as set forth in Nasdaq Listing Rule 5550(a)(2). The suspension of trading on Nasdaq took effect at the open of business on March 21, 2019. Our shares began trading on the OTCQB under the symbol “IPCIF”, commencing on March 21, 2019. Our shares also are listed on the TSX under the symbol “IPCIF” and our non-compliance with Nasdaq’s requirements did not impact our listing or trading status on that exchange.

Our Company

On October 22, 2009, Intellipharma Ltd. and Vasogen Inc. completed the IPC Arrangement Transaction, a court-approved plan of arrangement and merger resulting in the formation of the Company, which is incorporated under the laws of Canada and the Common Shares of which are currently traded on the TSX and OTCQB.

We are a pharmaceutical company specializing in the research, development and manufacture of novel and generic controlled-release and targeted-release oral solid dosage drugs. Our patented Hypermatrix™ technology is a multidimensional controlled-release drug delivery platform that can be applied to the efficient development of a wide range of existing and new pharmaceuticals. Based on this technology platform, we have developed several drug delivery systems and a pipeline of products (some of which have received FDA approval) and product candidates in various stages of development, including ANDAs filed with the FDA (and one ANDS filed with Health Canada) and one NDA filing, in therapeutic areas that include neurology, cardiovascular, gastrointestinal tract (“GIT”), diabetes and pain.

In November 2005, we entered into a license and commercialization agreement with Par (as amended on August 12, 2011 and September 24, 2013, the “**Par agreement**”), pursuant to which we granted Par an exclusive, royalty-free license to make and distribute in the U.S. all strengths of our generic Focalin XR® (dexamethylphenidate hydrochloride extended-release) capsules for a period of 10 years from the date of commercial launch (which was November 19, 2013). Under the Par agreement, we made a filing with the FDA for approval to market generic Focalin XR® capsules in various strengths in the U.S. (the “**Company ANDA**”), and are the owner of that Company ANDA, as approved in part by the FDA. We retain the right to make and distribute all strengths of the generic product outside of the U.S. Calendar quarterly profit-sharing payments for its U.S. sales under the Company ANDA are payable by Par to us as calculated pursuant to the Par agreement. Within the purview of the Par agreement, Par also applied for and owns an ANDA pertaining to all marketed strengths of generic Focalin XR® (the “**Par ANDA**”), and is now approved by the FDA, to market generic Focalin XR® capsules in all marketed strengths in the U.S. As with the Company ANDA, calendar quarterly profit-sharing payments are payable by Par to us for its U.S. sales of generic Focalin XR® under the Par ANDA as calculated pursuant to the Par agreement.

We received final approval from the FDA in November 2013 under the Company ANDA to launch the 15 and 30 mg strengths of our generic Focalin XR® capsules. Commercial sales of these strengths were launched immediately by our commercialization partner in the U.S., Par.

In January 2017, Par launched the 25 and 35 mg strengths of its generic Focalin XR® capsules in the U.S., and in May 2017, Par launched the 10 and 20 mg strengths, complementing the 15 and 30 mg strengths of our generic Focalin XR® marketed by Par. The FDA granted final approval under the Par ANDA for its generic Focalin XR® capsules in the 5, 10, 15, 20, 25, 30, 35 and 40 mg strengths, and subsequently Par launched the remaining 5 and 40 mg strengths. Under the Par agreement, we receive quarterly profit share payments on Par's U.S. sales of generic Focalin XR®. Revenues from sales of the generic Focalin XR® capsules continue to be impacted by ongoing competitive pressures in the generic market. There can be no assurance whether revenues from this product will improve going forward. We depend significantly on the actions of our marketing partner Par in the prosecution, regulatory approval and commercialization of our generic Focalin XR® capsules and on its timely payment to us of the contracted calendar quarterly payments as they come due.

In October 2016, we announced we had entered into the Mallinckrodt agreement, a license and commercial supply agreement, granting Mallinckrodt an exclusive license to market, sell and distribute in the U.S. the following extended release drug products:

- Quetiapine fumarate extended-release tablets (generic Seroquel XR®) – Approved and launched
- Desvenlafaxine extended-release tablets (generic Pristiq®) – ANDA Approved
- Lamotrigine extended-release tablets (generic Lamictal® XR™) – ANDA under FDA Review

We agreed to manufacture and supply these licensed products exclusively for Mallinckrodt on a cost-plus basis. The Mallinckrodt agreement contained customary terms and conditions for an agreement of this kind and was subject to early termination in the event we did not obtain FDA approvals of the Mallinckrodt licensed products by specified dates, or pursuant to any one of several termination rights of each party.

In May 2017, we received final approval from the FDA for our ANDA for quetiapine fumarate extended-release tablets in the 50, 150, 200, 300 and 400 mg strengths. Our approved product is a generic equivalent for the corresponding strengths of the branded product Seroquel XR® sold in the U.S. by AstraZeneca Pharmaceuticals LP (“AstraZeneca”). Pursuant to a settlement agreement between us and AstraZeneca dated July 30, 2012, we were permitted to launch our generic versions of the 50, 150, 200, 300 and 400 mg strengths of generic Seroquel XR®, on November 1, 2016, subject to FDA final approval of our ANDA for those strengths. The Company manufactured and shipped commercial quantities of all strengths of generic Seroquel XR® to Mallinckrodt, our then marketing and distribution partner, and Mallinckrodt launched all strengths in June 2017; however, the arrangement did not generate significant revenue. On April 12, 2019, we and Mallinckrodt mutually agreed to terminate the Mallinckrodt agreement. Effective August 12, 2019, the Mallinckrodt agreement was terminated.

On August 15, 2019, we announced a license and commercial supply agreement with Tris Pharma, granting Tris Pharma the exclusive license to market, sell and distribute in the United States Quetiapine fumarate extended release tablets in the 50, 150, 200, 300 and 400 mg strengths.

In May 2019, we received approval from the FDA for our ANDA for desvenlafaxine extended-release tablets in the 50 and 100 mg strengths. This product is a generic equivalent of the branded product Pristiq® sold in the U.S. by Wyeth Pharmaceuticals, LLC.

On September 5, 2019, we announced an agreement with Tris Pharma, granting Tris Pharma an exclusive license to market, sell and distribute in the United States Desvenlafaxine extended-release tablets in the 50 and 100 mg strengths.

In November 2018, we received final approval from the FDA for our ANDA for venlafaxine hydrochloride extended-release capsules in the 37.5, 75 and 150 mg strengths. The approved product is a generic equivalent of the branded product Effexor XR® sold in the U.S. by Wyeth Pharmaceuticals, LLC. On November 25, 2019, we announced that we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Venlafaxine ER in the 37.5, 75, and 150 mg strengths.

All three licensing agreements with Tris Pharma have an initial term of five years and include two-year renewal periods until terminated, and all provide for a share of net profits to us. The rights granted include a license to intellectual property necessary to distribute the licensed products in the US market. We will maintain all ownership of the licensed products and responsibility to manufacture the licensed products and supply exclusively to Tris Pharma on a cost-plus basis. The Tris Pharma agreements contain customary terms and conditions for agreements of this kind. There can be no assurance that any of the products licensed to Tris Pharma will be successfully commercialized and produce significant revenue for us.

In February 2017, we received final approval from the FDA for our ANDA for metformin hydrochloride extended release tablets in the 500 and 750 mg strengths, a generic equivalent for the corresponding strengths of the branded product Glucophage® XR sold in the U.S. by Bristol-Myers Squibb. The Company is aware that several other generic versions of this product are currently available that serve to limit the overall market opportunity for this product. We have been continuing to evaluate options to realize commercial returns on this product, particularly in international markets. In November 2018, we announced that we entered into two exclusive licensing and distribution agreements with pharmaceutical distributors in Vietnam and the Philippines pursuant to which the distributors were granted the exclusive right, subject to regulatory approval, to import and market our generic Glucophage® XR in Vietnam and the Philippines, respectively. There can be no assurance as to when and if such product will receive regulatory approval for the sale in Vietnam or the Philippines. Moreover, there can be no assurance that our metformin hydrochloride extended release tablets in the 500 and 750 mg strengths will be successfully commercialized and produce significant revenues for us.

In February 2016, we received final approval from the FDA of our ANDA for generic Keppra XR® (levetiracetam extended-release) tablets for the 500 and 750 mg strengths. Our generic Keppra XR® is a generic equivalent for the corresponding strengths of the branded product Keppra XR® sold in the U.S. by UCB, Inc., and is indicated for use in the treatment of partial onset seizures associated with epilepsy. We are aware that several other generic versions of this product are currently available that serve to limit the overall market opportunity. We have been actively exploring the best approach to maximize our commercial returns from this approval and have been looking at several international markets where, despite lower volumes, product margins are typically higher than in the U.S. In November 2018, we announced that we entered into two exclusive licensing and distribution agreements with pharmaceutical distributors in Vietnam and the Philippines pursuant to which the distributors were granted the exclusive right, subject to regulatory approval, to import and market our generic Keppra XR® in Vietnam and the Philippines, respectively. There can be no assurance as to when and if such product will receive regulatory approval for the sale in Vietnam or the Philippines. Moreover, there can be no assurance that our generic Keppra XR® for the 500 and 750 mg strengths will be successfully commercialized and produce significant revenues for us.

On September 30, 2019, pursuant to the Levetiracetam ANDA Agreement, we sold the Transferred Levetiracetam ANDA to the Levetiracetam ANDA Purchaser in exchange for a purchase price of \$1. Additionally, pursuant to the Levetiracetam ANDA Agreement, we agreed to pay the Levetiracetam ANDA Purchaser an annual fee for each fiscal year equal to 50% of the difference for the FDA Program Fee for 6 to 19 approved ANDAs and the FDA Program Fee for 1 to 5 approved ANDAs. Under the Levetiracetam ANDA Agreement, we have the option to repurchase the Transferred Levetiracetam ANDA for a purchase price of \$1 at any time.

Our goal is to leverage our proprietary technologies and know-how in order to build a diversified portfolio of revenue generating commercial products. We intend to do this by advancing our products from the formulation stage through product development, regulatory approval and manufacturing. We believe that full integration of development and manufacturing will help maximize the value of our drug delivery technologies, products and product candidates. We also believe that out-licensing sales and marketing to established organizations, when it makes economic sense, will improve our return from our products while allowing us to focus on our core competencies. We expect our expenditures for the purchase of production, laboratory and computer equipment and the expansion of manufacturing and warehousing capability to be higher as we prepare for the commercialization of ANDAs, one NDA and one ANDS that are pending FDA and Health Canada approval, respectively.

Our Strategy

Our Hypermatrix™ technologies are central to the development and manufacture of novel and generic controlled-release and targeted-release oral solid dosage drugs. The Hypermatrix™ technologies are a multidimensional controlled-release drug delivery platform that we believe can be applied to the efficient development of a wide range of existing and new pharmaceuticals. We believe that the flexibility of these technologies allows us to develop complex drug delivery solutions within an industry-competitive timeframe. Based on this technology platform, we have developed several drug delivery systems and a pipeline of products (some of which have received FDA approval) and product candidates in various stages of development, including ANDAs filed with the FDA (and one ANDS filed with Health Canada) and one NDA filing, in therapeutic areas that include neurology, cardiovascular, GIT, diabetes and pain. We expect that certain, but not all, of the products in our pipeline may be developed from time to time for third parties pursuant to drug development agreements with those third parties, under which our commercialization partner may pay certain of the expenses of development, make certain milestone payments to us and receive a share of revenues or profits if the drug is developed successfully to completion, the control of which would generally be in the discretion of our drug development partner.

The principal focus of our development activities previously targeted difficult-to-develop controlled-release generic drugs which follow an ANDA regulatory path. Our current development effort is increasingly directed towards improved difficult-to-develop controlled-release drugs which follow an NDA 505(b)(2) regulatory pathway. We have increased our R&D emphasis towards specialty new product development, facilitated by the 505(b)(2) regulatory pathway, by advancing the product development program for Oxycodone ER and commencing other projects in our 505(b)(2) pipeline. In January 2019, we announced that we had commenced an R&D program of pharmaceutical CBD-based products. As part of this R&D program, we filed provisional patent applications with the United States Patent and Trademark Office pertaining to the delivery and application of cannabinoid-based therapeutics. We are still exploring collaboration with potential commercialization partners in the cannabidiol industry, and had identified a potential supplier of CBD. There can be no assurance that any of our provisional patent applications will successfully mature into patents. We currently hold a Health Canada CDL. Under the CDL, we are currently authorized to possess, produce, sell and deliver drug products containing CBD in Canada. Prior to obtaining the CDL, we were authorized to possess, produce, sell and deliver drug products containing various controlled substances, including CBD, in Canada based on our dealer's license under the NCR. We have also identified several additional 505(b)(2) product candidates for development in various indication areas including cardiovascular, dermatology, pulmonary disease and oncology. The technology that is central to our abuse deterrent formulation of our Oxycodone ER is the nPODDDS™, or novel Point of Divergence Drug Delivery System. nPODDDS™ is designed to provide for certain unique drug delivery features in a product. These include the release of the active substance to show a divergence in a dissolution and/or bioavailability profile. The divergence represents a point or a segment in a release timeline where the release rate, represented by the slope of the curve, changes from an initial rate or set of rates to another rate or set of rates, the former representing the usually higher rate of release shortly after ingesting a dose of the drug, and the latter representing the rate of release over a later and longer period of time, being more in the nature of a controlled-release or sustained action. It is applicable for the delivery of opioid analgesics in which it is desired to discourage common methods of tampering associated with misuse and abuse of a drug, and also dose dumping in the presence of alcohol. It can potentially retard tampering without interfering with the bioavailability of the product.

In addition, our PODRAS™, or Paradoxical OverDose Resistance Activating System, delivery technology was initially introduced to enhance our Oxycodone ER (abuse deterrent oxycodone hydrochloride extended release tablets) product candidate. The PODRAS™ delivery technology platform was designed to prevent an overdose when more pills than prescribed are swallowed intact. Preclinical studies of prototypes of oxycodone with PODRAS™ technology suggest that, unlike other third-party abuse-deterrent oxycodone products in the marketplace, if more tablets than prescribed are deliberately or inadvertently swallowed, the amount of drug active ingredient (“**drug active**”) released over 24 hours may be substantially less than expected. However, if the prescribed number of pills is swallowed, the drug release should be as expected. Certain aspects of our PODRAS™ technology are covered by U.S. Patent Nos. 9,522,119, 9,700,515, 9,700,516 and 9,801,939 and Canadian Patent No. 2,910,865 issued by the U.S. Patent and Trademark Office and the

Canadian Intellectual Property Office in respect of “Compositions and Methods for Reducing Overdose” in December 2016, July 2017 and October 2017, respectively. The issuance of these patents provides us with the opportunity to accelerate our PODRAS™ development plan by pursuing proof of concept studies in humans. We intend to incorporate this technology in future product candidates, including Oxycodone ER and other similar pain products, as well as pursuing out-licensing opportunities. The Company is working on the development of an Oxycodone immediate-release (IR) product incorporating this technology.

The NDA 505(b)(2) pathway (which relies in part upon the FDA’s findings for a previously approved drug) both accelerates development timelines and reduces costs in comparison to NDAs for new chemical entities. An advantage of our strategy for development of NDA 505(b)(2) drugs is that our product candidates can, if approved for sale by the FDA, potentially enjoy an exclusivity period which may provide for greater commercial opportunity relative to the generic ANDA route.

The market we operate in is created by the expiration of drug product patents, challengeable patents and drug product exclusivity periods. There are three ways that we employ our controlled-release technologies, which we believe represent substantial opportunities for us to commercialize on our own or develop products or out-license our technologies and products:

- For branded immediate-release (multiple-times-per-day) drugs, we can formulate improved replacement products, typically by developing new, potentially patentable, controlled-release once-a-day drugs. Among other out-licensing opportunities, these drugs can be licensed to and sold by the pharmaceutical company that made the original immediate-release product. These can potentially protect against revenue erosion in the brand by providing a clinically attractive patented product that competes favorably with the generic immediate-release competition that arises on expiry of the original patent(s). The regulatory pathway for this approach requires NDAs via a 505(b)(2) application for the U.S. or corresponding pathways for other jurisdictions where applicable.
- Some of our technologies are also focused on the development of abuse-deterrent and overdose preventive pain medications. The growing abuse and diversion of prescription “painkillers”, specifically opioid analgesics, is well documented and is a major health and social concern. We believe that our technologies and know-how are aptly suited to developing abuse-deterrent pain medications. The regulatory pathway for this approach requires NDAs via a 505(b)(2) application for the U.S. or corresponding pathways for other jurisdictions where applicable.
- For existing controlled-release (once-a-day) products whose APIs are covered by drug molecule patents about to expire or already expired, or whose formulations are covered by patents about to expire, already expired or which we believe we do not infringe, we can seek to formulate generic products which are bioequivalent to the branded products. Our scientists have demonstrated a successful track record with such products, having previously developed several drug products which have been commercialized in the U.S. by their former employer/clients. The regulatory pathway for this approach requires ANDAs for the U.S. and ANDSs for Canada.

We intend to collaborate in the development and/or marketing of one or more products with partners, when we believe that such collaboration may enhance the outcome of the project. We also plan to seek additional collaborations as a means of developing additional products. We believe that our business strategy enables us to reduce our risk by (a) having a diverse product portfolio that includes both branded and generic products in various therapeutic categories, and (b) building collaborations and establishing licensing agreements with companies with greater resources thereby allowing us to share costs of development and to improve cash-flow. There can be no assurance that we will be able to enter into additional collaborations or, if we do, that such arrangements will be commercially viable or beneficial.

Our Drug Delivery Technologies

Hypermatrix™

Our scientists have developed drug delivery technology systems, based on the Hypermatrix™ platform, that facilitate controlled-release delivery of a wide range of pharmaceuticals. These systems include several core technologies, which enable us to flexibly respond to a wide range of drug attributes and patient requirements, producing a desired controlled-release effect. Our technologies have been incorporated in drugs manufactured and sold by major pharmaceutical companies.

This group of drug delivery technology systems is based upon the drug active being imbedded in, and an integral part of, a homogeneous (uniform), core and/or coatings consisting of one or more polymers which affect the release rates of drugs, other excipients (compounds other than the drug active), such as for instance lubricants which control handling properties of the matrix during fabrication, and the drug active itself. The Hypermatrix™ technologies are the core of our current marketing efforts and the technologies underlying our existing development agreements.

nPODDDS™

In addition to continuing efforts with Hypermatrix™ as a core technology, our scientists continue to pursue novel research activities that address unmet needs. Oxycodone ER (abuse deterrent oxycodone hydrochloride extended release tablets) is an NDA candidate, with a unique long acting oral formulation of oxycodone intended to treat moderate-to-severe pain. The formulation is intended to present a significant barrier to tampering when subjected to various forms of physical and chemical manipulation commonly used by abusers. It is also designed to prevent dose dumping when inadvertently co-administered with alcohol. The technology that supports our abuse deterrent formulation of oxycodone is the nPODDDS™ Point of Divergence Drug Delivery System. The use of nPODDDS™ does not interfere with the bioavailability of oxycodone. We intend to apply the nPODDDS™ technology platforms to other extended release opioid drug candidates (e.g., oxymorphone, hydrocodone, hydromorphone and morphine) utilizing the 505(b)(2) regulatory pathway.

PODRAS™

Our Paradoxical OverDose Resistance Activating System (PODRAS™) delivery technology is designed to prevent overdose when more pills than prescribed are swallowed intact. Preclinical studies of prototypes of oxycodone with PODRAS™ technology suggest that, unlike other third-party abuse-deterrent oxycodone products in the marketplace, if more tablets than prescribed are deliberately or inadvertently swallowed, the amount of drug active released over 24 hours may be substantially less than expected. However, if the prescribed number of pills is swallowed, the drug release should be as expected. We are currently working on an alternate Oxycodone ER product candidate incorporating our PODRAS™ delivery technology. In April 2015, the FDA published [Guidance for Industry: Abuse-Deterrent Opioids — Evaluation and Labeling](#), which cited the need for more efficacious abuse-deterrence technology. In this Guidance, the FDA stated, “opioid products are often manipulated for purposes of abuse by different routes of administration or to defeat extended-release properties, most abuse-deterrent technologies developed to date are intended to make manipulation more difficult or to make abuse of the manipulated product less attractive or less rewarding. It should be noted that these technologies have not yet proven successful at deterring the most common form of abuse—swallowing a number of intact capsules or tablets to achieve a feeling of euphoria.” The FDA reviewed our request for Fast Track designation for our abuse deterrent Oxycodone ER development program incorporating PODRAS™, and in May 2015 notified us that the FDA had concluded that we met the criteria for Fast Track designation. Fast Track is a designation assigned by the FDA in response to an applicant’s request which meets FDA criteria. The designation mandates the FDA to facilitate the development and expedite the review of drugs intended to treat serious or life threatening conditions and that demonstrate the potential to address unmet medical needs.

In December 2016, July 2017 and October 2017, U.S. Patent Nos. 9,522,119, 9,700,515, 9,700,516 and 9,801,939 and Canadian Patent No. 2,910,865 were issued by the U.S. Patent and Trademark Office and the Canadian Intellectual Property Office in respect of “Compositions and Methods for Reducing Overdose”. The issued patents cover aspects of the PODRAS™ delivery technology. The issuance of these patents represents a significant advance in our abuse deterrence technology platform. The PODRAS™ platform has the potential to positively differentiate our technology from others of which we are aware, and may represent an important step toward addressing the FDA’s concern over the ingestion of a number of intact pills or tablets. In addition to its use with opioids, the PODRAS™ platform is potentially applicable to a wide range of drug products, inclusive of over-the-counter drugs, that are intentionally or inadvertently abused and cause harm by overdose to those who ingest them. We intend to apply the PODRAS™ technology platforms to other extended release opioid drug candidates (e.g., oxymorphone, hydrocodone, hydromorphone and morphine) utilizing the 505(b)(2) regulatory pathway.

The Hypermatrix™ Family of Technologies

Our platform of Hypermatrix™ drug delivery technologies include, but are not limited to, IntelliFoam™, IntelliGITransporter™, IntelliMatrix™, IntelliOsmotics™, IntelliPaste™, IntelliPellets™, IntelliShuttle™, nPODDDS™ and PODRAS™. Some of their key attributes are described below.

These technologies provide a broad range of release profiles, taking into account the physical and chemical characteristics of a drug product, the therapeutic use of the particular drug, and the optimal site for release of the API in the GIT. At present those technologies have been applied in the laboratory and/or in bioavailability/bioequivalence studies in man to such orally administered small molecule drugs as are used in the treatment of neurological, cardiovascular, GIT, diabetes, pain and other significant indications.

IntelliFoam™

The IntelliFoam™ technology is based on the drug active being embedded in, but separate from a syntactic foam substrate, the properties of which are used to modulate the release of the drug active. The drug actives are embedded in a resin polymer matrix.

IntelliGITransporter™

The IntelliGITransporter™ technology consists of an active drug immobilized in a homogeneous (uniform) matrix structure. A precise choice of mix ratios, polymers, and other ingredients imparts characteristics which protect the drug composition from mechanical degradation due to digestion, and/or from chemical degradation in the acidic stomach environment, and ensures that this technology allows control of release as well as releasing the medication at certain parts of the stomach or intestines without significant food effects or unintentional premature release of the entire drug dose. We believe that this technology is most useful for drug molecules with characteristics such as very low or very high potency, opiate analgesics (pain medications derived from the chemical compounds found in opium), or susceptibility to acid degradation. It is also useful for products where a zero-order (constant rate over time, independent of the amount of drug available for dissolution) release profile is desirable.

IntelliMatrix™

The IntelliMatrix™ technology is a proprietary blend of several polymers. Depending on the constituents of the blend and the manner in which these interact, the use of the blend with a drug allows the drug to be released at predetermined rates, while imparting protective characteristics to both the drug and the GIT. This is most useful for drugs which require precisely controlled first-order release profiles, where the amount released with time is dependent on one component like the amount of drug available for dissolution.

IntelliOsmotics™

The IntelliOsmotics™ technology is based upon the inclusion of multiple populations of polymers with distinct chemical bonding characteristics. These set up a complex matrix of hydrophilic (water attracting) and hydrophobic (water repelling) domains. When the tablet or bead is in an aqueous environment, like gastric contents, a "mixture" of water-soluble polymer and drug core is surrounded by gel layer(s) of water-insoluble polymer. Osmotic pressure drives the drug out when solvent passes through the gel layer while the polymer molecules remain. This permits control of the rate of release of the drug active by the variation of polymer ratios. This technology is most useful for drug molecules which require precisely controlled pseudo-first-order release profiles, where the rate of release is proportional to the amount available for dissolution as well as being proportional to one other component; however the effect of the amount of drug is overriding, so that the rate appears first-order. This type of release control can be useful when attempting to match difficult profiles for generic formulation.

IntelliPaste™

The IntelliPaste™ technology is comprised of blends of multiple polymers, oils, excipients and drug active(s) which result in a paste-in-a-capsule dosage form. The physical attributes of the paste include that it is thixotropic, pseudoplastic and non-Newtonian or, in layman's terms, like toothpaste. Typically, it is formulated as having very low solubility in water or oil, and low solubility in alcohol. These characteristics enable the resulting drug product to have tamper-deterrent properties, and to resist dissolution in even high concentrations of alcohol. As a result, IntelliPaste™ is our preferred delivery technology for the controlled delivery of opiates, narcotics and other central nervous system drug products which are susceptible to unlawful diversion or abuse.

IntelliPellets™

The IntelliPellets™ technology consists of one or more type (population) of granule, bead, pellet, or tablet in a holding chamber or reservoir, such as a hard gelatin capsule. Each type (population) may be uniquely different from the other in the manner or rate it releases the drug. Our IntelliPellets™ technology is designed to control, prolong, delay or modify the release of drugs. It is particularly useful for the delivery of multiple drugs, for delayed, timed, pulsed or for chronotherapeutic drug delivery, designed to mimic our internal clocks for therapeutic optimization (the drug is delivered in the right amount for the patient at the right time). This technology is most useful for the delivery of multiple-drug cocktails, or in situations where the timing of a single dose or the sequencing of multiple doses of the same drug is important.

IntelliShuttle™

The IntelliShuttle™ technology provides for drug release past the stomach, such as for drugs required for action beyond the stomach, for drugs which could be destroyed by the stomach environment, or for drugs which could harm the stomach itself. This technology "shuttles" the drug past the stomach to be released at predetermined times or sites where appropriate for optimum therapeutic effect. This technology is most useful for acid labile drug molecules (drugs that are destroyed in acid environment), such as the proton pump inhibitors, of which well-known omeprazole (Prilosec) and lansoprazole (Prevacid) are examples, or for drug molecules which may harm the stomach, of which the well-known aspirin is an example.

Each of the above-noted proprietary technologies was fully developed and ready for application to client drug delivery requirements from the date of our inception. Each of them has been utilized and applied to client drug delivery requirements under our existing and previous development contracts; in several instances more than one technology has been applied to a single drug development. We continue to develop all of our existing technologies and to conduct the necessary research to develop new products and technologies.

Our Products and Product Candidates

The table below shows the present status of our ANDA, ANDS and NDA products and product candidates that have been disclosed to the public.

Generic name	Brand	Indication	Stage of Development ⁽¹⁾	Regulatory Pathway	Market Size (in millions) ⁽²⁾	Rights ⁽³⁾
Dexamethylphenidate hydrochloride extended-release capsules	Focalin XR®	Attention deficit hyperactivity disorder	Received final approval for 5, 10, 15, 20, 25, 30, 35 and 40 mg strengths from FDA ⁽⁴⁾	ANDA	\$877	Intellipharmaceutics and Par (US) Philippines rights subject to licensing and distribution agreement
Levetiracetam extended-release tablets	Keppra XR®	Partial onset seizures for epilepsy	Received final approval for the 500 and 750 mg strengths from FDA	ANDA	\$141	ANDA Repository ⁽⁵⁾
Venlafaxine hydrochloride extended-release capsules	Effexor XR®	Depression	Received final approval for 37.5, 75 and 150 mg strengths from FDA	ANDA	\$838	Intellipharmaceutics and Tris Pharma (US)
Pantoprazole sodium delayed-release tablets	Protonix®	Conditions associated with gastroesophageal reflux disease	ANDA application for commercialization approval for 2 strengths under review by FDA	ANDA	\$385	Intellipharmaceutics
Metformin hydrochloride extended-release tablets	Glucophage® XR	Management of type 2 diabetes	Received final approval for 500 and 750 mg strengths from FDA	ANDA	\$208 (500 and 750 mg only)	Intellipharmaceutics Philippines and Vietnamese rights subject to licensing and distribution agreements
Quetiapine fumarate extended-release tablets	Seroquel XR®	Schizophrenia, bipolar disorder & major depressive disorder	Received final FDA approval for all 5 strengths. ANDS under review by Health Canada	ANDA ANDS	\$112	Intellipharmaceutics and Tris Pharma (US) Philippines, Malaysian and Vietnamese rights subject to licensing and distribution agreements Vietnamese distribution rights to unannounced pharmaceutical distributor
Lamotrigine extended-release tablets	Lamictal® XR™	Anti-convulsant for epilepsy	ANDA application for commercialization approval for 6 strengths under review by FDA	ANDA	\$523	Intellipharmaceutics
Desvenlafaxine extended-release tablets	Pristiq®	Depression	Received approval for the 50 and 100 mg strengths from FDA	ANDA	\$275	Intellipharmaceutics and Tris Pharma (US)
Trazodone hydrochloride extended-release tablets	Oleptro™	Depression	ANDA application for commercialization approval for 2 strengths under review by FDA	ANDA	\$240	Intellipharmaceutics
Carvedilol phosphate extended-release capsules	Coreg CR®	Heart failure, hypertension	Late-stage development	ANDA	\$49	Intellipharmaceutics
Oxycodone hydrochloride controlled-release capsules		Pain	NDA application accepted February 2017 and under review by FDA	NDA 505(b)(2)	\$1,200	Intellipharmaceutics
Pregabalin extended-release capsules		Neuropathic pain	IND application submitted in August 2015	NDA 505(b)(2)	\$3,594	Intellipharmaceutics
Ranolazine extended-release tablets	Ranexa®	Chronic angina	ANDA application for commercialization approval for 2 strengths under review by FDA	ANDA	\$566	Intellipharmaceutics
Oxycodone hydrochloride immediate release tablets (IPC1006)		Pain	IND application submitted in November 2018	NDA 505(b)(2)	\$653	Intellipharmaceutics

Notes:

- (1) There can be no assurance as to when, or if at all, the FDA or Health Canada will approve any product candidate for sale in the U.S. or Canadian markets.
- (2) Represents sales for all strengths, unless otherwise noted, for the 12 months ended January 2020 in the U.S., including sales of generics in TRx MBS Dollars, which represents projected new and refilled prescriptions representing a standardized dollar metric based on manufacturer's published catalog or list prices to wholesalers, and does not represent actual transaction prices and does not include prompt pay or other discounts, rebates or reductions in price. Source: Symphony Health Solutions Corporation. The information attributed to Symphony Health Solutions Corporation herein is provided as is, and Symphony makes no representation and/or warranty of any kind, including but not limited to, the accuracy and/or completeness of such information.
- (3) For information regarding the Par agreement, the Mallinckrodt agreement and the licensing and distribution agreements with pharmaceutical distributors in Malaysia, Vietnam and the Philippines, see "Our Company" and "Other Potential Products and Markets". There can be no assurance as to when, or if at all, any of our products or product candidates, as the case may be, will receive regulatory approval for sale in the Philippines, Malaysia or Vietnam. For unpartnered products, we are exploring licensing agreement opportunities or other forms of distribution. While we believe that licensing agreements are possible, there can be no assurance that any can be secured.
- (4) Includes a Company ANDA final approval for our 15 and 30 mg strengths, and a Par ANDA for their 5, 10, 15, 20, 25, 30, 35 and 40 mg strengths. Profit sharing payments to us under the Par agreement are the same irrespective of the ANDA owner.
- (5) Pursuant to the Levetiracetam ANDA Agreement we sold the Transferred Levetiracetam ANDA to the Levetiracetam ANDA Purchaser, ANDA Repository, LLC, in exchange for a purchase price of \$1. Additionally, pursuant to the Levetiracetam ANDA Agreement, we agreed to pay the Levetiracetam ANDA Purchaser an annual fee for each fiscal year, equal to 50% of the difference between the FDA Program Fee for 6 to 19 approved ANDAs and the FDA Program Fee for 1 to 5 approved ANDAs. Under the Levetiracetam ANDA Agreement, we have the option to repurchase at any time the Transferred Levetiracetam ANDA for a purchase price of \$1. We typically select products for development that we anticipate could achieve FDA or Health Canada approval for commercial sales several years in the future. However, the length of time necessary to bring a product to the point where the product can be commercialized can vary significantly and depends on, among other things, the availability of funding, design and formulation challenges, safety or efficacy, patent issues associated with the product, and FDA and Health Canada review times.

Dexmethylphenidate Hydrochloride – Generic Focalin XR® (a registered trademark of the brand manufacturer)

Dexmethylphenidate hydrochloride, a Schedule II restricted product (drugs with a high potential for abuse) in the U.S., is indicated for the treatment of attention deficit hyperactivity disorder. In November 2005, we entered into the Par agreement pursuant to which we granted Par an exclusive, royalty-free license to make and distribute in the U.S. all of our FDA approved strengths of our generic Focalin XR® (dexmethylphenidate hydrochloride extended-release) capsules for a period of 10 years from the date of commercial launch (which was November 19, 2013). We retain the right to make and distribute all strengths of the generic product outside of the U.S. Calendar quarterly profit-sharing payments for its U.S. sales of all strengths of generic Focalin XR® are payable by Par to us as calculated pursuant to the Par agreement.

We received final approval from the FDA in November 2013 under the Company ANDA to launch the 15 and 30 mg strengths of our generic Focalin XR® capsules. Commercial sales of these strengths were launched immediately by our commercialization partner in the U.S., Par. Our 5, 10, 20 and 40 mg strengths were also tentatively FDA approved, subject to the right of Teva to 180 days of generic exclusivity from the date of first launch of such products. In January 2017, Par launched the 25 and 35 mg strengths of its generic Focalin XR® capsules in the U.S., and in May 2017, Par launched the 10 and 20 mg strengths, complementing the 15 and 30 mg strengths of our generic Focalin XR® marketed by Par. In November 2017, Par launched the remaining 5 and 40 mg strengths providing us with the full line of generic Focalin XR® strengths available in the U.S. market.

In November 2018, we announced that we entered into an exclusive licensing and distribution agreement with a pharmaceutical distributor in the Philippines pursuant to which the distributor was granted the exclusive right, subject to regulatory approval, to import and market our generic Focalin XR® in the Philippines. Under the terms of the agreement, the distributor will be required to purchase a minimum yearly quantity of our generic Focalin XR® and we will be the exclusive supplier of such product. This multi-year agreement is subject to early termination. There can be no assurance as to when and if such product will receive regulatory approval for the sale in the Philippines or that, if so approved, the product will be successfully commercialized there and produce significant revenues for us.

Levetiracetam – Generic Keppra XR® (a registered trademark of the brand manufacturer)

We received final approval from the FDA in February 2016 for the 500 and 750 mg strengths of our generic Keppra XR® (levetiracetam extended-release) tablets. Keppra XR®, and the drug active levetiracetam, are indicated for use in the treatment of partial onset seizures associated with epilepsy. We are aware that several other generic versions of this product are currently available and serve to limit the overall market opportunity. We have been actively exploring the best approach to maximize our commercial returns from this approval and have been looking at several international markets where, despite lower volumes, product margins are typically higher than in the U.S.

In November 2018, we announced that we entered into two exclusive licensing and distribution agreements with pharmaceutical distributors in Vietnam and the Philippines pursuant to which the distributors were granted the exclusive right, subject to regulatory approval, to import and market our generic Keppra XR® in Vietnam and the Philippines, respectively. Under the terms of the agreements, the distributors will be required to purchase a minimum yearly quantity of our generic Keppra XR®. These multi-year agreements are each subject to early termination. There can be no assurance that the Company's generic Keppra XR® for the 500 and 750 mg strengths will be successfully commercialized. Further, there can be no assurance as to when and if such product will receive regulatory approval for the sale in Vietnam or the Philippines or that, if so approved, the product will be successfully commercialized there and produce significant revenues for us.

On September 30, 2019, pursuant to the Levetiracetam ANDA Agreement, we sold the Transferred Levetiracetam ANDA to the Levetiracetam ANDA Purchaser in exchange for a purchase price of \$1. Additionally, pursuant to the Levetiracetam ANDA Agreement, we agreed to pay the Levetiracetam ANDA Purchaser an annual fee for each fiscal year equal to 50% of the difference for the FDA Program Fee for 6 to 19 approved ANDAs and the FDA Program Fee for 1 to 5 approved ANDAs. Under the Levetiracetam ANDA Agreement, we have the option to repurchase the Transferred Levetiracetam ANDA for a purchase price of \$1 at any time.

Metformin hydrochloride – Generic Glucophage® XR (a registered trademark of the brand manufacturer)

We received final approval from the FDA in February 2017 for the 500 and 750 mg strengths of our generic Glucophage® XR (metformin hydrochloride extended release) tablets. Glucophage® XR, and the drug active metformin, are indicated for use in the management of type 2 diabetes treatment. The Company is aware that several other generic versions of this product are currently available and serve to limit the overall market opportunity; however, we are continuing to evaluate options to realize commercial returns on this product, particularly in international markets.

In November 2018, we announced that we entered into two exclusive licensing and distribution agreements with pharmaceutical distributors in the Vietnam and the Philippines pursuant to which the distributors were granted the exclusive right, subject to regulatory approval, to import and market our generic Glucophage® XR in Vietnam and the Philippines, respectively. Under the terms of the agreements, the distributors will be required to purchase a minimum yearly quantity of our generic Glucophage® XR. These multi-year agreements are each subject to early termination.

There can be no assurance that our generic Glucophage® XR for the 500 and 750 mg strengths will be successfully commercialized. Further, there can be no assurance as to when and if such product will receive regulatory approval for the sale in Vietnam or the Philippines or that, if so approved, the product will be successfully commercialized there and produce significant revenues for us.

Venlafaxine hydrochloride – Effexor XR® (a registered trademark of the brand manufacturer)

We received final approval from the FDA in November 2018 for our ANDA for venlafaxine hydrochloride extended-release capsules in the 37.5, 75 and 150 mg strengths. The approved product is a generic equivalent of the branded product Effexor XR® sold in the U.S. by Wyeth Pharmaceuticals, LLC. Effexor XR®, and the drug active venlafaxine hydrochloride, are indicated for the treatment of MDD. We are actively exploring the best approach to maximize our commercial returns from this approval. On November 25, 2019, we announced that we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Venlafaxine extended-release capsules in the 37.5, 75, and 150 mg strengths. Several other generic versions of the licensed products are currently available in the market and this limits the overall market opportunity. There can be no assurance that the Company's venlafaxine hydrochloride extended-release capsules for the 37.5, 75, and 150 mg strengths will be successfully commercialized and produce significant revenue for us.

Quetiapine fumarate extended-release tablets - Generic Seroquel XR® (a registered trademark of the brand manufacturer)

In May 2017, we received final approval from the FDA for our ANDA for quetiapine fumarate extended-release tablets in the 50, 150, 200, 300 and 400 mg strengths. Our approved product is a generic equivalent for the corresponding strengths of the branded product Seroquel XR® sold in the U.S. by AstraZeneca. Seroquel XR®, and the drug active quetiapine fumarate, are indicated for use in the management of schizophrenia, bipolar disorder and major depressive disorder (MDD). Pursuant to a settlement agreement between us and AstraZeneca dated July 30, 2012, we were permitted to launch our generic versions of the 50, 150, 200, 300 and 400 mg strengths of generic Seroquel XR®, on November 1, 2016, subject to FDA final approval of our ANDA for those strengths. Our final FDA approval followed the expiry of 180-day exclusivity periods granted to the first filers of generic equivalents to the branded product, which were shared by Par and Accord Healthcare. The Company manufactured and shipped commercial quantities of all strengths of generic Seroquel XR® to our then marketing and distribution partner Mallinckrodt, and Mallinckrodt launched all strengths in June 2017. On April 12, 2019, we and Mallinckrodt mutually agreed to terminate the Mallinckrodt agreement and effective August 12, 2019 the Mallinckrodt agreement was terminated.

In November 2018, we announced that we entered into three exclusive licensing and distribution agreements with pharmaceutical distributors in Malaysia, Vietnam and the Philippines pursuant to which the distributors were granted the exclusive right, subject to regulatory approval, to import and market our generic Seroquel XR® in Malaysia, Vietnam and the Philippines, respectively. Under the terms of the agreements, the distributors will be required to purchase a minimum yearly quantity of our generic Seroquel XR®. The multi-year agreements are each subject to early termination. There can be no assurance as to when and if such product will receive regulatory approval for the sale in Malaysia, Vietnam or the Philippines or that, if so approved, the product will be successfully commercialized there and produce significant revenues for us.

On August 15, 2019, we announced a license and commercial supply agreement with Tris Pharma, granting Tris Pharma an exclusive license to market, sell and distribute all strengths of our generic Seroquel XR® in the United States.

Desvenlafaxine succinate extended-release tablets – Generic Pristiq® (a registered trademark of the brand manufacturer)

In May 2019, we received approval from the FDA for our ANDA for desvenlafaxine extended-release tablets in the 50 and 100 mg strengths. This product is a generic equivalent of the branded product Pristiq® sold in the U.S. by Wyeth Pharmaceuticals, LLC. Pristiq®, and the drug active desvenlafaxine succinate, are indicated for use in the management of depression. We previously announced that we had entered into the Mallinckrodt agreement, which granted Mallinckrodt, subject to its terms, an exclusive license to market, sell and distribute in the U.S. the Company's desvenlafaxine extended-release tablets (generic Pristiq®).

On April 12, 2019, we and Mallinckrodt mutually agreed to terminate the Mallinckrodt agreement, and effective August 12, 2019 the Mallinckrodt agreement was terminated.

On September 5, 2019, we announced a license and commercial supply agreement with Tris Pharma, granting Tris Pharma an exclusive license to market, sell and distribute the two strengths of the product in the United States. The agreement provides for the Company to have a profit-sharing arrangement with respect to the licensed product. There can be no assurance that our desvenlafaxine extended-release tablets in the 50 and 100 mg strengths will be successfully commercialized and produce significant revenue for us.

Oxycodone ER (Abuse Deterrent Oxycodone Hydrochloride Extended Release Tablets)

One of our non-generic products under development is our Oxycodone ER (abuse deterrent oxycodone hydrochloride extended release tablets) product candidate, intended as an abuse and alcohol-deterrent controlled-release oral formulation of oxycodone hydrochloride for the relief of pain. Our Oxycodone ER is a new drug candidate, with a unique long acting oral formulation of oxycodone intended to treat moderate-to-severe pain when a continuous, around the clock opioid analgesic is needed for an extended period of time. The formulation is intended to present a significant barrier to tampering when subjected to various forms of physical and chemical manipulation commonly used by abusers. It is also designed to prevent dose dumping when inadvertently co-administered with alcohol. Dose dumping is the rapid release of an active ingredient from a controlled-release drug into the blood stream that can result in increased toxicity, side effects, and a loss of efficacy. Dose dumping can result by consuming the drug through crushing, taking with alcohol, extracting with other beverages, vaporizing or injecting. In addition, when crushed or pulverized and hydrated, the proposed extended release formulation is designed to coagulate instantaneously and entrap the drug in a viscous hydrogel, which is intended to prevent syringing, injecting and snorting. Our Oxycodone ER formulation is difficult to abuse through the application of heat or an open flame, making it difficult to inhale the active ingredient from burning.

In March 2015, we announced the results of three definitive open label, blinded, randomized, cross-over, Phase I pharmacokinetic clinical trials in which our Oxycodone ER was compared to the existing branded drug OxyContin® (extended release oxycodone hydrochloride) under single dose fasting, single dose steady-state fasting and single dose fed conditions in healthy volunteers. We had reported that the results from all three studies showed that Oxycodone ER met the bioequivalence criteria (90% confidence interval of 80% to 125%) for all matrices, i.e., on the measure of maximum plasma concentration or C_{max}, on the measure of area under the curve time (AUC_t) and on the measure of area under the curve infinity (AUC_{inf}).

In May 2015, the FDA provided us with notification regarding our IND submission for Oxycodone ER indicating that we would not be required to conduct Phase III studies if bioequivalence to OxyContin® was demonstrated based on pivotal bioequivalence studies.

In January 2016, we announced that pivotal bioequivalence trials of our Oxycodone ER, dosed under fasted and fed conditions, had demonstrated bioequivalence to OxyContin® extended release tablets as manufactured and sold in the U.S. by Purdue. The study design was based on FDA recommendations and compared the lowest and highest strengths of exhibit batches of our Oxycodone ER to the same strengths of OxyContin®. The results show that the ratios of the pharmacokinetic metrics, C_{max}, AUC_{0-t} and AUC_{0-f} for Oxycodone ER vs OxyContin®, are within the interval of 80% - 125% required by the FDA with a confidence level exceeding 90%.

In July 2016, we announced the results of a food effect study conducted on our behalf for Oxycodone ER. The study design was a randomized, one-treatment two periods, two sequences, crossover, open label, laboratory-blind bioavailability study for Oxycodone ER following a single 80 mg oral dose to healthy adults under fasting and fed conditions. The study showed that Oxycodone ER can be administered with or without a meal (i.e., no food effect). Oxycodone ER met the bioequivalence criteria (90% confidence interval of 80% to 125%) for all matrices, involving maximum plasma concentration and area under the curve (i.e., Cmax ratio of Oxycodone ER taken under fasted conditions to fed conditions, and AUC metrics taken under fasted conditions to fed conditions). We believe that Oxycodone ER is well differentiated from currently marketed oral oxycodone extended release products.

In November 2016, we filed an NDA seeking authorization to market our Oxycodone ER in the 10, 15, 20, 30, 40, 60 and 80 mg strengths, relying on the 505(b)(2) regulatory pathway which allowed us to reference data from Purdue's file for its OxyContin®. In February 2017, the FDA accepted for filing our NDA, and set a PDUFA, goal date of September 25, 2017. Our submission is supported by pivotal pharmacokinetic studies that demonstrated that Oxycodone ER is bioequivalent to OxyContin®. The submission also includes abuse-deterrent studies conducted to support abuse-deterrent label claims related to abuse of the drug by various pathways, including oral, intra-nasal and intravenous, having reference to the FDA's "Abuse-Deterrent Opioids - Evaluation and Labeling" guidance published in April 2015.

Our NDA was filed under Paragraph IV of the Hatch-Waxman Act, as amended. We certified to the FDA that we believed that our Oxycodone ER product candidate would not infringe any of the OxyContin® patents listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book (the "**Orange Book**"), or that such patents are invalid, and so notified all holders of the subject patents of such certification. On April 7, 2017, we received notice that Purdue, Purdue Pharmaceuticals L.P., The P.F. Laboratories, Inc., or collectively the Purdue parties, Rhodes Technologies, and Grünenthal GmbH, or collectively the Purdue litigation plaintiffs, had commenced patent infringement proceedings, or the Purdue litigation, against us in the U.S. District Court for the District of Delaware (docket number 17-392) in respect of our NDA filing for Oxycodone ER, alleging that our proposed Oxycodone ER infringes 6 out of the 16 patents associated with the branded product OxyContin®, or the OxyContin® patents, listed in the Orange Book. The complaint seeks injunctive relief as well as attorneys' fees and costs and such other and further relief as the Court may deem just and proper. An answer and counterclaim have been filed.

Subsequent to the above-noted filing of lawsuit, 4 further such patents were listed and published in the Orange Book. We then similarly certified to the FDA concerning such further patents. On March 16, 2018, we received notice that the Purdue litigation plaintiffs had commenced further such patent infringement proceedings adding the 4 further patents. This lawsuit is also in the District of Delaware federal court under docket number 18-404.

As a result of the commencement of the first of these legal proceedings, the FDA is stayed for 30 months from granting final approval to our Oxycodone ER product candidate. That time period commenced on February 24, 2017, when the Purdue litigation plaintiffs received notice of our certification concerning the patents, and will expire on August 24, 2019, unless the stay is earlier terminated by a final declaration of the courts that the patents are invalid, or are not infringed, or the matter is otherwise settled among the parties.

On or about June 26, 2018, the court issued an order to sever 6 "overlapping" patents from the second Purdue case, but ordered litigation to proceed on the 4 new (2017-issued) patents. An answer and counterclaim was filed on July 9, 2018. The existence and publication of additional patents in the Orange Book, and litigation arising therefrom, is an ordinary and to be expected occurrence in the course of such litigation.

On July 6, 2018, the court issued a so-called "Markman" claim construction ruling on the first case. We believe that we have non-infringement and/or invalidity defenses to all of the asserted claims of the subject patents in both of the cases and will vigorously defend against these claims.

On July 24, 2018, the parties to the case mutually agreed to and did have dismissed the infringement claims related to the Grünenthal '060 patent. The Grünenthal '060 patent is one of the six patents included in the original litigation case; however, the dismissal does not by itself result in a termination of the 30-month litigation stay.

On October 4, 2018, the parties mutually agreed to postpone the scheduled court date pending a case status conference scheduled for December 17, 2018. At that time, further trial scheduling and other administrative matters were postponed pending the Company's resubmission of the Oxycodone ER NDA to the FDA, which was made on February 28, 2019. On January 17, 2019, the court issued a scheduling order in which the remaining major portions are scheduled. The trial is scheduled for June 2020.

On April 4, 2019, the U.S. Federal Circuit Court of Appeals affirmed the invalidity of one Purdue OxyContin® formulation patent, subject to further appeal to the U.S. Supreme Court. The Company and its management intend to continue to vigorously defend against these claims and firmly believe that we do not infringe the subject patents.

An order was issued on April 24, 2019 setting the trial date for the Company's ongoing Purdue litigation case, case number 17-392 in the District of Delaware, with the trial scheduled to begin on November 12, 2019 and the 30-month stay date was extended to March 2, 2020.

On October 4, 2019, we announced that following the filing of a bankruptcy stay by Purdue Pharma L.P., the Company's ongoing litigation case numbers 1:17-cv-00392-RGA and 1:18-cv-00404-RGA-SRF between Purdue Pharma L.P. et al and Intellipharmaceutics, have been stayed and the existing trial dates in both cases have been vacated by orders issued in each case by the judge in the District of Delaware on October 3, 2019. During a status update March 13, 2020, the stay was ordered to be continued. The parties are required to submit a joint status report no less than two business days before June 3, 2020. On April 24, 2019, an order had been issued, setting the trial date for case number 17-392 in the District of Delaware, and also extending the 30-month stay date for regulatory approval to March 2, 2020. With the current litigation stay order, the previous 30-month stay date of March 2, 2020 was unchanged and has now expired.

In June 2017, we announced that a joint meeting of the Advisory Committees of the FDA was scheduled for July 26, 2017 to review our NDA for Oxycodone ER. The submission requested that our Oxycodone ER product candidate include product label claims to support the inclusion of language regarding abuse-deterrent properties for the intravenous route of administration.

In July 2017, the Company announced that the FDA Advisory Committees voted 22 to 1 in finding that the Company's NDA for Oxycodone ER should not be approved at this time. The Advisory Committees also voted 19 to 4 that the Company had not demonstrated that Oxycodone ER has properties that can be expected to deter abuse by the intravenous route of administration, and 23 to 0 that there was not sufficient data for Oxycodone ER to support inclusion of language regarding abuse-deterrent properties in the product label for the intravenous route of administration. The Advisory Committees expressed a desire to review the additional safety and efficacy data for Oxycodone ER that may be obtained from human abuse potential studies for the oral and intranasal routes of administration.

In September 2017, the Company received a Complete Response Letter ("CRL") from the FDA for the Oxycodone ER NDA, stating that it could not approve the application at that time. In its CRL, the FDA provided certain recommendations and requests for information, including that the Company complete studies to assess the abuse-deterrent properties of Oxycodone ER by the oral and nasal routes of administration, provide additional information related to the inclusion of the blue dye in the formulation of the product, and submit an alternate proposed proprietary name for Oxycodone ER. The FDA required a response within a year of issuing the CRL, but granted our request for an extension to resubmit by February 28, 2019.

In February 2018, the Company met with the FDA to discuss the above-referenced CRL for Oxycodone ER, including issues related to the blue dye in the product candidate. Based on those discussions, the product candidate will no longer include the blue dye. The blue dye was intended to act as an additional deterrent if Oxycodone ER is abused and serve as an early warning mechanism to flag potential misuse or abuse. The FDA confirmed that the removal of the blue dye is unlikely to have any impact on formulation quality and performance. As a result, the Company will not be required to repeat in vivo bioequivalence studies and pharmacokinetic studies submitted in the Oxycodone ER NDA. The FDA also indicated that, from an abuse liability perspective, Category 1 studies will not have to be repeated on Oxycodone ER with the blue dye removed.

The abuse liability studies for the intranasal route of abuse commenced in May 2018 with subject screening, while the studies for the oral route commenced in June 2018. The clinical part of both studies was completed, and the results included in the NDA resubmission.

In March 2019, the FDA acknowledged receipt of our resubmission of the Oxycodone ER NDA filed on February 28, 2019. The FDA had informed the Company that it considered the resubmission a complete response to the September 22, 2017 action letter it issued in respect of the NDA. The FDA also assigned a PDUFA goal date of August 28, 2019.

On July 24, 2019, we announced that the Company had been advised by the FDA that the FDA “is postponing product-specific advisory committee meetings for opioid analgesics,” including the one previously scheduled to discuss our NDA, “while it continues to consider a number of scientific and policy issues relating to this class of drugs.” According to the FDA, the reason for the postponement was not unique to our product and the Anesthetic and Analgesic Drug Products Advisory Committee (“AADPAC”) meeting earlier planned by the FDA, to discuss our NDA was going to be rescheduled at a future date. The FDA informed the Company that it would continue to review the Company’s NDA according to the existing PDUFA timeline, but noted that, due to the postponement of the AADPAC meeting, it was possible that the FDA may be unable to meet the PDUFA goal date of August 28, 2019. The FDA did not meet the goal date of August 28, 2019.

In December 2019 we announced that a joint meeting of the Advisory Committees of the FDA had been scheduled for January 15, 2020 to review the NDA for Aximris XR™ abuse-deterrent oxycodone hydrochloride extended-release tablets.

On January 15, 2020, at a joint meeting of the Advisory Committees of the FDA to review our NDA for Aximris XR™, abuse-deterrent oxycodone hydrochloride extended-release tablets, the Advisory Committees voted 24 to 2 against the approval of our NDA for Aximris XR™ for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate. We expect the FDA to take action on our application after completion of their review.

There can be no assurance that the studies submitted will be adequate, that we will not be required to conduct further studies for Oxycodone ER, that the FDA will approve any of the Company’s requested abuse-deterrent label claims or that the FDA will ultimately approve our NDA for the sale of Aximris XR™ in the U.S. market, or that it will ever be successfully commercialized and produce significant revenue for us

In November 2018, we announced that we entered into an exclusive licensing and distribution agreement with a pharmaceutical distributor in the Philippines pursuant to which the distributor was granted the exclusive right, subject to regulatory approval, to import and market Oxycodone ER in the Philippines. Under the terms of the agreement, the distributor will be required to purchase a minimum yearly quantity of our Oxycodone ER and we will be the exclusive supplier of our Oxycodone ER. This multi-year agreement is subject to early termination. There can be no assurance as to when and if such product candidate will receive regulatory approval for the sale in the Philippines or that, if so approved, the product will be successfully commercialized there and produce significant revenues for us.

Regabatin™ XR (Pregabalin Extended-Release)

Another of our non-generic controlled-release product under development is Regabatin™ XR, pregabalin extended-release capsules. Pregabalin is indicated for the management of neuropathic pain associated with diabetic peripheral neuropathy, postherpetic neuralgia, spinal cord injury and fibromyalgia. A controlled-release version of pregabalin should reduce the number of doses patients take, which could improve patient compliance, and therefore possibly enhance clinical outcomes. Lyrica® pregabalin, twice-a-day (“**BID**”) dosage and three-times-a-day (“**TID**”) dosage, are drug products marketed in the U.S. by Pfizer Inc. In October 2017, Pfizer also received approval for a Lyrica® CR, a controlled-release version of pregabalin. In 2014, we conducted and analyzed the results of six Phase I clinical trials involving a twice-a-day formulation and a once-a-day formulation. For formulations directed to certain indications which include fibromyalgia, the results suggested that Regabatin™ XR 82.5 mg BID dosage was comparable in bioavailability to Lyrica® 50 mg (immediate-release pregabalin) TID dosage. For formulations directed to certain other indications which include neuropathic pain associated with diabetic peripheral neuropathy, the results suggested that Regabatin™ XR 165 mg once-a-day dosage was comparable in bioavailability to Lyrica® 75 mg BID dosage.

In March 2015, the FDA accepted a Pre-Investigational New Drug, or Pre-IND, meeting request for our once-a-day Regabatin™ XR non-generic controlled release version of pregabalin under the NDA 505(b)(2) regulatory pathway, with a view to possible commercialization in the U.S. at some time following the December 30, 2018 expiry of the patent covering the pregabalin molecule. Regabatin™ XR is based on our controlled release drug delivery technology platform which utilizes the symptomatology and chronobiology of fibromyalgia in a formulation intended to provide a higher exposure of pregabalin during the first 12 hours of dosing. Based on positive feedback and guidance from the FDA, we submitted an IND application for Regabatin™ XR in August 2015. The FDA completed its review of the IND application and provided constructive input that we will use towards further development of the program. We believe our product candidate has significant additional benefits to existing treatments and are currently evaluating strategic options to advance this opportunity.

There can be no assurance that any additional Phase I or other clinical trials we conduct will meet our expectations, that we will have sufficient capital to conduct such trials, that we will be successful in submitting an NDA 505(b)(2) filing with the FDA, that the FDA will approve this product candidate for sale in the U.S. market, or that it will ever be successfully commercialized.

Oxycodone Hydrochloride IR Tablets (“IPC1006”) (Abuse Deterrent and Overdose Resistant Oxycodone Hydrochloride Immediate Release Tablets)

In November 2018, we announced that we had submitted an investigational new drug (“IND”) application to the FDA for our IPC1006 oxycodone hydrochloride immediate release tablets in the 5, 10, 15, 20 and 30 mg strengths. This novel drug formulation incorporates the Company’s PODRAS delivery technology and its nPODDDS™ technology. IPC1006 is designed to prevent, delay or limit the release of oxycodone hydrochloride when more intact tablets than prescribed are ingested, thus delaying or preventing overdose and allowing for sufficient time for a rescue or medical intervention to take place. It is also intended to present a significant barrier to abuse by snorting, “parachuting,” injecting or smoking finely crushed oxycodone hydrochloride immediate release tablets. The data generated from the studies conducted under this IND is expected to form part of an NDA seeking FDA approval for IPC1006 tablets.

If approved, IPC1006 may be the first immediate release formulation of oxycodone hydrochloride intended to simultaneously prevent or delay overdose and prevent abuse by intranasal or intravenous routes.

There can be no assurance that we will be successful in submitting any NDA with the FDA, that the FDA will approve the Company’s IPC1006 product candidate for sale in the U.S. market or any related abuse-deterrent label claims, or that it will ever be successfully commercialized and produce significant revenue for us.

Other Potential Products and Markets

We are continuing our efforts to identify opportunities internationally, particularly in China, that could, if effectuated, provide product distribution alternatives through partnerships and therefore would not likely require an investment or asset acquisition by us. Discussions toward establishing a partnership to facilitate future development activities in China are ongoing. We have not at this time entered into and may not ever enter into any such arrangements.

In addition, we are seeking to develop key relationships in several other international jurisdictions where we believe there may be substantial demand for our generic products. These opportunities could potentially involve out-licensing of our products, third-party manufacturing supply and more efficient access to pharmaceutical ingredients and therefore assist with the development of our product pipeline.

In November 2018, we announced that we had entered into an exclusive licensing and distribution agreement for our abuse resistant Oxycodone ER product candidate and four generic drug products with a pharmaceutical distributor in the Philippines. Under the terms of the agreement the distributor was granted the exclusive right, subject to regulatory approval, to import and market our first novel drug formulation, abuse-deterrent Oxycodone ER, in the Philippines. Additionally, this distributor was granted, subject to regulatory approval, the exclusive right to import and market our generic Seroquel XR®, Focalin XR®, Glucophage® XR, and Keppra XR® in the Philippines. Under the terms of the agreement, the distributor will be required to purchase a minimum yearly quantity of all products included in the agreement and we will be the exclusive supplier of said products. The multi-year agreement with the Philippines distributor is subject to early termination. Financial terms of the agreement have not been disclosed. There can be no assurance as to when or if any of our products or product candidates will receive regulatory approval for sale in the Philippines or that, if so approved, any such products will be successfully commercialized there and produce significant revenues for us. Moreover, there can be no assurance that we will not be required to conduct further studies for Oxycodone ER, that the FDA will approve any of our requested abuse-deterrent label claims or that the FDA will ultimately approve the NDA for the sale of Oxycodone ER in the U.S. market, or that it will ever be successfully commercialized and produce significant revenue for us.

In November 2018, we announced that we had entered into two exclusive licensing and distribution agreements with pharmaceutical distributors in Malaysia and Vietnam.

A Malaysian pharmaceutical distribution company was granted the exclusive right, subject to regulatory approval, to import and market our generic Seroquel XR® (quetiapine fumarate extended-release) in Malaysia. Under the terms of the agreement, four strengths (50, 200, 300 and 400 mg) of generic Seroquel XR® will be manufactured and supplied by us for distribution in Malaysia. We are also in discussions to include other products in the agreement with said distributor, who will be required to purchase a minimum yearly quantity of all products included in the agreement.

A Vietnamese pharmaceutical distributor was granted the exclusive right, subject to regulatory approval, to import and market our generic Seroquel XR®, Glucophage® XR, and Keppra XR® in Vietnam. Under the terms of the agreement, two strengths (500 and 750 mg) of generic Glucophage® XR, three strengths (50, 150 and 200 mg) of generic Seroquel XR® and one strength (500 mg) of generic Keppra XR® will be manufactured and supplied by us for distribution in Vietnam. The Vietnamese distributor will be required to purchase a minimum yearly quantity of all products included in the agreement.

The multi-year agreements with the Malaysian and Vietnamese distributors are each subject to early termination. Financial terms of the agreements have not been disclosed. There can be no assurance as to when or if any of our products will receive regulatory approval for sale in Malaysia or Vietnam or that, if so approved, the products will be successfully commercialized there and produce significant revenues for the Company.

Additionally, in January 2018, we announced we had commenced a R&D program of pharmaceutical cannabidiol, or CBD, based products. As part of this R&D program, we filed multiple provisional patent applications with the United States Patent and Trademark Office pertaining to the delivery and application of cannabinoid-based therapeutics, began talks with potential commercialization partners in the cannabidiol industry, and identified a potential supplier of CBD. The patent filings, together with certain of our already issued drug delivery patents, are intended to form the basis of the development of a pipeline of novel controlled-release product candidates with CBD as the main active ingredient.

On May 30, 2019 we announced that the Company's pre-existing license to conduct activities with CBD has been migrated by Health Canada to a CDL under the Cannabis Regulations. Our Cannabis Drug License allows the Company to continue to possess cannabis, produce a drug containing cannabis and sell a drug containing cannabis. The CDL is unique from other forms of cannabis licenses in Canada as, according to Health Canada, it is a requirement for any company that intends to produce and sell a prescription drug containing cannabis or cannabinoids. Only companies, such as our Company, with a Health Canada issued Drug Establishment License are eligible to apply for a Cannabis Drug License. There can be no assurance that we will be able to develop cannabis-based products or that any cannabis-based product candidates we develop will ever be successfully commercialized or produce significant revenue for us.

COMPETITIVE ENVIRONMENT

We are engaged in a business characterized by extensive research efforts, rapid technological developments and intense competition. Our competitors include medical technology, pharmaceutical, biotechnology and other companies, universities and research institutions. All of these competitors currently engage in, have engaged in or may engage in the future, in development, manufacturing, marketing and commercialization of new pharmaceuticals and existing pharmaceuticals, some of which may compete with our present or future products and product candidates.

Our drug delivery technologies may compete with existing drug delivery technologies, as well as new drug delivery technologies that may be developed or commercialized in the future. Any of these drugs and drug delivery technologies may receive government approval or gain market acceptance more rapidly than our products and product candidates. As a result, our products and product candidates may become non-competitive or obsolete.

We believe that our ability to successfully compete will depend on, among other things, the efficacy, safety and reliability of our products and product candidates, the timing and scope of regulatory approval, the speed at which we develop product candidates, our, or our commercialization partners', ability to manufacture and sell commercial quantities of a product to the market, product acceptance by physicians and other professional healthcare providers, the quality and breadth of our technologies, the skills of our employees and our ability to recruit and retain skilled employees, the protection of our intellectual property, and the availability of substantial capital resources to fund development and commercialization activities.

MANUFACTURING

We have internal manufacturing capabilities consisting of cGMP research laboratories and a current Good Manufacturing Process (“cGMP”) manufacturing plant for solid oral dosage forms at our facility located at 30 Worcester Road. Raw materials used in manufacturing our products are available from a number of commercial sources and the prices for such raw materials are generally not particularly volatile. In October 2014, the FDA provided us with written notification that 30 Worcester Road Facility had received an “acceptable” classification. Such inspections are carried out on a regular basis by the FDA and an “acceptable” classification is necessary to permit us to be in a position to receive final approvals for ANDAs and NDAs and to permit manufacturing of drug products intended for commercial sales in the United States after any such approvals. The most recent inspections by FDA were conducted in July 2017 and June 2019; FDA issued close-out letters in both cases. Similarly, Health Canada completed an inspection of 30 Worcester Road Facility in September 2015 which resulted in a compliant rating. The most recent Health Canada inspection was conducted in June 2019 and a compliant rating was issued on August 15, 2019. Once we have completed certain renovations to our 22 Worcester Road Facility (as defined in Item 4.D. below), we plan to request an inspection by regulatory agencies which will determine compliance of the facility with cGMP.

INTELLECTUAL PROPERTY

Proprietary rights are an important aspect of our business. These include know-how, trade secrets and patents. Know-how and trade secrets are protected by internal company policies and operating procedures, and where necessary, by contractual provisions with development partners and suppliers. We also seek patent protection for inventive advances which form the basis of our drug delivery technologies. With respect to particular products, we may seek patent protection on the commercial composition, our methods of production and our uses, to prevent the unauthorized marketing and sale of competitive products.

Patents which relate to and protect various aspects of our Hypermatrix™ family of drug delivery technologies include the following United States, Japanese, Chinese, Indian, Canadian and European patents which have been issued to us:

Country	Issue Date	Issue No.	Title
U.S.A.	October 31, 2017	9,801,939	Compositions and Methods For Reducing Overdose
U.S.A.	July 11, 2017	9,700,516	Compositions and Methods For Reducing Overdose
U.S.A.	July 11, 2017	9,700,515	Compositions and Methods For Reducing Overdose
U.S.A.	December 20, 2016	9,522,119	Compositions and Methods For Reducing Overdose
U.S.A.	July 14, 2015	9,078,827	Pharmaceutical Composition Having Reduced Abuse Potential
U.S.A.	August 12, 2014	8,802,139	Proton Pump-Inhibitor-Containing Capsules Which Comprise Subunits Differently Structured For A Delayed Release Of The Active Ingredient
U.S.A.	December 10, 2013	8,603,520	Oral Multi-functional Pharmaceutical Capsule Preparations of Proton Pump Inhibitors
U.S.A.	March 12, 2013	8,394,409	Controlled Extended Drug Release Technology
U.S.A.	March 15, 2011	7,906,143	Controlled Release Pharmaceutical Delivery Device and Process for Preparation Thereof
U.S.A.	December 28, 2010	7,858,119	Extended Release Pharmaceuticals
U.S.A.	August 15, 2006	7,090,867	Controlled Release Delivery Device for Pharmaceutical Agents Incorporating Microbial Polysaccharide Gum
U.S.A.	October 5, 2004	6,800,668	Syntactic Deformable Foam Compositions and Methods for Making
U.S.A.	November 25, 2003	6,652,882	Controlled Release Formulation Containing Bupropion
U.S.A.	August 19, 2003	6,607,751	Novel Controlled Release Delivery Device for Pharmaceutical Agents Incorporating Microbial Polysaccharide Gum
U.S.A.	November 12, 2002	6,479,075	Pharmaceutical Formulations for Acid Labile Substances
U.S.A.	October 2, 2001	6,296,876	Pharmaceutical Formulations for Acid Labile Substances
U.S.A.	May 5, 2017	9,636,306	Proton Pump-Inhibitor Containing Capsules which Comprise Subunits Differently Structured for a Delayed Release of the Active Ingredient
U.S.A.	November 6, 2019	10,314,787	Controlled Release Delivery Device Comprising an Organosol Coat
U.S.A.	April 9, 2018	10,064,828	Pulsed Extended-Pulsed and Extended-Pulsed Drug Delivery Systems
U.S.A.	December 25, 2018	10,159,649	Controlled Release Delivery Device Comprising an Organosol Coat
U.S.A.	July 2, 2017	9,561,188	Controlled Release Delivery Device Comprising an Organosol Coat

U.S.A.	May 21, 2019	10,293,046	Compositions and Methods for Reducing Overdose
Japan	August 28, 2015	5,798,293	Pharmaceutical Composition Having Reduced Abuse Potential
Japan	January 17, 2014	5,457,830	Controlled Release Delivery Device Comprising An Organosol Coat
Japan	August 8, 2014	5,592,547	Drug Delivery Composition
Japan	August 30, 2013	5,349,290	Drug Delivery Composition
Japan	July 29, 2016	5,978,276	Pharmaceutical Composition having Reduced Abuse Potential
Japan	June 28, 2019	6,544,749	Compositions and Methods for Reducing Overdose
India	February 10, 2015	265,141	Pharmaceutical Composition Having Reduced Abuse Potential
India	July 3, 2017	281,085	Drug Delivery Composition
India	January 19, 2017	279,389	Controlled Release Delivery Device Comprising an Organosol Coat
Europe	July 25, 2018	2,112,920	Proton Pump-Inhibitor Containing Capsules which Comprise Subunits Differently Structured for a Delayed Release of the Active Ingredient
Europe	November 26, 2014	2,007,360	Controlled Release Delivery Device Comprising an Organosol Coat
Canada	November 29, 2016	2,910,865	Compositions and Methods for Reducing Overdose
Canada	May 28, 2019	2,648,278	Drug Delivery Composition
Canada	May 26, 2015	2,579,382	Controlled Release Composition Using Transition Coating, And Method Of Preparing Same/ Controlled Release Delivery Device
Canada	January 28, 2014	2,571,897	Controlled Extended Drug Release Technology
Canada	April 8, 2014	2,576,556	Drug Delivery Device
Canada	March 11, 2014	2,648,280	Controlled Release Delivery Device Comprising an Organosol Coat
Canada	June 19, 2012	2,626,558	Pharmaceutical Composition having Reduced Abuse Potential
Canada	September 25, 2012	2,529,984	Oral Multi-Functional Pharmaceutical Capsule Preparations of Proton Pump Inhibitors
Canada	February 22, 2011	2,459,857	Combinatorial Type Controlled Release Drug Delivery Device
Canada	March 15, 2005	2,435,276	Syntactic Deformable Foam Compositions and Methods for Making
China	May 11, 2016	200780019665	Drug Delivery Composition
China	November 25, 2015	ZL200780025611.X	Pharmaceutical Composition having Reduced Abuse Potential

In addition to these issued patents, we have several U.S. patent applications, and corresponding foreign applications pending, including Patent Cooperation Treaty - national stage processing and entry applications, relating to various aspects of our HyperMatrix™ drug delivery technologies, including methods and compositions for coating of tablets and beads, compositions incorporating disintegrants to assist in controlled release, compositions incorporating multiple drug actives, and compositions directed to classes of drug actives designed as therapies for specific indications and compositions intended to enhance deterrence of willful abuse of narcotic compositions.

REGULATORY REQUIREMENTS

We focus on the development of both branded drug products (which require NDAs) and generic drug products (which require ANDAs). The research and development, manufacture and marketing of controlled-release pharmaceuticals are subject to regulation by U.S., Canadian and other governmental authorities and agencies. Such national agencies and other federal, state, provincial and local entities regulate the testing, manufacturing, safety and promotion of our products. The regulations applicable to our products may change as the currently limited number of approved controlled-release products increases and regulators acquire additional experience in this area.

United States Regulation

New Drug Application

We will be required by the FDA to comply with NDA procedures for our branded products prior to commencement of marketing by us or our licensees. New drug compounds and new formulations for existing drug compounds which cannot be filed as ANDAs, but follow a 505(b)(2) regulatory pathway, are subject to NDA procedures.

These procedures for a new drug compound include (a) preclinical laboratory and animal toxicology tests; (b) scaling and testing of production batches; (c) submission of an IND, and subsequent approval is required before any human clinical trials can commence; (d) adequate and well controlled replicate human clinical trials to establish the safety and efficacy of the drug for its intended indication; (e) the submission of an NDA to the FDA; and (f) FDA approval of an NDA prior to any commercial sale or shipment of the product, including pre-approval and post-approval inspections of our manufacturing and testing facilities. If all of this data in the product application is owned by the applicant, the FDA will issue its approval without regard to patent rights that might be infringed or exclusivity periods that would affect the FDA's ability to grant an approval if the application relied upon data which the applicant did not own.

Preclinical laboratory and animal toxicology tests may have to be performed to assess the safety and potential efficacy of the product. The results of these preclinical tests, together with information regarding the methods of manufacture of the products and quality control testing, are then submitted to the FDA as part of an IND requesting authorization to initiate human clinical trials. Once the IND notice period has expired, clinical trials may be initiated, unless an FDA hold on clinical trials has been issued.

A new formulation for an existing drug compound requires a 505(b)(2) application. This application contains full reports of investigations of safety and effectiveness but at least some information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. A 505(b)(2) application is submitted when some specific information necessary for approval is obtained from: (1) published literature and/or (2) the FDA findings of safety and effectiveness for an approved drug. The FDA has implemented this approach to encourage innovation in drug development without requiring duplicative studies while protecting the patent and exclusivity rights for the approved drug. A 505(b)(2) application can be submitted for a new chemical entity, a new molecular entity or any changes to previously approved drugs such as dosage form, strength, route of administration, formulation, indication, or bioequivalence where the application may rely on the FDA's finding on safety and effectiveness of the previously approved drug. In addition, the applicant may also submit a 505(b)(2) application for a change in drug product that is eligible for consideration pursuant to a suitability petition. For example, a 505(b)(2) application would be appropriate for a controlled-release product that is bioequivalent to a reference listed drug where the proposed product is at least as bioavailable and the pattern of release is at least as favorable as the approved pharmaceutically equivalent product. A 505(b)(2) application may be granted three years of exclusivity if one or more clinical investigations, other than bioavailability/bioequivalence studies, was essential to the approval and conducted or sponsored by the applicant; five years of exclusivity is granted if it is for a new chemical entity. A 505(b)(2) application may also be eligible for orphan drug and pediatric exclusivity.

A 505(b)(2) application must contain the following: (1) identification of those portions of the application that rely on the information the applicant does not have a right of reference, (2) identification of any or all listed drugs by established name, proprietary name, dosage form, strength, route of administration, name of the listed drug's sponsor, and the application number if application relies on the FDA's previous findings of safety and effectiveness for a listed drug, (3) information with respect to any patents that claim the drug or the use of the drug for which approval is sought, (4) patent certifications or statement with respect to any relevant patents that claim the listed drug, (5) if approval for a new indication, and not for the indications approved for the listed drug, a certification so stating, (6) a statement as to whether the listed drug has received a period of marketing exclusivity, (7) bioavailability/bioequivalence studies comparing the proposed product to the listed drug (if any) and (8) studies necessary to support the change or modification from the listed drugs or drugs (if any). Before submitting the application, the applicant should submit a plan to identify the types of bridging studies that should be conducted and also the components of application that rely on the FDA's findings of safety and effectiveness of a previously approved drug product. We intend to generate all data necessary to support FDA approval of the applications we file. A 505(b)(2) application must provide notice of certain patent certifications to the NDA holder and patent owner, and approval may be delayed due to patent or exclusivity protections covering an approved product.

Clinical trials involve the administration of a pharmaceutical product to individuals under the supervision of qualified medical investigators who are experienced in conducting studies under good clinical practices guidelines. Clinical studies are conducted in accordance with protocols that detail the objectives of a study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Each protocol is submitted to the FDA and to an institutional review board prior to the commencement of each clinical trial. Clinical studies are typically conducted in three sequential phases, which may overlap. In Phase I, the initial introduction of the product into human subjects, the compound is tested for absorption, safety, dosage, tolerance, metabolic interaction, distribution, and excretion. Phase II involves studies in a limited patient population with the disease to be treated to (1) determine the efficacy of the product for specific targeted indications, (2) determine optimal dosage and (3) identify possible adverse effects and safety risks. In the event Phase II evaluations demonstrate that a pharmaceutical product is effective and has an acceptable safety profile, Phase III clinical trials are undertaken to further evaluate clinical efficacy of the product and to further test its safety within an expanded patient population at geographically dispersed clinical study sites. Periodic reports on the clinical investigations are required.

We, or the FDA, may suspend clinical trials at any time if either party believes the clinical subjects are being exposed to unacceptable health risks. The results of the product development, analytical laboratory studies and clinical studies are submitted to the FDA as part of an NDA for approval of the marketing and commercialization of a pharmaceutical product.

Abbreviated New Drug Application

In certain cases, where the objective is to develop a generic version of an approved product already on the market in controlled-release dosages, an ANDA may be filed in lieu of filing an NDA. Under the ANDA procedure, the FDA waives the requirement to submit complete reports of preclinical and clinical studies of safety and efficacy and instead requires the submission of bioequivalency data; that is, demonstration that the generic drug produces the same effect in the body as its brand-name counterpart and has the same pharmacokinetic profile, or change in blood concentration over time. The ANDA procedure is available to us for a generic version of a drug product approved by the FDA. In certain cases, an ANDA applicant may submit a suitability petition to the FDA requesting permission to submit an ANDA for a drug product that differs from a previously approved reference drug product (the "**Listed Drug**") when the change is one authorized by statute. Permitted variations from the Listed Drug include changes in: (1) route of administration, (2) dosage form, (3) strength and (4) one of the active ingredients of the Listed Drug when the Listed Drug is a combination product. The FDA must approve the petition before the ANDA may be submitted. An applicant is not permitted to petition for any other kinds of changes from Listed Drugs. The information in a suitability petition must demonstrate that the change from the Listed Drug requested for the proposed drug product may be adequately evaluated for approval without data from investigations to show the proposed drug product's safety or effectiveness. The advantages of an ANDA over an NDA include reduced R&D costs associated with bringing a product to market, and generally a shorter review and approval time at the FDA.

GDUFA implemented substantial fees for new ANDAs, Drug Master Files, product and establishment fees. In return, the program is intended to provide faster and more predictable ANDA reviews by the FDA and more timely inspections of drug facilities. For the FDA's fiscal year 2020, the user fee rate is \$176,237. For the FDA's fiscal year 2020, the FDA will also charge an annual facility user fee of \$210,662 plus a general program fee of \$166,168. Under GDUFA, generic product companies face significant penalties for failure to pay the new user fees, including rendering an ANDA not "substantially complete" until the fee is paid. It is currently uncertain the effect the new fees will have on our ANDA process and business. However, any failure by us or our suppliers to pay the fees or to comply with the other provisions of GDUFA may adversely impact or delay our ability to file ANDAs, obtain approvals for new generic products, generate revenues and thus may have a material adverse effect on our business, results of operations and financial condition.

Patent Certification and Exclusivity Issues

ANDAs and/or NDAs filed under Paragraph IV of the Hatch Waxman Act which seek approval by a non-brand owner to market a generic version of a branded drug product prior to the expiry of patents owned or listed in the Orange Book (the "**Listed Patents**") as applicable to the brand owner's product, are required to include certifications pursuant to Paragraph IV that either the Listed Patents are invalid or that the applicant's drug product does not infringe the Listed Patents. In such circumstances, the owner of the branded drug and/or the holder of the patents may commence patent infringement litigation against the applicant. In such a case, the FDA is not empowered to approve such pending ANDA or NDA until the expiry of 30 months from the commencement of such litigation, unless within such 30 month period the said patents are found to be invalid, or the drug product covered by the ANDA or NDA is finally found by a court not to infringe such patents.

Under the U.S. Food, Drug and Cosmetic Act ("**FDC Act**"), the first filer of an ANDA (but not an NDA) with a "non-infringement" certification is entitled, if its drug product is approved, to receive 180 days of market exclusivity. Subsequent filers of generic products, if non-infringing and approved by the FDA, are entitled to market their products six months after the first commercial marketing of the first filer's generic product. A company having FDA approval and permission from the original brand owner is able to market an authorized generic at any time. The 180-day exclusivity period can be forfeited if the first applicant withdraws its application or the FDA considers the application to have been withdrawn, the first applicant amends or withdraws Paragraph IV Certification for all patents qualifying for 180 day exclusivity, or the first applicant fails to obtain tentative approval within 30 months after the date filed, unless failure is due to a change in review requirements. The preservation of the 180 day exclusivity period related to the first-to-file status of a drug not approved within 30 months after the date filed, generally requires that an application be made to the FDA for extension of the time period where the delay has been due to a change in the review requirements for the drug. The approval of the continued first-to-file status in such circumstances is subject to the discretion of the FDA. There can be no assurance that the FDA would accede to such a request if made.

Patent expiration refers to expiry of U.S. patents (inclusive of any extensions) on drug compounds, formulations and uses. Patents outside the United States may differ from those in the United States. Under U.S. law, the expiration of a patent on a drug compound does not create a right to make, use or sell that compound. There may be additional patents relating to a person's proposed manufacture, use or sale of a product that could potentially prohibit such person's proposed commercialization of a drug compound.

The FDC Act contains other market exclusivity provisions that offer additional protection to pioneer drug products which are independent of any patent coverage that might also apply. Exclusivity refers to the fact that the effective date of approval of a potential competitor's ANDA for a generic of the pioneer drug may be delayed or, in certain cases, an ANDA may not be submitted until the exclusivity period expires. Five years of exclusivity are granted to the first approval of a "new chemical entity". Three years of exclusivity may apply to products which are not new chemical entities, but for which new clinical investigations are essential to the approval. For example, a new indication for use, or a new dosage strength of a previously approved product, may be entitled to exclusivity, but only with respect to that indication or dosage strength. Exclusivity only offers protection against a competitor entering the market via the ANDA route, and does not operate against a competitor that generates all of its own data and submits a full NDA.

If applicable regulatory criteria are not satisfied, the FDA may deny approval of an NDA or an ANDA or may require additional testing. Product approvals may be withdrawn if compliance with current or future regulatory standards is not maintained or if problems occur after the product reaches the market. The FDA may require further testing and surveillance programs to monitor the pharmaceutical product that has been commercialized. Non-compliance with applicable requirements can result in additional penalties, including product seizures, injunction actions and criminal prosecutions.

Canadian Regulation

The requirements for selling pharmaceutical drugs in Canada are substantially similar to those of the United States described above.

Investigational New Drug Application

Before conducting clinical trials of a new drug in Canada, we must submit a Clinical Trial Application to the Therapeutic Products Directorate (**TPD**). This application includes information about the proposed trial, the methods of manufacture of the drug and controls, preclinical laboratory and animal toxicology tests on the safety and potential efficacy of the drug, and information on any previously executed clinical trials with the new drug. If, within 30 days of receiving the application, the TPD does not notify us that our application is unsatisfactory, we may proceed with clinical trials of the drug. The phases of clinical trials are the same as those described above under “United States Regulation – New Drug Application”.

New Drug Submission

Before selling a new drug in Canada, we must submit a New Drug Submission (“**NDS**”) or Supplemental New Drug Submission (“**SNDS**”) to the TPD and receive a Notice of Compliance (“**NOC**”) from the TPD to sell the drug. The submission includes information describing the new drug, including its proper name, the proposed name under which the new drug will be sold, a quantitative list of ingredients in the new drug, the methods of manufacturing, processing, and packaging the new drug, the controls applicable to these operations, the tests conducted to establish the safety of the new drug, the tests to be applied to control the potency, purity, stability and safety of the new drug, the results of bio-pharmaceutics and clinical trials as appropriate, the intended indications for which the new drug may be prescribed and the effectiveness of the new drug when used as intended. The TPD reviews the NDS or SNDS. If the submission meets the requirements of Canada’s Food and Drugs Act and Regulations, the TPD will issue an NOC for the new drug.

Where the TPD has already approved a drug for sale in controlled-release dosages, we may seek approval from the TPD to sell an equivalent generic drug through an ANDS. In certain cases, the TPD does not require the manufacturer of a proposed drug that is claimed to be equivalent to a drug that has already been approved for sale and marketed, to conduct clinical trials; instead, the manufacturer must satisfy the TPD that the drug is bioequivalent to the drug that has already been approved and marketed.

The TPD may deny approval or may require additional testing of a proposed new drug if applicable regulatory criteria are not met. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. Contravention of Canada’s Food and Drugs Act and Regulations can result in fines and other sanctions, including product seizures and criminal prosecutions.

Proposals have recently been made that, if implemented, would significantly change Canada's drug approval system. In general, the recommendations emphasize the need for efficiency in Canadian drug review. Proposals include establishment of a separate agency for drug regulation and modeling the approval system on those found in European Union countries. There is no assurance, however, that such changes will be implemented or, if implemented, will expedite the approval of new drugs.

The Canadian government has regulations which can prohibit the issuance of an NOC for a patented medicine to a generic competitor, provided that the patentee or an exclusive licensee has filed a list of its Canadian patents covering that medicine with the Minister of Health and Welfare. After submitting the list, the patentee or an exclusive licensee can commence a proceeding to obtain an order of prohibition directed to the Minister prohibiting him or her from issuing an NOC. The minister may be prohibited from issuing an NOC permitting the importation or sale of a patented medicine to a generic competitor until patents on the medicine expire or the waiver of infringement and/or validity of the patent(s) in question is resolved by litigation in the manner set out in such regulations. There may be additional patents relating to a company's proposed manufacture, use or sale of a product that could potentially prohibit such company's proposed commercialization of a drug compound.

Certain provincial regulatory authorities in Canada have the ability to determine whether the consumers of a drug sold within such province will be reimbursed by a provincial government health plan for that drug by listing drugs on formularies. The listing or non-listing of a drug on provincial formularies may affect the prices of drugs sold within provinces and the volume of drugs sold within provinces.

Additional Regulatory Considerations

Sales of our products by our licensees outside the United States and Canada will be subject to regulatory requirements governing the testing, registration and marketing of pharmaceuticals, which vary widely from country to country.

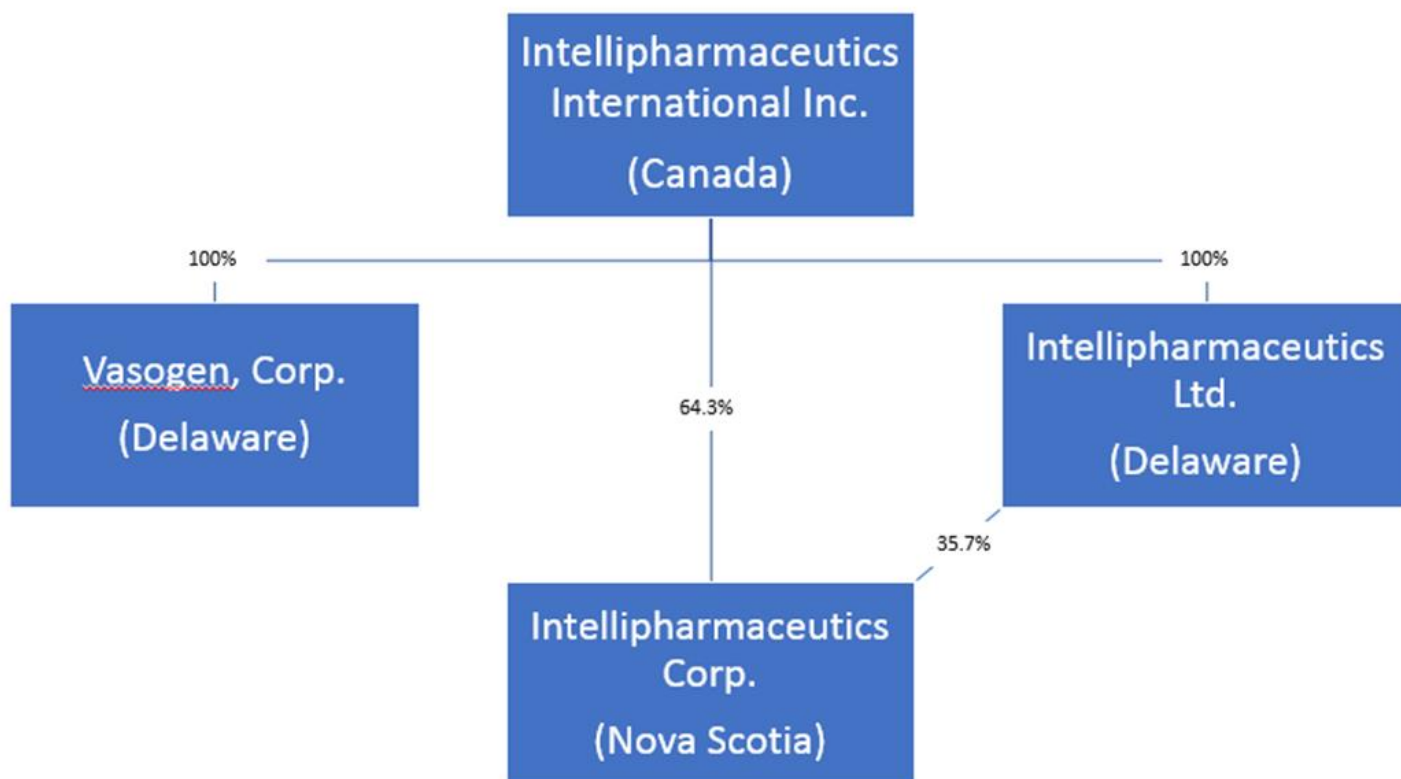
Under the U.S. Generic Drug Enforcement Act, ANDA applicants (including officers, directors and employees) who are convicted of a crime involving dishonest or fraudulent activity (even outside the FDA regulatory context) are subject to debarment. Debarment is disqualification from submitting or participating in the submission of future ANDAs for a period of years or permanently. The Generic Drug Enforcement Act also authorizes the FDA to refuse to accept ANDAs from any company which employs or uses the services of a debarred individual. We do not believe that we receive any services from any debarred person.

In addition to the regulatory approval process, pharmaceutical companies are subject to regulations under provincial, state and federal law, including requirements regarding occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local, provincial, state, federal and foreign regulations, including possible future regulations of the pharmaceutical industry. We believe that we are in compliance in all material respects with such regulations as are currently in effect.

Before medicinal products can be distributed commercially, a submission providing detailed information must be reviewed and approved by the applicable government or agency in the jurisdiction in which the product is to be marketed. The regulatory review and approval process varies from country to country.

C. Organizational Structure

The following chart shows the corporate relationship structure of Intellipharmaceutics International Inc. and its three wholly-owned subsidiaries, including jurisdictions of incorporation, as of March 30, 2020.



D. Property, Plant and Equipment

On December 1, 2015, we entered into a lease agreement for a 25,000 square foot facility located at 30 Worcester Road Toronto, Ontario, Canada M9W 5X2 (“**30 Worcester Road Facility**”), as well as a 40,000 square foot facility on the adjoining property located at 22 Worcester Road, Toronto, Ontario, Canada M9W 5X2, both of which are owned indirectly by the same landlord (“**22 Worcester Road Facility**”, and together with 30 Worcester Road Facility, the “**Combined Properties**”) for a five-year term with a five-year renewal option. Basic rent over the five-year term is C\$240,000 per annum for the Combined Properties, subject to an annual consumer price inflation adjustment, and we are responsible for utilities, municipal taxes and operating expenses for the leased property. With these two leased premises, we now have use of 65,000 square feet of commercial space to accommodate our growth objectives over the next several years. We also have an option to purchase the Combined Properties after March 1, 2017 until November 30, 2020 based on a fair value purchase formula. We use our 30 Worcester Road Facility as a cGLP research laboratory, office space, and cGMP scale-up and small to medium-scale manufacturing plant for solid oral dosage forms. The 30 Worcester Road Facility consists of approximately 4,900 square feet for administrative space, 4,300 square feet for R&D, 9,200 square feet for manufacturing, and 3,000 square feet for warehousing. The 22 Worcester Road Facility provides approximately 35,000 square feet of warehouse space and approximately 5,000 square feet of office space. The current lease also provides us with a right of first refusal to purchase the Combined Properties. The landlord is required to provide us with at least 60 days prior written notice and the desired sale price for the Combined Properties prior to offering the premises to a third party or on the open market. We have five business days to accept such offer and purchase price for a transaction to close within 60 days of the notice. If we decline the offer, the landlord is entitled to offer and sell the properties for a purchase price of not less than the price offered to us for a period of 180 days, after which time the landlord is again obliged to offer the properties to us before offering them to a third party or on the open market.

We continually monitor our facility requirements in the context of our needs and we expect these requirements to change commensurately with our activities

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements of the Company and notes thereto. See “Item 18. Financial Statements”. The consolidated financial statements have been prepared in accordance with U.S. GAAP. All amounts are expressed in United States dollars unless otherwise noted. Annual references are to the Company’s fiscal years, which ended on November 30, 2019, 2018 and 2017.

A. Operating Results

Our results of operations have fluctuated significantly from period to period in the past and are likely to do so in the future. We anticipate that our quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the timing of approvals to market our product candidates in various jurisdictions and any resulting licensing revenue, milestone revenue, product sales, the number of competitive products and the extent of any aggressive pricing activity, wholesaler buying patterns, the timing and amount of payments received pursuant to our current and future collaborations with third parties, the existence of any first-to-file exclusivity periods, and the progress and timing of expenditures related to our research, development and commercialization efforts. Due to these fluctuations, we presently believe that the period-to-period comparisons of our operating results are not a reliable indication of our future performance.

The following are selected financial data for the years ended November 30, 2019, 2018 and 2017.

	For the years ended			Change 2019 vs 2018	%	Change		
	November 30 2019	November 30 2018	November 30 2017			2018 vs 2017		
	\$	\$	\$			\$	%	
Revenue:								
Licensing	1,114,031	1,370,607	5,025,350	(256,576)	-19%	(3,654,743)	-73%	
Up-front fees	2,366,485	342,124	479,102	2,024,361	592%	(136,978)	-29%	
	<u>3,480,516</u>	<u>1,712,731</u>	<u>5,504,452</u>	<u>1,767,785</u>	<u>103%</u>	<u>(3,791,721)</u>	<u>-69%</u>	
Cost of goods sold	33,068	124,870	704,006	(91,802)	-74%	(579,136)	-82%	
Gross Margin	<u>3,447,448</u>	<u>1,587,861</u>	<u>4,800,446</u>	<u>1,859,587</u>	<u>117%</u>	<u>(3,212,585)</u>	<u>-67%</u>	
Expenses:								
Research and development	6,608,794	10,827,293	9,271,353	(4,218,499)	-39%	1,555,940	17%	
Selling, general and administrative	4,167,801	3,476,450	3,287,914	691,351	20%	188,536	6%	
Depreciation	505,803	610,384	506,961	(104,581)	-17%	103,423	20%	
	<u>11,282,398</u>	<u>14,914,127</u>	<u>13,066,228</u>	<u>(3,631,729)</u>	<u>-24%</u>	<u>1,847,899</u>	<u>14%</u>	
Loss from operations	(7,834,950)	(13,326,266)	(8,265,782)	5,491,316	-41%	(5,060,484)	61%	
Net foreign exchange (loss) gain	(25,498)	8,592	(80,093)	(34,090)	-397%	88,685	-111%	
Interest income	13,535	227	15,037	13,308	5863%	(14,810)	-98%	
Interest expense	(247,516)	(255,231)	(389,239)	7,715	-3%	134,008	-34%	
Financing cost	-	(174,802)	(137,363)	174,802	-100%	(37,439)	27%	
Gain on settlement of convertible debt	4,419	-	-	4,419	N/A	-	N/A	
Net loss before income taxes	<u>(8,090,010)</u>	<u>(13,747,480)</u>	<u>(8,857,440)</u>	<u>5,657,470</u>	<u>-41%</u>	<u>(4,890,040)</u>	<u>55%</u>	
Provision for income taxes								
Current tax expense	5,678	-	-	5,678	N/A	-	N/A	
Deferred tax recovery	(11,042)	-	-	(11,042)	N/A	-	N/A	
Net loss and comprehensive loss	<u>(8,084,646)</u>	<u>(13,747,480)</u>	<u>(8,857,440)</u>	<u>5,662,834</u>	<u>-41%</u>	<u>(4,890,040)</u>	<u>55%</u>	

Year Ended November 30, 2019 Compared to the Year Ended November 30, 2018

Revenue

The Company recorded revenues of \$3,480,516 for the year ended November 30, 2019 versus \$1,712,731 for the year ended November 30, 2018. Licensing revenue consisted primarily of commercial sales of the 5, 10, 15, 20, 25, 30, 35 and 40 mg strengths of generic Focalin XR® under the Par agreement. The higher increased revenue in the year ended November 30, 2019 compared to year ended November 30, 2018 is primarily due to the change in contract term with Mallinckrodt that terminated on August 12, 2019, and the recognition of up-front fees on the termination of the Mallinckrodt agreement.

We entered into separate license and commercial supply agreements with Tris, granting Tris exclusive licenses to market, sell and distribute in the United States Quetiapine Extended-Release (ER) Tablets in the 50, 150, 200, 300 and 400 mg strengths, Desvenlafaxine Succinate ER Tablets in the 50 and 100 mg strengths and Venlafaxine Hydrochloride ER Capsules 37.5 mg, 75 mg and 150 mg, which are all approved for sale in the US market by the FDA.

Cost of goods sold

The Company recorded cost of goods sold of \$33,068 for the year ended November 30, 2019 versus \$124,870 for the year ended November 30, 2018. Cost of sales reflects the Company's manufacturing shipments of generic Seroquel XR® to Mallinckrodt.

Research and Development

Expenditures for R&D for the year ended November 30, 2019 were lower by \$4,218,499 compared to the year ended November 30, 2018. The decrease is primarily due to significantly lower expenditures in clinical and other biostudies, stock-based compensation, as well as patent litigation expenses partially offset by higher third-party consulting fees.

In the year ended November 30, 2019, we recorded \$212,357 of expenses for stock-based compensation for R&D employees compared to \$883,064 for the year ended November 30, 2018.

After adjusting for the stock-based compensation expenses discussed above, expenditures for R&D for the year ended November 30, 2019 were lower by \$3,547,792 compared to the year ended November 30, 2018. The decrease was mainly due to the decrease in expenditures on clinical studies and other biostudies as well as patent and litigation expenses and was partially offset by higher third-party consulting fees.

Selling, General and Administrative

Selling, general and administrative expenses were \$4,167,801 for the year ended November 30, 2019 in comparison to \$3,476,450 for the year ended November 30, 2018, resulting in an increase of \$691,351. The increase is due to higher expenses related to administrative costs partially offset by a decrease in marketing cost and wages and benefits.

Administrative costs for the year ended November 30, 2019 were \$2,783,421 in comparison to \$1,793,724 in the year ended November 30, 2018. The increase for the year ended November 30, 2019 was due to the increase in professional and legal fees.

Expenditures for wages and benefits for the year ended November 30, 2019 were \$926,574 in comparison to \$1,124,568 in the year ended November 30, 2018. For the year ended November 30, 2019, we recorded an expense of \$52,211 against expense for stock-based compensation compared to an expense of \$44,622 for the year ended November 30, 2018. After adjusting for the stock-based compensation expenses, expenditures for wages for the year ended November 30, 2019 were lower by \$205,583 compared to the year ended November 30, 2018. During the year ended November 30, 2019, the Company reduced its head count to 31 employees from 59 as at November 30, 2018 and accrued severance of \$180,499 for the terminated employees during the year ended November 30, 2019.

Marketing costs for the year ended November 30, 2019 were \$324,586 in comparison to \$421,401 in the year ended November 30, 2018. This decrease is primarily the result of a decrease in travel expenditures related to business development and investor relations activities.

Occupancy costs for the year ended November 30, 2019 were \$133,220 in comparison to \$136,757 for the year ended November 30, 2018.

Depreciation

Depreciation expenses for the year ended November 30, 2019 were \$505,803 in comparison to \$610,384 in the year ended November 30, 2018. The decrease is primarily due to less investment in production, laboratory and computer equipment during the year ended November 30, 2019.

Foreign Exchange Gain

Foreign exchange loss was \$25,498 for the year ended November 30, 2019 in comparison to a gain of \$8,592 in the year ended November 30, 2018. The foreign exchange loss for the year ended November 30, 2019 was due to the weakening of the U.S dollar against the Canadian dollar during the year ended November 30, 2019 as the exchange rates changed to \$1.00 for C\$1.3289 as at November 30, 2019 from \$1.00 for C\$1.3301 as at November 30, 2018. The foreign exchange gain for the year ended November 30, 2018 was due to the strengthening of the U.S. dollar against the Canadian dollar during the year ended November 30, 2018 as the exchange rates changed to \$1.00 for C\$1.3301 as at November 30, 2018 from \$1.00 for C\$1.2888 as at November 30, 2017.

Interest Income

Interest income for the year ended November 30, 2019 was higher by \$13,308 in comparison to the prior period. For the year ended November 30, 2019, interest was higher largely due to interest received on input tax credit refunds under the SR&ED incentive program in the third quarter of 2019.

Interest Expense

Interest expense for the year ended November 30, 2019 was \$247,516 in comparison to \$255,231 in the year ended November 30, 2018. This is primarily due to interest paid in 2019 on the 2013 Debenture and May 2019 Debenture, which accrues interest at 12% annually, interest paid on the 2018 Debenture, which accrues interest at 10% annually, interest paid on the August 2019 Debenture (as defined below), which accrued interest at 8% annually and interest paid on the November 2019 Debenture, which accrues interest at 12% annually and the related 2018 Debenture being accreted at an annual effective interest rate of approximately 7.3%, August 2019 Debenture being accreted at an annual effective interest rate of approximately 77.1% and November 2019 Debenture being accreted at an annual effective interest rate of approximately 152.4% in comparison to the year ended November 30, 2018 when the interest expense was related to the interest paid on the 2013 Debenture which accrued interest payable at 12% annually and 2018 Debenture which accrues interest payable at 10% annually and the related 2018 Debenture being accreted at an annual effective interest rate of approximately 7.3%.

Net Loss

The Company recorded net loss for the year ended November 30, 2019 of \$8,084,646 or \$0.37 per common share, compared with a net loss of \$13,747,480 or \$2.89 per common share for the year ended November 30, 2018. In the year ended November 30, 2019, the lower net loss is attributed to the higher recognition of Mallinckrodt upfront fees due to the change in contract term with Mallinckrodt which was terminated effective August 12, 2019 compared to the original ten-year term combined with increased administrative expense related to professional and legal fees and decreased R&D expenses. In the year ended November 30, 2018, the net loss was attributed to lower recognition of Mallinckrodt upfront fees combined with increased R&D expenses.

Year Ended November 30, 2018 Compared to the Year Ended November 30, 2017

Revenue

The Company recorded revenues of \$1,712,731 for the year ended November 30, 2018 versus \$5,504,452 for the year ended November 30, 2017. Such revenues consisted primarily of licensing revenues from commercial sales of the 15, 25, 30 and 35 mg strengths of our generic Focalin XR® under the Par agreement. The decrease in revenues in the year ended November 30, 2018 compared to year ended November 30, 2017 is primarily due to considerably lower profit share payments from sales of generic Focalin XR® capsules in the U.S. Beginning in early 2018, we began to see a significant impact from aggressive pricing by competitors, resulting in a marked increase in gross-to-net deductions such as wholesaler rebates, chargebacks and pricing adjustments. While the gross-to-net deductions fluctuate on a quarter over quarter basis, profit share payments for the last several quarters have shown decline over the same period in the prior year.

Revenues from generic Seroquel XR® were well below levels expected at the launch of the product in 2017, primarily due to the Company's commercial partner entering the market later than planned. Several initiatives to gain market share had shown some improved returns, however, the product did not achieve meaningful market penetration. The Mallinckrodt agreement was terminated effective August 12, 2019.

Cost of goods sold

The Company recorded cost of goods sold of \$124,870 for the year ended November 30, 2018 versus \$704,006 for the year ended November 30, 2017. Cost of sales reflects the Company's manufacturing shipments of generic Seroquel XR® to Mallinckrodt.

Research and Development

Expenditures for R&D for the year ended November 30, 2018 were higher by \$1,555,940 compared to the year ended November 30, 2017. The increase is primarily due to higher third party consulting fees and higher patent litigation expenses.

In the year ended November 30, 2018, we recorded \$883,064 of expenses for stock-based compensation for R&D employees compared to \$1,654,051 for the year ended November 30, 2017, of which \$793,795 was for expenses related to performance-based stock options which vested on FDA approval for venlafaxine hydrochloride extended-release capsules in November 2018, and for the year ended November 30, 2017, \$1,577,772 of the expenses for stock-based compensation was for expenses related to performance-based stock options which vested on FDA approval for metformin hydrochloride extended release tablets in February 2017 and FDA approval of our quetiapine fumarate extended release tablets in May 2017.

After adjusting for the stock-based compensation expenses discussed above, expenditures for R&D for the year ended November 30, 2018 were higher by \$2,326,927 compared to the year ended November 30, 2017. The increase was primarily due to an increase in third party R&D expenditures as a result of clinical trials for Oxycodone ER and higher patent litigation expenses.

Selling, General and Administrative

Selling, general and administrative expenses were \$3,476,450 for the year ended November 30, 2018 in comparison to \$3,287,914 for the year ended November 30, 2017, an increase of \$188,536. The increase is due to higher expenses related to administrative costs, partially offset by a decrease in wages and marketing cost.

Administrative costs for the year ended November 30, 2018 were \$1,793,724 in comparison to \$1,402,253 in the year ended November 30, 2017. The increase for the year ended November 30, 2018 was due to the increase in professional fees and legal fees.

Expenditures for wages and benefits for the year ended November 30, 2018 were \$1,124,568 in comparison to \$1,240,361 in the year ended November 30, 2017. For the year ended November 30, 2018, we recorded \$44,622 as expense for stock-based compensation compared to an expense of \$95,948 for the year ended November 30, 2017. After adjusting for the stock-based compensation expenses, expenditures for wages for the year ended November 30, 2018 were lower by \$64,467 compared to the year ended November 30, 2017.

Marketing costs for the year ended November 30, 2018 were \$421,401 in comparison to \$502,688 in the year ended November 30, 2017. This decrease is primarily the result of a decrease in travel expenditures related to business development and investor relations activities.

Occupancy costs for the year ended November 30, 2018 were \$136,757 in comparison to \$142,612 for the year ended November 30, 2017. The slight decrease is due to lower facility operating expenses.

Depreciation

Depreciation expenses for the year ended November 30, 2018 were \$610,384 in comparison to \$506,961 in the year ended November 30, 2017. The increase is primarily due to the additional investment in production, laboratory and computer equipment during the year ended November 30, 2018.

Foreign Exchange Gain

Foreign exchange gain was \$8,592 for the year ended November 30, 2018 in comparison to a loss of \$80,093 in the year ended November 30, 2017. The foreign exchange gain for the year ended November 30, 2018 was due to the strengthening of the U.S. dollar against the Canadian dollar during the year ended November 30, 2018 as the exchange rates changed to \$1.00 for C\$1.3301 as at November 30, 2018 from \$1.00 for C\$1.2888 as at November 30, 2017. The foreign exchange loss for the year ended November 30, 2017 was due to the weakening of the U.S. dollar against the Canadian dollar during the year ended November 30, 2017 as the exchange rates changed to \$1.00 for C\$1.2888 as at November 30, 2017 from \$1.00 for C\$1.3429 as at November 30, 2016.

Interest Income

Interest income for the year ended November 30, 2018 was lower by \$14,810 in comparison to the prior period. For the year ended November 30, 2018 interest was lower largely due to interest received on input tax credit refunds under the SR&ED incentive program in the third quarter of 2017.

Interest Expense

Interest expense for the year ended November 30, 2018 was lower by \$134,008 compared with the prior year. This is primarily due to interest expense paid on the 2013 Debenture, which accrued interest payable at 12% annually, as well as the 2018 Debenture, which accrues interest payable at 10% annually, and the related debenture being accreted at an annual effective interest of approximately 4.9% during the 2018 fiscal year in comparison to the fiscal year 2017 when we had only the 2013 Debenture with an effective interest of approximately 15.2%.

Net Loss

The Company recorded net loss for the year ended November 30, 2018 of \$13,747,480 or \$2.89 per common share, compared with a net loss of \$8,857,440 or \$2.86 per common share for the year ended November 30, 2017. In the year ended November 30, 2018, the higher net loss is attributed to the lower licensing revenues from commercial sales of generic Focalin XR® and lower licensing revenues from Quetiapine ER our generic Seroquel XR® (quetiapine fumarate extended-release) combined with increased third party R&D expenses primarily related to clinical trials for the Company's Oxycodone ER product, legal and other administrative expenses. In the year ended November 30, 2017, the net loss was attributed to the ongoing R&D and selling, general and administrative expenses, partially offset by licensing revenues from commercial sales of generic Focalin XR® and, to a lesser extent, sales of generic Seroquel XR® shipped to Mallinckrodt.

B. Liquidity and Capital Resources

	For the year ended			Change (2019 vs 2018)		Change (2018 vs 2017)	
	November 30, 2019	November 30, 2018	November 30, 2017	\$	%	\$	%
Cash flows used in operating activities	(6,663,677)	(12,508,960)	(6,105,785)	5,845,283	-47%	(6,403,175)	105%
Cash flows provided from financing activities	100,896	17,354,954	5,682,168	(17,254,058)	-99%	11,672,786	205%
Cash flows used in investing activities	(14,474)	(101,178)	(1,823,746)	86,704	-86%	1,722,568	-94%
(Decrease) increase in cash	(6,577,255)	4,744,816	(2,247,363)	(11,322,071)	-239%	6,992,179	-311%
Cash, beginning of year	6,641,877	1,897,061	4,144,424	4,744,816	250%	(2,247,363)	-54%
Cash, end of year	64,622	6,641,877	1,897,061	(6,577,255)	-99%	4,744,816	250%

The Company had cash of \$64,622 as at November 30, 2019 compared to \$6,641,877 as at November 30, 2018. The decrease in cash during the fiscal year 2019 was mainly due to expenditures for R&D and selling, general, and administrative expenses which are partially offset by cash receipts from Par and cash inflow provided from financing activities. The increase in cash during the year ended November 30, 2018 was mainly due to the cash receipts provided from financing activities derived from the Company's two registered direct offering in March 2018, the 2018 Debenture financing in September 2018 (the "**2018 Debenture Financing**") and an underwritten public offering in October 2018, offset by ongoing expenditures in R&D and selling, general and administrative expenses.

In November 2013, the Company entered into an equity distribution agreement with Roth, pursuant to which the Company originally could sell up to a certain number of Common Shares through at-the-market issuances on Nasdaq or otherwise. In March 2018, the Company terminated its continuous offering under the prospectus supplement dated July 18, 2017 and prospectus dated July 17, 2017 in respect of its at-the-market program. The underwriting agreement relating to the October 2018 offering (described below) restricts the Company's ability to use this equity distribution agreement. It contains a prohibition on the Company: (i) for a period of two years following the date of the underwriting agreement, from directly or indirectly in any at-the-market or continuous equity transaction, offer to sell, or otherwise dispose of shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for its shares of capital stock or (ii) for a period of five years following the closing, effecting or entering into an agreement to effect any issuance by the Company of Common Shares or Common Share equivalents involving a certain variable rate transactions under an at-the-market offering agreement, whereby the Company may issue securities at a future determined price, except that, on or after the date that is two years after the closing, the Company may enter into an at-the-market offering agreement. Moreover, currently the Company does not meet the requirements to utilize its Registration Statement on Form F-3 to issue any further securities under at-the-market equity program (or otherwise) under the Form F-3.

For the year ended November 30, 2019, net cash flows used in operating activities decreased to \$6,663,677 as compared to net cash flows used in operating activities for the year ended November 30, 2018 of \$12,508,960. The decrease was primarily a result of the lower loss from operations, increase in accounts payable and accrued liabilities offset by a decrease in accounts receivable, as well as a decrease in prepaid expenses. R&D costs, which are a significant portion of the cash flows used in operating activities, related to continued internal R&D programs are expensed as incurred. However, equipment and supplies are capitalized and amortized over their useful lives if they have alternative future uses. For the year ended November 30, 2019 and November 30, 2018, R&D expense was \$6,608,794 and \$10,827,293, respectively. The decrease was mainly due to the decrease in clinical and other biostudies and patent and litigation expenses and offset by higher third-party consulting fees and employees' salaries.

For the year ended November 30, 2019, net cash flows provided from financing activities were \$100,896 and a decrease of \$17,254,058, compared to the year ended November 30, 2018. Net cash flows from financing activities in the year ended November 30, 2019 related to the issuance of a private placement financing of the unsecured August 2019 Debenture in the principal amount of \$140,800. The August 2019 Debenture was to mature on August 26, 2020, bore interest at a rate of 8% per annum, was pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and was convertible at the option of the holder into Common Shares. The Company incurred \$15,800 in debt issuance costs. In addition we issued two promissory notes payable, unsecured, non-interest bearing with no fixed repayment terms, in the amounts of US\$6,500 and CD\$203,886, to Dr. Isa Odidi and Dr. Amina Odidi, shareholders, directors and executive officers of the Company, as well as, issuance of an unsecured November 2019 convertible debenture in the principal amount of \$250,000, which bears interest at a rate of 12% per annum and is convertible into common shares of the Company at a conversion price of \$0.12 per share. Financing activities in the year ended November 30, 2019 also related to the issuance of 2,793,334 common shares on exercise of 2018 Pre-Funded Warrants (as defined below) issued as part of the October 2018 financing for gross proceeds of \$27,953 offset by the principal repayment of \$300,000 made on the 2013 Debenture and the repayment of \$161,920 made on the August 2019 Debenture. In October 2018, we completed an underwritten public offering in the United States, resulting in the sale to the public of 827,970 Units at \$0.75 per Unit, which are comprised of one common share and one warrant (the "**2018 Unit Warrants**") exercisable at \$0.75 per share. We concurrently sold an additional 1,947,261 common shares and warrants to purchase 2,608,695 common shares exercisable at \$0.75 per share (the "**2018 Option Warrants**") pursuant to the over-allotment option exercised in part by the underwriter. The price for the common shares issued in connection with exercise of the overallotment option was \$0.74 per share and the price for the warrants issued in connection with the exercise of the overallotment option was \$0.01 per warrant, less in each case the underwriting discount. In addition, we issued 16,563,335 pre-funded units ("**2018 Pre-Funded Units**"), each 2018 Pre-Funded Unit consisting of one pre-funded warrant (a "**2018 Pre-Funded Warrant**") to purchase one common share and one warrant (a "**2018 Warrant**"), and together with the 2018 Unit Warrants and the 2018 Option Warrants, the "**2018 Firm Warrants**") to purchase one common share. The 2018 Pre-Funded Units were offered to the public at \$0.74 each and a 2018 Pre-Funded Warrant is exercisable at \$0.01 per share. Each 2018 Firm Warrant is exercisable immediately and has a term of five years and each 2018 Pre-Funded Warrant is exercisable immediately and until all 2018 Pre-Funded Warrants are exercised. We also issued warrants to the placement agents to purchase 1,160,314 common shares at an exercise price of \$0.9375 per share, which were exercisable immediately upon issuance (the "**October 2018 Placement Agent Warrants**"). In aggregate, the Company issued 2,775,231 common shares, 16,563,335 2018 Pre-Funded Warrants and 20,000,000 2018 Firm Warrants in addition to 1,160,314 October 2018 Placement Agent Warrants.

For the year ended November 30, 2019, net cash flows used in investing activities of \$14,474 related mainly to the purchase of lab and computer equipment. For the year ended November 30, 2018 net cash flows used in investing activities of \$101,178 related mainly to the purchase of production, laboratory and computer equipment.

All non-cash items have been added back or deducted from the consolidated statements of cash flows.

With the exception of the quarter ended February 28, 2014, the Company has incurred losses from operations since inception. To date, the Company has funded its R&D activities principally through the issuance of securities, loans from related parties, funds from the IPC Arrangement Agreement and funds received under commercial license agreements. Since November 2013, research has also been funded from revenues earned on sales of our generic Focalin XR® capsules for the 15 and 30 mg strengths. Despite the launch of the 25 and 35 mg strengths by Par in January 2017, the launch of the 10 and 20 mg strengths in May 2017 along with the launch of the 5 and 40 mg strengths in November 2017, we expect sales of generic Focalin XR®, due to continued competitive pressures, to be negatively impacted for the next several quarters. As of November 30, 2018, the Company had a cash balance of \$6.6 million. As of November 30, 2019, our cash balance was approximately \$65,000. We currently expect to meet short-term cash requirements from quarterly profit share payments from Par and by cost savings associated with managing operating expense levels. If we are able to supply products to our marketing and distribution partner, Tris Pharma, and it achieves sales of our generic Seroquel XR®, generic Pristiq and generic Effexor XR at anticipated rates, then we may satisfy our cash needs with reduced staff and cost-saving measures. We will need to obtain additional funding to further product commercialization activities and development of our product candidates. Potential sources of capital may include payments from licensing agreements, and/or new strategic partnership agreements which the Company is actively exploring. The Company has funded its business activities principally through the issuance of securities, loans from related parties and funds from development agreements. There is no certainty that such funding will be available going forward. If conditions permit, we intend to utilize the equity markets and/or debt financing to bridge any funding shortfall. Our future operations are highly dependent upon our ability to source additional capital to support advancing our product pipeline through continued R&D activities and to fund any significant expansion of our operations. Our ultimate success will depend on whether our product candidates receive approval by the FDA or Health Canada and the regulatory authorities of other countries in which our products are proposed to be sold and on whether we are able to successfully market our approved products. We cannot be certain that we will receive FDA or Health Canada or such other regulatory approval for any of our current or future product candidates, that we will reach the level of sales and revenues necessary to achieve and sustain profitability, or that we can secure other capital sources on terms or in amounts sufficient to meet our needs or at all. Our cash requirements for R&D during any period depend on the number and extent of the R&D activities we focus on. At present, we are focused principally on the development of 505(b)(2) product candidates such as our Regabatin™ XR and Oxycodone ER 505(b)(2) product candidates and selected generic product candidate development projects. Our development of Oxycodone ER required significant expenditures, including costs to defend against the Purdue litigation, and some of those are still owed by the Company. For our Regabatin™ XR 505(b)(2) product candidate, Phase III clinical trials can be capital intensive, and will only be undertaken consistent with the availability of funds and a prudent cash management strategy.

On September 10, 2018, the Company completed a private placement financing of the unsecured convertible 2018 Debenture in the principal amount of \$0.5 million (the “**2018 Debenture**”). The 2018 Debenture will mature on September 1, 2020. The 2018 Debenture bears interest at a rate of 10% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into common shares of the Company at a conversion price of \$3.00 per common share at the option of the holder.

On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture, subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by the May 2019 Debenture. On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the May 2019 Debenture. The original maturity of the May 2019 Debenture was November 1, 2019. Effective November 1, 2019, the maturity date for the May 2019 Debenture was extended to December 31, 2019. Effective December 31, 2019, the maturity date for the May 2019 Debenture was further extended to February 1, 2020. Effective January 31, 2020, the maturity date for the May 2019 Debenture was further extended to March 31, 2020.

On August 26, 2019, the Company completed a private placement financing of an unsecured debenture in the principal amount of \$140,800 with Power Up Lending Group Ltd. (the “**August 2019 Debenture**”). The August 2019 Debenture was scheduled to mature on August 26, 2020, bore interest at a rate of 8% per annum, was pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and was convertible at the option of the holder into Common Shares after 180 days at a conversion price equal to 75% of the market price (defined as the average of the lowest three (3) trading prices for the Common Shares during the twenty (20) trading day period prior to the conversion date). The Company incurred \$15,800 in debt issuance costs. In November 2019, the August 2019 Debenture was fully paid.

On November 15, 2019, the Company issued the November 2019 Debenture, an unsecured convertible debenture in the principal amount of \$250,000 that is now scheduled to mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into Common Shares of the Company at a conversion price of \$0.12 per share.

The availability of equity or debt financing will be affected by, among other things, the results of our R&D, our ability to obtain regulatory approvals, our success in commercializing approved products with our commercial partners and the market acceptance of our products, the state of the capital markets generally, the delisting of our shares from Nasdaq, strategic alliance agreements, and other relevant commercial considerations. In addition, if we raise additional funds by issuing equity securities, our then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. In the event that we do not obtain sufficient additional capital, it will raise substantial doubt about our ability to continue as a going concern, realize our assets and pay our liabilities as they become due. Our cash outflows are expected to consist primarily of internal and external R&D, legal and consulting expenditures to advance our product pipeline and selling, general and administrative expenses to support our commercialization efforts. Depending upon the results of our R&D programs, the impact of the Purdue litigation and other litigation to which we are a party and the availability of financial resources, we could decide to accelerate, terminate, or reduce certain projects, or commence new ones. Any failure on our part to successfully commercialize approved products or raise additional funds on terms favorable to us or at all, may require us to significantly change or curtail our current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in us not taking advantage of business opportunities, in the termination or delay of clinical trials or us not taking any necessary actions required by the FDA or Health Canada for one or more of our product candidates, in curtailment of our product development programs designed to identify new product candidates, in the sale or assignment of rights to our technologies, products or product candidates, and/or our inability to file ANDAs, ANDSs or NDAs at all or in time to competitively market our products or product candidates.

C. Research and development, patents, and licenses, etc.

We expense R&D costs. For the years ended November 30, 2019, 2018 and 2017, R&D expense was \$6,608,794, \$10,827,293 and \$9,271,353, respectively.

D. Trend Information

It is important to note that historical patterns of revenue and expenditures cannot be taken as an indication of future revenue and expenditures. Net loss has been somewhat variable over the last eight quarters and is reflective of varying levels of commercial sales of generic Focalin XR® capsules, the level of our R&D spending, and the vesting or modification of performance-based stock options. The lower net loss in the fourth quarter of 2019 is primarily attributed to slightly higher licensing revenue and lower R&D spending and selling, general and administrative expenses. The lower net loss in the third quarter of 2019 is primarily attributed to recognition of upfront revenue due to the cancellation of the Mallinckrodt agreement, lower R&D spending and selling, general and administrative expenses. The lower net loss in the second quarter of 2019 is primarily attributed to recognition of upfront revenue due to the cancellation of the Mallinckrodt agreement and lower R&D spending offset by higher selling, general and administrative expenses. The lower net loss in the first quarter of 2019 is primarily attributed to lower R&D spending offset by higher selling, general and administrative expenses and licensing revenues. The lower net loss in the fourth quarter of 2018 is primarily attributed to lower R&D spending and selling, general and administrative expenses offset by licensing revenues. The higher net loss in the third quarter of 2018 is primarily attributed to higher third-party R&D expenses as a result of clinical trials for Oxycodone ER, as well as increased patent litigation expenses. The lower net loss in the second quarter of 2018 is primarily attributed to slightly higher licensing revenues and lower R&D spending. The net loss in the first quarter of 2018 is primarily attributed to lower licensing revenues from commercial sales of generic Focalin XR®, along with higher R&D expenses.

The table below outlines selected financial data for the eight most recent quarters. The quarterly results are unaudited and have been prepared in accordance with U.S. GAAP, for interim financial information.

Quarter Ended	Revenue		Net loss		Loss per share	
	\$	\$	\$	\$	Basic ⁱ	Diluted ⁱ
November 30, 2019	232,519	(1,333,074)	(0.04)	(0.04)		
August 31, 2019	1,689,941	(1,454,325)	(0.07)	(0.07)		
May 31, 2019	1,214,520	(2,072,798)	(0.10)	(0.10)		
February 28, 2019	343,536	(3,224,449)	(0.16)	(0.16)		
November 30, 2018	387,691	(3,784,512)	(0.67)	(0.67)		
August 31, 2018	413,555	(3,954,104)	(0.91)	(0.91)		
May 31, 2018	576,967	(2,859,276)	(0.68)	(0.68)		
February 28, 2018	334,518	(3,149,588)	(0.91)	(0.91)		

(i) Quarterly per share amounts may not sum due to rounding

E. Off-balance sheet arrangements

The Company, as part of its ongoing business, does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (“SPE”), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of November 30, 2019, the Company was not involved in any material unconsolidated SPE transactions.

F. Tabular disclosure of contractual obligations

In the table below, we set forth our enforceable and legally binding obligations and future commitments and obligations related to all contracts. Some of the figures we include in this table are based on management's estimate and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties, and other factors. Operating lease obligations relate to the lease of premises for the Combined Properties (as defined in Item 4.B. above), comprising the Company's premises that it operates from in the 30 Worcester Road Facility (as defined in Item 4.B. above) as well as the adjoining 22 Worcester Road Facility (as defined in Item 4.B. above), which is indirectly owned by the same landlord, which will expire in November 2020, subject to a 5 year renewal option. The Company also has an option to purchase the Combined Properties up to November 30, 2020 based on a fair value purchase formula, but does not currently expect to exercise this option in 2020.

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Accounts payable	3,757,018	3,757,018	-	-	-
Accrued liabilities	927,698	927,698	-	-	-
Income tax payable	5,678	5,678	-	-	-
Employee costs payable	893,864	893,864	-	-	-
Convertible debentures	1,851,058	1,851,058	-	-	-
Promissory notes payable	159,863	159,863	-	-	-
Total contractual obligations	7,595,179	7,595,179	-	-	-

G. Safe Harbor

See “Disclosure Regarding Forward-Looking Information” in the introduction to this annual report.

September

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

DIRECTORS AND OFFICERS

The name and province of residence of each of our directors and officers as at the date hereof, the office presently held, principal occupation, and the year each director first became a director of the Company or its predecessor, IPC Ltd., are set out below. Each director is elected to serve until the next annual meeting of our shareholders or until his or her successor is elected or appointed. Officers are appointed annually and serve at the discretion of the Board.

Name and Province of Residence	Position held with the Company	Officer/Director Since
Dr. Isa Odidi Ontario, Canada	Chairman of the Board and Chief Executive Officer	September 2004
Dr. Amina Odidi ⁽¹⁾ Ontario, Canada	President, Chief Operating Officer and Acting Chief Financial Officer and Director	September 2004
Norman Betts ⁽²⁾ , New Brunswick, Canada	Director ⁽⁵⁾	January 2019
Shawn Graham ⁽³⁾ ⁽⁴⁾ , New Brunswick, Canada	Director	May 2018
Kenneth Keirstead ⁽²⁾ ⁽³⁾ ⁽⁴⁾ New Brunswick, Canada	Director	January 2006
Bahadur Madhani ⁽²⁾ ⁽³⁾ Ontario, Canada	Director	March 2006
Dr. Patrick Yat Ontario, Canada	Vice-President, Chemistry and Analytical Services	September 2004

Notes:

- (1) In addition to serving as President and Chief Operating Officer (and as a Director), Dr. Amina Odidi has (since the effective date of Greg Powell's resignation described below) assumed the responsibilities of the Company's Chief Financial Officer.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance Committee.
- (5) Dr. Betts was appointed a director of the Company on January 22, 2019 to fill the vacancy created by the resignation of Dr. Eldon Smith.

Greg Powell was appointed the Company's Chief Financial Officer effective February 11, 2019. Mr. Powell resigned as the Company's Chief Financial Officer on February 2, 2020 (effective March 4, 2020) for personal reasons.

John Allport served as the Company's Vice President, Legal Affairs and Licensing and as a director from September 2004 until his resignation (effective May 17, 2017) for personal reasons. Mr. Allport entered into a consulting agreement with the Company effective May 17, 2017 to provide ongoing services to the Company on an as-needed basis.

Isa Odidi, Ph.D., MBA – Chairman, CEO, Co-Chief Scientific Officer and Executive Director

Dr. Isa Odidi has served as Chairman of the Board of the Company and Chief Executive Officer and Co-Chief Scientific Officer of the Company since September 2004. In 1998, Dr. Odidi co-founded Intellipharmaceutics Inc., the predecessor of publicly-traded Intellipharmaceutics International Inc. From 1995 to 1998, Dr. Odidi held positions, first as Director, then as Vice President of Research of Drug Development and New Technologies, at Biovail Corporation International, (now Valeant Pharmaceutical International, Inc.), a drug delivery company. Dr. Odidi currently holds a Chair as Professor of Pharmaceutical Technology at the Toronto Institute of Pharmaceutical Technology in Canada and is an Adjunct Professor at the Institute for Molecular Medicine in California. Dr. Isa Odidi is also the Chairman of Smart Pharmaceutical (Shanghai) Ltd, China. Dr. Odidi holds a Bachelor of Science degree in pharmacy from Ahmadu Bello University, Nigeria, a master of science in pharmaceutical technology, Ph.D. pharmaceutics from the University of London, and his MBA from Joseph L. Rotman School of Management, University of Toronto. He is also a graduate of the Western Executive Program, Ivey School of Business at the University of Western Ontario. Dr. Odidi was awarded an Honorary Doctor of Science degree (Honoris causa) from the University of Benin, Nigeria.

Amina Odidi, Ph.D. – President, COO, Co-Chief Scientific Officer and Executive Director

Dr. Amina Odidi has served as President, Chief Operating Officer and Co-Chief Scientific Officer of the Company since September 2004. In 1998, Dr. Odidi co-founded Intellipharmaceutics Inc., the predecessor of publicly-traded Intellipharmaceutics International Inc. She has extensive experience developing and applying proprietary technologies to the development of controlled-release drug products for third-party pharmaceutical companies. She has invented or co-invented various proprietary controlled delivery devices for the delivery of pharmaceutical, nutraceutical, biological, agricultural and chemical agents. In the past she has worked for the pharmaceutical and health care industry. Dr. Odidi has co-authored eight articles, papers and textbooks. Dr. Odidi holds a bachelor of science in pharmacy, a master of science in biopharmaceutics, and a Ph.D. in pharmaceutics from the University of London.

Bahadur Madhani, CM – Non-Executive Director

Bahadur Madhani, an accountant by training, has been a director since March 2006. Since 1983, Mr. Madhani's principal occupation has been President and CEO of Equiprop Management Limited, a Canadian property management company of which he is the principal shareholder. At present, he is also on the Board of the YMCA of Toronto and YMCA Canada. He was previously a member of the advisory board of Quebecor Ontario. He has also served as Chairman of United Way of Toronto, Chairman of the YMCA of greater Toronto, and Chairman of the Nelson Mandela Children's Fund of Canada. Mr. Madhani was awarded membership in the Order of Canada in 2001.

Kenneth Keirstead – Non-Executive Director

Kenneth Keirstead has served as a director of the Company since January 2006. Mr. Keirstead is educated in clinical biochemistry and business administration. He has worked in the health care delivery and pharmaceutical industries for over 45 years. Since 1998, Mr. Keirstead's principal occupation has been Executive Manager of the Lyceum Group, a Canadian consulting services company primarily active in the health care field, of which he is the founder. In addition, he was President and CEO of Sanofi Winthrop Canada Inc., General Manager of Squibb Medical Systems International, President of Chemfet International and President of Quinton Instruments, among other positions. He has published studies and reports on health care and related services.

Shawn Graham – Non-Executive Director

Shawn Graham has been a director of the Company since May 2018. Mr. Graham is the President and CEO of G&R Holdings Inc., which assists companies with developing and implementing global projects and business alliance strategies with a special focus on globalizing with China. From October 2006 until October 2010, Mr. Graham served as 31st Premier of Province of New Brunswick. He is a former Chair of the Council of The Federation, Co-chair of Northeastern Governors and Eastern Canadian Premiers, and Co-chair of a Pan-Canadian trade mission to China. He is currently a member of the advisory board of the faculty of business, University of New Brunswick, Saint John as well as a national board member to Ducks Unlimited Canada. Mr. Graham has been awarded an Honorary Doctor of Laws Degree from the University of New Brunswick.

Norman Betts – Non-Executive Director

Norman Betts is a Professor, Faculty of Business Administration, University of New Brunswick, a Chartered Professional Accountant Fellow (FCPA) and a member of the Institute of Corporate Directors (ICD). Dr. Betts currently serves as a director and member of the audit committees of Tanzanian Royalty Exploration Corporation, 49 North Resources, Biotricity Inc. and Adex Mining Inc. He has extensive public company and Crown Corporation experience including having served on boards including Tembec Inc., New Brunswick Power Corporation, and the Bank of Canada. He is also co-chair of the board of trustees of the University of New Brunswick Pension Plan for Academic Employees. Dr. Betts is a former Finance Minister and Minister of Business New Brunswick with the Province of New Brunswick. He was awarded a Ph.D. in Management from the School of Business at Queens University in 1992.

From March 2006 until June 2013, Dr. Norman Betts served as a director of Starfield Resources Inc. (TSX: SRU) ("**Starfield**"). On August 22, 2013, Starfield was the subject of a cease trade order issued by the Ontario Securities Commission as a result of Starfield's failure to file, inter alia, its audited annual financial statements, related management's discussion and analysis and officer certifications for the year ended February 28, 2013. The order is still in effect. On April 18, 2013, Starfield's shares were delisted from the TSX. On July 2, 2013, Starfield announced that it was deemed to have made an assignment in bankruptcy, effective at the close of business on June 28, 2013 for failure to file a proposal before the time for doing so had past pursuant to the provisions of the Bankruptcy and Insolvency Act (Canada). Starfield had previously filed a Notice of Intention to Make a Proposal ("**Notice of Intention**") pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (Canada). Pursuant to the Notice of Intention, PriceWaterhouseCoopers Inc. ("**PwC**") was appointed as the trustee ("**Proposal Trustee**") in Starfield's proposal proceedings. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List), the time for Starfield to file a proposal expired at the end of the day on June 28, 2013. Starfield completed a sale of substantially all of its assets related to its Ferguson Lake Project in early June 2013. However, in consultation with the Proposal Trustee, Starfield determined that it would not be able to put forward a viable proposal and would not be filing a proposal by the deadline. As a result, Starfield was deemed to have made an assignment in bankruptcy at the end of the day on June 28, 2013. PwC acted as the trustee in bankruptcy for Starfield.

Greg Powell, CPA-CGA – Former Chief Financial Officer

Greg Powell served as the Chief Financial Officer of the Company from February 2019 through to his resignation effective March 4, 2020. Mr. Powell has over 15 years of extensive experience as a senior financial professional, in large as well as small scale operations in industries ranging from international mining, exploration and construction to technology sector operations in multiple jurisdictions. In 2013, Mr. Powell became the Director of Finance for ViXS System Inc. (now Pixelworks Canada), a multimedia solutions innovator, where he was instrumental in streamlining the financial reporting process to meet public company standards. In August 2018, he became Director of Finance at Wave Financial, Inc., a private company that provides financial services for small businesses. Mr. Powell is a Chartered Professional Accountant – Certified General Accountant, and in 2012 was awarded Fellowship in the Association of Chartered Certified Accountants.

As of March 30, 2020, the directors and executive officers of the Company as a group owned, directly and indirectly, or exercise control or direction over 583,028 common shares, representing approximately 2.46% of the issued and outstanding common shares of the Company (and beneficially owned approximately 5,886,085 common shares representing 20.3% of our common shares including common shares issuable upon the exercise of outstanding options and the conversion of the outstanding Debentures that are exercisable or convertible within 60 days of the date hereof). Drs. Amina and Isa Odidi, our President and Chief Operating Officer and our Chairman and Chief Executive Officer, respectively, and Odidi Holdings Inc., a privately-held company controlled by Drs. Amina and Isa Odidi, owned in the aggregate directly and indirectly 578,131 common shares, representing approximately 2.44% of our issued and outstanding common shares of the Company (and collectively beneficially owned in the aggregate approximately 5,671,853 Common Shares representing 19.71% of our common shares including common shares issuable upon the exercise of outstanding options and the conversion of the outstanding Debentures that are exercisable or convertible within 60 days of the date hereof). (Reference is made to the section entitled “E. Share Ownership” under this “Item 6. Directors, Senior Management and Employees” for additional information regarding the options to purchase Common Shares held by directors and officers of the Company and the Debentures held by Drs. Amina and Isa Odidi.).

Family Relationships

Except Drs. Isa Odidi and Amina Odidi who are spouses to each other, there are no other family relationships among any of our officers and directors.

B. Compensation

Compensation Discussion and Analysis

Background – We are a pharmaceutical company specializing in the research, development and manufacture of novel and generic controlled-release and targeted-release oral solid dosage drugs. Our patented Hypermatrix™ technology is a multidimensional controlled-release drug delivery platform that can be applied to the efficient development of a wide range of existing and new pharmaceuticals. Based on this technology platform, we have developed several drug delivery systems and a pipeline of products (some of which have received FDA approval) and product candidates in various stages of development, including ANDAs filed with the FDA (and one ANDS filed with Health Canada) and one NDA filing, in therapeutic areas that include neurology, cardiovascular, GIT, diabetes and pain. As of November 30, 2018, the Company had 59 full-time employees engaged in administration and research and development.

Compensation Governance – The Company’s Compensation Committee is comprised of three directors, Messrs. Graham, Madhani and Keirstead, each of whom is considered “independent” within the meaning of section 2.4 of Form 51-102F6 – Statement of Executive Compensation. Each member of the Compensation Committee has sufficient experience in order to make decisions on the suitability of the Company’s compensation policies and practices.

The Compensation Committee recommends compensation policies concerning officers and senior management to the Board. The Corporate Governance Committee recommends compensation policies concerning independent directors to the Board. The Board makes the final determinations regarding the adequacy and form of the compensation for non-executive directors to ensure that such compensation realistically reflects the responsibilities and risks involved, without compromising a director’s independence. Further details relating to the role and function of the Compensation Committee and the Corporate Governance Committee is provided in Item 6.C.

Risk Management – The Board is responsible for identifying the principal risks of the Company’s business and ensuring the implementation of appropriate systems to manage these risks. Through the Compensation Committee, the Board is involved in the design of compensation policies to meet the specific compensation objectives discussed below and considers the risks relating to such policies, if any. The Compensation Committee is ultimately responsible for ensuring compliance of the compensation policies and practices of the Company. To date, the Board and the Compensation Committee have not identified any risks arising from the Company’s compensation policies and practices that would be reasonably likely to have a material adverse effect on the Company.

Objectives – The overall objectives of the Company’s compensation program include: (a) attracting and retaining talented executive officers; (b) aligning the interests of those executive officers with those of the Company; and (c) linking individual executive officer compensation to the performance of the Company. The Company’s compensation program is currently designed to compensate executive officers for performance of their duties and to reward certain executive officers for performance relative to certain milestones applicable to their services.

Elements of Compensation – The elements of compensation awarded to, earned by, paid to, or payable to the Named Executive Officers (as hereinafter defined) for the most recently completed financial year are: (a) base salary and discretionary bonuses; (b) long-term incentives in the form of stock options; (c) restricted share unit awards; and (d) perquisites and personal benefits. Prior to the most recently completed financial year, the Named Executive Officers have also received option-based awards which were assumed by the Company pursuant to the plan of arrangement completed on October 22, 2009.

Base Salary and Discretionary Bonus – Base salary is a fixed element of compensation payable to each Named Executive Officer for performing his or her position’s specific duties. The amount of base salary for a Named Executive Officer has been determined through negotiation of an employment agreement with each Named Executive Officer (see “Employment Agreements” below). While base salary is intended to fit into the Company’s overall compensation objectives in order to attract and retain talented executive officers, the size of the Company and the nature and stage of its business also impact the level of base salary. To date, the level of base salary has not impacted the Company’s decisions about any other element of compensation and the Board may consider discretionary bonuses for individual employees based on exceptional performance by such individuals in a particular fiscal year.

Option-Based Awards – Option-based awards are a variable element of compensation that rewards each Named Executive Officer for individual and corporate performance overall determined by the Board. Option-based awards are intended to fit into the Company’s overall compensation objectives by aligning the interests of all Named Executive Officers with those of the Company, and linking individual Named Executive Officers’ compensation to the performance of the Company. The Board, which includes two of the Named Executive Officers, is responsible for setting and amending any equity incentive plan under which an option-based award is granted.

The Company has in place a stock option plan (the “**Option Plan**”) for the benefit of certain officers, directors, employees and consultants of the Company, including the Named Executive Officers (as described in greater detail in Item 6.E below). Named Executive Officers have been issued options under such plan.

The Company has also granted performance-based options to Dr. Isa Odidi and Dr. Amina Odidi pursuant to a separate option agreement which was negotiated at the same time as their employment agreements. These options vest upon the Company attaining certain milestones relating to FDA filings and approvals for Company drugs, such that 27,639 options vest in connection with each of the FDA filings for the first five Company drugs and 27,639 options vest in connection with each of the FDA approvals for the first five Company drugs.

The Company’s Option Plan was adopted effective October 22, 2009 as part of the IPC Arrangement Agreement approved by the shareholders of IPC Ltd., the predecessor company of the Company, at the meeting of shareholders held on October 19, 2009. Subject to the requirements of the Option Plan, the Board, with the assistance of the Compensation Committee, has the authority to select those directors, officers, employees and consultants to whom options will be granted, the number of options to be granted to each person and the price at which common shares of the Company may be purchased. Grants are determined based on individual and aggregate performance, as determined by the Board.

RSUs – The Company established a restricted share unit plan (the “**RSU Plan**”) to form part of its incentive compensation arrangements available for officers and employees of the Company and its designated affiliates (as described in greater detail in Item 6.E) as of May 28, 2010, when the RSU Plan received shareholder approval.

Perquisites and personal benefits – The Company also provides perquisites and personal benefits to its Named Executive Officers, including basic employee benefit plans, which are available to all employees, and a car allowance to cover the cost of an automobile for business purposes. These perquisites and personal benefits were determined through negotiation of an employment agreement with each Named Executive Officer (see “Employment Agreements” below). While perquisites and personal benefits are intended to fit into the Company’s overall compensation objectives by serving to attract and retain talented executive officers, the size of the Company and the nature and stage of its business also impact the level of perquisites and benefits. To date, the level of perquisites and benefits has not impacted the Company’s decisions about any other element of compensation.

Other Compensation-Related Matters – The Company’s share trading policy prohibits all directors and officers of the Company from, among other things, engaging in any short sales designed to hedge or offset a decrease in market value of the securities of the Company.

Executive Compensation

The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Company for the fiscal years ended November 30, 2019, November 30, 2018 and November 30, 2017 in respect of the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officers (current and former) (“**Named Executive Officers**”). No other officers of the Company earned greater than C\$150,000 in total compensation in the fiscal year ended November 30, 2019.

SUMMARY COMPENSATION TABLE

Name and principal position(a)	Year(b)	Non-equity incentive plan compensation (U.S.\$)(f)					Pension value (U.S.\$)(g)	All other compensation (U.S.\$)(4)(h)	Total compensation (U.S.\$)(i)
		Salary (U.S.\$)(1) (c)	Share-based awards (U.S.\$) (d)	Option-based awards (U.S.\$)(2) (e)	Annual incentive plans(3)	Long-term incentive plans			
Dr. Isa Odidi, Chairman, Chief Executive Officer and Co-Chief Scientific Officer	2019	\$340,130	N/A	\$104,373	102,039	N/A	N/A	\$13,545	\$560,087
	2018	\$350,306	N/A	\$811,208	N/A	N/A	N/A	\$13,950	\$1,175,465
	2017	\$343,430	N/A	\$1,609,573	N/A	N/A	N/A	\$13,676	\$1,966,680
Dr. Amina Odidi, President, Chief Operating Officer and Co-Chief Scientific Officer	2019	\$340,130	N/A	\$104,373	102,039	N/A	N/A	\$13,545	\$560,087
	2018	\$350,306	N/A	\$811,208	N/A	N/A	N/A	\$13,950	\$1,175,465
	2017	\$343,430	N/A	\$1,609,573	N/A	N/A	N/A	\$13,676	\$1,966,680
Andrew Patient, Former Chief Financial Officer (5)	2018	\$232,504	N/A	\$11,619	N/A	N/A	N/A	\$13,950	\$258,073
	2017	\$54,395	N/A	\$19,800	N/A	N/A	N/A	\$3,419	\$77,614
Greg Powell, Former Chief Financial Officer (6)	2019	\$108,844	N/A	\$6,620	N/A	N/A	N/A	\$13,545	\$129,009
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Salaries paid by the Company to each Named Executive Officer are paid in Canadian dollars. All amounts are expressed in U.S. dollars converted at the exchange rate of U.S.\$0.7525 to C\$1.00 (2018 - U.S.\$ 0.7750; 2017 – U.S. \$0.7598) being the average closing exchange rate quoted by the Bank of Canada for the respective periods. Salary includes all amounts paid or payable to the Named Executive Officer. Actual amounts paid to each Named Executive Officer in fiscal 2019, 2018 and 2017 are as disclosed in the table.

- (2) The Company entered into a separate acknowledgement and agreement with Drs. Isa Odidi and Amina Odidi dated October 22, 2009 to be bound by the performance-based stock option agreement dated September 10, 2004 pursuant to which Drs. Isa Odidi and Amina Odidi are entitled to purchase up to 276,394 of the Company's common shares upon payment of \$36.20 per share, subject to satisfaction of the performance vesting conditions. The value of the option-based awards is determined using the Black-Scholes pricing model calculated as at the award date.
- (3) Amount awarded at the discretion of the Board. The bonus was paid to Dr. Isa Odidi in the second quarter of 2019; no bonuses were paid during the fiscal year 2018
- (4) "All other compensation" includes car allowances and other miscellaneous benefits.
- (5) Mr. Patient served as the Company's Chief Financial Officer from September 6, 2017 until his resignation effective on November 30, 2018.
- (6) Mr. Powell served as the Company's Chief Financial Officer from February 11, 2019 until his resignation effective on March 4, 2020.

Significant factors necessary to understand the information disclosed in the Summary Compensation Table above include the terms of each Named Executive Officer's employment agreement and the terms of the separate agreement relating to performance-based options applicable to Drs. Isa and Amina Odidi described below.

Employment Agreements

The employment agreement with Dr. Isa Odidi, the Chief Executive Officer and Co-Chief Scientific Officer of the Company, effective September 1, 2004, entitles Dr. Isa Odidi to receive a base salary of \$200,000 per year, which is paid in Canadian dollars, and is increased annually each year during the term of the agreement by 20% of the prior year's base salary. In addition, he is entitled to: (a) participate in the Option Plan; (b) participate in all employee benefit plans and programs, except for the Company's deferred share unit plan (the "**DSU Plan**"); and (c) a car allowance of up to \$1,000 per month. The initial term of the employment agreement was until September 30, 2007, at which time, pursuant to the terms of the agreement, the agreement was deemed to be extended automatically for an additional three-year period on the same terms and conditions (i.e. until September 30, 2010). The agreement will continue to be extended automatically for successive additional three-year periods on the same terms unless the Company gives Dr. Isa Odidi written notice at least two years prior to the date on which the agreement would otherwise be extended. See "Termination and Change of Control Benefits" below. Dr. Isa Odidi's employment agreement was amended on August 1, 2007 and June 8, 2009 to include intellectual property, non-competition and non-solicitation provisions. In April 2010, Dr. Isa Odidi's employment agreement was amended effective as of December 1, 2009, to eliminate the right to annual increases in his base salary of 20% each year and to roll back his base salary effective December 1, 2009 to the level payable under the employment agreement for the period from September 2008 to August 2009 or C\$452,000 per year. Pursuant to such amendment, Dr. Isa Odidi's base salary is subject to increase on an annual basis at the discretion of the Board, and Dr. Isa Odidi is eligible to receive a bonus, based on his performance, and that of the Company, as determined by the Board. In February 2012, Dr. Isa Odidi received a grant of 30,000 options of which 20,000 vested immediately on issuance and the remaining 10,000 vested on February 17, 2013 at an exercise price of C\$32.70 per share. In April 2013, Dr. Isa Odidi received a grant of 7,500 options of which 3,750 vested immediately on issuance and the remaining 3,750 vested on November 30, 2013 at an exercise price of C\$18.10 per share. In March 2014, Dr. Isa Odidi received a grant of 5,000 options of which 2,500 vested immediately on issuance and the remaining 2,500 vested on November 30, 2014 at an exercise price of C\$42.90 per share. In November 2015, Dr. Isa Odidi received a grant of 7,000 options of which 4,900 vested immediately on issuance, with the remaining 2,100 options vested on November 30, 2016 at an exercise price of C\$25.20 per share. In August 2016, Dr. Isa Odidi received a grant of 9,000 options of which 6,000 vested immediately on issuance, with the remaining 3,000 vested on November 30, 2017 at an exercise price of C\$24.20 per share. In November 2017, Dr. Isa Odidi received a grant of 7,000 options of which 2,333 vested immediately on issuance, 2,333 vested on November 30, 2018 and 2,334 vested on November 30, 2019 at an exercise price of C\$11.50 per share. In March 2019, Dr. Isa Odidi received a grant of 500,000 options of which 166,667 vested immediately on issuance, 166,667 vested on March 20, 2020 and 166,666 will vest on March 20, 2021 at an exercise price of C\$0.35 per share.

The employment agreement with Dr. Amina Odidi, the President, Chief Operating Officer and Co-Chief Scientific Officer of the Company, effective September 1, 2004, entitles Dr. Amina Odidi to receive a base salary of \$200,000 per year, which is paid in Canadian dollars, and is increased annually by 20% of the prior year's base salary. In addition, she is entitled to: (a) participate in the Option Plan; (b) participate in all employee benefit plans and programs, except for the DSU Plan; and (c) a car allowance of up to \$1,000 per month. The initial term of the employment agreement was until September 30, 2007, at which time, pursuant to the terms of the agreement, the agreement was deemed to be extended automatically for an additional three-year period on the same terms and conditions (i.e. until September 30, 2010). The agreement will continue to be extended automatically for successive additional three-year periods on the same terms unless the Company gives Dr. Amina Odidi written notice at least two years prior to the date on which the agreement would otherwise be extended. See "Termination and Change of Control Benefits" below. Dr. Amina Odidi's employment agreement was amended on August 1, 2007 and June 8, 2009 to include intellectual property, non-competition and non-solicitation provisions. In April 2010, Dr. Amina Odidi's employment agreement was amended effective as of December 1, 2009, to eliminate the right to annual increases in her base salary of 20% each year and to roll back her base salary effective December 1, 2009 to the level payable under the employment agreement for the period from September 2008 to August 2009, being C\$452,000 per year. Pursuant to such amendment, Dr. Amina Odidi's base salary is subject to increase on an annual basis at the discretion of the Board, and Dr. Amina Odidi is eligible to receive a bonus, based on her performance and the Company, as determined by the Board. In February 2012, Dr. Amina Odidi received a grant of 30,000 options of which 20,000 vested immediately on issuance and the remaining 10,000 vested on February 17, 2013 at an exercise price of C\$32.70 per share. In April 2013, Dr. Amina Odidi received a grant of 7,500 options of which 3,750 vested immediately on issuance and the remaining 3,750 vested on November 30, 2013 at an exercise price of C\$18.10 per share. In March 2014, Dr. Amina Odidi received a grant of 5,000 options of which 2,500 vested immediately on issuance and the remaining 2,500 vested on November 30, 2014 at an exercise price of C\$42.90 per share. In November 2015, Dr. Amina Odidi received a grant of 7,000 options of which 4,900 vested immediately on issuance, with the remaining 2,100 options vested on November 30, 2016 at an exercise price of C\$25.20 per share. In August 2016, Dr. Amina Odidi received a grant of 9,000 options of which 6,000 vested immediately on issuance, with the remaining 3,000 vested on November 30, 2017 at an exercise price of C\$24.20 per share. In November 2017, Dr. Amina Odidi received a grant of 7,000 options of which 2,333 vested immediately on issuance, 2,333 vested on November 30, 2018 and 2,334 vested on November 30, 2019 at an exercise price of C\$11.50 per share. In March 2019, Dr. Isa Odidi received a grant of 500,000 options of which 166,667 vested immediately on issuance, 166,667 vested on March 20, 2020 and 166,666 will vest on March 20, 2021 at an exercise price of C\$0.35 per share.

In addition, the Company entered into a separate acknowledgement and agreement with Drs. Isa Odidi and Amina Odidi dated October 22, 2009 to be bound by the performance-based stock option agreement dated September 10, 2004 pursuant to which Drs. Isa Odidi and Amina Odidi are entitled to purchase up to 276,394 of the Company's common shares. These options were not granted under the Option Plan. These options vest upon the Company attaining certain milestones related to the FDA filings and approvals for Company products and product candidates. The options are exercisable at a price of \$36.20 per share and were to expire in September 2014. Effective March 27, 2014, the Company's shareholders approved a two year extension of the performance-based stock option expiry date to September 2016. Effective April 19, 2016, the Company's shareholders approved a further two year extension of the performance-based stock option expiry date to September 2018. Effective May 15, 2018, the Company's shareholders approved a further two year extension of the performance-based stock option expiry date to September 2020. As of the date hereof, 276,394 of these options have vested and are exercisable.

Andrew Patient had served as the Company's Chief Financial Officer from September 6, 2017 until his resignation effective on November 30, 2018. The employment agreement with Andrew Patient, dated August 30, 2017, effective September 6, 2017, entitled Mr. Patient to receive a base salary of C\$300,000, which was paid in Canadian dollars, per year. In addition, he was entitled to: (a) participate in the Option Plan; (b) participate in all employee benefit plans and programs; and (c) a car allowance of C\$1,500 per month. The agreement provided for automatic renewal on December 31 each year from year to year in absence of notice of termination from the Company at least 90 days prior to the end of the then applicable term. If the agreement was terminated without cause, it required payment to Mr. Patient of 3 months' base salary, plus 6 weeks' base salary for every full year of service, up to a combined maximum of 12 months. If such termination occurred within six months of a change of control of the Company, it required payment to Mr. Patient of thirteen months' base salary, plus 6 weeks' base salary for every full year of service, up to a combined maximum of 18 months. Mr. Patient's employment agreement contains intellectual property, non-competition and non-solicitation provisions in favor of the Company. Mr. Patient was granted 6,000 options, of which 2,000 vested immediately on issuance, 2,000 vested on October 20, 2018 and the remaining 2,000 were to vest on October 20, 2019 at an exercise price of C\$2.70 per share. In November 2017, Mr. Patient received a grant of 1,500 options of which 500 vested immediately on issuance, 500 to vest on November 30, 2018 and the remaining 500 to vest on November 30, 2019 at an exercise price of C\$1.50 per share. Mr. Patient's options will cease to be exercisable 120 days after the date on which he ceased to be employed by the Company, i.e., the options ceased to be exercisable on March 30, 2019. As Mr. Patient resigned, no payment was made to him in connection with the termination of his employment.

Greg Powell had served as the Company's Chief Financial Officer from February 11, 2019 until his resignation effective on March 4, 2020. The employment agreement with Greg Powell, the former Chief Financial Officer of the Company, effective February 11, 2019 entitled Mr. Powell to receive a base salary of C\$180,000 per year. In addition, he was to: (a) participate in the Option Plan; (b) participate in all employee benefit plans and programs; and (c) have a car allowance of C\$1,000 per month. The employment agreement was for an indefinite term. The Company could terminate this agreement without cause upon 3 to 12 months' notice, depending on the length of employment. If the agreement was terminated without cause, it required payment to Mr. Powell of 3 months' base salary, plus 6 weeks' base salary for every full year of service, up to a combined maximum of 12 months. If such termination occurred within 6 months of a change of control of the Company, it required payment to Mr. Powell of 12 months' base salary, plus 6 weeks' base salary for every full year of service, up to a combined maximum of 12 months. Mr. Powell's employment agreement contained intellectual property, non-competition and non-solicitation provisions in favor of the Company. In March 2019, Mr. Powell received a grant of 40,000 options of which 13,334 vested immediately on issuance, 13,333 were to vest on March 20, 2020 and 13,333 will vest on March 20, 2021 at an exercise price of C\$0.35 per share. Mr. Powell's options will cease to be exercisable 120 days after the date on which he ceased to be employed by the Company, i.e., the options will cease to be exercisable on July 2, 2020. As Mr. Powell resigned, no payment was made to him in connection with the termination of his employment.

John Allport had served as the Company's Vice President Legal Affairs and Licensing and as a director from September 2004 until his resignation effective on May 17, 2017. The employment agreement with Mr. Allport, effective September 1, 2004, provided for Mr. Allport to receive a base salary of C\$95,000, which was paid in Canadian dollars, per year. In addition, he was entitled to: (a) participate in the Option Plan; (b) participate in all employee benefit plans and programs; and (c) a car allowance of C\$1,000 per month. The employment agreement was for an indefinite term subject to termination on six months' notice. In December 2011, Mr. Allport's base salary was increased to C\$145,000. In February 2012, Mr. Allport received a grant of 25,000 options of which 17,500 vested immediately on issuance and the remaining 7,500 options vested on February 17, 2013 at an exercise price of C\$32.70 per share. Mr. Allport's employment agreement included intellectual property, non-competition and non-solicitation provisions in favor of the Company. In April 2013, Mr. Allport received a grant of 2,500 options of which 1,250 vested immediately on issuance and the remaining 1,250 options vested on November 30, 2013 at an exercise price of C\$18.10 per share. In March 2014, Mr. Allport received a grant of 5,000 options of which 2,500 vested immediately on issuance and the remaining 2,500 vested on November 30, 2014 at an exercise price of C\$42.90 per share. In November 2015, Mr. Allport received a grant of 4,000 options of which 2,800 vested immediately on issuance, with the remaining 1,200 vested on November 30, 2016 at an exercise price of C\$25.20 per share. In August 2016, Mr. Allport received a grant of 5,500 options of which 3,700 vested on issuance, with the remaining 1,800 were to vest on November 30, 2017 at an exercise price of C\$24.20 per share. Mr. Allport entered into a consulting agreement with the Company effective May 17, 2017 to provide on-going services to the Company on an as-needed basis. The consulting agreement provides that Mr. Allport is to serve as a consultant to the Company to provide pharmaceutical business consulting services when requested from time to time. The agreement is terminable by either the Company or Mr. Allport on less than one-month notice and provides for such consideration as is mutually agreed from time to time. The consulting agreement includes intellectual property, non-competition and non-solicitation provisions in favor of the Company.

Incentive Plan Awards

Outstanding Option-Based Awards and Share-Based Awards – The following table sets forth for each Named Executive Officer all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. Each option grant allows the holder to purchase one of the Company's common shares.

Name(a)	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)(b)	Option exercise price (C\$)(c)	Option expiration date(d)	Value of unexercised in-the-money options (C\$)(e) ⁽³⁾	Number of shares or units of shares that have not vested (#)(f)	Market or payout value of share-based awards that have not vested (C\$)(g)	
Drs. Isa Odidi and Amina Odidi ⁽¹⁾	276,394	U.S.\$36.20	Sept. 10, 2020	N/A	N/A	N/A	
Dr. Isa Odidi	30,000	32.70	Feb. 16, 2022	N/A	N/A	N/A	
	7,500	18.10	Apr. 13, 2020	N/A	N/A	N/A	
	7,000	25.20	Nov. 30, 2020	N/A	N/A	N/A	
	9,000	24.20	Aug. 31, 2021	N/A	N/A	N/A	
	7,000	11.50	Nov. 30, 2022	N/A	N/A	N/A	
	500,000	0.35	Mar. 20, 2029	N/A	N/A	N/A	
Dr. Amina Odidi	30,000	32.70	Feb. 16, 2022	N/A	N/A	N/A	
	7,500	18.10	Apr. 13, 2020	N/A	N/A	N/A	
	7,000	25.20	Nov. 30, 2020	N/A	N/A	N/A	
	9,000	24.20	Aug. 31, 2021	N/A	N/A	N/A	
	7,000	11.50	Nov. 30, 2022	N/A	N/A	N/A	
	500,000	0.35	Mar. 20, 2029	N/A	N/A	N/A	
John Allport ⁽²⁾	25,000	32.70	Feb. 16, 2022	N/A	N/A	N/A	
	2,500	18.10	Apr. 13, 2020	N/A	N/A	N/A	
	4,000	25.20	Nov. 30, 2020	N/A	N/A	N/A	
	5,500	24.20	Aug. 31, 2021	N/A	N/A	N/A	
Andrew Patient ⁽⁴⁾	6,000	12.70	N/A	N/A	N/A	N/A	
	1,500	11.50	N/A	N/A	N/A	N/A	
Greg Powell ⁽⁵⁾	40,000	0.35	Mar. 20, 2029	N/A	N/A	N/A	

Notes:

- (1) These option-based awards are held jointly.
- (2) Mr. Allport, a consultant to the Company, served as the Company's Vice President Legal Affairs and Licensing and as a director from September 2004, until his resignation May 17, 2017.
- (3) The value of unexercised options at year-end is calculated by subtracting the option exercise price from the closing price of the common shares of the Company on the TSX for C\$ exercise prices and OTCQB for US\$ exercise prices on November 30, 2019 (C\$0.20 and US\$0.15, respectively) and multiplying the result by the number of common shares underlying an option.

- (4) Mr. Patient served as the Company's Chief Financial Officer from September 6, 2017 until his resignation effective November 30, 2018. Mr. Patient's options expired as of March 30, 2019.
- (5) Mr. Powell served as the Company's Chief Financial Officer from February 11, 2019 until his resignation effective March 4, 2020. Mr. Powell's options will cease to be exercisable 120 days after he ceased to be employed by the Company (i.e., will cease to be exercisable on July 2, 2020).

Incentive Plan Awards – Value Vested or Earned During the Year – The following table sets forth details of the value vested or earned during the most recently completed financial year for each incentive plan award.

Name (a)	Option-based awards - Value vested during the year (U.S.\$) (b) ⁽¹⁾	Share-based awards - Value vested during the year (U.S.\$) (c)	Non-equity incentive plan compensation - Value earned during the year (U.S.\$) (d)
Drs. Isa Odidi	N/A	N/A	N/A
Dr. Amina Odidi	N/A	N/A	N/A
Andrew Patient ⁽²⁾	N/A	N/A	N/A
Greg Powell ⁽³⁾	N/A	N/A	N/A

Notes:

- (1) The amount represents the theoretical total value if the options had been exercised on the vesting date, established by calculating the difference between the closing price of the common shares of the Company on the TSX on the vesting date and the exercise price.
- (2) Mr. Patient served as the Company's Chief Financial Officer from September 6, 2017 until his resignation effective November 30, 2018. Mr. Patient's options will cease to be exercisable 120 days after the date on which he ceased to be employed by the Company i.e. ceased to be exercisable on March 30, 2019.
- (3) Mr. Powell served as the Company's Chief Financial Officer from February 11, 2019 until his resignation effective March 4, 2020. Mr. Powell's options will cease to be exercisable 120 days after he ceased to be employed by the Company (i.e., cease to be exercisable on July 4, 2020).

Pension Plan Benefits

The Company does not provide a defined benefit pension plan or a defined contribution pension plan for any of its Named Executive Officers, nor does it have a deferred compensation pension plan for any of its Named Executive Officers. There are no amounts set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits.

Termination and Change of Control Benefits

The employment agreement with each of Dr. Isa Odidi and Dr. Amina Odidi (collectively the "Odidis"), by virtue of it being a fixed-term agreement with automatic renewal provisions, effectively provides for payments to the Odidis following termination of the employment agreement unless the agreement has been terminated in accordance with its terms. As a result, if either of the Odidis had been terminated on the last business day of the Company's most recently completed fiscal year, it is estimated that an amount of up to approximately C\$2.6 million would be payable to each of the Odidis, which is the amount that would have been payable through to September 30, 2022, at each of the Odidis' current annual base salary level. Given their nature as fixed term employment agreements, if notice is properly provided to not renew the agreement following the term ending September 30, 2022, then as such date approaches the amount payable upon termination to the Odidis will decrease to the point where no amount would be payable upon termination as at September 30, 2022. Any termination of the employment of the Odidis must be undertaken by and is subject to the prior approval of the Board. There are no payments applicable under the employment agreements of the Odidis relating to a change of control of the Company.

For a discussion of certain termination and change of control benefits under the employment agreement with Mr. Patient and Mr. Powell, see the description of their employment agreements under the heading "Employment Agreements" above.

Director Compensation

The following table sets forth all amounts of compensation provided to the non-executive directors for the Company's most recently completed financial year.

Name	Fees earned	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total
(a)	(b)	(c) ⁽²⁾	(d) ⁽³⁾	(e)	(f)	(g)	(h)
Eldon Smith ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kenneth Keirstead	C\$38,000	N/A	C\$16,878	N/A	N/A	N/A	C\$54,878
Bahadur Madhani	C\$45,000	N/A	C\$16,878	N/A	N/A	N/A	C\$61,878
Shawn Graham	C\$33,500	N/A	C\$11,252	N/A	N/A	N/A	C\$44,752
Norman Betts	C\$32,500	N/A	C\$11,252	N/A	N/A	N/A	C\$43,752

Notes:

- (1) Eldon Smith served as a Director to the Company from October 2009 until his resignation (effective January 9, 2019) to pursue other opportunities.
- (2) DSUs that were earned. Does not include DSUs earned in the previous financial year and granted in the most recently completed financial year.
- (3) Option-based awards for fiscal year 2019 were issued on March 20, 2019.

Significant factors necessary to understand the information disclosed in the Director Compensation Table above include the following: Non-management directors receive an annual retainer of \$25,000 paid in Canadian dollars. The Audit Committee chair receives an annual retainer of \$10,000 paid in Canadian dollars. The Corporate Governance Committee chair and Compensation Committee Chair, each receives an annual retainer of \$5,000 paid in Canadian dollars. Non-chair committee members are paid an additional \$2,500 per year per committee paid in Canadian dollars. Meetings will result in an additional \$1,000 per day per meeting paid in Canadian dollars.

Outstanding Option-Based Awards and Share-Based Awards – The following table sets forth all amounts of option-based and share-based awards to the non-executive directors for the Company's most recently completed financial year.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (U.S.\$)	Option expiration date	Value of unexercised in-the-money options (U.S.\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (U.S.\$)
(a)	(b)	(c)	(d)	(e)(1)	(f)(2)	(g)
Kenneth Keirstead	2,500	C\$18.10	Apr. 13, 2020	N/A	N/A	N/A
	2,000	C\$25.20	Nov. 30, 2020	N/A	N/A	N/A
	3,500	C\$24.20	Aug. 31, 2021	N/A	N/A	N/A
	4,000	C\$11.50	Nov. 30, 2022	N/A	N/A	N/A
	60,000	C\$0.35	Mar. 20, 2029	N/A	N/A	N/A
Bahadur Madhani	2,500	C\$18.10	Apr. 13, 2020	N/A	N/A	N/A
	2,000	C\$25.20	Nov. 30, 2020	N/A	N/A	N/A
	3,500	C\$24.20	Aug. 31, 2021	N/A	N/A	N/A
	4,000	C\$11.50	Nov. 30, 2022	N/A	N/A	N/A
	60,000	C\$0.35	Mar. 20, 2029	N/A	N/A	N/A
Shawn Graham	40,000	C\$0.35	Mar. 20, 2029	N/A	N/A	N/A
Norman Betts	40,000	C\$0.35	Mar. 20, 2029	N/A	N/A	N/A

Notes:

- (1) The value of unexercised options at year-end is calculated by subtracting the option exercise price from the closing price of the common shares of the Company on the TSX on November 30, 2019 (C\$0.20) and multiplying the result by the number of common shares underlying an option.
- (2) These DSUs are permitted to be redeemed only following termination of Board service. Includes DSUs earned as at November 30, 2019.
- (3) The value of DSUs at year-end is calculated from the closing price of the common shares of the Company on the TSX on November 30, 2019 (C\$0.20) and multiplying by the number of common shares underlying a DSU.

Incentive Plan Awards – Value Vested or Earned During the Year – The following table sets forth all amounts of option-based and share-based awards vested to the non-executive directors of the Company for the most recently completed financial year and no non-equity incentive plan compensation was earned during the most recently completed financial year.

Name	Option-based awards - Value vested during the year (U.S.\$)	Share-based awards - Value vested during the year (U.S.\$)	Non-equity incentive plan compensation - Value earned during the year (U.S.\$)
(a)	(b)(1)	(c)(2)	(d)
Kenneth Keirstead	N/A	N/A	Nil
Bahadur Madhani	N/A	N/A	Nil
Shawn Graham	N/A	N/A	Nil
Norman Betts	N/A	N/A	Nil

Notes:

- (1) The amount represents the theoretical total value if the options had been exercised on the vesting date, established by calculating the difference between the closing price of the common shares of the Company on the TSX on the vesting date and the exercise price.
- (2) The amount represents the theoretical total value of DSUs which were fully vested on their respective dates of issuance. DSUs are issued at the calculated market value of a common share on the date of issuance.

Directors' and Officers' Liability Insurance

The Company maintains insurance for the liability of its directors and officers arising out of the performance of their duties. The total amount of such insurance maintained is \$5,500,000 subject to a deductible loss payable by the Company of \$1,500,000 (for securities claims) or \$1,000,000 (for other claims). The premium payable by the Company for the period from November 30, 2019 to November 30, 2020 is \$205,200.

C. Board Practices

Board of Directors

See Items 6.A and 6.B.

Committees of the Board of Directors

AUDIT COMMITTEE

The Audit Committee of the Board monitors our financial activities, policies, and internal control procedures. The Audit Committee assists the Board in fulfilling its oversight responsibility to shareholders, potential shareholders, the investment community, and others with respect to the Company's financial statements, financial reporting process, systems of internal accounting and disclosure controls, performance of the external auditors, and risk assessment and management. The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Company, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under the Audit Committee Charter, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it.

Audit Committee Charter

The charter of the Audit Committee can be found on the Company's website at www.intellipharma.com.

Composition of the Audit Committee

Our Audit Committee is comprised of Norman Betts, Kenneth Keirstead and Bahadur Madhani, each of whom is considered independent and financially literate (as such terms are defined under applicable Canadian securities legislation) and satisfies the independence criteria of Rule 10A3-(b)(1) under the U.S. Exchange Act. The members of the Audit Committee have selected a Chair from amongst themselves, being Mr. Madhani.

Under the SEC rules implementing SOX, Canadian issuers filing reports in the United States must disclose whether their audit committees have at least one "audit committee financial expert". Additionally, under Nasdaq Listing Rule 5605(c)(2)(A), Nasdaq requires that one member of the audit committee be financially sophisticated, meaning that such member must have "past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities." The Board has determined that Mr. Madhani qualifies as an audit committee financial expert under the applicable SEC rules and as financially sophisticated under the applicable Nasdaq rules.

Relevant Education and Experience

Norman Betts is a Professor, Faculty of Business Administration, University of New Brunswick, a Chartered Professional Accountant Fellow (FCPA) and a member of the Institute of Corporate Directors (ICD). Dr. Betts currently serves as a director and member of the audit committees of Tanzanian Royalty Exploration Corporation, 49 North Resources, Biotricity Inc. and Adex Mining Inc. He has extensive public company and Crown Corporation experience including having served on boards including Tembec Inc., New Brunswick Power Corporation, and the Bank of Canada. He is also co-chair of the board of trustees of the University of New Brunswick Pension Plan for Academic Employees. Dr. Betts is a former Finance Minister and Minister of Business New Brunswick with the Province of New Brunswick. He was awarded a Ph.D. in Management from the School of Business at Queens University in 1992.

Kenneth Keirstead is educated in clinical biochemistry as a graduate of the Pathology Institute in Halifax; and business administration, as a graduate of the College of William and Mary and Columbia University. Mr. Keirstead has been a director of the Company since January 2006. He has worked in the healthcare delivery and pharmaceutical industries for over 45 years. He was President and CEO of Sanofi Winthrop Canada Inc.; General Manager of Squibb Medical Systems International; President of Chemfet International and President of Quinton Instruments among other positions. Mr. Keirstead has published studies and reports on healthcare and related services topics. Since 1998, Mr. Keirstead's principal occupation has been as Executive Manager of the Lyceum Group, a Canadian consulting services company primarily active in the healthcare field, of which Mr. Keirstead is the founder.

Bahadur Madhani is a chartered accountant who has been a director of the Company since March 31, 2006. He was a member of the advisory board of Quebecor Ontario and former Chairman of United Way of Toronto, former Chair of YMCA of Greater Toronto, former Chair of Nelson Mandela Children's Fund Canada, former Chair of YMCA Canada and former Chair, Toronto Grants Review Team of the Ontario Trillium Foundation. He was awarded membership in the Order of Canada in 2001. Since 1983, Mr. Madhani's principal occupation has been as President and CEO of Equiprop Management Limited, a Canadian property management company of which Mr. Madhani is the principal shareholder.

See also Item 6.A.

Pre-Approval Policies and Procedures

The Audit Committee reviewed with the independent auditor (who is responsible for expressing an opinion on the conformity of the Company's audited financial statements with U.S. GAAP) their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under Canadian and United States generally accepted auditing standards. In addition, the Audit Committee has discussed with the independent auditor the auditor's independence from management and the Company including the matters in the written disclosures provided to the Audit Committee by the independent auditor, and considered the compatibility of non-audit services with the auditor's independence.

The Company's independent auditor is accountable to the Board and to the Audit Committee. The Board, through the Audit Committee, has the ultimate responsibility to evaluate the performance of the independent auditor, and through the shareholders, to appoint, replace and compensate the independent auditor. Under SOX, the independent auditor of a public company is prohibited from performing certain non-audit services. The Audit Committee has adopted procedures and policies for the pre-approval of non-audit services, as described in the Audit Committee Charter. Under the terms of such policies and procedures, the Audit Committee has adopted a list of pre-approved services, including audit and audit-related services and tax services, and a list of prohibited non-audit services deemed inconsistent with an auditor's independence.

The list of pre-approved services includes:

1. Audit Services
 - o Audits of the Company's consolidated financial statements;
 - o Statutory audits of the financial statements of the Company's subsidiaries;
2. Audit-Related Services
 - o Reviews of the quarterly consolidated financial statements of the Company;

- o Services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulatory bodies (such as the SEC and the Ontario Securities Commission) or other documents issued in connection with securities offerings (e.g., comfort letters and consent letters) and assistance in responding to comment letters from securities regulatory bodies;
 - o Special attest services as required by regulatory and statutory requirements;
 - o Regulatory attestation of management reports on internal controls as required by the regulators;
 - o Consultations with the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the securities regulatory authorities, accounting standard setting bodies (such as the Financial Accounting Standards Board or Chartered Professional Accountants of Canada), or other regulatory or standard setting bodies.
 - o Presentations or training on accounting or regulatory pronouncements;
 - o Due diligence services related to accounting and tax matters in connection with potential acquisitions / dispositions;
3. Tax Services
- a. *Compliance Services*
 - Assistance with the preparation of corporate income tax returns and related schedules for the Company and its subsidiaries;
 - Assistance with the preparation of Scientific Research & Experimental Development investment tax credit claims and amended tax returns of the Company;
 - Assistance in responding to Canada Revenue Agency or IRS on proposed reassessments and other matters;
 - b. *Canadian & International Planning Services*
 - Advice with respect to cross-border/transfer pricing tax issues;
 - Advice related to the ownership of corporate intellectual property in jurisdictions outside of Canada;
 - Assistance in interpreting and understanding existing and proposed domestic and international legislation, and the administrative policies followed by various jurisdictions in administering the law, including assisting in applying for and requesting advance tax rulings or technical interpretations;
 - Assistance in interpreting and understanding the potential impact of domestic and foreign judicial tax decisions;
 - Assistance and advising on routine planning matters;

- Assistance in advising on the implications of the routine financing of domestic and foreign operations, including the tax implications of using debt or equity in structuring such financing, the potential impact of non-resident withholding tax and the taxation of the repatriation of funds as a return of capital, a payment of a dividend, or a payment of interest;

c. *Commodity Tax Services*

- Assistance regarding Harmonized Sales Tax/Goods and Services Sales Tax/Provincial Sales Tax/Customs/Property Tax filings and assessments;
- Commodity tax advice and compliance assistance with business reorganizations;
- Advice and assistance with respect to government audits/assessments;
- Advice with respect to other provincial tax filings and assessments;
- Assistance with interpretations or rulings;

4. All Other Services

- o Advice and documentation assistance with respect to internal controls over financial reporting and disclosure controls and procedures of the Company.

The list of prohibited services includes:

- Bookkeeping or other services related to the preparation of accounting records or financial statements;
- Financial information systems design and implementation;
- Appraisal or valuation services for financial reporting purposes;
- Actuarial services for items recorded in the financial statements;
- Internal audit outsourcing services;
- Management functions;
- Human resources;

- Certain corporate finance and other services;
- Legal services;
- Certain expert services unrelated to the audit.

The Audit Committee also discusses with the Company's independent auditor the overall scope and plans for their audit. The Audit Committee meets with the independent auditor, with and without management present, to discuss the results of their examination, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Audit Committee held 4 meetings during the period from December 1, 2018 to November 30, 2019.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited consolidated financial statements be included in the Annual Report for the year ended November 30, 2019 for filing with the Canadian provincial securities commissions and the SEC.

COMPENSATION COMMITTEE AND CORPORATE GOVERNANCE COMMITTEE

Compensation Committee Mandate and Purpose

The Compensation Committee of the Board is a standing committee of the Board whose primary function is to assist the Board in fulfilling its responsibilities relating to:

- the development, review and periodic approval of the Company's compensation philosophy that attracts and retains key executives and employees, while supporting the overall business strategy and objectives and links compensation with business objectives and organizational performance;
- evaluate and approve all compensation of executive officers including salaries, bonuses and equity compensation that are required to be determined;
- review the Company's Option Plan, the employee RSU Plan and the DSU Plan on an annual basis;
- review and make recommendations to the Board on compensation payable to senior officers of the Company to be hired subsequent to the adoption of the Charter; and
- produce a report annually on executive officer compensation for inclusion in the proxy circular of the Company.

Compensation Committee Charter

The charter of the Compensation Committee can be found on the Company's website at www.intellipharmaeutics.com.

Composition of the Compensation Committee

The Compensation Committee is composed of Shawn Graham, Kenneth Keirstead and Bahadur Madhani, each of whom is considered independent and is a director of the Company. All of the members shall be "independent" as such term is defined in applicable securities legislation. In no case shall a member be a current employee or immediate family member of a current employee. The members of the Compensation Committee have selected a Chair from amongst themselves, being Mr. Graham.

Corporate Governance Committee Mandate and Purpose

The Corporate Governance Committee of the Board is a standing committee of the Board whose primary function is to assist the Board in dealing with the corporate governance matters described in its charter.

Corporate Governance Committee Charter

The charter of the Corporate Governance Committee can be found the Company's website at www.intellipharmaeutics.com.

Composition of the Corporate Governance Committee

The Corporate Governance Committee is composed of Kenneth Keirstead, Shawn Graham and Bahadur Madhani, each of whom is considered independent and is a director of the Company. The members of the Corporate Governance Committee have selected a Chair from amongst themselves, being Mr. Keirstead.

D. Employees

The number of full-time employees as of the end of each of last three fiscal years is as follows:

	November 30, 2019	November 30, 2018	November 30, 2017
Research Employees	26	49	51
Administrative Employees	5	10	11

Our employees are not governed by a collective agreement. We have not experienced a work stoppage and believe our employee relations are satisfactory.

The Company reduced the number of employees by 28 as a cost saving measure, and because of reduced activity in operations due to the financial condition of the Company. We currently intend to hire additional if and when the Company's circumstances allow for such hirings.

The nature of our business requires the recruitment and retention of a highly educated and skilled workforce, including highly qualified management, scientific and manufacturing personnel for innovation, research and development. Typically a high proportion of our employees have a Bachelor's degree or higher. For each of the last three fiscal years, all employees of the Company were employed at the Company's offices in Toronto.

E. Share Ownership

The following table states the names of the directors and officers of the Company (current and during the last year), the positions within the Company now held by them, and the approximate number of common shares of the Company beneficially owned or over which control or direction is exercised by each of them as of March 30, 2020.

Name	Position with the Company	Number of Common Shares Owned	Percentage of Common Shares Owned	Number of Stock Options Held(2)	Exercise Price	Option Expiry dd/mm/yyyy	Number of Currently Exercisable Options(4)	Number of Common Shares Issuable on Conversion of Convertible Debt(3)	Number of DSU Held	Number of RSU Held
Dr. Isa Odidi	Chief Executive Officer and Chairman of the Board and Director of the Company	578,131 ⁽¹⁾	2.44%	276,394 ⁽¹⁾	\$36.20	10/09/2020	276,394 ⁽¹⁾	1,779,661	N/A	N/A
				30,000	C\$32.70	16/02/2022	30,000	166,666		
				7,500	C\$18.10	13/04/2020	7,500	2,083,333		
				7,000	C\$25.20	30/11/2020	7,000			
				9,000	C\$24.20	31/08/2021	9,000			
				7,000	C\$11.50	30/11/2022	7,000			
				500,000	C\$0.35	20/03/2029	333,334			
Dr. Amina Odidi	President, Chief Operating Officer and Director of the Company	578,131 ⁽¹⁾	2.44%	276,394 ⁽¹⁾	\$36.20	10/09/2020	276,394 ⁽¹⁾	1,779,661	N/A	N/A
				30,000	C\$32.70	16/02/2022	30,000	166,666		
				7,500	C\$18.10	13/04/2020	7,500	2,083,333		
				7,000	C\$25.20	30/11/2020	7,000			
				9,000	C\$24.20	31/08/2021	9,000			
				7,000	C\$11.50	30/11/2022	7,000			
				500,000	C\$0.35	20/03/2029	333,334			
Kenneth Keirstead	Director of the Company	Nil	Nil	2,500	C\$18.10	13/04/2020	2,500	N/A	N/A	N/A
				2,000	C\$25.20	30/11/2020	2,000			
				3,500	C\$24.20	31/08/2021	3,500			
				4,000	C\$11.50	30/11/2022	4,000			
				60,000	C\$0.35	20/03/2029	40,000			
Bahadur Madhani	Director of the Company	750	0.003%	2,500	C\$18.10	13/04/2020	2,500	N/A	N/A	N/A
				2,000	C\$25.20	30/11/2020	2,000			
				3,500	C\$24.20	31/08/2021	3,500			
				4,000	C\$11.50	30/11/2022	4,000			
				60,000	C\$0.35	20/03/2029	40,000			
Shawn Graham	Director of the Company	1,430	0.006%	40,000	C\$0.35	20/03/2029	26,667	N/A	N/A	N/A
Norman Betts	Director of the Company	Nil	Nil	40,000	C\$0.35	20/03/2029	26,667	N/A	N/A	N/A
Dr. Patrick Yat	Vice-President, Chemistry and Analytical Services	2,717	0.01%	5,000	C\$38.20	24/05/2021	5,000	N/A	N/A	N/A
				1,500	C\$18.10	13/04/2020	1,500			
				1,500	C\$25.20	30/11/2020	1,500			
				2,500	C\$24.20	31/08/2021	2,500			
				1,500	C\$11.50	30/11/2022	1,500			
				40,000	C\$0.35	20/03/2029	26,667			
Greg Powell	Former Chief Financial Officer	Nil	Nil	13,334	C\$0.35	20/03/2029	13,334	N/A	N/A	N/A
Totals		583,028	2.46%	1,686,728			1,273,397	4,029,660	N/A	N/A

Notes:

- (1) 578,131 represents the number of shares owned of record by Odidi Holdings Inc., a privately-held company controlled by Drs. Amina and Isa Odidi. In addition, 276,394 performance-based options are jointly held by Drs. Amina and Isa Odidi, and 560,500 stock options are held by each of Dr. Isa Odidi and Dr. Amina Odidi.
- (2) For information regarding option expiration dates and exercise price refer to the tables included under Item 6.B.
- (3) On January 10, 2013, the Company completed a private placement financing of a convertible debenture in the original principal amount of \$1.5 million (the **2013 Debenture**), which was originally due to mature January 1, 2015. The 2013 Debenture bore interest at a rate of 12% per annum, payable monthly, was pre-payable at any time at the option of the Company, and was convertible at any time into 50,000 common shares at a conversion price of US\$30.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, shareholders, directors and executive officers of the Company provided the Company with the \$1.5 million of the proceeds for the 2013 Debenture. The maturity date of the 2013 Debenture was changed several times from the original maturity date. A principal repayment of \$150,000 was made on April 1, 2017. In December 2018, a principal repayment of \$300,000 was made on the 2013 Debenture. After giving effect to such partial repayments, the 2013 Debenture was convertible at any time into 35,000 Common Shares at a conversion price of \$30.00 per Common Share at the option of the holder. On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by the May 2019 Debenture. On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. The maturity date for the May 2019 Debenture has been extended twice, to the current maturity date of March 31, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the May 2019 Debenture have agreed to extend the May 2019 Debenture to May 15, 2020. On September 10, 2018, the Company completed the 2018 Debenture Financing in the principal amount of \$0.5 million. The 2018 Debenture is due to mature on September 1, 2020. The 2018 Debenture bears interest at a rate of 10% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into common shares at a conversion price of \$3.00 per common share at the option of the holder. Drs. Isa Odidi and Amina Odidi provided us with the original \$500,000 of the proceeds for the 2018 Debenture. On November 15, 2019, the Company issued to Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors and executive officers of the November 2019 Debenture in the principal amount of \$0.25 million. The November 2019 Debenture bears interest at a rate of 12% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into 2,083,333 Common Shares of the Company at a conversion price of \$0.12 per Common Share at the option of the holder. The maturity date of the November 2019 Debenture is now March 31, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the November 2019 Debenture have agreed to extend the May 2019 Debenture to May 15, 2020.
- (4) Includes options exercisable within 60 days of the date of this filing.

As of March 30, 2020, the directors and executive officers of the Company as a group owned, directly or indirectly, or exercised control or direction over 583,028 common shares, representing approximately 2.46% of the issued common shares of the Company (and beneficially owned approximately 5,886,085 common shares representing 20.3% of our common shares including common shares issuable upon the exercise of outstanding options and the conversion of the Debentures that are exercisable or convertible within 60 days of the date hereof).

The Company has in place the Option Plan for the benefit of certain officers, directors, employees and consultants of the Company, including the Named Executive Officers (see below under "Employee Stock Option Plan"). Certain Named Executive Officers have been issued options under such plan. The Company has also granted performance-based options to Dr. Isa Odidi and Dr. Amina Odidi pursuant to a separate option agreement, which was negotiated with the Named Executive Officers at the same time as their employment agreements. These options vest upon the Company attaining certain milestones relating to FDA filings and approvals for Company drugs, such that 27,639 options vest in connection with each of the FDA filings for the first five Company drugs and 27,639 options vest in connection with each of the FDA approvals for the first five Company drugs. To date, the level of these performance-based options has been taken into account by the Board and impacted the Company's decisions about base salary and option-based awards under the Option Plan for the Named Executive Officers. No other performance-based options have been granted to any other Named Executive Officer.

Employee Stock Option Plan

The Option Plan was adopted effective October 22, 2009 as part of the IPC Arrangement Transaction approved by the shareholders of IPC Ltd., our predecessor company, at the meeting of shareholders on October 19, 2009. Subject to the requirements of the Option Plan, the Board, with the assistance of the Compensation Committee, has the authority to select those directors, officers, employees and consultants to whom options will be granted, the number of options to be granted to each person and the price at which common shares of the Company may be purchased. Grants are determined based on individual and aggregate performance as determined by the Board.

The key features of the Option Plan are as follows:

- The eligible participants are full-time and part-time employees, officers and directors of, or consultants to, the Company or its affiliates, which may be designated from time to time by the Board.
- The fixed maximum percentage of common shares issuable under the Option Plan is 10% of the issued and outstanding common shares from time to time. The Option Plan will automatically “reload” after the exercise of an option provided that the number of common shares issuable under the Option Plan does not then exceed the maximum percentage of 10%.
- There are no restrictions on the maximum number of options which may be granted to insiders of the Company other than not more than 1% of the total common shares outstanding on a non-diluted basis can be issued to non-executive directors of the Company pursuant to options granted under the Option Plan and the value of any options granted to any non-executive director of the Company, shall not, on an annual basis, exceed \$100,000.
- The Board determines the exercise price of each option at the time the option is granted, provided that such price is not lower than the “market price” of common shares at the time the option is granted. “Market price” means the volume weighted average trading price of common shares on the TSX, or another stock exchange where the majority of the trading volume and value of common shares occurs, for the five trading days immediately preceding the relevant date, calculated in accordance with the rules of such stock exchange.
- Unless otherwise determined by the Board, each option becomes exercisable as to 33⅓% on a cumulative basis, at the end of each of the first, second and third years following the date of grant.
- The period of time during which a particular option may be exercised is determined by the Board, subject to any Employment Contract or Consulting Contract (both as hereinafter defined), provided that no such option term shall exceed 10 years.
- If an option expiration date falls within a “black-out period” (a period during which certain persons cannot trade common shares pursuant to a policy of the Company’s respecting restrictions on trading), or immediately following a black-out period, the expiration date is automatically extended to the date which is the tenth business day after the end of the black-out period.

Options may terminate prior to expiry of the option term in the following circumstances:

- on death of an optionee, options vested as at the date of death are immediately exercisable until the earlier of 180 days from such date and expiry of the option term; and
- if an optionee ceases to be a director, officer, employee or consultant of the Company for any reason other than death, including receipt of notice from the Company of the termination of his, her or its Employment Contract or Consulting Contract (as defined below), options vested as at the date of termination are exercisable until the earlier of 120 days following such date and expiry of the option term, subject however to any contract between the Company and any employee relating to, or entered into in connection with, the employment of the employee or between the Company and any director with respect to his or her directorship or resignation there from (an “**Employment Contract**”), any contract between the Company and any consultant relating to, or entered into in connection with, services to be provided to the Company (a “**Consulting Contract**”) or any other agreement to which the Company is a party with respect to the rights of such person upon termination or change in control of the Company.

- Options and rights related thereto held by an optionee are not to be assignable or transferable except on the death of the optionee.
- If there is a take-over bid (within the meaning of the Securities Act (Ontario)) made for all or any of the issued and outstanding common shares of the Company, then all options outstanding become immediately exercisable in order to permit common shares issuable under such options to be tendered to such bid.
- If there is a consolidation, merger, amalgamation or statutory arrangement involving the Company, separation of the business of the Company into two or more entities or sale of all or substantially all of the assets of the Company to another entity, the optionees will receive, on exercise of their options, the consideration they would have received had they exercised their options immediately prior to such event. In such event and in the event of a securities exchange take-over bid, the Board may, in certain circumstances, require optionees to surrender their options if replacement options are provided. In the context of a cash take-over bid for 100% of the issued and outstanding common shares of the Company, optionees may elect to conditionally surrender their options or, if provided for in an agreement with the offeror, automatically exchange their options for options of the offeror.
- The Board may from time to time in its absolute discretion amend, modify and change the provisions of the Option Plan or any options granted pursuant to the Option Plan, provided that any amendment, modification or change to the provisions of the Option Plan or any options granted pursuant to the Option Plan shall:
 - o not adversely alter or impair any option previously granted;
 - o be subject to any regulatory approvals, where required, including, where applicable, the approval of the TSX and/or such other exchange as may be required; and
 - o not be subject to shareholder approval in any circumstances, except where the amendment, modification or change to the Option Plan or option would:
 - (i) reduce the exercise price of an option held by an insider of the Company;
 - (ii) extend the term of an option held by an insider beyond the original expiration date (subject to such date being extended in a black-out extension situation);
 - (iii) increase the fixed maximum percentage of common shares issuable under the Option Plan; or
 - (iv) amend the amendment provision of the Option Plan; in which case the amendment, modification or change will be subject to shareholder approval in accordance with the rules of the TSX and/or such other exchange as may be required. Amendments to the Option Plan not requiring shareholder approval may for example include, without limitation:
 - o amendments of a “housekeeping nature”, including any amendment to the Option Plan or an option that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
 - o changes to the exercise price of an option to an exercise price not below the “market price” unless the change is a reduction in the exercise price of an option held by an insider of the Company;
 - o amendments altering, extending or accelerating any vesting terms or conditions in the Option Plan or any options;
 - o changes amending or modifying any mechanics for exercising an option;

- o amendments changing the expiration date (including acceleration thereof) or changing any termination provision in any option, provided that such change does not entail an extension beyond the original expiration date of such option (subject to such date being extended in a black-out extension situation);
- o amendments introducing a cashless exercise feature, payable in securities, whether or not such feature provides for a full deduction of the number of underlying securities from the Option Plan maximum;
- o amendments changing the application of the provisions of the Option Plan dealing with adjustments in the number of shares, consolidations and mergers and take-over bids;
- o amendments adding a form of financial assistance or amending a financial assistance provision which is adopted;
- o amendments changing the eligible participants of the Option Plan; and
- o amendments adding a deferred or restricted share unit provision or any other provision which results in participants receiving securities while no cash consideration is received by the Company.

The Board may discontinue the Option Plan at any time without consent of the participants under the Option Plan provided that such discontinuance shall not adversely alter or impair any option previously granted.

A copy of the Option Plan is available upon request in writing to the Chief Financial Officer of the Company at 30 Worcester Road, Toronto, Ontario, M9W 5X2 or on www.sedar.com.

A total of 2,199,310 options to purchase common shares have been issued, representing 8.1% of the shares issued and outstanding as of March 30, 2020. As of March 30, 2020, 17,200 options have been exercised under the Plan since inception. Included within the total outstanding options are performance-based options granted to Dr. Isa Odidi and Dr. Amina Odidi pursuant to a separate option agreement, which was negotiated at the same time as their employment agreements. These options vest upon the Company attaining certain milestones relating to FDA filings and approvals for the development of Company drugs, such that 27,639 options vest in connection with each of the FDA filings for the first five Company drugs and 27,639 options vest in connection with each of the FDA approvals for the first five Company drugs. To date, the level of these performance-based options has been taken into account by the Board and impacted the Company's decisions about base salary and option-based awards under the Option Plan for the said Named Executive Officers.

Restricted Share Unit Awards for Officers & Employees

The Company established the RSU Plan to form part of its incentive compensation arrangements available for officers and employees of the Company and its designated affiliates as of May 28, 2010, when the RSU Plan received shareholder approval.

The key features of the RSU Plan are as follows:

- The stated purpose of the RSU Plan is to advance the interests of the Company through the motivation, attraction and retention of employees and officers of the Company and the designated affiliates of the Company and to secure for the Company and the shareholders of the Company the benefits inherent in the ownership of common shares by employees and officers of the Company, it being generally recognized that share incentive plans aid in attracting, retaining and encouraging employees and officers due to the opportunity offered to them to acquire a proprietary interest in the Company and to align their interests with those of the Company. Employees and officers, including both full-time and part-time employees, of the Company and any designated affiliate of the Company, but not any directors of the Company, are eligible to participate under the RSU Plan. By the terms of the RSU Plan, Dr. Isa Odidi, the Chief Executive Officer of the Company, and Dr. Amina Odidi, the President and Chief Operating Officer of the Company, are specifically not eligible to participate.

- The RSU Plan is administered by the Board or a committee thereof, which will determine, from time to time, who may participate in the RSU Plan, the number of RSUs to be awarded and the terms of each RSU, all such determinations to be made in accordance with the terms and conditions of the RSU Plan, based on individual and/or corporate performance factors as determined by the Board.
- The number of common shares available for issuance upon the vesting of RSUs awarded under the RSU Plan is limited to an aggregate of 33,000 common shares of the Company representing approximately 0.14% of the issued and outstanding common shares of the Company as of March 30, 2020.
- A separate notional account will be maintained for each participant under the RSU Plan. Each such account will be credited with RSUs awarded to the participant from time to time by way of a bookkeeping entry in the books of the Company. On the vesting of the RSUs and the corresponding issuance of common shares to the participant, or on the forfeiture and cancellation of the RSUs, the RSUs credited to the participant's account will be cancelled.
- At the time of the award of RSUs, the Board will determine in its sole discretion the vesting criteria (whether based on time or performance measures of individual and/or corporate performance) applicable to the awarded RSUs. Unless otherwise determined by the Board at the time of the award, RSUs will vest in respect of 33 1/3% of the common shares subject to the RSUs on the first day after each of the first three anniversaries of the award date of such RSU. Notwithstanding the foregoing, all vesting and issuances or payments, as applicable, will be completed no later than December 15 of the third calendar year commencing after an award date.
- The RSU Plan provides that any unvested RSUs will vest at such time as determined by the Board in its sole discretion such that participants in the RSU Plan will be able to participate in a change of control transaction, including by surrendering such RSUs to the Company or a third party or exchanging such RSUs, for consideration in the form of cash and/or securities.
- Under the RSU Plan, should the vesting of an RSU fall within a blackout period or within nine business days following the expiration of a blackout period, the vesting will be automatically extended to the tenth business day after the end of the blackout period.
- If an "event of termination" of employment has occurred, any and all common shares corresponding to any vested RSUs in a participant's account, if any, will be issued as soon as practicable after the event of termination to the former participant. If an event of termination has occurred, any unvested RSUs in the participant's account will, unless otherwise determined by the Board in its discretion, forthwith and automatically be forfeited by the participant and cancelled. Notwithstanding the foregoing, if a participant is terminated for just cause, each unvested RSU in the participant's account will be forfeited by the participant and cancelled. An "**event of termination**" is defined under the RSU Plan as an event whereby a participant ceases to be eligible under the RSU Plan and is deemed to have occurred by the giving of any notice of termination of employment (whether voluntary or involuntary and whether with or without cause), retirement, or any cessation of employment for any reason whatsoever, including disability or death.
- No rights under the RSU Plan and no RSUs awarded pursuant to the provisions of the RSU Plan are assignable or transferable by any participant other than pursuant to a will or by the laws of descent and distribution.
- Under the RSU Plan, the Board may from time to time in its absolute discretion amend, modify and change the provisions of the RSU Plan or any RSUs awarded pursuant to the Plan, provided that any amendment will:
 - not adversely alter or impair any RSU previously awarded except as permitted by the adjustment provisions in the RSU Plan;
 - be subject to any regulatory approvals including, where required, the approval of the TSX;
 - be subject to shareholder approval in accordance with the rules of the TSX in circumstances where the amendment, modification or change to the RSU Plan or RSUs would:

- (i) allow for the assignment or transfer of any right under the RSU Plan or a RSU awarded pursuant to the provisions of the RSU Plan other than as provided for under the assignability provisions in the RSU Plan;
- (ii) increase the fixed maximum number of common shares which may be issued pursuant to the RSU Plan;
or
- (iii) amend the amendment provisions of the RSU Plan;
and
- not be subject to shareholder approval in circumstances (other than those listed in the paragraph immediately above), including, but not limited to, circumstances where the amendment, modification or change to the RSU Plan or RSU would:
 - (i) be of a “housekeeping nature”, including any amendment to the RSU Plan or a RSU that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange and any amendment to the RSU Plan or a RSU to correct or rectify any ambiguity, defective provision, error or omission therein, including any amendment to any definitions therein;
 - (ii) alter, extend or accelerate any vesting terms or conditions in the RSU Plan or any RSU;
 - (iii) change any termination provision in any RSU;
 - (iv) introduce features to the RSU Plan that would permit the Company to, instead of issuing common shares from treasury upon the vesting of the RSUs, retain a broker and make payments for the benefit of participants to such broker who would purchase common shares through the facilities of the TSX for such participants;
 - (v) Introduce features to the RSU Plan that would permit the Company to, instead of issuing common shares from treasury upon the vesting of the RSUs, make lump sum cash payments to participants;
 - (vi) change the application of the adjustment provisions of the RSU Plan or the change of control provisions of the RSU Plan;
or
 - (vii) change the eligible participants under the RSU Plan.

A copy of the RSU Plan is available upon request in writing to the Chief Financial Officer of the Company at 30 Worcester Road, Toronto, Ontario, M9W 5X2.

The 33,000 common shares that are currently authorized for issuance under the RSU Plan represent approximately 0.14% of the Company’s common shares issued and outstanding as at March 30, 2020. No RSUs have been issued and none are outstanding as of March 30, 2020.

Deferred Share Unit Awards for Outside Directors

The Company established as of May 28, 2010 when it received shareholder approval, a DSU Plan to permit directors who are not officers of the Company, to defer receipt of all or a portion of their Board fees until termination of Board service and to receive such fees in the form of common shares at that time.

The key features of the DSU Plan are as follows:

- The DSU Plan is administered by the Board or a committee thereof. Members of the Board who are not salaried officers or employees of the Company or a related corporation are eligible to participate under the DSU Plan. By the terms of the DSU Plan, Dr. Isa Odidi, the Chief Executive Officer of the Company, and Dr. Amina Odidi, the President and Chief Operating Officer of the Company, are specifically not eligible to participate.
 - The number of common shares available for issuance upon redemption of DSUs issued under the DSU Plan is limited to 11,000 common shares of the Company, representing approximately 0.05% of the total number of issued and outstanding common shares as of March 30, 2020.
 - Each participant may elect to be paid a minimum of 20% up to a maximum of 100%, in 10% increments, of Board fees in the form of DSUs in lieu of being paid such fees in cash. On the date on which Board fees are payable (on a quarterly basis), the number of DSUs to be credited to the participant is determined by dividing an amount equal to the designated percentage of the Board fees that the participant has elected to have credited in DSUs on that fee payment date, by the calculated market value of a common share (typically on the TSX) on that fee payment date. The market value of a common share is the weighted average trading price of the common shares on any exchange where the common shares are listed (including the TSX) for the last five trading days prior to such day. If dividends are declared by the Company, a participant will also be credited with dividend equivalents in the form of additional DSUs based on the number of DSUs the participant holds on the record date for the payment of a dividend. Dividend equivalents are calculated by dividing (i) the amount obtained by multiplying the amount of the dividend declared and paid per common share by the number of DSUs in the participant's account on the record date for the payment of such dividend, by (ii) the market value of a common share on that dividend payment date. The market value of a common share is the weighted average trading price of the common shares on any exchange where the common shares are listed (including the TSX) for the last five trading days prior to such day.
 - A participant is permitted to redeem his/her DSUs only following termination of Board service by way of retirement, non-re-election as a director, resignation or death. Upon redemption of DSUs, the Company will issue to the participant common shares of the Company equal to the number of DSUs to be redeemed.
 - A separate notional account is maintained for each participant under the DSU Plan. Each such account will be credited with DSUs issued to the participant from time to time by way of a bookkeeping entry in the books of the Company. The DSUs credited to the participant's account will be cancelled as of the applicable redemption date and following redemption of all DSUs credited to the participant's account, such participant's account will be closed.
 - No rights under the DSU Plan and no DSUs credited pursuant to the provisions of the DSU Plan are assignable or transferable by any participant other than pursuant to a will or by the laws of descent and distribution.
 - Under the DSU Plan, the Board may from time to time in its absolute discretion amend, modify and change the provisions of the DSU Plan or any DSUs issued pursuant to the DSU Plan, provided that any amendment will:
 - not adversely alter or impair any DSU previously credited without such participant's consent in writing except as permitted by the adjustment provisions in the DSU Plan;
 - be subject to any regulatory approvals including, where required, the approval of the TSX;
 - be subject to shareholder approval in accordance with the rules of the TSX in circumstances where the amendment, modification or change to the DSU Plan or DSU would:
 - (i) allow for the assignment or transfer of any right under the DSU Plan or a DSU credited pursuant to the provisions of the DSU Plan other than as provided for under the assignability provisions in the DSU Plan;
 - (ii) increase the fixed maximum number of common shares which may be issued pursuant to the DSU Plan;
- or

(iii) amend the amendment provisions of the DSU Plan; and

- not be subject to shareholder approval in circumstances (other than those listed in the paragraph immediately above), including, but not limited to, circumstances where the amendment, modification or change to the DSU Plan or DSU would:
- (i) be of a “housekeeping nature”, including any amendment to the DSU Plan or a DSU that is necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange and any amendment to the DSU Plan or a DSU to correct or rectify any ambiguity, defective provision, error or omission therein, including any amendment to any definitions therein;
 - (ii) introduce features to the DSU Plan that would permit the Company to, instead of issuing common shares from treasury upon the redemption of the DSUs, retain a broker and make payments for the benefit of participants to such broker who would purchase common shares through the facilities of the TSX for such participants;
 - (iii) introduce features to the DSU Plan that would permit the Company to, instead of issuing common shares from treasury upon the redemption of the DSUs, make lump sum cash payments to participants;
 - (iv) change the application of the adjustment provisions of the DSU Plan; or
 - (v) change the eligible participants under the DSU Plan.

A copy of the DSU Plan is available upon request in writing to the Chief Financial Officer of the Company at 30 Worcester Road, Toronto, Ontario, M9W 5X2.

The 11,000 common shares that are currently authorized for issuance under the DSU Plan represent approximately 0.05% of the Company’s common shares issued and outstanding as at March 30, 2020. A total of nil DSUs have been issued, representing common share rights that comprise 0% of the common shares issued and outstanding as at March 30, 2020.

Perquisites and Personal Benefits

The Company also provides perquisites and personal benefits to its Named Executive Officers, including basic employee benefit plans, which are available to all employees, and a car allowance to cover the cost of an automobile for business purposes. These perquisites and personal benefits were determined through negotiation of an employment agreement with each Named Executive Officer (see “Employment Agreements” above). While perquisites and personal benefits are intended to fit into the Company’s overall compensation objectives by serving to attract and retain talented executive officers, the size of the Company and the nature and stage of its business also impact the level of perquisites and benefits. To date, the level of perquisites and benefits has not impacted the Company’s decisions about any other element of compensation.

Other Compensation-Related Matters

The Company’s share trading policy prohibits all directors and officers of the Company from, among other things, engaging in any short sales designed to hedge or offset a decrease in market value of the securities of the Company.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

We completed a registered direct offering in October 2017, registered direct offerings in March 2018 and an underwritten public offering completed in October 2018 all of which resulted in a significant change in the percentage ownership of our then-principal shareholders, Drs. Amina and Isa Odidi, our President and Chief Operating Officer and our Chairman and Chief Executive Officer, respectively, and Odidi Holdings Inc., a privately-held company controlled by Drs. Amina and Isa Odidi (a decrease to approximately 14.3%) of our then-issued and outstanding common shares of the Company (subsequent to the offering) (See “Prior Sales”). As of March 30, 2020, Drs. Amina and Isa Odidi and Odidi Holdings Inc. own in the aggregate directly and indirectly 578,131 common shares, representing approximately 2.44% of our issued and outstanding common shares of the Company (and collectively beneficially owned in the aggregate approximately 5,671,853 common shares representing 19.71% of our common shares including common shares issuable upon the exercise of outstanding options and the conversion of the Debentures that are exercisable or convertible within 60 days of the date hereof). (Reference is made to the section entitled “E. Share Ownership” under “Item 6. Directors, Senior Management and Employees” for additional information regarding the options to purchase common shares and the Debentures held by Drs. Amina and Isa Odidi.) Armistice Capital, LLC, Armistice Capital Master Fund, Ltd., and Steven Boyd (collectively “Armistice”) reported on a Schedule 13-G/A, filed with the SEC on February 14, 2019, that they were each the beneficial owner of 575,099, representing less than 10% of the Company’s common shares. Sabby Volatility Warrant Master Fund, Ltd. and its affiliates reported on a Schedule 13-G/A, filed with the SEC on January 21, 2020, that they were each the beneficial owner of 1,101,571, representing approximately 4.65% of the Company’s common shares. To our knowledge, no other shareholder beneficially owns more than 5% of the issued and outstanding common shares of the Company. There are no arrangements, known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

No holder of common shares has different voting rights from any other holders of common shares.

As at December 31, 2019 there were a total of 343 registered holders of record of our common shares, of which 245 holders were registered with addresses in Canada holding in the aggregate approximately 3% of our 22,702,523 outstanding common shares, 47 holders were registered with addresses in the United States holding in the aggregate approximately 97% of our 22,702,523 outstanding common shares, and 51 holders were registered with addresses in other nations holding in the aggregate 0% of our outstanding common shares. We believe that the number of beneficial owners of our common shares is substantially greater than the number of record holders, because a large portion of our common shares are held in broker “street names”.

B. Related Party Transactions

In January 2013, we completed a private placement financing of the unsecured 2013 Debenture in the original principal amount of \$1.5 million. The 2013 Debenture bore interest at a rate of 12% per annum, payable monthly, was pre-payable at any time at the option of the Company, and was convertible at any time into common shares at a conversion price of \$30.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$1.5 million of the proceeds for the 2013 Debenture. In December 2016, a principal repayment of \$150,000 was made on the 2013 Debenture. The maturity date of the 2013 Debenture was changed several times from the original maturity date. In December 2018, a principal repayment of \$300,000 was made for the 2013 Debenture.

On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture, subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by the May 2019 Debenture. On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the May 2019 Debenture. The original maturity of the May 2019 Debenture was November 1, 2019. Effective November 1, 2019, the maturity date for the May 2019 Debenture was extended to December 31, 2019. Effective December 31, 2019, the maturity date for the May 2019 Debenture was extended to February 1, 2020. Effective January 31, 2020, the maturity date for the May 2019 Debenture was further extended to March 31, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the May 2019 Debenture have agreed to extend the May 2019 Debenture to May 15, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the May 2019 Debenture have agreed to extend the May 2019 Debenture to May 15, 2020.

On September 10, 2018, the Company completed the 2018 Debenture Financing. The 2018 Debenture bears interest at a rate of 10% per annum, is payable monthly, may be prepaid at any time at our option, and is convertible into common shares at any time prior to the maturity date at a conversion price of \$3.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$500,000 of proceeds for the 2018 Debenture. The maturity date for the 2018 Debenture is September 1, 2020. The net proceeds of the 2018 Debenture were used for working capital and general corporate purposes.

On August 26, 2019, the Company completed a private placement financing of the unsecured August 2019 Debenture in the principal amount of \$140,800. The August 2019 Debenture was scheduled to mature on August 26, 2020, bore interest at a rate of 8% per annum, was pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and was convertible at the option of the holder into common shares after 180 days at a conversion price equal to 75% of the market price (defined as the average of the lowest three (3) trading prices for the common shares during the twenty (20) trading day period prior to the conversion date). In November 2019, the August 2019 Debenture was fully paid.

In September 2019, the Company issued two unsecured, non-interest bearing promissory notes, with no fixed repayment terms, in the amounts of US\$6,500 and CDN\$203,886, to Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors and executive officers of the Company. The proceeds from such notes were used for working capital and general corporate purposes.

On November 15, 2019, the Company issued the November 2019 Debenture, an unsecured convertible debenture in the principal amount of \$250,000 that is now scheduled to mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into Common Shares of the Company at a conversion price of \$0.12 per share. The Company used the proceeds from the November 2019 Debenture for working capital and general corporate purposes. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the November 2019 Debenture. The original maturity of the November 2019 Debenture was December 31, 2019. Effective January 31, 2020, the maturity date for the November 2019 Debenture was extended to March 31, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the November 2019 Debenture have agreed to extend the November 2019 Debenture to May 15, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the May 2019 Debenture have agreed to extend the November 2019 Debenture to May 15, 2020.

To the Company's knowledge, Armistice, previously a holder of in excess of 10% of the Company's outstanding common shares, participated in (i) a registered direct offering in October 2017, pursuant to a placement agent agreement dated October 10, 2017 between the Company and H.C. Wainwright & Co., LLC ("Wainwright"), and (ii) the registered direct offerings completed in March 2018, pursuant to placement agent agreements dated March 12, 2018 and March 18, 2018 between the Company and Wainwright; and (iii) the underwritten public offering completed in October 2018. Armistice reported on a Schedule 13-G/A, filed with the SEC on February 14, 2019, that it was the beneficial owner of less than 10% of the Company's Common Shares. Sabby Volatility Warrant Master Fund, Ltd. and its affiliates reported on a Schedule 13-G/A, filed with the SEC on January 21, 2020, that they were each the beneficial owner of 1,101,571, representing approximately 4.65% of the Company's Common Shares.

Since the beginning of the Company's preceding three financial years to the date hereof, other than discussed above in this Item 7, there have been no transactions or proposed transactions which are material to the Company or to any associate, holder of 10% of the Company's outstanding shares, director or officer or any transactions that are unusual in their nature or conditions to which the Company or any of its subsidiaries was a party.

The Company's Corporate Governance Committee, made up of independent directors, oversees any potential transaction and negotiation that could give rise to a related party transaction or create a conflict of interest, and conducts an appropriate review.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Reference is made to “Item 18. Financial Statements” for the financial statements included in this annual report.

Legal Proceedings and Regulatory Actions

From time to time, we may be exposed to claims and legal actions in the normal course of business. As at November 30, 2019, and continuing as at March 30, 2020, we are not aware of any pending or threatened material litigation claims against us, other than the following as described below.

In November 2016, we filed an NDA for our Oxycodone ER product candidate, relying on the 505(b)(2) regulatory pathway, which allowed us to reference data from Purdue's file for its OxyContin® extended release oxycodone hydrochloride. Our Oxycodone ER application was accepted by the FDA for further review in February 2017. We certified to the FDA that we believed that our Oxycodone ER product candidate would not infringe any of the OxyContin® patents listed in the Orange Book, or that such patents are invalid, and so notified Purdue and the other owners of the subject patents listed in the Orange Book of such certification.

On April 7, 2017, we received notice that the Purdue litigation plaintiffs had commenced patent infringement proceedings against us in the U.S. District Court for the District of Delaware (docket number 17-392) in respect of our NDA filing for Oxycodone ER, alleging that our proposed Oxycodone ER infringes 6 out of the 16 patents associated with the branded product OxyContin®, or the OxyContin® patents, listed in the Orange Book. The complaint seeks injunctive relief as well as attorneys' fees and costs and such other and further relief as the Court may deem just and proper. An answer and counterclaim have been filed.

Subsequent to the above-noted filing of lawsuit, 4 further such patents were listed and published in the Orange Book. The Company then similarly certified to the FDA concerning such further patents. On March 16, 2018, we received notice that the Purdue litigation plaintiffs had commenced further such patent infringement proceedings against us adding the 4 further patents. This lawsuit is also in the District of Delaware federal court under docket number 18-404.

As a result of the commencement of the first of these legal proceedings, the FDA is stayed for 30 months from granting final approval to our Oxycodone ER product candidate. That time period commenced on February 24, 2017, when the Purdue litigation plaintiffs received notice of our certification concerning the patents, and will expire on August 24, 2019, unless the stay is earlier terminated by a final declaration of the courts that the patents are invalid, or are not infringed, or the matter is otherwise settled among the parties.

On or about June 26, 2018 the court issued an order to sever 6 “overlapping” patents from the second Purdue case, but ordered litigation to proceed on the 4 new (2017-issued) patents. An answer and counterclaim were filed on July 9, 2018. The existence and publication of additional patents in the Orange Book, and litigation arising therefrom, is an ordinary and to be expected occurrence in the course of such litigation.

On July 6, 2018 the court issued a claims construction on the first case. We believe that we have non-infringement and/or invalidity defenses to all of the asserted claims of the subject patents in both of the cases and will vigorously defend against these claims.

On July 24, 2018, the parties to the case mutually agreed to dismiss the infringement claims related to the Grünenthal ‘060 patent. The Grünenthal ‘060 patent is one of the six patents included in the original litigation case, however, the dismissal does not by itself result in a termination of the 30-month litigation stay. Infringement claims related to this patent have been dismissed without prejudice.

On October 4, 2018, the parties to the 17-392 docket case mutually agreed to postpone the scheduled court date pending a case status conference scheduled for December 17, 2018. At that time, further trial scheduling and other administrative matters were postponed pending the Company's resubmission of the Oxycodone ER NDA. That filing was timely filed at the end of February 2019. The trial in the 17-392 case was scheduled for November 12, 2019. On January 17, 2019, the court issued a scheduling order in 18-404 that schedules the remaining major portions. The trial in the 18-404 case was scheduled for June 2020.

The U.S. Federal Circuit Court of Appeal affirmed On April 4, 2019 the invalidity of one Purdue OxyContin® patent. The patent is: 9,060,976. The patent was nominally in our 17-392 and 18-404 cases. The invalidity ruling reduces yet another patent from the overall picture. However, it does not, by itself, eliminate the 30-month litigation stay in either docketed case.

On October 4, 2019 following the filing of a bankruptcy stay by Purdue Pharma, the ongoing litigation cases numbers 1:17-cv-00392-RGA and 1:18-cv-00404-RGA-SRF between Purdue Pharma L.P. et al and Intellipharmaeueutics International have been stayed and the existing dates in both cases vacated by an order issued by the courts in the District of Delaware. No new dates were given for reinstatement; however, the parties are required to provide a further status report no later than March 13, 2020. During a status update March 13, 2020, the stay was ordered to be continued. The parties are required to submit a joint status report no less than two business days before June 3, 2020. On April 24, 2019, an order had been issued, setting the trial date for case number 17-392 in the District of Delaware, and also extending the 30-month stay date for regulatory approval to March 2, 2020. With the current litigation stay order, the previous 30-month stay date of March 2, 2020 was unchanged, and has now expired.

We are confident that we do not infringe any of the subject patents in either of the two cases and will vigorously defend against these claims.

In July 2017, three complaints were filed in the U.S. District Court for the Southern District of New York that were later consolidated under the caption *Shanawaz v. Intellipharmaeueutics Int'l Inc., et al.*, No. 1:17-cv-05761 (S.D.N.Y.). The lead plaintiffs filed a consolidated amended complaint on January 29, 2018. In the amended complaint, the lead plaintiffs assert claims on behalf of a putative class consisting of purchasers of our securities between May 21, 2015 and July 26, 2017. The amended complaint alleges that the defendants violated Sections 10(b) and 20(a) of the U.S. Exchange Act and Rule 10b-5 promulgated thereunder by making allegedly false and misleading statements or failing to disclose certain information regarding our NDA for Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets. The complaint seeks, among other remedies, unspecified damages, attorneys' fees and other costs, equitable and/or injunctive relief, and such other relief as the court may find just and proper.

On March 30, 2018, the Company and the other defendants filed a motion to dismiss the amended complaint for failure to state a valid claim. The defendants' motion to dismiss was granted in part, and denied in part, in an Order dated December 17, 2018. In its Order, the court dismissed certain of the plaintiffs' securities claims to the extent that the claims were based upon statements describing the Oxycodone ER product's abuse-deterrent features and its bioequivalence to OxyContin®. However, the court allowed the claims to proceed to the extent plaintiffs challenged certain public statements describing the contents of the Company's Oxycodone ER NDA. Defendants filed an answer to the amended complaint on January 7, 2019. On February 5, 2019, the court held an initial pretrial conference and entered a scheduling order governing discovery and class certification. In an order entered at the parties request on May 9, 2019, the Court stayed proceedings in the action to permit the parties time to conduct a mediation. As a result of subsequent extensions, the stay was extended through October 10, 2019. The parties participated in a mediation on August 1, 2019, during which the parties tentatively agreed to the terms of a settlement of the action subject to the satisfaction of certain financial conditions by the Company. On October 10, 2019, the Company provided notice that it was not able to satisfy those conditions. As a result, it is possible that the parties will resume active litigation in the action in the near future. If a settlement does not go forward, the Company and the other defendants intend to vigorously defend themselves against the remainder of the claims asserted in the consolidated action.

On November 7, 2019 the Company announced that the parties in *Shanawaz v. Intellipharmaeueutics International, Inc.*, an action pending in New York reached a settlement that is subject to the approval of the court following notice to class members. The stipulation of settlement provides for a settlement payment of US\$1.6 million, which Intellipharmaeueutics anticipates will be funded by available insurance. As part of the settlement, the Company also agreed to contribute to the settlement fund specific anticipated Canadian tax refunds of up to US\$400,000 to the extent received within 18 months after the entry of final judgment. The stipulation acknowledges that the Company and the other defendants continue to deny that they committed any violation of the U.S. securities laws or engaged in any other wrongdoing and that they are entering into the settlement at this time based on the burden, expense, and inherent uncertainty of continuing the litigation.

Although the Company believes that the settlement represents a fair and reasonable compromise of the matters in dispute in the litigation, there can be no assurance that the court will approve the stipulation of settlement as proposed, or at all. If the stipulation of settlement is not approved or otherwise fails to become effective, then the parties will be returned to their respective positions in the litigation as of August 9, 2019. Given the lack of activity for the past several months, plaintiffs' counsel filed on March 11, 2020, a letter on behalf of all parties jointly requesting a conference with the Court about the preliminary approval motion for the settlement.

On February 21, 2019, the Company and its CEO, Dr. Isa Odidi, were served with a Statement of Claim filed in the Superior Court of Justice of Ontario for a proposed class action under the Ontario Class Proceedings Act. The Action was brought by Victor Romita, the proposed representative plaintiff, on behalf of a class of Canadian persons who traded shares of the Company during the period from February 29, 2016 to July 26, 2017. The Statement of Claim, under the caption *Victor Romita v. Intellipharmaeueutics International Inc. and Isa Odidi*, asserted that the defendants knowingly or negligently made certain public statements during the relevant period that contained or omitted material facts concerning Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets. The plaintiff alleges that he and the class suffered loss and damages as a result of their trading in the Company's shares during the relevant period. The plaintiff seeks, among other remedies, unspecified damages, legal fees and court and other costs as the Court may permit. On February 26, 2019, the plaintiff delivered a Notice of Motion seeking the required approval from the Court, in accordance with procedure under the Ontario Securities Act, to allow the statutory claims under the Ontario Securities Act to proceed with respect to the claims based upon the acquisition or disposition of the Company's shares on the TSX during the relevant period. On June 28, 2019, the Court endorsed a timetable for the exchange of material leading to the hearing of the Motion scheduled for January 27-28, 2020. On October 28, 2019, plaintiff's counsel advised the court that the Plaintiff intended to amend his claim and could not proceed with the Leave Motion scheduled for January 27-28, 2020. As such, the Court released those dates. On January 28, 2020, the plaintiff served an Amendment Motion. The proposed Fresh as Amended Statement of Claim purports, among other things, to include common law claims for misrepresentation and added an additional representative plaintiff. The plaintiff's Amendment Motion has been scheduled for April 21, 2020. The hearing of the Leave Motion has not yet been rescheduled and no date has been set for the hearing of the certification application. The defendants intend to vigorously defend the action and have filed a Notice of Intent to Defend.

On October 7, 2019, a complaint was filed in the U.S. District Court for the Southern District of New York by Alpha against the Company, two of its existing officers and directors and its former Chief Financial Officer. In the complaint, Alpha alleges that the Company and the executive officers/directors named in the complaint violated Sections 11, 12(a)(2) and 15 of the U.S. Securities Act by allegedly making false and misleading statements in the Company's Registration Statement on Form F-1 filed with the U.S. Securities and Exchange Commission on September 20, 2018, as amended, by failing to disclose certain information regarding the resignation of the Company's then Chief Financial Officer, which was announced several weeks after such registration statement was declared effective. In the complaint, Alpha seeks unspecified damages, rescission of its purchase of the Company's securities in the relevant offering, attorneys' fees and other costs and further relief as the court may find just and proper. On December 12, 2019, the Company and the other defendants in the action filed a motion to dismiss for failure to state a claim. The plaintiff filed an opposition to that motion on February 4, 2020 and a reply brief in further support of the motion to dismiss the action was filed March 6, 2020. In addition, the Court scheduled a mandatory settlement conference with the Magistrate Judge for April 23, 2020. The Company and other defendants intend to vigorously defend against the allegations set forth in the complaint. However, there can be no assurance that the case can be resolved in the Company's favor.

Dividend Policy

We have not paid any cash dividends on our common shares and do not intend to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business. Dividend payments in the future may also be limited by loan agreements or covenants contained in other securities we may issue. Any future determination to pay cash dividends will be at the discretion of our Board and depend on our financial condition, results of operations, capital and legal requirements and such other factors as our Board deems relevant.

B. Significant changes

No significant changes occurred since the date of our annual consolidated financial statements included elsewhere in this annual report.

Item 9. The Offer and Listing

Not Applicable, except for Item 9.A.4 and Item 9.C.

Our common shares are currently listed on OTCQB and on TSX under the symbols “IPCIF” and “IPCI”, respectively. Our shares began trading on October 22, 2009, when the transaction with Vasogen was completed. Additional Information. See Item 4.B.

Item 10. Additional Information

A. Share Capital

Following receipt of shareholder approval for a reverse stock split (known as a share consolidation under Canadian law) at our August 15, 2018 shareholders meeting, on September 12, 2018, we filed articles of amendment to effectuate a 1-for-10 reverse split, and our common shares began trading on each of Nasdaq and TSX on a post-reverse split basis on September 14, 2018. In March 2019, a Nasdaq Hearings Panel determined to delist the Company’s Common Shares from Nasdaq based upon its non-compliance with the \$1.00 minimum bid price requirement, as set forth in Nasdaq Listing Rule 5550(a)(2). The suspension of trading on Nasdaq took effect at the open of business on March 21, 2019. The Company’s Common Shares began trading on the OTCQB commencing on March 21, 2019. The Company’s Common Shares are also listed on the TSX.

Our authorized share capital consists of an unlimited number of common shares, all without nominal or par value and an unlimited number of preference shares issuable in series. At November 30, 2019, there were 22,085,856 common shares (November 30, 2018 – 18,252,243; November 30, 2017 – 3,470,451) and no preference shares issued and outstanding. As of March 30, 2020, there were 23,678,105 common shares and no preference shares issued and outstanding.

The number of shares outstanding increased as a result of the issuance of 2,793,334 common shares upon exercise of the same number of 2018 Pre-Funded Warrants and the issuance of 1,030,000 common shares in connection with the exercise of the same number of 2018 Pre-Funded Warrants as of November 30, 2018 but for which common shares were not yet issued as of November 30, 2018 and the issuance of 10,279 common shares due to the exercise of deferred share units. The number of shares outstanding increased as at November 30, 2018, as a result of the completion of the registered direct offerings of an aggregate of 883,333 common shares in March 2018 and the completion of the underwritten public offering in October 2018 for an aggregate of 827,970 Units, comprised of one common share and one 2018 Unit Warrant, an additional 1,947,261 common shares and 2,608,695 2018 Option Warrants pursuant to the over-allotment option exercised in part by the underwriter. In addition, we also issued 2018 Pre-Funded Warrants exercisable for 16,563,335 common shares, of which 12,153,334 2018 Pre-Funded Warrants were exercised as of November 30, 2018. In November 2013, we entered into an equity distribution agreement with Roth, pursuant to which we originally could from time to time sell up to 530,548 of our common shares for up to an aggregate of \$16.8 million (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations) through at-the-market issuances on the Nasdaq or otherwise. During the year ended November 30, 2019, we issued and sold an aggregate of Nil (2018 – Nil; 2017 – 110,815) common shares with an aggregate offering price of \$Nil under the at-the-market program. During the year ended November 30, 2019, Roth received compensation of \$Nil (2018 - \$Nil; 2017 - \$73,166) in connection with such sales.

In March 2018, the Company terminated its continuous offering under the prospectus supplement dated July 18, 2017 and prospectus dated July 17, 2017 in respect of its at-the-market program. The underwriting agreement relating to the October 2018 offering restricts the Company's ability to use this equity distribution agreement. It contains a prohibition on the Company: (i) for a period of two years following the date of the underwriting agreement, from directly or indirectly in any at-the-market or continuous equity transaction, offer to sell, or otherwise dispose of shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for its shares of capital stock or (ii) for a period of five years following the closing, effecting or entering into an agreement to effect any issuance by the Company of common shares or common share equivalents involving a certain variable rate transactions under an at-the-market offering agreement, whereby the Company may issue securities at a future determined price, except that, on or after the date that is two years after the closing, the Company may enter into an at-the-market offering agreement.

Common Shares

Each of our common shares entitles the holder thereof to one vote at any meeting of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote. Subject to the prior rights of the holders of any preference shares, the holders of common shares of the Company are entitled to receive, as and when declared by the Board, dividends in such amounts as shall be determined by the Board of the Company. The holders of common shares of the Company have the right to receive the remaining property of the Company in the event of liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary.

Preference Shares

The preference shares may at any time and from time to time be issued in one or more series. The Board will, by resolution, from time to time, before the issue thereof, fix the rights, privileges, restrictions and conditions attaching to the preference shares of each series. Except as required by law, the holders of any series of preference shares will not as such be entitled to receive notice of, attend or vote at any meeting of the shareholders of the Company. Holders of preference shares will be entitled to preference with respect to payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, on such shares over the common shares and over any other shares ranking junior to the preference shares.

Warrants

At November 30, 2019, an aggregate of 23,601,551 common shares were issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of \$1.03 per common share. At March 30, 2020, an aggregate of 21,984,884 common shares were issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of \$1.10 per common share.

Options

At November 30, 2019, an aggregate of 2,353,829 common shares were issuable upon the exercise of outstanding options, with a weighted average exercise price of \$8.35 per common share and up to 131,150 additional common shares were reserved for issuance under our Option Plan.

Exercise price	Number outstanding	Weighted average exercise price per share	Weighted average remaining contract life (years)	Options outstanding Weighted average grant date fair value	Number exercisable	Weighted average exercise price per share	Options exercisable Weighted average grant date fair value
\$		\$		\$		\$	\$
Under 25	1,951,635	1.21	0.08	0.71	719,995	3.50	1.50
26.00 - 50.00	402,194	34.77	1.13	18.65	402,194	34.77	18.64
	2,353,829	8.35	-	-	1,122,189	17.12	-

As of March 30, 2020, there were 2,199,310 Common Shares issuable upon the exercise of outstanding options. The weighted average exercise price of these options is \$8.85 per Common Share. As at March 30, 2020, up to 444,894 additional common shares were reserved for issuance under our Option Plan.

Convertible Debentures

In January 2013, we completed a private placement financing of the unsecured 2013 Debenture in the original principal amount of \$1.5 million. The 2013 Debenture bears interest at a rate of 12% per annum, payable monthly, is pre-payable at any time at the option of the Company, and is convertible at any time into common shares at a conversion price of \$30.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$1.5 million of the proceeds for the 2013 Debenture. In December 2016, a principal repayment of \$150,000 was made on the 2013 Debenture and the maturity date was extended until April 1, 2017. Effective March 28, 2017, the maturity date of the 2013 Debenture was extended to October 1, 2017. Effective September 28, 2017, the maturity date of the 2013 Debenture was further extended to October 1, 2018. Effective October 1, 2018, the maturity date for the 2013 Debenture was further extended to April 1, 2019. In December 2018, a principal repayment of \$300,000 was made for the 2013 Debenture.

On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture, subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by the May 2019 Debenture. On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the May 2019 Debenture. The original maturity of the May 2019 Debenture was November 1, 2019. Effective November 1, 2019, the maturity date for the May 2019 Debenture was extended to December 31, 2019. Effective December 31, 2019, the maturity date for the May 2019 Debenture was extended to February 1, 2020. Effective January 31, 2020, the maturity date for the May 2019 Debenture was further extended to March 31, 2020.

On September 10, 2018, the Company completed the 2018 Debenture Financing. The 2018 Debenture bears interest at a rate of 10% per annum, payable monthly, may be prepaid at any time at our option, and is convertible into common shares at any time prior to the maturity date at a conversion price of \$3.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$500,000 of proceeds for the 2018 Debenture. The maturity date for the 2018 Debenture is September 1, 2020.

On August 26, 2019, the Company completed a private placement financing with Power Up Lending Group Ltd. of the unsecured August 2019 Debenture in the principal amount of \$140,800. The August 2019 Debenture was scheduled to mature on August 26, 2020, bore interest at a rate of 8% per annum, was pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and was convertible at the option of the holder into common shares after 180 days at a conversion price equal to 75% of the market price (defined as the average of the lowest three (3) trading prices for the common shares during the twenty (20) trading day period prior to the conversion date). The Company incurred \$15,800 in debt issuance costs. In November 2019, the August 2019 Debenture was fully paid.

On November 15, 2019, the Company issued an unsecured convertible debenture in the principal amount of \$250,000 that is now scheduled to mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into common shares of the Company at a conversion price of \$0.12 per share. The original maturity of the November 2019 Debenture was December 31, 2019. Effective January 31, 2020, the maturity date for the November 2019 Debenture was further extended to March 31, 2020.

Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the 2018 Debenture, the May 2019 Debenture and the November 2019 Debenture.

Deferred Share Units

At November 30, 2019, there were no DSUs issued and outstanding. From November 30, 2019 to March 30, 2020, no additional DSUs have been issued.

Restricted Share Units

At November 30, 2019, there were no restricted share units ("RSUs") issued and outstanding. From November 30, 2019 to the date of this report, no RSUs have been issued. At March 30, 2020, 33,000 RSUs are reserved for issuance under our RSU Plan.

Prior Sales

During the 12-month period prior to the date of this annual report, we have issued Common Shares, or securities convertible into Common Shares, as follows:

In January 2013, the Company completed the private placement financing of the unsecured convertible 2013 Debenture in the original principal amount of \$1.5 million. The 2013 Debenture bears interest at a rate of 12% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into Common Shares at a conversion price of \$30.00 per Common Share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$1.5 million of the proceeds for the 2013 Debenture. In December 2016, a principal repayment of \$150,000 was made on the 2013 Debenture and the maturity date was extended until April 1, 2017. Effective March 28, 2017, the maturity date of the 2013 Debenture was extended to October 1, 2017. Effective September 28, 2017, the maturity date of the 2013 Debenture was further extended to October 1, 2018. Effective October 1, 2018, the maturity date for the 2013 Debenture was further extended to April 1, 2019. Effective April 1, 2019, the maturity date for the 2013 Debenture was further extended to May 1, 2019. In December 2018, a principal repayment of \$300,000 was made on the 2013 Debenture.

On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture, subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by the May 2019 Debenture. On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the May 2019 Debenture. No new proceeds were received by the Company as a result of this refinancing. The original maturity of the May 2019 Debenture was November 1, 2019. Effective November 1, 2019, the maturity date for the May 2019 Debenture was extended to December 31, 2019. Effective December 31, 2019, the maturity date for the May 2019 Debenture was extended to February 1, 2020. Effective January 31, 2020, the maturity date for the May 2019 Debenture was further extended to March 31, 2020.

On August 26, 2019, the Company completed a private placement financing of the unsecured August 2019 Debenture in the principal amount of \$140,800. The August 2019 Debenture was scheduled to mature on August 26, 2020, bore interest at a rate of 8% per annum, was pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and was convertible at the option of the holder into common shares after 180 days at a conversion price equal to 75% of the market price (defined as the average of the lowest three (3) trading prices for the common shares during the twenty (20) trading day period prior to the conversion date). The Company incurred \$15,800 in debt issuance costs. In November 2019, the August 2019 Debenture was fully paid.

On September 10, 2018, the Company issued the 2018 Debenture. The 2018 Debenture bears interest at a rate of 10% per annum, payable monthly, may be prepaid at any time at our option, and is convertible into Common Shares at any time prior to the maturity date at a conversion price of \$3.00 per Common Share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$500,000 of proceeds for the 2018 Debenture. The maturity date for the 2018 Debenture is September 1, 2020.

On November 15, 2019, the Company issued an unsecured convertible debenture in the principal amount of \$250,000 that is now scheduled to mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into common shares of the Company at a conversion price of \$0.12 per share. The original maturity of the November 2019 Debenture was December 31, 2019. Effective January 31, 2020, the maturity date for the November 2019 Debenture was further extended to March 31, 2020.

During the 12-month period ended November 30, 2019, warrants (including Pre-Funded Warrants) to purchase an aggregate of 2,793,334 common shares were exercised.

During the 12-month period ended November 30, 2019, 1,887,000 options were granted, and no options were exercised.

Also during the 12-month period ended November 30, 2019, no DSUs were granted and 10,279 DSUs were exercised.

B. Articles and By-laws

The Company was formed under the CBCA by articles of arrangement dated October 22, 2009 (as amended, the “**Articles**”) in the IPC Arrangement Transaction, as discussed in Item 16. The Company is the successor issuer to Vasogen for reporting purposes under the U.S. Exchange Act. The authorized share capital of the Company consists of an unlimited number of common shares, all without nominal or par value and an unlimited number of preference shares issuable in series.

Following receipt of shareholder approval for a reverse stock split (known as a share consolidation under Canadian law) at our August 15, 2018 shareholders meeting, on September 12, 2018, we filed articles of amendment to effectuate a 1-for-10 reverse split, and our common shares began trading on each of Nasdaq and TSX on a post-reverse split basis on September 14, 2018. In March 2019, a Nasdaq Hearings Panel determined to delist the Company’s Common Shares from Nasdaq based upon its non-compliance with the \$1.00 minimum bid price requirement, as set forth in Nasdaq Listing Rule 5550(a)(2). The suspension of trading on Nasdaq took effect at the open of business on March 21, 2019. The Company’s Common Shares began trading on the OTCQB commencing on March 21, 2019. The Company’s Common Shares are also listed on the TSX.

Provisions as to the modification, amendment or variation of rights and provisions of each class of shares are contained in the CBCA and the regulations promulgated thereunder. Certain fundamental changes to the Articles will require the approval of at least two-thirds of the votes cast on a resolution submitted to a special meeting of the Company’s shareholders called for the purpose of considering the resolution. These items include (i) certain amendments to the provisions relating to the outstanding capital of the Company, (ii) a sale of all or substantially all of the assets of the Company, (iii) an amalgamation of the Company with another company, other than a subsidiary, (iv) a winding-up of the Company, (v) a continuance of the Company into another jurisdiction, (vi) a statutory court approved arrangement under the CBCA (essentially a corporate reorganization such as an amalgamation, sale of assets, winding-up, etc.), or (vii) a change of name.

Under the CBCA, a corporation cannot repurchase its shares or pay or declare dividends if there are reasonable grounds for believing that (a) the corporation is, or after payment would be, unable to pay its liabilities as they become due, or (b) after the payment, the realizable value of the corporation’s assets would be less than the aggregate of (i) its liabilities and (ii) its stated capital of all classes of its securities. Generally, stated capital is the amount paid on the issuance of a share unless the stated capital has been adjusted in accordance with the CBCA.

General

The Articles do not contain any restrictions on the business the Company may carry on.

Directors

The Company’s By-Law No. 1 (a by-law relating generally to the transaction of the business and affairs of the Company) provides for the indemnification of the directors and officers of the Company, former directors and officers of the Company against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company, subject to certain limitations in By-Law No. 1 and the limitations in the CBCA.

The Company may also indemnify other individuals who act or acted at the Company’s request as a director or officer, or an individual acting in a similar capacity, of another entity.

Annual and Special Meetings

Meetings of shareholders are held at such place, at such time, on such day and in such manner as the Board may, subject to the CBCA and any other applicable laws, determine from time to time. The only persons entitled to attend a meeting of shareholders are those persons entitled to notice thereof, those entitled to vote thereat, the directors, the auditors of the Company and any others who may be entitled or required under the CBCA to be present at the meeting. Under the CBCA, notice of the meeting is required to be given not less than 21 days and not more than 60 days prior to the meeting. Shareholders on the record date are entitled to attend and vote at the meeting. The quorum for the transaction of business at any meeting of shareholders is at least two persons present at the opening of the meeting who are entitled to vote either as shareholders or proxyholders, representing collectively not less than 5% of the outstanding shares of the Company entitled to be voted at the meeting.

Other

There is no by-law provisions governing the ownership threshold above which shareholder ownership must be disclosed. However, there are disclosure requirements pursuant to applicable Canadian law.

There are no provisions in either the Company's Articles or By-Law No. 1 that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or its subsidiary.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by foreign law or by the charter or other constituent document of the Company.

C. Material Contracts

Except for contracts entered into in the ordinary course of business and not required to be filed under Canadian securities laws, the only contracts which are regarded as material and which were entered into by the Company within the two years immediately preceding the date of this annual report, are:

- On November 21, 2005, the Company entered into the Par agreement (as amended on August 12, 2011 and September 24, 2013), pursuant to which the Company granted Par an exclusive, royalty-free license to make and distribute in the United States all strengths of our generic Focalin XR[®] (dexamethylphenidate hydrochloride extended-release) capsules for a period of 10 years from the date of commercial launch (which was November 19, 2013). Under the Par agreement, we made a filing with the FDA for approval to market generic Focalin XR[®] capsules in various strengths in the U.S., and are the owner of that Company ANDA, as approved in part by the FDA. We retain the right to make and distribute all strengths of the generic product outside of the U.S. Calendar quarterly profit-sharing payments for its U.S. sales under the Company ANDA are payable by Par to us as calculated pursuant to the Par agreement. Within the purview of the Par agreement, Par also applied for and owns the Par ANDA pertaining to all marketed strengths of generic Focalin XR[®], and is now approved by the FDA, to market generic Focalin XR[®] capsules in all marketed strengths in the U.S. As with the Company ANDA, calendar quarterly profit-sharing payments are payable by Par to us for its U.S. sales of generic Focalin XR[®] under the Par ANDA as calculated pursuant to the Par agreement. The Company is responsible under the Par agreement for the development of the product and most related costs which, with the applications to and recent approvals by the FDA, the Company now considers to be completed.
- The acknowledgement and agreement of the Company dated October 22, 2009 to be bound by the performance based stock option agreement dated September 10, 2004 pursuant to which Drs. Isa and Amina Odidi are entitled to purchase up to 276,394 of the Company's shares upon payment of \$36.20 per share, subject to satisfaction of the performance vesting conditions being the acceptance by the FDA of the filing of an application for approval of a drug product or the approval of such an application.

- In January 2013, the Company completed the private placement financing of the 2013 Debenture, an unsecured debenture in the original principal amount of \$1.5 million. The 2013 Debenture bore interest at a rate of 12% per annum, payable monthly, was pre-payable at any time at the option of the Company and was convertible at any time into Common Shares at a conversion price of \$30.00 per Common Share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of our Company, provided us with the original \$1.5 million of the proceeds for the 2013 Debenture. In December 2016, a principal repayment of \$150,000 was made on the 2013 Debenture and the maturity date was extended until April 1, 2017. Effective March 28, 2017, the maturity date of the 2013 Debenture was extended to October 1, 2017. Effective September 28, 2017, the maturity date of the 2013 Debenture was further extended to October 1, 2018. Effective October 1, 2018, the maturity date for the 2013 Debenture was further extended to April 1, 2019. Effective April 1, 2019, the maturity date for the 2013 Debenture was further extended to May 1, 2019. In December 2018, a principal repayment of \$300,000 was made on the 2013 Debenture. As a result of a refinancing transaction, the principal amount owing under the 2013 Debenture was refinanced by the May 2019 Debenture. On May 1, 2019, the May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will now mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the May 2019 Debenture. The original maturity of the May 2019 Debenture was November 1, 2019. Effective November 1, 2019, the maturity date for the May 2019 Debenture was extended to December 31, 2019. Effective December 31, 2019, the maturity date for the May 2019 Debenture was extended to February 1, 2020. Effective January 31, 2020, the maturity date for the May 2019 Debenture was further extended to March 31, 2020.
- Pursuant to placement agent agreements entered dated March 12, 2018 and March 18, 2018 between the Company and Wainwright, the Company completed, in March 2018, two registered direct offerings. The first offering consisted of 583,333 common shares at a price of \$6.00 per share for gross proceeds of approximately \$3.5 million. We also issued to the investors unregistered warrants to purchase an aggregate of 291,666 common shares at an exercise price of \$6.00 per share. The warrants became exercisable six months following the closing date and will expire 30 months after the date they became exercisable. After commissions and offering expenses, we received net proceeds of approximately \$3.0 million. We also issued to the placement agents warrants to purchase 29,166 common shares at an exercise price of \$7.50 per share. In the second registered direct offering, we issued 300,000 common shares at a price of \$6.00 per share for gross proceeds of \$1.8 million. We also issued to the investors unregistered warrants to purchase an aggregate of 150,000 common shares at an exercise price of \$6.00 per share. The warrants became exercisable six months following the closing date and will expire 30 months after the date they became exercisable. After commissions and offering expenses, we received net proceeds of approximately \$1.6 million. We also issued to the placement agents warrants to purchase 15,000 common shares at an exercise price of \$7.50 per share.
- On August 15, 2018, the Company entered into an engagement letter (the “**2018 Wainwright Engagement Letter**”), pursuant to which Wainwright agreed to serve as (i) exclusive placement agent or underwriter for any offering in the United States of the securities of the Company to take place within the following 5 months, and (ii) exclusive agent or advisor in connection with the solicitation in respect of the Company’s outstanding warrants. The Company agreed to pay Wainwright a cash fee, or as to an underwritten offering an underwriter discount, equal to a maximum of 8% of the aggregate gross proceeds raised by the Company from the sale of securities in each offering during the term of the engagement. The Company also agreed to grant to Wainwright, or its designees, warrants to purchase up to a maximum of 6% of the aggregate number of shares sold in the offering and issued on each closing. The 2018 Wainwright Engagement Letter provides that such warrants should have substantially the same terms as the other warrants sold in the offering, except that their exercise price should equal 125% of the offering price per share. The 2018 Wainwright Engagement Letter has indemnity and other customary provisions for transactions of this nature. The Company agreed to pay Wainwright a management fee equal to 1% of the gross proceeds raised in the offering, a reimbursement for non-accountable expenses of \$35,000 and for up to \$100,000 for fees and expenses of legal counsel and other out-of-pocket expenses, as well as a reimbursement for up to \$10,000 for the out-of-pocket costs of clearing agent settlement and financing. In addition, the Company granted Wainwright, for a period of 10 months from the closing of an offering, a right of first refusal to act as sole book-running manager or sole placement agent for every future public or private equity or debt offering using a manager or agent by the Company, or any of its successors or subsidiaries. The Company also agreed to a tail fee equal to the cash and warrant compensation provided in connection an offering if any investor to which Wainwright introduced the Company, or that Wainwright contacted, with respect to an offering during the term of the engagement provides the Company with capital in a public or private offering, or financing or capital raising transaction during the 12-month period following termination of the Company’s engagement of Wainwright.
- In October 2018, we completed an underwritten public offering in the United States, resulting in the sale to the public of 827,970 units at \$0.75 per unit, which were comprised of one common share and one 2018 Unit Warrant exercisable at \$0.75 per share. We concurrently sold an additional 1,947,261 common shares and 2018 Option Warrants to purchase 2,608,695 common shares exercisable at \$0.75 per share pursuant to the over-allotment option exercised in part by the underwriter. The price for the common shares issued in connection with exercise of the over-allotment option was \$0.74 per share and the price for the warrants issued in connection with the exercise of the over-allotment option was \$0.01 per warrant, less in each case the underwriting discount. In addition, we issued 16,563,335 2018 Pre-Funded Units, each 2018 Pre-Funded Unit consisting of one 2018 Pre-Funded Warrant to purchase one common share and one 2018 Warrant to purchase one common share. The 2018 Pre-Funded Units were offered to the public at \$0.74 each, and a 2018 Pre-Funded Warrant is exercisable at \$0.01 per share. Each 2018 Firm Warrant is exercisable immediately and has a term of five years and each 2018 Pre-Funded Warrant is exercisable immediately and until all 2018 Pre-Funded Warrants are exercised. We also issued October 2018 Placement Agent Warrants to the placement agents to purchase 1,160,314 common shares at an exercise price of \$0.9375 per share, which were exercisable immediately upon issuance. In aggregate, the Company issued 2,775,231 common shares, 16,563,335 2018 Pre-Funded Warrants and 20,000,000 2018 Firm Warrants in addition to 1,160,314 October 2018 Placement Agent Warrants. During the year ended November 30, 2018, 12,153,334 2018 Pre-Funded Warrants were exercised for proceeds of \$121,553.

- On August 15, 2019, we announced we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Quetiapine ER in the 50, 150, 200, 300 and 400 mg strengths approved for sale in the U.S. market by the FDA. Several other generic versions of these licensed products are currently available in the market.
- On September 5, 2019, we announced we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Desvenlafaxine Succinate ER in the 50 and 100 mg strengths approved for sale in the U.S. market by the FDA. Several other generic versions of these licensed products are currently available in the market.
- In September 2019, the Company issued two unsecured, non-interest bearing promissory notes, with no fixed repayment terms, in the amounts of US\$6,500 and CDN\$203,886, to Dr. Isa Odidi and Dr. Amina Odidi, shareholders, directors and executive officers of the Company. The proceeds from such notes were used for working capital and general corporate purposes.
- On November 15, 2019 the Company issued the November 2019 Debenture. The November 2019 Debenture is an unsecured convertible debenture in the principal amount of \$250,000, is now scheduled to mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 2,083,333 Common Shares of the Company, at a conversion price of \$0.12 per Common Share. The Company used the proceeds from the November 2019 Debenture for working capital and general corporate purposes. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, are the holders of the November 2019 Debenture. The original maturity of the November 2019 Debenture was December 31, 2019. Effective January 31, 2020, the maturity date for the November 2019 Debenture was further extended to March 31, 2020.
- On November 25, 2019, we announced that we had entered into a license and commercial supply agreement with Tris Pharma, by which we granted Tris Pharma an exclusive license to market, sell and distribute in the United States, Venlafaxine ER in the 37.5, 75, and 150 mg strengths approved for sale in the US market by the FDA. Several other generic versions of these licensed products are currently available in the market.
- On December 23, 2019, the Company entered into an engagement letter with Wainwright (the “**2019 Wainwright Engagement Letter**”) pursuant to which Wainwright agreed to serve as (i) exclusive agent or underwriter in any offering in the United States of securities of the Company during the term of the agreement and (ii) exclusive agent or advisor with respect to the solicitation with respect to the Company’s outstanding warrants. The engagement has a term of four months. The Company agreed to pay Wainwright a cash fee, or as to an underwritten offering an underwriter discount, equal to a maximum of 8% of the aggregate gross proceeds raised in each closing from the sale of securities or warrants in each offering during the term of the engagement. The Company also agreed to grant to Wainwright, or its designees, warrants to purchase up to a maximum of 6% of the aggregate number of shares sold in the offering and issued on each closing. The 2019 Wainwright Engagement Letter provides that such warrants should have the same terms as the other warrants sold in the offering, except that their exercise price should equal 125% of the offering price per share. The 2019 Wainwright Engagement Letter has indemnity and other customary provisions for transactions of this nature. The Company agreed to pay Wainwright a management fee equal to 1% of the gross proceeds raised in the offering, a reimbursement for non-accountable expenses of \$35,000 and for up to \$100,000 for fees and expenses of legal counsel and other out-of-pocket expenses as well as a reimbursement for up to \$10,000 for the out-of-pocket costs of clearing agent settlement and financing. In addition, the Company granted Wainwright, for a period of 12 months from the closing of an offering, a right of first refusal to act as sole book-running, sole manager, sole placement agent, sole underwriter or sole agent for every future public or private equity or debt offering using a manager or agent by the Company, or any of its successors or subsidiaries. The Company also agreed to a tail fee equal to the cash and warrant compensation provided in connection with an offering if any investor to which Wainwright introduced the Company, or that Wainwright contacted, with respect to an offering during the term of the engagement provides the Company with capital in a public or private offering, or financing or capital raising transaction during the 12 month period following termination of the Company’s engagement of Wainwright.

D. Exchange Controls

Canada has no system of currency exchange controls. There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, including but not limited to, foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of the Company’s securities.

E. Taxation

United States Taxation

Certain Material United States Federal Income Tax Considerations

The following discussion is a general summary of certain material United States federal income tax considerations applicable to a U.S. holder arising from and relating to the consequences of the ownership and disposition of our common shares and warrants that are generally applicable to a United States person that holds our common shares as capital assets (a “**U.S. Holder**”) within the meaning of Section 1221 of the Code. This discussion does not address holders of other securities. This discussion assumes that we are not a “controlled foreign corporation” for U.S. federal income tax purposes. The following discussion does not purport to be a complete analysis of all of the potential United States federal income tax considerations that may be relevant to particular holders of our common shares or warrants in light of their particular circumstances nor does it deal with persons that are subject to special tax rules, such as brokers, dealers in securities or currencies, financial institutions, insurance companies, tax-exempt organizations, persons liable for alternative minimum tax, U.S. expatriates, partnerships or other pass-through entities, U.S. Holders who own (directly, indirectly or by attribution) ten percent or more of the total combined voting power of all classes of stock entitled to vote, persons holding our common shares as part of a straddle, hedge or conversion transaction or as part of a synthetic security or other integrated transaction, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, holders whose “functional currency” is not the United States dollar, and holders who are not U.S. Holders. In addition, the discussion below does not address the tax consequences of the law of any state, locality or foreign jurisdiction or United States federal tax consequences (e.g., estate or gift tax) other than those pertaining to the income tax. There can be no assurance that the IRS will take a view similar to those described in this summary as to any of the tax consequences discussed below.

The following is based on currently existing provisions of the Code, existing and proposed Treasury regulations under the Code and current administrative rulings and court decisions. The applicable statutes, regulations, court precedents and other authorities may change, possibly on a retroactive basis, and any change could affect the continuing validity of this discussion. We cannot predict whether, when, or to what extent U.S. federal tax laws will be changed, or regulations, interpretations, or rulings will be issued or revoked, nor is the long-term impact of the significant changes made to the Code in 2017 known at this time.

Each U.S. Holder and each holder of common shares that is not a U.S. Holder should consult its tax adviser regarding the United States federal income tax consequences of holding our common shares applicable to such holder in light of its particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

As used in this section, the term “**United States person**” means a beneficial owner of our common shares that is:

- (i) a citizen or an individual resident of the United States;
- (ii) a corporation (or an entity taxable as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision of the United States;
- (iii) an estate the income of which is subject to United States federal income taxation regardless of its source;
or
- (iv) a trust which (A) is subject to the supervision of a court within the United States and the control of a United States person as described in Section 7701(a)(30) of the Code; or (B) is subject to a valid election under applicable Treasury Regulations to be treated as a United States person.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) holds our common shares, the United States federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A United States person that is a partner of the partnership holding our common shares should consult its own tax adviser.

Passive Foreign Investment Company Considerations (PFIC)

Special, generally unfavorable, U.S. federal income tax rules apply to a U.S. Holder's ownership and disposition of the stock or warrants of a PFIC. As discussed below, however, a U.S. Holder of our common shares (but not our warrants) may be able to mitigate these consequences by making a timely and effective QEF Election or by making a timely and effective mark-to-market election with respect to our common shares that are owned by such holder.

For U.S. federal income tax purposes, a foreign corporation is classified as a PFIC for each taxable year in which, applying the relevant look-through rules, either:

- at least 75% of its gross income for the taxable year consists of specified types of "passive" income (referred to as the "income test");
or
- at least 50% of the average value of its assets during the taxable year is attributable to certain types of assets that produce passive income or are held for the production of passive income (referred to as the "asset test").

For purposes of the income and asset tests, if a foreign corporation owns directly or indirectly at least 25% (by value) of the stock of another corporation, that foreign corporation will be treated as if it held its proportionate share of the assets of the other corporation and received its proportionate share of the income of that other corporation. Under regulations proposed in 2019, similar rules would apply to a foreign corporation's proportionate shares of the assets and income of a partnership in which it held, directly or indirectly, at least a 25% interest (measured by value). Also, for purposes of the income and asset tests, passive income does not include any income that is an interest, dividend, rent or royalty payment if it is received or accrued from a related person to the extent that amount is properly allocable to the active income of the related person. Under applicable attribution rules, if the Company is a PFIC, U.S. Holders of common shares will be treated as holding stock of the Company's subsidiaries that are PFICs in certain circumstances. In these circumstances, certain dispositions of, and distributions on, stock of such subsidiaries may have consequences for U.S. Holders under the PFIC rules.

We believe that we were not a PFIC during our 2019 taxable year and are unlikely to be a PFIC during our 2020 taxable year. Because PFIC status is based on our income, assets and activities for the entire taxable year, and our market capitalization, it is not possible to determine whether we will be characterized as a PFIC for the 2020 taxable year until after the close of the taxable year. The tests for determining PFIC status are subject to a number of uncertainties. These tests are applied annually, and it is difficult to accurately predict the composition of our future income and assets and the nature of our future activities relevant to this determination. In addition, because the market price of our common shares is likely to fluctuate, the market price may affect the determination of whether we will be considered a PFIC. Accordingly, no assurance can be given that we will not constitute a PFIC in the current (or any future) tax year or that the IRS will not challenge any determination made by us concerning our PFIC status. Absent one of the elections described below, if we are a PFIC for any taxable year during which a U.S. Holder holds our common shares, such U.S. Holder's share of our income for such year will continue to be subject to the regime described below, regardless of whether we cease to meet the PFIC tests in one or more subsequent years.

If we are a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of our shares will depend on whether such U.S. Holder makes a QEF or mark-to-market election. Unless otherwise provided by the IRS, a U.S. Holder of our shares is generally required to file an informational return annually to report its ownership interest in us during any year in which we are a PFIC.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS ABOUT THE PFIC RULES, THE POTENTIAL APPLICABILITY OF THESE RULES TO THE COMPANY CURRENTLY AND IN THE FUTURE, AND THEIR FILING OBLIGATIONS IF THE COMPANY IS A PFIC.

The "No Election" Alternative – Taxation of Excess Distributions

If we are classified as a PFIC for any year during which a U.S. Holder has held common shares or warrants and, in the case of our common shares, that U.S. Holder has not made a QEF Election or a mark-to-market election, special rules may subject that U.S. Holder to increased tax liability, including loss of favorable capital gains rates and the imposition of an interest charge upon the sale or other disposition of the common shares or warrants or upon the receipt of any excess distribution (as defined below). Under these rules:

- the gain, if any, realized on such disposition will be allocated ratably over the U.S. Holder's holding period;
- the amount of gain allocated to the current taxable year and any year prior to the first year in which we are a PFIC will be taxed as ordinary income in the current year;
- the amount of gain allocated to each of the taxable years other than the year in which the excess distribution occurs and pre-PFIC years will be subject to tax at the highest ordinary income tax rate for corporations or individuals, as the case may be, in effect for that year; and
- an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each of such other taxable years.

These rules will continue to apply to the U.S. Holder even after we cease to meet the definition of a PFIC, unless the U.S. Holder elects to be treated as having sold our common shares on the last day of the last taxable year in which we qualified as a PFIC.

An "excess distribution," in general, is any distribution on common shares received in a taxable year by a U.S. Holder that is greater than 125% of the average annual distributions received by that U.S. Holder with respect to those shares in the three preceding taxable years or, if shorter, during that U.S. Holder's holding period for common shares.

Any portion of a distribution paid to a U.S. Holder that does not constitute an excess distribution will be treated as ordinary dividend income to the extent of our current and accumulated earnings and profits (as computed for U.S. federal income tax purposes). Such dividends generally will not qualify for any dividends-received deduction otherwise available to U.S. corporations. Any amounts paid by a PFIC that are treated as dividends generally will not constitute "qualified dividend income" within the meaning of Section 1(h)(11) of the Code and will, therefore, not be eligible for the preferential 20% U.S. federal income tax rate for such income generally in effect for individuals under current law. Any such amounts in excess of our current and accumulated earnings and profits will be applied against the U.S. Holder's tax basis in the common shares and, to the extent in excess of such tax basis, will be treated as gain from a sale or exchange of such shares. It is possible that any such gain may be treated as an excess distribution.

The QEF Election Alternative

A U.S. Holder of common shares (but not warrants) who elects (an "**Electing U.S. Holder**") under Section 1295 of the Code, in a timely manner to treat us as a QEF would generally include in gross income (and be subject to current U.S. federal income tax on) its pro rata share of (a) the Company's ordinary earnings, as ordinary income, and (b) our net capital gains, as long-term capital gain. An Electing U.S. Holder will generally be subject to U.S. federal income tax on such amounts for each taxable year in which we are classified as a PFIC, regardless of whether such amounts are actually distributed to the Electing U.S. Holder. An Electing U.S. Holder may further elect, in any given taxable year, to defer payment of U.S. federal income tax on such amounts to the extent they remain undistributed, subject to certain limitations. However, if payment of such tax is deferred, the taxes ultimately paid will be subject to an interest charge calculated from the due date of the tax return for the relevant year with respect to which the QEF election applies until the date the tax is paid.

A U.S. Holder may not make a QEF election with respect to its warrants to acquire our common shares. As a result, if a U.S. Holder sells or otherwise disposes of such warrants (other than upon exercise of such warrants), any gain recognized generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above, if we were a PFIC at any time during the period the U.S. Holder held the warrants. If a U.S. Holder that exercises such warrants properly makes a QEF election with respect to the newly acquired common shares (or has previously made a QEF election with respect to our common shares), the QEF election will apply to the newly acquired common shares, but the adverse tax consequences attributable to the period prior to exercise of the warrants, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired common shares (which generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the warrants), unless the U.S. Holder makes a purging election under the PFIC rules. The purging election causes the U.S. Holder making such election to be treated as selling such common shares at their fair market value as of the effective date of the election (either the last day of the last year that the Company was a PFIC or the first day of the first taxable year for which a QEF election is in effect). The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will have a new basis and holding period in the common shares acquired upon the exercise of the warrants for purposes of the PFIC rules.

A U.S. Holder may make a QEF Election only if the Company furnishes the U.S. Holder with certain tax information. If the Company should determine that it is a PFIC, it is anticipated that it will attempt to timely and accurately disclose the relevant information to its U.S. Holders and provide U.S. Holders with information reasonably required to make such election.

A U.S. Holder that makes a QEF Election with respect to the Company generally (a) may receive a tax-free distribution from the Company to the extent that such distribution is considered to be paid out of “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) increases the tax basis in his, her or its common shares by the amount included in income and reduces that tax basis by any amount treated as a tax-free distribution as a result of the QEF Election.

Similarly, if any of our non-U.S. subsidiaries were classified as PFICs, a U.S. Holder that makes a timely QEF Election with respect to any of such subsidiaries would be subject to the QEF rules as described above with respect to the Holder’s pro rata share of the ordinary earnings and net capital gains of any of the subsidiaries with respect to which the election is made. Our earnings (or earnings of any of our subsidiaries) attributable to distributions from any of our subsidiaries that had previously been included in the income of an Electing U.S. Holder under the QEF rules would generally not be taxed to the Electing U.S. Holder again.

Upon the sale or other disposition of common shares, an Electing U.S. Holder who makes a QEF Election for the first taxable year for which we are a PFIC in which it owns common shares (which election remains in effect throughout such U.S. Holder’s ownership of common shares) will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the net amount realized on the disposition and the U.S. Holder’s adjusted tax basis in the common shares. Such gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the common shares is more than one year, otherwise it will be short-term capital gain or loss. The deductibility of capital losses is subject to certain limitations. A U.S. Holder’s gain realized upon the disposition of shares generally will be treated as U.S. source income, and losses from the disposition generally will be allocated to reduce U.S. source income.

A QEF Election must be made in a timely manner as specified in applicable Treasury Regulations. Generally, the QEF Election must be made by filing the appropriate QEF election documents at the time such U.S. Holder timely files its U.S. federal income tax return for the first taxable year of the Company during which it was a PFIC or, if such holder has made a purging election, for the first taxable year of the Company during which it was a PFIC following such purging election.

Each U.S. Holder should consult its own tax advisor regarding the availability of, procedure for making, and consequences of a QEF Election with respect to the Company.

Mark-to-Market Election Alternative

Assuming that our common shares are treated as marketable stock (as defined for these purposes), a U.S. Holder that does not make a QEF Election may avoid the application of the excess distribution rules, at least in part, by electing, under Section 1296 of the Code, to mark the common shares to market annually. Consequently, the U.S. Holder will generally recognize as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of its common shares and the U.S. Holder’s adjusted tax basis in the common shares. Any mark-to-market loss is treated as an ordinary deduction, but only to the extent of the net mark-to-market gain that the Holder has included pursuant to the election in prior tax years. Such U.S. Holder’s basis in its common shares would be adjusted to reflect any of these income or loss amounts. Any gain on a disposition of our common shares by a U.S. Holder that has made such a mark-to-market election would be treated as ordinary income. Currently, a mark-to-market election may not be made with respect to warrants.

For purposes of making this election, stock of a foreign corporation is “marketable” if it is “regularly traded” on certain “qualified exchanges”. Under applicable Treasury Regulations, a “qualified exchange” includes a national securities exchange that is registered with the SEC or the national market system established pursuant to Section 11A of the U.S. Exchange Act, and certain foreign securities exchanges. Currently, our common shares are traded on a “qualified exchange.” Under applicable Treasury Regulations, PFIC stock traded on a qualified exchange is “regularly traded” on such exchange for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Special rules apply if an election is made after the beginning of the taxpayer’s holding period in PFIC stock.

To the extent available, a mark-to-market election applies to the taxable year in which such mark-to-market election is made and to each subsequent taxable year, unless the Company’s common shares cease to be “marketable stock” or the IRS consents to revocation of such election. In addition, a U.S. Holder that has made a mark-to-market election does not include mark-to-market gains, or deduct mark-to-market losses, for years when the Company is not classified as a PFIC.

The mark-to-market rules generally do not appear to prevent the application of the excess distribution rules in respect of stock of any of our non-U.S. subsidiaries in the event that any of such subsidiaries were considered PFICs. Accordingly, if we and any of our non-U.S. subsidiaries were both considered PFICs and a U.S. Holder made a mark-to-market election with respect to its common shares, the U.S. Holder may remain subject to the excess distribution rules described above with respect to the shares of stock in our non-U.S. subsidiaries that such holder owns indirectly.

U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE APPLICABILITY OF THE PFIC RULES AND THE AVAILABILITY OF, PROCEDURES FOR MAKING, AND CONSEQUENCES OF A QEF ELECTION OR MARK-TO-MARKET ELECTION WITH RESPECT TO THE COMPANY’S COMMON SHARES.

Ownership and Disposition of Common Shares and Warrants to the Extent that the PFIC Rules do not Apply

Distributions on Common Shares

If we are not a PFIC, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to our common shares will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. Any amount considered to be a dividend received by a U.S. Holder who is an individual should be eligible for the 20% maximum rate of U.S. federal income tax under Section 1(h)(11) of the Code. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares. (See “Sale or Other Taxable Disposition of Common Shares” below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should (unless advised to the contrary) therefore assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares generally will not be eligible for any “dividends received deduction” otherwise available to certain U.S. corporate shareholders. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Adjustments to Warrants

The terms of a warrant may provide for an adjustment to the number of common shares for which the warrant may be exercised or to the exercise price of the warrant in certain events. An adjustment which has the effect of preventing dilution generally is not taxable. However, the U.S. Holders of our warrants would be treated as receiving a constructive distribution from us if, for example, the adjustment increases the warrant holders' proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of common shares that would be obtained upon exercise) as a result of a related distribution of cash to the holders of our common shares which is taxable to the U.S. Holders of such common shares as described under "Distributions on Common Shares" above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holders of the warrants received a cash distribution from us equal to the fair market value of such increased interest in our assets or earnings and profits.

Sale or Other Taxable Disposition of Common Shares

Upon the sale, exchange or other taxable disposition of common shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. A U.S. Holder's tax basis in common shares that are not subject to the PFIC rules discussed above generally will be such Holder's U.S. dollar cost for such common shares.

Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares have been held for more than one year. The long-term capital gains realized by non-corporate U.S. Holders are generally subject to a lower marginal U.S. federal income tax rate than ordinary income other than qualified dividend income, as defined above. Currently, the maximum rate on long-term capital gains is 20% (possibly supplemented by the 3.8% Medicare surtax on net investment income described under "Additional Considerations" below), although the actual rates may be higher due to the phase out of certain tax deductions, exemptions and credits. However, given the uncertain economic conditions in the United States and the size of the federal deficit, tax rates are subject to change. The deductibility of losses may be subject to limitations. As a result of the complexities in the rules and the uncertainty as to their future application, prospective U.S. Holders should consult their tax advisors.

Warrants

Generally, no U.S. federal income tax will be imposed upon the U.S. Holder of a warrant upon exercise of such warrant to acquire our common shares. A U.S. Holder's tax basis in a warrant will generally be the price paid for the warrant or, with respect to a warrant acquired as part of an investment unit, the portion of the investment unit purchase price that is allocated to the warrant. Upon exercise of a warrant, the tax basis of the new common shares would be equal to the sum of the tax basis of the warrants in the hands of the U.S. Holder plus the exercise price paid, and the holding period of the new common shares would begin on the date that the warrants are exercised. If a warrant lapses without exercise, the U.S. Holder will generally realize a capital loss equal to its tax basis in the warrant. Prospective U.S. Holders should consult their tax advisors regarding the tax consequences of acquiring, holding and disposing of warrants.

The tax consequences of a cashless exercise of a warrant are not clear under current tax law. A cashless exercise may be tax-free, either because the exercise is not a gain realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. In either tax-free situation, a U.S. Holder's basis in the common shares received upon exercise would equal the U.S. holder's basis in the warrant. If the cashless exercise were treated as not being a gain realization event, a U.S. Holder's holding period in the common shares so acquired would be treated as commencing on the date following the date of exercise of the warrant. If the cashless exercise were treated as a recapitalization, the holding period of the common shares would include the holding period of the warrant. It is also possible that a cashless exercise could be treated as a taxable exchange in which gain or loss would be recognized. In such event, a U.S. Holder could be deemed to have surrendered warrants equal to the number of common shares having a value equal to the exercise price for the total number of warrants to be exercised. The U.S. Holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the common shares represented by the warrants deemed surrendered and the U.S. Holder's tax basis in the warrants deemed surrendered. If taxable exchange treatment applied, a U.S. Holder's tax basis in the common shares received would equal the sum of the fair market value of the common shares represented by the warrants deemed surrendered and the U.S. Holder's tax basis in the warrants exercised. A U.S. Holder's holding period for the common shares would commence on the date following the date of exercise of the warrant. Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise.

Additional Considerations

Tax-Exempt Investors

Special considerations apply to U.S. persons that are pension plans and other investors that are subject to tax only on their unrelated business taxable income. Such a tax-exempt investor's income from an investment in our common shares or warrants generally will not be treated as resulting in unrelated business taxable income under current law, so long as such investor's acquisition of common shares or warrants is not debt-financed. Tax-exempt investors should consult their own tax advisors regarding an investment in our common shares or warrants.

Additional Tax on Net Investment Income

Certain individuals, estates and trusts whose income exceeds certain thresholds will generally be required to pay a 3.8% Medicare surtax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified gross income for the taxable year over a certain threshold (which, in the case of individuals, will generally be between U.S. \$125,000 and U.S. \$250,000 depending on the individual's circumstances). A U.S. Holder's "net investment income" may generally include, among other items, certain interest, dividends, gain, and other types of income from investments, minus the allowable deductions that are properly allocable to that gross income or net gain. U.S. Holders are urged to consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of common shares or warrants.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of common shares or warrants, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, subject to the limitations described in the next paragraph, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and generally applies to all foreign income taxes paid (whether directly or through withholding) or accrued by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability (determined before application of the foreign tax credit) that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should generally be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty or if an election is properly made under the Code. However, due to differences between Canadian and U.S. income tax rules, the amount of a distribution with respect to the common shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

State and Local Tax

In addition to the U.S. federal income tax discussed above, U.S. Holders may also be subject to state and local income taxation for amounts received on the disposition of common shares and on dividends received. Amounts paid to U.S. Holders will not have state and local tax amounts withheld from payments and U.S. Holders should consult with a tax advisor regarding the state and local taxation implications of such amounts received.

Information Reporting

In general, U.S. Holders of common shares are subject to certain information reporting under the Code relating to their purchase and/or ownership of stock of a foreign corporation such as the Company. Failure to comply with these information reporting requirements may result in substantial penalties.

For example, U.S. federal income tax information reporting rules generally require certain individuals who are U.S. Holders to file Form 8938 to report the ownership of specified foreign financial assets if the total value of those assets exceeds an applicable threshold amount (subject to certain exceptions). For these purposes, a specified foreign financial asset includes not only a financial account (as defined for these purposes) maintained by a foreign financial institution, but also any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity, provided that the asset is not held in an account maintained by a financial institution. The minimum applicable threshold amount is generally U.S. \$50,000 in the aggregate, but this threshold amount varies depending on whether the individual lives in the U.S., is married, files a joint income tax return with his or her spouse, and on certain other factors. Certain domestic entities that are U.S. Holders may also be required to file Form 8938 if both (i) such entities are owned at least 80% by an individual who is a U.S. citizen or U.S. tax resident (or, in some cases, by a nonresident alien who meets certain criteria) or are trusts with beneficiaries that are such individuals and (ii) more than 50% of their income consists of certain passive income or more than 50% of their assets is held for the production of such income. U.S. Holders are urged to consult with their tax advisors regarding their reporting obligations, including the requirement to file IRS Form 8938.

In addition, in certain circumstances, a U.S. Holder of common shares who disposes of such common shares in a transaction resulting in the recognition by such Holder of losses in excess of certain significant threshold amounts may be obligated to disclose its participation in such transaction in accordance with the Treasury Regulations governing tax shelters and other potentially tax-motivated transactions or tax shelter regulations. Potential purchasers of common shares should consult their tax advisors concerning any possible disclosure obligation under the tax shelter rules with respect to the disposition of their common shares.

Backup Withholding

Generally, information reporting requirements will apply to distributions on our common shares or proceeds on the disposition of our common shares or warrants paid within the U.S. (and, in certain cases, outside the U.S.) to U.S. Holders. Such payments will generally be subject to backup withholding tax at the rate of 24% if: (a) a U.S. Holder fails to furnish such U.S. Holder's correct U.S. taxpayer identification number to the payor (generally on Form W-9), as required by the Code and Treasury Regulations, (b) the IRS notifies the payor that the U.S. Holder's taxpayer identification number is incorrect, (c) a U.S. Holder is notified by the IRS that it has previously failed to properly report interest and dividend income, or (d) a U.S. Holder fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the backup withholding rules.

Canadian Federal Income Tax Considerations

Taxation

The following summary describes the principal Canadian federal income tax considerations generally applicable to a holder of the Company's common shares who, for purposes of the Income Tax Act (Canada) (the "**Canadian Tax Act**") and the Canada – United States Tax Convention (the "**Treaty**") and at all relevant times, is resident in the United States and was not and is not resident in Canada nor deemed to be resident in Canada, deals at arm's length and is not affiliated with the Company, holds the Company's common shares as capital property, does not use or hold and is not deemed to use or hold the Company's common shares in or in the course of carrying on business in Canada and who otherwise qualifies for the full benefit of the Treaty (a "**United States Holder**"). Special rules which are not discussed in this summary may apply to a United States Holder that is a financial institution, as defined in the Canadian Tax Act, or an insurer carrying on business in Canada and elsewhere.

This following summary is based on the current provisions of the Treaty, the Canadian Tax Act and the regulations thereunder, all specific proposals to amend the Canadian Tax Act and the regulations announced by the Minister of Finance (Canada) prior to the date hereof and the Company's understanding of the administrative practices published in writing by the Canada Revenue Agency prior to the date hereof. This summary does not take into account or anticipate any other changes in the governing law, whether by judicial, governmental or legislative decision or action, nor does it take into account the tax legislation or considerations of any province, territory or non-Canadian (including U.S.) jurisdiction, which legislation or considerations may differ significantly from those described herein.

All amounts relevant in computing a United States Holder's liability under the Canadian Tax Act are to be computed in Canadian currency based on the relevant exchange rate applicable thereto.

This summary is of a general nature only and is not intended to be, and should not be interpreted as legal or tax advice to any prospective purchaser or holder of the Company's common shares and no representation with respect to the Canadian federal income tax consequences to any such prospective purchaser is made. Accordingly, prospective purchasers and holders of the Company's common shares should consult their own tax advisors with respect to their particular circumstances.

Dividends on the Company's Common Shares

Generally, dividends paid or credited by Canadian corporations to non-resident shareholders are subject to a withholding tax of 25% of the gross amount of such dividends. Pursuant to the Treaty, the withholding tax rate on the gross amount of dividends paid or credited to United States Holders is reduced to 15% or, in the case of a United States Holder that is a U.S. corporation that beneficially owns at least 10% of the voting stock of the Canadian corporation paying the dividends, to 5% of the gross amount of such dividends.

Pursuant to the Treaty, certain tax-exempt entities that are United States Holders may be exempt from Canadian withholding taxes, including any withholding tax levied in respect of dividends received on the Company's common shares.

Disposition of the Company's Common Shares

In general, a United States Holder will not be subject to Canadian income tax on capital gains arising on the disposition or deemed disposition of the Company's common shares, unless such shares are "taxable Canadian property" within the meaning of the Canadian Tax Act. Generally, a share listed on a designated stock exchange for purposes of the Canadian Tax Act (which includes the TSX and Nasdaq) will not be "taxable Canadian property" to a United States Holder unless, at any particular time during the 60 month period immediately preceding the disposition (i) 25% or more of the issued shares of any class or series of the particular corporation were owned by: (a) such United States Holder, (b) by persons with whom the United States Holder did not deal at arm's length, (c) a partnership in which the United States Holder, or persons with whom the United States Holder did not deal at arm's length, holds a membership interest directly or indirectly through one or more partnerships, or (d) any combination thereof, and (ii) the shares derived more than 50% of their fair market value directly or indirectly from one or any combination of real property situated in Canada, "timber resource property", "Canadian resource property" (each as defined under the Canadian Tax Act), or options in respect of, or interests or rights in any of the foregoing.

The value of the Company's common shares is not now, and is not expected to be in the future, derived more than 50% from any of these properties. Consequently, any gain realized by a United States Holder upon the disposition of the Company's common shares should be exempt from tax under the Canadian Tax Act.

F. Dividends and Paying Agents.

Not Applicable

G. Statement by Experts

Not Applicable

H. Documents on Display

Copies of the documents referred to in this annual report may be inspected, during normal business hours, at the Company's headquarters located at 30 Worcester Road, Toronto, Ontario, M9W 5X2, Canada.

We are required to file reports and other information with the SEC under the U.S. Exchange Act. Reports and other information filed by us with the SEC may be inspected and copied at the SEC's public reference facilities located at 100 F Street, N.E. in Washington D.C. The SEC also maintains a website at <http://www.sec.gov> that contains certain reports and other information that we file electronically with the SEC. As a foreign private issuer, we are exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, as a foreign private issuer, we are not required to publish financial statements as frequently or as promptly as United States companies.

We also make our periodic reports, as well as other information filed with or furnished to the SEC, available free of charge through our website, at www.intellipharma.com, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. The information on our website is not incorporated by reference in this report.

I. Subsidiary Information

See Item 4.C of this annual report.

Item 11. Qualitative and Quantitative Disclosures about Market Risk

We are exposed to interest rate risk, which is affected by changes in the general level of interest rates. Due to the fact that the Company's cash is deposited with major financial institutions in an interest savings account, we do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates given their relative short-term nature.

Trade accounts receivable potentially subjects the Company to credit risk. The Company provides an allowance for doubtful accounts equal to the estimated losses expected to be incurred in the collection of accounts receivable.

The following table sets forth details of the aged accounts receivable that are not overdue as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	November 30, 2019	November 30, 2018
	\$	\$
Total accounts receivable	177,202	305,912
Less allowance for doubtful accounts	-	(66,849)
Total accounts receivable, net	<u>177,202</u>	<u>239,063</u>
Not past due	177,202	239,063
Past due for more than 31 days but no more than 120 days	-	-
Past due for more than 120 days	-	66,849
Total accounts receivable, gross	<u>177,202</u>	<u>305,912</u>

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of uncollateralized accounts receivable. The Company's maximum exposure to credit risk is equal to the potential amount of financial assets. For the year ended November 30, 2019, two customers accounted for substantially all the revenue and one customer accounted for all the accounts receivable of the Company. For the year ended November 30, 2018, two customers accounted for substantially all the revenue and all the accounts receivable of the Company. The Company is also exposed to credit risk at period end from the carrying value of its cash. The Company manages this risk by maintaining bank accounts with a Canadian Chartered Bank. The Company's cash is not subject to any external restrictions.

Foreign exchange risk

We are exposed to changes in foreign exchange rates between the Canadian and U.S. dollar which could affect the value of our cash. The Company had no foreign currency hedges or other derivative financial instruments as of November 30, 2019. The Company did not enter into financial instruments for trading or speculative purposes and does not currently utilize derivative financial instruments.

The Company has balances in Canadian dollars that give rise to exposure to foreign exchange risk relating to the impact of translating certain non-U.S. dollar balance sheet accounts as these statements are presented in U.S. dollars. A strengthening U.S. dollar will lead to a foreign exchange loss while a weakening U.S. dollar will lead to a foreign exchange gain. For each Canadian dollar balance of \$1.0 million, a +/- 10% movement in the Canadian currency held by the Company versus the U.S. dollar would affect the Company's loss and other comprehensive loss by \$0.1 million.

	November 30, 2019		November 30, 2018	
	Canadian	U.S.	Canadian	U.S.
FX rates used to translate to U.S.	1,3,289		1,3,301	
	\$	\$	\$	\$
Assets				
Cash	48,407	36,426	740,620	556,815
	48,407	36,426	740,620	556,815
Liabilities				
Accounts payable and accrued liabilities	2,282,883	1,717,814	2,036,795	1,531,310
Employee cost payable	1,187,856	893,864	295,918	222,478
	3,470,739	2,611,678	2,332,713	1,753,788
Net exposure	(3,422,332)	(2,575,252)	(1,592,093)	(1,196,973)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet its commitments as they fall due. In meeting its liquidity requirements, the Company closely monitors its forecasted cash requirements with expected cash drawdown.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at November 30, 2019:

	Less than 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Greater than 1 year	Total
	\$	\$	\$	\$	\$	\$
Accounts payable	3,757,018	-	-	-	-	3,757,018
Accrued liabilities	927,698	-	-	-	-	927,698
Income tax payable	5,678	-	-	-	-	5,678
Employee costs payable	893,864	-	-	-	-	893,864
Convertible debentures	1,325,715	12,603	12,603	500,137	-	1,851,058
Promissory notes payable	159,863	-	-	-	-	159,863
Total contractual obligations	<u>7,069,836</u>	<u>12,603</u>	<u>12,603</u>	<u>500,137</u>	<u>-</u>	<u>7,595,179</u>

Limitations:

The above discussion includes only those exposures that existed as of November 30, 2019, and, as a result, does not consider exposures or positions that could arise after that date. The Company's ultimate realized gain or loss with respect to interest rate and exchange rate fluctuations would depend on the exposures that arise during the period and interest and foreign exchange rates.

Item 12. Description of Securities Other than Equity Securities.

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

None.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

There have been no material defaults in the payment of any principal, but the Company has not made interest payments on any related party Debentures since July 2019. The holders of the Debentures have waived any penalty related to the delayed payment of the interests due. Neither the Company nor its subsidiaries has any preferred shares outstanding.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

There has been no material modification of the instruments defining the rights of holders of any class of registered securities. There has been no withdrawal or substitution of assets securing any class of registered securities.

Item 15. Controls and Procedures

Internal Control over Financial Reporting

The management of our Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting using the 1992 Internal Control-Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of November 30, 2019.

In the second quarter of 2017, we initiated the transition from the COSO 1992 Internal Control - Integrated Framework to the COSO 2013 Internal Control - Integrated Framework. Management has completed the business risk and information technology components and is working towards completion of controls over financial reporting as well as fraud risk. We currently expect the transition to this new framework to continue through fiscal 2020. Although we do not expect to experience significant changes in internal control over financial reporting as a result of our transition, we may identify significant deficiencies or material weaknesses and incur additional costs in the future as a result of our transition.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as of November 30, 2019. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Based on that evaluation, management has concluded that these disclosure controls and procedures were effective as of November 30, 2019.

Changes in Internal Control over Financial Reporting

During the year ended November 30, 2019, there were no changes made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, and specifically, there were no changes in accounting functions, board or related committees and charters, or auditors; no functions, controls or financial reporting processes of any constituent entities were adopted as the Company's functions, controls and financial processes; and no other significant business processes were implemented.

Attestation of Internal Control over Financial Reporting

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting for the Company. As the Company is a non-accelerated filer, management's report is not subject to attestation by our independent registered public accounting firm pursuant to SOX Section 404(c).

Item 16. [Reserved]

Item Audit Committee Financial
16A. Expert.

Our Audit Committee is comprised of Kenneth Keirstead, Bahadur Madhani and Shawn Graham, each of whom is considered independent and financially literate (as such terms are defined under National Instrument 52-110 – Audit Committee). The members of the Audit Committee have selected a Chair from amongst themselves, being Mr. Madhani.

Under the SEC rules implementing SOX, Canadian issuers filing reports in the United States must disclose whether their audit committees have at least one “audit committee financial expert”. Additionally, under Nasdaq Listing Rule 5605(c)(2)(A), Nasdaq requires that one member of the audit committee have “past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.” The Board has determined that Mr. Madhani qualifies as an Audit Committee financial expert under the SEC rules and as financially sophisticated under the Nasdaq rules.

See also Item 6.A.

Item Code of Ethics.
16B.

The Code of Business Conduct and Ethics (the “**Code of Ethics**”) has been implemented and it applies to all directors, officers, employees of the Company and its subsidiaries. It may be viewed on our website at www.intellipharmaceutics.com. During the year ended November 30, 2019, no waivers or requests for exemptions from the Code of Ethics were either requested or granted.

Item 16C. Principal Accountant Fees and Services.

Our current auditor is MNP LLP (“MNP”), Independent Registered Public Accounting Firm, 111 Richmond Street West, Suite 300, Toronto, ON M5H 2G4. MNP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario, the rules and standards of the Public Company Accounting Oversight Board (United States) and the securities laws and regulations administered by the SEC.

The following table summarizes the total fees paid or accrued by the Company for audit and other services provided by MNP, the Company’s external auditor since July 27, 2016, in relation to the fiscal year ended November 30, 2019 and 2018:

	2019	2018
Audit Fees ⁽¹⁾	\$ C171,200	\$ C139,100
Audit-Related Fees ⁽²⁾	\$ C143,741	\$ C160,603
Tax Fees ⁽³⁾	\$ C35,331	\$ C29,305
All Other Fees ⁽⁴⁾	-	-
Total Fees	<u>\$ C350,272</u>	<u>\$ C329,008</u>

Notes:

- (1) Audit fees consist of fees related to the audit of the Company’s consolidated financial statements.
- (2) Audit-related fees consist of consultation on accounting and disclosure matters and reviews of quarterly interim financial statements, prospectus and base shelf activities and Form 20-F reviews.
- (3) Tax fees consist of fees for tax consultation, tax advice and tax compliance services for the Company and its subsidiaries.
- (4) All other fees related to internal control reviews.

Under applicable Canadian securities regulations, the Company is required to disclose whether its Audit Committee has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The Audit Committee's responsibility is to approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditors and, when required, the framework for pre-approval of such services. The Audit Committee delegates to its Chairman the pre-approval of such non-audit fees. For each of the years ended November 30, 2019 and 2018, all of the non-audit services provided by the Company's external auditor were approved by the Chairman of the Audit Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Neither the Company nor, to our knowledge, any affiliated purchaser has made any purchases of our registered shares during the last financial year.

Item 16F. Change in Registrant's Certifying Accountant.

The disclosure related to Item 16-F was previously reported, as that term is defined in Rule 12b-2 under the U.S. Exchange Act, in our Form 20-F filed on February 28, 2017.

Item 16G. Corporate Governance.

The only stock exchange on which the Company's Common Shares trade is the TSX, where the Common Shares are traded under the symbol "IPCI". The Company's Common Shares are not listed on a U.S. national securities exchange, but are quoted for trading on OTCQB under the symbol "IPCIF". (Our Common Shares began trading on October 22, 2009, when the IPC Arrangement Agreement with Vasogen was completed; the Company is the successor issuer to Vasogen for reporting purposes under the U.S. Exchange Act.) The Company's Corporate Governance guidelines are described in its Notice of 2019 Annual meeting of Shareholders and Management Proxy Circular furnished to the SEC on Report on Form 6-K filed on May 28, 2019.

Item 16H. Mine Safety Disclosure.

Not applicable.

PART III

Item 17. Financial Statements.

See Item 18 below.

Item 18. Financial Statements.

Consolidated financial statements of

**Intellipharmaceuticals
International Inc.**

November 30, 2019, 2018 and 2017

Intellipharma International Inc.

November 30, 2019, 2018 and 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Intellipharma International Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Intellipharma International Inc. and its subsidiaries (the "Company") as of November 30, 2019 and 2018, and the related consolidated statements of operations and comprehensive loss, shareholders' equity (deficiency), and cash flows for each of the years in the three year period ended November 30, 2019, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of November 30, 2019 and 2018, and the results of its consolidated operations and its consolidated cash flows for each of the years in the three year period ended November 30, 2019, in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2016

Toronto, Ontario
February 28, 2020



Intellipharma International Inc.

Consolidated balance sheets

As at November 30, 2019 and 2018

(Stated in U.S. dollars)

	2019	2018
	\$	\$
Assets		
Current		
Cash	64,622	6,641,877
Accounts receivable, net (Note 4)	177,202	239,063
Investment tax credits	775,736	998,849
Prepaid expenses, sundry and other assets	156,616	586,794
Inventory (Note 3)	349,131	251,651
	<u>1,523,307</u>	<u>8,718,234</u>
Property and equipment, net (Note 5)	2,273,406	2,755,993
	<u>3,796,713</u>	<u>11,474,227</u>
Liabilities		
Current		
Accounts payable	3,757,018	2,643,437
Accrued liabilities (Note 6)	927,698	353,147
Employee costs payable (Note 8)	893,864	222,478
Income tax payable (Note 15)	5,678	-
Promissory notes payable (Note 7)	159,863	-
Convertible debentures (Note 7)	1,744,813	1,790,358
Deferred revenue (Note 3)	-	300,000
	<u>7,488,934</u>	<u>5,309,420</u>
Deferred revenue (Note 3)	-	2,062,500
	<u>7,488,934</u>	<u>7,371,920</u>
Shareholders' equity (deficiency)		
Capital stock (Note 10)		
Authorized		
Unlimited common shares without par value		
Unlimited preference shares		
Issued and outstanding		
22,085,856 common shares	45,561,222	44,327,952
(November 30, 2018 - 18,252,243)		
Additional paid-in capital	44,167,721	45,110,873
Accumulated other comprehensive income	284,421	284,421
Accumulated deficit	<u>(93,705,585)</u>	<u>(85,620,939)</u>
	(3,692,221)	4,102,307
Contingencies (Note 16)	<u>3,796,713</u>	<u>11,474,227</u>

On behalf of the Board:

/s/ Dr. Isa Odidi

Dr. Isa Odidi, Chairman of the Board

/s/ Bahadur Madhani

Bahadur Madhani, Director

See accompanying notes to consolidated financial statements

Intellipharmaceuticals International Inc.

Consolidated statements of operations and comprehensive loss

For the years ended November 30, 2019, 2018 and 2017

(Stated in U.S. dollars)

	2019	2018	2017
	\$	\$	\$
Revenue			
Licensing (Note 3)	1,114,031	1,370,607	5,025,350
Up-front fees (Note 3)	2,366,485	342,124	479,102
	<u>3,480,516</u>	<u>1,712,731</u>	<u>5,504,452</u>
Cost of good sold			
Cost of goods sold	33,068	124,870	704,006
	<u>3,447,448</u>	<u>1,587,861</u>	<u>4,800,446</u>
Gross Margin			
	<u>3,447,448</u>	<u>1,587,861</u>	<u>4,800,446</u>
Expenses			
Research and development	6,608,794	10,827,293	9,271,353
Selling, general and administrative	4,167,801	3,476,450	3,287,914
Depreciation (Note 5)	505,803	610,384	506,961
	<u>11,282,398</u>	<u>14,914,127</u>	<u>13,066,228</u>
Loss from operations	(7,834,950)	(13,326,266)	(8,265,782)
Net foreign exchange (loss) gain	(25,498)	8,592	(80,093)
Interest income	13,535	227	15,037
Interest expense	(247,516)	(255,231)	(389,239)
Financing cost (Note 10)	-	(174,802)	(137,363)
Gain on settlement of convertible debt (Note 7)	4,419	-	-
Net loss before income taxes	<u>(8,090,010)</u>	<u>(13,747,480)</u>	<u>(8,857,440)</u>
Provision for income taxes (Note 15)			
Current tax expense	5,678	-	-
Deferred tax recovery	(11,042)	-	-
Net loss and comprehensive loss	<u>(8,084,646)</u>	<u>(13,747,480)</u>	<u>(8,857,440)</u>
Loss per common share, basic and diluted	<u>(0.37)</u>	<u>(2.89)</u>	<u>(2.86)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>21,580,059</u>	<u>4,762,274</u>	<u>3,101,448</u>

See accompanying notes to consolidated financial statements

Intellipharmaceuticals International Inc.

Consolidated statements of shareholders' equity (deficiency)

For the years ended November 3, 2019, 2018 and 2017

(Stated in U.S. dollars)

	Number	Capital stock amount \$	Additional paid-in capital \$	Accumulated other comprehensive income \$	Accumulated deficit \$	Total shareholders' equity (deficiency) \$
Balance, November 30, 2016	2,978,999	29,830,791	34,017,071	284,421	(63,016,019)	1,116,264
DSU's to non-management board members (Note 12)	-	-	30,355	-	-	30,355
Stock options to employees (Note 11)	-	-	1,749,999	-	-	1,749,999
Shares issued for options exercised (Note 11)	200	1,100	642	-	-	1,742
Proceeds from at-the-market financing (Note 10)	110,815	2,541,640	-	-	-	2,541,640
Proceeds from issuance of shares and warrants (Note 10 & 14)	363,636	3,257,445	742,555	-	-	4,000,000
Cost of warrants issued to placement agent (Note 14)	-	(86,196)	86,196	-	-	-
Share issuance cost (Note 10)	-	(685,319)	(108,912)	-	-	(794,231)
Issuance of shares on exercise of warrants (Note 14)	16,801	430,573	(106,315)	-	-	324,258
Modification of 2013 Debenture (Note 7)	-	-	273,796	-	-	273,796
Net loss	-	-	-	-	(8,857,440)	(8,857,440)
Balance, November 30, 2017	3,470,451	35,290,034	36,685,387	284,421	(71,873,459)	386,383
DSU's to non-management board members (Note 12)	-	-	7,565	-	-	7,565
Stock options to employees (Note 11)	-	-	927,686	-	-	927,686
Proceeds from issuance of shares and warrants (Note 10 & 14)	3,658,564	5,993,472	13,651,434	-	-	19,644,906
Proceeds from exercise of Pre-Funded warrants (Note 14)	11,123,334	4,012,528	(3,901,275)	-	-	11,125,334
Shares to be issued from exercise of Pre-Funded warrants (Note 14)	-	371,551	(361,251)	-	-	10,300
Cost of warrants issued to placement agent (Note 14)	-	(602,981)	602,981	-	-	-
Share issuance cost (Note 10)	-	(736,652)	(2,568,321)	-	-	(3,304,973)
Beneficial conversion feature related to Debenture (Note 7)	-	-	66,667	-	-	66,667
Net loss	-	-	-	-	(13,747,480)	(13,747,480)
Rounding of fractional shares after consolidation (Note 2)	(106)	-	-	-	-	-
Balance, November 30, 2018	18,252,243	44,327,952	45,110,873	284,421	(85,620,939)	4,102,307
Stock options to employees (Note 11)	-	-	264,568	-	-	264,568
Shares issued upon exercise of 2018 Pre-Funded Warrants (Note 14)	3,823,334	1,007,658	(979,705)	-	-	27,953
Shares issued upon exercise of DSUs (Note 12)	10,279	225,612	(225,612)	-	-	-
Beneficial conversion feature related to Debentures (Note 7)	-	-	8,639	-	-	8,639
Deferred tax expense related to beneficial conversion feature (Note 15)	-	-	(11,042)	-	-	(11,042)
Net loss	-	-	-	-	(8,084,646)	(8,084,646)
Balance, November 30, 2019	22,085,856	45,561,222	44,167,721	284,421	(93,705,585)	(3,692,221)
See accompanying notes to consolidated financial statements						

Intellipharmaceuticals International Inc.

Consolidated statements of cash flows

For the years ended November 30, 2019, 2018 and 2017

(Stated in U.S. dollars)

	2019	2018	2017
	\$	\$	\$
Net loss	(8,084,646)	(13,747,480)	(8,857,440)
Items not affecting cash			
Depreciation (Note 5)	506,685	612,736	520,838
Financing cost	-	174,802	137,363
Provision for doubtful debts (Note 4)	(66,849)	-	66,849
Stock-based compensation (Note 11)	264,568	927,686	1,749,999
Deferred share units (Note 12)	-	7,565	30,355
Accreted interest on convertible debentures (Note 7)	54,469	66,560	219,497
Gain on settlement of convertible debt (Note 7)	(4,419)	-	-
Deferred income tax recovery (Note 15)	(11,042)	-	-
Unrealized foreign exchange loss	57,189	52,613	56,998
Change in non-cash operating assets & liabilities			
Accounts receivable	61,861	450,556	(283,994)
Investment tax credits	223,113	(362,360)	44,647
Inventory	(97,480)	(135,984)	(115,667)
Prepaid expenses, sundry and other assets	430,178	(361,702)	175,550
Accounts payable, accrued liabilities and employee costs payable	2,359,518	106,048	599,220
Income tax payable	5,678	-	-
Deferred revenue (Note 3)	(2,362,500)	(300,000)	(450,000)
Cash flows used in operating activities	(6,663,677)	(12,508,960)	(6,105,785)
Financing activities			
Repayment of principal on convertible debentures (Note 7)	(461,920)	-	(150,000)
Proceeds from promissory notes payable (Note 7)	159,863	-	-
Proceeds from shares to be issued from exercise of Pre-Funded Warrants (Note 14)	-	10,300	-
Proceeds from issuance of shares and warrants (Note 10 and 14)	-	19,644,906	4,000,000
Proceeds from issuance of shares on exercise of warrants (Note 14)	27,953	111,253	324,258
Repayment of capital lease obligations	-	-	(14,829)
Issurance of shares on exercise of stock options (Note 11)	-	-	1,742
Issurance of common shares on at-the-market financing, gross (Note 10)	-	-	2,541,640
Debenture financing, net (Note 7)	375,000	500,000	-
Offering costs	-	(2,911,505)	(1,020,643)
Cash flows provided from financing activities	100,896	17,354,954	5,682,168
Investing activity			
Purchase of property and equipment (Note 5)	(14,474)	(101,178)	(1,823,746)
Cash flows used in investing activities	(14,474)	(101,178)	(1,823,746)
(Decrease) Increase in cash	(6,577,255)	4,744,816	(2,247,363)
Cash, beginning of year	6,641,877	1,897,061	4,144,424
Cash, end of year	64,622	6,641,877	1,897,061
Supplemental cash flow information			
Interest paid	139,787	209,675	123,204
Taxes paid	-	-	-

See accompanying notes to consolidated financial statements

IntellipharmaCeutics International Inc.

Notes to the consolidated financial statements
November 30, 2019, 2018 and 2017
(Stated in U.S. dollars)

1. Nature of operations

IntellipharmaCeutics International Inc. (the “Company”) is a pharmaceutical company specializing in the research, development and manufacture of novel and generic controlled-release and targeted-release oral solid dosage drugs.

On October 22, 2009, IntelliPharmaCeutics Ltd. (“IPC Ltd.”) and Vasogen Inc. completed a court approved plan of arrangement and merger (the “IPC Arrangement Agreement”), resulting in the formation of the Company, which is incorporated under the laws of Canada. The Company’s common shares are traded on the Toronto Stock Exchange (“TSX”) and the OTCQB Venture Market (“OTCQB”).

The Company earns revenue from non-refundable upfront fees, milestone payments upon achievement of specified research or development, exclusivity milestone payments and licensing and cost-plus payments on sales of resulting products. In November 2013, the U.S. Food and Drug Administration (“FDA”) granted the Company final approval to market the Company’s first product, the 15 mg and 30 mg strengths of the Company’s generic Focalin XR® (dexamethylphenidate hydrochloride extended-release) capsules. In 2017, the FDA granted final approval for the remaining 6 (six) strengths, all of which have been launched. In May 2017, the FDA granted the Company final approval for its second commercialized product, the 50, 150, 200, 300 and 400 mg strengths of generic Seroquel XR® (quetiapine fumarate extended release) tablets, and the Company commenced shipment of all strengths that same month. In November 2018, the FDA granted the Company final approval for its venlafaxine hydrochloride extended-release capsules in the 37.5, 75, and 150 mg strengths.

Going concern

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. The Company has incurred losses from operations since inception and has reported losses of \$8,084,646 for the year ended November 30, 2019 (2018 – \$13,747,480; 2017 – \$8,857,440) and has an accumulated deficit of \$93,705,585 as at November 30, 2019 (November 30, 2018 - \$85,620,939). The Company has a working capital deficiency of \$5,965,627 as at November 30, 2019 (November 30, 2018 – working capital of \$3,408,814). The Company has funded its research and development (“R&D”) activities principally through the issuance of securities, loans from related parties, funds from the IPC Arrangement Agreement, and funds received under development agreements. There is no certainty that such funding will be available going forward. These conditions raise substantial doubt about its ability to continue as a going concern and realize its assets and pay its liabilities as they become due.

In order for the Company to continue as a going concern and fund any significant expansion of its operation or R&D activities, the Company may require significant additional capital. Although there can be no assurances, such funding may come from revenues from the sales of the Company’s generic Focalin XR® (dexamethylphenidate hydrochloride extended-release) capsules, from revenues from the sales of the Company’s generic Seroquel XR® (quetiapine fumarate extended-release) tablets and from potential partnering opportunities. Other potential sources of capital may include payments from licensing agreements, cost savings associated with managing operating expense levels, other equity and/or debt financings, and/or new strategic partnership agreements which fund some or all costs of product development. The Company’s ultimate success will depend on whether its product candidates receive the approval of the FDA, Health Canada, and the regulatory authorities of the other countries in which its products are proposed to be sold and whether it is able to successfully market approved products. The Company cannot be certain that it will receive FDA, Health Canada, or such other regulatory approval for any of its current or future product candidates, or that it will reach the level of sales and revenues necessary to achieve and sustain profitability, or that the Company can secure other capital sources on terms or in amounts sufficient to meet its needs, or at all.

The availability of equity or debt financing will be affected by, among other things, the results of the Company’s R&D, its ability to obtain regulatory approvals, its success in commercializing approved products with its commercial partners and the market acceptance of its products, the state of the capital markets generally, strategic alliance agreements, and other relevant commercial considerations.

Intellipharmaceutics International Inc.

Notes to the consolidated financial statements
November 30, 2019, 2018 and 2017
(Stated in U.S. dollars)

1. Nature of operations (continued)

Going concern (continued)

In addition, if the Company raises additional funds by issuing equity securities, its then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. In the event that the Company does not obtain sufficient additional capital, it will raise substantial doubt about the Company's ability to continue as a going concern, realize its assets and pay its liabilities as they become due. The Company's cash outflows are expected to consist primarily of internal and external R&D, legal and consulting expenditures to advance its product pipeline and selling, general and administrative expenses to support its commercialization efforts. Depending upon the results of the Company's R&D programs, the impact of the litigation against the Company and the availability of financial resources, the Company could decide to accelerate, terminate, or reduce certain projects, or commence new ones. Any failure on its part to successfully commercialize approved products or raise additional funds on terms favorable to the Company or at all, may require the Company to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, in the termination or delay of clinical trials or the Company not taking any necessary actions required by the FDA or Health Canada for one or more of the Company's product candidates, in curtailment of the Company's product development programs designed to identify new product candidates, in the sale or assignment of rights to its technologies, products or product candidates, and/or its inability to file Abbreviated New Drug Applications ("ANDAs"), Abbreviated New Drug Submissions ("ANDSs") or New Drug Applications ("NDAs") at all or in time to competitively market its products or product candidates.

The consolidated financial statements do not include any adjustments that might result from the outcome of uncertainties described above. If the going concern assumption no longer becomes appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

2. Basis of presentation

(a) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly owned operating subsidiaries, IPC Ltd., Intellipharmaceutics Corp. ("IPC Corp"), and Vasogen Corp.

References in these consolidated financial statements to share amounts, per share data, share prices, exercise prices and conversion rates have been adjusted to reflect the effect of the 1-for-10 reverse stock split (known as a share consolidation under Canadian law) (the "reverse split") which became effective on each of The Nasdaq Stock Market LLC ("Nasdaq") and TSX at the opening of the market on September 14, 2018. The term "share consolidation" is intended to refer to such reverse split and the terms "pre-consolidation" and "post-consolidation" are intended to refer to "pre-reverse split" and "post-reverse split", respectively.

In September 2018, the Company announced the reverse split. At a special meeting of the Company's shareholders held on August 15, 2018, the Company's shareholders granted the Company's Board of Directors discretionary authority to implement a share consolidation of the issued and outstanding common shares of the Company on the basis of a share consolidation ratio within a range from five (5) pre-consolidation common shares for one (1) post-consolidation common share to fifteen (15) pre-consolidation common shares for one (1) post-consolidation common share. The Board of Directors selected a share consolidation ratio of ten (10) pre-consolidation shares for one (1) post-consolidation common share. On September 12, 2018, the Company filed an amendment to the Company's articles ("Articles of Amendment") to implement the 1-for-10 reverse split.

Intellipharmaceutics International Inc.

Notes to the consolidated financial statements
November 30, 2019, 2018 and 2017
(Stated in U.S. dollars)

2. Basis of presentation (continued)

(a) Basis of consolidation (continued)

The Company's common shares began trading on each of Nasdaq and TSX on a post-split basis under the Company's existing trade symbol "IPCI" at the opening of the market on September 14, 2018. In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the change has been applied retroactively.

These consolidated financial statements have been prepared using the same accounting policies and methods as those used by the Company in the annual audited consolidated financial statements for the year ended November 30, 2018 except for the adoption of ASC 606 "Revenue from Contracts with Customers" ("ASC 606"), and Accounting Standards Update ("ASU") No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), as further discussed below in Notes 3 and 17.

All inter-company accounts and transactions have been eliminated on consolidation.

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Areas where significant judgment is involved in making estimates are: the determination of the functional currency; the fair values of financial assets and liabilities; the determination of units of accounting for revenue recognition; the accrual of licensing and milestone revenue; and forecasting future cash flows for assessing the going concern assumption.

3. Significant accounting policies

(a) Cash and cash equivalents

The Company considers all highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash equivalent balances consist of bankers' acceptances and bank accounts with variable market rates of interest. The financial risks associated with these instruments are minimal and the Company has not experienced any losses from investments in these securities. The carrying amount of cash approximates its fair value due to its short-term nature.

As at November 30, 2019 and 2018, the Company had no cash equivalents.

(b) Accounts receivable

The Company reviews its sales and accounts receivable aging and determines whether an allowance for doubtful accounts is required.

(c) Financial instruments

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are classified as liabilities, the derivative instrument is initially recorded at its fair value using the appropriate valuation methodology and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations and comprehensive loss.

Intellipharmaeueuties International Inc.

Notes to the consolidated financial statements
November 30, 2019, 2018 and 2017
(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(d) Investment tax credits

The investment tax credits ("ITC") receivable are amounts considered recoverable from the Canadian federal and provincial governments under the Scientific Research & Experimental Development ("SR&ED") incentive program. The amounts claimed under the program represent the amounts based on management estimates of eligible research and development costs incurred during the year. Realization is subject to government approval. Any adjustment to the amounts claimed will be recognized in the year in which the adjustment occurs. Refundable ITCs claimed relating to capital expenditures are credited to property and equipment. Refundable ITCs claimed relating to current expenditures are netted against research and development expenditures.

(e) Property and equipment

Property and equipment are recorded at cost. Equipment acquired under capital leases are recorded net of imputed interest, based upon the net present value of future payments. Assets under capital leases are pledged as collateral for the related lease obligation. Repairs and maintenance expenditures are charged to operations; major betterments and replacements are capitalized. Depreciation bases and rates are as follows:

<u>Assets</u>	<u>Basis</u>	<u>Rate</u>
Computer equipment	Declining balance	30%
Computer software	Declining balance	50%
Furniture and fixtures	Declining balance	20%
Laboratory equipment	Declining balance	20%
Leasehold improvements	Straight line	Over the term of lease

Leasehold improvements and assets acquired under capital leases are depreciated over the term of their useful lives or the lease period, whichever is shorter. The charge to operations resulting from depreciation of assets acquired under capital leases is included with depreciation expense.

(f) Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the sum of estimated undiscounted cash flows associated with the asset or group of assets is less than its carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

(g) Warrants

The Company previously issued warrants as described in Notes 10 and 14. In fiscal 2013, the outstanding warrants were presented as a liability because they did not meet the criteria of Accounting Standard Codification ("ASC") topic 480 Distinguishing Liabilities from Equity for equity classification. Subsequent changes in the fair value of the warrants were recorded in the consolidated statements of operations and comprehensive loss. The Company changed its functional currency effective December 1, 2013 such that these warrants met the criteria for prospective equity classification in ASC topic 480, and the U.S. dollar translated amount of the warrant liability at December 1, 2013 became the amount reclassified to equity.

(h) Convertible debentures

In fiscal year 2013, the Company issued an unsecured convertible debenture in the principal amount of \$1,500,000 (the "2013 Debenture"). At issuance, the conversion option was bifurcated from its host contract and the fair value of the conversion option was characterized as an embedded derivative upon issuance as it met the criteria of ASC topic 815 Derivatives and Hedging. Subsequent changes in the fair value of the embedded derivative were recorded in the consolidated statements of operations and comprehensive loss. The proceeds received from the 2013 Debenture less the initial

Intellipharmaceutics International Inc.

Notes to the consolidated financial statements
November 30, 2019, 2018 and 2017
(Stated in U.S. dollars)

3. Significant accounting policies (continued)

(h) Convertible debentures (continued)

amount allocated to the embedded derivative were allocated to the liability and were accreted over the life of the 2013 Debenture using the effective rate of interest. The Company changed its functional currency effective December 1, 2013 such that the conversion option no longer met the criteria for bifurcation and was prospectively reclassified to shareholders' equity under ASC Topic 815 at the U.S. dollar translated amount at December 1, 2013.

On September 10, 2018, the Company completed a private placement financing (the "2018 Debenture Financing") of an unsecured convertible debenture in the principal amount of \$500,000 (the "2018 Debenture"). At issuance, the conversion price was lower than the market share price, and the value of the beneficial conversion feature related to the 2018 Debenture was allocated to Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency).

On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture subject to certain conditions being met. As a result of the proposed refinancing, the principal amount owing under the 2013 Debenture was refinanced by a new debenture (the "2019 Debenture"). On May 1, 2019, the 2019 Debenture was issued with a principal amount of \$1,050,000, that will mature on November 1, 2019, bear interest at a rate of 12% per annum and be convertible into 1,779,661 common shares of the Company at a conversion price of \$0.59 per common share. At issuance, the conversion option was not characterized as an embedded derivative as it did not meet the criteria of ASC topic 815 Derivatives and Hedging. Also, at issuance, as the conversion price was higher than the market share price, conversion option was not bifurcated from its host contract and the total value of the convertible debenture was recognized as a liability.

On August 26, 2019, the Company issued an unsecured convertible debenture in the principal amount of \$140,800 (the "August 2019 Debenture"). At issuance, the conversion price was lower than the market share price, and the value of the beneficial conversion feature related to the August 2019 Debenture was allocated to Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency). In November 2019, the debt was paid in full.

On November 15, 2019, the Company issued an unsecured convertible debenture in the principal amount of \$250,000 (the "November 2019 Debenture") that will mature on December 31, 2019, bear interest at a rate of 12% per annum and be convertible into common shares of the Company at a conversion price of \$0.12 per share. At issuance, the conversion price was lower than the market share price, and the value of the beneficial conversion feature related to the November 2019 Debenture was allocated to Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency).

(i) Revenue recognition

The Company accounts for revenue in accordance with the provisions of ASC 606. Under ASC 606, the Company recognizes revenue when the customer obtains control of promised goods or services, in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company recognizes revenue following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) the Company satisfies the performance obligation(s). The Company earns revenue from non-refundable upfront fees, milestone payments upon achievement of specified research or development, exclusivity milestone payments and licensing payments on sales of resulting products.

The relevant revenue recognition accounting policy is applied to each separate unit of accounting.

Intellipharma International Inc.

Notes to the consolidated financial statements
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3. Significant accounting policies (continued)

(i) Revenue recognition (continued)

Licensing

The Company recognizes revenue from the licensing of the Company's drug delivery technologies, products and product candidates. Under the terms of the licensing arrangements, the Company provides the customer with a right to access the Company's intellectual property with regards to the license which is granted. Revenue arising from the license of intellectual property rights is recognized over the period the Company transfers control of the intellectual property.

The Company has a license and commercialization agreement with Par Pharmaceutical Inc. ("Par"). Under the exclusive territorial license rights granted to Par, the agreement requires that Par manufacture, promote, market, sell and distribute the product. Licensing revenue amounts receivable by the Company under this agreement are calculated and reported to the Company by Par, with such amounts generally based upon net product sales and net profit which include estimates for chargebacks, rebates, product returns, and other adjustments. Licensing revenue payments received by the Company from Par under this agreement are not subject to further deductions for chargebacks, rebates, product returns, and other pricing adjustments. Based on this arrangement and the guidance per ASC 606, the Company records licensing revenue over the period the Company transfers control of the intellectual property in the consolidated statements of operations and comprehensive loss.

The Company also had a license and commercial supply agreement with Mallinckrodt LLC ("Mallinckrodt") which provided Mallinckrodt an exclusive license to market, sell and distribute in the U.S. three drug product candidates for which the Company has ANDAs filed with the FDA, one of which (the Company's generic Seroquel XR®) received final approval from the FDA in 2017.

Under the terms of this agreement, the Company was responsible for the manufacture of approved products for subsequent sale by Mallinckrodt in the U.S. market. Following receipt of final FDA approval for its generic Seroquel XR®, the Company began shipment of manufactured product to Mallinckrodt. The Company recorded revenue once Mallinckrodt obtained control of the product and the performance obligation was satisfied.

On April 12, 2019, Mallinckrodt and the Company mutually agreed to terminate their Commercial Supply Agreement (the "Mallinckrodt agreement"), effective no later than August 31, 2019. Under the terms of the mutual agreement, Mallinckrodt has been released from certain obligations under the agreement as of April 12, 2019. Effective August 12, 2019, the Mallinckrodt agreement was terminated.

Licensing revenue in respect of manufactured product is reported as revenue in accordance with ASC 606. Once product was sold by Mallinckrodt, the Company receives downstream licensing revenue amounts calculated and reported by Mallinckrodt, with such amounts generally based upon net product sales and net profit which includes estimates for chargebacks, rebates, product returns, and other adjustments. Such downstream licensing revenue payments received by the Company under this agreement are not subject to further deductions for chargebacks, rebates, product returns, and other pricing adjustments. Based on this agreement and the guidance per ASC 606, the Company records licensing revenue as earned on a monthly basis.

Milestones

For milestone payments that are not contingent on sales-based thresholds, the Company applies a most-likely amount approach on a contract-by-contract basis. Management makes an assessment of the amount of revenue expected to be received based on the probability of the milestone outcome. Variable consideration is included in revenue only to the extent that it is probable that the amount will not be subject to a significant reversal when the uncertainty is resolved (generally when the milestone outcome is satisfied).

Intellipharma International Inc.

Notes to the consolidated financial statements
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3. Significant accounting policies (continued)

(i) Revenue recognition (continued)

Research and development

Under arrangements where the license fees and research and development activities can be accounted for as a separate unit of accounting, non-refundable upfront license fees are deferred and recognized as revenue on a straight-line basis over the expected term of the Company's continued involvement in the research and development process.

Deferred revenue

Deferred revenue represents the funds received from clients, for which the revenues have not yet been earned, as the milestones have not been achieved, or in the case of upfront fees for drug development, where the work remains to be completed. During the year ended November 30, 2016, the Company received an up-front payment of \$3,000,000 from Mallinckrodt pursuant to the Mallinckrodt license and commercial supply agreement, and initially recorded it as deferred revenue, as it did not meet the criteria for recognition. For the year ended November 30, 2019, the Company recognized \$2,362,500 (2018 - \$300,000) of revenue over the remaining term of the Mallinckrodt agreement, which expired on August 12, 2019. As of November 30, 2019, the Company has recorded a deferred revenue balance of \$Nil (November 30, 2018 - \$2,362,500) due to the termination of its license and commercial supply agreement with Mallinckrodt.

(j) Research and development costs

Research and development costs related to continued research and development programs are expensed as incurred in accordance with ASC topic 730. However, materials and equipment are capitalized and amortized over their useful lives if they have alternative future uses.

(k) Inventory

Inventories comprise raw materials, work in process, and finished goods, which are valued at the lower of cost or market, on a first-in, first-out basis. Cost for work in process and finished goods inventories includes materials, direct labor, and an allocation of manufacturing overhead. Market for raw materials is replacement cost, and for work in process and finished goods is net realizable value. The Company evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand. As of November 30, 2019, the Company had raw materials inventories of \$172,830 (November 30, 2018 - \$144,659), work in process of \$73,927 (November 30, 2018 - \$73,927) and finished goods inventory of \$102,374 (November 30, 2018 - \$33,065) relating to the Company's generic Seroquel XR® product. The recoverability of the cost of any pre-launch inventories with a limited shelf life is evaluated based on the specific facts and circumstances surrounding the timing of the anticipated product launch.

(l) Income taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for losses and tax credit carry forwards. Significant judgment is required in determining whether deferred tax assets will be realized in full or in part. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactments. A valuation allowance is provided for the portion of deferred tax assets that is more likely than not to remain unrealized.

The Company accounts for income taxes in accordance with ASC topic 740-10. This ASC topic requires that uncertain tax positions are evaluated in a two-step process, whereby (i) the Company

Intellipharma International Inc.

Notes to the consolidated financial statements
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3. Significant accounting policies (continued)

(l) *Income taxes (continued)*

determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (ii) those tax positions that meet the more likely than not recognition threshold, the Company would recognize the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the related tax authority. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The cumulative effects of the application of the provisions of ASC topic 740-10 are described in Note 15.

The Company records any interest related to income taxes in interest expense and penalties in selling, general and administrative expense.

(m) *Share issue costs*

Share issue costs are recorded as a reduction of the proceeds from the issuance of capital stock.

(n) *Translation of foreign currencies*

Transactions denominated in currencies other than the Company and its wholly owned operating subsidiaries' functional currencies, monetary assets and liabilities are translated at the period end rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these other transactions are recognized in the consolidated statements of operations and comprehensive loss.

The functional and reporting currency of the Company and its subsidiaries is the U.S. dollar.

(o) *Stock-based compensation*

The Company has a stock-based compensation plan which authorizes the granting of various equity-based incentives including stock options and restricted share units ("RSU"s). The Company calculates stock-based compensation using the fair value method, under which the fair value of the options at the grant date is calculated using the Black-Scholes Option Pricing Model, and subsequently expensed over the vesting period of the option. The provisions of the Company's stock-based compensation plans do not require the Company to settle any options by transferring cash or other assets, and therefore the Company classifies the awards as equity. Stock-based compensation expense recognized during the year is based on the value of stock-based payment awards that are ultimately expected to vest.

The Company estimates forfeitures at the time of grant and are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense is recorded in the consolidated statements of operations and comprehensive loss under research and development expense and under selling, general and administration expense. Note 11 provides supplemental disclosure of the Company's stock options.

(p) *Deferred Share Units*

Deferred Share Units ("DSU"s) are valued based on the trading price of the Company's common shares on the Toronto Stock Exchange. The Company records the value of the DSU's owing to non-management board members in the consolidated statements of shareholders' equity (deficiency).

(q) *Loss per share*

Basic loss per share ("EPS") is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of options, warrants and convertible securities are excluded from diluted EPS if the effect of such inclusion would be anti-dilutive.

Intellipharmaceutics International Inc.

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3. Significant accounting policies (continued)

(q) *Loss per share (continued)*

The dilutive effect of stock options is determined using the treasury stock method. Stock options and warrants to purchase common shares of the Company during fiscal 2019, 2018, and 2017, respectively, were not included in the computation of diluted EPS because the Company has incurred a loss for the years ended November 30, 2019, 2018 and 2017 as the effect would be anti-dilutive.

(r) *Comprehensive loss*

The Company follows ASC topic 220. This statement establishes standards for reporting and display of comprehensive (loss) income and its components. Comprehensive loss is net loss plus certain items that are recorded directly to shareholders' equity (deficiency). Other than foreign exchange gains and losses arising from cumulative translation adjustments, the Company has no other comprehensive loss items.

(s) *Fair value measurement*

Under ASC topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). ASC topic 820 establishes a hierarchy for inputs to valuation techniques used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. There are three levels to the hierarchy based on the reliability of inputs, as follows:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets and liabilities in markets that are not active.
- Level 3 - Unobservable inputs for the asset or liability.

The degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3.

(t) *Recently adopted accounting pronouncements*

In May 2014, the FASB issued ASU No. 2014-09, ASC 606, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under ASC 606, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring control of goods or services to a customer. The principles in ASC 606 provide a more structured approach to measuring and recognizing revenue. As of December 1, 2018, the Company has adopted ASC 606 using the modified retrospective method and has elected to apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application. The adoption of ASC 606 did not have an impact on the date of transition and did not have a material impact on the Company's consolidated financial statements for the year ended November 30, 2019.

In January 2016, the FASB issued ASU No. 2016-01, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure

Intellipharmaeueuties International Inc.

Notes to the consolidated financial statements
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3. Significant accounting policies (continued)

(t) Recently adopted accounting pronouncements (continued)

requirements associated with the fair value of financial instruments. The Company has adopted ASU No. 2016-01 effective December 1, 2018 and the adoption did not have an impact on the date of transition or any material impact on the Company's consolidated financial statements for the year ended November 30, 2019.

In August 2016, the FASB issued ASU 2017-01 that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. ASU 2017-01 also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606.1. ASU 2017-01 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The Company adopted ASU 2017-01 effective December 1, 2018 and the amendments did not have any impact on the Company's financial position, results of operations, cash flows or disclosures.

In May 2017, the FASB issued ASU 2017-09 in relation to Compensation — Stock Compensation (Topic 718), Modification Accounting. The amendments provide guidance on changes to the terms or conditions of a share-based payment award, which require an entity to apply modification accounting in Topic 718. The amendments are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments should be applied prospectively to an award modified on or after the adoption date. The Company adopted ASU 2017-09 effective December 1, 2018 and the amendments did not have any impact on the Company's financial position, results of operations, cash flows or disclosures.

(u) Future accounting pronouncements

In February 2016, the FASB issued new guidance, ASU No. 2016-02, Leases (Topic 842). The main difference between current U.S. GAAP and the new guidance is the recognition of lease liabilities based on the present value of remaining lease payments and corresponding lease assets for operating leases under current U.S. GAAP with limited exception. Additional qualitative and quantitative disclosures are also required by the new guidance. Topic 842 is effective for annual reporting periods (including interim reporting periods) beginning after December 15, 2018. Early adoption is permitted. The Company is in the process of evaluating the amendments to determine if they have a material impact on the Company's financial position, results of operations, cash flows or disclosures.

4. Accounts receivable

The Company currently has no debt agreements in place whereby any amount of receivables serve as collateral. The Company has no off-balance-sheet credit exposures and has no foreclosed or repossessed assets. Accounts receivable are carried on the consolidated balance sheet net of allowance for doubtful accounts. This provision is established based on the Company's best estimates regarding the ultimate recovery of balances for which collection is uncertain. As at November 30, 2019, the Company has an account receivable balance of \$177,202 (2018 - \$305,912) and an allowance for doubtful accounts of \$Nil (2018 - \$66,849). During the year ended November 30, 2019, the company reversed an allowance for doubtful accounts in the amount of \$66,849, which was provided for in prior years. Risks and uncertainties and credit quality information related to accounts receivable have been disclosed in Note 17.

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5. Property and equipment

	Computer equipment \$	Computer software \$	Furniture and fixtures \$	Laboratory equipment \$	Leasehold improvements \$	Laboratory equipment under capital lease \$	Computer equipment under capital lease \$	Total \$
Cost								
Balance at November 30, 2017	530,750	156,059	172,498	5,286,803	1,441,452	276,300	76,458	7,940,320
Additions	20,336	-	-	80,842	-	-	-	101,178
Balance at November 30, 2018	551,086	156,059	172,498	5,367,645	1,441,452	276,300	76,458	8,041,498
Additions	3,790	-	-	20,308	-	-	-	24,098
Balance at November 30, 2019	554,876	156,059	172,498	5,387,953	1,441,452	276,300	76,458	8,065,596
Accumulated depreciation								
Balance at November 30, 2017	286,483	131,128	119,990	2,669,232	1,192,946	198,798	74,192	4,672,769
Depreciation	77,179	12,465	10,501	413,576	82,835	15,500	680	612,736
Balance at November 30, 2018	363,662	143,593	130,491	3,082,808	1,275,781	214,298	74,872	5,285,505
Depreciation	57,128	6,233	8,402	339,210	82,835	12,401	476	506,685
Balance at November 30, 2019	420,790	149,826	138,893	3,422,018	1,358,616	226,699	75,348	5,792,190
Net book value at:								
November 30, 2018	187,424	12,466	42,007	2,284,837	165,671	62,002	1,586	2,755,993
November 30, 2019	134,086	6,233	33,605	1,965,935	82,836	49,601	1,110	2,273,406

As at November 30, 2019, there was \$606,271 (November 30, 2018 - \$595,589; November 30, 2017 - \$728,309) of laboratory equipment that was not available for use and therefore, no depreciation has been recorded for such laboratory equipment.

As at November 30, 2019, there was \$9,624 (November 30, 2018 - \$Nil) unpaid balance for purchased equipment. During the year ended November 30, 2019, the Company recorded depreciation expense within cost of goods sold in the amount of \$882 (November 30, 2018 - \$2,352; November 30, 2017 - \$13,877).

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the sum of the undiscounted cash flows expected from its use and disposal, and as such requires the Company to make significant estimates on expected revenues from the commercialization of its products and services and the related expenses. The Company records a write-down for long-lived assets which have been abandoned and do not have any residual value. For the year ended November 30, 2019, the Company recorded a \$Nil write-down of long-lived assets (2018 - \$Nil; 2017 - \$Nil).

6. Accrued liabilities

	November 30, 2019 \$	November 30, 2018 \$
Professional fees	220,754	229,170
Board of Directors fees	115,885	49,901
Litigation settlement fee	400,000	-
Interest	60,019	17,413
Other	131,040	56,663
	<u>927,698</u>	<u>353,147</u>

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7. Convertible debentures and promissory notes payable

(a) Convertible debentures

Amounts due to the related parties are payable to entities controlled by two shareholders who are also officers and directors of the Company.

	November 30, 2019	November 30, 2018
Convertible debenture payable to two directors and officers of the Company, unsecured, 12% annual interest rate, payable monthly ("2013 Debenture")	\$ -	\$ 1,350,000
Convertible debenture payable to two directors and officers of the Company, unsecured, 10% annual interest rate, payable monthly ("2018 Debenture")	\$ 473,442	\$ 440,358
Convertible debenture payable to two directors and officers of the Company, unsecured, 12% annual interest rate, payable monthly ("2019 Debenture")	\$ 1,050,000	\$ -
Convertible debenture payable to two directors and officers of the Company, unsecured, 12% annual interest rate, payable monthly ("November 2019 Debenture")	\$ 221,371	\$ -
	<u>\$ 1,744,813</u>	<u>\$ 1,790,358</u>

On January 10, 2013, the Company completed a private placement financing of the unsecured convertible 2013 Debenture (as defined above) in the original principal amount of \$1.5 million, which was originally due to mature on January 1, 2015. The 2013 Debenture bears interest at a rate of 12% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into common shares at a conversion price of \$30.00 per common share at the option of the holder.

Dr. Isa Odidi and Dr. Amina Odidi, shareholders, directors and executive officers of the Company purchased the 2013 Debenture and provided the Company with the original \$1.5 million of the proceeds for the 2013 Debenture.

Effective October 1, 2014, the maturity date for the 2013 Debenture was extended to July 1, 2015. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The increase in the fair value of the conversion option at the date of the modification, in the amount of \$126,414, was recorded as a reduction in the carrying value of the debt instrument with a corresponding increase to Additional paid-in capital. The carrying amount of the debt instrument was accreted over the remaining life of the 2013 Debenture using a 15% effective rate of interest.

Effective June 29, 2015, the July 1, 2015 maturity date for the 2013 Debenture was further extended to January 1, 2016. Under ASC 470-50, the change in the maturity date for the debt instrument resulted in an extinguishment of the original 2013 Debenture as the change in the fair value of the embedded conversion option was greater than 10% of the carrying amount of the 2013 Debenture. In accordance with ASC 470-50-40, the 2013 Debenture was recorded at fair value. The difference between the fair value of the convertible 2013 Debenture after the extension and the net carrying value of the 2013 Debenture prior to the extension of \$114,023 was recognized as a loss on the statement of operations and comprehensive loss. The carrying amount of the debt instrument was accreted to the face amount of the 2013 Debenture over the remaining life of the 2013 Debenture using a 14.6% effective rate of interest.

Intellipharmaceutics International Inc.

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7. Convertible debentures and promissory notes payable (continued)

(a) Convertible debentures (continued)

Effective December 8, 2015, the January 1, 2016 maturity date for the 2013 Debenture was further extended to July 1, 2016. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The increase in the fair value of the conversion option at the date of the modification, in the amount of \$83,101, was recorded as a reduction in the carrying value of the debt instrument with a corresponding increase to Additional paid-in capital. The carrying amount of the debt instrument was accreted over the remaining life of the 2013 Debenture using a 6.6% effective rate of interest.

Effective May 26, 2016, the July 1, 2016 maturity date for the 2013 Debenture was further extended to December 1, 2016. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The increase in the fair value of the conversion option at the date of the modification, in the amount of \$19,808, was recorded as a reduction in the carrying value of the debt instrument with a corresponding increase to Additional paid-in capital. The carrying amount of the debt instrument was accreted over the remaining life of the 2013 Debenture using a 4.2% effective rate of interest.

Effective December 1, 2016, the maturity date for the 2013 Debenture was further extended to April 1, 2017 and a principal repayment of \$150,000 was made at the time of the extension. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The increase in the fair value of the conversion option at the date of the modification, in the amount of \$106,962, was recorded as a reduction in the carrying value of the debt instrument with a corresponding increase to Additional paid-in capital. The carrying amount of the debt instrument was accreted over the remaining life of the 2013 Debenture using a 26.3% effective rate of interest.

Effective March 28, 2017, the maturity date for the 2013 Debenture was further extended to October 1, 2017. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The increase in the fair value of the conversion option at the date of the modification, in the amount of \$113,607, was recorded as a reduction in the carrying value of the debt instrument with a corresponding increase to Additional paid-in capital. The carrying amount of the debt instrument was accreted over the remaining life of the 2013 Debenture using a 15.2% effective rate of interest.

Effective September 28, 2017, the maturity date for the 2013 Debenture was further extended to October 1, 2018. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The increase in the fair value of the conversion option at the date of the modification, in the amount of \$53,227, was recorded as a reduction in the carrying value of the debt instrument with a corresponding increase to Additional paid-in capital. The carrying amount of the debt instrument was accreted over the remaining life of the 2013 Debenture using a 4.9% effective rate of interest.

Effective October 1, 2018, the maturity date for the 2013 Debenture was further extended to April 1, 2019. Effective April 1, 2019, the maturity date for the 2013 Debenture was further extended to May 1, 2019. Under ASC 470-50, the changes in the debt instrument were accounted for as modifications of debt. There were no changes in the fair value of the conversion option at the respective date of the modifications. The carrying amount of the debt instrument is accreted over the remaining life of the 2013 Debenture using a nominal effective rate of interest. In December 2018, a principal repayment of \$300,000 was made on the 2013 Debenture to Drs. Isa and Amina Odidi.

On April 4, 2019, a tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture subject to certain conditions being met. As a result of the proposed refinancing, the principal amount owing under the 2013 Debenture was refinanced by a new debenture (the "2019 Debenture"). On May 1, 2019, the 2019 Debenture was issued with a principal amount of \$1,050,000, that will mature on November 1, 2019, bear interest at a rate of 12% per annum and be convertible into 1,779,661 common shares of the Company at a conversion price of \$0.59 per common share. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, will be the holders of the 2019 Debenture.

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7. Convertible debentures and promissory notes payable (continued)

(a) Convertible debentures (continued)

Effective November 1, 2019, the maturity date for the 2019 Debenture was further extended to December 31, 2019. Under ASC 470-50, the change in the debt instrument was accounted for as a modification of debt. The carrying amount of the debt instrument is accreted over the remaining life of the 2019 Debenture using a nominal effective rate of interest.

Effective December 31, 2019, the December 31, 2019 maturity date for the 2019 Debenture was further extended to February 1, 2020 and then effective January 31, 2020, the February 1, 2020 maturity date was further extended to March 31, 2020.

On September 10, 2018, the Company completed a private placement financing of the unsecured convertible 2018 Debenture (as defined above) in the principal amount of \$0.5 million. The 2018 Debenture will mature on September 1, 2020. The 2018 Debenture bears interest at a rate of 10% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into common shares of the Company at a conversion price of \$3.00 per common share at the option of the holder. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors and executive officers of the Company provided the Company with the \$0.5 million of the proceeds for the 2018 Debenture.

At issuance, as the conversion price was lower than the market share price, the beneficial conversion feature valued at September 10, 2018 of \$66,667 was allocated to Additional paid-in capital. Subsequently, the fair value of the 2018 Debenture is accreted over the remaining life of the 2018 Debenture using an effective rate of interest of 7.3%.

On August 26, 2019, the Company completed a private placement financing of the unsecured August 2019 Debenture (as defined above) in the principal amount of \$140,800. The August 2019 Debenture will mature on August 26, 2020, bears interest at a rate of 8% per annum, is pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and is convertible at the option of the holder into common shares after 180 days at a conversion price which is equal to 75% of the market price. Market price is defined as the average of the lowest three (3) trading prices for the common shares during the twenty (20) trading day period prior to the conversion date. The Company incurred \$15,800 in debt issuance costs of which \$7,031 was debited to Additional paid-in capital and \$8,769 was offset against the convertible debenture.

At issuance, as the conversion price was lower than the market share price, the beneficial conversion feature valued at August 26, 2019 of \$62,655 was allocated to Additional paid-in capital. Subsequently, the fair value of the August 2019 Debenture is accreted over the remaining life of the 2018 Debenture using an effective rate of interest of 77.1%.

In November 2019, the debenture was fully paid, and the value of the beneficial conversion feature was recalculated at settlement in the amount of \$88,652, which was offset to Additional paid-in capital and \$4,419 gain on settlement was recognized in the consolidated statements of operations and comprehensive loss.

On November 15, 2019, the Company completed a private placement financing of the unsecured convertible November 2019 Debenture (as defined above) in the principal amount of \$0.25 million. The November 2019 Debenture will mature on December 31, 2019. The November 2019 Debenture bears interest at a rate of 12% per annum, payable monthly, is pre-payable at any time at the option of the Company and is convertible at any time into common shares of the Company at a conversion price of \$0.12 per common share at the option of the holder. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors and executive officers of the Company provided the Company with the \$0.25 million of the proceeds for the November 2019 Debenture.

At issuance, as the conversion price was lower than the market share price, the beneficial conversion feature valued at November 15, 2019 of \$41,667 was allocated to Additional paid-in capital. Subsequently, the fair value of the November 2019 Debenture is accreted over the remaining life of the November 2019 Debenture using an effective rate of interest of 152.4%.

Intellipharma International Inc.

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7. Convertible debentures and promissory notes payable (continued)

(a) Convertible debentures (continued)

Effective January 31, 2020, the December 31, 2019 maturity date for the November 2019 Debenture was further extended to March 31, 2020.

Accreted interest expense during the year ended November 30, 2019 is \$54,469 (2018 - \$66,560; 2017 - \$219,497) and has been included in the consolidated statements of operations and comprehensive loss. In addition, the coupon interest on the 2013 Debenture, 2018 Debenture, 2019 Debenture, August 2019 Debenture and November 2019 Debenture (collectively, the "Debentures") for the year ended November 30, 2019 is \$182,393 (2018 - \$172,977; 2017 - \$162,530) and has also been included in the consolidated statements of operations and comprehensive loss.

(b) Promissory notes payable

	November 30, 2019	November 30, 2018
	\$	\$
Promissory notes payable to two directors and officers of the Company, unsecured, no annual interest rate on the outstanding loan balance	159,863	-
	<u>159,863</u>	<u>-</u>

In September 2019, the Company issued two unsecured, non-interest bearing promissory notes, with no fixed repayment terms, in the amounts of US\$6,500 and CDN\$203,886, to Dr. Isa Odidi and Dr. Amina Odidi, who are principal shareholders, directors and executive officers of the Company.

8. Employee costs payable

As at November 30, 2019, the Company had \$893,864 (2018 - \$222,478) accrued salaries, accrued vacation and severance payable to certain employees. This balance is due on demand and therefore presented as current liabilities.

9. Lease obligations

On December 1, 2015, the Company entered into a new lease agreement for the premises that it currently operates from, as well the adjoining property which is owned by the same landlord, for a 5-year term with a 5-year renewal option. The Company also has an option to purchase the combined properties after March 1, 2017 and up to November 30, 2020 based on a fair value purchase formula. Future minimum lease payments under leases with terms of one year or more are as follows at November 30, 2019:

Year ending November 30,	Operating Lease
	\$
2020	191,654
	<u>191,654</u>

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10. Capital stock

Authorized, issued and outstanding

- (a) The Company is authorized to issue an unlimited number of common shares, all without nominal or par value and an unlimited number of preference shares. As at November 30, 2019, the Company had 22,085,856 (November 30, 2018 – 18,252,243) common shares issued and outstanding and no preference shares issued and outstanding. Two officers and directors of the Company owned directly and through their family holding company 578,131 (November 30, 2018 – 578,131) common shares or approximately 2.6% (November 30, 2018 – 3.2%) of the issued and outstanding common shares of the Company as at November 30, 2019.

Each common share of the Company entitles the holder thereof to one vote at any meeting of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote.

Holders of common shares of the Company are entitled to receive, as and when declared by the board of directors of the Company, dividends in such amounts as shall be determined by the board.

The holders of common shares of the Company have the right to receive the remaining property of the Company in the event of liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary.

The preference shares may at any time and from time to time be issued in one or more series. The board of directors will, by resolution, from time to time, before the issue thereof, fix the rights, privileges, restrictions and conditions attaching to the preference shares of each series. Except as required by law, the holders of any series of preference shares will not as such be entitled to receive notice of, attend or vote at any meeting of the shareholders of the Company. Holders of preference shares will be entitled to preference with respect to payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, on such shares over the common shares of the Company and over any other shares ranking junior to the preference shares.

- (b) In November 2013, the Company entered into an equity distribution agreement with Roth Capital Partners, LLC (“Roth”), pursuant to which the Company originally could from time to time sell up to 530,548 of the Company’s common shares for up to an aggregate of \$16.8 million (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations) through at-the-market issuances on Nasdaq or otherwise. Under the equity distribution agreement, the Company was able at its discretion, from time to time, offer and sell common shares through Roth or directly to Roth for resale to the extent permitted under Rule 415 under the Securities Act of 1933, as amended, at such time and at such price as were acceptable to the Company by means of ordinary brokers’ transactions on Nasdaq or otherwise at market prices prevailing at the time of sale or as determined by the Company. The Company has paid Roth a commission, or allowed a discount, of 2.75% of the gross proceeds that the Company received from any sales of common shares under the equity distribution agreement. The Company also agreed to reimburse Roth for certain expenses relating to the at-the-market offering program.

During the year ended November 30, 2019, an aggregate of Nil (2018 – Nil; 2017 – 110,815) common shares were sold on Nasdaq for gross proceeds of \$Nil (2018- \$Nil; 2017 - \$2,541,640), with net proceeds to the Company of \$Nil (2018 - \$Nil; 2017 - \$2,468,474), respectively, under the at-the-market offering program.

In March 2018, the Company terminated its continuous offering under the prospectus supplement dated July 18, 2017 and prospectus dated July 17, 2017 in respect of its at-the-market program.

The underwriting agreement relating to the October 2018 offering described in Note 10(f) restricts the Company’s ability to use this equity distribution agreement. It contains a prohibition on the Company: (i) for a period of two years following the date of the underwriting agreement, from directly or indirectly in any at-the-market or continuous equity transaction, offer to sell, or otherwise dispose

Intellipharma International Inc.

Notes to the consolidated financial statements
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10. Capital stock (continued)

Authorized, issued and outstanding (continued)

of shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for its shares of capital stock or (ii) for a period of five years following the closing, effecting or entering into an agreement to effect any issuance by the Company of common shares or common share equivalents involving a certain variable rate transactions under an at-the-market offering agreement, whereby the Company may issue securities at a future determined price, except that, on or after the date that is two years after the closing, the Company may enter into an at-the-market offering agreement.

- (c) Direct costs related to the Company's filing of a base shelf prospectus filed in May 2014 and declared effective in June 2014, direct costs related to the base shelf prospectus filed in May 2017 and certain other on-going costs related to the at the-market facility are recorded as deferred offering costs and are being amortized and recorded as share issuance costs against share offerings. For the year ended November 30, 2019, the Company recorded \$Nil (2018 - \$Nil - 2017 - \$137,363) as a financing cost in the statements of operations and comprehensive loss related to the base shelf prospectus filed in May 2014 and expired in July 2017 and to the at-the-market facility. For the year ended November 30, 2019, costs directly related to the at the-market facility of \$Nil (2018 - \$Nil; 2017 - \$73,166) were recorded in share offering costs and \$Nil (2018 - \$337,887; 2017 - \$220,573) of deferred costs were amortized and recorded in share offering costs related to the at the-market facility and base shelf prospectus. For the year ended November 30, 2019, the Company recorded \$Nil (2018 - \$174,802) as a financing cost in the statements of operations and comprehensive loss related to the at-the-market offering program filed in November 2013.
- (d) In October 2017, the Company completed a registered direct offering of 363,636 common shares at a price of \$11.00 per share. The Company also issued to the investors warrants to purchase an aggregate of 181,818 common shares (the "October 2017 Warrants"). The warrants became exercisable six months following the closing date, will expire 30 months after the date they became exercisable, have a term of three years and have an exercise price of \$12.50 per common share. The Company also issued to the placement agents warrants to purchase 18,181 common shares at an exercise price of \$13.75 per share (the "October 2017 Placement Agent Warrants"). The holders of October 2017 Warrants and October 2017 Placement Agent Warrants are entitled to a cashless exercise under which the number of shares to be issued will be based on the number of shares for which warrants are exercised times the difference between the market price of the common share and the exercise price divided by the market price. The October 2017 Warrants and the October 2017 Placement Agent Warrants are considered to be indexed to the Company's own stock and are therefore classified as equity under ASC topic 480 Distinguishing Liabilities from Equity.

The Company recorded \$3,257,445 as the value of common shares under Capital stock and \$742,555 as the value of the October 2017 Warrants under Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency). The Company has disclosed the terms used to value the warrants in Note 14.

The direct costs related to the issuance of the common shares, October 2017 Warrants and October 2017 Placement Agent Warrants were \$500,492 and were recorded as an offset against the consolidated statements of shareholders' equity (deficiency) with \$391,580 being recorded under Capital stock and \$108,912 being recorded under Additional paid-in capital.

- (e) In March 2018, the Company completed two registered direct offerings of an aggregate of 883,333 common shares at a price of \$6.00 per share. The Company also issued to the investors warrants to purchase an aggregate of 441,666 common shares (the "March 2018 Warrants"). The warrants became exercisable six months following the closing date, will expire 30 months after the date they became exercisable, and have an exercise price of \$6.00 per common share. The Company also issued to the placement agents warrants to purchase 44,166 common shares at an exercise price of \$7.50 per share (the "March 2018 Placement Agent Warrants"). The holders of March 2018 Warrants and March 2018 Placement Agent Warrants are entitled to a cashless exercise under which the number of shares to be issued will be based on the number of shares for which warrants

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10. Capital stock (continued)

Authorized, issued and outstanding (continued)

are exercised times the difference between the market price of the common share and the exercise price divided by the market price. The March 2018 Warrants and March 2018 Placement Agent Warrants are considered to be indexed to the Company's own stock and are therefore classified as equity under ASC topic 480 Distinguishing Liabilities from Equity.

The Company recorded \$4,184,520 as the value of common shares under Capital stock and \$1,115,480 as the value of the March 2018 Warrants under Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency). The Company has disclosed the terms used to value the warrants in Note 14.

The direct costs related to the issuance of the common shares and warrants were \$831,357 including the cost of warrants issued to the placement agents. These direct costs were recorded as an offset against the consolidated statements of shareholders' equity (deficiency) with \$656,383 being recorded under Capital stock and \$174,974 being recorded under Additional paid-in capital.

- (f) In October 2018, the Company completed an underwritten public offering in the United States, resulting in the sale to the public of 827,970 Units at \$0.75 per Unit, which were comprised of one common share and one warrant (the "2018 Unit Warrants") exercisable at \$0.75 per share. The Company concurrently sold an additional 1,947,261 common shares and warrants to purchase 2,608,695 common shares exercisable at \$0.75 per share (the "2018 Option Warrants") pursuant to the overallotment option exercised in part by the underwriter. The price of the common shares issued in connection with exercise of the overallotment option was \$0.74 per share and the price for the warrants issued in connection with the exercise of the overallotment option was \$0.01 per warrant, less in each case the underwriting discount. In addition, the Company issued 16,563,335 pre-funded units ("2018 Pre-Funded Units"), each 2018 Pre-Funded Unit consisting of one pre-funded warrant (a "2018 Pre-Funded Warrant") to purchase one common share and one warrant (a "2018 Warrant", and together with the 2018 Unit Warrants and the 2018 Option Warrants, the "2018 Firm Warrants") to purchase one common share. The 2018 Pre-Funded Units were offered to the public at \$0.74 each and a 2018 Pre-Funded Warrant is exercisable at \$0.01 per share. Each 2018 Firm Warrant is exercisable immediately and has a term of five years and each 2018 Pre-Funded Warrant is exercisable immediately and until all 2018 Pre-Funded Warrants are exercised. The Company also issued warrants to the placement agents to purchase 1,160,314 common shares at an exercise price of \$0.9375 per share (the "October 2018 Placement Agent Warrants"), which were exercisable immediately upon issuance. In aggregate, the Company issued 2,775,231 common shares, 16,563,335 2018 Pre-Funded Warrants and 20,000,000 2018 Firm Warrants in addition to 1,160,314 October 2018 Placement Agent Warrants.

The Company raised \$14,344,906 in gross proceeds as part of October 2018 underwritten public offering. The Company recorded \$1,808,952 as the value of common shares under Capital stock and \$279,086 as the value of the 2018 Firm Warrants and \$12,256,868 as the value of the 2018 Pre-Funded Warrants under Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency).

During the year ended November 30, 2018, 12,153,334 2018 Pre-Funded Warrants were exercised for proceeds of \$121,553, and the Company recorded a charge of \$4,262,526 from Additional paid-in capital to common shares under Capital stock. During the year ended November 30, 2019, 2,793,334 common shares were issued upon the exercise of 2018 Pre-Funded Warrants and 1,030,000 common shares were issued in respect of 2018 Pre-Funded Warrants which were exercised as of November 30, 2018 but for which common shares were not yet issued as of November 30, 2018 for proceeds of \$27,953 and the Company recorded a charge of \$979,705 from Additional paid-in capital to common shares under Capital stock. The Company has disclosed the terms used to value these warrants in Note 14.

Intellipharmaeueuties International Inc.

Notes to the consolidated financial statements
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10. Capital stock (continued)

Authorized, issued and outstanding (continued)

The direct costs related to the issuance of the common shares and warrants issued in October 2018 were \$2,738,710 including the cost of October 2018 Placement Agent Warrants in the amount of \$461,697. These direct costs were recorded as an offset against the consolidated statements of shareholders' equity (deficiency) with \$345,363 being recorded under Capital stock and \$2,393,347 being recorded under Additional paid-in capital.

- (g) In July 2019, the company issued 10,279 common shares upon the exercise of 10,279 Deferred Share Units. The Company recorded a charge of \$225,612 from Additional paid-in capital to common shares under Capital stock.

11. Options

All grants of options to employees after October 22, 2009 are made from the Employee Stock Option Plan (the "Employee Stock Option Plan"). The maximum number of common shares issuable under the Employee Stock Option Plan is limited to 10% of the issued and outstanding common shares of the Company from time to time, or 2,208,585 based on the number of issued and outstanding common shares as at November 30, 2019. As at November 30, 2019, 2,077,435 options are outstanding and there were 131,150 options available for grant under the Employee Stock Option Plan. Each option granted allows the holder to purchase one common share at an exercise price not less than the closing price of the Company's common shares on the TSX on the last trading day prior to the grant of the option. Options granted under these plans typically have a term of 5 years with a maximum term of 10 years and generally vest over a period of up to three years.

In August 2004, the Board of Directors of IPC Ltd. approved a grant of 276,394 performance-based stock options, to two executives who were also the principal shareholders of IPC Ltd. The vesting of these options is contingent upon the achievement of certain performance milestones. A total of 276,394 performance-based stock options have vested as of November 30, 2019. Under the terms of the original agreement these options were to expire in September 2014. Effective March 27, 2014, the Company's shareholders approved the two-year extension of the performance-based stock option expiry date to September 2016. Effective April 19, 2016, the Company's shareholders approved a further two-year extension of the performance-based stock option expiry date to September 2018. Effective May 15, 2018, the Company's shareholders approved a further two-year extension of the performance-based stock option expiry date to September 2020. These options were outstanding as at November 30, 2019.

In the year ended November 30, 2019, 1,687,000 (2018 – Nil; 2017 - 37,600) stock options were granted to management and other employees and 200,000 (2018 – Nil; 2017 - 12,000) stock options were granted to members of the Board of Directors.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes Option-Pricing Model, consistent with the provisions of ASC topic 718. Option pricing models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. The Company uses its own volatility to calculate the fair value of the options granted during the year. The expected term, which represents the period of time that options granted are expected to be outstanding, is estimated based on the historical average of the term and historical exercises of the options. The risk-free rate assumed in valuing the options is based on the U.S. treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is Nil as the Company is not expected to pay dividends in the foreseeable future.

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11. Options (continued)

The weighted average fair value of employee stock options granted was estimated using the following assumptions:

	November 30, 2019	November 30, 2018	November 30, 2017
Volatility	93.90%- 111.93%	-	71.70%
Risk-free interest rate	1.62%-1.90%	-	1.56%
Expected life (in years)	5.78 - 10.00	-	5.49
Dividend yield	-	-	-
The weighted average grant date fair value of options granted	<u>\$ 0.22 - \$0.28</u>	<u>-</u>	<u>\$ 7.50</u>

Details of stock option transactions in Canadian dollars ("C\$") are as follows:

	November 30, 2019			November 30, 2018			November 30, 2017		
	Number of options	Weighted average exercise price per share \$	Weighted average grant date fair value \$	Number of options	Weighted average exercise price per share \$	Weighted average grant date fair value \$	Number of options	Weighted average exercise price per share \$	Weighted average grant date fair value \$
Outstanding, beginning of year	555,651	37.70	19.33	582,811	36.93	19.37	539,246	34.80	18.80
Granted	1,887,000	0.35	0.26	-	-	-	49,600	11.70	7.50
Exercised	-	-	-	-	-	-	(200)	23.20	12.00
Forfeiture	(28,432)	1.41	0.80	(25,533)	20.36	14.19	-	-	-
Expired	(60,390)	31.54	14.27	(1,627)	291.07	228.92	(5,835)	126.40	96.00
Balance, end of year	<u>2,353,829</u>	<u>8.35</u>	<u>4.30</u>	<u>555,651</u>	<u>37.70</u>	<u>19.33</u>	<u>582,811</u>	<u>36.93</u>	<u>19.37</u>
Options exercisable, end of year	<u>1,122,189</u>	<u>17.12</u>	<u>8.75</u>	<u>544,619</u>	<u>38.23</u>	<u>19.59</u>	<u>522,106</u>	<u>38.01</u>	<u>20.06</u>

As of November 30, 2019, the exercise prices, weighted average remaining contractual life of outstanding options and weighted average grant date fair values were as follows:

Exercise price	Number outstanding	Weighted average exercise price per share \$	Weighted average remaining contract life (years) \$	Options outstanding Weighted average grant date fair value \$	Number exercisable	Weighted average exercise price per share \$	Options exercisable Weighted average grant date fair value \$
Under 25	1,951,635	1.21	0.08	0.71	719,995	3.50	1.50
26.00 - 50.00	402,194	34.77	1.13	18.65	402,194	34.77	18.64
	<u>2,353,829</u>	<u>8.35</u>	<u>-</u>	<u>-</u>	<u>1,122,189</u>	<u>17.12</u>	<u>-</u>

Total unrecognized compensation cost relating to the unvested performance-based stock options at November 30, 2019 is \$Nil (2018 - \$Nil; 2017 - \$788,887).

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11. Options (continued)

For the year ended November 30, 2019 and 2018, no options were exercised. For the year ended November 30, 2017, 200 options were exercised for cash consideration of \$1,742.

The following table summarizes the components of stock-based compensation expense.

	November 30, 2019	November 30, 2018	November 30, 2017
	\$	\$	\$
Research and development	212,357	883,064	1,654,051
Selling, general and administrative	52,211	44,622	95,948
	<u>264,568</u>	<u>927,686</u>	<u>1,749,999</u>

The Company has estimated its stock option forfeitures to be approximately 4% at November 30, 2019 (2018 - 4%; 2017 - 4%).

12. Deferred share units

Effective May 28, 2010, the Company's shareholders approved a Deferred Share Unit ("DSU") Plan to grant DSUs to its non-management directors and reserved a maximum of 11,000 common shares for issuance under the plan. The DSU Plan permits certain non-management directors to defer receipt of all or a portion of their board fees until termination of the board service and to receive such fees in the form of common shares at that time. A DSU is a unit equivalent in value to one common share of the Company based on the trading price of the Company's common shares on the TSX.

Upon termination of board service, the director will be able to redeem DSUs based upon the then market price of the Company's common shares on the date of redemption in exchange for any combination of cash or common shares as the Company may determine.

During the year ended November 30, 2019, no non-management board members elected to receive director fees in the form of DSUs under the Company's DSU Plan. During the year ended November 30, 2018, one non-management board member elected to receive director fees in the form of DSUs under the Company's DSU Plan. As at November 30, 2019, Nil (2018 - 10,279) DSUs are outstanding and 11,000 (2018 - 721) DSUs are available for grant under the DSU Plan. The Company recorded the following amounts related to DSUs for each of the three years ended November 30, 2019, 2018 and 2017 in Additional paid-in capital and accrued the following amounts as at November 30, 2019, 2018 and 2017:

	November 30, 2019		November 30, 2018		November 30, 2017	
	\$	shares	\$	shares	\$	shares
Additional paid in capital	-	-	7,565	866	30,355	1,738
Accrued liability	-	-	-	-	7,562	866

During the year ended November 30, 2019, 10,279 DSU's were exercised and the Company recorded a charge of \$225,612 from Additional paid-in capital to common shares under Capital stock.

13. Restricted share units

Effective May 28, 2010, the Company's shareholders approved a Restricted Share Unit ("RSU") Plan for officers and employees of the Company and reserved a maximum of 33,000 common shares for issuance under the plan. The RSU Plan will form part of the incentive compensation arrangements available to officers and employees of the Company and its designated affiliates. An RSU is a unit equivalent in value to one common share of the Company. Upon vesting of the RSUs and the corresponding issuance of common shares to the participant, or on the forfeiture and cancellation of the RSUs, the RSUs credited to the participant's account will be cancelled. No RSUs have been issued under the plan.

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14. Warrants

All of the Company's outstanding warrants are considered to be indexed to the Company's own stock and are therefore classified as equity under ASC 480. The warrants, in specified situations, provide for certain compensation remedies to a holder if the Company fails to timely deliver the shares underlying the warrants in accordance with the warrant terms.

In the underwritten public offering completed in June 2016, gross proceeds of \$5,200,000 were received through the sale of the Company's units comprised of common shares and warrants. The Company issued at the initial closing of the offering an aggregate of 322,981 common shares and warrants to purchase an additional 161,490 common shares, at a price of \$16.10 per unit. The warrants are currently exercisable, have a term of five years and an exercise price of \$19.30 per common share. The underwriter also purchased at such closing additional warrants (collectively with the warrants issued at the initial closing, the "June 2016 Warrants") at a purchase price of \$0.01 per warrant to acquire 24,223 common shares pursuant to the overallotment option exercised in part by the underwriter. The fair value of the June 2016 Warrants of \$1,175,190 was initially estimated at closing using the Black-Scholes Option Pricing Model, using volatility of 64.1%, risk free interest rate of 0.92%, expected life of 5 years, and dividend yield of Nil. The June 2016 Warrants currently outstanding are detailed below.

In the registered direct offering completed in October 2017, gross proceeds of \$4,000,000 were received through the sale of the Company's common shares and warrants. The Company issued at the closing of the offering an aggregate of 363,636 common shares at a price of \$11.00 per share and warrants to purchase an additional 181,818 common shares (the "October 2017 Warrants"). The October 2017 Warrants became exercisable six months following the closing date, will expire 30 months after the date they became exercisable, and have an exercise price of \$12.50 per common share. The Company also issued the October 2017 Placement Agents Warrants to purchase 18,181 common shares at an exercise price of \$13.75 per share. The holders of October 2017 Warrants and October 2017 Placement Agent Warrants are entitled to a cashless exercise under which the number of shares to be issued will be based on the number of shares for which warrants are exercised times the difference between the market price of the common share and the exercise price divided by the market price. The fair value of the October 2017 Warrants of \$742,555 was initially estimated at closing using the Black-Scholes Option Pricing Model, using volatility of 73.67%, risk free interest rate of 1.64%, expected life of 3 years, and dividend yield of Nil.

The fair value of the October 2017 Placement Agents Warrants was estimated at \$86,196 using the Black-Scholes Option Pricing Model, using volatility of 73.67%, a risk-free interest rate of 1.64%, an expected life of 3 years, and a dividend yield of Nil.

The October 2017 Warrants and the October 2017 Placement Agent Warrants currently outstanding are detailed below.

In the two registered direct offerings completed in March 2018, gross proceeds of \$5,300,000 were received through the sale of the Company's common shares and warrants. The Company issued at the closing of the offering an aggregate of 883,333 common shares at a price of \$6.00 per share and the March 2018 Warrants to purchase an additional 441,666 common shares. The March 2018 Warrants became exercisable six months following the closing date, will expire 30 months after the date they became exercisable and have an exercise price of \$6.00 per common share. The Company also issued the March 2018 Placement Agent Warrants to purchase 44,166 common shares at an exercise price of \$7.50 per share. The holders of March 2018 Warrants and March 2018 Placement Agent Warrants are entitled to a cashless exercise under which the number of shares to be issued will be based on the number of shares for which warrants are exercised times the difference between the market price of the common share and the exercise price divided by the market price. The fair value of the March 2018 Warrants of \$1,115,480 was initially estimated at closing using the Black-Scholes Option Pricing Model, using volatility of 70%, risk free interest rates of 2.44% and 2.46%, expected life of 3 years, and dividend yield of Nil.

The fair value of the March 2018 Placement Agent Warrants was estimated at \$141,284 using the Black-Scholes Option Pricing Model, using volatility of 70%, risk free interest rates of 2.44% and 2.46%, an expected life of 3 years, and a dividend yield of Nil. The March 2018 Warrants and the March 2018 Placement Agent Warrants currently outstanding are detailed below.

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14. Warrants (continued)

In October 2018, the Company completed an underwritten public offering in the United States, resulting in the sale to the public of 827,970 Units at \$0.75 per Unit, which are comprised of one common share and one 2018 Unit Warrant (as defined above) exercisable at \$0.75 per share. The Company concurrently sold an additional 1,947,261 common shares and 2018 Option Warrants to purchase 2,608,695 common shares exercisable at \$0.75 per share pursuant to the overallotment option exercised in part by the underwriter. The price of the common shares issued in connection with exercise of the overallotment option was \$0.74 per share and the price for the warrants issued in connection with the exercise of the overallotment option was \$0.01 per warrant, less in each case the underwriting discount. In addition, the Company issued 16,563,335 2018 Pre-Funded Units (as defined above), each 2018 Pre-Funded Unit consisting of one 2018 Pre-Funded Warrant (as defined above) to purchase one common share and one 2018 Warrant (as defined above) to purchase one common share. The 2018 Pre-Funded Units were offered to the public at \$0.74 each and a 2018 Pre-Funded Warrant is exercisable at \$0.01 per share. Each 2018 Firm Warrant is exercisable immediately and has a term of five years and each 2018 Pre-Funded Warrant is exercisable immediately and until all 2018 Pre-Funded Warrants are exercised. The Company also issued the October 2018 Placement Agent Warrants to the placement agents to purchase 1,160,314 common shares at an exercise price of \$0.9375 per share, which were exercisable immediately upon issuance. In aggregate, in October 2018, the Company issued 2,775,231 common shares, 16,563,335 2018 Pre-Funded Warrants and 20,000,000 2018 Firm Warrants in addition to 1,160,314 October 2018 Placement Agent Warrants.

The fair value of the 2018 Firm Warrants of \$279,086 was initially estimated at closing using the Black-Scholes Option Pricing Model, using volatility of 92%, risk free interest rate of 3.02%, expected life of 5 years, and dividend yield of Nil. The fair value of the October 2018 Placement Agents Warrants was estimated at \$461,697 using the Black-Scholes Option Pricing Model, using volatility of 92%, risk free interest rate of 3.02%, an expected life of 5 years, and a dividend yield of Nil.

The fair value of the 2018 Pre-Funded Warrant of \$12,256,868 and the fair value of the 2018 Firm Warrants of \$279,086, respectively, were recorded under Additional paid-in capital in the consolidated statements of shareholders' equity (deficiency).

During the year ended November 30, 2019, 2,793,334 (2018 – 12,153,334) 2018 Pre-Funded Warrants were exercised for proceeds of \$27,953 (2018 - \$121,553), and the Company recorded a charge of \$979,705 (2018 - \$4,262,526) from Additional paid-in capital to common shares under Capital stock. During the year ended November 30, 2019, 1,030,000 common shares were issued in respect of 2018 Pre-Funded Warrants which were exercised as of November 30, 2018 but for which common shares were not yet issued as of November 30, 2018.

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14. Warrants (continued)

As at November 30, 2019, 1,616,667 2018 Pre-Funded Warrants are outstanding which are exercisable immediately at \$0.01 per share. In addition, the following table provides information on the 23,740,290 warrants including 2018 Firm Warrants outstanding and exercisable as of November 30, 2019:

Warrant	Exercise price	Number outstanding	Expiry	Shares issuable upon exercise
June 2016 Warrants	\$ 19.30	277,478	June 02, 2021	138,739
October 2017 Warrants	\$ 12.50	181,818	October 13, 2020	181,818
October 2017 Placement Agent Warrants	\$ 13.75	18,181	October 13, 2020	18,181
March 2018 Warrants	\$ 6.00	291,666	March 16, 2021	291,666
March 2018 Warrants	\$ 6.00	150,000	March 21, 2021	150,000
March 2018 Placement Agent Warrants	\$ 7.50	29,166	March 16, 2021	29,166
March 2018 Placement Agent Warrants	\$ 7.50	15,000	March 21, 2021	15,000
2018 Firm Warrants	\$ 0.75	20,000,000	October 16, 2023	20,000,000
2018 Pre-Funded Warrants	\$ 0.01	1,616,667	October 16, 2023	1,616,667
October 2018 Placement Agent Warrants	\$ 0.9375	1,160,314	October 16, 2023	1,160,314
		<u>23,740,290</u>		<u>23,601,551</u>

During the year ended November 30, 2019, other than 2018 Pre-Funded Warrants as noted above, there were no cash exercises in respect of warrants (2018 – Nil) and no cashless exercise (2018 - Nil) of warrants, resulting in the issuance of Nil (2018 – Nil) and Nil (2018 - Nil) common shares, respectively.

Details of warrant transactions for the years ended November 30, 2019 and 2018 are as follows:

	Outstanding, December 1, 2018	Issued	Expired	Exercised	Outstanding, November 30, 2019
June 2016 Warrants	277,478	-	-	-	277,478
October 2017 Warrants	181,818	-	-	-	181,818
October 2017 Placement Agent Warrants	18,181	-	-	-	18,181
March 2018 Warrants	441,666	-	-	-	441,666
March 2018 Placement Agent Warrants	44,166	-	-	-	44,166
2018 Firm Warrants	20,000,000	-	-	-	20,000,000
2018 Pre-Funded Warrants	4,410,001	-	-	(2,793,334)	1,616,667
October 2018 Placement Agent Warrants	1,160,314	-	-	-	1,160,314
	<u>26,533,624</u>	<u>-</u>	<u>-</u>	<u>(2,793,334)</u>	<u>23,740,290</u>

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14. Warrants (continued)

	Outstanding, December 1, 2017	Issued	Expired	Exercised	Rounding on consolidation	Outstanding, November 30, 2018
March 2013 Warrants	149,174	-	(149,174)	-	-	-
July 2013 Warrants	87,000	-	(87,000)	-	-	-
June 2016 Warrants	277,872	-	-	-	(394)	277,478
October 2017 Warrants	181,818	-	-	-	-	181,818
October 2017 Placement						
Agent Warrants	18,181	-	-	-	-	18,181
March 2018 Warrants	-	441,666	-	-	-	441,666
March 2018 Placement						
Agent Warrants	-	44,166	-	-	-	44,166
2018 Firm Warrants	-	20,000,000	-	-	-	20,000,000
2018 Pre-Funded Warrants	-	16,563,335	-	(12,153,334)	-	4,410,001
October 2018 Placement						
Agent Warrants	-	1,160,314	-	-	-	1,160,314
	<u>714,045</u>	<u>38,209,481</u>	<u>(236,174)</u>	<u>(12,153,334)</u>	<u>(394)</u>	<u>26,533,624</u>

15. Income taxes

The Company files Canadian income tax returns for its Canadian operations. Separate income tax returns are filed as locally required.

The total provision for income taxes differs from the amount which would be computed by applying the Canadian income tax rate to loss before income taxes. The reasons for these differences are as follows:

	November 30, 2019	November 30, 2018	November 30, 2017
	%	%	%
Statutory income tax rate	26.5	26.5	26.5
	\$	\$	\$
Statutory income tax recovery	(2,143,853)	(3,643,080)	(2,347,222)
Increase (decrease) in income taxes			
Non-deductible expenses/ non-taxable income	79,210	263,650	488,769
Change in valuation allowance	2,425,721	4,861,770	2,128,819
Investment tax credit	(364,955)	(466,052)	-
Financing costs booked to equity	-	(1,049,430)	(269,715)
Difference in foreign tax rates	(1,487)	290	(651)
True up of tax returns	-	11,029	-
Tax loss expired and other	-	21,823	-
Income tax recovery	<u>(5,364)</u>	<u>-</u>	<u>-</u>

The Company's income tax recovery is allocated as follows:

Current tax expense	5,678	-	-
Deferred tax recovery	<u>(11,042)</u>	<u>-</u>	<u>-</u>

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15. Income taxes (continued)

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities and certain carry-forward balances. Significant temporary differences and carry-forwards are as follows:

	November 30, 2019	November 30, 2018
	\$	\$
Deferred tax assets		
Non-capital loss carry-forwards	13,031,063	11,847,710
Book and tax basis differences on assets and liabilities	1,151,545	1,041,360
Other	1,514,224	2,884,013
Investment tax credit	3,759,118	3,354,760
Undeducted research and development expenditures	5,366,539	4,870,130
Capital loss carryforwards	322,983	326,060
Share issuance cost	813,208	1,152,750
	<u>25,958,680</u>	<u>25,476,783</u>
Deferred tax liabilities		
Unrealized foreign exchange gain	(279,062)	(282,138)
Convertible debentures	(14,627)	(15,805)
	<u>(293,689)</u>	<u>(297,943)</u>
Valuation allowances for deferred tax assets	<u>(25,664,991)</u>	<u>(25,178,840)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>
Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.		
Movement in net deferred tax assets (liabilities):		
	2019	2018
	\$	\$
Balance at the beginning of the year	-	-
Recognized in profit/loss	(11,042)	-
Recognized in shareholders' equity	11,042	-
Balance at the end of the year	<u>-</u>	<u>-</u>

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15. Income taxes (continued)

At November 30, 2019, the Company had cumulative operating losses available to reduce future years' income for income tax purposes:

Canadian income tax losses expiring in the year ended November 30,	Federal \$
2028	182,222
2029	555,539
2030	3,373,079
2031	5,532,739
2032	5,750,053
2033	4,562,538
2034	149,927
2035	2,634,823
2036	3,404,504
2037	4,328,444
2038	10,931,052
2039	7,768,905
	<u>49,173,825</u>

The Company has had no taxable income under the Federal and Provincial tax laws of Canada for the year ended November 30, 2019. The Company has non-capital loss carry-forwards at November 30, 2019, totaling \$49,173,825 in Canada that must be offset against future taxable income. If not utilized, the loss carry-forwards will expire between 2028 and 2039.

At November 30, 2019, the Company had a cumulative carry-forward pool of Canadian Federal Scientific Research & Experimental Development expenditures in the amount of \$20,251,089 (2018 - \$18,377,849) which can be carried forward indefinitely.

At November 30, 2019, the Company had approximately \$3,773,333 (2018 - \$3,483,828) of unclaimed Investment Tax Credits which expire from 2025 to 2039. These credits are subject to a full valuation allowance as they are not more likely than not to be realized.

The net deferred tax assets have been fully offset by a valuation allowance because it is not more likely than not the Company will realize the benefit of these deferred tax assets. The Company does not have any recognized tax benefits as of November 30, 2019 or November 30, 2018.

The Company files unconsolidated federal income tax returns domestically and in foreign jurisdictions. The Company has open tax years from 2009 to 2019 with tax jurisdictions including Canada and the U.S. These open years contain certain matters that could be subject to differing interpretations of applicable tax laws and regulations, as they relate to amount, timing, or inclusion of revenues and expenses.

The Company had no accrued interest and penalties as of November 30, 2019, 2018 and 2017.

16. Contingencies

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at November 30, 2019, and continuing as at February 28, 2020, the Company is not aware of any pending or threatened material litigation claims against the Company, other than as described below.

In November 2016, the Company filed an NDA for our Oxycodone ER product candidate, relying on the 505(b)(2) regulatory pathway, which allowed us to reference data from Purdue's file for its OxyContin® extended release oxycodone hydrochloride. Our Oxycodone ER application was accepted by the FDA for further review in February 2017. The Company certified to the FDA that it believed that its Oxycodone ER

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16. Contingencies (continued)

product candidate would not infringe any of the OxyContin® patents listed in the Orange Book, or that such patents are invalid, and so notified Purdue and the other owners of the subject patents listed in the Orange Book of such certification.

On April 7, 2017, the Company received notice that the Purdue litigation plaintiffs had commenced patent infringement proceedings against us in the U.S. District Court for the District of Delaware (docket number 17-392) in respect of its NDA filing for Oxycodone ER, alleging that its proposed Oxycodone ER infringes 6 out of the 16 patents associated with the branded product OxyContin®, or the OxyContin® patents, listed in the Orange Book. The complaint seeks injunctive relief as well as attorneys' fees and costs and such other and further relief as the Court may deem just and proper. An answer and counterclaim have been filed.

Subsequent to the above-noted filing of lawsuit, 4 further such patents were listed and published in the Orange Book. The Company then similarly certified to the FDA concerning such further patents. On March 16, 2018, the Company received notice that the Purdue litigation plaintiffs had commenced further such patent infringement proceedings against us adding the 4 further patents. This lawsuit is also in the District of Delaware federal court under docket number 18-404.

As a result of the commencement of the first of these legal proceedings, the FDA is stayed for 30 months from granting final approval to our Oxycodone ER product candidate. That time period commenced on February 24, 2017, when the Purdue litigation plaintiffs received notice of the Company's certification concerning the patents, and will expire on August 24, 2019, unless the stay is earlier terminated by a final declaration of the courts that the patents are invalid, or are not infringed, or the matter is otherwise settled among the parties.

On or about June 26, 2018 the court issued an order to sever 6 "overlapping" patents from the second Purdue case, but ordered litigation to proceed on the 4 new (2017-issued) patents. An answer and counterclaim were filed on July 9, 2018. The existence and publication of additional patents in the Orange Book, and litigation arising therefrom, is an ordinary and to be expected occurrence in the course of such litigation.

On July 6, 2018 the court issued a claims construction on the first case which the Company believe does not weaken the case.

On July 24, 2018, the parties to the case mutually agreed to dismiss the infringement claims related to the Grünenthal '060 patent. The Grünenthal '060 patent is one of the six patents included in the original litigation case, however, the dismissal does not by itself result in a termination of the 30-month litigation stay. Infringement claims related to this patent have been dismissed without prejudice.

On October 4, 2018, the parties to the 17-392 docket case mutually agreed to postpone the scheduled court date pending a case status conference scheduled for December 17, 2018. At that time, further trial scheduling and other administrative matters were postponed pending the Company's anticipated resubmission of the Oxycodone ER NDA. That filing was timely filed at the end of February 2019. The trial in the 17-392 case was scheduled for November 12, 2019. On January 17, 2019, the court issued a scheduling order in 18-404 that schedules the remaining major portions. The trial in the 18-404 case was scheduled for June 2020.

The U.S. Federal Circuit Court of Appeal affirmed On April 4, 2019 the invalidity of one Purdue oxycontin patent. The patent is: 9,060,976. This patent claimed a core matrix containing PEO and magnesium stearate, which is then heated. The patent was nominally in our 17-392 and 18-404 cases. The invalidity ruling reduces yet another patent from the overall equation. However, it does not, by itself, eliminate the 30 month litigation stay in either docketed case.

On October 3, 2019 following the filing of a bankruptcy stay by Purdue Pharma, the ongoing litigation cases number 1:17-cv-00392-RGA and 1:18-cv-00404-RGA-SRF between Purdue Pharma L.P. et al and Intellipharmaceutics International have been stayed and the existing dates in both cases vacated by an

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16. Contingencies (continued)

order issued by the courts in the District of Delaware. No new dates were given for reinstatement; however, the parties are required to provide a further status report no later than March 13, 2020.

The current 30-month regulatory stay date for FDA of March 2, 2020 remains unchanged at this time, absent a further order of the judge.

The Company is confident that it does not infringe any of the subject patents in either of the two cases and will vigorously defend against these claims.

In July 2017, three complaints were filed in the U.S. District Court for the Southern District of New York that were later consolidated under the caption *Shanawaz v. Intellipharmaceutics Int'l Inc., et al.*, No. 1:17-cv-05761 (S.D.N.Y.). The lead plaintiffs filed a consolidated amended complaint on January 29, 2018. In the amended complaint, the lead plaintiffs assert claims on behalf of a putative class consisting of purchasers of our securities between May 21, 2015 and July 26, 2017. The amended complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making allegedly false and misleading statements or failing to disclose certain information regarding our NDA for Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets. The complaint seeks, among other remedies, unspecified damages, attorneys' fees and other costs, equitable and/or injunctive relief, and such other relief as the court may find just and proper.

On March 30, 2018, the Company and the other defendants filed a motion to dismiss the amended complaint for failure to state a valid claim. The defendants' motion to dismiss was granted in part, and denied in part, in an Order dated December 17, 2018. In its Order, the court dismissed certain of the plaintiffs' securities claims to the extent that the claims were based upon statements describing the Oxycodone ER product's abuse-deterrent features and its bioequivalence to OxyContin. However, the court allowed the claims to proceed to the extent plaintiffs challenged certain public statements describing the contents of the Company's Oxycodone ER NDA. Defendants filed an answer to the amended complaint on January 7, 2019. On February 5, 2019, the court held an initial pretrial conference and entered a scheduling order governing discovery and class certification. In an order entered at the parties request on May 9, 2019, the Court stayed proceedings in the action to permit the parties time to conduct a mediation. As a result of subsequent extensions, the stay was extended through October 10, 2019. The parties participated in a mediation on August 1, 2019, during which the parties tentatively agreed to the terms of a settlement of the action subject to the satisfaction of certain financial conditions by the Company. On October 10, 2019, the Company provided notice that it was not able to satisfy those conditions. As a result, it is possible that the parties will resume active litigation in the action in the near future. If a settlement does not go forward, the Company and the other defendants intend to vigorously defend themselves against the remainder of the claims asserted in the consolidated action.

On November 7, 2019, the Company announced that the parties in *Shanawaz v. Intellipharmaceutics International, Inc.*, an action pending in New York reached a settlement that is subject to the approval of the court following notice to class members. The stipulation of settlement provides for a settlement payment of US\$1.6 million, which Intellipharmaceutics anticipates will be funded by available insurance. As part of the settlement, the Company also agreed to contribute to the settlement fund specific anticipated Canadian tax refunds of up to US\$400,000 to the extent received within 18 months after the entry of final judgment. The stipulation acknowledges that the Company and the other defendants continue to deny that they committed any violation of the U.S. securities laws or engaged in any other wrongdoing and that they are entering into the settlement at this time based on the burden, expense, and inherent uncertainty of continuing the litigation.

Although the Company believes that the settlement represents a fair and reasonable compromise of the matters in dispute in the litigation, there can be no assurance that the court will approve the stipulation of settlement as proposed, or at all. If the stipulation of settlement is not approved or

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16. Contingencies (continued)

otherwise fails to become effective, then the parties will be returned to their respective positions in the litigation as of August 9, 2019.

On February 21, 2019, the Company and its CEO, Dr. Isa Odidi (“Defendants”), were served with a Statement of Claim filed in the Superior Court of Justice of Ontario (“Court”) for a proposed class action under the Ontario Class Proceedings Act (“Action”). The Action was brought by Victor Romita, the proposed representative plaintiff (“Plaintiff”), on behalf of a class of Canadian persons (“Class”) who traded shares of the Company during the period from February 29, 2016 to July 26, 2017 (“Period”). The Statement of Claim, under the caption *Victor Romita v. Intellipharmaceutics International Inc. and Isa Odidi*, asserts that the Defendants knowingly or negligently made certain public statements during the Period that contained or omitted material facts concerning Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets. The Plaintiff alleges that he and the Class suffered loss and damages as a result of their trading in the Company’s shares during the Period. The Plaintiff seeks, among other remedies, unspecified damages, legal fees and court and other costs as the Court may permit. On February 26, 2019, the Plaintiff delivered a Notice of Motion seeking the required approval from the Court, in accordance with procedure under the Ontario Securities Act, to allow the statutory claims under the Ontario Securities Act to proceed with respect to the claims based upon the acquisition or disposition of the Company’s shares on the TSX during the Period (“Motion”). On June 28, 2019, the Court endorsed a timetable for the exchange of material leading to the hearing of the Motion scheduled for January 27-28, 2020. No date has been set for the hearing of the certification application. On October 28, 2019, plaintiff’s counsel advised the court that the Plaintiff intended to amend his claim and could not proceed with the Leave Motion scheduled for January 27-28, 2020. As such the Court released those dates. On January 28, 2020 the plaintiff served an Amendment Motion. The proposed Fresh as Amended Statement of Claim purports, among other things, to include common law claims for misrepresentation and added an additional representative plaintiff. The plaintiff’s Amendment Motion has been scheduled for April 21, 2020. The hearing of the Leave Motion has not yet been rescheduled and no date has been set for the hearing of the certification application. The Defendants intend to vigorously defend the action and have filed a Notice of Intent to Defend.

On October 7, 2019, a complaint was filed in the U.S. District Court for the Southern District of New York by Alpha Capital Anstalt (“Alpha”) against the Company, two of its existing officers and directors and its former Chief Financial Officer. In the complaint, Alpha alleges that the Company and the executive officers/directors named in the complaint violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, by allegedly making false and misleading statements in the Company’s Registration Statement on Form F-1 filed with the U.S. Securities and Exchange Commission on September 20, 2018, as amended (the “Registration Statement”) by failing to disclose certain information regarding the resignation of the Company’s then Chief Financial Officer, which was announced several weeks after the Registration Statement was declared effective. In the complaint Alpha seeks unspecified damages, rescission of its purchase of the Company’s securities in the relevant offering, attorneys’ fees and other costs and further relief as the court may find just and proper. On December 12, 2019, the Company and the other defendants in the action filed a motion to dismiss for failure to state a claim. The Plaintiff filed an opposition to that motion on February 4, 2020 and briefing is scheduled to be complete on March 6, 2020 if they are served in the action. If they are served in the action, the Company and other defendants intend to defend against the allegations set forth in the complaint. However, there can be no assurance that the case can be resolved in the Company’s favor.

17. Financial instruments

(a) Fair values

The Company follows ASC topic 820, “Fair Value Measurements” which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC topic 820 apply to other accounting pronouncements that require or permit fair value measurements. ASC topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market

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17. Financial instruments (continued)

(a) Fair values (continued)

participants at the measurement date; and establishes a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

As of December 1, 2018, the Company has adopted ASU No. 2016-01, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The adoption did not have an impact on the date of transition and did not have a material impact on the consolidated financial statements for the year ended November 30, 2019.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the hierarchy are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs for asset or liabilities.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- (i) The Company calculates fair value of the options and warrants using its own historical volatility (Level 1).
- (ii) The Company calculates the interest rate for the conversion option based on the Company's estimated cost of raising capital (Level 2).

An increase/decrease in the volatility and/or a decrease/increase in the discount rate would have resulted in an increase/decrease in the fair value of the conversion option and warrants.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis are as follows:

	November 30, 2019		November 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Liabilities				
Convertible debentures ⁽ⁱ⁾	1,744,813	1,778,988	1,790,358	1,795,796
Promissory notes payable ⁽ⁱ⁾	159,863	159,863	-	-

- (i) The Company calculates the interest rate for the Debentures and promissory notes payable based on the Company's estimated cost of raising capital and uses the discounted cash flow model to calculate the fair value of the Debentures and the promissory notes payable.

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities and employee cost payable approximates their fair values because of the short-term nature of these instruments.

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17. Financial instruments (continued)

(b) Interest rate and credit risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates, relative to interest rates on cash and the convertible debenture due to the short-term nature of these obligations. Trade accounts receivable potentially subjects the Company to credit risk. The Company provides an allowance for doubtful accounts equal to the estimated losses expected to be incurred in the collection of accounts receivable. The following table sets forth details of the aged accounts receivable that are not overdue as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	November 30, 2019	November 30, 2018
	\$	\$
Total accounts receivable	177,202	305,912
Less allowance for doubtful accounts	-	(66,849)
Total accounts receivable, net	<u>177,202</u>	<u>239,063</u>
Not past due	177,202	239,063
Past due for more than 31 days but no more than 120 days	-	-
Past due for more than 120 days	-	66,849
Total accounts receivable, gross	<u>177,202</u>	<u>305,912</u>

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of uncollateralized accounts receivable. The Company's maximum exposure to credit risk is equal to the potential amount of financial assets. For the year ended November 30, 2019, two customers accounted for substantially all the revenue and one customer accounted for all the accounts receivable of the Company. For the year ended November 30, 2018, two customers accounted for substantially all the revenue and all the accounts receivable of the Company.

The Company is also exposed to credit risk at period end from the carrying value of its cash. The Company manages this risk by maintaining bank accounts with a Canadian Chartered Bank. The Company's cash is not subject to any external restrictions.

(c) Foreign exchange risk

The Company has balances in Canadian dollars that give rise to exposure to foreign exchange risk relating to the impact of translating certain non-U.S. dollar balance sheet accounts as these statements are presented in U.S. dollars. A strengthening U.S. dollar will lead to a foreign exchange loss while a weakening U.S. dollar will lead to a foreign exchange gain. For each Canadian dollar balance of \$1.0 million, a +/- 10% movement in the Canadian currency held by the Company versus the U.S. dollar would affect the Company's loss and other comprehensive loss by \$0.1 million.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet its commitments as they fall due. In meeting its liquidity requirements, the Company closely monitors its forecasted cash requirements with expected cash drawdown.

Intellipharma International Inc.

Notes to the consolidated financial statements
November 30, 2019, 2018 and 2017
(Stated in U.S. dollars)

17. Financial instruments (continued)

(d) *Liquidity risk*
(continued)

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at November 30, 2019:

	Less than 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Greater than 1 year	Total
	\$	\$	\$	\$	\$	\$
Accounts payable	3,757,018	-	-	-	-	3,757,018
Accrued liabilities (Note 6)	927,698	-	-	-	-	927,698
Income tax payable	5,678	-	-	-	-	5,678
	893,864	-	-	-	-	893,864
Convertible debentures (Note 7)	1,325,715	12,603	12,603	500,137	-	1,851,058
Promissory notes payable (Note 7)	159,863	-	-	-	-	159,863
Total contractual obligations	7,069,836	12,603	12,603	500,137	-	7,595,179

18. Segmented information

The Company's operations comprise a single reportable segment engaged in the research, development and manufacture of novel and generic controlled-release and targeted-release oral solid dosage drugs. As the operations comprise a single reportable segment, amounts disclosed in the financial statements for revenue, loss for the period, depreciation and total assets also represent segmented amounts. In addition, all of the Company's long-lived assets are in Canada. The Company's license and commercialization agreement with Par accounts for substantially all of the revenue of the Company.

	November 30, 2019	November 30, 2018	November 30, 2017
	\$	\$	\$
Revenue			
United States	3,480,516	1,712,731	5,504,452
	3,480,516	1,712,731	5,504,452
Total assets			
Canada	3,796,713	11,474,227	7,396,781
Total property and equipment			
Canada	2,273,406	2,755,993	3,267,551

EXHIBIT INDEX

Number	Exhibit
<u>1.1</u>	<u>Articles of Incorporation of the Company and certain Amendments thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Annual Report on Form 20-F for the fiscal year ended November 30, 2009 as filed on June 1, 2010)</u>
<u>1.2</u>	<u>Articles of Amendment to the Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of September 2018 as filed on September 13, 2018)</u>
<u>1.3</u>	<u>By-Laws of the Company (incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 20-F for the fiscal year ended November 30, 2009 as filed on June 1, 2010)</u>
<u>2(1)</u>	<u>Description of Securities</u>
<u>4.1</u>	<u>IPC Arrangement Agreement (incorporated herein by reference to Exhibit 4.1 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2009 as filed on June 1, 2010)</u>
<u>4.2</u>	<u>The acknowledgement and agreement of the Company dated October 22, 2009 to be bound by the performance based stock option agreement dated September 10, 2004 pursuant to which Drs. Isa and Amina Odidi are entitled to purchase up to 276,394 of the Company's shares upon payment of \$36.20 per share, subject to satisfaction of the performance vesting conditions (incorporated herein by reference to Exhibit 4.2 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2009 as filed on June 1, 2010)</u>
<u>4.3</u>	<u>The amended and restated promissory note dated October 22, 2009 for up to \$2,300,000 issued by Intellipharmaceutics Corp. to Isa Odidi and Amina Odidi (incorporated herein by reference to Exhibit 4.3 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2009 as filed on June 1, 2010)</u>
<u>4.4</u>	<u>Registration rights agreement for February 1, 2011 private placement (incorporated herein by reference to Exhibit 4.52 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2010 as filed on May 31, 2011).</u>
<u>4.5</u>	<u>Form of Subscription Agreement (incorporated by reference to Exhibit A attached to Exhibit 99.1 to the Company's report on Form 6-K for the month of March 2012 as filed on March 9, 2012).</u>
<u>4.6</u>	<u>12% convertible term debenture dated January 10, 2013 in principal amount of \$1,500,000 (incorporated herein by reference to Exhibit 4.56 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2012 as filed on January 31, 2013)</u>
<u>4.7</u>	<u>Extension of Debenture Maturity Date dated October 1, 2014 to that certain 12% convertible term debenture dated January 10, 2013 in principal amount of \$1,500,000 (incorporated herein by reference to Exhibit 4.66 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2014 as filed on February 27, 2015)</u>
<u>4.8</u>	<u>Extension of Debenture Maturity Date dated as of June 29, 2015 to that certain 12% convertible term debenture dated January 10, 2013 in principal amount of \$1,500,000 (incorporated herein by reference to Exhibit 4.68 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2015 as filed on March 21, 2016)</u>
<u>4.9</u>	<u>Extension of Debenture Maturity Date dated as of December 8, 2015 to that certain 12% convertible term debenture dated January 10, 2013 in principal amount of \$1,500,000 (incorporated herein by reference to Exhibit 4.69 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2015 as filed on March 21, 2016)</u>
<u>4.10</u>	<u>Extension of Debenture Maturity Date dated as of May 26, 2016 to that certain 12% convertible term debenture dated January 10, 2013 (incorporated herein by reference to Exhibit 4.72 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2016 as filed on February 28, 2017)</u>
<u>4.11</u>	<u>Extension of Debenture Maturity Date dated as of December 1, 2016 to that certain 12% convertible term debenture dated January 10, 2013 (incorporated herein by reference to Exhibit 4.73 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2016 as filed on February 28, 2017)</u>
<u>4.12</u>	<u>Extension of Debenture Maturity Date dated as of March 28, 2017 to that certain 12% convertible term debenture dated January 10, 2013 (incorporated herein by reference to Exhibit 4.79 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2017 as filed on March 1, 2018)</u>
<u>4.13</u>	<u>Extension of Debenture Maturity Date dated as of September 28, 2017 to that certain 12% convertible term debenture dated January 10, 2013 (incorporated herein by reference to Exhibit 4.80 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2017 as filed on March 1, 2018)</u>
<u>4.14</u>	<u>Extension of Debenture Maturity Date dated as of October 1, 2018 to that certain 12% convertible term debenture dated January 10, 2013 (incorporated herein by reference to Exhibit 4.29 to Amendment No. 1 to the Company's Registration Statement on Form F-1 as filed on October 5, 2018 (Registration No. 333-227448)</u>
<u>4.15(1)</u>	<u>Extension of Debenture Maturity Date dated as of April 1, 2019 to that certain 12% convertible term debenture dated January 10, 2013</u>
<u>4.16(1)</u>	<u>Extension of Debenture Maturity Date dated as of May 1, 2019 to that certain 12% convertible term debenture dated January 10, 2013</u>
<u>4.17(1)</u>	<u>12% convertible term debenture dated May 1, 2019 in principal amount of \$1,050,000 refinancing of that certain 12% convertible term debenture dated January 10, 2013 2013 Debenture</u>
<u>4.18(1)</u>	<u>Extension of Debenture Maturity Date dated as of December 31, 2019 to that certain 12% convertible term debenture dated May 1, 2019</u>
<u>4.19(1)</u>	<u>Extension of Debenture Maturity Date dated as of February 1, 2020 to that certain 12% convertible term debenture dated May 1, 2019</u>
<u>4.20(1)</u>	<u>Extension of Debenture Maturity Date dated as of March 31, 2020 to that certain 12% convertible term debenture dated May 1, 2019</u>
<u>4.21</u>	<u>Equity Distribution Agreement between Intellipharmaceutics International Inc. and Roth Capital Partners, LLC, dated November 27, 2013 (incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of November 2013 as filed on November 27, 2013)</u>

- [4.22\(†\)](#) [License and Commercialization Agreement dated as of November 21, 2005, between Intellipharmaceutics Corp., and Par Pharmaceutical, Inc., as amended by the First Amendment To License and Commercialization Agreement dated as of August 12, 2011, and as further amended by the Second Amendment to License and Commercialization Agreement dated as of September 24, 2013 \(incorporated herein by reference to Exhibit 4.64 to the Company's Amendment No. 1 on Form 20-F/A for the fiscal year ended November 30, 2013 as filed on April 14, 2014\)](#)
- [4.23](#) [Indenture of Lease dated as of December 1, 2015 between Finley W. McLachlan Properties Inc. and Dufferin Lumber And Supply Company Limited, and Intellipharmaceutics Corp. for premises at 22 Worcester Road and 30 Worcester Road, Toronto, Ontario, Canada \(incorporated herein by reference to Exhibit 4.67 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2015 as filed on March 21, 2016\)](#)
- [4.24](#) [Form of Common Share Purchase Warrant \(incorporated herein by reference to Exhibit 99.2 to the Company's report on Form 6-K for the month of May 2016 as filed on May 27, 2016\)](#)
- [4.25\(†\)](#) [License and Commercial Supply Agreement dated effective October 11, 2016, between Mallinckrodt LLC and Intellipharmaceutics Corp. \(incorporated herein by reference to Exhibit 4.74 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2016 as filed on February 28, 2017\)](#)
- [4.26](#) [Form of Securities Purchase Agreement, dated October 11, 2017, by and between Intellipharmaceutics International Inc. and the purchaser named therein \(incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of October 2017 as filed on October 12, 2017\)](#)
- [4.27](#) [Form of Warrant \(incorporated herein by reference to Exhibit 99.2 to the Company's report on Form 6-K for the month of October 2017 as filed on October 12, 2017\)](#)
- [4.28](#) [Form of Wainwright Warrant \(incorporated herein by reference to Exhibit 99.3 to the Company's report on Form 6-K for the month of October 2017 as filed on October 12, 2017\)](#)
- [4.29](#) [Engagement Letter between Intellipharmaceutics International Inc. and H.C. Wainwright & Co., LLC, dated as of October 10, 2017 \(incorporated herein by reference to Exhibit 99.4 to the Company's report on Form 6-K for the month of October 2017 as filed on October 12, 2017\)](#)
- [4.30](#) [Form of Securities Purchase Agreement dated March 13, 2018, by and between Intellipharmaceutics International Inc. and the purchasers \(incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of March 2018 as filed on March 16, 2018\)](#)
- [4.31](#) [Form of Warrant \(incorporated herein by reference to Exhibit 99.2 to the Company's report on Form 6-K for the month of March 2018 as filed on March 16, 2018\)](#)
- [4.32](#) [Form of Wainwright Warrant \(incorporated herein by reference to Exhibit 99.3 to the Company's report on Form 6-K for the month of March 2018 as filed on March 16, 2018\)](#)
- [4.33](#) [Engagement Letter by and between Intellipharmaceutics International Inc. and H.C. Wainwright & Co., LLC dated March 12, 2018 \(incorporated herein by reference to Exhibit 99.4 to the Company's report on Form 6-K for the month of March 2018 as filed on March 16, 2018\)](#)
- [4.34](#) [Form of Securities Purchase Agreement dated March 19, 2018, by and between Intellipharmaceutics International Inc. and the purchasers \(incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of March 2018 as filed on March 20, 2018\)](#)
- [4.35](#) [Form of Warrant \(incorporated herein by reference to Exhibit 99.2 to the Company's report on Form 6-K for the month of March 2018 as filed on March 20, 2018\)](#)
- [4.36](#) [Form of Wainwright Warrant \(incorporated herein by reference to Exhibit 99.3 to the Company's report on Form 6-K for the month of March 2018 as filed on March 20, 2018\)](#)
- [4.37](#) [Engagement Letter by and between Intellipharmaceutics International Inc. and H.C. Wainwright & Co., LLC dated March 18, 2018 \(incorporated herein by reference to Exhibit 99.4 to the Company's report on Form 6-K for the month of March 2018 as filed on March 20, 2018\)](#)
- [4.38](#) [Form of Notice to Warrant Holders pursuant to that certain Underwriting Agreement by and between the Company and Dawson James Securities, Inc., dated May 27, 2016 \(incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.39](#) [Form of Notice to Warrant Holders pursuant to that certain Engagement Agreement by and between the Company and H.C. Wainwright & Co., LLC, dated October 10, 2017 \(incorporated herein by reference to Exhibit 99.2 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.40](#) [Form of Notice to Warrant Holders pursuant to that certain Securities Purchase Agreement by and among the Company and the purchasers named therein, dated October 11, 2017 \(incorporated herein by reference to Exhibit 99.3 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.41](#) [Form of Notice to Warrant Holders pursuant to that certain Engagement Letter by and between the Company and H.C. Wainwright & Co., LLC, dated March 12, 2018 \(incorporated herein by reference to Exhibit 99.4 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.42](#) [Form of Notice to Warrant Holders pursuant to that certain Securities Purchase Agreement by and among the Company and the purchasers named therein, dated March 13, 2018 \(incorporated herein by reference to Exhibit 99.5 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.43](#) [Form of Notice to Warrant Holders pursuant to that certain Engagement Letter by and between the Company and H.C. Wainwright & Co., LLC, dated March 18, 2018 \(incorporated herein by reference to Exhibit 99.6 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.44](#) [Form of Notice to Warrant Holders pursuant to that certain Securities Purchase Agreement by and among the Company and the purchasers named therein, dated March 19, 2018 \(incorporated herein by reference to Exhibit 99.7 to the Company's report on Form 6-K for the month of September 2018 as filed on September 21, 2018\)](#)
- [4.45](#) [Underwriting Agreement between Intellipharmaceutics International Inc. and H.C. Wainwright & Co., LLC, dated October 12, 2018 \(incorporated herein by reference to Exhibit 99.1 to the Company's report on Form 6-K for the month of October 2018 as filed on October 12, 2018\)](#)
- [4.46](#) [Form of Warrant \(incorporated herein by reference to Exhibit 99.2 to the Company's report on Form 6-K for the month of October 2018 as filed on October 12, 2018\)](#)
- [4.47](#) [Form of Pre-Funded Warrant \(incorporated herein by reference to Exhibit 99.3 to the Company's report on Form 6-K for the month of October 2018 as filed on October 12, 2018\)](#)
- [4.48](#) [Form of Underwriter Warrant \(incorporated herein by reference to Exhibit 99.4 to the Company's report on Form 6-K for the month of October 2018 as filed on October 12, 2018\)](#)
- [4.49](#) [10% convertible term debenture dated September 10, 2018 in principal amount of \\$500,000 \(incorporated herein by reference to Exhibit 4.25 to the Company's Registration Statement on Form F-1 as filed on September 20, 2018 \(Registration No. 333-227448\)\)](#)
- [4.50\(1\)\(^\)](#) [License and Commercial Supply Agreement dated effective August 15, 2019, between Tris Pharma, Inc. and Intellipharmaceutics Corp](#)
- [4.51\(1\)\(^\)](#) [License and Commercial Supply Agreement dated effective September 2, 2019, between Tris Pharma, Inc. and Intellipharmaceutics Corp](#)
- [4.52\(1\)\(^\)](#) [License and Commercial Supply Agreement dated effective November 1, 2019, between Tris Pharma, Inc. and Intellipharmaceutics Corp](#)
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4.53 (1)	Promissory note dated September 5, 2019 for up to \$6,500 issued by Intellipharmaceutics International Inc. to Isa Odidi and Amina Odidi
4.54(1)	Promissory note dated September 13, 2019 for up to CDN\$203,886 issued by Intellipharmaceutics International Inc. to Isa Odidi and Amina Odidi
4.55(1)	12% convertible term debenture dated November 15 10, 2019 in principal amount of \$250,000
4.56(1)	Extension of Debenture Maturity Date dated as of March 31, 2020 to that certain 12% convertible term debenture dated November 15, 2019
8.1(1)	List of subsidiaries
11.1	Code of Business Conduct and Ethics (incorporated herein by reference to Exhibit 11.1 to the Company's annual report on Form 20-F for the fiscal year ended November 30, 2009 as filed on June 1, 2010)
12.1(1)	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
12.2(1)	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange
13.1(1)	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2(1)	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1(1)	Consent of Independent Registered Public Accounting Firm (MNP LLP)
101(1)(2)	(i) Consolidated balance sheets as at November 30, 2019 and 2018 (ii) Consolidated statements of operations and comprehensive loss for the years ended November 30, 2019, 2018 and 2017 (iii) Consolidated statements of shareholders' equity (deficiency) for the years ended November 30, 2019, 2018 and 2017 (iv) Consolidated statements of cash flows for the years ended November 30, 2019, 2018 and 2017 (v) Notes to the consolidated financial statements

(1) Filed as exhibits to this annual report on Form 20-F for the fiscal year ended November 30, 2019.

(2) XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the U.S. Exchange Act, as amended, and otherwise is not subject to liability under these sections.

(†) Confidential treatment has been granted for certain portions of this exhibit. Omitted portions have been filed separately with the SEC

(^) Portions of this exhibit (indicated by asterisks) have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted information would likely cause competitive harm to the Registrant if publicly disclosed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Intellipharmaeutics International Inc.

By: /s/ Dr. Amina Oididi

Dr. Amina Oididi

Acting Chief Financial Officer (Principal Financial Officer)

Intellipharmaeutics International Inc.

March 30, 2020

DESCRIPTION OF SECURITIES**Authorized and Outstanding Share Capital**

The following is a summary of material terms and provisions of the common shares ("**Common Shares**") and other outstanding securities issued by Intellipharma International Inc. (the "**Company**") as well as certain provisions of the articles of arrangement dated October 22, 2009, as amended (the "**Articles**"), and by-laws ("**By-Laws**") of the Company.

The Company's authorized share capital consists of an unlimited number of Company's common shares ("**Common Shares**"), all without nominal or par value and an unlimited number of Preference Shares (as defined below) issuable in series. At November 30, 2019, there were 22,085,856 Common Shares and no Preference Shares issued and outstanding. As of March 30, 2020, there were 23,678,105 Common Shares and no Preference Shares issued and outstanding.

Following receipt of shareholder approval for a reverse stock split (known as a share consolidation under Canadian law) at the Company's August 15, 2018 shareholders meeting, on September 12, 2018, the Company filed articles of amendment to effectuate a 1-for-10 reverse split (the "**reverse split**"), and the Company's Common Shares began trading on each of Nasdaq and Toronto Stock Exchange ("**TSX**") on a post-reverse split basis on September 14, 2018. In March 2019, a Nasdaq Hearings Panel determined to delist the Company's Common Shares from Nasdaq based upon its non-compliance with the \$1.00 minimum bid price requirement, as set forth in Nasdaq Listing Rule 5550(a)(2). The suspension of trading on Nasdaq took effect at the open of business on March 21, 2019. The Company's Common Shares began trading on the OTCQB Venture Market ("**OTCQB**"), which is operated by the OTC Markets Group Inc., commencing on March 21, 2019. The Company's Common Shares are also listed on the TSX.

Unless the context otherwise requires, references herein to share amounts, share prices, exercise prices and conversion rates have been adjusted to reflect the effect of the reverse split.

Common Shares

Each of the Company's Common Shares entitles the holder thereof to one vote at any meeting of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote. Subject to the prior rights of the holders of any Preference Shares (as defined below), the holders of Common Shares of the Company are entitled to receive, as and when declared by the Company's board of directors (the "**Board**"), dividends in such amounts as shall be determined by the Board. Subject to the prior rights of the holders of any Preference Shares, the holders of Common Shares of the Company have the right to receive the remaining property of the Company in the event of liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary.

Preference Shares

Preference shares ("**Preference Shares**") may at any time and from time to time be issued in one or more series. The Board will, by resolution, from time to time, before the issue thereof, fix the rights, privileges, restrictions and conditions attaching to the Preference Shares of each series. Except as required by law, the holders of any series of Preference Shares will not as such be entitled to receive notice of, attend or vote at any meeting of the shareholders of the Company. Holders of Preference Shares will be entitled to preference with respect to payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, on such shares over the Common Shares and over any other shares ranking junior to the Preference Shares.

Warrants

At November 30, 2019, an aggregate of 23,601,551 Common Shares were issuable upon the exercise of outstanding Common Share purchase warrants, with a weighted average exercise price of \$1.03 per Common Share. At March 30, 2020, an aggregate of 21,984,884 Common Shares were issuable upon the exercise of outstanding Common Share purchase warrants, with a weighted average exercise price of \$1.10 per Common Share.

October 2018 Firm Warrants and Pre-Funded Warrants

In October 2018, the Company completed an underwritten public offering in the United States, resulting in the sale to the public of 827,970 units (**October 2018 Units**) at \$0.75 per October 2018 Unit, which were comprised of one Common Share and one warrant (the **October 2018 Unit Warrants**) exercisable at \$0.75 per share. The Company concurrently sold an additional 1,947,261 Common Shares and warrants to purchase 2,608,695 Common Shares exercisable at \$0.75 per share (the **October 2018 Option Warrants**) pursuant to the over-allotment option exercised in part by the underwriter. The price for the Common Shares issued in connection with exercise of the over-allotment option was \$0.74 per share and the price for the warrants issued in connection with the exercise of the over-allotment option was \$0.01 per warrant, less in each case the underwriting discount. In addition, the Company issued 16,563,335 pre-funded units (**October 2018 Pre-Funded Units**), each October 2018 Pre-Funded Unit consisting of one pre-funded warrant (an **October 2018 Pre-Funded Warrant**) to purchase one Common Share and one warrant (an **October 2018 Warrant**), and together with the October 2018 Unit Warrants and the October 2018 Option Warrants, the **October 2018 Firm Warrants** to purchase one Common Share. The October 2018 Pre-Funded Units were offered to the public at \$0.74 each and an October 2018 Pre-Funded Warrant is exercisable at \$0.01 per share. Each October 2018 Firm Warrant was exercisable immediately and has a term of five (5) years and each October 2018 Pre-Funded Warrant was exercisable immediately and until all October 2018 Pre-Funded Warrants are exercised. The Company also issued warrants to the placement agents to purchase 1,160,314 Common Shares at an exercise price of \$0.9375 per share (the **October 2018 Placement Agent Warrants**), which were exercisable immediately upon issuance. In aggregate, in October 2018, the Company issued 2,775,231 Common Shares, 16,563,335 October 2018 Pre-Funded Warrants and 20,000,000 October 2018 Firm Warrants in addition to 1,160,314 October 2018 Placement Agent Warrants.

October 2018 Firm Warrants

The following is a summary of material terms and provisions of the October 2018 Firm Warrants.

Exercisability. Each October 2018 Firm Warrant included in the October 2018 Units and October 2018 Pre-Funded Units has an exercise price equal to \$0.75 per Common Share. The October 2018 Firm Warrants may be exercised until five (5) years from the date of issuance. The exercise price and number of Common Shares issuable upon exercise is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting the Company's Common Shares and the exercise price. The October 2018 Firm Warrants were issued separately from the Common Shares or October 2018 Pre-Funded Warrants sold as part of the Units or Pre-Funded Units, as the case may be, and may be transferred separately. The October 2018 Firm Warrants were issued in certificated form only. The October 2018 Firm Warrants are exercisable, at the option of each holder, in whole or in part, by delivering to the Company a duly executed exercise notice accompanied by payment in full for the number of Common Shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). A holder (together with its affiliates) may not exercise any portion of the October 2018 Firm Warrant to the extent that the holder would own more than 4.99% of the outstanding Common Shares immediately after exercise, except that upon at least sixty-one (61) days' prior notice from the holder to the Company, the holder may increase the amount of ownership of outstanding Common Shares after exercising the holder's October 2018 Firm Warrants up to 9.99% of the number of Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the October 2018 Firm Warrants. If at the time a holder exercises its October 2018 Firm Warrants, a registration statement registering the issuance of the Common Shares underlying the October 2018 Firm Warrants under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**), is not then effective, or the prospectus contained therein is not available for an issuance of the Common Shares underlying the October 2018 Firm Warrants to the holder, then in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of Common Shares determined according to a formula set forth in the October 2018 Firm Warrant. No fractional Common Shares will be issued upon the exercise of the October 2018 Firm Warrants. Rather, the number of Common Shares to be issued will be rounded up to the nearest whole number.

Transferability. Subject to applicable laws, the October 2018 Firm Warrants may be transferred at the option of the holder upon surrender of the October 2018 Firm Warrants to the Company together with the appropriate instruments of transfer.

No Listing. There is no established trading market for the October 2018 Firm Warrants on any securities exchange or nationally recognized trading system.

Fundamental Transactions. In the event of any fundamental transaction, as described in the October 2018 Firm Warrants and generally including any merger with or into another entity, sale of all or substantially all of the Company's assets, tender offer or exchange offer, or reclassification of the Company's Common Shares, then upon any subsequent exercise of an October 2018 Firm Warrants, the holder will have the right to receive as alternative consideration, for each Common Share that the holder would have received upon such holder's exercise of the October 2018 Firm Warrants immediately prior to the occurrence of such fundamental transaction, the number of Common Shares of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration receivable upon or as a result of such transaction by a holder of the number of Common Shares for which the holder would have received upon such holder's exercise of the October 2018 Firm Warrants on the date of the consummation of such fundamental transaction.

Rights as a Shareholder. Except as otherwise provided in the October 2018 Firm Warrants or by virtue of the holder's ownership of Common Shares, such holder of October 2018 Firm Warrants does not have the rights or privileges of a holder of Common Shares, including any voting rights, until such holder exercises such holder's October 2018 Firm Warrants.

Waivers and Amendments. No term of a October 2018 Firm Warrant may be amended or waived without the written consent of the holder of such October 2018 Firm Warrant.

October 2018 Pre-Funded Warrants

The following is a summary of material terms and provisions of the October 2018 Pre-Funded Warrants.

Exercisability. Each October 2018 Pre-Funded Warrant has an exercise price per share equal to \$0.01. The October 2018 Pre-Funded Warrants are immediately exercisable and may be exercised at any time until the Pre-Funded Warrants are exercised in full. The exercise price and number of Common Shares issuable upon exercise are subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting the Company's Common Shares and the exercise price. The October 2018 Pre-Funded Warrants were issued separately from the accompanying October 2018 Firm Warrants included in the Pre-Funded Units and may be transferred separately. The October 2018 Pre-Funded Warrants are exercisable, at the option of each holder, in whole or in part, by delivering to the Company a duly executed exercise notice accompanied by payment in full for the number of Common Shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). A holder (together with its affiliates) may not exercise any portion of the October 2018 Pre-Funded Warrant to the extent that the holder would own more than 4.99% of the outstanding Common Shares immediately after exercise, except that upon at least sixty-one (61) days' prior notice from the holder to the Company, the holder may increase the amount of ownership of outstanding Common Shares after exercising the holder's October 2018 Pre-Funded Warrants up to 9.99% of the number of Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the October 2018 Pre-Funded Warrants. Purchasers of October 2018 Pre-Funded Units were also able to elect prior to the issuance of the October 2018 Pre-Funded Warrants to have the initial exercise limitation set at 9.99% of the Company's outstanding Common Shares. If, at the time a holder exercises its October 2018 Pre-Funded Warrants, a registration statement registering the issuance of the Common Shares issuable upon exercise of the October 2018 Pre-Funded Warrants under the U.S. Securities Act is not then effective, or the prospectus contained therein is not available for an issuance of the Common Shares underlying the October 2018 Pre-Funded Warrants to the holder, then in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the aggregate exercise price, the holder may elect instead to exercise its October 2018 Pre-Funded Warrants on a cashless basis and receive upon such exercise (either in whole or in part) the net number of Common Shares determined according to a formula set forth in the October 2018 Pre-Funded Warrants. No fractional Common Shares will be issued upon the exercise of the October 2018 Pre-Funded Warrants. Rather, the number of Common Shares to be issued will be rounded up to the nearest whole number.

Transferability. Subject to applicable laws, an October 2018 Pre-Funded Warrant may be transferred at the option of the holder upon surrender of the October 2018 Pre-Funded Warrant to the Company together with the appropriate instruments of transfer.

No Listing. There is no established trading market for the October 2018 Pre-Funded Warrants on any securities exchange or nationally recognized trading system.

Fundamental Transactions. In the event of any fundamental transaction, as described in the October 2018 Pre-Funded Warrants and generally including any merger with or into another entity, sale of all or substantially all of the Company's assets, tender offer or exchange offer, or reclassification of Common Shares, then upon any subsequent exercise of an October 2018 Pre-Funded Warrant, the holder will have the right to receive as alternative consideration, for each Common Share that would have been issuable upon such exercise immediately prior to the occurrence of such fundamental transaction, the number of common shares of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration receivable upon or as a result of such transaction by a holder of the number of Common Shares for which the October 2018 Pre-Funded Warrant is exercisable immediately prior to such event.

Rights as a Shareholder. Except as otherwise provided in the October 2018 Pre-Funded Warrants or by virtue of the holder's ownership of Common Shares, such holder of October 2018 Pre-Funded Warrants does not have the rights or privileges of a holder of Common Shares, including any voting rights, until such holder exercises such holder's October 2018 Pre-Funded Warrants.

March 2018 Warrants

In March 2018, the Company closed two registered direct offerings. The first offering consisted of 583,333 Common Shares at a price of \$6.00 per share. The Company also issued to the investors unregistered warrants to purchase an aggregate of 291,666 Common Shares at an exercise price of \$6.00 per share (the "**Initial March 2018 Warrants**"). The Company also issued to the placement agents warrants to purchase 29,166 Common Shares at an exercise price of \$7.50 per share. In the second registered direct offering, the Company issued 300,000 Common Shares at a price of \$6.00 per share. The Company also issued to the investors unregistered warrants to purchase an aggregate of 150,000 Common Shares at an exercise price of \$6.00 per share (the "**Additional March 2018 Warrants**" and collectively with the Initial March 2018 Warrants, the "**March 2018 Warrants**"). The Company also issued to the placement agents warrants to purchase 15,000 Common Shares at an exercise price of \$7.50 per share. The following is a summary of material terms and provisions of the March 2018 Warrants.

Exercisability. The exercise price of the March 2018 Warrants is \$6.00 per full Common Share. The exercise price is subject to appropriate adjustment in the event of certain share dividends and distributions, share splits, share combinations, reclassifications or similar events affecting the Company's Common Shares. The March 2018 Warrants were issued as individual warrants to each of the investors in the March 2008 offerings. The March 2018 Warrants became exercisable six (6) months following the closing date and will expire thirty (30) months after the date they became exercisable. The March 2018 Warrants are exercisable, at the option of each holder, in whole or in part by delivering to the Company a duly executed exercise notice and by payment in full in immediately available funds for the number of Common Shares purchased upon such exercise. A holder will not have the right to exercise any portion of the March 2018 Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of the Company's Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the March 2018 Warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until sixty-one (61) days after such notice to the Company. If a registration statement registering the issuance of the Common Shares underlying the March 2018 Warrants under the U.S. Securities Act is not then effective or available, the holder may exercise the March 2018 Warrants through a cashless exercise, in whole or in part, in which case the holder would receive upon such exercise the net number of Common Shares determined according to the formula set forth in the March 2018 Warrants. No fractional Common Shares will be issued in connection with the exercise of any March 2018 Warrants. In lieu of fractional shares, the Company will either pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price or round up to the next whole share.

Transferability. Subject to applicable laws and as set forth therein, the March 2018 Warrants may be offered for sale, sold, transferred or assigned without the Company's consent.

No Listing. There is no established trading market for the March 2018 Warrants on any securities exchange or any other nationally recognized trading system.

Fundamental Transactions. In the event of a fundamental transaction, as described in the March 2018 Warrants and generally including any reorganization, recapitalization or reclassification of the Company's Common Shares, the sale, transfer or other disposition of all or substantially all of the Company's properties or assets, the Company's consolidation or merger with or into another person, the holders of the March 2018 Warrants will, except as otherwise described therein, be entitled to receive upon exercise of the March 2018 Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the March 2018 Warrants immediately prior to such fundamental transaction.

Rights as a Shareholder. Except as otherwise provided in the March 2018 Warrants or by virtue of such holder's ownership of Common Shares, the holder of March 2018 Warrants does not have the rights or privileges of a holder of the Company's Common Shares, including any voting rights, until the holder exercises the March 2018 Warrants.

October 2017 Warrants

In October 2017, the Company completed a registered direct offering consisting of 363,636 Common Shares at a price of \$11.00 per share. The Company also issued to the investors in the offering unregistered warrants (the "**October 2017 Warrants**") to purchase an aggregate of 181,818 Common Shares. The October 2017 Warrants were offered in a private placement and, along with the Common Shares underlying the warrants, have not been registered under the U.S. Securities Act. The Company also issued to the placement agents warrants to purchase 18,181 Common Shares at an exercise price of \$13.75 per share.

The following is a summary of material terms and provisions of the October 2017 Warrants.

Exercisability. The exercise price per Common Share purchasable upon exercise of the October 2017 Warrants issued to the investors is \$12.50 per full Common Share. The exercise price is subject to appropriate adjustment in the event of certain share dividends and distributions, share splits, share combinations, reclassifications or similar events affecting the Company's Common Shares. The October 2017 Warrants were issued as individual warrants to each of the investors. The October 2017 Warrants became exercisable six (6) months following the closing date and will expire thirty (30) months after the date they became exercisable. The October 2017 Warrants are exercisable, at the option of each holder, in whole or in part by delivering to the Company a duly executed exercise notice and by payment in full in immediately available funds for the number of Common Shares purchased upon such exercise. A holder will not have the right to exercise any portion of the October 2017 Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of the Company's Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the October 2017 Warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until sixty-one (61) days after such notice to the Company. If a registration statement registering the issuance of the Common Shares underlying the October 2017 Warrants under the U.S. Securities Act is not then effective or available, the holder may exercise the October 2017 Warrants through a cashless exercise, in whole or in part, in which case the holder would receive upon such exercise the net number of Common Shares determined according to the formula set forth in the October 2017 Warrants. No fractional Common Shares will be issued in connection with the exercise of any October 2017 Warrants. In lieu of fractional shares, the Company will either pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price or round up to the next whole share.

Transferability. Subject to applicable laws and as set forth therein, the October 2017 Warrants may be offered for sale, sold, transferred or assigned without the Company's consent.

No Listing. There is no established trading market for the October 2017 Warrants on any securities exchange or any other nationally recognized trading system.

Fundamental Transactions. In the event of a fundamental transaction, as described in the October 2017 Warrants and generally including any reorganization, recapitalization or reclassification of the Company's Common Shares, the sale, transfer or other disposition of all or substantially all of the Company's properties or assets, the Company's consolidation or merger with or into another person, the holders of the October 2017 Warrants will, except as otherwise described therein, be entitled to receive upon exercise of the October 2017 Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the October 2017 Warrants immediately prior to such fundamental transaction.

Rights as a Shareholder. Except as otherwise provided in the October 2017 Warrants or by virtue of such holder's ownership of Common Shares, the holder of October 2017 Warrants does not have the rights or privileges of a holder of the Company's Common Shares, including any voting rights, until the holder exercises the October 2017 Warrants.

June 2016 Warrants

In June 2016, the Company completed an underwritten public offering of 322,981 units of Common Shares and warrants ("**June 2016 Warrants**"), at a price of \$16.10 per unit. The June 2016 Warrants are currently exercisable, have a term of five (5) years and an exercise price of \$19.30 per Common Share. The Company issued to the investors at the initial closing of the offering an aggregate of 322,981 Common Shares and June 2016 Warrants to purchase an additional 161,490 Common Shares. The underwriter also purchased at such closing additional June 2016 Warrants to acquire 24,223 Common Shares pursuant to the over-allotment option exercised in part by the underwriter. The Company subsequently sold an aggregate of 45,946 additional Common Shares and June 2016 Warrants at the public offering price of \$16.10 per share in connection with subsequent partial exercises of the underwriter's over-allotment option.

The following is a summary of material terms and provisions of the June 2016 Warrants.

Exercisability. The exercise price per Common Share purchasable upon exercise of the June 2016 Warrants is \$19.30 per full Common Share. The exercise price is subject to appropriate adjustment in the event of certain share dividends and distributions, share splits, share combinations, reclassifications or similar events affecting the Company's Common Shares. The June 2016 Warrants were issued as individual warrants to each of the investors. The June 2016 Warrants are exercisable at any time after the date of issuance, and at any time up to the date that is five (5) years from the date of issuance, at which time any unexercised June 2016 Warrants will expire and cease to be exercisable. The June 2016 Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to the Company a duly executed exercise notice and by payment in full in immediately available funds for the number of Common Shares purchased upon such exercise. A holder will not have the right to exercise any portion of the June 2016 Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of the Company's Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the June 2016 Warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until sixty-one (61) days after such notice to the Company. If a registration statement registering the issuance of the Common Shares underlying the June 2016 Warrants under the U.S. Securities Act is not then effective or available, the holder may exercise the June 2016 Warrants through a cashless exercise, in whole or in part, in which case the holder would receive upon such exercise the net number of Common Shares determined according to the formula set forth in the June 2016 Warrants. No fractional common shares will be issued in connection with the exercise of any June 2016 Warrants. In lieu of fractional shares, the Company will either pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price or round up to the next whole share.

Transferability. Subject to applicable laws, the June 2016 Warrants may be offered for sale, sold, transferred or assigned without the Company's consent.

No Listing. There is no established trading market for the June 2016 Warrants on any securities exchange or any other nationally recognized trading system.

Fundamental Transactions. In the event of a fundamental transaction, as described in the June 2016 Warrants and generally including any reorganization, recapitalization or reclassification of the Company's Common Shares, the sale, transfer or other disposition of all or substantially all of the Company's properties or assets, the Company's consolidation or merger with or into another person, the holders of the June 2016 Warrants will be entitled to receive upon exercise of the June 2016 Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the June 2016 Warrants immediately prior to such fundamental transaction.

Rights as a Shareholder. Except as otherwise provided in the June 2016 Warrants or by virtue of such holder's ownership of Common Shares, the holder of a June 2016 Warrant does not have the rights or privileges of a holder of the Company's Common Shares, including any voting rights, until the holder exercises the June 2016 Warrants.

Options

An option plan (the “**Option Plan**”) was adopted effective October 22, 2009 as part of an arrangement transaction approved by the shareholders of the Company’s predecessor, at the meeting of shareholders on October 19, 2009. Subject to the requirements of the Option Plan, the Board, with the assistance of the Compensation Committee, has the authority to select those directors, officers, employees and consultants to whom options will be granted, the number of options to be granted to each person and the price at which common shares of the Company may be purchased. Grants are determined based on individual and aggregate performance as determined by the Board. At November 30, 2019, an aggregate of 2,353,829 Common Shares were issuable upon the exercise of outstanding options, with a weighted average exercise price of \$8.35 per Common Share and up to 131,150 additional Common Shares were reserved for issuance under the Company’s Option Plan for the benefit of certain officers, directors, employees and consultants of the Company.

As of March 30, 2020, there were 2,199,310 Common Shares issuable upon the exercise of outstanding options. The weighted average exercise price of these options is \$8.85 per Common Share. As at March 30, 2020, up to 444,894 additional Common Shares were reserved for issuance under the Company’s Option Plan.

Convertible Debentures

In January 2013, the Company completed a private placement financing of an unsecured convertible debenture in the original principal amount of \$1.5 million (the “**2013 Debenture**”). The 2013 Debenture bears interest at a rate of 12% per annum, payable monthly, is pre-payable at any time at the option of the Company, and is convertible at any time into Common Shares at a conversion price of \$30.00 per Common Share at the option of the holder. Drs. Isa and Amina Odidi, who are directors, executive officers and shareholders of the Company, provided the Company with the original \$1.5 million of the proceeds for the 2013 Debenture.

In December 2016, a principal repayment of \$150,000 was made on the 2013 Debenture and the maturity date was extended until April 1, 2017. Effective March 28, 2017, the maturity date of the 2013 Debenture was extended to October 1, 2017. Effective September 28, 2017, the maturity date of the 2013 Debenture was further extended to October 1, 2018. Effective October 1, 2018, the maturity date for the 2013 Debenture was further extended to April 1, 2019. In December 2018, a principal repayment of \$300,000 was made on the 2013 Debenture.

On April 4, 2019, tentative approval from TSX was received for a proposed refinancing of the 2013 Debenture, subject to certain conditions being met. As a result of the refinancing, the principal amount owing under the 2013 Debenture was refinanced by a new debenture on May 1, 2019 (the “**May 2019 Debenture**”). The May 2019 Debenture was issued in the principal amount of \$1,050,000. The May 2019 Debenture will mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into 1,779,661 Common Shares of the Company at a conversion price of \$0.59 per Common Share. The original maturity of the May 2019 Debenture was November 1, 2019. Effective November 1, 2019, the maturity date for the May 2019 Debenture was extended to December 31, 2019. Effective December 31, 2019, the maturity date for the May 2019 Debenture was extended to February 1, 2020. Effective January 31, 2020, the maturity date for the May 2019 Debenture was further extended to March 31, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the May 2019 Debenture have agreed to extend the May 2019 Debenture to May 15, 2020.

On September 10, 2018, the Company completed a private placement financing of an unsecured convertible debenture in the principal amount of \$0.5 million (the “**2018 Debenture**”). The 2018 Debenture bears interest at a rate of 10% per annum, payable monthly, may be prepaid at any time at the Company’s option, and is convertible into Common Shares at any time prior to the maturity date at a conversion price of \$3.00 per Common Share at the option of the holder. The maturity date for the 2018 Debenture is September 1, 2020.

On August 26, 2019, the Company completed a private placement financing of an unsecured debenture in the principal amount of \$140,800 (the **‘August 2019 Debenture’**). The August 2019 Debenture was scheduled to mature on August 26, 2020, bore interest at a rate of 8% per annum, was pre-payable at any time at the option of the Company up to 180 days from date of issuance with pre-payment penalties ranging from 5% - 30% and was convertible at the option of the holder into Common Shares after 180 days at a conversion price equal to 75% of the market price (as defined). In November 2019, the August 2019 Debenture was fully paid.

On November 15, 2019, the Company issued an unsecured convertible debenture in the principal amount of \$250,000 (the **‘November 2019 Debenture’**) that is now scheduled to mature on March 31, 2020, bears interest at a rate of 12% per annum and is convertible into Common Shares of the Company at a conversion price of \$0.12 per share. The original maturity of the November 2019 Debenture was December 31, 2019. Effective January 31, 2020, the maturity date for the November 2019 Debenture was further extended to March 31, 2020. Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company and holders of the November 2019 Debenture have agreed to extend the November 2019 Debenture to May 15, 2020.

Dr. Isa Odidi and Dr. Amina Odidi, who are shareholders, directors, and executive officers of the Company, held the 2013 Debenture and are the holders of the 2018 Debenture, the May 2019 Debenture and the November 2019 Debenture.

Deferred Share Units

Effective May 28, 2010, the Company’s shareholders approved a Deferred Share Unit (**‘DSU’**) Plan (the **‘DSU Plan’**) and the reservation of 11,000 Common Shares for issuance thereunder for DSU grants to the Company’s non-management directors. The DSU Plan permits certain non-management directors to defer receipt of all or a portion of their Board fees until termination of the Board service and to receive such fees in the form of Common Shares at that time. A DSU is a unit equivalent in value to one of the Company’s Common Shares based on the trading price of the Company’s Common Shares on the TSX. The DSU Plan is administered by the Board or a committee thereof. At November 30, 2019, there were no DSUs issued and outstanding. From November 30, 2019 to March 30, 2020, no additional DSUs have been issued.

Restricted Share Units

The Company established the restricted share unit (**‘RSU’**) Plan (the **‘RSU Plan’**) and the reservation of 33,000 Common Shares of issuance thereunder to form part of its incentive compensation arrangements available for officers and employees of the Company and its designated affiliates as of May 28, 2010, when the RSU Plan received shareholder approval. Employees and officers, including both full-time and part-time employees, of the Company and any designated affiliate of the Company, but not any directors of the Company who are not also serving as employees or officers, are eligible to participate in the RSU Plan. Prior to April 5, 2018, the terms of the RSU Plan specifically named Dr. Isa Odidi and Dr. Amina Odidi as not eligible to participate; however, the Board, on the recommendation of the Compensation Committee, amended the terms of the RSU Plan to remove this restriction with the result being that Dr. Isa Odidi and Dr. Amina Odidi will be eligible to be awarded RSUs so long as they are officers of the Company or any designated affiliate of the Company. The RSU Plan is administered by the Board or a committee thereof, which will determine, from time to time, who may participate in the RSU Plan, the number of RSUs to be awarded and the terms of each RSU, all such determinations to be made in accordance with the terms and conditions of the RSU Plan, based on individual and/or corporate performance factors as determined by the Board. At November 30, 2019, there were no RSUs issued and outstanding. From November 30, 2019 to the date the Annual Report including this exhibit is filed with the Securities and Exchange Commission, no RSUs have been issued. At March 30, 2020, 33,000 RSUs are reserved for issuance under the Company’s restricted share unit plan.

Articles and By-Laws

The Company was formed pursuant to the Articles under the Canada Business Corporations Act (“CBCA”). The Company is the successor issuer to Vasogen Inc. for reporting purposes under the U.S. Securities Exchange Act of 1934, as amended. As noted above, the authorized share capital of the Company consists of an unlimited number of Common Shares, all without nominal or par value and an unlimited number of Preference Shares issuable in series.

Provisions as to the modification, amendment or variation of rights and provisions of each class of shares are contained in the CBCA and the regulations promulgated thereunder. Certain fundamental changes to the Articles will require the approval of at least two-thirds of the votes cast on a resolution submitted to a special meeting of the Company’s shareholders called for the purpose of considering the resolution. These items include: (i) certain amendments to the provisions relating to the outstanding capital of the Company; (ii) a sale of all or substantially all of the assets of the Company; (iii) an amalgamation of the Company with another company, other than a subsidiary; (iv) a winding-up of the Company; (v) a continuance of the Company into another jurisdiction; (vi) a statutory court approved arrangement under the CBCA (essentially a corporate reorganization such as an amalgamation, sale of assets, winding-up, etc.); or (vii) a change of name.

Under the CBCA, a corporation cannot repurchase its shares or pay or declare dividends if there are reasonable grounds for believing that: (a) the corporation is, or after payment would be, unable to pay its liabilities as they become due; or (b) after the payment, the realizable value of the corporation’s assets would be less than the aggregate of (i) its liabilities and (ii) its stated capital of all classes of its securities. Generally, stated capital is the amount paid on the issuance of a share unless the stated capital has been adjusted in accordance with the CBCA.

General

The Articles do not contain any restrictions on the business the Company may carry on.

Directors

The Company’s By-Law No. 1 (a By-Law relating generally to the transaction of the business and affairs of the Company) provides for the indemnification of the directors and officers of the Company, former directors and officers of the Company against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company, subject to certain limitations in By-Law No. 1 and the limitations in the CBCA.

The Company may also indemnify other individuals who act or acted at the Company’s request as a director or officer, or an individual acting in a similar capacity of another entity.

Annual and Special Meetings

Meetings of shareholders are held at such place, at such time, on such day and in such manner as the Board may, subject to the CBCA and any other applicable laws, determine from time to time. The only persons entitled to attend a meeting of shareholders are those persons entitled to notice thereof, those entitled to vote thereat, the directors, the auditors of the Company and any others who may be entitled or required under the CBCA to be present at the meeting.

Under the CBCA, notice of the meeting is required to be given not less than twenty-one (21) days and not more than sixty (60) days prior to the meeting. Shareholders on the record date are entitled to attend and vote at the meeting.

The quorum for the transaction of business at any meeting of shareholders is at least two persons present at the opening of the meeting who are entitled to vote either as shareholders or proxyholders, representing collectively not less than 5% of the outstanding shares of the Company entitled to be voted at the meeting.

Other Matters

There is no By-Law provision governing the ownership threshold above which shareholder ownership must be disclosed. However, there are disclosure requirements pursuant to applicable Canadian law.

There are no provisions in either the Company's Articles or By-Law No. 1 that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or its subsidiary.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders, to hold or exercise voting rights on the securities imposed by foreign law or by the charter or other constituent document of the Company.

Extension of Debenture Maturity Date

TO Intellipharmaeueuties International Inc. (the "**Company**")

RE: Debenture dated January 10, 2013, with an original face amount of US\$1,050,000 issued by the Company to Dr. Isa Odidi and Dr. Amina Odidi (the "**Debenture**") and the Maturity Date (as defined in the Debenture) of such Debenture

The undersigned hereby agree that the Maturity Date of the Debenture (currently October 1, 2018) is extended to April 1, 2019.

DATED effective October 1, 2018.

/s/ Isa Odidi
Isa Odidi

/s/ Amina Odidi
Amina Odidi

Extension of Debenture Maturity Date

TO Intellipharmaeueuties International Inc. (the "**Company**")

RE: Debenture dated January 10, 2013, with an original face amount of US\$1,050,000 issued by the Company to Dr. Isa Odidi and Dr. Amina Odidi (the "**Debenture**") and the Maturity Date (as defined in the Debenture) of such Debenture

The undersigned hereby agree that the Maturity Date of the Debenture (currently April 1, 2019) is extended to May 1, 2019.

DATED effective April 1, 2019.

/s/ Isa Odidi
Isa Odidi

/s/ Amina Odidi
Amina Odidi

12% CONVERTIBLE TERM DEBENTURE

DUE: November 1, 2019

PRINCIPAL SUM: US\$1,050,000.00

DATE: May 1, 2019

PROMISE

1. Promise to Pay: Intellipharmaceuticals International Inc., a corporation incorporated under the laws of Canada (the "**Borrower**"), for value received, hereby acknowledges itself indebted and covenants and promises to pay to or to the order of Dr. Isa Odidi and Dr. Amina Odidi (collectively the "**Lender**"), at the Lender's address set out in section 19 hereof, or at such other place as the Lender may designate by notice in writing to the Borrower, on November 1, 2019 (the "**Maturity Date**"), the principal amount of \$1,050,000.00 in lawful money of the United States of America and to pay interest thereon on at a rate of twelve per cent (12%) per annum, as well after as before demand and as well after as before default or judgment with interest on overdue interest at the same rate. From the date hereof to and including the Maturity Date, interest shall be calculated and paid monthly on the last business day of each calendar month.

CONVERSION

2. Exercise: At any time and from time to time after the date hereof on not less than three (3) days' and not more than ten (10) days' written notice to the Borrower, the Lender shall have the right to convert any or all of the principal owing to it hereunder (as at the date of election to so convert) into fully paid and non-assessable common shares (the "**Common Shares**") of the Borrower at a price of US\$0.59 per share (the "**Exercise Price**"). Such conversion may be effected by the tendering of this Debenture at the office of the Borrower, accompanied by a written direction of conversion signed by the Lender notifying the Borrower as to the exercise of the right of conversion and specifying the amount of principal hereunder in respect of which this Debenture is converted and setting forth the name and address of the person(s) in whose name(s) the shares issuable upon such conversion are to be registered. This Debenture may, at the Lender's option, be converted at any time after the date hereof, in whole, or from time to time in part, and for so long as any amount remains outstanding hereunder. For greater certainty, no conversion in part or in whole of the principal owing under the Debenture shall extinguish or satisfy, or relieve the Borrower of its obligation to pay the balance of the principal owing hereunder and any interest on such principal amount accruing prior to the effective date of such conversion.

3. Calculation of Purchase Price: "**Purchase Price**" means, in respect of any conversion of this Debenture in whole or in part, the aggregate of the Exercise Price applicable on such conversion multiplied by the number of Common Shares which the Lender gives notice in writing to the Borrower that the Lender elects to purchase via the conversation in whole or part of the amounts owing under this Debenture at such time.

4. Share Issuance: As promptly as practicable after the surrender of this Debenture for conversion, the Borrower shall issue to the Lender or its nominee(s) a certificate or certificates representing the number of fully paid and non-assessable Common Shares of the Borrower into which all or any portion of the indebtedness hereunder has been converted and, in the event that any amounts remain outstanding hereunder after giving effect to such conversion, the Lender shall make a notation hereon of the principal amount of such unconverted indebtedness for the aggregate of principal and interest that remains owing hereunder.

5. No Fractional Shares: No fractional share or scrip representing a fractional share shall be required to be issued upon the conversion of this Debenture. If the conversion of this Debenture would otherwise result in a fractional share, the Borrower shall, in lieu of issuing such fractional share, pay to the Lender an amount equal to the value of the fractional share based upon the Exercise Price for a whole share.

6. Timing: The conversion of this Debenture shall be deemed to have been made in full at the close of business on the date at which time the entire balance owing under this Debenture is tendered for conversion, so that the Lender's rights in respect of the converted portion shall terminate at such time, and the person or persons entitled to receive the shares into which the whole or any part of this Debenture is converted shall be treated, as between the Borrower and such person or persons, as having become the holder or holders of record of such shares at such time.

7. Pre-Payment: The Borrower may prepay this Debenture in whole or in part at any time without prior written notice to the Lender or any bonus or penalty. Any notice of prepayment from the Borrower to the Lender shall be without prejudice to the Lender's right to convert all or any part of the principal amounts that remain outstanding under this Debenture into common shares of the Borrower in accordance with the provisions of the Debenture.

8. Anti-Dilution:

(a) If and whenever at any time while this Debenture is outstanding, the Borrower:

- (i) issues any Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution (other than the issue of Common Shares to holders of Common Shares as dividends by way of stock dividend in lieu of a cash Dividend Paid in the Ordinary Course or pursuant to any dividend reinvestment plan in force from time to time);
- (ii) subdivides or re-divides the outstanding Common Shares into a greater number of Common Shares;
or
- (iii) combines, reduces or consolidates the outstanding Common Shares into a lesser number of Common Shares;

then, in each such event:

- (iv) the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will be adjusted immediately after the effective date of the events referred to in (ii) or (iii) or the record date for the issue of the Common Shares referred to in (i) by multiplying the number of Common Shares theretofore obtainable on conversion of the amounts outstanding under this Debenture by the fraction which is the reciprocal of the fraction referred to in section 8(a)(v)(B); and
 - (v) the Exercise Price will, on the record date for such event, be adjusted to a price which is equal to the product of:
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- (A) the Exercise Price in effect immediately prior to such date;
and
- (B) the fraction of
which:
 - (X) the numerator is equal to the total number of Common Shares that are outstanding on such date before giving effect to such event;
and
 - (Y) the denominator is equal to the total number of Common Shares that are outstanding on such date after giving effect to such event.

Such adjustments will be made successively whenever any event referred to in this section shall occur and any such issue of Common Shares by way of a stock dividend or other distribution will be deemed to have been made on the record date for such stock dividend or other distribution for the purpose of calculating the number of outstanding Common Shares under sections 8(b) and 8(c).

- (b) If and whenever at any time while this Debenture is outstanding, the Borrower fixes a record date for the issuance of rights, options or warrants to all or substantially all of the holders of Common Shares entitling the holders thereof, within a period expiring not more than 45 days after the date of issue thereof, to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per share (or having a conversion or exercise price per share) of less than 95% of the Current Market Price of the Common Shares on the earlier of such record date and the date on which the Borrower announces its intention to make such issuance, then, in each case:
 - (i) the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will be adjusted immediately after such record date so that it will equal the number determined by multiplying the number of Common Shares theretofore obtainable on such record date by a fraction which is the reciprocal of the fraction referred to in section 8(b)(ii)(B); and
 - (ii) the Exercise Price will be adjusted immediately after such record date to a price which is equal to the product of:
 - (A) the Exercise Price in effect on such record date;
and
 - (B) the fraction of
which:
 - (X) the numerator is equal to the aggregate
of:
 - (I) the total number of Common Shares that are outstanding on such record date;
and
 - (II) the number determined by dividing the aggregate price of the total number of additional Common Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by the Current Market Price of the Common Shares on the earlier of such record date and the date on which the Borrower announces its intention to make such issuance; and

(Y) the denominator is equal to the aggregate of:

(I) the total number of Common Shares that are outstanding on such record date;
and

(II) the total number of additional Common Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable).

Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in section 8(c) are fixed within a period of 25 trading days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants are not so issued or any such rights, options or warrants are not exercised prior to the expiration thereof, the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will then be readjusted to that which would then be in effect if such record date had not been fixed or to that which would then be in effect based upon the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

(c) If and whenever at any time while this Debenture is outstanding, the Borrower fixes a record date for the making of a distribution to all or substantially all of the holders of Common Shares of:

(i) shares of any class other than Common Shares whether of the Borrower or any other corporation (other than shares distributed to holders of Common Shares as Dividends Paid in the Ordinary Course (as hereinafter defined) as stock dividends);

(ii) rights, options or warrants (other than rights, options or warrants exercisable by the holders thereof not more than 45 days after the date of issue thereof);

(iii) evidences of indebtedness; or

(iv) cash, securities or other property or assets (other than cash Dividends Paid in the Ordinary Course);

then, in each case:

- (v) the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture shall be adjusted immediately after such record date so that it will equal the number determined by multiplying the number of Common Shares theretofore obtainable on conversion of the amounts outstanding under this Debenture on such record date by a fraction which is the reciprocal of the fraction referred to in section 8(c)(vi)(B); and
- (vi) the Exercise Price will be adjusted immediately after such record date to a price which is equal to the product of:
 - (A) the Exercise Price in effect on such record date; and
 - (B) the fraction of which:
 - (X) the numerator is equal to the amount by which:
 - (I) the product of (x) the total number of Common Shares that are outstanding on such record date and (y) the Current Market Price of the Common Shares on the earlier of such record date and the date on which the Borrower announces its intention to make such distribution;
exceeds
 - (II) the aggregate fair market value (as determined by the directors at the time such distribution is authorized) of such shares rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed; and
 - (Y) the denominator is equal to the product determined under clause (X) above.

Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in section 8(b) are fixed within a period of 25 trading days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that such distribution is not so made or to the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will then be readjusted to that which would then be in effect if such record date had not been fixed or to that which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be.

- (d) In the event that any adjustment of the Exercise Price is made pursuant to sections 8(a), (b) and (c), the number of Common Shares that may be purchased upon the conversion of the amounts outstanding under this Debenture will, contemporaneously with such adjustment of such Exercise Price, be adjusted to a number which is equal to the product of:
- (i) the total number of Common Shares so purchaseable immediately before such adjustment of such Exercise Price;
and
 - (ii) the fraction which is the reciprocal of the fraction used in such adjustment of such Exercise Price.
- (e) If and whenever at any time while this Debenture is outstanding there is:
- (i) any reclassification of the Common Shares at any time outstanding, any change of the Common Shares into other shares or any other capital reorganization of the Borrower other than as described in sections 8(a), (b) and (c);
 - (ii) any consolidation, arrangement, amalgamation, merger or other form of business combination of the Borrower with or into any other body corporate, trust, partnership or other entity resulting in a reclassification of the outstanding Common Shares, any change of the Common Shares into other shares or any other capital reorganization of the Borrower other than as described in sections 8(a), (b) and (c); or
 - (iii) any sale, lease, exchange or transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or entity;
- then:
- (iv) the holder hereof will be entitled to receive and will accept, in lieu of the number of Common Shares then to be acquired by it upon conversion of the amounts outstanding under this Debenture;

the kind and number or amount of shares or other securities or property that the holder would have been entitled to receive as a result of such event if, on the record date or effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares to which the holder was theretofore entitled upon such exercise or deemed exercise. If necessary as a result of any such event, appropriate adjustments will be made in application of the provisions set forth in this section 8 with respect to the rights and interests of the holder so that the provisions set forth in this section 8 will thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or other securities or property to which a holder of this Debenture is entitled on conversion of the amounts outstanding under this Debenture. Any such adjustment will be made by and set forth in amendment hereto approved by the directors and will for all purposes be conclusively deemed to be an appropriate adjustment.

- (f) As a condition precedent to taking any action that would require an adjustment pursuant to this section 8, the Borrower will take all action which may, in the opinion of counsel to the Borrower, be necessary in order that the Borrower, or any successor to the Borrower or successor to the undertaking and assets of the Borrower, will be obligated to and may validly and legally issue as fully paid and non-assessable all the Common Shares or other shares or securities or property to which the holder hereof would be entitled to receive thereafter on conversion of the amounts outstanding under this Debenture.
- (g) The Borrower will give notice to the holder hereof, at least 10 days prior to the record date for the making of such distribution, of:
 - (i) its intention to make a distribution referred to in section 8(c) which results in the fraction calculated pursuant to section 8(c)(vi)(B) thereof being a negative number; and,
 - (ii) any action or event that would require an adjustment pursuant to this section 8.

9. Adjustment Rules:

- (a) The following rules and procedures will be applicable to adjustments made pursuant to section 8, including any readjustments:
 - (i) the adjustments provided for in section 8 are cumulative, will, in the case of any adjustment to the Exercise Price, be computed to the nearest one-tenth of one cent and, subject to section 9(a)(ii) below, will apply (without duplication) to successive subdivisions, consolidations, distributions, issuances or other events that require such an adjustment;
 - (ii) no such adjustment in the Exercise Price will be made unless the price adjustment would result in an increase or decrease of at least 1% in such Exercise Price, provided that any such adjustment which, except for the provisions of this section 9(a)(ii), would otherwise have been required to be made, will be carried forward and taken into account in any subsequent adjustment;
 - (iii) for the purposes of sections 8(a), (b) and (c) there will be deemed not to be outstanding:
 - (A) any Common Share owned or held for the account of any subsidiary of the Borrower that is a wholly-owned subsidiary; and
 - (B) that percentage of the Common Shares owned by or held for the account of any subsidiary of the Borrower that is not a wholly-owned subsidiary, that is equal to the direct and indirect percentage interest of the Borrower in the outstanding shares of such subsidiary that carry a residual right to participate to an unlimited degree in its earnings and in its assets on liquidation or winding-up;
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- (iv) no such adjustment will be made in respect of an event described in of section 8(a)(i) or section 8(b) or 8(c) if the holders are entitled to participate in such event, or are entitled to participate within 45 days in a comparable event, on the same terms, mutatis mutandis, as if the holder had converted the amounts outstanding under this Debenture immediately before the record date for or effective date of such event;
 - (v) in the absence of a resolution of the directors fixing a record date at which holders of Common Shares are determined for purposes of any event referred to in section 8, the Borrower will be deemed to have fixed as the record date therefor the date on which the event is effected or such other date as may be required by law; and
 - (vi) no fractional Common Share will be issued upon the conversion of the amounts outstanding under this Debenture and accordingly if as a result of any such adjustment the holder hereof becomes entitled to acquire a fractional Common Share the holder shall have the right to acquire only the next lowest whole number of Common Shares and no payment or other adjustment will be made with respect to the fractional Common Share so disregarded.
- (b) In any case in which section 8 requires an adjustment to take effect on or immediately after the record date for an event referred to therein, the Borrower may postpone, until the occurrence and consummation of such event, issuing to the holder hereof after such record date and before the occurrence and consummation of such event the additional Common Shares or other securities or property issuable upon such exercise by reason of the adjustment required by such event; provided, however, that the Borrower will deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares or other securities or property upon the occurrence and consummation of such event and the right to receive any dividend or other distribution in respect of such additional Common Shares or other securities or property declared in favour of the holders of record of Common Shares or of such other securities or property as such holder would, but for the provisions of this section 9(b), have become the holder of record of such additional Common Shares or of such other securities or property.
- (c) If and whenever at any time while this Debenture is outstanding the Borrower takes any action affecting or relating to the Common Shares, other than any action described in section 8, which in the opinion of the directors of the Borrower would prejudicially affect the rights of the holder hereof, the conversion rights in effect at any date arising hereunder will be adjusted by the directors in such manner, if any, and at such time, as the directors may in their sole discretion determine to be equitable in the circumstances to such holder, subject to obtaining prior approval of the Toronto Stock Exchange before giving effect to any such change. Failure of the directors to take any action so as to provide for any such adjustment on or before the effective date of any such action by the Borrower affecting or relating to the Common Shares will be conclusive evidence that the directors have determined that it is equitable to make no such adjustment in the circumstances.
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- (d) In the event of any question arising with respect to the adjustments provided for in this section 9, including any readjustment, such question shall be conclusively determined by the firm of chartered accountants duly appointed as auditors of the Borrower for the time being or, if they are unable or unwilling to act, by such firm of chartered accountants as is appointed by the Borrower. The Borrower will provide such accountants access to all necessary records of the Borrower. Such determination will be binding upon the Borrower and holder hereof.

10. Definitions: In these sections 8, 9 and 10, unless there is something in the subject matter or context inconsistent therewith:

- (a) “**Current Market Price**”, on any date, means the average, during the period of 20 consecutive trading days ending on the fifth trading day before such date, of the average of all prices per share at which the Common Shares have traded on the stock exchange having the greatest trading volume in such shares in such period (the “**Relevant Stock Exchange**”) or, if the Common Shares have not been listed on a stock exchange for such number of trading days, then such lesser number of trading days as the Common Shares have been so listed, or, if the Common Shares are not listed on any stock exchange, then in the over-the-counter market as reported by the Toronto Stock Exchange (or such other stock exchange or as quoted by the most commonly quoted or carried source of quotations for Common Shares traded in the over-the-counter market), provided that if, on any such trading day, there are no such reported or quoted prices, the average of the closing bid and asked prices per share for board lots of the Common Shares reported by the Relevant Stock Exchange (or such other stock exchange or as quoted by the most commonly quoted or carried source of quotations for shares traded in the over-the-counter market) for such trading day will be utilized in computing such average, and provided further that if the Common Shares are not listed on any stock exchange or traded in any over-the-counter market, then the Current Market Price of the Common Shares will be determined by the directors of the Borrower, acting reasonably.
- (b) “**Dividend Paid in the Ordinary Course**” means any dividend paid by the Borrower on the Common Shares in any fiscal year of the Borrower (whether in cash, securities, property or other assets), provided that the amount of such dividend paid in cash and the value of such dividend paid otherwise than in cash (any securities, property or other assets so distributed as a dividend to be valued at an amount equal to the fair market value thereof as determined by the directors at the times such dividend is declared), plus the aggregate amount or value (as so determined) of all other dividends previously paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) in such fiscal year, does not exceed the greatest of:
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- (i) the amount or value (as so determined) which results in the amount or value (as so determined) of dividends per Common Share paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during such fiscal year not exceeding 200% of the amount or value (as so determined) per Common Share of all dividends paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during the fiscal year of the Borrower ended immediately prior to the commencement of such fiscal year;
- (ii) the amount or value (as so determined) which results in the amount or value (as so determined) of dividends per Common Share of all dividends paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during such fiscal year not exceeding 100% of the amount or value (as so determined) per Common Share of all dividends paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during the three successive fiscal years of the Borrower ended immediately prior to the commencement of such fiscal year; and
- (iii) 150% of the consolidated net income of the Borrower before extraordinary items for (but after dividends payable on all shares in the capital of the Borrower ranking with respect to the payment of dividends prior to the Common Shares in respect of) the fiscal year of the Borrower ended immediately prior to the commencement of such fiscal year (such consolidated net income, extraordinary items and dividends to be as shown in the audited consolidated financial statements of the Borrower for such fiscal year or, if there are no audited consolidated financial statements for such fiscal year, computed in accordance with generally accepted accounting principles);

provided that if any fiscal year which is relevant for purposes of the foregoing provisions of this definition is less than 365 days any amount or value determined in respect of such fiscal year pursuant to such provisions will be adjusted by multiplying such amount or value by the number obtained by dividing 365 by the number of days in such fiscal year;

- (c) “**subsidiary**” has the meaning which that term had in the *Canada Business Corporations Act*, and
 - (d) “**trading day**”, with respect to any stock exchange or over-the-counter market, means a day on which shares may be traded through the facilities on such stock exchange or in such over-the-counter market.
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11. Proceedings Prior to any Action Requiring Adjustment: As a condition precedent to the taking of any action which would require an adjustment in any of the conversion rights pursuant to this Debenture, including the number and classes of shares which are to be received upon the exercise thereof, the Borrower shall take any corporate action which may be necessary in order that the Borrower has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the shares which the Lender is entitled to receive on the full exercise of the conversion rights under this Debenture in accordance with the provisions hereof.

12. Notice of Adjustment of Subscription Rights: Immediately upon the occurrence of any event which requires an adjustment in any of the subscription rights pursuant to this Debenture, the Borrower shall forthwith give notice to the Lender of the particulars of such event and the required adjustment in the subscription rights.

13. Covenants of the Borrower: The Borrower covenants with the Lender that so long as this Debenture remains outstanding:

- (a) The Borrower shall duly and punctually pay or cause to be paid to the Lender the principal of and the interest accrued on this Debenture on the dates, at the place, in the moneys, and in the manner set forth in this Debenture.
 - (b) The Borrower shall pay all reasonable costs, charges and expenses (including legal fees and disbursements) of or incurred by the Lender in connection with this Debenture and all ancillary documents including the ongoing administration hereof (other than normal course reviews and reports) and the enforcement hereof.
 - (c) The Borrower shall provide immediate notice to the Lender of any event which constitutes or with the giving of notice or lapse of time or both, or the satisfaction of any other condition, would constitute an event of default under this Debenture.
 - (d) The Borrower shall not:
 - (i) sell, lease or otherwise transfer any of its undertaking, property and assets as an entirety or substantially as an entirety in one or more transactions, or sell, lease or otherwise dispose of its undertaking, property and assets as an entirety or substantially as an entirety in one or more transactions; or
 - (ii) amalgamate or merge with any other corporation or effect any corporate reorganization if such transaction involves the issue of shares of the Borrower;without the prior written consent of the Lender or as expressly provided for herein.
 - (e) The Borrower shall not, at any time, without the prior written approval of the Lender, incur any indebtedness, other than indebtedness evidenced by this Debenture, for money borrowed by the Borrower or for money borrowed by others for the payment of which the Borrower is responsible or liable.
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- (f) The Borrower shall not without the prior written consent of the Lender or except as contemplated herein, permit a reorganization, amalgamation, merger, acquisition, divestiture or any other corporate event including, but not limited to, an amendment of the charter documents which would cause the corporate structure or the shareholdings, whether legal or beneficial, of the Borrower to be varied from the corporate structure or shareholdings, whether legal or beneficial, as it exists as of the date of this Debenture.

DEFAULT

14. Default: Upon the happening of any one or more of the following events, namely:

- (a) if the Borrower makes default in payment of the principal and/or interest on this Debenture when the same becomes due and payable under any provision hereof;
- (b) if proceedings for the bankruptcy, receivership, dissolution, liquidation, winding-up, reorganization or readjustment of debt of the Borrower or for the suspension of the operations of the Borrower are commenced or notice of intention in respect thereof is given under any law or statute of any jurisdiction relating to such matter whether now or hereafter in effect and such proceedings are not being contested by the Borrower; and
- (c) if the Borrower is adjudged or declared bankrupt or insolvent, or makes an assignment for the benefit of its creditors, or petitions or applies to any tribunal for the appointment of a receiver or trustee for it or for any substantial part of its property, or commences any proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution, liquidation, or other similar law or statute of any jurisdiction whether now or hereafter in effect, or by any act or failure to act indicates its consent to, approval of, or acquiescence in, any such proceeding for it or any substantial part of its property, or suffers the appointment of any receiver or trustee,

then in each and every such event the principal of and interest on this Debenture and all other moneys outstanding hereunder shall forthwith become immediately due and payable, anything herein to the contrary notwithstanding, and the Borrower shall forthwith pay to the Lender the principal of and accrued and unpaid interest, together with interest at the rate borne by this Debenture on such principal, interest and such other moneys from the date of the said declaration until payment is received by the Lender.

GENERAL

15. Further Assurances: Whether before or after the happening of an event of default, the Borrower shall, at its own expense do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, things, agreements, documents and instruments in connection with this Debenture as the Lender may request from time to time for the purpose of giving effect to the terms of this Debenture, all immediately upon the request of the Lender.

16. Waiver of Default: The Lender may by written notice to the Borrower waive any default of the Borrower on such terms and conditions as the Lender may determine, but no such waiver shall be taken to affect any subsequent default or the rights resulting therefrom.

17. Expenses: The Borrower shall pay to the Lender forthwith upon demand all reasonable out-of-pocket costs, charges and expenses (including legal fees on a solicitor-client basis) incurred by the Lender in connection with the recovery or enforcement of payment of any of the moneys owing hereunder at the rate hereinbefore specified calculated from the date of incurring such costs, charges and expenses.

18. Severability: If any term, covenant, obligation or agreement contained in this Debenture, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Debenture or the application of such term, covenant, obligation or agreement to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, obligation or agreement herein contained shall be separately valid and enforceable to the fullest extent permitted by law.

19. Notices: Any notice or other communication which may be or is required to be given or made pursuant to this Debenture shall, unless otherwise expressly provided herein, be in writing and shall be deemed to have been sufficiently and effectively given if signed by or on behalf of the party giving notice and delivered or sent by registered mail, postage prepaid, to the party for which it is intended at its address as follows:

(a) if to the Borrower, at:

30 Worcester Road,
Toronto, Ontario
M9W 5X2
Facsimile Number: (416) 798-3007

Attention: Chief Financial Officer

(b) if to the Lender, at:

30 Worcester Road,
Toronto, Ontario
M9W 5X2
Facsimile Number: (416) 798-3007

Any notice or communication which may or is required to be given or made shall be made or given as herein provided or to such other address or in care of such other officer as a party may from time to time advise to the other parties hereto by notice in writing as aforesaid. Any notice or communication given by mail shall be deemed to have been received on the fifth business day following the date of mailing unless delivery by mail is likely to be delayed by strike or slowdown of postal workers, in which event it shall be delivered by hand or transmitted by telecopier. Any notice which is delivered by hand shall be deemed to have been received on the date of such delivery if such date is a business day and such delivery was made during normal business hours; otherwise it shall be deemed to have been received on the business day next following such date of delivery. Any notice which is delivered by telecopier shall be deemed to have been received on the date of transmission if such date is a business day and such transmission was made during normal business hours; otherwise it shall be deemed to have been received on the business day next following such date of transmission.

20. Assignment: The Borrower and the Lender shall not assign all or any part of their rights, benefits or obligations under this Debenture without the prior written consent of the other party, acting reasonably.

21. Entire Agreement: This Debenture constitutes the entire agreement between the parties pertaining to the subject matter described herein and therein. There are no warranties, conditions or representations and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Debenture.

22. Law Governing: This Debenture shall be governed in all respects by the law of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

23. Amendment and Waiver: No amendment or waiver of any provision of this Debenture or consent to any departure by the Borrower from any provision hereof or thereof is effective unless it is in writing and signed by the Lender. Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

24. Currency of Payment: The principal, interest and other moneys payable hereunder shall be paid in lawful money of Canada.

25. Successors: This Debenture and all its provisions shall enure to the benefit of the Lender and her heirs, executors and assigns, and shall be binding upon the Borrower and its successors and assigns. The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario for all matters arising out of or in connection with this Debenture.

IN WITNESS WHEREOF the Borrower has duly executed this Debenture as of the date first above written.

INTELLIPHARMACEUTICS INTERNATIONAL INC.

Per: /s/ Greg Powell

Name: Greg Powell

Title: CFO

Extension of Debenture Maturity Date

TO Intellipharmaeueuties International Inc. (the "**Company**")
RE: Debenture dated May 1, 2019, with an original face amount of US\$1,050,000 issued by the Company to Dr. Isa Odidi and Dr. Amina Odidi (the "**Debenture**") and the Maturity Date (as defined in the Debenture) of such Debenture

The undersigned hereby agree that the Maturity Date of the Debenture (currently November 1, 2019) is extended to December 31, 2019.

DATED effective November 1, 2019.

/s/ Isa Odidi
Isa Odidi

/s/ Amina Odidi
Amina Odidi

Extension of Debenture Maturity Date

TO Intellipharmaeueuties International Inc. (the "**Company**")

RE: Debenture dated May 1, 2019, with an original face amount of US\$1,050,000 issued by the Company to Dr. Isa Odidi and Dr. Amina Odidi (the "**Debenture**") and the Maturity Date (as defined in the Debenture) of such Debenture

The undersigned hereby agree that the Maturity Date of the Debenture (currently December 31, 2019) is extended to February 1, 2020.

DATED effective December 31, 2019.

/s/ Isa Odidi
Isa Odidi

/s/ Amina Odidi
Amina Odidi

Extension of Debenture Maturity Date

TO Intellipharmaeueuties International Inc. (the "**Company**")

RE: Debenture dated May 1, 2019, with an original face amount of US\$1,050,000 issued by the Company to Dr. Isa Odidi and Dr. Amina Odidi (the "**Debenture**") and the Maturity Date (as defined in the Debenture) of such Debenture

The undersigned hereby agree that the Maturity Date of the Debenture (currently February 1, 2020) is extended to March 31, 2020.

DATED effective January 31, 2020.

/s/ Isa Odidi
Isa Odidi

/s/ Amina Odidi
Amina Odidi

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

[*****] indicates the redacted confidential portions of this exhibit.

LICENSE AND COMMERCIAL SUPPLY AGREEMENT

THIS LICENSE AND COMMERCIAL SUPPLY AGREEMENT (“**Agreement**”) is made and entered into as of August 15, 2019 (“**Effective Date**”) by and among Tris Pharma, Inc, with offices at 2033 US Rt 130, Monmouth Jn, NJ 08852 (“**Tris**”) and Intellipharmaeutics Corp, with offices at 30 Worcester Road, Toronto, ON M9W 5X2, Canada (“**IPC**”), with respect to the manufacture, supply, sales, licensing and distribution of the generic pharmaceutical Product set forth below. Tris and IPC are sometimes hereafter referred to individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, Tris and its subsidiaries are engaged in the sale, marketing and distribution of generic pharmaceutical products; and

WHEREAS, IPC is engaged in the development, manufacturing and supply of pharmaceutical products; and

WHEREAS, IPC desires to manufacture and supply Tris the Product for sale in the Territory (as defined below);

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and obligations set forth herein, Tris and IPC hereby agree to be legally bound as follows:

ARTICLE 1 – DEFINITIONS

1.1 “Act” means the United States Federal Food, Drug, and Cosmetic Act, as amended, and regulations promulgated thereunder.

1.2 “AG Product” means any product, other than the Innovator Product, promoted, distributed, marketed, offered for sale and/or sold as a branded or non-branded generic product under or pursuant to the Innovator Pharmaceutical Company’s approved New Drug Application filed with the FDA pursuant to and under 21 U.S.C. Section 355(b) of the Act, for the Innovator Product.

1.3 “API” means the bulk active pharmaceutical ingredient for the Product.

1.4 “Adulterated Product” means product which is adulterated or misbranded within the meaning of the Act or an article which may not be introduced into interstate commerce in the United States under the provisions of Sections 404 or 505 of the Act.

1.5 “Affiliate” means any Person who owns, is owned by or is under common ownership with another Person. For the purposes of this definition, the term “owns” (including, with correlative meanings, the terms “owned by” and “under common ownership with”) as used with respect to any Party, shall mean the possession (directly or indirectly) of more than 50% of the outstanding voting securities or other equity or voting interest of a Person.

1.6 “ANDA” means an Abbreviated New Drug Application pursuant to the Act and all Applicable Laws.

1.7 “Anticipated Inability to Deliver” has the meaning set forth in Section 3.11.

1.8 “Applicable Laws” means all laws, rules and regulations that are applicable to the manufacture, import, use, offer to sell, sale or distribution of the Product in the Territory or the performance of either Party’s obligations under this Agreement, including (but not limited to) the Act and the PDMA.

1.9 “cGMP” means current Good Manufacturing Practices promulgated by the FDA as the same may be amended from time to time, and their equivalent promulgated by the governing health authority of any other country in which the Product is manufactured by IPC under this Agreement.

1.10 “Commercially Reasonable Efforts” means a Party’s reasonable efforts and diligence in manufacturing, supplying and commercializing the Product in accordance with its business, legal, medical and scientific judgment, such reasonable efforts and diligence to be in accordance with the efforts and resources the Party would use for a product owned by it or to which it has rights, which is of similar market potential at a similar stage in its product life, taking into account the competitiveness of the marketplace, the proprietary position of the compound, the regulatory structure involved, the profitability of the applicable Product, and other relevant factors.

1.11 “Competing Product” has the meaning set forth in Section 2.2.

1.12 “Confidential Information” has the meaning set forth in Section 12.1 hereof.

1.13 “Control” means, with respect to Intellectual Property Rights, the possession of the ability by ownership, license or otherwise (other than by operation of the license and other rights pursuant to this Agreement) to freely assign or grant a license or sublicense or disclose as provided for herein under such Intellectual Property Rights without violating the terms of any agreement or other arrangement, express or implied, with any Third Party.

1.14 “Cover” has the meaning set forth in Section 3.11.

1.15 “Excess Order” has the meaning set forth in Section 3.3.

1.16 “Expiry Dating”. The date as on each Certificate of Analysis and Label, until which the Product is good for sale, dispensing and use, determined based on the stability data as per cGMP guidelines.

1.17 “FDA” means the United States Food and Drug Administration, and any successor agency thereto.

1.18 “Freight Charges” has the meaning set forth in Section 3.4

1.19 “GDUFA Fees” shall mean the fees imposed under the Generic Drug Users Fee Act and the Generic Drug User Fee Amendments of 2012, as amended to date or as further amended.

1.20 “Generic Equivalent” means a generic pharmaceutical product that is therapeutically equivalent to the Innovator Product, where “therapeutically equivalent” means: an AB rating is assigned to such product’s entry in the list of drug products with effective approvals published in the then-current edition of FDA’s publication “*Approved Drug Products with Therapeutic Equivalence Evaluations*” and any current supplement to the publication (also known as the “Orange Book”) referred to in 21 C.F.R. 314.3 and such product is covered by an ANDA.

1.21 “Indemnified Party” has the meaning set forth in Section 10.4 hereof.

1.22 “Indemnifying Party” has the meaning set forth in Section 10.4 hereof.

1.23 “Innovator Pharmaceutical Company” means the holder of any approved NDA or ANDA for such Innovator Product, including, its successors and assigns.

1.24 “Innovator Product” means Seroquel XR having Quetiapine Fumarate as its active ingredient, or if Seroquel XR is no longer the product which serves as the reference listed drug then the product which serves as the reference listed drug for the Product.

1.25 “Intellectual Property Rights” means Know-How, registered trademarks, trademark applications, unregistered trademarks, trade dress, copyrights, and Patent Rights.

1.26 “Invoice” means a statement of the amount in US dollars due for a list of the Product supplied or services provided that is presented for payment.

1.27 “Know-How” means any information related to the product formulation and all technology and all technical and clinical information, data and know-how related to the development, formulation, manufacture or use of a product, including (but not limited to), trade secrets, designs, research and development, methods, techniques, derivations, processes, formulations, dosage forms, concepts, ideas, preclinical, clinical, biological, chemical, pharmacological, toxicological, pharmaceutical or other data, validation information, stability history, testing methods and results, experimental methods and results, product specifications, assays, in vitro data, in vivo data, material and product information, test methods for raw materials, components, work-in-process and finished product, stability, descriptions, specifications, scientific plans, depictions, discoveries, new technologies, product ideas, modifications, improvements and extensions, equipment, medical support information (including data bases), and any other written, printed, electronically stored or humanly perceivable information and materials, including combinations or applications thereof, data summaries and compilations of data, whether or not patentable, relating to the development, manufacture, importation or use of a product.

1.28 “Label,” “Labeled” or “Labeling” means all labels and other written, electronic, printed or graphic matter upon (i) a Product or any container or wrapper utilized with the Product, or (ii) any written material accompanying a Product, including, without limitation, package inserts.

1.29 “Market Share” means the number of tablets of Product (aggregating all strengths) sold by Tris, its Affiliates, its distributors, wholesalers and sublicensees divided by the total number of tablets of Generic Equivalents of Innovator Product (other than AG Product or the Innovator Product) in 50/150/200/300/400 mg strengths sold by Tris and others in the Territory.

1.30 “Materials” has the meaning set forth in Section 4.5.

1.31 “Minimum Period” has the meaning set forth in Section 3.7.

1.32 “NDA” means a New Drug Application filed with the FDA pursuant to and under 21 U.S.C. Section 355(b) of the Act.

1.33 “Net Profits” has the meaning set forth in Section 4.7.

1.34 “Net Sales” has the meaning set forth in Section 4.4.

1.35 “Packaging” or “Package” means all primary containers, including bottles, blisters, cartons, shipping cases or any other like matter used in packaging or accompanying a Product.

1.36 “Patent Rights” means patents issued by and patent applications filed with the U.S. Patent and Trademark Office, the Canadian Intellectual Property Office, or other similar governmental intellectual property administration agencies, and all divisionals, continuations, continuations in part, reissues, extensions, supplementary protection certificates and foreign counterparts thereof.

1.37 “**PDMA**” means the Prescription Drug Marketing Act, as amended, and rules and regulations promulgated thereunder, as in effect from time to time.

1.38 “**Person**” means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a governmental entity.

1.39 “**Production Facility**” means the facility of IPC located at Toronto, Canada and all the equipment therein, including without limitation, all equipment used in the manufacture, processing, production, packaging, handling, storage, holding, labeling, testing, analyzing, sampling, shipping and release of the Product therein.

1.40 “**Product(s)**” means the Quetiapine ER tablets approved by the FDA under the Product ANDA, which is the therapeutic equivalent of the Innovator Product, in all strengths thereof, as set forth in Exhibit A hereto as manufactured in accordance with the IPC ANDAs.

1.41 “**Product ANDA**” means ANDA #A202939, as the same may be supplemented or amended from time to time.

1.42 “**Product Warranties**” has the meaning set forth in Section 5.1.

1.43 “**Profit Share Statement**” has the meaning set forth in Section 3.9.

1.44 “**Purchase Order**” has the meaning set forth in Section 3.3 hereof.

1.45 “**Regulatory Approval**” means the license or marketing approval by the FDA that is necessary as a prerequisite for marketing the Product in the Territory.

1.46 “**Rejection Notice**” has the meaning set forth in Section 5.2(a).

1.47 “**Selling Price**” has the meaning set forth in Section 4.3.

1.48 “**Selling & Distribution Costs**” has the meaning set forth in Section 4.6.

1.49 “**Specifications**” means the specifications for each Product as included in the ANDA for the Product.

1.50 “**Standard Operating Procedures**” means process, steps and procedures as documented for each activity including but not restricted to sourcing, manufacturing, packaging, testing, labeling, storage, supply, handling of the Product at all stages through the value chain.

1.51 “**Statement of Work**” means a description, agreed upon by both Parties, of auditor responsibilities and work-product delivery deadlines, as well as a reasonable description of the types of documents or data which may be reviewed and personnel who may be interviewed, in undertaking an audit pursuant to this Agreement.

1.52 “**Territory**” means the United States of America, its territories, possessions and military bases, and the Commonwealth of Puerto Rico.

1.53 “**Third Party**” means a Person other than Tris, IPC and their respective Affiliates.

1.54 “**Transfer Price**” means the prices Tris shall pay IPC for the Product(s) as set forth in Section 4.5 and Exhibit B hereto.

1.55 “**Valid**” means, with respect to Patent Rights in a particular country, such Patent Rights have not (A) expired or been cancelled, (B) been declared invalid or unenforceable by a decision of a court or other appropriate body of competent jurisdiction, from which no appeal is or can be taken, (C) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or (D) been abandoned or disclaimed either affirmatively or by operation of law.

ARTICLE 2 – LICENSE, PRODUCT & TERM

2.1 License. Subject to the terms and limitations set forth herein, IPC hereby grants to Tris an exclusive right and license (even as to IPC and its Affiliates), with the right to sublicense to an Affiliate and/or, subject to the prior approval and written consent of IPC (which consent shall not be unreasonably withheld, delayed or conditioned) to a Third Party (provided that no sublicense of rights by Tris in accordance with this Agreement shall relieve Tris of any liability or obligation to IPC hereunder) to use, distribute, offer for sale, sell, have sold, have offered for sale and commercialize the Product in the Territory, including, without limitation, through wholesalers, distributors, sublicensees and resellers during the Term. The rights granted herein shall include a license to Intellectual Property Rights Controlled by IPC, for the Territory, which are necessary or desirable to distribute the Product in the Territory. IPC will maintain all ownership of the Product and responsibility to manufacture the Product as per cGMP and delivery of the Product to Tris. The foregoing rights will be co-terminus with this Agreement and, subject to any specific provisions set forth in Section 11.5 [(Surviving Terms)], shall terminate on and as of the effective date of termination or expiration hereof. In no event and on no occasion shall the exclusive rights granted to Tris hereunder be interpreted to permit Tris to sell Product outside of the Territory.

2.2 Non-Compete. IPC and its Affiliates shall not, and shall not negotiate to or agree to, (1) develop, file for Regulatory Approval, acquire, license, manufacture anywhere for use in the Territory, or (2) market or otherwise commercialize in or for the Territory, any pharmaceutical product that is (A) a Generic Equivalent to the Innovator Product (excluding the Product subject to this Agreement), (B) the Innovator Product, or (C) an AG Product, either alone or with a Third Party (each, a “**Competing Product**”), from the Effective Date until the earlier of (i) the expiration of the Term or the termination of this Agreement or (ii) Tris’ license has become nonexclusive pursuant to Section 4.2.

2.3 Exclusivity. During the Term, Tris will exercise Commercially Reasonable Efforts to successfully launch and sell the Product in the Territory on an exclusive basis, meaning Tris shall not sell another Generic Equivalent to the Innovator Product, except pursuant to Section 3.11 or if the IPC license grant to Tris has become non-exclusive.

2.4 Term of Agreement. The initial term (“**Initial Term**”) of this Agreement shall be five (5) year from the Effective Date. Thereafter this Agreement shall automatically renew for successive two-year terms (each, a “**Renewal Term**”, and together with the Initial Term, the “**Term**”) unless one party notifies the other of its intent to terminate the agreement, for convenience, on no less than 180 days advance written notice..

ARTICLE 3 – MANUFACTURE, FORECASTS, PURCHASE ORDERS AND SUPPLY

3.1 Subject to the terms and conditions of this Agreement, from and after the Effective Date and during the Term, IPC shall use Commercially Reasonable Efforts to timely manufacture, Label, Package and supply Tris’, its sublicensees’ and their respective Affiliates’ requirements of Product, for use and marketing in the Territory in accordance with Tris’ Purchase Orders, the Specifications, cGMP requirements and all other Applicable Law.

3.2 Forecasts. On or before the tenth (10th) day of every calendar month during the Term, Tris shall share a rolling twelve (12) month forecast (each a “**Forecast**”) of the Product which forecasts Tris’, its sublicensees’ and their respective Affiliates’ requirements for each strength of the Product commencing the first full month after the date of the Forecast, of which only the first three (3) months would be binding and would be confirmed with a formal Purchase Order.

3.3 Purchase Orders. During the Term, Tris shall make all purchases hereunder by submitting firm purchase orders to IPC (a “**Purchase Order**”). Each such Purchase Order shall be in writing in a form reasonably acceptable to IPC, and shall specify the Product ordered, the quantity ordered, the Transfer Price, the required delivery date thereof, which shall be no later than ninety (90) days after the date of Purchase Order unless otherwise agreed upon in writing by IPC. IPC shall confirm acceptance of the PO in writing within five (5) business days and IPC shall supply to Tris, Product ordered pursuant to such Purchase Orders on the requested delivery date at the Production Facility. In the event of a conflict between the terms and conditions of any Purchase Order and this Agreement, the terms and conditions of this Agreement shall prevail. The quantities contained in Purchase Orders for a Product to be delivered during any one month period shall not exceed [*****] percent ([*****]%) of the amounts set forth in the immediately preceding forecasts for such Product for the same time period (an “**Excess Order**”), unless Tris has obtained IPC’s prior written consent for such Excess Orders which consent shall not be unreasonably withheld, conditioned or delayed. IPC shall respond to any request by Tris for an Excess Order within ten (10) business days of a written request from Tris. Such response shall indicate the amount of the Excess Order, if any, that IPC will manufacture and deliver. IPC will use commercially reasonable efforts to fill an Excess Order as promptly as practicable, but will not be in breach hereof if, notwithstanding such efforts, it will be unable to fill such Excess Order.

3.4 Freight Charges. All freight, insurance charges, export and other custom duties, other charges applicable to the sale and transport in Temperature Controlled Containers of Product purchased by Tris hereunder (collectively, “**Freight Charges**”), from the Production Facility to Tris’ designated US facility shall be negotiated for and paid by Tris.

3.5 Delivery of Product. On the applicable delivery date contemplated in a Purchase Order, IPC shall deliver the Product(s) in its final packaged form to the carrier selected by Tris at the Production Facility. The Product shall be shipped by IPC to Tris by such method as Tris shall reasonably designate. Tris shall be responsible for the selection of the carrier and if Freight Charges are paid by IPC (which it is under no obligation to pay), such charges shall be promptly reimbursed by Tris upon written request, which request shall be accompanied by all relevant supporting documentation. Title to any shipped Product sold hereunder shall transfer to Tris and Tris shall bear all risk of loss with respect to shipped Product when delivered by IPC to the carrier designated by Tris. Tris shall be solely responsible for proper storage of the Product in accordance with applicable specifications once the Product has been delivered, but IPC shall be solely responsible for all pre-shipment quality assurance testing and/or release of the Product for distribution, in accordance with all Applicable Laws. For clarity, Tris shall pay for all Freight Charges.

3.6 Expiry Dating. All Product delivered by IPC pursuant to this Agreement shall have, upon delivery to the carrier in accordance herewith, the greater of either [****] percent ([****]%) of its maximum approved shelf life OR at least twenty (20) months of shelf life remaining in accordance with the ANDA (“**Minimum Period**”); except, however, where Tris has authorized in writing, in advance, the shipment of a Product that does not meet the Minimum Period.

3.7 Invoicing. Upon shipment of Product, IPC shall submit invoices therefor to Tris. All invoices shall be in US Dollars and, to the extent the terms of any invoice submitted by IPC or any Purchase Order submitted by Tris conflict with the terms of this Agreement, the terms of this Agreement shall prevail and be binding upon the Parties.

3.8 Payment. Payment terms shall be as follows:

(a) Tris shall pay each invoice in full within thirty (30) days after the date of receipt of invoice, except that Tris shall pay for Product within thirty (30) days of the later of receipt of invoice or delivery of the Product to which the invoice relates to Tris’ carrier in accordance with Section 3.5.

(b) On or before the fifteenth (15th) day after the end of each month of this Agreement, Tris shall provide a report detailing the estimated sales statement for the preceding month. It is the understanding of the Parties that such monthly sales statement may change once actual amounts are known and can be adjusted prospectively in accordance herewith.

(c) Within thirty (30) days of the end of each calendar quarter, Tris shall provide a Profit Share Statement (the “**Profit Share Statement**”) and Tris shall remit to IPC, IPC’s share of Net Profits along with the Profit Share Statement within ten (10) business days of the calculation of the “**Profit Share Statement**” for the quarter; provided, that if Net Profits are negative for any fiscal quarter, such negative profits shall be carried forward (and deducted from Net Profits for any subsequent fiscal quarters prior to the Parties sharing the balance of Net Profits, if any). If IPC’s share of negative profits continues for two (2) consecutive calendar quarters, Tris may deduct such negative profits from payments owed for Transfer Price or any other amounts owed to IPC. If IPC’s share of negative Net Profits (including carryforwards) has not been repaid or offset on or before termination or expiration of this Agreement, then IPC shall pay to Tris, IPC’s share of such negative Net Profits within thirty (30) days of Tris’ delivery of an invoice therefor and reasonable and customary supporting documentation. The Profit Share Statement shall be consolidated to clearly reflect Net Profits (whether positive or negative) from Tris and each Tris Affiliate and Third Party sublicensee, if any, consistent with U.S. GAAP, and in a form reasonably acceptable to IPC.

3.9 Currency. All Purchase Orders, Invoice and payments will be in United States Dollars (US\$) and shall be paid by international wire transfer of immediately available funds, using the banking advice attached at Exhibit E.

3.10 Failure to Supply. If IPC is unable (or anticipates an inability) to manufacture or deliver all or a portion of a Product to Tris as required by a confirmed or accepted Purchase Order pursuant to Section 3.3 of this Agreement, IPC shall promptly notify Tris in writing of the period for which such inability (or anticipated inability) to so manufacture or deliver is expected (an “**Anticipated Inability to Deliver**”). For avoidance of doubt, so long as IPC uses Commercially Reasonable Efforts and the anticipated inability is a force majeure event, IPC shall not be in breach of the Purchase Order(s) affected nor this Agreement, however, regardless of whether or not IPC has breached a Purchase Order or this Agreement it shall still be liable for Cover and the other obligations set forth in this Section 3.10. In the event IPC is unable to meet Tris’s Purchase Orders or IPC issues a notice of an Anticipated Inability to Deliver, IPC’s obligation to supply shall continue but Tris’ obligation to purchase the Product that IPC is unable to timely supply in accordance with Section 3.3 above shall be suspended and Tris, without relieving IPC of its obligations under Section 3.3, may mitigate its damages by purchasing from another Person the quantity of substitute product that it requires beyond what IPC is able to deliver. Tris shall use Commercially Reasonable Efforts to obtain such substitute product at a reasonable price and communicate same to IPC in writing. Tris shall be entitled to deduct the difference in cost paid by Tris for such substitute product over the cost of the Product (“**Cover**”), if any, from any amounts otherwise payable to IPC hereunder, and, to the extent not so offset, IPC shall reimburse Tris for such Cover , within thirty (30) days of receipt of invoice from Tris. IPC will not be entitled to any share of positive Net Profits for sale of substitute product not sourced by Tris from IPC hereunder (provided IPC shall continue to fund its share of negative Net Profits), except to the extent IPC has fully reimbursed Tris for the Cover expense with respect to such product. If at any time thereafter during the Term, IPC is able to timely deliver Product in satisfaction of Tris’ Purchase Orders, IPC shall so notify Tris in writing and, subject to Tris’ contractual commitments to third parties, Tris shall undertake commercially reasonable efforts to limit such contractual commitment in order not to exceed IPC’s volume and period it is unable to supply, Tris will resume purchasing the Product from IPC. If IPC’s inability to timely deliver to Tris the quantity of the Product described in this Section 3.3 continues for a period beyond three (3) months, Tris may terminate this Agreement upon thirty (30) days’ notice in writing to IPC. IPC shall reimburse Tris for any failure to supply and late supply penalties and/or damages charged to Tris for late supply or non-supply caused by IPC’s failure to timely supply Product pursuant to Purchase Orders delivered to IPC in accordance with this Agreement. For clarity and audit purposes, such failure to supply penalties shall be supported by appropriate invoices detailing the failure to supply penalties issued by the affected customers and wholesalers of Tris. IPC shall reimburse Tris for such penalties and damages, within ten (10) days of receipt of invoice for same from Tris, provided that if such invoice is not timely paid, Tris may at its option offset such amounts owed against other amounts payable by Tris to IPC.

3.11 Safety Stock. During the Term, IPC will maintain a minimum inventory of Materials equal to the Materials required to produce an amount of Product equal to the average quantity of Product required for the next [*****] ([*****]) months as set forth in Tris' latest Forecast, And Tris shall maintain at all times at least [*****] ([*****]) months safety stock of Product.

ARTICLE 4 – SALES, MARKETING ALLOWANCE AND PROFIT SHARE

4.1 Marketing. Tris shall use Commercially Reasonable Efforts during the term of this Agreement to market, sell and distribute the Product in the Territory.

4.2 Tris Sales Responsibilities. For all Product sales, Tris shall have the sole right and the obligation to (1) receive, accept and fill orders for the Product; (2) distribute the Product to customers; (3) control invoicing, order processing and collection of accounts receivable for Product sales; (4) record Product sales in its book of account; (5) payment and reconciliation of the proper profit sharing allocation among the Parties hereto; and (6) use Commercially Reasonable Efforts to gain and maintain an annual minimum unit Market Share of [*****] percent ([*****]%) Quetiapine ER based on prescriber volume in the Territory, as reported by IQVIA (or SYMPHONY if IQVIA is not reporting). Failure to maintain such minimum Market Share on an annual basis for [*****] ([*****]) consecutive [*****] month periods, each ending on or after the second anniversary of the Effective Date, shall not be a breach of this Agreement, provided that, on thirty (30) days' written notice by IPC to Tris within sixty (60) days of such event, notwithstanding anything to the contrary contained herein: (i) Tris' license under Section 2.1 shall become nonexclusive; (ii) Sections 2.2 and 2.3 shall no longer apply; (iii) Tris may source Generic Equivalents from other vendors and such Generic Equivalents shall not be Products hereunder and IPC shall not be entitled to Net Profits generated from sales thereof; and (iv) Tris shall be relieved of the obligation to use Commercially Reasonable Efforts to maintain any Market Share or sell Product. In no circumstance shall Tris permit the sale of the Product to be a loss leader.

4.3 Selling Price. Tris shall have sole discretion in setting the customer pricing for the sale of the Product in the Territory (**"Selling Price"**).

4.4 Net Sales. In this Agreement, the term **"Net Sales"** means, with respect to the Product for any period, the total gross amount of sales (i.e., the number of units shipped times the invoiced price, cash equivalent or other consideration per unit) invoiced by Tris, its Affiliates, and authorized Third Party sublicensees for the sale of the Product in the Territory during such period, less each of the following to the extent paid or incurred by Tris, its Affiliates or Third Party sublicensees:

(a) The amount of chargebacks, rebates and fees or commissions paid to any Third Party, promotional allowances, coupons, normal quantity discounts, cash discounts actually granted, discounts to patients, customers and/or payers, allowed or incurred in the ordinary course of business in connection with the sale of the Product and allowance for doubtful accounts and bad debt written off;

(b) sales and excise taxes, and any other taxes, all to the extent added to the sale price and paid by the selling party and not refundable in accordance with applicable law and without reimbursement from any Third Party (but not including taxes assessed against the income derived from such sale);

(c) freight, insurance and other transportation charges from Tris to its customers to the extent added to the sale price and set forth separately as such in the total amount invoiced and without reimbursement from any Third Party; and Freight Charges as per 3.6.

(d) amounts to be paid or credited by reason of rejections, defects, recalls or returns or because of retroactive price reductions; and

(e) rebates or allowances actually granted or allowed to group purchasing organizations, managed health care organizations and to governments, including their agencies, or to trade customers, in each case that are not Affiliates of Tris.

(f) The monthly allocated pharmacovigilance expense pertaining to the Product that is paid by Tris, if any, pursuant to Section 7.4 of this Agreement.

The calculation of Net Sales shall be made in accordance with U.S. GAAP, applied by Tris in a manner consistent with its other generic Product, and based on, or valued as if based on, bona fide arms' length transactions and not on any loss-leading selling or transfer price. Sales between or among Tris, its permitted sublicensees and their respective Affiliates, shall be excluded from the computation of Net Sales, but shall be included in Net Sales upon first sale to a Third Party, provided that sales for end use by such sublicensees and Affiliates shall be at the same price as in a bona fide arms' length transaction.

In no event will any particular amount identified above be deducted more than once in calculating Net Sales (*i.e.*, no "double counting" of deductions).

Product shall be considered "sold" when billed or invoiced.

4.5 Transfer Price. The initial Transfer Price shall be as set forth in Exhibit B. At any time either Party may request a review of the Transfer Price, if in its reasonable judgment the Selling Price of the Product cannot support the level of Transfer Price or if the Transfer Prices are not commercially viable. In connection with such review the Parties will review and adjust Transfer Price. The Transfer Price may not be raised without Tris' prior written consent. In connection with such review, the Parties shall consider the Selling Price, IPC or its Affiliate's fully burdened costs in manufacturing or acquiring the Materials, the manufacturing, testing and analysis of the finished dosage of the Product, labeling, packaging including Direct Labor and Benefits and Overhead all determined in accordance with International Financial Accounting Standards. Transfer Price shall not include any allocation or absorption of excess or idle capacity or any costs attributable to failed batches or Product which do not comply with the relevant Product manufacturing requirements, except as provided in the definition of Overhead. "**Direct Labor and Benefits**" means that portion of basic wages, labor and related payroll taxes and employee benefits spent in production and quality control of the Product which are directly related to the Product and charged to the manufacturing and supply of the Product, all determined in accordance with International Financial Accounting Standards. "**Materials**" shall mean all materials and pharmaceutical ingredients, including API, required for the manufacturing, labeling and packaging of the Product. "**Overhead**" means all customary and usual operating expenses directly related to the Product incurred by and in support of the particular manufacturing cost centers, purchasing department and quality assurance operations, related to the Product (including labor related payroll taxes and employee benefits), depreciation, general taxes, rent, repairs and maintenance, supplies, utilities and factory administrative expense. Overhead shall include a reasonable allocation of idle Production Facility charges, provided the Production Facility shall be presumed to be operating at a level of at least [*****] ([*****]%) capacity (based on one shift).

(a) At any time, Tris may request a review of the Transfer Price, if in its reasonable judgement the Selling Price of the Product cannot support the level of Transfer Price. In connection with such review the Parties will negotiate in good faith a reduction in Transfer Price, provided that neither Party shall be obligated to agree to any such reduction. At any time, IPC may request a review of the Transfer Price, if in its reasonable judgement it has incurred material increases in its costs of manufacturing a Product. In connection with such review the Parties will negotiate in good faith an increase in Transfer Price, provided that neither Party shall be obligated to agree to any such increase. Neither Party shall request a review more than twice per year.

(b) The Parties may conduct a review of the Transfer Prices and adjust such price to meet market requirements. The prices shall be subject to review as and when there is change +/- [****]% change in the minimum Net Sales Price of Tris or the manufacturing costs of IPC, but not more than twice (2) a year during the Term.

4.6 Selling & Distribution Expense. Tris will be allowed a fixed [****] ([****]%) percent of Selling Price of Product as allowable selling and distribution expense (“**Selling & Distribution Costs**”) to meet all storage, selling, distribution and other related costs associated with marketing, sales and distribution of the Product.

4.7 Net Profits. In this Agreement, the term “**Net Profits**” shall equal Net Sales in a given period less the sum of the following in respect of such period:

(a) Transfer Price or amounts payable to a Person other than IPC with respect to the supply of Product and (b) Selling & Distribution Costs as described in Section 4.6.

4.8 Profit Sharing. The Parties shall split Net Profits for the distribution of the Product in the Territory, in the ratio of [****] percent ([****]%), collectively, to IPC and each IPC Affiliate, and [****] percent ([****]%), collectively, to Tris and each Tris Affiliate and Third Party sublicensee.

Tris shall manage, administer and collect from each Tris Affiliate and Third Party sublicensee, if any, the profit share from Net Profits due to IPC and any IPC Affiliate hereunder, and tender the profit share to IPC, along with reporting thereon in a Profit Share Statement, within the time periods required in the Section captioned “Payments” hereunder.

4.9 Audit Rights.

(a) IPC and its Affiliates shall maintain complete and accurate records in reasonably sufficient detail to permit Tris to confirm the accuracy of the calculation of Transfer Price. Upon no less than fifteen (15) days prior notice, such records shall be made available during regular business hours, for a period of three (3) years from the end of the calendar year to which they pertain, for examination, not more often than once each calendar year, by an independent certified public accountant selected by Tris and reasonably acceptable to IPC, for the sole purpose of verifying the accuracy of the IPC Invoices pursuant to this Agreement and subject to the provision of and agreed Statement of Work for the auditor (inclusive of any auditor’s fees and compensation guidelines) by the parties to the selected auditor. Audits shall be undertaken in a manner which does not disrupt IPC’s normal course of business. Any such auditor shall enter into a confidentiality agreement with IPC and shall not disclose IPC’s Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by IPC or the amount of payments due from IPC to Tris under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within forty-five (45) days from the accountant’s report. Tris shall bear the full cost of such audit unless such audit discloses an underpayment to or overpayment by Tris of more than \$[****], in which case IPC shall bear the full cost of such audit.

(b) Tris, and each Affiliate and Third Party sublicensee of Tris shall maintain complete and accurate records in reasonably sufficient detail to permit IPC to confirm the accuracy of the calculation of IPC's share of Net Profits and other amounts billed to IPC or to which IPC is entitled (collectively, such records, which may include reports, statements, notices, invoices and documents, are referred to as "**Tris Statements**"). Upon no less than fifteen (15) days prior notice, such records shall be available during regular business hours for a period of three (3) years from the end of the calendar year to which they pertain for examination, not more often than once each calendar year, by an independent certified public accountant selected by IPC and reasonably acceptable to Tris, for the sole purpose of verifying the accuracy of the Tris Statements pursuant to this Agreement and subject to the provision of and agreed Statement of Work (inclusive of any auditor's fees and compensation guidelines) by the parties to the selected auditor. Audits shall be undertaken in a manner which does not disrupt Tris' normal course of business. Any such auditor shall enter into a confidentiality agreement with Tris, or the germane Affiliate(s) or Third Party sublicensee(s) and shall not disclose Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by audited party or the amount of payments due from Tris or other audited party to IPC under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within forty-five (45) days from the accountant's report. IPC shall bear the full cost of such audit unless such audit discloses an underpayment to or overpayment by IPC of more than \$[*****], in which case Tris shall bear the full cost of such audit.

ARTICLE 5 – PRODUCT REPRESENTATIONS, LABELING, QUALITY AND REJECTIONS

5.1 Product Warranties, Authorizations and Quality Assurance.

(a) Product Warranties. IPC represents and warrants that the Product supplied to Tris pursuant to this Agreement: (a) shall be manufactured, packaged, tested, stored and handled in accordance with the Specifications, cGMPs, all Applicable Laws and otherwise in accordance with all product manufacturing requirements; (b) will meet and be capable of maintaining the purity, potency and other product characteristics, as contained in its Specifications and approved ANDA, until the expiration date for the Product; and (c) will, at the time of the delivery of the Product to Tris: (1) have a remaining shelf life of at least the Minimum Period (as defined in Section 3.6 above) and (2) not be Adulterated Product. IPC will make no changes in the excipients, raw materials or packaging components thereof without informing Tris at least three months in advance in writing and without supplementing the Product ANDA. The foregoing text of and representations and warranties in this Section 5.1(a) are referred to as the "**Product Warranties**". Following delivery of the Product to Tris, Tris shall handle, store and market the Product with the skill and care reasonably expected of an experienced and competent distributor of pharmaceutical products, consistent with cGMPs and all Applicable Laws in the United States.

(b) Governmental Authorization Responsibility. IPC shall be responsible for obtaining all applicable regulatory state and local approvals for the manufacture of the Product, for filing all periodic reports and notifications as required by the regulatory authorities and for instituting and maintaining such stability and sample retention programs as are required by all Applicable Laws.

(c) Certificates of Analysis and Certificate of Compliance. IPC shall provide Tris with a certificate of analysis for each shipment of the Product manufactured and supplied hereunder confirming that the Product in such shipment has been tested in accordance with the Specifications. The results of such testing shall accompany each certificate of analysis. IPC shall also provide a Certificate of Compliance stating that the Product manufactured batch, the methods used, and the facilities and controls used for, the manufacture, processing, packaging, labeling and in process and finished Product controls conform with current good manufacturing processes in accordance with applicable parts of 21 CFR parts 210 and 211 of the Code of Federal Regulations and the Product Warranties.

5.2 Product Acceptance or Rejection.

(a) Product Rejection. Within **thirty (30)** days from the date of receipt of delivery of a Product, Tris may inspect the Product using generally accepted inspection methods to determine whether or not the Product is acceptable and shall advise IPC in writing (a "**Rejection Notice**") if such inspection shows that a shipment of Product is not in conformity with the Specifications, in which case IPC shall be obligated to take back the Product that is not in conformity. If no Rejection Notice is provided by Tris within such time periods, then Tris shall be deemed to have accepted the shipment; except for defects not discovered or discoverable by Tris in such inspection with the use of generally accepted inspection methods ("**Latent Defects**") for which such Rejection Notice will be provided within 30 days upon discovering the non-conformity. Any Rejection Notice shall contain a reasonably detailed statement of Tris's reasons for rejection and shall be accompanied by a report of any pertinent analysis performed by Tris or any licensee on the allegedly nonconforming Product, together with the methods and procedures used.

(b) IPC shall notify Tris as promptly as reasonably possible, but in any event within thirty (30) calendar days after receipt of a Rejection Notice, whether it accepts the assertions of nonconformity made by or on behalf of Tris. If Tris delivers a Rejection Notice in respect of all or any part of a shipment of Product, then IPC and Tris shall have sixty (60) days from the date of IPC's receipt of such notice to resolve any dispute regarding whether all or any part of such shipment of Product fails to conform with the Specifications thereof or is otherwise defective. Disputes between the Parties as to whether all or any part of a shipment rejected by Tris conforms with the Specifications that are not resolved in the sixty (60) day period shall be resolved by an independent testing laboratory or a consultant (if not a laboratory analysis issue), which shall be selected by mutual agreement of both Parties. The decision of the consultant or testing laboratory mutually agreed to by the Parties shall be final and binding on the Parties. The cost of the review or testing shall initially be paid by Tris, but if IPC is not successful in such dispute as determined by such independent testing laboratory or consultant, IPC will reimburse Tris for the cost of such testing and analysis within 15 business days of receiving the results. If the independent lab confirms the batch is in compliance, Tris will accept the Product.

(c) In the event any Product is appropriately rejected by Tris as aforesaid (being Product which do not satisfy the Specifications, the Product Warranties provided in Section 5.1(a) or are otherwise defective as a result of any act by or omission of IPC or those for which IPC is otherwise responsible), IPC shall replace such Product with conforming goods within sixty (60) days or, if requested by Tris, provide a credit to Tris for the Transfer Price (including Freight Charges) of the Product shipment(s) in question. The credit shall be provided immediately following the expiry of the period during which IPC may dispute a Rejection Notice as discussed in Subsection (b) above (unless the Rejection Notice is disputed by IPC, in which event such credit shall only be given upon resolution of the dispute). Tris may, at the cost and expense of IPC, destroy the rejected Product or, at IPC's request (to be made within thirty (30) business days of the final determination hereunder that the Product were appropriately rejected) and expense, return the rejected Product to IPC, which costs and expenses shall be paid by IPC to Tris within forty-five (45) days of the receipt of Tris's Invoice.

For purposes of this Agreement, once a Product is rejected by Tris, Tris's obligation to pay for such Product shall be suspended until such time as it is determined: by the independent testing laboratory or consultant that the Product should not have been rejected by Tris; or by the Parties' mutual agreement. IPC shall reimburse Tris within ten (10) business days the payments related to the non-conforming Product if the independent testing laboratory positively confirms the defects in case of Latent Defects discovered after payments were made by Tris.

(d) Replacement of Product. In accordance with the terms set forth in this Agreement, IPC shall replace, at its sole expense, any Product that does not comply with the Product Warranty in Section 5.1(a) or, at Tris's election, refund the Transfer Price thereof subject to the ruling of the consultant or the independent testing laboratory.

5.3 Labeling and Packaging.

(a) **Labeling.** The Product sold or offered for sale by Tris shall be labeled with Tris's name, trademarks and trade dress as per label artwork provided and paid for by Tris, in a manner consistent with all applicable laws, rules and regulations, in accordance with the requirements of the approved Product ANDA and otherwise in a manner reasonably agreed upon by the parties. In particular, it is agreed that the phrase ("manufactured by Intellipharmaceutics"), shall be evident on the packaging and labeling for the Product. Tris shall not alter the labeling or package inserts associated with Product that are received from IPC. IPC shall acquire all Labeling and Packaging for the Product supplied to Tris under this Agreement. IPC shall advise Tris in writing within ten (10) business days should IPC be required by the FDA or other governmental agency or authority to make any change in any such Label or Labeling, including but not limited to DCSCA serialization and transfer of data. Tris shall be responsible for the updating and approving of all artwork and text associated with such change, provided that the cost and expense of implementing such changes shall be borne by IPC.

(b) **Trademarks.** Except as expressly provided in the second sentence of Section 5.3(a), Tris shall own and have exclusive rights to the trademarks related to the Product Packaging. In connection with IPC's performance of this Agreement, Tris hereby grants to IPC the right to reproduce and print on the Labeling and Packaging of the Product for the Territory, Tris's trademark, and/or other trademarks, trade dress and/or trade names of Tris which Tris may designate in writing from time to time. Tris reserves the right to review and approve all uses by IPC of Tris's trademarks and/or other trademarks, trade dress and/or trade names of Tris as permitted herein. The permission granted herein is restricted to the Product supplied to Tris under this Agreement and extends only with respect to the Product for the Term and for the period after the Term when Tris is selling the Product in its possession. IPC shall exclusively own all right, title and interest in and to IPC's name, logo and any IPC mark on the Labeling or Packaging. In connection with the performance by Tris, a Tris Affiliate, or a Third Party sublicensee of this Agreement, IPC hereby grants to Tris and any Tris Affiliate and Third Party sublicensee the right to reproduce and use in any sales collateral for sale of the Product in the Territory, IPC's trademark, and/or other trademarks, trade dress and/or trade names or logo of IPC which IPC may designate in writing from time to time.

5.4 IPC will retain such samples of the Product as are required and specified by IPC's Standard Operating Procedures and Applicable Law to comply with the general retention requirements as set forth in cGMPs, perform stability testing as described and required to conform with the Product's stability protocol and as specified in the Supplier Quality Agreement, a form of which is attached as Exhibit C.

5.5 IPC may make changes in the manufacturing process / material of the Product subject to FDA regulations, instructions and Applicable Laws and share appropriate information with Tris. Depending on the change, IPC shall use Commercially Reasonable Efforts to provide necessary time for Tris to make any necessary changes to ensure no sales interruptions and continued compliance and uninterrupted supply of the Product. All such changes shall be in conformity with the requirements of Section 5.1(a) and Applicable Laws.

ARTICLE 6 – COMPLIANCE, AUDIT & INSPECTION

6.1 IPC shall produce Product in compliance with cGMP as the same are or, from time to time, shall be, established by applicable statute and regulation of the FDA and the Supplier Quality Agreement executed by both Parties, a copy of which is attached to this Agreement as Exhibit C.

6.2 Upon Tris' request and upon not less than fifteen (15) days' notice, IPC will grant employees or authorized representatives of Tris access to its Production Facility and records related to the manufacture of Product, in order to audit IPC's compliance with GMP and with clauses of this Agreement. Audits shall be undertaken in a manner which does not disrupt IPC's normal course of business.

6.3 IPC shall give Tris and any governmental authority reasonable access to documents and information regarding manufacture of the Product and shall allow inspections by governmental authorities of all facilities involved in the manufacture and shipment of Product. IPC shall notify Tris immediately, and in no event, no later than seven (7) days, after it receives any communication from any governmental or regulatory authority, including without limitation the FDA, which in any way relates to or may have an impact on a Product. IPC will communicate as to the outcome of any inspection by the FDA, no later than ten (10) business days after receipt of the inspection report.

6.4 IPC shall not change the location of the Production Facility at which Product is manufactured without written notice to Tris.

ARTICLE 7 – REGULATORY, RETURNS AND RECALLS

7.1 Regulatory File Maintenance. IPC shall be responsible for maintaining any ANDA and all other applicable FDA approvals and registrations to permit the sale of the Product by Tris in accordance with the terms of this Agreement; provided, however, that Tris shall reasonably cooperate and provide all necessary data and documentation required under the Act and all Applicable Laws for such file maintenance. IPC shall be responsible for payment of all GDUFA Fees.

7.2 Returns. Tris shall be solely responsible for processing all customer returns of the Product either directly or through a selected Third Party return vendor, provided that if the return is due to Product failing to meet Product Warranties or is otherwise defective then IPC shall reimburse Tris for all costs associated with such returns including Product destruction and Transfer Price.

7.3 Product Recall. In the event either Party believes it may be necessary to conduct a recall, field correction, market withdrawal, stock recovery, or other similar action with respect to any Product which were sold by IPC or its Affiliates to Tris or its Affiliates under this Agreement (a “**Recall**”), IPC and Tris shall consult with each other as to how best to proceed, it being understood and agreed that the final decision as to any Recall of any Product shall be made by Tris; provided, however, that IPC shall not be prohibited hereunder from taking any action that it is required to take by Applicable Law. To the extent the Recall arises from acts or omissions of Tris, a Tris Affiliate or Third Party sublicensee of Tris in the distribution, storage, sale or marketing of such Product or Tris’ breach of its representations, warranties or obligations hereunder, the Transfer Price for the goods sold, distribution expenses and third-party expenses that are directly related to the recall (collectively, “**Recall Costs**”) shall be borne by Tris. To the extent the Recall arises from any other reasons, the Recall Costs shall be borne by IPC. Each Party shall maintain records of all sales of Product and customers sufficient to adequately administer a Recall for the period required by Applicable Law.

7.4 Adverse Events and Product Complaints. Tris or its Affiliates will communicate to IPC or the agent contracted by IPC to manage Adverse Events pertaining to the Product on its behalf, any adverse event or product complaint (quality defect) reports received within (3) business days of Tris first learning of any such adverse event or complaint. IPC or its agent shall confirm receipt to Tris. If Tris does not receive confirmation of their receipt of the adverse event or product complaint report from IPC or its agent, Tris will re-send the report within forty-eight (48) hours and mark the report as resent. The cost of any such agent shall be borne entirely by IPC; provided, however, that if such agent was recommended by Tris and the rates negotiated by Tris, the initial set-up cost shall be fully borne by IPC and the monthly allocated cost associated with Adverse Event reporting for the Product for such agent (determined in accordance with such negotiated rates) shall be initially paid by Tris and deducted from Gross Sales in determining Net Sales.

In the event either party becomes aware of (i) any adverse drug experience or reaction or other information indicating that any Product has any toxicity, sensitivity reactions or have otherwise been alleged to cause illness or injury of any kind or are adulterated, (ii) any product complaints made by customers or that will or could cause a field alert to be issued or (iii) any out-of-specification results or deviations from the approved manufacturing process that might in any manner adversely affect any Product or its supply hereunder, that party shall provide the other party with all data or other information reasonably available that the other party may reasonably require in connection with any reports or correspondence that either party is required to file with any governmental authority relative to the Product(s) in question. At all times during the term hereof, either party will notify the other promptly (i.e., within three (3) business days) if a party becomes aware of an occurrence of any of the events described in clauses (i), (ii) or (iii) of the immediately preceding sentence.

7.5 Quality Agreement and Pharmacovigilance Agreement

Within (60) days of the Effective Date, the parties will enter into a mutually acceptable Supplier Quality Agreement, attached hereto as Exhibit C and the Pharmacovigilance Agreement, attached hereto as Exhibit D. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any quality and pharmacovigilance agreement, the provisions of this Agreement shall prevail in every case.

7.6 Further Obligations of the Parties. During the term of this Agreement::

(a) Each Party shall promptly notify the other, and provide copies as deemed necessary to or requested by the other Party (redacting any confidential information of Third Parties or information not pertaining to the Product), of any written comments, responses or notices received from the FDA, or other applicable state or federal regulatory authorities, which relate to or reasonably could be expected to impact the Product or the sale or manufacture of the Product.

(b) IPC at its own cost, shall obtain, maintain and comply with any and all Federal and state regulations and/or licenses with respect to the manufacture and licensing for sale of the Product, including, without limitation, maintaining the Product ANDA. Tris, at its own cost, shall obtain, maintain and comply with any and all Federal and state regulations and/or licenses applicable to distributors with respect to the sale and marketing of the Product in the Territory

(c) Each Party shall provide ongoing technical, sales, marketing or other support to the other, as reasonably requested from time to time, in responding to any important Product inquiries, and Product complaints and adverse experience reports within the time required by Applicable Law or regulation, and in evaluating the need for Recall.

(d) IPC shall reasonably cooperate with Tris in its sales and marketing activities by, among other things, supplying pertinent Product documentation as requested, including without limitation Packaging and Labeling. Tris shall reasonably cooperate with IPC by promptly responding to, among other things, reasonable inquiries from IPC pertaining to the supply of the Product, and the existing and expected inventory levels of the Product held by Tris and any Affiliate and Third Party sublicensee.

ARTICLE 8– REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations and Warranties. Each Party hereby represents and warrants and covenants (in the case of clause (e)) to the other Party as follows:

(a) Corporate Existence. Such Party is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated.

(b) Authorization and Enforcement of Obligations. Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms.

(c) Consents. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such party in connection with its performance of this Agreement have been obtained.

(d) No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations, and (b) do not conflict with, or constitute a default under, any material contractual obligation of such Party.

(e) Debarment. Such party is not debarred under Section 2 of the Generic Drug Enforcement Act of 1992, and it does not and will not use in any capacity the services of any Person debarred under the Act.

8.2 Additional Representations, Warranties and Covenants of IPC.

IPC represents, warrants and covenants to Tris that: (i) it has all rights necessary to validly grant the licenses set forth in Section 2.1; and (ii) any Patent Rights covering the Product are Valid and have not expired and any maintenance fees have been and will be paid when due or within any permitted extension; (iii) it is not subject to any court proceedings, judgment or order related to the subject matter of this Agreement; (iv) it has not received any written claim or allegation of infringement from a Third Party for the infringement of Third Party Intellectual Property Rights based on the making, using, or selling of the Product or from filing for Regulatory Approval of the Product; (v) it and its Affiliates shall at all times materially comply with all applicable laws relating to or pertaining to their obligations under this Agreement; (vi) it has not assigned and/or granted licenses, to its Intellectual Property Rights nor shall it assign and/or grant licenses, to its Intellectual Property Rights to any Third Party that would restrict or impair the rights granted hereunder, and it has not granted to anyone any rights that cover the Product in the Territory that remain in effect; (vii) the Product and any Intellectual Property Rights incorporated in the Product (a) do not infringe any valid claim in a granted patent owned by a Third Party and (b) has not been misappropriated from a Third Party; (viii) to its actual knowledge any issued patents included in the Intellectual Property Rights incorporated in the Product are valid and enforceable; (ix) any Patent Rights and other Intellectual Property Rights covering the Product are and during the Term, will be, free and clear of all liens; and (x) the Product ANDA was approved by the FDA on November 23, 2018.

8.3 Additional Representations, Warranties and Covenants of Tris.

Tris represents, warrants and covenants to IPC that: (i) it is not subject to any court proceedings, consent decree, judgment or order related to the subject matter of this Agreement; and (ii) it, its Affiliates, and its sublicensees shall at all times materially comply with all applicable laws relating to or pertaining to their obligations under this Agreement.

8.4 Limitation of Liability. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, AND EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLE 10 AND ANY OTHER INDEMNIFICATION OBLIGATIONS OF SUCH PARTY UNDER THIS AGREEMENT WITH RESPECT TO THIRD PARTY CLAIMS, OR IPC'S BREACH OF SECTION 2.2, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY OR ANY OF ITS AFFILIATES OR SUBLICENSEES FOR ANY SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS OR LOST REVENUES, WHETHER UNDER ANY CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY.

ARTICLE 9 – INSURANCE.

9.1 During the Term and for five years thereafter, IPC shall maintain comprehensive general liability insurance including product liability insurance against claims and recall insurance coverage covering the manufacture of the Product under this Agreement of not less than \$[*****] per occurrence, with a deductible of no more than \$[*****], to be in place prior to the commercial launch and for so long as the Product is being sold pursuant to this Agreement Upon execution of this Agreement, and annually thereafter, IPC shall furnish Tris with a certificate of insurance evidencing such coverage and stating that such insurance shall not be cancelled, materially amended or allowed to lapse without at least thirty (30) days prior written notice to Tris. Such insurance shall be maintained with an insurance company rated at least "aa" by A.M. Best .

9.2 During the Term and for five years thereafter, Tris shall maintain comprehensive general liability insurance against claims regarding the sales, marketing and commercialization of the Product under this Agreement of not less than \$[*****] per occurrence, with a deductible of no more than \$[*****], to be in place prior to the commercial launch and for so long as the Product is being sold pursuant to this Agreement. Upon execution of this Agreement, and annually thereafter, Tris shall furnish IPC with a certificate of insurance evidencing such coverage and stating that such insurance shall not be cancelled, materially amended or allowed to lapse without at least thirty (30) days prior written notice to IPC. Such insurance shall be maintained with an insurance company rated at least "aa" by A.M. Best.

ARTICLE 10 – INDEMNIFICATION

10.1 By IPC. IPC shall defend, indemnify and hold harmless Tris, its Affiliates and their respective successors and permitted assigns (and the respective officers, directors, and employees of each) from and against any and all losses, liabilities, claims, actions, proceedings, damages and expenses, including without limitation reasonable attorneys' fees and expenses, (herein collectively referenced as "**Damages**") relating to or arising from any claims, suits, proceedings or causes of action brought by a Third Party relating to or arising from (a) IPC's manufacture, supply, or delivery of a Product to Tris hereunder, (b) the infringement of any Third Party intellectual property right by the manufacture, supply or use of a Product; (c) the misappropriation of any intellectual property by IPC or its Affiliates, (d) injury to Persons as a result of use of the Product ; or (e) a material breach of any obligations, representations or warranty of IPC contained in this Agreement, except to the extent such Damages give rise to an indemnification claim of IPC under Section 10.2 below.

10.2 By Tris. Tris agrees to defend, indemnify and hold harmless IPC, its Affiliates and their respective successors and permitted assigns, and the respective officers, directors, stockholders, partners and employees of each, from and against any and all Damages relating to or arising from any claims, suits, proceedings or causes of action brought by a Third Party relating to or arising from (a) improper acts of marketing, distribution or sale of the Product by Tris or the Affiliates or Third Party sublicensees of Tris in the Territory (excluding the supply of product that does not meet Product Warranties or Adulterated Product supplied by IPC), to the extent not the fault of IPC or (b) any claim that marketing materials of Tris or the Affiliates or Third Party sublicensees of Tris (other than Labeling as approved and set forth in the applicable regulatory approval and other than any trademark or service mark of IPC) infringes the rights of a Third Party or (c) a material breach of any obligation, representation or warranty of Tris contained in this Agreement, except in each case to the extent such Damages give rise to an indemnification claim of IPC under Section 10.1 above.

10.3 Limitations on Indemnification. Notwithstanding provision in this Agreement to the contrary, neither Party shall be entitled to indemnification with respect to any claim or suit to the extent such claim or suit results from its own negligence or willful misconduct. In addition, the indemnification pursuant to this Article 10 shall be available only with respect to claims made by third-parties and not for a claim made solely by one Party against the other.

10.4 Procedures for Control of Third Party Claims. The Party entitled to make a claim for indemnification under this Article 10 shall be referred to as the "**Indemnified Party**" and the Party required to indemnify such claim shall be referred to as the "**Indemnifying Party**." In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand, made by any Third Party against the Indemnified Party (a "**Third Party Claim**"), such Indemnified Party must notify the Indemnifying Party in writing of the Third Party Claim within thirty (30) business days after receipt by such Indemnified Party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been actually materially prejudiced as a result of such failure. If a Third Party Claim is made against an Indemnified Party, the Indemnifying Party shall be entitled to control the defense thereof; provided, that the Indemnifying Party shall thereafter consult with the Indemnified Party upon the Indemnified Party's reasonable request for such consultation from time to time with respect to such suit, action or proceeding. If the Indemnifying Party controls such defense, the Indemnified Party shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense thereof, but the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. Whether or not the Indemnifying Party defends or prosecutes any Third Party Claim, the Parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information which are reasonably relevant to such Third-Party Claim and making employees or any other Indemnified Party available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. In no event shall the Indemnifying Party settle any Third Party Claim if such settlement would impose any obligation or burden on the Indemnified Party, without the prior written consent of the Indemnified Party.

ARTICLE 11 – TERMINATION

11.1 Breach. Failure by either Party to materially comply with any of the respective material obligations and conditions contained in this Agreement shall entitle the other Party to give the Party in default written notice requiring it to cure such default. If such default is not cured within sixty (60) days of receipt of such notice, the notifying Party shall be entitled (without prejudice to any of its other rights conferred on it by this Agreement or under Applicable Law) to terminate this Agreement.

11.2 Bankruptcy or Insolvency. Either Party shall be entitled to immediately terminate this Agreement upon the filing or institution of bankruptcy, reorganization (in connection with any insolvency), liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party, or in the event a receiver or custodian is appointed for such other Party's business, or if a substantial portion of such other Party's business is subject to attachment or similar process, or of a Party otherwise admits in writing its inability to pay its debts generally as they become due; provided, however, that in the case of any involuntary bankruptcy proceeding or the attachment of a substantial portion of a Party's assets, such right to terminate shall only become effective if the proceeding or attachment is not dismissed within sixty (60) days after the filing thereof.

11.3 Termination

(a) Notwithstanding any other provision of this Agreement, either Party may terminate this Agreement at any time upon [*****] ([*****]) days prior written notice to the other Party, if it determines, in its reasonable judgment and discretion, that the market for or pricing of the Product (including the Transfer Price of a Product) is such that it is not economically viable to continue to market the Product ..

(b) Tris may terminate this Agreement as provided in Section 3.10.

(c) A Party not under force majeure may terminate in the circumstances set out in Section 14.1.

(d) Either Party shall have the right to terminate this Agreement by giving a [*****] ([*****]) day written notice to the other Party if: (i) such other Party fails to pay any undisputed amount due under this Agreement on the due date for payment and remains in default not less than [*****] ([*****]) business days after written notice to make such payment, provided such [*****] day notice is sent after such [*****] business days and prior to the curing of such default; or (ii) such other Party undergoes a change of control, meaning a merger, reorganization or consolidation involving such other Party, or any parent company of such other Party and a Third Party and the Party not undergoing a change of control determines in its reasonable discretion that such reorganization or change of control will provide access to such other Party a Competing Product that will negatively impact future sales of the Product in the Territory; or (iii) either Party assigns this Agreement to a Person which as of the time of the assignment markets, or is developing or whose Affiliate markets or is developing, a Competing Product, provided that in the case of (ii) and (iii) such [*****]([*****]) day notice is delivered within [*****] ([*****]) days of written notice of the change of control event or assignment given to the terminating Party. The forgoing are in addition to any other rights and obligations the Parties have under this Agreement, which shall continue in the event the Agreement is not terminated.

11.4 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to the rights of the Parties and shall not release any payment, liability or other obligation incurred between the Parties prior to the date of such expiration or termination or arising as a result of such expiration or termination. IPC shall remit to Tris its shares of negative Net Profits as provided in Section 3.9(e) In the event of termination or expiration (I) unless otherwise provided herein, Tris shall take delivery of binding Purchase Orders and (II) may continue selling inventory of Product in its possession (whether acquired pre-termination/expiration or post termination/expiration) for one (1) year from date of Termination, provided however, if this Agreement is terminated by Tris pursuant to Section 11.1, 11.2, or 11.3(b) or 11.3(d) there shall be no such one (1) year limitation. In the event this Agreement is terminated by Tris pursuant to Sections 11.1, 11.2, 11.3(b) or 11.3(d) at Tris' option (i) it may return some or all Product in its possession for a full refund; and/or (ii) take delivery of some or all Product previously ordered or subject to binding portions of Forecasts and/or cancel some or all of such orders or portions of binding Forecasts. In the event this Agreement is terminated by IPC pursuant to Sections 11.1 or 11.2, or 11.3(d), at IPC's option, it may order Tris to destroy, or return to IPC, all or part of the remaining inventory of Product under the control or in the possession of Tris, at the sole cost and expense of IPC, provided that IPC advances to Tris any potential service level or non-supply penalties or damages and reimburses Tris for amounts paid for unsold Products.

11.5 Surviving Terms. The provisions of this Agreement which by their terms are to be performed or complied with subsequent to the termination or expiration of this Agreement shall survive such termination or expiration and shall continue in full force and effect in accordance with their respective terms. For the avoidance of doubt, in addition to the foregoing, Articles 1 (and other definitions in the Agreement, in each case to the extent definitions are used in the other surviving provisions), 2.1 (pertaining to sublicenses), 4, 9, 8, 10, 11, 12, 13 and 14 shall survive such termination or expiration and shall continue in full force and effect in accordance with their respective terms.

ARTICLE 12 – CONFIDENTIALITY

12.1 Definition of Confidential Information. The term “**Confidential Information**” includes all information treated by the disclosing Party as confidential or proprietary, including but not limited to, any formulae, methods, techniques, processes, work papers, concepts, strategies, components, programs, reports, studies, memoranda, correspondence, materials, manuals, records, technology, products, plans, research, service, design information, documentation, policies, pricing, billing, customer lists and leads, and any other data, information and know-how, technical or non-technical, whether written, graphic, computer-generated which relate to the disclosing Party’s products or customers or potential customers or are otherwise useful in the disclosing Party’s business, and which the disclosing Party desires to maintain confidential. Confidential Information includes any copies thereof. Confidential Information will be entitled to protection hereunder whether or not such information is oral or written, whether or not such information is identified as such by an appropriate stamp or marking on each document.

12.2 Confidentiality. Each Party shall maintain all Confidential Information under the strictest possible terms and shall only use such Confidential Information in furtherance of this Agreement. Both Parties agree that any of its officers, employees or agents provided or given access to the other Party’s Confidential Information shall be bound by confidentiality obligations essentially the same as those set forth herein and that it shall be fully responsible for the performance of the obligations under this Section 12.2 by each such officer, employee and agent. The foregoing obligations of confidentiality and use restrictions shall not apply, however, to the extent that such Confidential Information:

- (a) was already known to the receiving Party or its Affiliate, other than under an obligation of confidentiality, at the time of disclosure by the other Party;
 - (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;
 - (c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;
-

(d) was disclosed to the receiving Party or its Affiliate by a Third Party who has a legal right to make such disclosure and who did not obtain such information directly or indirectly from the other Party; or

(e) was independently discovered or developed by the receiving Party or its Affiliate without access to or aid, application or use of the other Party's Confidential Information, as evidenced by a contemporaneous writing.

12.3 Authorized Disclosure. Notwithstanding the obligations set forth in Section 12.2, a Party may disclose the other Party's Confidential Information and the terms of this Agreement to the extent:

(a) such disclosure is reasonably necessary to its employees, agents, consultants, contractors, officers, licensees or sublicensees on a need-to-know basis for the sole purpose of performing its obligations or exercising its rights under this Agreement; provided that in each case, the Party disclosing is bound by written obligations of confidentiality and non-use consistent with those contained in this Agreement; or

(b) such disclosure is reasonably necessary to comply with Applicable Laws, including regulations promulgated by the U.S. Securities and Exchange Commission, applicable stock exchanges, court order, administrative subpoena or order; provided that the Party subject to such Applicable Laws shall promptly notify the other Party of such required disclosure and shall use reasonable efforts to obtain, or to assist the other Party in obtaining, a protective order preventing or limiting the required disclosure.

(c) **Prior Confidentiality Agreement.** Nothing herein shall relieve any Party of any breach of that certain Confidentiality Agreement, dated as of March 6, 2017 (the "Prior Confidentiality Agreement"), by and between the Parties with respect to the information disclosed between the Parties prior to the date hereof, provided any information disclosed under such agreement shall also be deemed disclosed under this Agreement and such agreement shall not apply to any information disclosed after the date hereof, which disclosure shall be governed by this Agreement.

ARTICLE 13– DISPUTE RESOLUTION

13.1 IPC and Tris agree to use good faith efforts to resolve any and all disputes (“Dispute”) arising out of or relating to this Agreement. If after forty five (45) days following receipt of notice by one Party from the other of a dispute under this Agreement, the Parties are unable to resolve the dispute, then the matter shall be fully and finally resolved by arbitration. A Party that desires to arbitrate a dispute shall serve a written notice upon another requesting arbitration of a dispute pursuant to this Section 13.1. Any such arbitration shall be submitted to final and binding arbitration under the then current commercial arbitration rules of the American Arbitration Association (the “AAA”) in accordance with this Section 13.1. The place of arbitration of any dispute shall be State of New Jersey. Such arbitration shall be conducted by one (1) arbitrator mutually agreed to by the Parties, but if such agreement cannot be reached within ten (10) days of the commencement of the arbitration, then an arbitrator shall be appointed by the AAA. The arbitrator shall be a retired judge, or attorney with no less than 10 years of relevant experience in the pharmaceutical industry. The arbitration proceeding shall be held as soon as practicable but in any event within sixty (60) days of appointment of the arbitrator. Any award rendered by the arbitrators shall be final and binding upon the Parties. Judgment upon any award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The arbitrator shall render a formal, binding, non-appealable resolution and award, along with a written opinion not to exceed twenty (20) pages which reasonably explains the ruling, as expeditiously as possible, but not more than forty-five (45) days after the hearing. Each Party shall pay its own expenses of arbitration, and the expenses of the arbitrator shall be equally shared between the Parties unless the arbitrator assesses as part of the award all or any part of the arbitration expenses of a Party (including reasonable attorneys’ fees) against the other Party. A Party may make application to the arbitrator for the award and recovery of its fees and expenses (including reasonable attorneys’ fees). This Section 13.1 shall not prohibit a Party from seeking injunctive relief from a court located in the State of New Jersey in the event of a breach or prospective breach of this Agreement by any other Party which would cause irreparable harm to the first Party.

ARTICLE 14- MISCELLANEOUS

14.1 Force Majeure. Except as provided in Section 3.10, neither Party shall be responsible or liable to the other Party as a result of, any failure to perform any of its obligations hereunder, if such failure results from wars, riots, disease, an act of God, civil commotion, fire, failure of public utilities or any other circumstances similar to the foregoing whether or not similar to the above causes and whether or not foreseeable (a “**Force Majeure Event**”). The affected Party shall use Commercially Reasonable Efforts to avoid or remove any such causes and shall resume performance under this Agreement as soon as practicable whenever such cause is removed; provided, however, that the foregoing shall not be construed to require either Party to settle any Third Party dispute, to commence, continue or settle any litigation, or to incur any unusual or extraordinary expenses. If a Party is affected by a Force Majeure Event for more than ninety (90) days which impacts its performance under this Agreement the other Party may terminate this Agreement effective upon written notice to the affected Party.

14.2 Amendments. No waiver, amendment or modification of the terms of this Agreement shall be binding on either Party unless reduced to writing and signed by both Parties.

14.3 No Waiver. The failure of either Party to enforce any provision of this Agreement at any time or for any period of time shall not be construed to be a waiver of any right of either Party hereunder nor to prevent the subsequent enforcement thereof or of any other provision hereof in accordance with its terms.

14.4 Entire Agreement. This Agreement, including the Appendixes and Exhibits hereto which are hereby incorporated herein at each point of reference thereto, constitutes the entire understanding between the Parties with respect to the subject matter hereof and supersedes all prior contracts, Agreements and understandings related to the same subject matter between the Parties (except for the Prior Confidentiality Agreement which shall be governed as provided in Section 12.3(c)). For the avoidance of doubt, this Agreement and any other agreement between the Parties or any of their Affiliates related to any product other than the Product are independent agreements. For the avoidance of doubt, a breach of any provision of any other such other agreement shall not be a breach of this Agreement. This Agreement shall govern and control to the extent of any conflict between the terms of this Agreement and terms in any of the Appendixes or Exhibit hereto, or Purchase Orders issued hereunder.

14.5 Assignment.

(a) Neither this Agreement nor any or all of the rights or obligations of either Party hereunder shall be assigned, delegated, sold, transferred, sublicensed or otherwise disposed of or encumbered, by operation of law or otherwise, to any Third Party without the prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, of the other except as otherwise provided in this Agreement and as permitted in the immediately following sentence. Subject to Section 11.3(d), this Agreement may be assigned by either Party in connection with the transfer (by sale, merger or otherwise) of its line of business to which this Agreement relates. Any attempted assignment, delegation, sale, transfer, sublicense or other disposition, by operation of law or otherwise, of this Agreement or any rights or obligations hereunder by or on behalf of either Party contrary to this Section 14.5(a) shall be a material breach of this Agreement and shall be void and without force or effect. Notwithstanding the foregoing, or anything to the contrary contained in this Agreement, nothing contained in this Agreement shall prohibit or restrict a Party’s ability to collaterally assign this Agreement to a bank or other financial institution, and such bank’s or financial institution’s exercise of its rights in conjunction therewith.

(b) Any assignment, sublicense or other transfer permitted by this Section 14.5 shall not operate to release such Party from its responsibilities under this Agreement.

14.6 Severability. If any provision of this Agreement, under any set of circumstances, whether or not foreseeable by the Parties, is hereafter held to be invalid, illegal or unenforceable in its present form and scope in any jurisdiction or proceeding, the remaining provisions of this Agreement shall continue to be given full force and effect, without regard to the invalid, illegal or unenforceable provision in such jurisdiction or proceeding, and shall be liberally construed in order to carry out the intentions of the Parties hereto as nearly as may be possible, and such holding shall not affect the validity, legality or enforceability of this Agreement in its entirety in any other jurisdiction or proceeding. Furthermore, if any of the provisions of this Agreement are held to be unenforceable in any jurisdiction or proceeding because of their duration or scope, the Parties agree that the court, or other authority making such determination shall have the power, and is hereby directed, to reduce or alter the duration and/or scope of such provision so that, in its reduced form, the provision is enforceable and effective as nearly as possible for the purposes expressed in this Agreement. To the extent permitted by applicable law, IPC and Tris hereby waive any provision of law that would render any provision hereof prohibited or unenforceable in any respect.

14.7 Choice of Law/Jurisdiction/Venue. This Agreement shall be interpreted, construed and enforced in accordance with the substantive laws of the State of New Jersey, as applied to agreements performed wholly within State of New Jersey, without reference to choice of law principles. Any dispute or proceeding not subject to arbitration (such as a request for injunctive relief as provided in Section 13.1) shall be adjudicated exclusively in courts located in the State of New Jersey and each Party agrees to submit to the personal jurisdiction of such courts, and not to assert in any suit, action or proceeding any claim that is not subject to the jurisdiction of any such court, that such suit action or proceeding is improper or is an inconvenient venue for such proceeding.

14.8 Each Party irrevocably consents to service of process in such dispute or proceeding to by written notice provided in Section 14.8 (other than by telefax). The Parties hereby exclude the United Nations Convention on Contracts for the International Sale of Goods from this Agreement.

14.9 Notices. Any notice to be given by either party shall be in writing and shall be deemed given when delivered personally, by postpaid registered, certified or Express mail, by UPS, DHL or Federal Express, overnight, second day or three day service, or by telefax to the parties at the following addresses:

If to Tris, to it at:

Tris Pharma Inc.
2033 US Rt 130
Monmouth Jn, New Jersey, 08852, USA
Attn: Ketan Mehta
Email: kmehta@trispharma.com
Tel.: +1-732-940-2800
Fax: +1-732-940-2855

If to IPC, to it at:

Intellipharmaeconomics Corp,
30 Worcester Road,
Toronto, ON M9W 5X2, Canada
Attn: Dr. Amina Odidi
Email: aodidi@intellipharmaeconomics.com
Tel.: Fax: +1 416-798-3007

14.10 Public Announcements. Neither Party will make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other Party's express prior written consent, such consent not to be unreasonably delayed, except as required under Applicable Law or by any governmental agency or as required in connection with the performance of this Agreement.

14.11 Counterparts. This Agreement may be executed in facsimile or email (pdf) counterparts each of which is hereby agreed to have the legal binding effect of an original signature.

Rest of page intentionally left blank. Signature page is on next page.

IN WITNESS WHEREOF, the Parties have caused this License and Commercial Supply Agreement to be executed by their respective duly authorized officers as of the date first above written.

TRIS PHARMA, INC.

INTELLIPHARMACEUTICS CORP

By: _____ /s/ Janet Penner
Name: Janet Penner
Title: President, Generics

By: _____ /s/ Dr. Amina Odidi
Name: Dr. Amina Odidi
Title: President & COO

EXHIBIT A

IPC ANDA GENERIC PRODUCT

Product / Form	Strength (mg) / Form	ANDA NO.	RLD
Quetiapne ER Tabs	50 mg, 150 mg, 200 mg, 300 mg & 400 mg	202939	Seroquel XR

EXHIBIT B

IPC PRODUCT TRANSFER PRICES (USD)

Product Strength	Pack Size (HDPE Bottles)	Transfer Price (USD)
Quetiapine ER – 50 mg	60	\$ [*****]
Quetiapine ER – 150 mg	60	\$ [*****]
Quetiapine ER – 200 mg	60	\$ [*****]
Quetiapine ER – 300 mg	60	\$ [*****]
Quetiapine ER – 400 mg	60	\$ [*****]

EXHIBIT C
SUPPLIER QUALITY AGREEMENT

EXHIBIT D
PHARMACOVIGILANCE AGREEMENT

EXHIBIT E

INTERNATIONAL WIRE TRANSFER ADVICE

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

[*****] indicates the redacted confidential portions of this exhibit.

LICENSE AND COMMERCIAL SUPPLY AGREEMENT

THIS LICENSE AND COMMERCIAL SUPPLY AGREEMENT (“**Agreement**”) is made and entered into as of September 2, 2019 (“**Effective Date**”) by and among Tris Pharma, Inc, with offices at 2033 US Rt 130, Monmouth Jn, NJ 08852 (“**Tris**”) and Intellipharmaeutics Corp, with offices at 30 Worcester Road, Toronto, ON M9W 5X2, Canada (“**IPC**”), with respect to the manufacture, supply, sales, licensing and distribution of the generic pharmaceutical Product set forth below. Tris and IPC are sometimes hereafter referred to individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, Tris and its subsidiaries are engaged in the sale, marketing and distribution of generic pharmaceutical products; and

WHEREAS, IPC is engaged in the development, manufacturing and supply of pharmaceutical products; and

WHEREAS, IPC desires to manufacture and supply Tris the Product for sale in the Territory (as defined below);

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and obligations set forth herein, Tris and IPC hereby agree to be legally bound as follows:

ARTICLE 1– DEFINITIONS

1.1 “Act” means the United States Federal Food, Drug, and Cosmetic Act, as amended, and regulations promulgated thereunder.

1.2 “AG Product” means any product, other than the Innovator Product, promoted, distributed, marketed, offered for sale and/or sold as a branded or non-branded generic product under or pursuant to the Innovator Pharmaceutical Company’s approved New Drug Application filed with the FDA pursuant to and under 21 U.S.C. Section 355(b) of the Act, for the Innovator Product.

1.3 “API” means the bulk active pharmaceutical ingredient for the Product.

1.4 “Adulterated Product” means product which is adulterated or misbranded within the meaning of the Act or an article which may not be introduced into interstate commerce in the United States under the provisions of Sections 404 or 505 of the Act.

1.5 “Affiliate” means any Person who owns, is owned by or is under common ownership with another Person. For the purposes of this definition, the term “owns” (including, with correlative meanings, the terms “owned by” and “under common ownership with”) as used with respect to any Party, shall mean the possession (directly or indirectly) of more than 50% of the outstanding voting securities or other equity or voting interest of a Person.

1.6 “ANDA” means an Abbreviated New Drug Application pursuant to the Act and all Applicable Laws.

1.7 “Anticipated Inability to Deliver” has the meaning set forth in Section 3.11.

1.8 “Applicable Laws” means all laws, rules and regulations that are applicable to the manufacture, import, use, offer to sell, sale or distribution of the Product in the Territory or the performance of either Party’s obligations under this Agreement, including (but not limited to) the Act and the PDMA.

1.9 “cGMP” means current Good Manufacturing Practices promulgated by the FDA as the same may be amended from time to time, and their equivalent promulgated by the governing health authority of any other country in which the Product is manufactured by IPC under this Agreement.

1.10 “Commercially Reasonable Efforts” means a Party’s reasonable efforts and diligence in manufacturing, supplying and commercializing the Product in accordance with its business, legal, medical and scientific judgment, such reasonable efforts and diligence to be in accordance with the efforts and resources the Party would use for a product owned by it or to which it has rights, which is of similar market potential at a similar stage in its product life, taking into account the competitiveness of the marketplace, the proprietary position of the compound, the regulatory structure involved, the profitability of the applicable Product, and other relevant factors.

1.11 “Competing Product” has the meaning set forth in Section 2.2.

1.12 “Confidential Information” has the meaning set forth in Section 12.1 hereof.

1.13 “Control” means, with respect to Intellectual Property Rights, the possession of the ability by ownership, license or otherwise (other than by operation of the license and other rights pursuant to this Agreement) to freely assign or grant a license or sublicense or disclose as provided for herein under such Intellectual Property Rights without violating the terms of any agreement or other arrangement, express or implied, with any Third Party.

1.14 “Cover” has the meaning set forth in Section 3.11.

1.15 “Excess Order” has the meaning set forth in Section 3.3.

1.16 “Expiry Dating”. The date as on each Certificate of Analysis and Label, until which the Product is good for sale, dispensing and use, determined based on the stability data as per cGMP guidelines.

1.17 “FDA” means the United States Food and Drug Administration, and any successor agency thereto.

1.18 “Freight Charges” has the meaning set forth in Section 3.4

1.19 “GDUFA Fees” shall mean the fees imposed under the Generic Drug Users Fee Act and the Generic Drug User Fee Amendments of 2012, as amended to date or as further amended.

1.20 “Generic Equivalent” means a generic pharmaceutical product that is therapeutically equivalent to the Innovator Product, where “therapeutically equivalent” means: an AB rating is assigned to such product’s entry in the list of drug products with effective approvals published in the then-current edition of FDA’s publication “*Approved Drug Products with Therapeutic Equivalence Evaluations*” and any current supplement to the publication (also known as the “Orange Book”) referred to in 21 C.F.R. 314.3 and such product is covered by an ANDA.

1.21 “Indemnified Party” has the meaning set forth in Section 10.4 hereof.

1.22 “Indemnifying Party” has the meaning set forth in Section 10.4 hereof.

1.23 “Innovator Pharmaceutical Company” means the holder of any approved NDA or ANDA for such Innovator Product, including, its successors and assigns.

1.24 “Innovator Product” means Pristiq having Desvenlafaxine Succinate as its active ingredient, or if Pristiq is no longer the product which serves as the reference listed drug then the product which serves as the reference listed drug for the Product.

1.25 “Intellectual Property Rights” means Know-How, registered trademarks, trademark applications, unregistered trademarks, trade dress, copyrights, and Patent Rights.

1.26 “Invoice” means a statement of the amount in US dollars due for a list of the Product supplied or services provided that is presented for payment.

1.27 “Know-How” means any information related to the product formulation and all technology and all technical and clinical information, data and know-how related to the development, formulation, manufacture or use of a product, including (but not limited to), trade secrets, designs, research and development, methods, techniques, derivations, processes, formulations, dosage forms, concepts, ideas, preclinical, clinical, biological, chemical, pharmacological, toxicological, pharmaceutical or other data, validation information, stability history, testing methods and results, experimental methods and results, product specifications, assays, in vitro data, in vivo data, material and product information, test methods for raw materials, components, work-in-process and finished product, stability, descriptions, specifications, scientific plans, depictions, discoveries, new technologies, product ideas, modifications, improvements and extensions, equipment, medical support information (including data bases), and any other written, printed, electronically stored or humanly perceivable information and materials, including combinations or applications thereof, data summaries and compilations of data, whether or not patentable, relating to the development, manufacture, importation or use of a product.

1.28 “Label,” “Labeled” or “Labeling” means all labels and other written, electronic, printed or graphic matter upon (i) a Product or any container or wrapper utilized with the Product, or (ii) any written material accompanying a Product, including, without limitation, package inserts.

1.29 “Market Share” means the number of tablets of Product (aggregating all strengths) sold by Tris, its Affiliates, its distributors, wholesalers and sublicensees divided by the total number of tablets of Generic Equivalents of Innovator Product (other than AG Product or the Innovator Product) in 50 mg and 100 mg strengths sold by Tris and others in the Territory.

1.30 “Materials” has the meaning set forth in Section 4.5.

1.31 “Minimum Period” has the meaning set forth in Section 3.7.

1.32 “NDA” means a New Drug Application filed with the FDA pursuant to and under 21 U.S.C. Section 355(b) of the Act.

1.33 “Net Profits” has the meaning set forth in Section 4.7.

1.34 “Net Sales” has the meaning set forth in Section 4.4.

1.35 “Packaging” or “Package” means all primary containers, including bottles, blisters, cartons, shipping cases or any other like matter used in packaging or accompanying a Product.

1.36 “Patent Rights” means patents issued by and patent applications filed with the U.S. Patent and Trademark Office, the Canadian Intellectual Property Office, or other similar governmental intellectual property administration agencies, and all divisionals, continuations, continuations in part, reissues, extensions, supplementary protection certificates and foreign counterparts thereof.

1.37 “**PDMA**” means the Prescription Drug Marketing Act, as amended, and rules and regulations promulgated thereunder, as in effect from time to time.

1.38 “**Person**” means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a governmental entity.

1.39 “**Production Facility**” means the facility of IPC located at Toronto, Canada and all the equipment therein, including without limitation, all equipment used in the manufacture, processing, production, packaging, handling, storage, holding, labeling, testing, analyzing, sampling, shipping and release of the Product therein.

1.40 “**Product(s)**” means the Desvenlafaxine ER tablets approved by the FDA under the Product ANDA, which is the therapeutic equivalent of the Innovator Product, in all strengths thereof, as set forth in Exhibit A hereto as manufactured in accordance with the IPC ANDAs.

1.41 “**Product ANDA**” means ANDA #A204805, as the same may be supplemented or amended from time to time.

1.42 “**Product Warranties**” has the meaning set forth in Section 5.1.

1.43 “**Profit Share Statement**” has the meaning set forth in Section 3.9.

1.44 “**Purchase Order**” has the meaning set forth in Section 3.3 hereof.

1.45 “**Regulatory Approval**” means the license or marketing approval by the FDA that is necessary as a prerequisite for marketing the Product in the Territory.

1.46 “**Rejection Notice**” has the meaning set forth in Section 5.2(a).

1.47 “**Selling Price**” has the meaning set forth in Section 4.3.

1.48 “**Selling & Distribution Costs**” has the meaning set forth in Section 4.6.

1.49 “**Specifications**” means the specifications for each Product as included in the ANDA for the Product.

1.50 “**Standard Operating Procedures**” means process, steps and procedures as documented for each activity including but not restricted to sourcing, manufacturing, packaging, testing, labeling, storage, supply, handling of the Product at all stages through the value chain.

1.51 “**Statement of Work**” means a description, agreed upon by both Parties, of auditor responsibilities and work-product delivery deadlines, as well as a reasonable description of the types of documents or data which may be reviewed and personnel who may be interviewed, in undertaking an audit pursuant to this Agreement.

1.52 “**Territory**” means the United States of America, its territories, possessions and military bases, and the Commonwealth of Puerto Rico.

1.53 “**Third Party**” means a Person other than Tris, IPC and their respective Affiliates.

1.54 “**Transfer Price**” means the prices Tris shall pay IPC for the Product(s) as set forth in Section 4.5 and Exhibit B hereto.

1.55 “**Valid**” means, with respect to Patent Rights in a particular country, such Patent Rights have not (A) expired or been cancelled, (B) been declared invalid or unenforceable by a decision of a court or other appropriate body of competent jurisdiction, from which no appeal is or can be taken, (C) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or (D) been abandoned or disclaimed either affirmatively or by operation of law.

ARTICLE 2– LICENSE, PRODUCT & TERM

2.1 License. Subject to the terms and limitations set forth herein, IPC hereby grants to Tris an exclusive right and license (even as to IPC and its Affiliates), with the right to sublicense to an Affiliate and/or, subject to the prior approval and written consent of IPC (which consent shall not be unreasonably withheld, delayed or conditioned) to a Third Party (provided that no sublicense of rights by Tris in accordance with this Agreement shall relieve Tris of any liability or obligation to IPC hereunder) to use, distribute, offer for sale, sell, have sold, have offered for sale and commercialize the Product in the Territory, including, without limitation, through wholesalers, distributors, sublicensees and resellers during the Term. The rights granted herein shall include a license to Intellectual Property Rights Controlled by IPC, for the Territory, which are necessary or desirable to distribute the Product in the Territory. IPC will maintain all ownership of the Product and responsibility to manufacture the Product as per cGMP and delivery of the Product to Tris. The foregoing rights will be co-terminus with this Agreement and, subject to any specific provisions set forth in Section 11.5 [(Surviving Terms)], shall terminate on and as of the effective date of termination or expiration hereof. In no event and on no occasion shall the exclusive rights granted to Tris hereunder be interpreted to permit Tris to sell Product outside of the Territory.

2.2 Non-Compete. IPC and its Affiliates shall not, and shall not negotiate to or agree to, (1) develop, file for Regulatory Approval, acquire, license, manufacture anywhere for use in the Territory, or (2) market or otherwise commercialize in or for the Territory, any pharmaceutical product that is (A) a Generic Equivalent to the Innovator Product (excluding the Product subject to this Agreement), (B) the Innovator Product, or (C) an AG Product, either alone or with a Third Party (each, a “**Competing Product**”), from the Effective Date until the earlier of (i) the expiration of the Term or the termination of this Agreement or (ii) Tris’ license has become nonexclusive pursuant to Section 4.2.

2.3 Exclusivity. During the Term, Tris will exercise Commercially Reasonable Efforts to successfully launch and sell the Product in the Territory on an exclusive basis, meaning Tris shall not sell another Generic Equivalent to the Innovator Product, except pursuant to Section 3.11 or if the IPC license grant to Tris has become non-exclusive.

2.4 Term of Agreement. The initial term (“**Initial Term**”) of this Agreement shall be five (5) year from the Effective Date. Thereafter this Agreement shall automatically renew for successive two-year terms (each, a “**Renewal Term**”, and together with the Initial Term, the “**Term**”) unless one party notifies the other of its intent to terminate the agreement, for convenience, on no less than 180 days advance written notice..

ARTICLE 3– MANUFACTURE, FORECASTS, PURCHASE ORDERS AND SUPPLY

3.1 Subject to the terms and conditions of this Agreement, from and after the Effective Date and during the Term, IPC shall use Commercially Reasonable Efforts to timely manufacture, Label, Package and supply Tris’, its sublicensees’ and their respective Affiliates’ requirements of Product, for use and marketing in the Territory in accordance with Tris’ Purchase Orders, the Specifications, cGMP requirements and all other Applicable Law.

3.2 Forecasts. On or before the tenth (10th) day of every calendar month during the Term, Tris shall share a rolling twelve (12) month forecast (each a “**Forecast**”) of the Product which forecasts Tris’, its sublicensees’ and their respective Affiliates’ requirements for each strength of the Product commencing the first full month after the date of the Forecast, of which only the first three (3) months would be binding and would be confirmed with a formal Purchase Order.

3.3 Purchase Orders. During the Term, Tris shall make all purchases hereunder by submitting firm purchase orders to IPC (a “**Purchase Order**”). Each such Purchase Order shall be in writing in a form reasonably acceptable to IPC, and shall specify the Product ordered, the quantity ordered, the Transfer Price, the required delivery date thereof, which shall be no later than ninety (90) days after the date of Purchase Order unless otherwise agreed upon in writing by IPC. IPC shall confirm acceptance of the PO in writing within five (5) business days and IPC shall supply to Tris, Product ordered pursuant to such Purchase Orders on the requested delivery date at the Production Facility. In the event of a conflict between the terms and conditions of any Purchase Order and this Agreement, the terms and conditions of this Agreement shall prevail. The quantities contained in Purchase Orders for a Product to be delivered during any one month period shall not exceed [*****] percent ([*****]%) of the amounts set forth in the immediately preceding forecasts for such Product for the same time period (an “**Excess Order**”), unless Tris has obtained IPC’s prior written consent for such Excess Orders which consent shall not be unreasonably withheld, conditioned or delayed. IPC shall respond to any request by Tris for an Excess Order within ten (10) business days of a written request from Tris. Such response shall indicate the amount of the Excess Order, if any, that IPC will manufacture and deliver. IPC will use commercially reasonable efforts to fill an Excess Order as promptly as practicable, but will not be in breach hereof if, notwithstanding such efforts, it will be unable to fill such Excess Order.

3.4 Freight Charges. All freight, insurance charges, export and other custom duties, other charges applicable to the sale and transport in Temperature Controlled Containers of Product purchased by Tris hereunder (collectively, "**Freight Charges**"), from the Production Facility to Tris' designated US facility shall be negotiated for and paid by Tris.

3.5 Delivery of Product. On the applicable delivery date contemplated in a Purchase Order, IPC shall deliver the Product(s) in its final packaged form to the carrier selected by Tris at the Production Facility. The Product shall be shipped by IPC to Tris by such method as Tris shall reasonably designate. Tris shall be responsible for the selection of the carrier and if Freight Charges are paid by IPC (which it is under no obligation to pay), such charges shall be promptly reimbursed by Tris upon written request, which request shall be accompanied by all relevant supporting documentation. Title to any shipped Product sold hereunder shall transfer to Tris and Tris shall bear all risk of loss with respect to shipped Product when delivered by IPC to the carrier designated by Tris. Tris shall be solely responsible for proper storage of the Product in accordance with applicable specifications once the Product has been delivered, but IPC shall be solely responsible for all pre-shipment quality assurance testing and/or release of the Product for distribution, in accordance with all Applicable Laws. For clarity, Tris shall pay for all Freight Charges.

3.6 Expiry Dating. All Product delivered by IPC pursuant to this Agreement shall have, upon delivery to the carrier in accordance herewith, the greater of either [*****] percent ([*****]%) of its maximum approved shelf life OR at least twenty (20) months of shelf life remaining in accordance with the ANDA ("**Minimum Period**"); except, however, where Tris has authorized in writing, in advance, the shipment of a Product that does not meet the Minimum Period.

3.7 Invoicing. Upon shipment of Product, IPC shall submit invoices therefor to Tris. All invoices shall be in US Dollars and, to the extent the terms of any invoice submitted by IPC or any Purchase Order submitted by Tris conflict with the terms of this Agreement, the terms of this Agreement shall prevail and be binding upon the Parties.

3.8 Payment. Payment terms shall be as follows:

(a) Tris shall pay each invoice in full within thirty (30) days after the date of receipt of invoice, except that Tris shall pay for Product within thirty (30) days of the later of receipt of invoice or delivery of the Product to which the invoice relates to Tris' carrier in accordance with Section 3.5.

(b) On or before the fifteenth (15th) day after the end of each month of this Agreement, Tris shall provide a report detailing the estimated sales statement for the preceding month. It is the understanding of the Parties that such monthly sales statement may change once actual amounts are known and can be adjusted prospectively in accordance herewith.

(c) Within thirty (30) days of the end of each calendar quarter, Tris shall provide a Profit Share Statement (the “**Profit Share Statement**”) and Tris shall remit to IPC, IPC’s share of Net Profits along with the Profit Share Statement within ten (10) business days of the calculation of the “**Profit Share Statement**” for the quarter; provided, that if Net Profits are negative for any fiscal quarter, such negative profits shall be carried forward (and deducted from Net Profits for any subsequent fiscal quarters prior to the Parties sharing the balance of Net Profits, if any). If IPC’s share of negative profits continues for two (2) consecutive calendar quarters, Tris may deduct such negative profits from payments owed for Transfer Price or any other amounts owed to IPC. If IPC’s share of negative Net Profits (including carryforwards) has not been repaid or offset on or before termination or expiration of this Agreement, then IPC shall pay to Tris, IPC’s share of such negative Net Profits within thirty (30) days of Tris’ delivery of an invoice therefor and reasonable and customary supporting documentation. The Profit Share Statement shall be consolidated to clearly reflect Net Profits (whether positive or negative) from Tris and each Tris Affiliate and Third Party sublicensee, if any, consistent with U.S. GAAP, and in a form reasonably acceptable to IPC.

3.9 Currency. All Purchase Orders, Invoice and payments will be in United States Dollars (US\$) and shall be paid by international wire transfer of immediately available funds, using the banking advice attached at [Exhibit E](#).

3.10 Failure to Supply. If IPC is unable (or anticipates an inability) to manufacture or deliver all or a portion of a Product to Tris as required by a confirmed or accepted Purchase Order pursuant to Section 3.3 of this Agreement, IPC shall promptly notify Tris in writing of the period for which such inability (or anticipated inability) to so manufacture or deliver is expected (an “**Anticipated Inability to Deliver**”). For avoidance of doubt, so long as IPC uses Commercially Reasonable Efforts and the anticipated inability is a force majeure event, IPC shall not be in breach of the Purchase Order(s) affected nor this Agreement, however, regardless of whether or not IPC has breached a Purchase Order or this Agreement it shall still be liable for Cover and the other obligations set forth in this Section 3.10. In the event IPC is unable to meet Tris’s Purchase Orders or IPC issues a notice of an Anticipated Inability to Deliver, IPC’s obligation to supply shall continue but Tris’ obligation to purchase the Product that IPC is unable to timely supply in accordance with Section 3.3 above shall be suspended and Tris, without relieving IPC of its obligations under Section 3.3, may mitigate its damages by purchasing from another Person the quantity of substitute product that it requires beyond what IPC is able to deliver. Tris shall use Commercially Reasonable Efforts to obtain such substitute product at a reasonable price and communicate same to IPC in writing. Tris shall be entitled to deduct the difference in cost paid by Tris for such substitute product over the cost of the Product (“**Cover**”), if any, from any amounts otherwise payable to IPC hereunder, and, to the extent not so offset, IPC shall reimburse Tris for such Cover, within thirty (30) days of receipt of invoice from Tris. IPC will not be entitled to any share of positive Net Profits for sale of substitute product not sourced by Tris from IPC hereunder (provided IPC shall continue to fund its share of negative Net Profits), except to the extent IPC has fully reimbursed Tris for the Cover expense with respect to such product. If at any time thereafter during the Term, IPC is able to timely deliver Product in satisfaction of Tris’ Purchase Orders, IPC shall so notify Tris in writing and, subject to Tris’ contractual commitments to third parties, Tris shall undertake commercially reasonable efforts to limit such contractual commitment in order not to exceed IPC’s volume and period it is unable to supply. Tris will resume purchasing the Product from IPC. If IPC’s inability to timely deliver to Tris the quantity of the Product described in this Section 3.3 continues for a period beyond three (3) months, Tris may terminate this Agreement upon thirty (30) days’ notice in writing to IPC. IPC shall reimburse Tris for any failure to supply and late supply penalties and/or damages charged to Tris for late supply or non-supply caused by IPC’s failure to timely supply Product pursuant to Purchase Orders delivered to IPC in accordance with this Agreement. For clarity and audit purposes, such failure to supply penalties shall be supported by appropriate invoices detailing the failure to supply penalties issued by the affected customers and wholesalers of Tris. IPC shall reimburse Tris for such penalties and damages, within ten (10) days of receipt of invoice for same from Tris, provided that if such invoice is not timely paid, Tris may at its option offset such amounts owed against other amounts payable by Tris to IPC.

3.11 Safety Stock. During the Term, IPC will maintain a minimum inventory of Materials equal to the Materials required to produce an amount of Product equal to the average quantity of Product required for the next [****] ([****]) months as set forth in Tris' latest Forecast, And Tris shall maintain at all times at least [****] ([****]) months safety stock of Product.

ARTICLE 4 – SALES, MARKETING ALLOWANCE AND PROFIT SHARE

4.1 Marketing. Tris shall use Commercially Reasonable Efforts during the term of this Agreement to market, sell and distribute the Product in the Territory.

4.2 Tris Sales Responsibilities. For all Product sales, Tris shall have the sole right and the obligation to (1) receive, accept and fill orders for the Product; (2) distribute the Product to customers; (3) control invoicing, order processing and collection of accounts receivable for Product sales; (4) record Product sales in its book of account; (5) payment and reconciliation of the proper profit sharing allocation among the Parties hereto; and (6) use Commercially Reasonable Efforts to gain and maintain an annual minimum unit Market Share of [****] percent ([****]%) Desvenlafaxine ER based on prescriber volume in the Territory, as reported by IQVIA (or SYMPHONY if IQVIA is not reporting). Failure to maintain such minimum Market Share on an annual basis for [****] ([****]) consecutive **** month periods, each ending on or after the second anniversary of the Effective Date, shall not be a breach of this Agreement, provided that, on thirty (30) days' written notice by IPC to Tris within sixty (60) days of such event, notwithstanding anything to the contrary contained herein: (i) Tris' license under Section 2.1 shall become nonexclusive; (ii) Sections 2.2 and 2.3 shall no longer apply; (iii) Tris may source Generic Equivalents from other vendors and such Generic Equivalents shall not be Products hereunder and IPC shall not be entitled to Net Profits generated from sales thereof; and (iv) Tris shall be relieved of the obligation to use Commercially Reasonable Efforts to maintain any Market Share or sell Product. In no circumstance shall Tris permit the sale of the Product to be a loss leader.

4.3 Selling Price. Tris shall have sole discretion in setting the customer pricing for the sale of the Product in the Territory ("**Selling Price**").

4.4 Net Sales. In this Agreement, the term "**Net Sales**" means, with respect to the Product for any period, the total gross amount of sales (i.e., the number of units shipped times the invoiced price, cash equivalent or other consideration per unit) invoiced by Tris, its Affiliates, and authorized Third Party sublicensees for the sale of the Product in the Territory during such period, less each of the following to the extent paid or incurred by Tris, its Affiliates or Third Party sublicensees:

(a) The amount of chargebacks, rebates and fees or commissions paid to any Third Party, promotional allowances, coupons, normal quantity discounts, cash discounts actually granted, discounts to patients, customers and/or payers, allowed or incurred in the ordinary course of business in connection with the sale of the Product and allowance for doubtful accounts and bad debt written off;

(b) sales and excise taxes, and any other taxes, all to the extent added to the sale price and paid by the selling party and not refundable in accordance with applicable law and without reimbursement from any Third Party (but not including taxes assessed against the income derived from such sale);

(c) freight, insurance and other transportation charges from Tris to its customers to the extent added to the sale price and set forth separately as such in the total amount invoiced and without reimbursement from any Third Party; and Freight Charges as per 3.6.

(d) amounts to be paid or credited by reason of rejections, defects, recalls or returns or because of retroactive price reductions; and

(e) rebates or allowances actually granted or allowed to group purchasing organizations, managed health care organizations and to governments, including their agencies, or to trade customers, in each case that are not Affiliates of Tris.

(f) The monthly allocated pharmacovigilance expense pertaining to the Product that is paid by Tris, if any, pursuant to Section 7.4 of this Agreement.

The calculation of Net Sales shall be made in accordance with U.S. GAAP, applied by Tris in a manner consistent with its other generic Product, and based on, or valued as if based on, bona fide arms' length transactions and not on any loss-leading selling or transfer price. Sales between or among Tris, its permitted sublicensees and their respective Affiliates, shall be excluded from the computation of Net Sales, but shall be included in Net Sales upon first sale to a Third Party, provided that sales for end use by such sublicensees and Affiliates shall be at the same price as in a bona fide arms' length transaction.

In no event will any particular amount identified above be deducted more than once in calculating Net Sales (*i.e.*, no "double counting" of deductions).

Product shall be considered "sold" when billed or invoiced.

4.5 Transfer Price. The initial Transfer Price shall be as set forth in Exhibit B. At any time either Party may request a review of the Transfer Price, if in its reasonable judgment the Selling Price of the Product cannot support the level of Transfer Price or if the Transfer Prices are not commercially viable. In connection with such review the Parties will review and adjust Transfer Price. The Transfer Price may not be raised without Tris' prior written consent. In connection with such review, the Parties shall consider the Selling Price, IPC or its Affiliate's fully burdened costs in manufacturing or acquiring the Materials, the manufacturing, testing and analysis of the finished dosage of the Product, labeling, packaging including Direct Labor and Benefits and Overhead all determined in accordance with International Financial Accounting Standards. Transfer Price shall not include any allocation or absorption of excess or idle capacity or any costs attributable to failed batches or Product which do not comply with the relevant Product manufacturing requirements, except as provided in the definition of Overhead. "**Direct Labor and Benefits**" means that portion of basic wages, labor and related payroll taxes and employee benefits spent in production and quality control of the Product which are directly related to the Product and charged to the manufacturing and supply of the Product, all determined in accordance with International Financial Accounting Standards. "**Materials**" shall mean all materials and pharmaceutical ingredients, including API, required for the manufacturing, labeling and packaging of the Product. "**Overhead**" means all customary and usual operating expenses directly related to the Product incurred by and in support of the particular manufacturing cost centers, purchasing department and quality assurance operations, related to the Product (including labor related payroll taxes and employee benefits), depreciation, general taxes, rent, repairs and maintenance, supplies, utilities and factory administrative expense. Overhead shall include a reasonable allocation of idle Production Facility charges, provided the Production Facility shall be presumed to be operating at a level of at least [*****] ([*****]%) capacity (based on one shift).

(a) At any time, Tris may request a review of the Transfer Price, if in its reasonable judgement the Selling Price of the Product cannot support the level of Transfer Price. In connection with such review the Parties will negotiate in good faith a reduction in Transfer Price, provided that neither Party shall be obligated to agree to any such reduction. At any time, IPC may request a review of the Transfer Price, if in its reasonable judgement it has incurred material increases in its costs of manufacturing a Product. In connection with such review the Parties will negotiate in good faith an increase in Transfer Price, provided that neither Party shall be obligated to agree to any such increase. Neither Party shall request a review more than twice per year.

(b) The Parties may conduct a review of the Transfer Prices and adjust such price to meet market requirements. The prices shall be subject to review as and when there is change +/- [****]% change in the minimum Net Sales Price of Tris or the manufacturing costs of IPC, but not more than twice (2) a year during the Term.

4.6 Selling & Distribution Expense. Tris will be allowed a fixed **** ([****]%) percent of Selling Price of Product as allowable selling and distribution expense (“**Selling & Distribution Costs**”) to meet all storage, selling, distribution and other related costs associated with marketing, sales and distribution of the Product.

4.7 Net Profits. In this Agreement, the term “**Net Profits**” shall equal Net Sales in a given period less the sum of the following in respect of such period:

(a) Transfer Price or amounts payable to a Person other than IPC with respect to the supply of Product and (b) Selling & Distribution Costs as described in Section 4.6.

4.8 Profit Sharing. The Parties shall split Net Profits for the distribution of the Product in the Territory, in the ratio of [****] percent ([****]%), collectively, to IPC and each IPC Affiliate, and [****] percent ([****]%), collectively, to Tris and each Tris Affiliate and Third Party sublicensee.

Tris shall manage, administer and collect from each Tris Affiliate and Third Party sublicensee, if any, the profit share from Net Profits due to IPC and any IPC Affiliate hereunder, and tender the profit share to IPC, along with reporting thereon in a Profit Share Statement, within the time periods required in the Section captioned “Payments” hereunder.

4.9 Audit Rights.

(a) IPC and its Affiliates shall maintain complete and accurate records in reasonably sufficient detail to permit Tris to confirm the accuracy of the calculation of Transfer Price. Upon no less than fifteen (15) days prior notice, such records shall be made available during regular business hours, for a period of three (3) years from the end of the calendar year to which they pertain, for examination, not more often than once each calendar year, by an independent certified public accountant selected by Tris and reasonably acceptable to IPC, for the sole purpose of verifying the accuracy of the IPC Invoices pursuant to this Agreement and subject to the provision of and agreed Statement of Work for the auditor (inclusive of any auditor’s fees and compensation guidelines) by the parties to the selected auditor. Audits shall be undertaken in a manner which does not disrupt IPC’s normal course of business. Any such auditor shall enter into a confidentiality agreement with IPC and shall not disclose IPC’s Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by IPC or the amount of payments due from IPC to Tris under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within forty-five (45) days from the accountant’s report. Tris shall bear the full cost of such audit unless such audit discloses an underpayment to or overpayment by Tris of more than \$[****], in which case IPC shall bear the full cost of such audit.

(b) Tris, and each Affiliate and Third Party sublicensee of Tris shall maintain complete and accurate records in reasonably sufficient detail to permit IPC to confirm the accuracy of the calculation of IPC's share of Net Profits and other amounts billed to IPC or to which IPC is entitled (collectively, such records, which may include reports, statements, notices, invoices and documents, are referred to as "**Tris Statements**"). Upon no less than fifteen (15) days prior notice, such records shall be available during regular business hours for a period of three (3) years from the end of the calendar year to which they pertain for examination, not more often than once each calendar year, by an independent certified public accountant selected by IPC and reasonably acceptable to Tris, for the sole purpose of verifying the accuracy of the Tris Statements pursuant to this Agreement and subject to the provision of and agreed Statement of Work (inclusive of any auditor's fees and compensation guidelines) by the parties to the selected auditor. Audits shall be undertaken in a manner which does not disrupt Tris' normal course of business. Any such auditor shall enter into a confidentiality agreement with Tris, or the germane Affiliate(s) or Third Party sublicensee(s) and shall not disclose Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by audited party or the amount of payments due from Tris or other audited party to IPC under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within forty-five (45) days from the accountant's report. IPC shall bear the full cost of such audit unless such audit discloses an underpayment to or overpayment by IPC of more than \$[*****], in which case Tris shall bear the full cost of such audit.

ARTICLE 5 – PRODUCT REPRESENTATIONS, LABELING, QUALITY AND REJECTIONS

5.1 Product Warranties, Authorizations and Quality Assurance.

(a) Product Warranties. IPC represents and warrants that the Product supplied to Tris pursuant to this Agreement: (a) shall be manufactured, packaged, tested, stored and handled in accordance with the Specifications, cGMPs, all Applicable Laws and otherwise in accordance with all product manufacturing requirements; (b) will meet and be capable of maintaining the purity, potency and other product characteristics, as contained in its Specifications and approved ANDA, until the expiration date for the Product; and (c) will, at the time of the delivery of the Product to Tris: (1) have a remaining shelf life of at least the Minimum Period (as defined in Section 3.6 above) and (2) not be Adulterated Product. IPC will make no changes in the excipients, raw materials or packaging components thereof without informing Tris at least three months in advance in writing and without supplementing the Product ANDA. The foregoing text of and representations and warranties in this Section 5.1(a) are referred to as the "**Product Warranties**". Following delivery of the Product to Tris, Tris shall handle, store and market the Product with the skill and care reasonably expected of an experienced and competent distributor of pharmaceutical products, consistent with cGMPs and all Applicable Laws in the United States.

(b) Governmental Authorization Responsibility. IPC shall be responsible for obtaining all applicable regulatory state and local approvals for the manufacture of the Product, for filing all periodic reports and notifications as required by the regulatory authorities and for instituting and maintaining such stability and sample retention programs as are required by all Applicable Laws.

(c) Certificates of Analysis and Certificate of Compliance. IPC shall provide Tris with a certificate of analysis for each shipment of the Product manufactured and supplied hereunder confirming that the Product in such shipment has been tested in accordance with the Specifications. The results of such testing shall accompany each certificate of analysis. IPC shall also provide a Certificate of Compliance stating that the Product manufactured batch, the methods used, and the facilities and controls used for, the manufacture, processing, packaging, labeling and in process and finished Product controls conform with current good manufacturing processes in accordance with applicable parts of 21 CFR parts 210 and 211 of the Code of Federal Regulations and the Product Warranties.

5.2 Product Acceptance or Rejection.

(a) Product Rejection. Within **thirty (30)** days from the date of receipt of delivery of a Product, Tris may inspect the Product using generally accepted inspection methods to determine whether or not the Product is acceptable and shall advise IPC in writing (a "**Rejection Notice**") if such inspection shows that a shipment of Product is not in conformity with the Specifications, in which case IPC shall be obligated to take back the Product that is not in conformity. If no Rejection Notice is provided by Tris within such time periods, then Tris shall be deemed to have accepted the shipment; except for defects not discovered or discoverable by Tris in such inspection with the use of generally accepted inspection methods ("**Latent Defects**") for which such Rejection Notice will be provided within 30 days upon discovering the non-conformity. Any Rejection Notice shall contain a reasonably detailed statement of Tris's reasons for rejection and shall be accompanied by a report of any pertinent analysis performed by Tris or any licensee on the allegedly nonconforming Product, together with the methods and procedures used.

(b) IPC shall notify Tris as promptly as reasonably possible, but in any event within thirty (30) calendar days after receipt of a Rejection Notice, whether it accepts the assertions of nonconformity made by or on behalf of Tris. If Tris delivers a Rejection Notice in respect of all or any part of a shipment of Product, then IPC and Tris shall have sixty (60) days from the date of IPC's receipt of such notice to resolve any dispute regarding whether all or any part of such shipment of Product fails to conform with the Specifications thereof or is otherwise defective. Disputes between the Parties as to whether all or any part of a shipment rejected by Tris conforms with the Specifications that are not resolved in the sixty (60) day period shall be resolved by an independent testing laboratory or a consultant (if not a laboratory analysis issue), which shall be selected by mutual agreement of both Parties. The decision of the consultant or testing laboratory mutually agreed to by the Parties shall be final and binding on the Parties. The cost of the review or testing shall initially be paid by Tris, but if IPC is not successful in such dispute as determined by such independent testing laboratory or consultant, IPC will reimburse Tris for the cost of such testing and analysis within 15 business days of receiving the results. If the independent lab confirms the batch is in compliance, Tris will accept the Product.

(c) In the event any Product is appropriately rejected by Tris as aforesaid (being Product which do not satisfy the Specifications, the Product Warranties provided in Section 5.1(a) or are otherwise defective as a result of any act by or omission of IPC or those for which IPC is otherwise responsible), IPC shall replace such Product with conforming goods within sixty (60) days or, if requested by Tris, provide a credit to Tris for the Transfer Price (including Freight Charges) of the Product shipment(s) in question. The credit shall be provided immediately following the expiry of the period during which IPC may dispute a Rejection Notice as discussed in Subsection (b) above (unless the Rejection Notice is disputed by IPC, in which event such credit shall only be given upon resolution of the dispute). Tris may, at the cost and expense of IPC, destroy the rejected Product or, at IPC's request (to be made within thirty (30) business days of the final determination hereunder that the Product were appropriately rejected) and expense, return the rejected Product to IPC, which costs and expenses shall be paid by IPC to Tris within forty-five (45) days of the receipt of Tris's Invoice.

For purposes of this Agreement, once a Product is rejected by Tris, Tris's obligation to pay for such Product shall be suspended until such time as it is determined: by the independent testing laboratory or consultant that the Product should not have been rejected by Tris; or by the Parties' mutual agreement. IPC shall reimburse Tris within ten (10) business days the payments related to the non-conforming Product if the independent testing laboratory positively confirms the defects in case of Latent Defects discovered after payments were made by Tris.

(d) Replacement of Product. In accordance with the terms set forth in this Agreement, IPC shall replace, at its sole expense, any Product that does not comply with the Product Warranty in Section 5.1(a) or, at Tris's election, refund the Transfer Price thereof subject to the ruling of the consultant or the independent testing laboratory.

5.3 Labeling and Packaging.

(a) **Labeling.** The Product sold or offered for sale by Tris shall be labeled with Tris's name, trademarks and trade dress as per label artwork provided and paid for by Tris, in a manner consistent with all applicable laws, rules and regulations, in accordance with the requirements of the approved Product ANDA and otherwise in a manner reasonably agreed upon by the parties. In particular, it is agreed that the phrase ("manufactured by Intellipharmaceutics"), shall be evident on the packaging and labeling for the Product. Tris shall not alter the labeling or package inserts associated with Product that are received from IPC. IPC shall acquire all Labeling and Packaging for the Product supplied to Tris under this Agreement. IPC shall advise Tris in writing within ten (10) business days should IPC be required by the FDA or other governmental agency or authority to make any change in any such Label or Labeling, including but not limited to DCSCA serialization and transfer of data. Tris shall be responsible for the updating and approving of all artwork and text associated with such change, provided that the cost and expense of implementing such changes shall be borne by IPC.

(b) **Trademarks.** Except as expressly provided in the second sentence of Section 5.3(a), Tris shall own and have exclusive rights to the trademarks related to the Product Packaging. In connection with IPC's performance of this Agreement, Tris hereby grants to IPC the right to reproduce and print on the Labeling and Packaging of the Product for the Territory, Tris's trademark, and/or other trademarks, trade dress and/or trade names of Tris which Tris may designate in writing from time to time. Tris reserves the right to review and approve all uses by IPC of Tris's trademarks and/or other trademarks, trade dress and/or trade names of Tris as permitted herein. The permission granted herein is restricted to the Product supplied to Tris under this Agreement and extends only with respect to the Product for the Term and for the period after the Term when Tris is selling the Product in its possession. IPC shall exclusively own all right, title and interest in and to IPC's name, logo and any IPC mark on the Labeling or Packaging. In connection with the performance by Tris, a Tris Affiliate, or a Third Party sublicensee of this Agreement, IPC hereby grants to Tris and any Tris Affiliate and Third Party sublicensee the right to reproduce and use in any sales collateral for sale of the Product in the Territory, IPC's trademark, and/or other trademarks, trade dress and/or trade names or logo of IPC which IPC may designate in writing from time to time.

5.4 IPC will retain such samples of the Product as are required and specified by IPC's Standard Operating Procedures and Applicable Law to comply with the general retention requirements as set forth in cGMPs, perform stability testing as described and required to conform with the Product's stability protocol and as specified in the Supplier Quality Agreement, a form of which is attached as Exhibit C.

5.5 IPC may make changes in the manufacturing process / material of the Product subject to FDA regulations, instructions and Applicable Laws and share appropriate information with Tris. Depending on the change, IPC shall use Commercially Reasonable Efforts to provide necessary time for Tris to make any necessary changes to ensure no sales interruptions and continued compliance and uninterrupted supply of the Product. All such changes shall be in conformity with the requirements of Section 5.1(a) and Applicable Laws.

ARTICLE 6 – COMPLIANCE, AUDIT & INSPECTION

6.1 IPC shall produce Product in compliance with cGMP as the same are or, from time to time, shall be, established by applicable statute and regulation of the FDA and the Supplier Quality Agreement executed by both Parties, a copy of which is attached to this Agreement as Exhibit C.

6.2 Upon Tris' request and upon not less than fifteen (15) days' notice, IPC will grant employees or authorized representatives of Tris access to its Production Facility and records related to the manufacture of Product, in order to audit IPC's compliance with GMP and with clauses of this Agreement. Audits shall be undertaken in a manner which does not disrupt IPC's normal course of business.

6.3 IPC shall give Tris and any governmental authority reasonable access to documents and information regarding manufacture of the Product and shall allow inspections by governmental authorities of all facilities involved in the manufacture and shipment of Product. IPC shall notify Tris immediately, and in no event, no later than seven (7) days, after it receives any communication from any governmental or regulatory authority, including without limitation the FDA, which in any way relates to or may have an impact on a Product. IPC will communicate as to the outcome of any inspection by the FDA, no later than ten (10) business days after receipt of the inspection report.

6.4 IPC shall not change the location of the Production Facility at which Product is manufactured without written notice to Tris.

ARTICLE 7 – REGULATORY, RETURNS AND RECALLS

7.1 **Regulatory File Maintenance.** IPC shall be responsible for maintaining any ANDA and all other applicable FDA approvals and registrations to permit the sale of the Product by Tris in accordance with the terms of this Agreement; provided, however, that Tris shall reasonably cooperate and provide all necessary data and documentation required under the Act and all Applicable Laws for such file maintenance. IPC shall be responsible for payment of all GDUFA Fees.

7.2 **Returns.** Tris shall be solely responsible for processing all customer returns of the Product either directly or through a selected Third Party return vendor, provided that if the return is due to Product failing to meet Product Warranties or is otherwise defective then IPC shall reimburse Tris for all costs associated with such returns including Product destruction and Transfer Price.

7.3 Product Recall. In the event either Party believes it may be necessary to conduct a recall, field correction, market withdrawal, stock recovery, or other similar action with respect to any Product which were sold by IPC or its Affiliates to Tris or its Affiliates under this Agreement (a “**Recall**”), IPC and Tris shall consult with each other as to how best to proceed, it being understood and agreed that the final decision as to any Recall of any Product shall be made by Tris; provided, however, that IPC shall not be prohibited hereunder from taking any action that it is required to take by Applicable Law. To the extent the Recall arises from acts or omissions of Tris, a Tris Affiliate or Third Party sublicensee of Tris in the distribution, storage, sale or marketing of such Product or Tris’ breach of its representations, warranties or obligations hereunder, the Transfer Price for the goods sold, distribution expenses and third-party expenses that are directly related to the recall (collectively, “**Recall Costs**”) shall be borne by Tris. To the extent the Recall arises from any other reasons, the Recall Costs shall be borne by IPC. Each Party shall maintain records of all sales of Product and customers sufficient to adequately administer a Recall for the period required by Applicable Law.

7.4 Adverse Events and Product Complaints. Tris or its Affiliates will communicate to IPC or the agent contracted by IPC to manage Adverse Events pertaining to the Product on its behalf, any adverse event or product complaint (quality defect) reports received within (3) business days of Tris first learning of any such adverse event or complaint. IPC or its agent shall confirm receipt to Tris. If Tris does not receive confirmation of their receipt of the adverse event or product complaint report from IPC or its agent, Tris will re-send the report within forty-eight (48) hours and mark the report as resent. The cost of any such agent shall be borne entirely by IPC; provided, however, that if such agent was recommended by Tris and the rates negotiated by Tris, the initial set-up cost shall be fully borne by IPC and the monthly allocated cost associated with Adverse Event reporting for the Product for such agent (determined in accordance with such negotiated rates) shall be initially paid by Tris and deducted from Gross Sales in determining Net Sales.

In the event either party becomes aware of (i) any adverse drug experience or reaction or other information indicating that any Product has any toxicity, sensitivity reactions or have otherwise been alleged to cause illness or injury of any kind or are adulterated, (ii) any product complaints made by customers or that will or could cause a field alert to be issued or (iii) any out-of-specification results or deviations from the approved manufacturing process that might in any manner adversely affect any Product or its supply hereunder, that party shall provide the other party with all data or other information reasonably available that the other party may reasonably require in connection with any reports or correspondence that either party is required to file with any governmental authority relative to the Product(s) in question. At all times during the term hereof, either party will notify the other promptly (i.e., within three (3) business days) if a party becomes aware of an occurrence of any of the events described in clauses (i), (ii) or (iii) of the immediately preceding sentence.

7.5 Quality Agreement and Pharmacovigilance Agreement

Within (60) days of the Effective Date, the parties will enter into a mutually acceptable Supplier Quality Agreement, attached hereto as Exhibit C and the Pharmacovigilance Agreement, attached hereto as Exhibit D. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any quality and pharmacovigilance agreement, the provisions of this Agreement shall prevail in every case.

7.6 Further Obligations of the Parties. During the term of this Agreement::

(a) Each Party shall promptly notify the other, and provide copies as deemed necessary to or requested by the other Party (redacting any confidential information of Third Parties or information not pertaining to the Product), of any written comments, responses or notices received from the FDA, or other applicable state or federal regulatory authorities, which relate to or reasonably could be expected to impact the Product or the sale or manufacture of the Product.

(b) IPC at its own cost, shall obtain, maintain and comply with any and all Federal and state regulations and/or licenses with respect to the manufacture and licensing for sale of the Product, including, without limitation, maintaining the Product ANDA. Tris, at its own cost, shall obtain, maintain and comply with any and all Federal and state regulations and/or licenses applicable to distributors with respect to the sale and marketing of the Product in the Territory

(c) Each Party shall provide ongoing technical, sales, marketing or other support to the other, as reasonably requested from time to time, in responding to any important Product inquiries, and Product complaints and adverse experience reports within the time required by Applicable Law or regulation, and in evaluating the need for Recall.

(d) IPC shall reasonably cooperate with Tris in its sales and marketing activities by, among other things, supplying pertinent Product documentation as requested, including without limitation Packaging and Labeling. Tris shall reasonably cooperate with IPC by promptly responding to, among other things, reasonable inquiries from IPC pertaining to the supply of the Product, and the existing and expected inventory levels of the Product held by Tris and any Affiliate and Third Party sublicensee.

ARTICLE 8 – REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations and Warranties. Each Party hereby represents and warrants and covenants (in the case of clause (e)) to the other Party as follows:

(a) Corporate Existence. Such Party is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated.

(b) Authorization and Enforcement of Obligations. Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms.

(c) Consents. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such party in connection with its performance of this Agreement have been obtained.

(d) No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations, and (b) do not conflict with, or constitute a default under, any material contractual obligation of such Party.

(e) Debarment. Such party is not debarred under Section 2 of the Generic Drug Enforcement Act of 1992, and it does not and will not use in any capacity the services of any Person debarred under the Act.

8.2 Additional Representations, Warranties and Covenants of IPC.

IPC represents, warrants and covenants to Tris that: (i) it has all rights necessary to validly grant the licenses set forth in Section 2.1; and (ii) any Patent Rights covering the Product are Valid and have not expired and any maintenance fees have been and will be paid when due or within any permitted extension; (iii) it is not subject to any court proceedings, judgment or order related to the subject matter of this Agreement; (iv) it has not received any written claim or allegation of infringement from a Third Party for the infringement of Third Party Intellectual Property Rights based on the making, using, or selling of the Product or from filing for Regulatory Approval of the Product; (v) it and its Affiliates shall at all times materially comply with all applicable laws relating to or pertaining to their obligations under this Agreement; (vi) it has not assigned and/or granted licenses, to its Intellectual Property Rights nor shall it assign and/or grant licenses, to its Intellectual Property Rights to any Third Party that would restrict or impair the rights granted hereunder, and it has not granted to anyone any rights that cover the Product in the Territory that remain in effect; (vii) the Product and any Intellectual Property Rights incorporated in the Product (a) do not infringe any valid claim in a granted patent owned by a Third Party and (b) has not been misappropriated from a Third Party; (viii) to its actual knowledge any issued patents included in the Intellectual Property Rights incorporated in the Product are valid and enforceable; (ix) any Patent Rights and other Intellectual Property Rights covering the Product are and during the Term, will be, free and clear of all liens; and (x) the Product ANDA was approved by the FDA on November 23, 2018.

8.3 Additional Representations, Warranties and Covenants of Tris

Tris represents, warrants and covenants to IPC that: (i) it is not subject to any court proceedings, consent decree, judgment or order related to the subject matter of this Agreement; and (ii) it, its Affiliates, and its sublicensees shall at all times materially comply with all applicable laws relating to or pertaining to their obligations under this Agreement.

8.4 Limitation of Liability. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, AND EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLE 10 AND ANY OTHER INDEMNIFICATION OBLIGATIONS OF SUCH PARTY UNDER THIS AGREEMENT WITH RESPECT TO THIRD PARTY CLAIMS, OR IPC'S BREACH OF SECTION 2.2, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY OR ANY OF ITS AFFILIATES OR SUBLICENSEES FOR ANY SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS OR LOST REVENUES, WHETHER UNDER ANY CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY.

ARTICLE 9 – INSURANCE.

9.1 During the Term and for five years thereafter, IPC shall maintain comprehensive general liability insurance including product liability insurance against claims and recall insurance coverage covering the manufacture of the Product under this Agreement of not less than \$[*****] per occurrence, with a deductible of no more than \$[*****], to be in place prior to the commercial launch and for so long as the Product is being sold pursuant to this Agreement Upon execution of this Agreement, and annually thereafter, IPC shall furnish Tris with a certificate of insurance evidencing such coverage and stating that such insurance shall not be cancelled, materially amended or allowed to lapse without at least thirty (30) days prior written notice to Tris. Such insurance shall be maintained with an insurance company rated at least "aa" by A.M. Best .

9.2 During the Term and for five years thereafter, Tris shall maintain comprehensive general liability insurance against claims regarding the sales, marketing and commercialization of the Product under this Agreement of not less than \$[*****] per occurrence, with a deductible of no more than \$[*****], to be in place prior to the commercial launch and for so long as the Product is being sold pursuant to this Agreement. Upon execution of this Agreement, and annually thereafter, Tris shall furnish IPC with a certificate of insurance evidencing such coverage and stating that such insurance shall not be cancelled, materially amended or allowed to lapse without at least thirty (30) days prior written notice to IPC. Such insurance shall be maintained with an insurance company rated at least "aa" by A.M. Best.

ARTICLE 10 – INDEMNIFICATION

10.1 By IPC. IPC shall defend, indemnify and hold harmless Tris, its Affiliates and their respective successors and permitted assigns (and the respective officers, directors, and employees of each) from and against any and all losses, liabilities, claims, actions, proceedings, damages and expenses, including without limitation reasonable attorneys' fees and expenses, (herein collectively referenced as "**Damages**") relating to or arising from any claims, suits, proceedings or causes of action brought by a Third Party relating to or arising from (a) IPC's manufacture, supply, or delivery of a Product to Tris hereunder, (b) the infringement of any Third Party intellectual property right by the manufacture, supply or use of a Product; (c) the misappropriation of any intellectual property by IPC or its Affiliates, (d) injury to Persons as a result of use of the Product ; or (e) a material breach of any obligations, representations or warranty of IPC contained in this Agreement, except to the extent such Damages give rise to an indemnification claim of IPC under Section 10.2 below.

10.2 By Tris. Tris agrees to defend, indemnify and hold harmless IPC, its Affiliates and their respective successors and permitted assigns, and the respective officers, directors, stockholders, partners and employees of each, from and against any and all Damages relating to or arising from any claims, suits, proceedings or causes of action brought by a Third Party relating to or arising from (a) improper acts of marketing, distribution or sale of the Product by Tris or the Affiliates or Third Party sublicensees of Tris in the Territory (excluding the supply of product that does not meet Product Warranties or Adulterated Product supplied by IPC), to the extent not the fault of IPC or (b) any claim that marketing materials of Tris or the Affiliates or Third Party sublicensees of Tris (other than Labeling as approved and set forth in the applicable regulatory approval and other than any trademark or service mark of IPC) infringes the rights of a Third Party or (c) a material breach of any obligation, representation or warranty of Tris contained in this Agreement, except in each case to the extent such Damages give rise to an indemnification claim of IPC under Section 10.1 above.

10.3 Limitations on Indemnification. Notwithstanding provision in this Agreement to the contrary, neither Party shall be entitled to indemnification with respect to any claim or suit to the extent such claim or suit results from its own negligence or willful misconduct. In addition, the indemnification pursuant to this Article 10 shall be available only with respect to claims made by third-parties and not for a claim made solely by one Party against the other.

10.4 Procedures for Control of Third Party Claims. The Party entitled to make a claim for indemnification under this Article 10 shall be referred to as the "**Indemnified Party**" and the Party required to indemnify such claim shall be referred to as the "**Indemnifying Party**." In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand, made by any Third Party against the Indemnified Party (a "**Third Party Claim**"), such Indemnified Party must notify the Indemnifying Party in writing of the Third Party Claim within thirty (30) business days after receipt by such Indemnified Party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been actually materially prejudiced as a result of such failure. If a Third Party Claim is made against an Indemnified Party, the Indemnifying Party shall be entitled to control the defense thereof; provided, that the Indemnifying Party shall thereafter consult with the Indemnified Party upon the Indemnified Party's reasonable request for such consultation from time to time with respect to such suit, action or proceeding. If the Indemnifying Party controls such defense, the Indemnified Party shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the

Indemnifying Party has not assumed the defense thereof, but the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. Whether or not the Indemnifying Party defends or prosecutes any Third Party Claim, the Parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information which are reasonably relevant to such Third-Party Claim and making employees or any other Indemnified Party available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. In no event shall the Indemnifying Party settle any Third Party Claim if such settlement would impose any obligation or burden on the Indemnified Party, without the prior written consent of the Indemnified Party.

ARTICLE 11 – TERMINATION

11.1 Breach. Failure by either Party to materially comply with any of the respective material obligations and conditions contained in this Agreement shall entitle the other Party to give the Party in default written notice requiring it to cure such default. If such default is not cured within sixty (60) days of receipt of such notice, the notifying Party shall be entitled (without prejudice to any of its other rights conferred on it by this Agreement or under Applicable Law) to terminate this Agreement.

11.2 Bankruptcy or Insolvency. Either Party shall be entitled to immediately terminate this Agreement upon the filing or institution of bankruptcy, reorganization (in connection with any insolvency), liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party, or in the event a receiver or custodian is appointed for such other Party's business, or if a substantial portion of such other Party's business is subject to attachment or similar process, or of a Party otherwise admits in writing its inability to pay its debts generally as they become due; provided, however, that in the case of any involuntary bankruptcy proceeding or the attachment of a substantial portion of a Party's assets, such right to terminate shall only become effective if the proceeding or attachment is not dismissed within sixty (60) days after the filing thereof.

11.3 Termination

(a) Notwithstanding any other provision of this Agreement, either Party may terminate this Agreement at any time upon one [****] ([****]) days prior written notice to the other Party, if it determines, in its reasonable judgment and discretion, that the market for or pricing of the Product (including the Transfer Price of a Product) is such that it is not economically viable to continue to market the Product ..

(b) Tris may terminate this Agreement as provided in Section 3.10.

(c) A Party not under force majeure may terminate in the circumstances set out in Section 14.1.

(d) Either Party shall have the right to terminate this Agreement by giving a [****] ([****]) day written notice to the other Party if: (i) such other Party fails to pay any undisputed amount due under this Agreement on the due date for payment and remains in default not less than [****] ([****]) business days after written notice to make such payment, provided such [****] day notice is sent after such [****] business days and prior to the curing of such default; or (ii) such other Party undergoes a change of control, meaning a merger, reorganization or consolidation involving such other Party, or any parent company of such other Party and a Third Party and the Party not undergoing a change of control determines in its reasonable discretion that such reorganization or change of control will provide access to such other Party a Competing Product that will negatively impact future sales of the Product in the Territory; or (iii) either Party assigns this Agreement to a Person which as of the time of the assignment markets, or is developing or whose Affiliate markets or is developing, a Competing Product, provided that in the case of (ii) and (iii) such [****] ([****]) day notice is delivered within [****] ([****]) days of written notice of the change of control event or assignment given to the terminating Party. The forgoing are in addition to any other rights and obligations the Parties have under this Agreement, which shall continue in the event the Agreement is not terminated.

11.4 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to the rights of the Parties and shall not release any payment, liability or other obligation incurred between the Parties prior to the date of such expiration or termination or arising as a result of such expiration or termination. IPC shall remit to Tris its shares of negative Net Profits as provided in Section 3.9(c) In the event of termination or expiration (I) unless otherwise provided herein, Tris shall take delivery of binding Purchase Orders and (II) may continue selling inventory of Product in its possession (whether acquired pre-termination/expiration or post termination/expiration) for one (1) year from date of Termination, provided however, if this Agreement is terminated by Tris pursuant to Section 11.1, 11.2, or 11.3(b) or 11.3(d) there shall be no such one (1) year limitation. In the event this Agreement is terminated by Tris pursuant to Sections 11.1, 11.2, 11.3(b) or 11.3(d) at Tris' option (i) it may return some or all Product in its possession for a full refund; and/or (ii) take delivery of some or all Product previously ordered or subject to binding portions of Forecasts and/or cancel some or all of such orders or portions of binding Forecasts. In the event this Agreement is terminated by IPC pursuant to Sections 11.1 or 11.2, or 11.3(d), at IPC's option, it may order Tris to destroy, or return to IPC, all or part of the remaining inventory of Product under the control or in the possession of Tris, at the sole cost and expense of IPC, provided that IPC advances to Tris any potential service level or non-supply penalties or damages and reimburses Tris for amounts paid for unsold Products.

11.5 **Surviving Terms.** The provisions of this Agreement which by their terms are to be performed or complied with subsequent to the termination or expiration of this Agreement shall survive such termination or expiration and shall continue in full force and effect in accordance with their respective terms. For the avoidance of doubt, in addition to the foregoing, Articles 1 (and other definitions in the Agreement, in each case to the extent definitions are used in the other surviving provisions), 2.1 (pertaining to sublicenses), 4.9, 8, 10, 11, 12, 13 and 14 shall survive such termination or expiration and shall continue in full force and effect in accordance with their respective terms.

ARTICLE 12 – CONFIDENTIALITY

12.1 Definition of Confidential Information. The term “**Confidential Information**” includes all information treated by the disclosing Party as confidential or proprietary, including but not limited to, any formulae, methods, techniques, processes, work papers, concepts, strategies, components, programs, reports, studies, memoranda, correspondence, materials, manuals, records, technology, products, plans, research, service, design information, documentation, policies, pricing, billing, customer lists and leads, and any other data, information and know-how, technical or non-technical, whether written, graphic, computer-generated which relate to the disclosing Party’s products or customers or potential customers or are otherwise useful in the disclosing Party’s business, and which the disclosing Party desires to maintain confidential. Confidential Information includes any copies thereof. Confidential Information will be entitled to protection hereunder whether or not such information is oral or written, whether or not such information is identified as such by an appropriate stamp or marking on each document.

12.2 Confidentiality. Each Party shall maintain all Confidential Information under the strictest possible terms and shall only use such Confidential Information in furtherance of this Agreement. Both Parties agree that any of its officers, employees or agents provided or given access to the other Party’s Confidential Information shall be bound by confidentiality obligations essentially the same as those set forth herein and that it shall be fully responsible for the performance of the obligations under this Section 12.2 by each such officer, employee and agent. The foregoing obligations of confidentiality and use restrictions shall not apply, however, to the extent that such Confidential Information:

(a) was already known to the receiving Party or its Affiliate, other than under an obligation of confidentiality, at the time of disclosure by the other Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;

(d) was disclosed to the receiving Party or its Affiliate by a Third Party who has a legal right to make such disclosure and who did not obtain such information directly or indirectly from the other Party; or

(e) was independently discovered or developed by the receiving Party or its Affiliate without access to or aid, application or use of the other Party's Confidential Information, as evidenced by a contemporaneous writing.

12.3 Authorized Disclosure. Notwithstanding the obligations set forth in Section 12.2, a Party may disclose the other Party's Confidential Information and the terms of this Agreement to the extent:

(a) such disclosure is reasonably necessary to its employees, agents, consultants, contractors, officers, licensees or sublicensees on a need-to-know basis for the sole purpose of performing its obligations or exercising its rights under this Agreement; provided that in each case, the Party disclosing is bound by written obligations of confidentiality and non-use consistent with those contained in this Agreement; or

(b) such disclosure is reasonably necessary to comply with Applicable Laws, including regulations promulgated by the U.S. Securities and Exchange Commission, applicable stock exchanges, court order, administrative subpoena or order; provided that the Party subject to such Applicable Laws shall promptly notify the other Party of such required disclosure and shall use reasonable efforts to obtain, or to assist the other Party in obtaining, a protective order preventing or limiting the required disclosure.

(c) **Prior Confidentiality Agreement.** Nothing herein shall relieve any Party of any breach of that certain Confidentiality Agreement, dated as of March 6, 2017 (the "Prior Confidentiality Agreement"), by and between the Parties with respect to the information disclosed between the Parties prior to the date hereof, provided any information disclosed under such agreement shall also be deemed disclosed under this Agreement and such agreement shall not apply to any information disclosed after the date hereof, which disclosure shall be governed by this Agreement.

ARTICLE 13– DISPUTE RESOLUTION

13.1 IPC and Tris agree to use good faith efforts to resolve any and all disputes ("Dispute") arising out of or relating to this Agreement. If after forty five (45) days following receipt of notice by one Party from the other of a dispute under this Agreement, the Parties are unable to resolve the dispute, then the matter shall be fully and finally resolved by arbitration. A Party that desires to arbitrate a dispute shall serve a written notice upon another requesting arbitration of a dispute pursuant to this Section 13.1. Any such arbitration shall be submitted to final and binding arbitration under the then current commercial arbitration rules of the American Arbitration Association (the "AAA") in accordance with this Section 13.1. The place of arbitration of any dispute shall be State of New Jersey. Such arbitration shall be conducted by one (1) arbitrator mutually agreed to by the Parties, but if such agreement cannot be reached within ten (10) days of the commencement of the arbitration, then an arbitrator shall be appointed by the AAA. The arbitrator shall be a retired judge, or attorney with no less than 10 years of relevant experience in the pharmaceutical industry. The arbitration proceeding shall be held as soon as practicable but in any event within sixty (60) days of appointment of the arbitrator. Any award rendered by the arbitrators shall be final and binding upon the Parties. Judgment upon any award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The arbitrator shall render a formal, binding, non-appealable resolution and award, along with a written opinion not to exceed twenty (20) pages which reasonable explains the ruling, as expeditiously as possible, but not more than forty-five (45) days after the hearing. Each Party shall pay its own expenses of arbitration, and the expenses of the arbitrator shall be equally shared between the Parties unless the arbitrator assesses as part of the award all or any part of the arbitration expenses of a Party (including reasonable attorneys' fees) against the other Party. A Party may make application to the arbitrator for the award and recovery of its fees and expenses (including reasonable attorneys' fees). This Section 13.1 shall not prohibit a Party from seeking injunctive relief from a court located in the State of New Jersey in the event of a breach or prospective breach of this Agreement by any other Party which would cause irreparable harm to the first Party.

ARTICLE 14- MISCELLANEOUS

14.1 Force Majeure. Except as provided in Section 3.10, neither Party shall be responsible or liable to the other Party as a result of, any failure to perform any of its obligations hereunder, if such failure results from wars, riots, disease, an act of God, civil commotion, fire, failure of public utilities or any other circumstances similar to the foregoing whether or not similar to the above causes and whether or not foreseeable (a “**Force Majeure Event**”). The affected Party shall use Commercially Reasonable Efforts to avoid or remove any such causes and shall resume performance under this Agreement as soon as practicable whenever such cause is removed; provided, however, that the foregoing shall not be construed to require either Party to settle any Third Party dispute, to commence, continue or settle any litigation, or to incur any unusual or extraordinary expenses. If a Party is affected by a Force Majeure Event for more than ninety (90) days which impacts its performance under this Agreement the other Party may terminate this Agreement effective upon written notice to the affected Party.

14.2 Amendments. No waiver, amendment or modification of the terms of this Agreement shall be binding on either Party unless reduced to writing and signed by both Parties.

14.3 No Waiver. The failure of either Party to enforce any provision of this Agreement at any time or for any period of time shall not be construed to be a waiver of any right of either Party hereunder nor to prevent the subsequent enforcement thereof or of any other provision hereof in accordance with its terms.

14.4 Entire Agreement. This Agreement, including the Appendixes and Exhibits hereto which are hereby incorporated herein at each point of reference thereto, constitutes the entire understanding between the Parties with respect to the subject matter hereof and supersedes all prior contracts, Agreements and understandings related to the same subject matter between the Parties (except for the Prior Confidentiality Agreement which shall be governed as provided in Section 12.3(c)). For the avoidance of doubt, this Agreement and any other agreement between the Parties or any of their Affiliates related to any product other than the Product are independent agreements. For the avoidance of doubt, a breach of any provision of any other such other agreement shall not be a breach of this Agreement. This Agreement shall govern and control to the extent of any conflict between the terms of this Agreement and terms in any of the Appendixes or Exhibit hereto, or Purchase Orders issued hereunder.

14.5 Assignment.

(a) Neither this Agreement nor any or all of the rights or obligations of either Party hereunder shall be assigned, delegated, sold, transferred, sublicensed or otherwise disposed of or encumbered, by operation of law or otherwise, to any Third Party without the prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, of the other except as otherwise provided in this Agreement and as permitted in the immediately following sentence. Subject to Section 11.3(d), this Agreement may be assigned by either Party in connection with the transfer (by sale, merger or otherwise) of its line of business to which this Agreement relates. Any attempted assignment, delegation, sale, transfer, sublicense or other disposition, by operation of law or otherwise, of this Agreement or any rights or obligations hereunder by or on behalf of either Party contrary to this Section 14.5(a) shall be a material breach of this Agreement and shall be void and without force or effect. Notwithstanding the foregoing, or anything to the contrary contained in this Agreement, nothing contained in this Agreement shall prohibit or restrict a Party’s ability to collaterally assign this Agreement to a bank or other financial institution, and such bank’s or financial institution’s exercise of its rights in conjunction therewith.

(b) Any assignment, sublicense or other transfer permitted by this Section 14.5 shall not operate to release such Party from its responsibilities under this Agreement.

14.6 Severability. If any provision of this Agreement, under any set of circumstances, whether or not foreseeable by the Parties, is hereafter held to be invalid, illegal or unenforceable in its present form and scope in any jurisdiction or proceeding, the remaining provisions of this Agreement shall continue to be given full force and effect, without regard to the invalid, illegal or unenforceable provision in such jurisdiction or proceeding, and shall be liberally construed in order to carry out the intentions of the Parties hereto as nearly as may be possible, and such holding shall not affect the validity, legality or enforceability of this Agreement in its entirety in any other jurisdiction or proceeding. Furthermore, if any of the provisions of this Agreement are held to be unenforceable in any jurisdiction or proceeding because of their duration or scope, the Parties agree that the court, or other authority making such determination shall have the power, and is hereby directed, to reduce or alter the duration and/or scope of such provision so that, in its reduced form, the provision is enforceable and effective as nearly as possible for the purposes expressed in this Agreement. To the extent permitted by applicable law, IPC and Tris hereby waive any provision of law that would render any provision hereof prohibited or unenforceable in any respect.

14.7 Choice of Law/Jurisdiction/Venue. This Agreement shall be interpreted, construed and enforced in accordance with the substantive laws of the State of New Jersey, as applied to agreements performed wholly within State of New Jersey, without reference to choice of law principles. Any dispute or proceeding not subject to arbitration (such as a request for injunctive relief as provided in Section 13.1) shall be adjudicated exclusively in courts located in the State of New Jersey and each Party agrees to submit to the personal jurisdiction of such courts, and not to assert in any suit, action or proceeding any claim that is not subject to the jurisdiction of any such court, that such suit action or proceeding is improper or is an inconvenient venue for such proceeding.

14.8 Each Party irrevocably consents to service of process in such dispute or proceeding to by written notice provided in Section 14.8 (other than by telefax). The Parties hereby exclude the United Nations Convention on Contracts for the International Sale of Goods from this Agreement.

14.9 Notices. Any notice to be given by either party shall be in writing and shall be deemed given when delivered personally, by postpaid registered, certified or Express mail, by UPS, DHL or Federal Express, overnight, second day or three day service, or by telefax to the parties at the following addresses:

If to Tris, to it at:

Tris Pharma Inc.
2033 US Rt 130
Monmouth Jn, New Jersey, 08852, USA
Attn: Ketan Mehta
Email: kmehta@trispharma.com
Tel.: +1-732-940-2800
Fax: +1-732-940-2855

If to IPC, to it at:

Intellipharmaeconomics Corp,
30 Worcester Road,
Toronto, ON M9W 5X2, Canada
Attn: Dr. Amina Odidi
Email: aodidi@intellipharmaeconomics.com
Tel.: Fax: +1 416-798-3007

14.10 Public Announcements. Neither Party will make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other Party's express prior written consent, such consent not to be unreasonably delayed, except as required under Applicable Law or by any governmental agency or as required in connection with the performance of this Agreement.

14.11 Counterparts. This Agreement may be executed in facsimile or email (pdf) counterparts each of which is hereby agreed to have the legal binding effect of an original signature.

Rest of page intentionally left blank. Signature page is on next page.

IN WITNESS WHEREOF, the Parties have caused this License and Commercial Supply Agreement to be executed by their respective duly authorized officers as of the date first above written.

TRIS PHARMA, INC.

INTELLIPHARMACEUTICS CORP

By: /s/ Janet Penner

Name: Janet Penner

Title: President, Generics

By: /s/ Dr. Amina Odidi

Name: Dr. Amina Odidi

Title: President & COO

EXHIBIT A

IPC ANDA GENERIC PRODUCT

Product / Form	Strength (mg) / Form	ANDA NO.	RLD
Desvenlafaxine ER Tabs	50 mg and 100 mg	204805	Pristiq

EXHIBIT B

IPC PRODUCT TRANSFER PRICES (USD)

Product Strength	Pack Size (HDPE Bottles)	Transfer Price (USD)
Desvenlafaxine ER – 50 mg	30	\$ [*****]
Desvenlafaxine ER – 50 mg	90	\$ [*****]
Desvenlafaxine ER – 100 mg	30	\$ [*****]
Desvenlafaxine ER – 100 mg	90	\$ [*****]

EXHIBIT C
SUPPLIER QUALITY AGREEMENT

EXHIBIT D
PHARMACOVIGILANCE AGREEMENT

EXHIBIT E

INTERNATIONAL WIRE TRANSFER ADVICE

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

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[*****] indicates the redacted confidential portions of this exhibit.

LICENSE AND COMMERCIAL SUPPLY AGREEMENT

THIS LICENSE AND COMMERCIAL SUPPLY AGREEMENT (“**Agreement**”) is made and entered into as of November 1, 2019 (“**Effective Date**”), by and among Tris Pharma, Inc, with offices at 2033 US Rt 130, Monmouth Jn, NJ 08852 (“**Tris**”) and Intellipharmaeutics Corp, with offices at 30 Worcester Road, Toronto, ON M9W 5X2, Canada (“**IPC**”), with respect to the manufacture, supply, sales, licensing and distribution of the generic pharmaceutical Product set forth below. Tris and IPC are sometimes hereafter referred to individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, Tris and its subsidiaries are engaged in the sale, marketing and distribution of generic pharmaceutical products; and

WHEREAS, IPC is engaged in the development, manufacturing and supply of pharmaceutical products; and

WHEREAS, IPC desires to manufacture and supply Tris the Product for sale in the Territory (as defined below);

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and obligations set forth herein, Tris and IPC hereby agree to be legally bound as follows:

ARTICLE 1 – DEFINITIONS

1.1 “Act” means the United States Federal Food, Drug, and Cosmetic Act, as amended, and regulations promulgated thereunder.

1.2 “AG Product” means any product, other than the Innovator Product, promoted, distributed, marketed, offered for sale and/or sold as a branded or non-branded generic product under or pursuant to the Innovator Pharmaceutical Company’s approved New Drug Application filed with the FDA pursuant to and under 21 U.S.C. Section 355(b) of the Act, for the Innovator Product.

1.3 “API” means the bulk active pharmaceutical ingredient for the Product.

1.4 “Adulterated Product” means product which is adulterated or misbranded within the meaning of the Act or an article which may not be introduced into interstate commerce in the United States under the provisions of Sections 404 or 505 of the Act.

1.5 “Affiliate” means any Person who owns, is owned by or is under common ownership with another Person. For the purposes of this definition, the term “owns” (including, with correlative meanings, the terms “owned by” and “under common ownership with”) as used with respect to any Party, shall mean the possession (directly or indirectly) of more than 50% of the outstanding voting securities or other equity or voting interest of a Person.

1.6 “ANDA” means an Abbreviated New Drug Application pursuant to the Act and all Applicable Laws.

1.7 “Anticipated Inability to Deliver” has the meaning set forth in Section 3.11.

1.8 “Applicable Laws” means all laws, rules and regulations that are applicable to the manufacture, import, use, offer to sell, sale or distribution of the Product in the Territory or the performance of either Party’s obligations under this Agreement, including (but not limited to) the Act and the PDMA.

1.9 “cGMP” means current Good Manufacturing Practices promulgated by the FDA as the same may be amended from time to time, and their equivalent promulgated by the governing health authority of any other country in which the Product is manufactured by IPC under this Agreement.

1.10 “Commercially Reasonable Efforts” means a Party’s reasonable efforts and diligence in manufacturing, supplying and commercializing the Product in accordance with its business, legal, medical and scientific judgment, such reasonable efforts and diligence to be in accordance with the efforts and resources the Party would use for a product owned by it or to which it has rights, which is of similar market potential at a similar stage in its product life, taking into account the competitiveness of the marketplace, the proprietary position of the compound, the regulatory structure involved, the profitability of the applicable Product, and other relevant factors.

1.11 “Competing Product” has the meaning set forth in Section 2.2.

1.12 “Confidential Information” has the meaning set forth in Section 12.1 hereof.

1.13 “Control” means, with respect to Intellectual Property Rights, the possession of the ability by ownership, license or otherwise (other than by operation of the license and other rights pursuant to this Agreement) to freely assign or grant a license or sublicense or disclose as provided for herein under such Intellectual Property Rights without violating the terms of any agreement or other arrangement, express or implied, with any Third Party.

1.14 “Cover” has the meaning set forth in Section 3.11.

1.15 “Excess Order” has the meaning set forth in Section 3.3.

1.16 “Expiry Dating”. The date as on each Certificate of Analysis and Label, until which the Product is good for sale, dispensing and use, determined based on the stability data as per cGMP guidelines.

1.17 “FDA” means the United States Food and Drug Administration, and any successor agency thereto.

1.18 “Freight Charges” has the meaning set forth in Section 3.4

1.19 “GDUFA Fees” shall mean the fees imposed under the Generic Drug Users Fee Act and the Generic Drug User Fee Amendments of 2012, as amended to date or as further amended.

1.20 “Generic Equivalent” means a generic pharmaceutical product that is therapeutically equivalent to the Innovator Product, where “therapeutically equivalent” means: an AB rating is assigned to such product’s entry in the list of drug products with effective approvals published in the then-current edition of FDA’s publication “*Approved Drug Products with Therapeutic Equivalence Evaluations*” and any current supplement to the publication (also known as the “Orange Book”) referred to in 21 C.F.R. 314.3 and such product is covered by an ANDA.

1.21 “Indemnified Party” has the meaning set forth in Section 10.4 hereof.

1.22 “Indemnifying Party” has the meaning set forth in Section 10.4 hereof.

1.23 “Innovator Pharmaceutical Company” means the holder of any approved NDA or ANDA for such Innovator Product, including, its successors and assigns.

1.24 “Innovator Product” means Effexor XR having Venlafaxine Hydrochloride as its active ingredient, or if Effexor XR is no longer the product which serves as the reference listed drug then the product which serves as the reference listed drug for the Product.

1.25 “Intellectual Property Rights” means Know-How, registered trademarks, trademark applications, unregistered trademarks, trade dress, copyrights, and Patent Rights.

1.26 “Invoice” means a statement of the amount in US dollars due for a list of the Product supplied or services provided that is presented for payment.

1.27 “Know-How” means any information related to the product formulation and all technology and all technical and clinical information, data and know-how related to the development, formulation, manufacture or use of a product, including (but not limited to), trade secrets, designs, research and development, methods, techniques, derivations, processes, formulations, dosage forms, concepts, ideas, preclinical, clinical, biological, chemical, pharmacological, toxicological, pharmaceutical or other data, validation information, stability history, testing methods and results, experimental methods and results, product specifications, assays, in vitro data, in vivo data, material and product information, test methods for raw materials, components, work-in-process and finished product, stability, descriptions, specifications, scientific plans, depictions, discoveries, new technologies, product ideas, modifications, improvements and extensions, equipment, medical support information (including data bases), and any other written, printed, electronically stored or humanly perceivable information and materials, including combinations or applications thereof, data summaries and compilations of data, whether or not patentable, relating to the development, manufacture, importation or use of a product.

1.28 “Label,” “Labeled” or “Labeling” means all labels and other written, electronic, printed or graphic matter upon (i) a Product or any container or wrapper utilized with the Product, or (ii) any written material accompanying a Product, including, without limitation, package inserts.

1.29 “Market Share” means the number of capsules of Product (aggregating all strengths) sold by Tris, its Affiliates, its distributors, wholesalers and sublicensees divided by the total number of capsules of Generic Equivalents of Innovator Product (other than AG Product or the Innovator Product) in 37.5, 75 and 150 mg strengths sold by Tris and others in the Territory.

1.30 “Materials” has the meaning set forth in Section 4.5.

1.31 “Minimum Period” has the meaning set forth in Section 3.7.

1.32 “NDA” means a New Drug Application filed with the FDA pursuant to and under 21 U.S.C. Section 355(b) of the Act.

1.33 “Net Profits” has the meaning set forth in Section 4.7.

1.34 “Net Sales” has the meaning set forth in Section 4.4.

1.35 “Packaging” or “Package” means all primary containers, including bottles, blisters, cartons, shipping cases or any other like matter used in packaging or accompanying a Product.

1.36 “Patent Rights” means patents issued by and patent applications filed with the U.S. Patent and Trademark Office, the Canadian Intellectual Property Office, or other similar governmental intellectual property administration agencies, and all divisionals, continuations, continuations in part, reissues, extensions, supplementary protection certificates and foreign counterparts thereof.

1.37 “**PDMA**” means the Prescription Drug Marketing Act, as amended, and rules and regulations promulgated thereunder, as in effect from time to time.

1.38 “**Person**” means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a governmental entity.

1.39 “**Production Facility**” means the facility of IPC located at Toronto, Canada and all the equipment therein, including without limitation, all equipment used in the manufacture, processing, production, packaging, handling, storage, holding, labeling, testing, analyzing, sampling, shipping and release of the Product therein.

1.40 “**Product(s)**” means the Venlafaxine ER capsules approved by the FDA under the Product ANDA, which is the therapeutic equivalent of the Innovator Product, in all strengths thereof, as set forth in Exhibit A hereto as manufactured in accordance with the IPC ANDAs.

1.41 “**Product ANDA**” means ANDA #: 201272, as the same may be supplemented or amended from time to time.

1.42 “**Product Warranties**” has the meaning set forth in Section 5.1.

1.43 “**Profit Share Statement**” has the meaning set forth in Section 3.9.

1.44 “**Purchase Order**” has the meaning set forth in Section 3.3 hereof.

1.45 “**Regulatory Approval**” means the license or marketing approval by the FDA that is necessary as a prerequisite for marketing the Product in the Territory.

1.46 “**Rejection Notice**” has the meaning set forth in Section 5.2(a).

1.47 “**Selling Price**” has the meaning set forth in Section 4.3.

1.48 “**Selling & Distribution Costs**” has the meaning set forth in Section 4.6.

1.49 “**Specifications**” means the specifications for each Product as included in the ANDA for the Product.

1.50 “**Standard Operating Procedures**” means process, steps and procedures as documented for each activity including but not restricted to sourcing, manufacturing, packaging, testing, labeling, storage, supply, handling of the Product at all stages through the value chain.

1.51 “Statement of Work” means a description, agreed upon by both Parties, of auditor responsibilities and work-product delivery deadlines, as well as a reasonable description of the types of documents or data which may be reviewed and personnel who may be interviewed, in undertaking an audit pursuant to this Agreement.

1.52 “Territory” means the United States of America, its territories, possessions and military bases, and the Commonwealth of Puerto Rico.

1.53 “Third Party” means a Person other than Tris, IPC and their respective Affiliates.

1.54 “Transfer Price” means the prices Tris shall pay IPC for the Product(s) as set forth in Section 4.5 and Exhibit B hereto.

1.55 “Valid” means, with respect to Patent Rights in a particular country, such Patent Rights have not (A) expired or been cancelled, (B) been declared invalid or unenforceable by a decision of a court or other appropriate body of competent jurisdiction, from which no appeal is or can be taken, (C) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or (D) been abandoned or disclaimed either affirmatively or by operation of law.

ARTICLE 2– LICENSE, PRODUCT & TERM

2.1 License. Subject to the terms and limitations set forth herein, IPC hereby grants to Tris an exclusive right and license (even as to IPC and its Affiliates), with the right to sublicense to an Affiliate and/or, subject to the prior approval and written consent of IPC (which consent shall not be unreasonably withheld, delayed or conditioned) to a Third Party (provided that no sublicense of rights by Tris in accordance with this Agreement shall relieve Tris of any liability or obligation to IPC hereunder) to use, distribute, offer for sale, sell, have sold, have offered for sale and commercialize the Product in the Territory, including, without limitation, through wholesalers, distributors, sublicensees and resellers during the Term. The rights granted herein shall include a license to Intellectual Property Rights Controlled by IPC, for the Territory, which are necessary or desirable to distribute the Product in the Territory. IPC will maintain all ownership of the Product and responsibility to manufacture the Product as per cGMP and delivery of the Product to Tris. The foregoing rights will be co-terminus with this Agreement and, subject to any specific provisions set forth in Section 11.5 [(Surviving Terms)], shall terminate on and as of the effective date of termination or expiration hereof. In no event and on no occasion shall the exclusive rights granted to Tris hereunder be interpreted to permit Tris to sell Product outside of the Territory.

2.2 Non-Compete. IPC and its Affiliates shall not, and shall not negotiate to or agree to, (1) develop, file for Regulatory Approval, acquire, license, manufacture anywhere for use in the Territory, or (2) market or otherwise commercialize in or for the Territory, any pharmaceutical product that is (A) a Generic Equivalent to the Innovator Product (excluding the Product subject to this Agreement), (B) the Innovator Product, or (C) an AG Product, either alone or with a Third Party (each, a “**Competing Product**”), from the Effective Date until the earlier of (i) the expiration of the Term or the termination of this Agreement or (ii) Tris’ license has become nonexclusive pursuant to Section 4.2.

2.3 Exclusivity. During the Term, Tris will exercise Commercially Reasonable Efforts to successfully launch and sell the Product in the Territory on an exclusive basis, meaning Tris shall not sell another Generic Equivalent to the Innovator Product, except pursuant to Section 3.11 or if the IPC license grant to Tris has become non-exclusive.

2.4 Term of Agreement. The initial term (“**Initial Term**”) of this Agreement shall be five (5) year from the Effective Date. Thereafter this Agreement shall automatically renew for successive two-year terms (each, a “**Renewal Term**”, and together with the Initial Term, the “**Term**”) unless one party notifies the other of its intent to terminate the agreement, for convenience, on no less than 180 days advance written notice..

ARTICLE 3 – MANUFACTURE, FORECASTS, PURCHASE ORDERS AND SUPPLY

3.1 Subject to the terms and conditions of this Agreement, from and after the Effective Date and during the Term, IPC shall use Commercially Reasonable Efforts to timely manufacture, Label, Package and supply Tris’, its sublicensees’ and their respective Affiliates’ requirements of Product, for use and marketing in the Territory in accordance with Tris’ Purchase Orders, the Specifications, cGMP requirements and all other Applicable Law.

3.2 Forecasts. On or before the tenth (10th) day of every calendar month during the Term, Tris shall share a rolling twelve (12) month forecast (each a “**Forecast**”) of the Product which forecasts Tris’, its sublicensees’ and their respective Affiliates’ requirements for each strength of the Product commencing the first full month after the date of the Forecast, of which only the first three (3) months would be binding and would be confirmed with a formal Purchase Order.

3.3 Purchase Orders. During the Term, Tris shall make all purchases hereunder by submitting firm purchase orders to IPC (a “**Purchase Order**”). Each such Purchase Order shall be in writing in a form reasonably acceptable to IPC, and shall specify the Product ordered, the quantity ordered, the Transfer Price, the required delivery date thereof, which shall be no later than ninety (90) days after the date of Purchase Order unless otherwise agreed upon in writing by IPC. IPC shall confirm acceptance of the PO in writing within five (5) business days and IPC shall supply to Tris, Product ordered pursuant to such Purchase Orders on the requested delivery date at the Production Facility. In the event of a conflict between the terms and conditions of any Purchase Order and this Agreement, the terms and conditions of this Agreement shall prevail. The quantities contained in Purchase Orders for a Product to be delivered during any one month period shall not exceed [*****] percent ([*****]%) of the amounts set forth in the immediately preceding forecasts for such Product for the same time period (an “**Excess Order**”), unless Tris has obtained IPC’s prior written consent for such Excess Orders which consent shall not be unreasonably withheld, conditioned or delayed. IPC shall respond to any request by Tris for an Excess Order within ten (10) business days of a written request from Tris. Such response shall indicate the amount of the Excess Order, if any, that IPC will manufacture and deliver. IPC will use commercially reasonable efforts to fill an Excess Order as promptly as practicable, but will not be in breach hereof if, notwithstanding such efforts, it will be unable to fill such Excess Order.

3.4 Freight Charges. All freight, insurance charges, export and other custom duties, other charges applicable to the sale and transport in Temperature Controlled Containers of Product purchased by Tris hereunder (collectively, “**Freight Charges**”), from the Production Facility to Tris’ designated US facility shall be negotiated for and paid by Tris.

3.5 Delivery of Product. On the applicable delivery date contemplated in a Purchase Order, IPC shall deliver the Product(s) in its final packaged form to the carrier selected by Tris at the Production Facility. The Product shall be shipped by IPC to Tris by such method as Tris shall reasonably designate. Tris shall be responsible for the selection of the carrier and if Freight Charges are paid by IPC (which it is under no obligation to pay), such charges shall be promptly reimbursed by Tris upon written request, which request shall be accompanied by all relevant supporting documentation. Title to any shipped Product sold hereunder shall transfer to Tris and Tris shall bear all risk of loss with respect to shipped Product when delivered by IPC to the carrier designated by Tris. Tris shall be solely responsible for proper storage of the Product in accordance with applicable specifications once the Product has been delivered, but IPC shall be solely responsible for all pre-shipment quality assurance testing and/or release of the Product for distribution, in accordance with all Applicable Laws. For clarity, Tris shall pay for all Freight Charges.

3.6 Expiry Dating. All Product delivered by IPC pursuant to this Agreement shall have, upon delivery to the carrier in accordance herewith, the greater of either [****] percent ([****]%) of its maximum approved shelf life OR at least twenty (20) months of shelf life remaining in accordance with the ANDA (“**Minimum Period**”); except, however, where Tris has authorized in writing, in advance, the shipment of a Product that does not meet the Minimum Period.

3.7 Invoicing. Upon shipment of Product, IPC shall submit invoices therefor to Tris. All invoices shall be in US Dollars and, to the extent the terms of any invoice submitted by IPC or any Purchase Order submitted by Tris conflict with the terms of this Agreement, the terms of this Agreement shall prevail and be binding upon the Parties.

3.8 Payment. Payment terms shall be as follows:

(a) Tris shall pay each invoice in full within thirty (30) days after the date of receipt of invoice, except that Tris shall pay for Product within thirty (30) days of the later of receipt of invoice or delivery of the Product to which the invoice relates to Tris’ carrier in accordance with Section 3.5.

(b) On or before the fifteenth (15th) day after the end of each month of this Agreement, Tris shall provide a report detailing the estimated sales statement for the preceding month. It is the understanding of the Parties that such monthly sales statement may change once actual amounts are known and can be adjusted prospectively in accordance herewith.

(c) Within thirty (30) days of the end of each calendar quarter, Tris shall provide a Profit Share Statement (the “**Profit Share Statement**”) and Tris shall remit to IPC, IPC’s share of Net Profits along with the Profit Share Statement within ten (10) business days of the calculation of the “**Profit Share Statement**” for the quarter; provided, that if Net Profits are negative for any fiscal quarter, such negative profits shall be carried forward (and deducted from Net Profits for any subsequent fiscal quarters prior to the Parties sharing the balance of Net Profits, if any). If IPC’s share of negative profits continues for two (2) consecutive calendar quarters, Tris may deduct such negative profits from payments owed for Transfer Price or any other amounts owed to IPC. If IPC’s share of negative Net Profits (including carryforwards) has not been repaid or offset on or before termination or expiration of this Agreement, then IPC shall pay to Tris, IPC’s share of such negative Net Profits within thirty (30) days of Tris’ delivery of an invoice therefor and reasonable and customary supporting documentation. The Profit Share Statement shall be consolidated to clearly reflect Net Profits (whether positive or negative) from Tris and each Tris Affiliate and Third Party sublicensee, if any, consistent with U.S. GAAP, and in a form reasonably acceptable to IPC.

3.9 Currency. All Purchase Orders, Invoice and payments will be in United States Dollars (US\$) and shall be paid by international wire transfer of immediately available funds, using the banking advice attached at Exhibit E.

3.10 Failure to Supply. If IPC is unable (or anticipates an inability) to manufacture or deliver all or a portion of a Product to Tris as required by a confirmed or accepted Purchase Order pursuant to Section 3.3 of this Agreement, IPC shall promptly notify Tris in writing of the period for which such inability (or anticipated inability) to so manufacture or deliver is expected (an “**Anticipated Inability to Deliver**”). For avoidance of doubt, so long as IPC uses Commercially Reasonable Efforts and the anticipated inability is a force majeure event, IPC shall not be in breach of the Purchase Order(s) affected nor this Agreement, however, regardless of whether or not IPC has breached a Purchase Order or this Agreement it shall still be liable for Cover and the other obligations set forth in this Section 3.10. In the event IPC is unable to meet Tris’s Purchase Orders or IPC issues a notice of an Anticipated Inability to Deliver, IPC’s obligation to supply shall continue but Tris’ obligation to purchase the Product that IPC is unable to timely supply in accordance with Section 3.3 above shall be suspended and Tris, without relieving IPC of its obligations under Section 3.3, may mitigate its damages by purchasing from another Person the quantity of substitute product that it requires beyond what IPC is able to deliver. Tris shall use Commercially Reasonable Efforts to obtain such substitute product at a reasonable price and communicate same to IPC in writing. Tris shall be entitled to deduct the difference in cost paid by Tris for such substitute product over the cost of the Product (“**Cover**”), if any, from any amounts otherwise payable to IPC hereunder, and, to the extent not so offset, IPC shall reimburse Tris for such Cover , within thirty (30) days of receipt of invoice from Tris. IPC will not be entitled to any share of positive Net Profits for sale of substitute product not sourced by Tris from IPC hereunder (provided IPC shall continue to fund its share of negative Net Profits), except to the extent IPC has fully reimbursed Tris for the Cover expense with respect to such product. If at any time thereafter during the Term, IPC is able to timely deliver Product in satisfaction of Tris’ Purchase Orders, IPC shall so notify Tris in writing and, subject to Tris’ contractual commitments to third parties, Tris shall undertake commercially reasonable efforts to limit such contractual commitment in order not to exceed IPC’s volume and period it is unable to supply, Tris will resume purchasing the Product from IPC. If IPC’s inability to timely deliver to Tris the quantity of the Product described in this Section 3.3 continues for a period beyond three (3) months, Tris may terminate this Agreement upon thirty (30) days’ notice in writing to IPC. IPC shall reimburse Tris for any failure to supply and late supply penalties and/or damages charged to Tris for late supply or non-supply caused by IPC’s failure to timely supply Product pursuant to Purchase Orders delivered to IPC in accordance with this Agreement. For clarity and audit purposes, such failure to supply penalties shall be supported by appropriate invoices detailing the failure to supply penalties issued by the affected customers and wholesalers of Tris. IPC shall reimburse Tris for such penalties and damages, within ten (10) days of receipt of invoice for same from Tris, provided that if such invoice is not timely paid, Tris may at its option offset such amounts owed against other amounts payable by Tris to IPC.

3.11 Safety Stock. During the Term, IPC will maintain a minimum inventory of Materials equal to the Materials required to produce an amount of Product equal to the average quantity of Product required for the next [****] ([****]) months as set forth in Tris' latest Forecast, And Tris shall maintain at all times at least [****] ([****]) months safety stock of Product.

ARTICLE 4 – SALES, MARKETING ALLOWANCE AND PROFIT SHARE

4.1 Marketing. Tris shall use Commercially Reasonable Efforts during the term of this Agreement to market, sell and distribute the Product in the Territory.

4.2 Tris Sales Responsibilities. For all Product sales, Tris shall have the sole right and the obligation to (1) receive, accept and fill orders for the Product; (2) distribute the Product to customers; (3) control invoicing, order processing and collection of accounts receivable for Product sales; (4) record Product sales in its book of account; (5) payment and reconciliation of the proper profit sharing allocation among the Parties hereto; and (6) use Commercially Reasonable Efforts to gain and maintain an annual minimum unit Market Share of [****] percent ([****]%) Venlafaxine ER based on prescriber volume in the Territory, as reported by IQVIA (or SYMPHONY if IQVIA is not reporting). Failure to maintain such minimum Market Share on an annual basis for [****] ([****]) consecutive [****] month periods, each ending on or after the second anniversary of the Effective Date, shall not be a breach of this Agreement, provided that, on thirty (30) days' written notice by IPC to Tris within sixty (60) days of such event, notwithstanding anything to the contrary contained herein: (i) Tris' license under Section 2.1 shall become nonexclusive; (ii) Sections 2.2 and 2.3 shall no longer apply; (iii) Tris may source Generic Equivalents from other vendors and such Generic Equivalents shall not be Products hereunder and IPC shall not be entitled to Net Profits generated from sales thereof; and (iv) Tris shall be relieved of the obligation to use Commercially Reasonable Efforts to maintain any Market Share or sell Product. In no circumstance shall Tris permit the sale of the Product to be a loss leader.

4.3 Selling Price. Tris shall have sole discretion in setting the customer pricing for the sale of the Product in the Territory ("**Selling Price**").

4.4 Net Sales. In this Agreement, the term “**Net Sales**” means, with respect to the Product for any period, the total gross amount of sales (i.e., the number of units shipped times the invoiced price, cash equivalent or other consideration per unit) invoiced by Tris, its Affiliates, and authorized Third Party sublicensees for the sale of the Product in the Territory during such period, less each of the following to the extent paid or incurred by Tris, its Affiliates or Third Party sublicensees:

(a) The amount of chargebacks, rebates and fees or commissions paid to any Third Party, promotional allowances, coupons, normal quantity discounts, cash discounts actually granted, discounts to patients, customers and/or payers, allowed or incurred in the ordinary course of business in connection with the sale of the Product and allowance for doubtful accounts and bad debt written off;

(b) sales and excise taxes, and any other taxes, all to the extent added to the sale price and paid by the selling party and not refundable in accordance with applicable law and without reimbursement from any Third Party (but not including taxes assessed against the income derived from such sale);

(c) freight, insurance and other transportation charges from Tris to its customers to the extent added to the sale price and set forth separately as such in the total amount invoiced and without reimbursement from any Third Party; and Freight Charges as per 3.6.

(d) amounts to be paid or credited by reason of rejections, defects, recalls or returns or because of retroactive price reductions; and

(e) rebates or allowances actually granted or allowed to group purchasing organizations, managed health care organizations and to governments, including their agencies, or to trade customers, in each case that are not Affiliates of Tris.

(f) The monthly allocated pharmacovigilance expense pertaining to the Product that is paid by Tris, if any, pursuant to Section 7.4 of this Agreement.

The calculation of Net Sales shall be made in accordance with U.S. GAAP, applied by Tris in a manner consistent with its other generic Product, and based on, or valued as if based on, bona fide arms’ length transactions and not on any loss-leading selling or transfer price. Sales between or among Tris, its permitted sublicensees and their respective Affiliates, shall be excluded from the computation of Net Sales, but shall be included in Net Sales upon first sale to a Third Party, provided that sales for end use by such sublicensees and Affiliates shall be at the same price as in a bona fide arms’ length transaction.

In no event will any particular amount identified above be deducted more than once in calculating Net Sales (*e.*, no “double counting” of deductions).

Product shall be considered “sold” when billed or invoiced.

4.5 Transfer Price. The initial Transfer Price shall be as set forth in Exhibit B. At any time either Party may request a review of the Transfer Price, if in its reasonable judgment the Selling Price of the Product cannot support the level of Transfer Price or if the Transfer Prices are not commercially viable. In connection with such review the Parties will review and adjust Transfer Price. The Transfer Price may not be raised without Tris’ prior written consent. In connection with such review, the Parties shall consider the Selling Price, IPC or its Affiliate’s fully burdened costs in manufacturing or acquiring the Materials, the manufacturing, testing and analysis of the finished dosage of the Product, labeling, packaging including Direct Labor and Benefits and Overhead all determined in accordance with International Financial Accounting Standards. Transfer Price shall not include any allocation or absorption of excess or idle capacity or any costs attributable to failed batches or Product which do not comply with the relevant Product manufacturing requirements, except as provided in the definition of Overhead. “**Direct Labor and Benefits**” means that portion of basic wages, labor and related payroll taxes and employee benefits spent in production and quality control of the Product which are directly related to the Product and charged to the manufacturing and supply of the Product, all determined in accordance with International Financial Accounting Standards. “**Materials**” shall mean all materials and pharmaceutical ingredients, including API, required for the manufacturing, labeling and packaging of the Product. “**Overhead**” means all customary and usual operating expenses directly related to the Product incurred by and in support of the particular manufacturing cost centers, purchasing department and quality assurance operations, related to the Product (including labor related payroll taxes and employee benefits), depreciation, general taxes, rent, repairs and maintenance, supplies, utilities and factory administrative expense. Overhead shall include a reasonable allocation of idle Production Facility charges, provided the Production Facility shall be presumed to be operating at a level of at least [****]v ([****]%) capacity (based on one shift).

(a) At any time, Tris may request a review of the Transfer Price, if in its reasonable judgement the Selling Price of the Product cannot support the level of Transfer Price. In connection with such review the Parties will negotiate in good faith a reduction in Transfer Price, provided that neither Party shall be obligated to agree to any such reduction. At any time, IPC may request a review of the Transfer Price, if in its reasonable judgement it has incurred material increases in its costs of manufacturing a Product. In connection with such review the Parties will negotiate in good faith an increase in Transfer Price, provided that neither Party shall be obligated to agree to any such increase. Neither Party shall request a review more than twice per year.

(b) The Parties may conduct a review of the Transfer Prices and adjust such price to meet market requirements. The prices shall be subject to review as and when there is change +/- [****]% change in the minimum Net Sales Price of Tris or the manufacturing costs of IPC, but not more than twice (2) a year during the Term.

4.6 Selling & Distribution Expense. Tris will be allowed a fixed [****] ([****]%) percent of Selling Price of Product as allowable selling and distribution expense (“**Selling & Distribution Costs**”) to meet all storage, selling, distribution and other related costs associated with marketing, sales and distribution of the Product.

4.7 Net Profits. In this Agreement, the term “**Net Profits**” shall equal Net Sales in a given period less the sum of the following in respect of such period:

(a) Transfer Price or amounts payable to a Person other than IPC with respect to the supply of Product and (b) Selling & Distribution Costs as described in Section 4.6.

4.8 Profit Sharing. The Parties shall split Net Profits for the distribution of the Product in the Territory, in the ratio of [****] percent ([****]%), collectively, to IPC and each IPC Affiliate, and [****] percent ([****]%), collectively, to Tris and each Tris Affiliate and Third Party sublicensee.

Tris shall manage, administer and collect from each Tris Affiliate and Third Party sublicensee, if any, the profit share from Net Profits due to IPC and any IPC Affiliate hereunder, and tender the profit share to IPC, along with reporting thereon in a Profit Share Statement, within the time periods required in the Section captioned “Payments” hereunder.

4.9 Audit Rights.

(a) IPC and its Affiliates shall maintain complete and accurate records in reasonably sufficient detail to permit Tris to confirm the accuracy of the calculation of Transfer Price. Upon no less than fifteen (15) days prior notice, such records shall be made available during regular business hours, for a period of three (3) years from the end of the calendar year to which they pertain, for examination, not more often than once each calendar year, by an independent certified public accountant selected by Tris and reasonably acceptable to IPC, for the sole purpose of verifying the accuracy of the IPC Invoices pursuant to this Agreement and subject to the provision of and agreed Statement of Work for the auditor (inclusive of any auditor’s fees and compensation guidelines) by the parties to the selected auditor. Audits shall be undertaken in a manner which does not disrupt IPC’s normal course of business. Any such auditor shall enter into a confidentiality agreement with IPC and shall not disclose IPC’s Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by IPC or the amount of payments due from IPC to Tris under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within forty-five (45) days from the accountant’s report. Tris shall bear the full cost of such audit unless such audit discloses an underpayment to or overpayment by Tris of more than \$[****], in which case IPC shall bear the full cost of such audit.

(b) Tris, and each Affiliate and Third Party sublicensee of Tris shall maintain complete and accurate records in reasonably sufficient detail to permit IPC to confirm the accuracy of the calculation of IPC's share of Net Profits and other amounts billed to IPC or to which IPC is entitled (collectively, such records, which may include reports, statements, notices, invoices and documents, are referred to as "**Tris Statements**"). Upon no less than fifteen (15) days prior notice, such records shall be available during regular business hours for a period of three (3) years from the end of the calendar year to which they pertain for examination, not more often than once each calendar year, by an independent certified public accountant selected by IPC and reasonably acceptable to Tris, for the sole purpose of verifying the accuracy of the Tris Statements pursuant to this Agreement and subject to the provision of and agreed Statement of Work (inclusive of any auditor's fees and compensation guidelines) by the parties to the selected auditor. Audits shall be undertaken in a manner which does not disrupt Tris' normal course of business. Any such auditor shall enter into a confidentiality agreement with Tris, or the germane Affiliate(s) or Third Party sublicensee(s) and shall not disclose Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by audited party or the amount of payments due from Tris or other audited party to IPC under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within forty-five (45) days from the accountant's report. IPC shall bear the full cost of such audit unless such audit discloses an underpayment to or overpayment by IPC of more than \$[*****], in which case Tris shall bear the full cost of such audit.

ARTICLE 5 – PRODUCT REPRESENTATIONS, LABELING, QUALITY AND REJECTIONS

5.1 Product Warranties, Authorizations and Quality Assurance.

(a) Product Warranties. IPC represents and warrants that the Product supplied to Tris pursuant to this Agreement: (a) shall be manufactured, packaged, tested, stored and handled in accordance with the Specifications, cGMPs, all Applicable Laws and otherwise in accordance with all product manufacturing requirements; (b) will meet and be capable of maintaining the purity, potency and other product characteristics, as contained in its Specifications and approved ANDA, until the expiration date for the Product; and (c) will, at the time of the delivery of the Product to Tris: (1) have a remaining shelf life of at least the Minimum Period (as defined in Section 3.6 above) and (2) not be Adulterated Product. IPC will make no changes in the excipients, raw materials or packaging components thereof without informing Tris at least three months in advance in writing and without supplementing the Product ANDA. The foregoing text of and representations and warranties in this Section 5.1(a) are referred to as the "**Product Warranties**". Following delivery of the Product to Tris, Tris shall handle, store and market the Product with the skill and care reasonably expected of an experienced and competent distributor of pharmaceutical products, consistent with cGMPs and all Applicable Laws in the United States.

(b) Governmental Authorization Responsibility. IPC shall be responsible for obtaining all applicable regulatory state and local approvals for the manufacture of the Product, for filing all periodic reports and notifications as required by the regulatory authorities and for instituting and maintaining such stability and sample retention programs as are required by all Applicable Laws.

(c) Certificates of Analysis and Certificate of Compliance. IPC shall provide Tris with a certificate of analysis for each shipment of the Product manufactured and supplied hereunder confirming that the Product in such shipment has been tested in accordance with the Specifications. The results of such testing shall accompany each certificate of analysis. IPC shall also provide a Certificate of Compliance stating that the Product manufactured batch, the methods used, and the facilities and controls used for, the manufacture, processing, packaging, labeling and in process and finished Product controls conform with current good manufacturing processes in accordance with applicable parts of 21 CFR parts 210 and 211 of the Code of Federal Regulations and the Product Warranties.

5.2 Product Acceptance or Rejection.

(a) Product Rejection. Within **thirty (30)** days from the date of receipt of delivery of a Product, Tris may inspect the Product using generally accepted inspection methods to determine whether or not the Product is acceptable and shall advise IPC in writing (a "**Rejection Notice**") if such inspection shows that a shipment of Product is not in conformity with the Specifications, in which case IPC shall be obligated to take back the Product that is not in conformity. If no Rejection Notice is provided by Tris within such time periods, then Tris shall be deemed to have accepted the shipment; except for defects not discovered or discoverable by Tris in such inspection with the use of generally accepted inspection methods ("**Latent Defects**") for which such Rejection Notice will be provided within 30 days upon discovering the non-conformity. Any Rejection Notice shall contain a reasonably detailed statement of Tris's reasons for rejection and shall be accompanied by a report of any pertinent analysis performed by Tris or any licensee on the allegedly nonconforming Product, together with the methods and procedures used.

(b) IPC shall notify Tris as promptly as reasonably possible, but in any event within thirty (30) calendar days after receipt of a Rejection Notice, whether it accepts the assertions of nonconformity made by or on behalf of Tris. If Tris delivers a Rejection Notice in respect of all or any part of a shipment of Product, then IPC and Tris shall have sixty (60) days from the date of IPC's receipt of such notice to resolve any dispute regarding whether all or any part of such shipment of Product fails to conform with the Specifications thereof or is otherwise defective. Disputes between the Parties as to whether all or any part of a shipment rejected by Tris conforms with the Specifications that are not resolved in the sixty (60) day period shall be resolved by an independent testing laboratory or a consultant (if not a laboratory analysis issue), which shall be selected by mutual agreement of both Parties. The decision of the consultant or testing laboratory mutually agreed to by the Parties shall be final and binding on the Parties. The cost of the review or testing shall initially be paid by Tris, but if IPC is not successful in such dispute as determined by such independent testing laboratory or consultant, IPC will reimburse Tris for the cost of such testing and analysis within 15 business days of receiving the results. If the independent lab confirms the batch is in compliance, Tris will accept the Product.

(c) In the event any Product is appropriately rejected by Tris as aforesaid (being Product which do not satisfy the Specifications, the Product Warranties provided in Section 5.1(a) or are otherwise defective as a result of any act by or omission of IPC or those for which IPC is otherwise responsible), IPC shall replace such Product with conforming goods within sixty (60) days or, if requested by Tris, provide a credit to Tris for the Transfer Price (including Freight Charges) of the Product shipment(s) in question. The credit shall be provided immediately following the expiry of the period during which IPC may dispute a Rejection Notice as discussed in Subsection (b) above (unless the Rejection Notice is disputed by IPC, in which event such credit shall only be given upon resolution of the dispute). Tris may, at the cost and expense of IPC, destroy the rejected Product or, at IPC's request (to be made within thirty (30) business days of the final determination hereunder that the Product were appropriately rejected) and expense, return the rejected Product to IPC, which costs and expenses shall be paid by IPC to Tris within forty-five (45) days of the receipt of Tris's Invoice.

For purposes of this Agreement, once a Product is rejected by Tris, Tris's obligation to pay for such Product shall be suspended until such time as it is determined: by the independent testing laboratory or consultant that the Product should not have been rejected by Tris; or by the Parties' mutual agreement. IPC shall reimburse Tris within ten (10) business days the payments related to the non-conforming Product if the independent testing laboratory positively confirms the defects in case of Latent Defects discovered after payments were made by Tris.

(d) Replacement of Product. In accordance with the terms set forth in this Agreement, IPC shall replace, at its sole expense, any Product that does not comply with the Product Warranty in Section 5.1(a) or, at Tris's election, refund the Transfer Price thereof subject to the ruling of the consultant or the independent testing laboratory.

5.3 Labeling and Packaging.

(a) Labeling. The Product sold or offered for sale by Tris shall be labeled with Tris's name, trademarks and trade dress as per label artwork provided and paid for by Tris, in a manner consistent with all applicable laws, rules and regulations, in accordance with the requirements of the approved Product ANDA and otherwise in a manner reasonably agreed upon by the parties. In particular, it is agreed that the phrase ("manufactured by Intellipharmaceuticals"), shall be evident on the packaging and labeling for the Product. Tris shall not alter the labeling or package inserts associated with Product that are received from IPC. IPC shall acquire all Labeling and Packaging for the Product supplied to Tris under this Agreement. IPC shall advise Tris in writing within ten (10) business days should IPC be required by the FDA or other governmental agency or authority to make any change in any such Label or Labeling, including but not limited to DCSCA serialization and transfer of data. Tris shall be responsible for the updating and approving of all artwork and text associated with such change, provided that the cost and expense of implementing such changes shall be borne by IPC.

(b) Trademarks. Except as expressly provided in the second sentence of Section 5.3(a), Tris shall own and have exclusive rights to the trademarks related to the Product Packaging. In connection with IPC's performance of this Agreement, Tris hereby grants to IPC the right to reproduce and print on the Labeling and Packaging of the Product for the Territory, Tris's trademark, and/or other trademarks, trade dress and/or trade names of Tris which Tris may designate in writing from time to time. Tris reserves the right to review and approve all uses by IPC of Tris's trademarks and/or other trademarks, trade dress and/or trade names of Tris as permitted herein. The permission granted herein is restricted to the Product supplied to Tris under this Agreement and extends only with respect to the Product for the Term and for the period after the Term when Tris is selling the Product in its possession. IPC shall exclusively own all right, title and interest in and to IPC's name, logo and any IPC mark on the Labeling or Packaging. In connection with the performance by Tris, a Tris Affiliate, or a Third Party sublicensee of this Agreement, IPC hereby grants to Tris and any Tris Affiliate and Third Party sublicensee the right to reproduce and use in any sales collateral for sale of the Product in the Territory, IPC's trademark, and/or other trademarks, trade dress and/or trade names or logo of IPC which IPC may designate in writing from time to time.

5.4 IPC will retain such samples of the Product as are required and specified by IPC's Standard Operating Procedures and Applicable Law to comply with the general retention requirements as set forth in cGMPs, perform stability testing as described and required to conform with the Product's stability protocol and as specified in the Supplier Quality Agreement, a form of which is attached as Exhibit C.

5.5 IPC may make changes in the manufacturing process / material of the Product subject to FDA regulations, instructions and Applicable Laws and share appropriate information with Tris. Depending on the change, IPC shall use Commercially Reasonable Efforts to provide necessary time for Tris to make any necessary changes to ensure no sales interruptions and continued compliance and uninterrupted supply of the Product. All such changes shall be in conformity with the requirements of Section 5.1(a) and Applicable Laws.

ARTICLE 6 – COMPLIANCE, AUDIT & INSPECTION

6.1 IPC shall produce Product in compliance with cGMP as the same are or, from time to time, shall be, established by applicable statute and regulation of the FDA and the Supplier Quality Agreement executed by both Parties, a copy of which is attached to this Agreement as Exhibit C.

6.2 Upon Tris' request and upon not less than fifteen (15) days' notice, IPC will grant employees or authorized representatives of Tris access to its Production Facility and records related to the manufacture of Product, in order to audit IPC's compliance with GMP and with clauses of this Agreement. Audits shall be undertaken in a manner which does not disrupt IPC's normal course of business.

6.3 IPC shall give Tris and any governmental authority reasonable access to documents and information regarding manufacture of the Product and shall allow inspections by governmental authorities of all facilities involved in the manufacture and shipment of Product. IPC shall notify Tris immediately, and in no event, no later than seven (7) days, after it receives any communication from any governmental or regulatory authority, including without limitation the FDA, which in any way relates to or may have an impact on a Product. IPC will communicate as to the outcome of any inspection by the FDA, no later than ten (10) business days after receipt of the inspection report.

6.4 IPC shall not change the location of the Production Facility at which Product is manufactured without written notice to Tris.

ARTICLE 7 – REGULATORY, RETURNS AND RECALLS

7.1 Regulatory File Maintenance. IPC shall be responsible for maintaining any ANDA and all other applicable FDA approvals and registrations to permit the sale of the Product by Tris in accordance with the terms of this Agreement; provided, however, that Tris shall reasonably cooperate and provide all necessary data and documentation required under the Act and all Applicable Laws for such file maintenance. IPC shall be responsible for payment of all GDUFA Fees.

7.2 Returns. Tris shall be solely responsible for processing all customer returns of the Product either directly or through a selected Third Party return vendor, provided that if the return is due to Product failing to meet Product Warranties or is otherwise defective then IPC shall reimburse Tris for all costs associated with such returns including Product destruction and Transfer Price.

7.3 Product Recall. In the event either Party believes it may be necessary to conduct a recall, field correction, market withdrawal, stock recovery, or other similar action with respect to any Product which were sold by IPC or its Affiliates to Tris or its Affiliates under this Agreement (a “**Recall**”), IPC and Tris shall consult with each other as to how best to proceed, it being understood and agreed that the final decision as to any Recall of any Product shall be made by Tris; provided, however, that IPC shall not be prohibited hereunder from taking any action that it is required to take by Applicable Law. To the extent the Recall arises from acts or omissions of Tris, a Tris Affiliate or Third Party sublicensee of Tris in the distribution, storage, sale or marketing of such Product or Tris’ breach of its representations, warranties or obligations hereunder, the Transfer Price for the goods sold, distribution expenses and third-party expenses that are directly related to the recall (collectively, “**Recall Costs**”) shall be borne by Tris. To the extent the Recall arises from any other reasons, the Recall Costs shall be borne by IPC. Each Party shall maintain records of all sales of Product and customers sufficient to adequately administer a Recall for the period required by Applicable Law.

7.4 Adverse Events and Product Complaints. Tris or its Affiliates will communicate to IPC or the agent contracted by IPC to manage Adverse Events pertaining to the Product on its behalf, any adverse event or product complaint (quality defect) reports received within (3) business days of Tris first learning of any such adverse event or complaint. IPC or its agent shall confirm receipt to Tris. If Tris does not receive confirmation of their receipt of the adverse event or product complaint report from IPC or its agent, Tris will re-send the report within forty-eight (48) hours and mark the report as resent. The cost of any such agent shall be borne entirely by IPC; provided, however, that if such agent was recommended by Tris and the rates negotiated by Tris, the initial set-up cost shall be fully borne by IPC and the monthly allocated cost associated with Adverse Event reporting for the Product for such agent (determined in accordance with such negotiated rates) shall be initially paid by Tris and deducted from Gross Sales in determining Net Sales. In the event either party becomes aware of (i) any adverse drug experience or reaction or other information indicating that any Product has any toxicity, sensitivity reactions or have otherwise been alleged to cause illness or injury of any kind or are adulterated, (ii) any product complaints made by customers or that will or could cause a field alert to be issued or (iii) any out-of-specification results or deviations from the approved manufacturing process that might in any manner adversely affect any Product or its supply hereunder, that party shall provide the other party with all data or other information reasonably available that the other party may reasonably require in connection with any reports or correspondence that either party is required to file with any governmental authority relative to the Product(s) in question. At all times during the term hereof, either party will notify the other promptly (i.e., within three (3) business days) if a party becomes aware of an occurrence of any of the events described in clauses (i), (ii) or (iii) of the immediately preceding sentence.

7.5 Quality Agreement and Pharmacovigilance Agreement

Within (60) days of the Effective Date, the parties will enter into a mutually acceptable Supplier Quality Agreement, attached hereto as Exhibit C and the Pharmacovigilance Agreement, attached hereto as Exhibit D. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any quality and pharmacovigilance agreement, the provisions of this Agreement shall prevail in every case.

7.6 Further Obligations of the Parties. During the term of this Agreement::

(a) Each Party shall promptly notify the other, and provide copies as deemed necessary to or requested by the other Party (redacting any confidential information of Third Parties or information not pertaining to the Product), of any written comments, responses or notices received from the FDA, or other applicable state or federal regulatory authorities, which relate to or reasonably could be expected to impact the Product or the sale or manufacture of the Product.

(b) IPC at its own cost, shall obtain, maintain and comply with any and all Federal and state regulations and/or licenses with respect to the manufacture and licensing for sale of the Product, including, without limitation, maintaining the Product ANDA. Tris, at its own cost, shall obtain, maintain and comply with any and all Federal and state regulations and/or licenses applicable to distributors with respect to the sale and marketing of the Product in the Territory

(c) Each Party shall provide ongoing technical, sales, marketing or other support to the other, as reasonably requested from time to time, in responding to any important Product inquiries, and Product complaints and adverse experience reports within the time required by Applicable Law or regulation, and in evaluating the need for Recall.

(d) IPC shall reasonably cooperate with Tris in its sales and marketing activities by, among other things, supplying pertinent Product documentation as requested, including without limitation Packaging and Labeling. Tris shall reasonably cooperate with IPC by promptly responding to, among other things, reasonable inquiries from IPC pertaining to the supply of the Product, and the existing and expected inventory levels of the Product held by Tris and any Affiliate and Third Party sublicensee.

ARTICLE 8– REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations and Warranties. Each Party hereby represents and warrants and covenants (in the case of clause (e)) to the other Party as follows:

(a) Corporate Existence. Such Party is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated.

(b) Authorization and Enforcement of Obligations. Such Party (a) has the corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (b) has taken all necessary corporate action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms.

(c) Consents. All necessary consents, approvals and authorizations of all governmental authorities and other Persons required to be obtained by such party in connection with its performance of this Agreement have been obtained.

(d) No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable laws or regulations, and (b) do not conflict with, or constitute a default under, any material contractual obligation of such Party.

(e) Debarment. Such party is not debarred under Section 2 of the Generic Drug Enforcement Act of 1992, and it does not and will not use in any capacity the services of any Person debarred under the Act.

8.2 Additional Representations, Warranties and Covenants of IPC.

IPC represents, warrants and covenants to Tris that: (i) it has all rights necessary to validly grant the licenses set forth in Section 2.1; and (ii) any Patent Rights covering the Product are Valid and have not expired and any maintenance fees have been and will be paid when due or within any permitted extension; (iii) it is not subject to any court proceedings, judgment or order related to the subject matter of this Agreement; (iv) it has not received any written claim or allegation of infringement from a Third Party for the infringement of Third Party Intellectual Property Rights based on the making, using, or selling of the Product or from filing for Regulatory Approval of the Product; (v) it and its Affiliates shall at all times materially comply with all applicable laws relating to or pertaining to their obligations under this Agreement; (vi) it has not assigned and/or granted licenses, to its Intellectual Property Rights nor shall it assign and/or grant licenses, to its Intellectual Property Rights to any Third Party that would restrict or impair the rights granted hereunder, and it has not granted to anyone any rights that cover the Product in the Territory that remain in effect; (vii) the Product and any Intellectual Property Rights incorporated in the Product (a) do not infringe any valid claim in a granted patent owned by a Third Party and (b) has not been misappropriated from a Third Party; (viii) to its actual knowledge any issued patents included in the Intellectual Property Rights incorporated in the Product are valid and enforceable; (ix) any Patent Rights and other Intellectual Property Rights covering the Product are and during the Term, will be, free and clear of all liens; and (x) the Product ANDA was approved by the FDA on November 23, 2018.

8.3 Additional Representations, Warranties and Covenants of Tris

Tris represents, warrants and covenants to IPC that: (i) it is not subject to any court proceedings, consent decree, judgment or order related to the subject matter of this Agreement; and (ii) it, its Affiliates, and its sublicensees shall at all times materially comply with all applicable laws relating to or pertaining to their obligations under this Agreement.

8.4 Limitation of Liability. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, AND EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLE 10 AND ANY OTHER INDEMNIFICATION OBLIGATIONS OF SUCH PARTY UNDER THIS AGREEMENT WITH RESPECT TO THIRD PARTY CLAIMS, OR IPC'S BREACH OF SECTION 2.2, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY OR ANY OF ITS AFFILIATES OR SUBLICENSEES FOR ANY SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS OR LOST REVENUES, WHETHER UNDER ANY CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY.

ARTICLE 9 – INSURANCE.

9.1 During the Term and for five years thereafter, IPC shall maintain comprehensive general liability insurance including product liability insurance against claims and recall insurance coverage covering the manufacture of the Product under this Agreement of not less than \$[*****] per occurrence, with a deductible of no more than \$[*****], to be in place prior to the commercial launch and for so long as the Product is being sold pursuant to this Agreement Upon execution of this Agreement, and annually thereafter, IPC shall furnish Tris with a certificate of insurance evidencing such coverage and stating that such insurance shall not be cancelled, materially amended or allowed to lapse without at least thirty (30) days prior written notice to Tris. Such insurance shall be maintained with an insurance company rated at least "aa" by A.M. Best .

9.2 During the Term and for five years thereafter, Tris shall maintain comprehensive general liability insurance against claims regarding the sales, marketing and commercialization of the Product under this Agreement of not less than \$ [*****] per occurrence, with a deductible of no more than \$[*****], to be in place prior to the commercial launch and for so long as the Product is being sold pursuant to this Agreement. Upon execution of this Agreement, and annually thereafter, Tris shall furnish IPC with a certificate of insurance evidencing such coverage and stating that such insurance shall not be cancelled, materially amended or allowed to lapse without at least thirty (30) days prior written notice to IPC. Such insurance shall be maintained with an insurance company rated at least "aa" by A.M. Best.

ARTICLE 10 – INDEMNIFICATION

10.1 By IPC. IPC shall defend, indemnify and hold harmless Tris, its Affiliates and their respective successors and permitted assigns (and the respective officers, directors, and employees of each) from and against any and all losses, liabilities, claims, actions, proceedings, damages and expenses, including without limitation reasonable attorneys' fees and expenses, (herein collectively referenced as "**Damages**") relating to or arising from any claims, suits, proceedings or causes of action brought by a Third Party relating to or arising from (a) IPC's manufacture, supply, or delivery of a Product to Tris hereunder, (b) the infringement of any Third Party intellectual property right by the manufacture, supply or use of a Product; (c) the misappropriation of any intellectual property by IPC or its Affiliates, (d) injury to Persons as a result of use of the Product ; or (e) a material breach of any obligations, representations or warranty of IPC contained in this Agreement, except to the extent such Damages give rise to an indemnification claim of IPC under Section 10.2 below.

10.2 By Tris. Tris agrees to defend, indemnify and hold harmless IPC, its Affiliates and their respective successors and permitted assigns, and the respective officers, directors, stockholders, partners and employees of each, from and against any and all Damages relating to or arising from any claims, suits, proceedings or causes of action brought by a Third Party relating to or arising from (a) improper acts of marketing, distribution or sale of the Product by Tris or the Affiliates or Third Party sublicensees of Tris in the Territory (excluding the supply of product that does not meet Product Warranties or Adulterated Product supplied by IPC), to the extent not the fault of IPC or (b) any claim that marketing materials of Tris or the Affiliates or Third Party sublicensees of Tris (other than Labeling as approved and set forth in the applicable regulatory approval and other than any trademark or service mark of IPC) infringes the rights of a Third Party or (c) a material breach of any obligation, representation or warranty of Tris contained in this Agreement, except in each case to the extent such Damages give rise to an indemnification claim of IPC under Section 10.1 above.

10.3 Limitations on Indemnification. Notwithstanding provision in this Agreement to the contrary, neither Party shall be entitled to indemnification with respect to any claim or suit to the extent such claim or suit results from its own negligence or willful misconduct. In addition, the indemnification pursuant to this Article 10 shall be available only with respect to claims made by third-parties and not for a claim made solely by one Party against the other.

10.4 Procedures for Control of Third Party Claims. The Party entitled to make a claim for indemnification under this Article 10 shall be referred to as the “**Indemnified Party**” and the Party required to indemnify such claim shall be referred to as the “**Indemnifying Party**.” In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand, made by any Third Party against the Indemnified Party (a “**Third Party Claim**”), such Indemnified Party must notify the Indemnifying Party in writing of the Third Party Claim within thirty (30) business days after receipt by such Indemnified Party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been actually materially prejudiced as a result of such failure. If a Third Party Claim is made against an Indemnified Party, the Indemnifying Party shall be entitled to control the defense thereof; provided, that the Indemnifying Party shall thereafter consult with the Indemnified Party upon the Indemnified Party’s reasonable request for such consultation from time to time with respect to such suit, action or proceeding. If the Indemnifying Party controls such defense, the Indemnified Party shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense thereof, but the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. Whether or not the Indemnifying Party defends or prosecutes any Third Party Claim, the Parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party’s request) the provision to the Indemnifying Party of records and information which are reasonably relevant to such Third-Party Claim and making employees or any other Indemnified Party available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party’s prior written consent, which shall not be unreasonably withheld, conditioned or delayed. In no event shall the Indemnifying Party settle any Third Party Claim if such settlement would impose any obligation or burden on the Indemnified Party, without the prior written consent of the Indemnified Party.

ARTICLE 11 – TERMINATION

11.1 Breach. Failure by either Party to materially comply with any of the respective material obligations and conditions contained in this Agreement shall entitle the other Party to give the Party in default written notice requiring it to cure such default. If such default is not cured within sixty (60) days of receipt of such notice, the notifying Party shall be entitled (without prejudice to any of its other rights conferred on it by this Agreement or under Applicable Law) to terminate this Agreement.

11.2 Bankruptcy or Insolvency. Either Party shall be entitled to immediately terminate this Agreement upon the filing or institution of bankruptcy, reorganization (in connection with any insolvency), liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party, or in the event a receiver or custodian is appointed for such other Party’s business, or if a substantial portion of such other Party’s business is subject to attachment or similar process, or of a Party otherwise admits in writing its inability to pay its debts generally as they become due; provided, however, that in the case of any involuntary bankruptcy proceeding or the attachment of a substantial portion of a Party’s assets, such right to terminate shall only become effective if the proceeding or attachment is not dismissed within sixty (60) days after the filing thereof.

11.3 Termination

(a) Notwithstanding any other provision of this Agreement, either Party may terminate this Agreement at any time upon [*****] ([*****]) days prior written notice to the other Party, if it determines, in its reasonable judgment and discretion, that the market for or pricing of the Product (including the Transfer Price of a Product) is such that it is not economically viable to continue to market the Product.

(b) Tris may terminate this Agreement as provided in Section 3.10.

(c) A Party not under force majeure may terminate in the circumstances set out in Section 14.1.

(d) Either Party shall have the right to terminate this Agreement by giving a [*****] ([*****]) day written notice to the other Party if: (i) such other Party fails to pay any undisputed amount due under this Agreement on the due date for payment and remains in default not less than [*****] ([*****]) business days after written notice to make such payment, provided such [*****] day notice is sent after such [*****] business days and prior to the curing of such default; or (ii) such other Party undergoes a change of control, meaning a merger, reorganization or consolidation involving such other Party, or any parent company of such other Party and a Third Party and the Party not undergoing a change of control determines in its reasonable discretion that such reorganization or change of control will provide access to such other Party a Competing Product that will negatively impact future sales of the Product in the Territory; or (iii) either Party assigns this Agreement to a Person which as of the time of the assignment markets, or is developing or whose Affiliate markets or is developing, a Competing Product, provided that in the case of (ii) and (iii) such [*****] ([*****]) day notice is delivered within [*****] ([*****]) days of written notice of the change of control event or assignment given to the terminating Party. The forgoing are in addition to any other rights and obligations the Parties have under this Agreement, which shall continue in the event the Agreement is not terminated.

11.4 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to the rights of the Parties and shall not release any payment, liability or other obligation incurred between the Parties prior to the date of such expiration or termination or arising as a result of such expiration or termination. IPC shall remit to Tris its shares of negative Net Profits as provided in Section 3.9(c). In the event of termination or expiration (I) unless otherwise provided herein, Tris shall take delivery of binding Purchase Orders and (II) may continue selling inventory of Product in its possession (whether acquired pre-termination/expiration or post termination/expiration) for one (1) year from date of Termination, provided however, if this Agreement is terminated by Tris pursuant to Section 11.1, 11.2, or 11.3(b) or 11.3(d) there shall be no such one (1) year limitation. In the event this Agreement is terminated by Tris pursuant to Sections 11.1, 11.2, 11.3(b) or 11.3(d) at Tris' option (i) it may return some or all Product in its possession for a full refund; and/or (ii) take delivery of some or all Product previously ordered or subject to binding portions of Forecasts and/or cancel some or all of such orders or portions of binding Forecasts. In the event this Agreement is terminated by IPC pursuant to Sections 11.1 or 11.2, or 11.3(d), at IPC's option, it may order Tris to destroy, or return to IPC, all or part of the remaining inventory of Product under the control or in the possession of Tris, at the sole cost and expense of IPC, provided that IPC advances to Tris any potential service level or non-supply penalties or damages and reimburses Tris for amounts paid for unsold Products.

11.5 Surviving Terms. The provisions of this Agreement which by their terms are to be performed or complied with subsequent to the termination or expiration of this Agreement shall survive such termination or expiration and shall continue in full force and effect in accordance with their respective terms. For the avoidance of doubt, in addition to the foregoing, Articles 1 (and other definitions in the Agreement, in each case to the extent definitions are used in the other surviving provisions), 2.1 (pertaining to sublicenses), 4.9, 8, 10, 11, 12, 13 and 14 shall survive such termination or expiration and shall continue in full force and effect in accordance with their respective terms.

ARTICLE 12 – CONFIDENTIALITY

12.1 Definition of Confidential Information. The term “**Confidential Information**” includes all information treated by the disclosing Party as confidential or proprietary, including but not limited to, any formulae, methods, techniques, processes, work papers, concepts, strategies, components, programs, reports, studies, memoranda, correspondence, materials, manuals, records, technology, products, plans, research, service, design information, documentation, policies, pricing, billing, customer lists and leads, and any other data, information and know-how, technical or non-technical, whether written, graphic, computer-generated which relate to the disclosing Party’s products or customers or potential customers or are otherwise useful in the disclosing Party’s business, and which the disclosing Party desires to maintain confidential. Confidential Information includes any copies thereof. Confidential Information will be entitled to protection hereunder whether or not such information is oral or written, whether or not such information is identified as such by an appropriate stamp or marking on each document.

12.2 Confidentiality. Each Party shall maintain all Confidential Information under the strictest possible terms and shall only use such Confidential Information in furtherance of this Agreement. Both Parties agree that any of its officers, employees or agents provided or given access to the other Party’s Confidential Information shall be bound by confidentiality obligations essentially the same as those set forth herein and that it shall be fully responsible for the performance of the obligations under this Section 12.2 by each such officer, employee and agent. The foregoing obligations of confidentiality and use restrictions shall not apply, however, to the extent that such Confidential Information:

- (a) was already known to the receiving Party or its Affiliate, other than under an obligation of confidentiality, at the time of disclosure by the other Party;
 - (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;
 - (c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;
-

(d) was disclosed to the receiving Party or its Affiliate by a Third Party who has a legal right to make such disclosure and who did not obtain such information directly or indirectly from the other Party; or

(e) was independently discovered or developed by the receiving Party or its Affiliate without access to or aid, application or use of the other Party's Confidential Information, as evidenced by a contemporaneous writing.

12.3 Authorized Disclosure. Notwithstanding the obligations set forth in Section 12.2, a Party may disclose the other Party's Confidential Information and the terms of this Agreement to the extent:

(a) such disclosure is reasonably necessary to its employees, agents, consultants, contractors, officers, licensees or sublicensees on a need-to-know basis for the sole purpose of performing its obligations or exercising its rights under this Agreement; provided that in each case, the Party disclosing is bound by written obligations of confidentiality and non-use consistent with those contained in this Agreement; or

(b) such disclosure is reasonably necessary to comply with Applicable Laws, including regulations promulgated by the U.S. Securities and Exchange Commission, applicable stock exchanges, court order, administrative subpoena or order; provided that the Party subject to such Applicable Laws shall promptly notify the other Party of such required disclosure and shall use reasonable efforts to obtain, or to assist the other Party in obtaining, a protective order preventing or limiting the required disclosure.

(c) **Prior Confidentiality Agreement.** Nothing herein shall relieve any Party of any breach of that certain Confidentiality Agreement, dated as of March 6, 2017 (the "Prior Confidentiality Agreement"), by and between the Parties with respect to the information disclosed between the Parties prior to the date hereof, provided any information disclosed under such agreement shall also be deemed disclosed under this Agreement and such agreement shall not apply to any information disclosed after the date hereof, which disclosure shall be governed by this Agreement.

ARTICLE 13– DISPUTE RESOLUTION

13.1 IPC and Tris agree to use good faith efforts to resolve any and all disputes (“Dispute”) arising out of or relating to this Agreement. If after forty five (45) days following receipt of notice by one Party from the other of a dispute under this Agreement, the Parties are unable to resolve the dispute, then the matter shall be fully and finally resolved by arbitration. A Party that desires to arbitrate a dispute shall serve a written notice upon another requesting arbitration of a dispute pursuant to this Section 13.1. Any such arbitration shall be submitted to final and binding arbitration under the then current commercial arbitration rules of the American Arbitration Association (the “AAA”) in accordance with this Section 13.1. The place of arbitration of any dispute shall be State of New Jersey. Such arbitration shall be conducted by one (1) arbitrator mutually agreed to by the Parties, but if such agreement cannot be reached within ten (10) days of the commencement of the arbitration, then an arbitrator shall be appointed by the AAA. The arbitrator shall be a retired judge, or attorney with no less than 10 years of relevant experience in the pharmaceutical industry. The arbitration proceeding shall be held as soon as practicable but in any event within sixty (60) days of appointment of the arbitrator. Any award rendered by the arbitrators shall be final and binding upon the Parties. Judgment upon any award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The arbitrator shall render a formal, binding, non-appealable resolution and award, along with a written opinion not to exceed twenty (20) pages which reasonable explains the ruling, as expeditiously as possible, but not more than forty-five (45) days after the hearing. Each Party shall pay its own expenses of arbitration, and the expenses of the arbitrator shall be equally shared between the Parties unless the arbitrator assesses as part of the award all or any part of the arbitration expenses of a Party (including reasonable attorneys’ fees) against the other Party. A Party may make application to the arbitrator for the award and recovery of its fees and expenses (including reasonable attorneys’ fees). This Section 13.1 shall not prohibit a Party from seeking injunctive relief from a court located in the State of New Jersey in the event of a breach or prospective breach of this Agreement by any other Party which would cause irreparable harm to the first Party.

ARTICLE 14– MISCELLANEOUS

14.1 Force Majeure. Except as provided in Section 3.10, neither Party shall be responsible or liable to the other Party as a result of, any failure to perform any of its obligations hereunder, if such failure results from wars, riots, disease, an act of God, civil commotion, fire, failure of public utilities or any other circumstances similar to the foregoing whether or not similar to the above causes and whether or not foreseeable (a “**Force Majeure Event**”). The affected Party shall use Commercially Reasonable Efforts to avoid or remove any such causes and shall resume performance under this Agreement as soon as practicable whenever such cause is removed; provided, however, that the foregoing shall not be construed to require either Party to settle any Third Party dispute, to commence, continue or settle any litigation, or to incur any unusual or extraordinary expenses. If a Party is affected by a Force Majeure Event for more than ninety (90) days which impacts its performance under this Agreement the other Party may terminate this Agreement effective upon written notice to the affected Party.

14.2 Amendments. No waiver, amendment or modification of the terms of this Agreement shall be binding on either Party unless reduced to writing and signed by both Parties.

14.3 No Waiver. The failure of either Party to enforce any provision of this Agreement at any time or for any period of time shall not be construed to be a waiver of any right of either Party hereunder nor to prevent the subsequent enforcement thereof or of any other provision hereof in accordance with its terms.

14.4 Entire Agreement. This Agreement, including the Appendixes and Exhibits hereto which are hereby incorporated herein at each point of reference thereto, constitutes the entire understanding between the Parties with respect to the subject matter hereof and supersedes all prior contracts, Agreements and understandings related to the same subject matter between the Parties (except for the Prior Confidentiality Agreement which shall be governed as provided in Section 12.3(e)). For the avoidance of doubt, this Agreement and any other agreement between the Parties or any of their Affiliates related to any product other than the Product are independent agreements. For the avoidance of doubt, a breach of any provision of any other such other agreement shall not be a breach of this Agreement. This Agreement shall govern and control to the extent of any conflict between the terms of this Agreement and terms in any of the Appendixes or Exhibit hereto, or Purchase Orders issued hereunder.

14.5 Assignment.

(a) Neither this Agreement nor any or all of the rights or obligations of either Party hereunder shall be assigned, delegated, sold, transferred, sublicensed or otherwise disposed of or encumbered, by operation of law or otherwise, to any Third Party without the prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, of the other except as otherwise provided in this Agreement and as permitted in the immediately following sentence. Subject to Section 11.3(d), this Agreement may be assigned by either Party in connection with the transfer (by sale, merger or otherwise) of its line of business to which this Agreement relates. Any attempted assignment, delegation, sale, transfer, sublicense or other disposition, by operation of law or otherwise, of this Agreement or any rights or obligations hereunder by or on behalf of either Party contrary to this Section 14.5(a) shall be a material breach of this Agreement and shall be void and without force or effect. Notwithstanding the foregoing, or anything to the contrary contained in this Agreement, nothing contained in this Agreement shall prohibit or restrict a Party's ability to collaterally assign this Agreement to a bank or other financial institution, and such bank's or financial institution's exercise of its rights in conjunction therewith.

(b) Any assignment, sublicense or other transfer permitted by this Section 14.5 shall not operate to release such Party from its responsibilities under this Agreement.

14.6 Severability. If any provision of this Agreement, under any set of circumstances, whether or not foreseeable by the Parties, is hereafter held to be invalid, illegal or unenforceable in its present form and scope in any jurisdiction or proceeding, the remaining provisions of this Agreement shall continue to be given full force and effect, without regard to the invalid, illegal or unenforceable provision in such jurisdiction or proceeding, and shall be liberally construed in order to carry out the intentions of the Parties hereto as nearly as may be possible, and such holding shall not affect the validity, legality or enforceability of this Agreement in its entirety in any other jurisdiction or proceeding. Furthermore, if any of the provisions of this Agreement are held to be unenforceable in any jurisdiction or proceeding because of their duration or scope, the Parties agree that the court, or other authority making such determination shall have the power, and is hereby directed, to reduce or alter the duration and/or scope of such provision so that, in its reduced form, the provision is enforceable and effective as nearly as possible for the purposes expressed in this Agreement. To the extent permitted by applicable law, IPC and Tris hereby waive any provision of law that would render any provision hereof prohibited or unenforceable in any respect.

14.7 Choice of Law/Jurisdiction/Venue. This Agreement shall be interpreted, construed and enforced in accordance with the substantive laws of the State of New Jersey, as applied to agreements performed wholly within State of New Jersey, without reference to choice of law principles. Any dispute or proceeding not subject to arbitration (such as a request for injunctive relief as provided in Section 13.1) shall be adjudicated exclusively in courts located in the State of New Jersey and each Party agrees to submit to the personal jurisdiction of such courts, and not to assert in any suit, action or proceeding any claim that is not subject to the jurisdiction of any such court, that such suit action or proceeding is improper or is an inconvenient venue for such proceeding.

14.8 Each Party irrevocably consents to service of process in such dispute or proceeding to by written notice provided in Section 14.8 (other than by telefax). The Parties hereby exclude the United Nations Convention on Contracts for the International Sale of Goods from this Agreement.

14.9 Notices. Any notice to be given by either party shall be in writing and shall be deemed given when delivered personally, by postpaid registered, certified or Express mail, by UPS, DHL or Federal Express, overnight, second day or three day service, or by telefax to the parties at the following addresses:

If to Tris, to it at:

Tris Pharma Inc.
2033 US Rt 130
Monmouth Jn, New Jersey, 08852, USA
Attn: Ketan Mehta
Email: kmehta@trispharma.com
Tel.: +1-732-940-2800
Fax: +1-732-940-2855

If to IPC, to it at:

Intellipharmaeconomics Corp,
30 Worcester Road,
Toronto, ON M9W 5X2, Canada
Attn: Dr. Amina Odidi
Email: aodidi@intellipharmaeconomics.com
Tel.: Fax: +1 416-798-3007

14.10 Public Announcements. Neither Party will make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other Party's express prior written consent, such consent not to be unreasonably delayed, except as required under Applicable Law or by any governmental agency or as required in connection with the performance of this Agreement.

14.11 Counterparts. This Agreement may be executed in facsimile or email (pdf) counterparts each of which is hereby agreed to have the legal binding effect of an original signature.

Rest of page intentionally left blank. Signature page is on next page.

IN WITNESS WHEREOF, the Parties have caused this License and Commercial Supply Agreement to be executed by their respective duly authorized officers as of the date first above written.

TRIS PHARMA, INC.

By: /s/ Janet Penner
Name: Janet Penner
Title: President, Generics

INTELLIPHARMACEUTICS CORP

By: /s/ Dr. Amina Odidi
Name: Dr. Amina Odidi
Title: President & COO

EXHIBIT A

IPC ANDA GENERIC PRODUCT

Product / Form	Strength (mg) / Form	ANDA NO.	RLD
Venlafaxine ER Caps	37.5 mg, 75 mg and 150 mg	201272	Effexor XR

EXHIBIT B

IPC VENLAFAXINE ER TRANSFER PRICES (USD)

Venlafaxine ER	Pack Size (HDPE Bottles)		
Strength	30	90	1,000
37.5 Mg	\$ [*****]	\$ [*****]	\$ [*****]
75 Mg	\$ [*****]	\$ [*****]	\$ [*****]
150 Mg	\$ [*****]	\$ [*****]	\$ [*****]

EXHIBIT C

SUPPLIER QUALITY AGREEMENT

EXHIBIT D
PHARMACOVIGILANCE AGREEMENT

EXHIBIT E

INTERNATIONAL WIRE TRANSFER ADVICE

Dated: September 5, 2019

1. **FOR VALUE RECEIVED**, the undersigned, **INTELLIPHARMACEUTICS INTERNATIONAL INC.** (the “**Borrower**”), hereby promises to pay on demand to, or to the order of, Dr. Isa Odidi and Dr. Amina Odidi (the “**Lenders**”) the unpaid principal balance of the aggregate amount of any and all advances or any other form of financial assistance of any nature or kind whatsoever (collectively, “**Advances**”), made by the Lenders, directly or indirectly, to the Borrower as recorded by the Lenders on the grid attached hereto as **Schedule A**.
 2. **Prepayment**—The Borrower will be entitled to prepay the Advances, in whole or in part, at any time prior to a demand being made by the Lenders, without any notice being given to the Lenders and without any bonus or penalty being paid to the Lenders.
 3. **Currency and Payment**—Any money to be paid pursuant to this promissory note must be paid by bank draft, certified cheque or electronic transfer of immediately available funds payable to the Lenders, in the lawful currency of the United States.
 4. **Grid Promissory Note**—This promissory note shall secure a running account and, notwithstanding that the principal sum may be reduced to zero, this promissory note shall continue in full force and effect with respect to any Advances of any principal amounts made thereafter.
 5. **Notices and Demands**—Any demand or notice to be made or given in connection with this promissory note will be in writing and will be personally delivered to an officer or responsible employee of the Borrower or the Lenders or sent by facsimile, e-mail, or functionally equivalent electronic means, charges (if any) prepaid, at or to any address, electronic address, or facsimile number, as the case may be, as the Borrower or the Lenders may designate to the other in accordance with this provision. Any demand or notice which is personally delivered will be deemed to have been validly and effectively given on the date of delivery if that date is a business day, and the delivery was made during normal business hours; otherwise, it will be deemed to have been validly and effectively given on the business day next following the date of delivery. Any demand or notice which is transmitted by facsimile, e-mail, or functionally equivalent electronic means will be deemed to have been validly and effectively given on the date of transmission if that date is a business day and the transmission was made during normal business hours of the recipient; otherwise, it will be deemed to have been validly and effectively given on the business day next following the date of transmission.
 6. **Amendments**—No amendment or waiver of any provision of this promissory note or consent to any departure by the Borrower from any provision of this promissory note is effective unless it is in writing and signed by the Lenders, and then the amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it is given.
 7. **Governing Law**—This promissory note will be governed by and construed in all respects in accordance with the laws of the Province of Ontario and the laws of Canada applicable in that Province.
 8. **Time of the Essence**—Time will in all respects be of the essence of this promissory note.
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9. **Assignment**—The Borrower will not be permitted to assign this promissory note, in whole or in part, without the prior written consent of the Lenders. The Lenders may assign (including by way of security) this promissory note, in whole or in part, without the prior written consent of the Borrower. This promissory note will be binding upon the successors and permitted assigns of the Borrower and will enure for the benefit of the Lenders and its successors and assigns.

The Borrower has executed this promissory note effective September 5, 2019.

INTELLIPHARMACEUTICS INTERNATIONAL INC.

Per: /s/ Greg Powell

Name: Greg Powell

Title: CFO

Schedule A

Date	Amount Borrowed	Amount Repaid	Principal Balance Unpaid	Initials
September 5, 2019	US\$6,500			

Dated: September 13, 2019

1. **FOR VALUE RECEIVED**, the undersigned, **INTELLIPHARMACEUTICS CORP.** (the “**Borrower**”), hereby promises to pay on demand to, or to the order of, Dr. Isa Odidi and Dr. Amina Odidi (the “**Lenders**”) the unpaid principal balance of the aggregate amount of any and all advances or any other form of financial assistance of any nature or kind whatsoever (collectively, “**Advances**”), made by the Lenders, directly or indirectly, to the Borrower as recorded by the Lenders on the grid attached hereto as **Schedule A**.
 2. **Prepayment**—The Borrower will be entitled to prepay the Advances, in whole or in part, at any time prior to a demand being made by the Lenders, without any notice being given to the Lenders and without any bonus or penalty being paid to the Lenders.
 3. **Currency and Payment**—Any money to be paid pursuant to this promissory note must be paid by bank draft, certified cheque or electronic transfer of immediately available funds payable to the Lenders, in lawful Canadian currency.
 4. **Grid Promissory Note**—This promissory note shall secure a running account and, notwithstanding that the principal sum may be reduced to zero, this promissory note shall continue in full force and effect with respect to any Advances of any principal amounts made thereafter.
 5. **Notices and Demands**—Any demand or notice to be made or given in connection with this promissory note will be in writing and will be personally delivered to an officer or responsible employee of the Borrower or the Lenders or sent by facsimile, e-mail, or functionally equivalent electronic means, charges (if any) prepaid, at or to any address, electronic address, or facsimile number, as the case may be, as the Borrower or the Lenders may designate to the other in accordance with this provision. Any demand or notice which is personally delivered will be deemed to have been validly and effectively given on the date of delivery if that date is a business day, and the delivery was made during normal business hours; otherwise, it will be deemed to have been validly and effectively given on the business day next following the date of delivery. Any demand or notice which is transmitted by facsimile, e-mail, or functionally equivalent electronic means will be deemed to have been validly and effectively given on the date of transmission if that date is a business day and the transmission was made during normal business hours of the recipient; otherwise, it will be deemed to have been validly and effectively given on the business day next following the date of transmission.
 6. **Amendments**—No amendment or waiver of any provision of this promissory note or consent to any departure by the Borrower from any provision of this promissory note is effective unless it is in writing and signed by the Lenders, and then the amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it is given.
 7. **Governing Law**—This promissory note will be governed by and construed in all respects in accordance with the laws of the Province of Ontario and the laws of Canada applicable in that Province.
 8. **Time of the Essence**—Time will in all respects be of the essence of this promissory note.
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9. **Assignment**—The Borrower will not be permitted to assign this promissory note, in whole or in part, without the prior written consent of the Lenders. The Lenders may assign (including by way of security) this promissory note, in whole or in part, without the prior written consent of the Borrower. This promissory note will be binding upon the successors and permitted assigns of the Borrower and will enure for the benefit of the Lenders and its successors and assigns.

The Borrower has executed this promissory note effective September 13, 2019.

INTELLIPHARMACEUTICS CORP.

Per: /s/ Greg Powell

Name: Greg Powell

Title: CFO

Schedule A

Date	Amount Borrowed	Amount Repaid	Principal Balance Unpaid	Initials
September 13, 2019	C\$56,500.00			
September 17, 2019	C\$147,386.40			

12% CONVERTIBLE TERM DEBENTURE

DUE: December 31, 2019

PRINCIPAL SUM: US\$250,000.00

DATE: November 15, 2019

PROMISE

1. Promise to Pay: Intellipharmaceuticals International Inc., a corporation incorporated under the laws of Canada (the "**Borrower**"), for value received, hereby acknowledges itself indebted and covenants and promises to pay to or to the order of Dr. Isa Odidi and Dr. Amina Odidi (collectively the "**Lender**"), at the Lender's address set out in section 19 hereof, or at such other place as the Lender may designate by notice in writing to the Borrower, on December 31, 2019 (the "**Maturity Date**"), the principal amount of \$250,000.00 in lawful money of the United States of America and to pay interest thereon at a rate of twelve per cent (12%) per annum. The same rate of interest will be payable both before and after demand as well as before and after default or judgment, with interest payable on overdue interest at the same rate. From the date hereof to and including the Maturity Date, interest shall be calculated and paid monthly on the last business day of each calendar month.

CONVERSION

2. Exercise: At any time and from time to time after the date hereof on not less than three (3) days' and not more than ten (10) days' written notice to the Borrower, the Lender shall have the right to convert any or all of the principal owing to it hereunder (as at the date of election to so convert) into fully paid and non-assessable common shares (the "**Common Shares**") of the Borrower at a price of US\$0.12 per share (the "**Exercise Price**"). Such conversion may be effected by the tendering of this Debenture at the office of the Borrower, accompanied by a written direction of conversion signed by the Lender notifying the Borrower as to the exercise of the right of conversion and specifying the amount of principal hereunder in respect of which this Debenture is converted and setting forth the name and address of the person(s) in whose name(s) the shares issuable upon such conversion are to be registered. This Debenture may, at the Lender's option, be converted at any time after the date hereof, in whole, or from time to time in part, and for so long as any amount remains outstanding hereunder. For greater certainty, no conversion in part or in whole of the principal owing under the Debenture shall extinguish or satisfy, or relieve the Borrower of its obligation to pay the balance of the principal owing hereunder and any interest on such principal amount accruing prior to the effective date of such conversion.

3. Calculation of Purchase Price: "**Purchase Price**" means, in respect of any conversion of this Debenture in whole or in part, the aggregate of the Exercise Price applicable on such conversion multiplied by the number of Common Shares which the Lender gives notice in writing to the Borrower that the Lender elects to purchase via the conversion in whole or part of the amounts owing under this Debenture at such time.

4. Share Issuance: As promptly as practicable after the surrender of this Debenture for conversion, the Borrower shall issue to the Lender or its nominee(s) a certificate or certificates representing the number of fully paid and non-assessable Common Shares of the Borrower into which all or any portion of the indebtedness hereunder has been converted and, in the event that any amounts remain outstanding hereunder after giving effect to such conversion, the Lender shall make a notation hereon of the principal amount of such unconverted indebtedness for the aggregate of principal and interest that remains owing hereunder.

5. No Fractional Shares: No fractional share or scrip representing a fractional share shall be required to be issued upon the conversion of this Debenture. If the conversion of this Debenture would otherwise result in a fractional share, the Borrower shall, in lieu of issuing such fractional share, pay to the Lender an amount equal to the value of the fractional share based upon the Exercise Price for a whole share.

6. Timing: The conversion of this Debenture shall be deemed to have been made in full at the close of business on the date at which time the entire balance owing under this Debenture is tendered for conversion, so that the Lender's rights in respect of the converted portion shall terminate at such time, and the person or persons entitled to receive the shares into which the whole or any part of this Debenture is converted shall be treated, as between the Borrower and such person or persons, as having become the holder or holders of record of such shares at such time.

7. Pre-Payment: The Borrower may prepay this Debenture in whole or in part at any time without prior written notice to the Lender or any bonus or penalty. Any notice of prepayment from the Borrower to the Lender shall be without prejudice to the Lender's right to convert all or any part of the principal amounts that remain outstanding under this Debenture into Common Shares in accordance with the provisions of the Debenture.

8. Anti-Dilution:

(a) If and whenever at any time while this Debenture is outstanding, the Borrower:

- (i) issues any Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution (other than the issue of Common Shares to holders of Common Shares as dividends by way of stock dividend in lieu of a cash Dividend Paid in the Ordinary Course or pursuant to any dividend reinvestment plan in force from time to time);
- (ii) subdivides or re-divides the outstanding Common Shares into a greater number of Common Shares;
or
- (iii) combines, reduces or consolidates the outstanding Common Shares into a lesser number of Common Shares;

then, in each such event:

- (iv) the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will be adjusted immediately after the effective date of the events referred to in (ii) or (iii) or the record date for the issue of the Common Shares referred to in (i) by multiplying the number of Common Shares theretofore obtainable on conversion of the amounts outstanding under this Debenture by the fraction which is the reciprocal of the fraction referred to in section 8(a)(v)(B); and
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- (v) the Exercise Price will, on the effective date of the events referred to in (ii) or (iii) or on the record date for the issue of Common Shares referred to in (i), be adjusted to a price which is equal to the product of:
 - (A) the Exercise Price in effect immediately prior to such effective date or record date;
and
 - (B) the fraction of which:
 - (X) the numerator is equal to the total number of Common Shares that are outstanding on such date before giving effect to such event;
and
 - (Y) the denominator is equal to the total number of Common Shares that are outstanding on such date after giving effect to such event.

Such adjustments will be made successively whenever any event referred to in this section shall occur and any such issue of Common Shares by way of a stock dividend or other distribution will be deemed to have been made on the record date for such stock dividend or other distribution for the purpose of calculating the number of outstanding Common Shares under sections 8(b) and 8(c).

- (b) If and whenever at any time while this Debenture is outstanding, the Borrower fixes a record date for the issuance of rights, options or warrants to all or substantially all of the holders of Common Shares entitling the holders thereof, within a period expiring not more than 45 days after the date of issue thereof, to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per share (or having a conversion or exercise price per share) of less than 95% of the Current Market Price of the Common Shares on the earlier of such record date and the date on which the Borrower announces its intention to make such issuance, then, in each case:
 - (i) the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will be adjusted immediately after such record date so that it will equal the number determined by multiplying the number of Common Shares theretofore obtainable on such record date by a fraction which is the reciprocal of the fraction referred to in section 8(b)(ii)(B); and
 - (ii) the Exercise Price will be adjusted immediately after such record date to a price which is equal to the product of:
 - (A) the Exercise Price in effect on such record date;
and
 - (B) the fraction of which:
 - (X) the numerator is equal to the aggregate
of:
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- (I) the total number of Common Shares that are outstanding on such record date;
and
 - (II) the number determined by dividing the aggregate price of the total number of additional Common Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by the Current Market Price of the Common Shares on the earlier of such record date and the date on which the Borrower announces its intention to make such issuance; and
- (Y) the denominator is equal to the aggregate of:
- (I) the total number of Common Shares that are outstanding on such record date;
and
 - (II) the total number of additional Common Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable).

Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in section 8(c) are fixed within a period of 25 trading days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants are not so issued or any such rights, options or warrants are not exercised prior to the expiration thereof, the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will then be readjusted to that which would then be in effect if such record date had not been fixed or to that which would then be in effect based upon the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

- (c) If and whenever at any time while this Debenture is outstanding, the Borrower fixes a record date for the making of a distribution, to all or substantially all of the holders of Common Shares, of:
- (i) shares of any class other than Common Shares whether of the Borrower or any other corporation (other than shares distributed to holders of Common Shares as Dividends Paid in the Ordinary Course (as hereinafter defined) as stock dividends);
 - (ii) rights, options or warrants (other than rights, options or warrants exercisable by the holders thereof not more than 45 days after the date of issue thereof);
 - (iii) evidences of indebtedness; or
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(iv) cash, securities or other property or assets (other than cash Dividends Paid in the Ordinary Course);

then, in each case:

(v) the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture shall be adjusted immediately after such record date so that it will equal the number determined by multiplying the number of Common Shares theretofore obtainable on conversion of the amounts outstanding under this Debenture on such record date by a fraction which is the reciprocal of the fraction referred to in section 8(c)(vi)(B); and

(vi) the Exercise Price will be adjusted immediately after such record date to a price which is equal to the product of:

(A) the Exercise Price in effect on such record date;
and

(B) the fraction of
which:

(X) the numerator is equal to the amount by
which:

(I) the product of (x) the total number of Common Shares that are outstanding on such record date and (y) the Current Market Price of the Common Shares on the earlier of such record date and the date on which the Borrower announces its intention to make such distribution;

exceeds

(II) the aggregate fair market value (as determined by the directors at the time such distribution is authorized) of such shares, rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed; and

(Y) the denominator is equal to the product determined under clause (I) above.

Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in section 8(b) are fixed within a period of 25 trading days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that such distribution is not so made or to the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the number of Common Shares obtainable on conversion of the amounts outstanding under this Debenture will then be readjusted to that which would then be in effect if such record date had not been fixed or to that which would then be in effect based upon such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be.

- (d) In the event that any adjustment of the Exercise Price is made pursuant to sections 8(a), (b) and (c), the number of Common Shares that may be purchased upon the conversion of the amounts outstanding under this Debenture will, contemporaneously with such adjustment of such Exercise Price, be adjusted to a number which is equal to the product of:
- (i) the total number of Common Shares so purchaseable immediately before such adjustment of such Exercise Price;
and
 - (ii) the fraction which is the reciprocal of the fraction used in such adjustment of such Exercise Price.
- (e) If and whenever at any time while this Debenture is outstanding there is:
- (i) any reclassification of the Common Shares at any time outstanding, any change of the Common Shares into other shares or any other capital reorganization of the Borrower other than as described in sections 8(a), (b) and (c);
 - (ii) any consolidation, arrangement, amalgamation, merger or other form of business combination of the Borrower with or into any other body corporate, trust, partnership or other entity resulting in a reclassification of the outstanding Common Shares, any change of the Common Shares into other shares or any other capital reorganization of the Borrower other than as described in sections 8(a), (b) and (c); or
 - (iii) any sale, lease, exchange or transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or entity;
- then:
- (iv) the holder hereof will be entitled to receive and will accept, in lieu of the number of Common Shares then to be acquired by it upon conversion of the amounts outstanding under this Debenture;
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the kind and number or amount of shares or other securities or property that the holder would have been entitled to receive as a result of such event if, on the record date or effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares to which the holder was theretofore entitled upon such exercise or deemed exercise. If necessary as a result of any such event, appropriate adjustments will be made in application of the provisions set forth in this section 8 with respect to the rights and interests of the holder so that the provisions set forth in this section 8 will thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or other securities or property to which a holder of this Debenture is entitled on conversion of the amounts outstanding under this Debenture. Any such adjustment will be made by and set forth in amendment hereto approved by the directors and will for all purposes be conclusively deemed to be an appropriate adjustment.

- (f) As a condition precedent to taking any action that would require an adjustment pursuant to this section 8, the Borrower will take all action which may, in the opinion of counsel to the Borrower, be necessary in order that the Borrower, or any successor to the Borrower or successor to the undertaking and assets of the Borrower, will be obligated to and may validly and legally issue, as fully paid and non-assessable, all the Common Shares or other shares or securities or property to which the holder hereof would be entitled to receive thereafter on conversion of the amounts outstanding under this Debenture.
- (g) The Borrower will give notice to the holder hereof, at least 10 days prior to the record date for the making of such distribution, of:
 - (i) the Borrower's intention to make a distribution referred to in section 8(c) which results in the fraction calculated pursuant to section 8(c)(vi)(B) thereof being a negative number; and,
 - (ii) any action or event that would require an adjustment pursuant to this section 8.

9. Adjustment Rules:

- (a) The following rules and procedures will be applicable to adjustments made pursuant to section 8, including any readjustments:
 - (i) the adjustments provided for in section 8 are cumulative, will, in the case of any adjustment to the Exercise Price, be computed to the nearest one-tenth of one cent and, subject to section 9(a)(ii) below, will apply (without duplication) to successive subdivisions, consolidations, distributions, issuances or other events that require such an adjustment;
 - (ii) no such adjustment in the Exercise Price will be made unless the price adjustment would result in an increase or decrease of at least 1% in such Exercise Price, provided that any such adjustment which, except for the provisions of this section 9(a)(ii), would otherwise have been required to be made, will be carried forward and taken into account in any subsequent adjustment;
 - (iii) for the purposes of sections 8(a), (b) and (c), the following will be deemed not to be outstanding:
 - (A) any Common Share owned or held for the account of any subsidiary of the Borrower that is a wholly-owned subsidiary; and
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- (B) that percentage of the Common Shares owned by or held for the account of any subsidiary of the Borrower that is not a wholly-owned subsidiary, that is equal to the direct and indirect percentage interest of the Borrower in the outstanding shares of such subsidiary that carry a residual right to participate to an unlimited degree in its earnings and in its assets on liquidation or winding-up;
 - (iv) no such adjustment will be made in respect of an event described in section 8(a)(i) or section 8(b) or 8(c) if the holders are entitled to participate in such event, or are entitled to participate within 45 days in a comparable event, on the same terms, *mutatis mutandis*, as if the holder had converted the amounts outstanding under this Debenture immediately before the record date for or effective date of such event;
 - (v) in the absence of a resolution of the directors fixing a record date at which holders of Common Shares are determined for purposes of any event referred to in section 8, the Borrower will be deemed to have fixed as the record date therefor the date on which the event is effected or such other date as may be required by law; and
 - (vi) no fractional Common Share will be issued upon the conversion of the amounts outstanding under this Debenture and accordingly if as a result of any such adjustment the holder hereof becomes entitled to acquire a fractional Common Share the holder shall have the right to acquire only the next lowest whole number of Common Shares and no payment or other adjustment will be made with respect to the fractional Common Share so disregarded.
- (b) In any case in which section 8 requires an adjustment to take effect on or immediately after the record date for an event referred to therein, the Borrower may postpone, until the occurrence and consummation of such event, issuing to the holder hereof after such record date and before the occurrence and consummation of such event the additional Common Shares or other securities or property issuable upon such exercise by reason of the adjustment required by such event; provided, however, that the Borrower will deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares or other securities or property upon the occurrence and consummation of such event and the right to receive any dividend or other distribution in respect of such additional Common Shares or other securities or property declared in favour of the holders of record of Common Shares or of such other securities or property as such holder would, but for the provisions of this section 9(b), have become the holder of record of such additional Common Shares or of such other securities or property.
- (c) If and whenever at any time while this Debenture is outstanding the Borrower takes any action affecting or relating to the Common Shares, other than any action described in section 8, which in the opinion of the directors of the Borrower would prejudicially affect the rights of the holder hereof, the conversion rights in effect at any date arising hereunder will be adjusted by the directors in such manner, if any, and at such time, as the directors may in their sole discretion determine to be equitable in the circumstances to such holder, subject to obtaining prior approval of the Toronto Stock Exchange before giving effect to any such change. Failure of the directors to take any action so as to provide for any such adjustment on or before the effective date of any such action by the Borrower affecting or relating to the Common Shares will be conclusive evidence that the directors have determined that it is equitable to make no such adjustment in the circumstances.
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- (d) In the event of any question arising with respect to the adjustments provided for in this section 9, including any readjustment, such question shall be conclusively determined by the firm of chartered accountants duly appointed as auditors of the Borrower for the time being or, if they are unable or unwilling to act, by such firm of chartered accountants as is appointed by the Borrower. The Borrower will provide such accountants access to all necessary records of the Borrower. Such determination will be binding upon the Borrower and holder hereof.

10. Definitions: In these sections 8, 9 and 10, unless there is something in the subject matter or context inconsistent therewith:

- (a) “**Current Market Price**”, on any date, means the average, during the period of 20 consecutive trading days ending on the fifth trading day before such date, of the average of all prices per share at which the Common Shares have traded on the stock exchange having the greatest trading volume in such shares in such period (the “**Relevant Stock Exchange**”) or, if the Common Shares have not been listed on a stock exchange for such number of trading days, then such lesser number of trading days as the Common Shares have been so listed, or, if the Common Shares are not listed on any stock exchange, then in the over-the-counter market as reported by the Toronto Stock Exchange (or such other stock exchange or as quoted by the most commonly quoted or carried source of quotations for Common Shares traded in the over-the-counter market), provided that if, on any such trading day, there are no such reported or quoted prices, the average of the closing bid and asked prices per share for board lots of the Common Shares reported by the Relevant Stock Exchange (or such other stock exchange or as quoted by the most commonly quoted or carried source of quotations for shares traded in the over-the-counter market) for such trading day will be utilized in computing such average, and provided further that if the Common Shares are not listed on any stock exchange or traded in any over-the-counter market, then the Current Market Price of the Common Shares will be determined by the directors of the Borrower, acting reasonably.
- (b) “**Dividends Paid in the Ordinary Course**” means any dividend paid by the Borrower on the Common Shares in any fiscal year of the Borrower (whether in cash, securities, property or other assets), provided that the amount of such dividend paid in cash and the value of such dividend paid otherwise than in cash (any securities, property or other assets so distributed as a dividend to be valued at an amount equal to the fair market value thereof as determined by the directors at the times such dividend is declared), plus the aggregate amount or value (as so determined) of all other dividends previously paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) in such fiscal year, does not exceed the greatest of:
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- (i) the amount or value (as so determined) which results in the amount or value (as so determined) of dividends per Common Share paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during such fiscal year not exceeding 200% of the amount or value (as so determined) per Common Share of all dividends paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during the fiscal year of the Borrower ended immediately prior to the commencement of such fiscal year;
- (ii) the amount or value (as so determined) which results in the amount or value (as so determined) of dividends per Common Share of all dividends paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during such fiscal year not exceeding 100% of the amount or value (as so determined) per Common Share of all dividends paid by the Borrower on the Common Shares (or on any other shares in the capital of the Borrower ranking with respect to the payment of dividends on a parity with the Common Shares) during the three successive fiscal years of the Borrower ended immediately prior to the commencement of such fiscal year; and
- (iii) 150% of the consolidated net income of the Borrower before extraordinary items for (but after dividends payable on all shares in the capital of the Borrower ranking with respect to the payment of dividends prior to the Common Shares in respect of) the fiscal year of the Borrower ended immediately prior to the commencement of such fiscal year (such consolidated net income, extraordinary items and dividends to be as shown in the audited consolidated financial statements of the Borrower for such fiscal year or, if there are no audited consolidated financial statements for such fiscal year, computed in accordance with generally accepted accounting principles);

provided that if any fiscal year which is relevant for purposes of the foregoing provisions of this definition is less than 365 days, any amount or value determined in respect of such fiscal year pursuant to such provisions will be adjusted by multiplying such amount or value by the number obtained by dividing the number of days in such fiscal year by 365;

- (c) “**subsidiary**” has the meaning which that term has in the *Canada Business Corporations Act*,
and
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- (d) “**trading day**”, with respect to any stock exchange or over-the-counter market, means a day on which shares may be traded through the facilities on such stock exchange or in such over-the-counter market.

11. Proceedings Prior to any Action Requiring Adjustment: As a condition precedent to the taking of any action which would require an adjustment in any of the conversion rights pursuant to this Debenture, including the number and classes of shares which are to be received upon the exercise thereof, the Borrower shall take any corporate action which may be necessary in order that the Borrower has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the shares which the Lender is entitled to receive on the full exercise of the conversion rights under this Debenture in accordance with the provisions hereof.

12. Notice of Adjustment of Subscription Rights: Immediately upon the occurrence of any event which requires an adjustment in any of the subscription rights pursuant to this Debenture, the Borrower shall forthwith give notice to the Lender of the particulars of such event and the required adjustment in the subscription rights.

13. Covenants of the Borrower: The Borrower covenants with the Lender that so long as this Debenture remains outstanding:

- (a) The Borrower shall duly and punctually pay or cause to be paid to the Lender the principal of and the interest accrued on this Debenture on the dates, at the place, in the moneys, and in the manner set forth in this Debenture.
- (b) The Borrower shall pay all reasonable costs, charges and expenses (including legal fees and disbursements) of or incurred by the Lender in connection with this Debenture and all ancillary documents including the ongoing administration hereof (other than normal course reviews and reports) and the enforcement hereof.
- (c) The Borrower shall provide immediate notice to the Lender of any event which constitutes or, with the giving of notice or lapse of time or both, or the satisfaction of any other condition, would constitute an event of default under this Debenture.
- (d) The Borrower shall not:
 - (i) sell, lease or otherwise transfer any of its undertaking, property and assets as an entirety or substantially as an entirety in one or more transactions, or sell, lease or otherwise dispose of its undertaking, property and assets as an entirety or substantially as an entirety in one or more transactions; or
 - (ii) amalgamate or merge with any other corporation or effect any corporate reorganization if such transaction involves the issue of shares of the Borrower;

without the prior written consent of the Lender or as expressly provided for herein.

- (e) The Borrower shall not, at any time, without the prior written approval of the Lender, incur any indebtedness, other than indebtedness evidenced by this Debenture, for money borrowed by the Borrower or for money borrowed by others for the payment of which the Borrower is responsible or liable.
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- (f) The Borrower shall not without the prior written consent of the Lender or except as contemplated herein, permit a reorganization, amalgamation, merger, acquisition, divestiture or any other corporate event including, but not limited to, an amendment of the charter documents which would cause the corporate structure or the shareholdings, whether legal or beneficial, of the Borrower to be varied from the corporate structure or shareholdings, whether legal or beneficial, as it exists as of the date of this Debenture.

DEFAULT

14. Default: Upon the happening of any one or more of the following events, namely:

- (a) if the Borrower makes default in payment of the principal and/or interest on this Debenture when the same becomes due and payable under any provision hereof;
- (b) if proceedings for the bankruptcy, receivership, dissolution, liquidation, winding-up, reorganization or readjustment of debt of the Borrower or for the suspension of the operations of the Borrower are commenced or notice of intention in respect thereof is given under any law or statute of any jurisdiction relating to such matter whether now or hereafter in effect and such proceedings are not being contested by the Borrower; and
- (c) if the Borrower is adjudged or declared bankrupt or insolvent, or makes an assignment for the benefit of its creditors, or petitions or applies to any tribunal for the appointment of a receiver or trustee for it or for any substantial part of its property, or commences any proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution, liquidation, or other similar law or statute of any jurisdiction whether now or hereafter in effect, or by any act or failure to act indicates its consent to, approval of, or acquiescence in, any such proceeding relating to it or any substantial part of its property, or suffers the appointment of any receiver or trustee,

then in each and every such event the principal of and interest on this Debenture and all other moneys outstanding hereunder shall forthwith become immediately due and payable, anything herein to the contrary notwithstanding, and the Borrower shall forthwith pay to the Lender the principal of this Debenture and accrued and unpaid interest, together with interest at the rate borne by this Debenture on such principal, interest and such other moneys from the date of the said declaration until payment is received by the Lender.

GENERAL

15. **Further Assurances:** Whether before or after the happening of an event of default, the Borrower shall, at its own expense do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, things, agreements, documents and instruments in connection with this Debenture as the Lender may request from time to time for the purpose of giving effect to the terms of this Debenture, all immediately upon the request of the Lender.

16. **Waiver of Default:** The Lender may, by written notice to the Borrower, waive any default of the Borrower on such terms and conditions as the Lender may determine, but no such waiver shall be taken to affect any subsequent default or the rights resulting therefrom.

17. **Expenses:** The Borrower shall pay to the Lender forthwith upon demand all reasonable out-of-pocket costs, charges and expenses (including legal fees on a solicitor-client basis) incurred by the Lender in connection with the recovery or enforcement of payment of any of the moneys owing hereunder at the rate hereinbefore specified calculated from the date of incurring such costs, charges and expenses.

18. **Severability:** If any term, covenant, obligation or agreement contained in this Debenture, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Debenture or the application of such term, covenant, obligation or agreement to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, obligation or agreement herein contained shall be separately valid and enforceable to the fullest extent permitted by law.

19. **Notices:** Any notice or other communication which may be or is required to be given or made pursuant to this Debenture shall, unless otherwise expressly provided herein, be in writing and shall be deemed to have been sufficiently and effectively given if signed by or on behalf of the party giving notice and delivered or sent by registered mail, postage prepaid, to the party for which it is intended at its address as follows:

(a) if to the Borrower, at:

30 Worcester Road,
Toronto, Ontario
M9W 5X2
Facsimile Number: (416) 798-3007

Attention: Chief Financial Officer

(b) if to the Lender, at:

30 Worcester Road,
Toronto, Ontario
M9W 5X2
Facsimile Number: (416) 798-3007

Any notice or communication which may or is required to be given or made shall be made or given as herein provided or to such other address or in care of such other officer as a party may from time to time advise to the other parties hereto by notice in writing as aforesaid. Any notice or communication given by mail shall be deemed to have been received on the fifth business day following the date of mailing unless delivery by mail is likely to be delayed by strike or slowdown of postal workers, in which event it shall be delivered by hand or transmitted by telecopier. Any notice which is delivered by hand shall be deemed to have been received on the date of such delivery if such date is a business day and such delivery was made during normal business hours; otherwise it shall be deemed to have been received on the business day next following such date of delivery. Any notice which is delivered by telecopier shall be deemed to have been received on the date of transmission if such date is a business day and such transmission was made during normal business hours; otherwise it shall be deemed to have been received on the business day next following such date of transmission.

20. Assignment: The Borrower and the Lender shall not assign all or any part of their rights, benefits or obligations under this Debenture without the prior written consent of the other party, acting reasonably.
21. Entire Agreement: This Debenture constitutes the entire agreement between the parties pertaining to the subject matter described herein and therein. There are no warranties, conditions or representations and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Debenture.
22. Law Governing: This Debenture shall be governed in all respects by the law of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.
23. Amendment and Waiver: No amendment or waiver of any provision of this Debenture or consent to any departure by the Borrower from any provision hereof or thereof is effective unless it is in writing and signed by the Lender. Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.
24. Currency of Payment: The principal, interest and other moneys payable hereunder shall be paid in lawful money of Canada.
25. Successors: This Debenture and all its provisions shall enure to the benefit of the Lender and their heirs, executors and assigns, and shall be binding upon the Borrower and its successors and assigns. The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario for all matters arising out of or in connection with this Debenture.

[Signature page follows]

IN WITNESS WHEREOF the Borrower has duly executed this Debenture as of the date first above written.

INTELLIPHARMACEUTICS INTERNATIONAL INC.

Per: /s/ Greg Powell
Name: Greg Powell
Title: CFO

Extension of Debenture Maturity Date

TO Intellipharmaeueuties International Inc. (the "**Company**")

RE: Debenture dated November 15, 2019, with an original face amount of US\$250,000 issued by the Company to Dr. Isa Odidi and Dr. Amina Odidi (the "**Debenture**") and the Maturity Date (as defined in the Debenture) of such Debenture

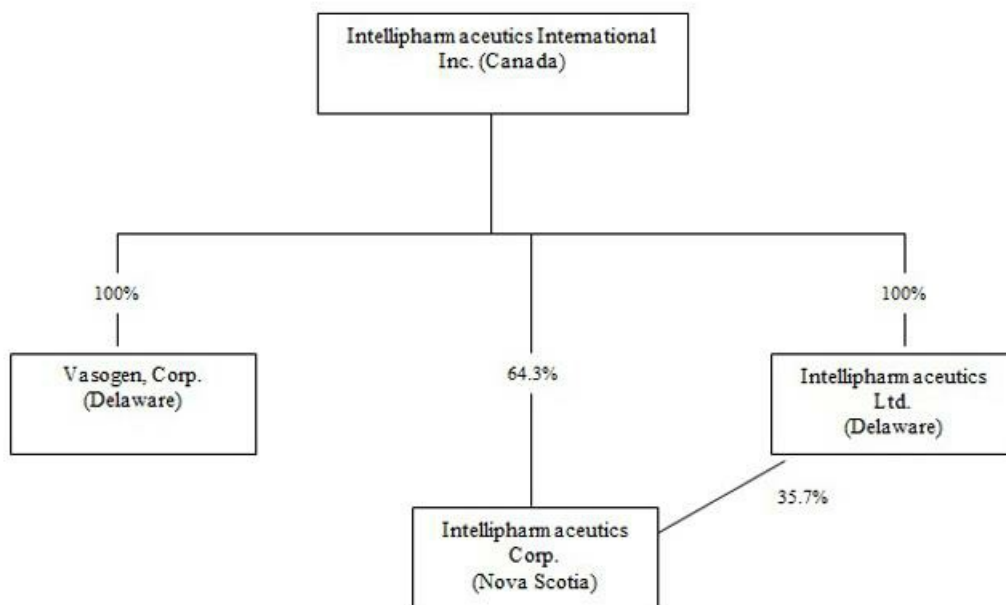
The undersigned hereby agree that the Maturity Date of the Debenture (currently December 31, 2019) is extended to March 31, 2020.

DATED effective January 31, 2020.

/s/ Isa Odidi
Isa Odidi

/s/ Amina Odidi
Amina Odidi

LIST OF SUBSIDIARIES
INTELLIPHARMACEUTICS INTERNATIONAL INC.



INTELLIPHARMACEUTICS INTERNATIONAL INC.
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Isa Odidi, certify that:

1. I have reviewed this Annual Report on Form 20-F of Intellipharmaceutics International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 30, 2020

By: /s/ Isa Odidi
Isa Odidi
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

20INTELLIPHARMACEUTICS INTERNATIONAL INC.
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amina Odidi, certify that:

1. I have reviewed this Annual Report on Form 20-F of Intellipharmaceutics International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 30, 2020

By: /s/ Amina
Odidi
Amina Odidi
Acting Chief Financial Officer
(Principal Financial Officer)

INTELLIPHARMACEUTICS INTERNATIONAL INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intellipharmaceutics International Inc. (the "Company") on Form 20-F for the period ending November 30, 2019 (the "Report"), I, Isa Odidi, the Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Isa Odidi
Isa Odidi
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Date: March 30, 2020

INTELLIPHARMACEUTICS INTERNATIONAL INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intellipharmaceutics International Inc. (the "Company") on Form 20-F for the period ending November 30, 2019 (the "Report"), I, Amina Odidi, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Amina Odidi
Amina Odidi
Acting Chief Financial Officer
(Principal Financial Officer)

Date: March 30, 2020



Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No(s). 333-172796 and 333-218297 on Form F-3, and in Registration Statement No(s). 333-226239, 333-227448 and 333-227794 on Form F-1, of our auditors' report dated February 28, 2020, relating to the consolidated financial statements of Intellipharmaceutics International Inc. and its subsidiaries (the "Company") for the years ended November 30, 2019, 2018, and 2017 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the conditions and events that raise substantial doubt on the Company's ability to continue as a going concern) appearing in this Annual Report on Form 20-F dated March 30, 2020.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
March 30, 2020
Toronto, Canada



ACCOUNTING > CONSULTING > TAX
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1.877.251.2922 T: 416.596.1711 F: 416.596.7894 MNP.ca