IntelGenx Technologies Corp.
Form 10-Q
May 13, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from _____to_____

Commission File Number 000-31187

INTELGENX TECHNOLOGIES CORP.
(Exact name of small business issuer as specified in its charter)

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

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

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

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

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

Yes [X] No [ ]

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

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

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

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

Yes [ ] No [ ]

APPLICABLE TO CORPORATE ISSUERS:

63,215,656 shares of the issuer s common stock, par value $.00001 per share, were issued and outstanding as of May 8, 2014.

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March 31, 2014
(Expressed in U.S. Funds)
(Unaudited)

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

		March 31, 2014		December 31, 2013
Assets				
Current				
Cash and cash equivalents	**$**	**5,166**	$	5,005
Accounts receivable		**26**		144
Prepaid expenses		**92**		133
Investment tax credits receivable		**285**		268
Total Current Assets		**5,569**		5,550
Leasehold Improvements and Equipment, net		**664**		588
Intangible Assets (note 4)		**70**		79
Total Assets	**$**	**6,303**	$	6,217
Liabilities				
Current				
Accounts payable and accrued liabilities		**283**		593
Deferred license revenue (note 5)		**358**		308
Total Current Liabilities		**641**		901
Deferred License Revenue, non-current portion (note 5)		**231**		308
Total Liabilities		**872**		1,209
Shareholders' Equity				
Capital Stock (note 6)		**1**		1
Additional Paid-in-Capital (note 7)		**22,030**		20,934
Accumulated Deficit		**(16,544)**		(16,102)
Accumulated Other Comprehensive Income		**(56)**		175
Total Shareholders Equity		**5,431**		5,008
	$	**6,303**	$	6,217

See accompanying notes

Approved on Behalf of the Board:

/s/ J. Bernard Boudreau Director

/s/ *Horst G. Zerbe* Director

IntelGenx Technologies Corp.

Consolidated Statement of Shareholders' Equity
For the Period Ended March 31, 2014
(Expressed in Thousands of U.S. Dollars ($000 s) Except Share and Per Share Data)
(Unaudited)

	Capital Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	**Total Shareholders'**
	Number	Amount	Capital	Deficit	Income	**Equity**
Balance - December 31, 2013	60,984,267	$ 1	$ 20,934	$ (16,102)	$ 175	**$ 5,008**
Foreign currency translation adjustment	-	-	-	-	(231)	**(231)**
Warrants exercised (note 7)	1,666,388	-	1,064	-	-	**1,064**
Stock-based compensation (note 7)	-	-	32	-	-	**32**
Net loss for the period	-	-	-	(442)	-	**(442)**
Balance March 31, 2014	**62,650,655**	**$ 1**	**$ 22,030**	**$ (16,544)**	**$ (56)**	**$ 5,431**

See accompanying notes

IntelGenx Technologies Corp.

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

	For the Three-Month Period Ended March 31,	
	2014	2013
Revenues		
Royalties	**$ 97**	$ 80
License and other revenue	**125**	77
Total Revenues	**222**	157
Expenses		
Research and development expense	**188**	167
Selling, general and administrative expense	**460**	456
Depreciation of tangible assets	**7**	10
Amortization of intangible assets	**9**	10
Total Costs and Expenses	**664**	643
Net Loss	**(442)**	(486)
Other Comprehensive Loss		
Foreign currency translation adjustment	**(231)**	(36)
Comprehensive Loss	**$ (673)**	$ (522)
Basic and Diluted Weighted Average Number of Shares Outstanding	**62,064,139**	50,236,255
Basic and Diluted Loss Per Common Share (note 9)	**$ (0.01)**	$ (0.01)

See accompanying notes

IntelGenx Technologies Corp.

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

	For the Three-Month Period Ended March 31,	
	2014	2013
Funds Provided (Used) -		
Operating Activities		
Net loss	**$ (442)**	$ (486)
Amortization and depreciation	**16**	20
Stock-based compensation	**32**	18
	(394)	(448)
Changes in assets and liabilities:		
Accounts receivable	**118**	1,112
Prepaid expenses	**41**	13
Investment tax credits receivable	**(17)**	(30)
Accounts payable and accrued liabilities	**(309)**	(560)
Deferred revenue	**(27)**	(77)
Net change in assets and liabilities	**(194)**	458
Net cash (used) / provided by operating activities	**(588)**	10
Financing Activities		
Proceeds from exercise of warrants	**1,064**	195
Net cash provided by financing activities	**1,064**	195
Investing Activities		
Additions to property and equipment	**(105)**	(69)
Net cash used in investing activities	**(105)**	(69)
Increase in Cash and Cash Equivalents	**371**	136
Effect of Foreign Exchange on Cash and Cash Equivalents	**(210)**	(27)
Cash and Cash Equivalents		
Beginning of Period	**5,005**	2,059
End of Period	**$ 5,166**	$ 2,168

See accompanying notes

IntelGenx Technologies Corp.

Notes to Consolidated Interim Financial Statements
March 31, 2014
(Expressed in U.S. Funds)
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal and recurring nature.

These financial statements should be read in conjunction with the audited consolidated financial statements at December 31, 2013. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The consolidated financial statements include the accounts of the Company and its subsidiary companies. On consolidation, all inter-entity transactions and balances have been eliminated.

The financial statements are expressed in U.S. funds.

Management has performed an evaluation of the Company s activities through the date and time these financial statements were issued and concluded that there are no additional significant events requiring recognition or disclosure.

2. Adoption of New Accounting Standards

The FASB issued Update No. 2013-04, Liabilities (Topic 405) Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date . The amendments in this Update provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this Update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. For public entities, the amendments in this ASU were applicable for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this Statement did not have a material effect on the Company s financial position or results of operations.

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2. Adoption of New Accounting Standards (Cont d)

The FASB issued Update No. 2013-05, Foreign Currency Matters (Topic 830) Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity . The amendments in this Update resolve the diversity in practice about whether Subtopic 810-10, Consolidation Overall, or Subtopic 830-30, Foreign Currency Matters Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, the amendments in this Update resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. For public entities, the amendments in this ASU were effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The adoption of this Statement did not have a material effect on the Company s financial position or results of operations.

The FASB issued Update No. 2013-07, Presentation of Financial Statements Liquidation Basis of Accounting . The objective of this Update is to clarify when an entity should apply the liquidation basis of accounting and to provide principles for the measurement of assets and liabilities under the liquidation basis of accounting, as well as any required disclosures. These amendments were effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entitles should apply the requirements prospectively from the day that liquidation becomes imminent. The adoption of this Statement did not have a material effect on the Company s financial position or results of operations.

The FASB issued Update No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . The amendments in this ASU provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. The amendments were effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The adoption of this Statement did not have a material effect on the Company s financial position or results of operations.

3. Significant Accounting Policies

Recently Issued Accounting Pronouncements

None of the new pronouncements issued by the FASB but not yet effective as of March 31, 2014 are applicable to the Company.

IntelGenx Technologies Corp.

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4. Intangible Assets

As of March 31, 2014 NDA acquisition costs of $70 thousand (December 31, 2013 - $79 thousand) were recorded as intangible assets on the Company s balance sheet and represent the net book value of the final progress payment related to the acquisition of 100% ownership of Forfivo XL®. The asset is being amortized over its estimated useful life of 39 months. The Company commenced amortization upon commercial launch of the product in October 2012.

5. Deferred License Revenue

Deferred license revenue represents upfront payments received for the granting of licenses to the Company s patents, intellectual property, and proprietary technology, for commercialization. Deferred license revenue is recognized in income over the period where sales of the licensed products will occur.

Upon entering into the licensing agreement with Edgemont Pharmaceuticals the Company received an upfront fee of $1 million, which the Company recognized as deferred license revenue. The deferred license revenue is being amortized in income over a period of 39 months, which is the minimum period where sales of Forfivo XL® are expected to be exclusive.

In January, 2014 IntelGenx entered into a development and commercialization agreement with Par Pharmaceutical, Inc. for two products. The Company received $100 thousand upon execution of the agreement, of which $50 thousand has been recognized as deferred revenue until certain development milestones have been achieved.

As a result of this policy, the Company has a deferred revenue balance of $589 thousand at March 31, 2014 (December 31, 2013 - $616 thousand) that has not been recognized as revenue.

6. Capital Stock

	March 31, 2014	**December 31, 2013**
Authorized -		
100,000,000 common shares of $0.00001 par value		
20,000,000 preferred shares of $0.00001 par value		
Issued -		
62,650,655 (December 31, 2013 - 60,984,267) common shares	**$ 627**	$ 610

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7. Additional Paid-In Capital

Stock options

No stock options were exercised during the three month period ended March 31, 2014. During the three month period ended March 31, 2013 a total of 50,000 stock options were exercised for 50,000 common shares having a par value of $0 thousand in aggregate, for cash consideration of $23 thousand, resulting in an increase in additional paid-in capital of $23 thousand.

Compensation expenses for stock-based compensation of $32 thousand and $18 thousand were recorded during the three-month periods ended March 31, 2014 and 2013 respectively. The entire amount expensed in 2014 relates to stock options granted to employees and directors. Of the amount expensed in 2013, $13 thousand relates to stock options granted to employees and directors and $5 thousand relates to options granted to independent third party consultants. As at March 31, 2014 the Company has $194 thousand (2013 - $50 thousand) of unrecognized stock-based compensation.

Warrants

During the three month period ended March 31, 2014 a total of 1,666,388 (2013 - 362,500) warrants were exercised for 1,666,388 (2013 - 362,500) common shares having a par value of $0 thousand in aggregate, for cash consideration of $1,064 thousand (2013 - $172 thousand), resulting in an increase in additional paid-in capital of $1,064 thousand (2013 - $171 thousand).

8. Related Party Transactions

Included in management salaries are $15 thousand (2013 - $3 thousand) for options granted to the Chief Executive Officer and $11 thousand (2013 - $2 thousand) for options granted to the Chief Financial Officer under the 2006 Stock Option Plan and $3 thousand (2013 - $4 thousand) for options granted to non-employee directors. In addition, included in management salaries during the first three months of 2013 are $1 thousand for options granted to a director, who is also an employee of the Company.

Also included in management salaries are director fees of $22 thousand (2013 - $22 thousand) for attendance to board meetings and audit committee meetings. In addition, during the first three months of 2013 the Company paid $54 thousand in fees to a director under a management consultancy agreement.

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

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9. Basic and Diluted Loss Per Common Share

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

10. Subsequent Events

Subsequent to the end of the quarter 565,000 warrants were exercised for 565,000 common shares having a par value of $0 thousand for cash consideration of approximately $370 thousand, resulting in an increase in additional paid-in capital of approximately $370 thousand.

Item 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction to management s discussion and analysis

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

Company background

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

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

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

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

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

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

Key developments

Par Pharmaceutical, Inc.

On January 13, 2014 we announced the execution of a second development and commercialization agreement with Par Pharmaceutical, Inc. ("Par") for two new products utilizing our proprietary oral drug delivery platforms.

Under the terms of the agreement, Par has obtained certain exclusive rights to market and sell our products in the USA. In exchange we will receive upfront and milestone payments, together with a share of the profits upon commercialization. In accordance with confidentiality clauses contained in the agreement, the specifics of the products and financial terms remain confidential.

Anti-migraine VersaFilm product

On February 4, 2014 we, together with our co-development partner RedHill Biopharma Ltd. ("RedHill"), announced receipt of a Complete Response Letter ("CRL") from the U.S. Food and Drug Administration ("FDA") regarding the New Drug Application ("NDA") for our VersaFilm product for the treatment of acute migraines. The anti-migraine VersaFilm product is a proprietary oral thin film formulation of rizatriptan benzoate, a 5-HT1 receptor agonist and the active drug in Merck & Co.'s Maxalt®.

A CRL is issued by the FDA's Center for Drug Evaluation and Research to inform companies that certain questions and deficiencies remain that preclude the approval of the application in its present form. The questions raised by the FDA in the CRL regarding the NDA for the anti-migraine VersaFilm product primarily relate to Chemistry, Manufacturing and Controls ("CMC") and to the packaging and labeling of the product. No questions or deficiencies were raised relating to the product's safety and the FDA's CRL does not require additional clinical studies.

On March 3, 2014 we, together with RedHill, announced the submission of a response to the FDA s CRL and, subsequent to the end of the quarter, on April 24, 2014 IntelGenx and RedHill (the Companies), reported that the FDA had acknowledged receipt of our response and has requested additional CMC data, which the Companies believe they can supply within several weeks based on available information.

The Companies further reported that a supplier of raw material for the anti-migraine VersaFilm product is currently holding compliance discussions with the FDA, which are independent of RedHill and IntelGenx and are not specific to our anti-migraine VersaFilm product. The Companies are diligently working on a variety of options to ensure continued supply of the raw material regardless of the result of these compliance discussions.

The Companies believe that FDA approval of the anti-migraine VersaFilm product NDA is subject to the satisfactory resolution of the remaining CMC questions, as well as securing a compliant source of the raw material. Therefore, IntelGenx and RedHill will continue to work with the FDA in order to submit all the data requested, and will provide an update as and when applicable.

Subsequent to the end of the quarter, on April 28, 2014 the Companies announced the commencement of a comparative bioavailability clinical study comparing the anti-migraine VersaFilm product to the European reference drug. The study is intended to support the planned submission of a European Marketing Authorization Application ("MAA") and follows a positive scientific advice meeting with the German Federal Institute for Drugs and Medical Devices ("BfArM") announced by RedHill in November 2013. This single-dose, crossover, comparative bioavailability study includes 26 healthy volunteers and is intended to evaluate and compare the relative bioavailability and to assess the bioequivalence of the anti-migraine VersaFilm product and the reference drug, Maxalt® lingua, marketed in Germany by MSD SHARP & DOHME GMBH.

Results of the bioavailability study are anticipated by June 2014. Subject to the results of the study and to the required regulatory process, and in light of the data from prior successful studies conducted with the anti-migraine VersaFilm product, the Companies plan to submit a European MAA in the third quarter of 2014, with Germany as the reference member state, under the European Mutual Recognition Procedure ("MRP").

Erectile Dysfunction VersaFilm product

On February 24, 2014 we announced the completion of a pilot biostudy with our proprietary VersaFilm tadalafil product for erectile dysfunction that indicated bioequivalence with the leading brand reference listed drug (RLD) tadalafil product.

This was a randomized, two-period, two-way crossover study in healthy male subjects. The study was designed to determine whether VersaFilm tadalafil was bioequivalent as measured by industry standard pharmacokinetic measures of peak plasma concentration (Cmax) and area under the curve (AUC). The study results demonstrated that VersaFilm tadalafil was within an acceptable range of bioequivalency with the RLD on both of these measures.

Government Funding for CNS VersaFilm product

Subsequent to the end of the quarter, on April 30, 2014 we announced financial support from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP). In addition to advisory services and technological expertise, the funding provided by NRC-IRAP will support further development of a product for the treatment of central nervous system (CNS) diseases and disorders. The product will be based upon our proprietary, oral thin film, VersaFilm , technology.

In order to maintain our competitive advantage, no specific details related to this project are being disclosed at this time.

U.S. patent allowances

On February 26, 2014 we announced receipt of a Notice of Allowance ("NOA") from the United States Patent and Trademark Office ("USPTO") for U.S. Patent Application Serial No. 11/647,033 entitled "Multilayer tablet" which covers the technology used in our hypertension product currently under development. A second NOA has been received for U.S. Patent Application Serial No. 11/782,838 entitled "Controlled-release pharmaceutical tablets" which is related to the drug delivery technology used in Forfivo XL®, our first FDA-approved product currently commercialized in the U.S. These two NOA's conclude the examination of each U.S. patent application and will result in the issuance of two U.S. patents after administrative processes are completed.

Subsequent to the end of the quarter, on April 16, 2014 we announced receipt of a further NOA from the USPTO for U.S. Patent Application Serial No. 12/836,810 entitled "Oral mucoadhesive dosage form" which covers IntelGenx' proprietary AdVersa mucoadhesive drug delivery technology. This NOA concludes the examination of the U.S. patent application and will result in the issuance of a U.S. patent after the administrative process is completed.

Currency rate fluctuations

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

Results of operations for the three month period ended March 31, 2014 compared with the three month period ended March 31, 2013.

In U.S.$ thousands	2014	2013	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	$ 222	$ 157	$ 65	41%
Research and Development Expenses	188	167	21	13%
Selling, General and Administrative Expenses	460	456	4	1%
Depreciation of tangible assets	7	10	(3)	(30%)
Amortization of intangible assets	9	10	(1)	(10%)
Net Loss	**(442)**	**(486)**	**(44)**	**(9%)**

Revenue

Total revenue in the first three months of 2014 increased to $222 thousand from $157 thousand in the same period of 2013.

Of the total revenue recorded during the first quarter of 2014, $173 thousand (2013: $157 thousand) relates to Forfivo XL®, our first FDA approved product, which was launched in October 2012 under a licensing partnership with Edgemont Pharmaceuticals LLP (Edgemont). Upon entering into the licensing agreement, Edgemont paid us an upfront fee of $1 million, which we recognized as deferred license revenue. The deferred license revenue is amortized in income over the period where sales of Forfivo XL® are expected to be exclusive. As a result of this policy, we recognized $77 thousand in income during the first quarter of 2014 (2013: $77 thousand). In addition, we recognized approximately $96 thousand of royalty income earned from the sale of Forfivo XL® in the first quarter of 2014. This compares with approximately $80 thousand in the same period of 2013, the majority of which related to initial supplies for the launch of the product in Q4, 2012. Pursuant to the contractual terms, royalty income relates to sales of Forfivo XL® recorded by Edgemont during the quarter preceding receipt of the royalty income by us. Forfivo XL® is indicated for the treatment of Major Depressive Disorder (MDD) and is the only extended-release bupropion HCl product to provide a once-daily, 450mg dose in a single tablet.

The level of sales achieved for Forfivo XL® to date has been considerably lower than anticipated, resulting in a proportionately lower level of royalty income. Management continues to work diligently with the commercialization partner to explore options to accelerate sales growth of Forfivo XL®, which have grown by an average of approximately 97% per quarter for the last three quarters ending December 31, 2013.

Revenue for the three months ended March 31, 2014 also includes a $50 thousand milestone payment in respect of