Intellipharmaceutics International Inc.
Form 424B5
July 26, 2013

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-178190

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT Subject to completion, dated July 26, 2013
(to Prospectus dated December 22, 2011)

INTELLIPHARMACEUTICS INTERNATIONAL INC.

Units
Each Unit Consisting of One Common Share
and
One Warrant to Purchase of a Common Share

We are offering units, each of which consists of one of our common shares, without par value, and one warrant to purchase of a common share at an exercise price per share of $. The warrants are immediately exercisable, and will expire on the anniversary of the date of issuance. Units will not be issued or certificated. The common shares and the warrants that we are issuing are immediately separable and will be issued separately. Each unit will be sold at a price of $ per unit. We sometimes refer to the common shares issued hereunder or issuable hereunder upon exercise of the warrants, and the warrants to purchase common shares issued hereunder, collectively as the securities.

Our common shares are listed for trading on the Toronto Stock Exchange under the symbol “I” and on The NASDAQ Capital Market under the symbol “IPCI”. On July 25, 2013, the closing sale price of the common shares as reported by the Toronto Stock Exchange and The NASDAQ Capital Market was Cdn$ and $2.55, respectively. On July 25, 2013, the aggregate market value of our outstanding common shares held by non-affiliates was $34,549,496, based on our 19,721,936 outstanding common shares, of which 13,548,822 were held by non-affiliates, and a per share price of $2.55, the closing sale price of our common shares on July 25, 2013. In addition to the securities being offered in this offering, we have previously offered and sold $4,278,863 of securities during the prior twelve calendar month period that ends on, and includes, the date of this prospectus supplement, for purposes of the calculation pursuant to General Instruction I.B.5. of Form F-3. We do not intend to list the warrants on any national securities exchange or other trading market, and we do not expect that a public trading market will develop for any of the warrants.

Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading “Risk Factors” contained in this prospectus supplement beginning on page S-4, and under similar headings in the other documents that are incorporated by reference into this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us	$	$

(1) We have agreed to reimburse the representative of the underwriters for certain of its expenses as described under "Underwriting" on page S-21 of this prospectus supplement.

Delivery of the common shares and warrants will take place on or about July , 2013, subject to the satisfaction of certain conditions.

Sole Book-Running Manager

Maxim Group LLC

Co-Manager

Brean Capital, LLC

Prospectus supplement dated July , 2013.

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Prospectus

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS AND IN ANY FREE WRITING PROSPECTUS THAT WE HAVE AUTHORIZED FOR USE IN CONNECTION WITH THIS OFFERING. WE HAVE NOT, AND THE UNDERWRITERS HAVE NOT, AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. WE ARE NOT, AND THE UNDERWRITERS ARE NOT, MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS, THE DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, AND IN ANY FREE WRITING PROSPECTUS THAT WE HAVE AUTHORIZED FOR USE IN CONNECTION WITH THIS OFFERING, IS ACCURATE ONLY AS OF THE DATE OF THOSE RESPECTIVE DOCUMENTS. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THOSE DATES. YOU SHOULD READ THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS, THE DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, AND ANY FREE WRITING PROSPECTUS THAT WE HAVE AUTHORIZED FOR USE IN CONNECTION WITH THIS OFFERING, IN THEIR ENTIRETY BEFORE MAKING AN INVESTMENT DECISION. YOU SHOULD ALSO READ AND CONSIDER THE INFORMATION IN THE DOCUMENTS TO WHICH WE HAVE REFERRED YOU IN THE SECTION OF THIS PROSPECTUS SUPPLEMENT ENTITLED “INFORMATION INCORPORATED BY REFERENCE” AND “WHERE YOU CAN FIND ADDITIONAL INFORMATION” AND THE SECTIONS OF THE ACCOMPANYING PROSPECTUS ENTITLED “DOCUMENTS INCORPORATED BY REFERENCE” AND “AVAILABLE INFORMATION.” IN THIS PROSPECTUS SUPPLEMENT. THE “COMPANY,” “INTELLIPHARMACEUTICS,” “WE,” “US” AND “OUR” REFER TO INTELLIPHARMACEUTICS INTERNATIONAL INC. AND ITS SUBSIDIARIES.

About this Prospectus Supplement

This prospectus supplement and the accompanying prospectus form part of a registration statement on Form F-3 that we filed with the Securities and Exchange Commission, or SEC, using a “shelf” registration process. This document contains two parts. The first part consists of this prospectus supplement, which provides you with specific information about this offering. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer only to the “prospectus,” we are referring to both parts combined. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent that any statement we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any previously filed documents incorporated by reference herein or therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference herein and therein.

References to “$,” “U.S.$” or “dollars” are to U.S. dollars, and all references to “Cdn$” are to the lawful currency of Canada In this prospectus supplement, where applicable, and unless otherwise indicated, amounts are converted from U.S. dollars to Canadian dollars and vice versa by applying the noon spot rate of exchange of the Bank of Canada on July , 2013. See “Exchange Rate Information.” Except as otherwise indicated, our financial statements and other information are presented in U.S. dollars.

Any reference in this prospectus supplement to our “products” includes a reference to our product candidates and future products we may develop.

Trademarks

S Intellipharmaceutics™, Hypermatrix™, Drug Delivery Engine™, IntelliFoam™, IntelliGITransporter™, IntelliMatrix™, IntelliOsmotics™, IntelliPaste™, IntelliPellets™, IntelliShuttle™ and Rexista™ are our trademarks. These trademarks are important to our business. Although we may have omitted the "TM" trademark designation for such trademarks in this prospectus supplement, all rights to such trademarks are nevertheless reserved. Unless otherwise noted, other trademarks used in this prospectus supplement are the property of their respective holders. Do not delete – For numbering purposes

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement or incorporated by reference herein. This summary is not complete and may not contain all of the information that you should consider before deciding whether or not you should purchase the securities offered hereunder. You should read the entire prospectus supplement and accompanying prospectus carefully, including the section entitled "Risk Factors" beginning on page S-4 of this prospectus supplement and the section entitled "Risks Factors" in our annual report on Form 20-F for the fiscal year ended November 30, 2012, and all other information included or incorporated herein by reference in this prospectus supplement and the accompanying prospectus before you decide whether to purchase our securities.

Our Company

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, we have a pipeline of product candidates in various stages of development, including eight abbreviated new drug applications, or ANDAs, filed with the U.S. Food and Drug Administration, or FDA, seven of which are under review, in therapeutic areas that include neurology, cardiovascular, gastrointestinal tract, diabetes and pain. 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 development partner generally pays certain of the expenses of development, sometimes makes certain milestone payments to us and receives a share of revenues or profits if the drug is developed successfully to completion, the control of which is generally in the discretion of our drug development partner. At this time, there is one such product in multiple strengths being developed in cooperation with a development partner.

Our Hypermatrix™ technologies are applied to the development of both existing and new pharmaceuticals across a range of therapeutic classes. The competitive advantages of these technologies allow us to focus our development activities in two areas: difficult-to-develop controlled-release generic drugs, which follow an ANDA regulatory path; and improved current therapies through controlled release, which follow a New Drug Application, or NDA, 505(b)(2) regulatory path.

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 existing controlled-release (once-a-day) products whose active pharmaceutical ingredients, or 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 United States by their former employer/clients. The regulatory pathway for this approach requires ANDAs for the United States and corresponding pathways for other jurisdictions.

- 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 United States or corresponding pathways for other jurisdictions where applicable. The 505(b)(2) pathway (which relies in part upon the approving agency's findings for a previously approved drug) both accelerates development timelines and reduces costs in comparison to NDAs for new chemical entities.

- Some of our technologies are also focused on the development of abuse-deterrent 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.

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 beneficial.

Our Corporate Information

We were incorporated under the Canada Business Corporations Act 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 website address is http://www.intellipharmaceutics.com. Information on or accessed through our website is not incorporated into this prospectus supplement and is not a part of this prospectus supplement. Our common shares are listed for trading on the Toronto Stock Exchange, or TSX, under the symbol “I” and on The NASDAQ Capital Market, or NASDAQ, under the symbol “IPCI”.

The Offering

Securities we are offering:	units, each of which consists of one of our common shares, without par value, and one warrant to purchase of a common share at an exercise price per share of $. The warrants are immediately exercisable, and will expire on the anniversary of the date of issuance. This prospectus supplement also relates to the offering of the common shares issuable upon exercise of the warrants. See "The Securities We Are Offering" beginning on page S-12.
Public offering price:	$ per unit
Common shares outstanding before this offering:	19,721,936 shares
Common shares to be outstanding after this offering:	shares
Anti-Dilution:	The exercise price and the number of common shares to be purchased upon the exercise of the warrants are subject to adjustment upon the occurrence of specific events, including stock dividends, stock splits, combinations and reclassifications of our common shares.
Use of proceeds:	We currently intend to use the net proceeds from this offering for expenses related to bioequivalence studies and clinical trials for the advancement of product development, and for working capital, research and development and general corporate purposes.
Toronto Stock Exchange symbol:	I
The NASDAQ Capital Market symbol:	IPCI
Listing:	Our common shares are listed for trading on the Toronto Stock Exchange under the symbol "I" and on The NASDAQ Capital Market under the symbol "IPCI".
Lock-up agreements:	Our executive officers, directors and certain of our stockholders have agreed to a 90-day "lock-up" period from the date of this prospectus supplement with respect to the common shares that they own. In addition, we have agreed that, subject to certain exceptions, we will not, for a period of 30 trading days following the date of this prospectus supplement, issue securities at an effective price per common share less than the public offering price set forth on the cover page of this prospectus supplement, without the prior written consent of the representative of the underwriters.
Risk Factors:	Investing in our securities involves substantial risks. You should carefully review and consider the "Risk Factors" section of this prospectus supplement for a discussion of factors to consider before deciding to invest in our securities.

The number of common shares shown above to be outstanding after this offering is based on 19,721,936 shares outstanding as of July , 2013 does not include the common shares issuable upon the exercise of the warrants offered

hereby, and excludes, as of that date:

- an aggregate of 4,460,572 common shares issuable upon the exercise of outstanding options, with a weighted average exercise price of U.S.$3.97 per common share;

- up to 275,562 additional common shares that have been reserved for issuance in connection with future grants under our stock option plan;

- an aggregate of 2,409,750 common shares issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of U.S.$2.53 per common share;

- an aggregate of 38,011 deferred share units; and

- an aggregate of 500,000 common shares issuable upon the conversion of a convertible debenture held by Drs. Isa and Amina Odidi, principal stockholders, directors and executive officers of the Company.

RISK FACTORS

Our past experience may not be indicative of future performance, and as noted elsewhere in this prospectus supplement and in documents incorporated by reference into this prospectus supplement, we have included forward-looking statements about our business, plans and prospects that are subject to change. In addition to the other risks or uncertainties contained in this prospectus supplement and the accompanying prospectus and documents incorporated by reference into this prospectus supplement, the following risks may affect our operating results, financial condition and cash flows. If any of these risks occurs, either alone or in combination with other factors, our business, financial condition or operating results could be adversely affected. Moreover, readers should note this is not an exhaustive list of the risks we face. Some risks are unknown or not quantifiable, and other risks that we currently perceive as immaterial may ultimately prove more significant than expected. Statements about plans, predictions or expectations should not be construed to be assurances of performance or promises to take a given course of action.

The “Risk Factors” beginning on page 7 of the accompanying prospectus are incorporated by reference in this prospectus supplement.

Risks Relating to this Offering

Our management will have broad discretion in allocating the net proceeds of this offering, and may use the proceeds in ways with which you disagree.

Our management has significant flexibility in applying the net proceeds we expect to receive in this offering. Because the net proceeds are not required to be allocated to any specific product, investment or transaction, and therefore you cannot determine at this time the value or propriety of our application of those proceeds, you and other shareholders may not agree with our decisions. In addition, our use of the proceeds from this offering may not yield a significant return or any return at all for our shareholders. The failure by our management to apply these funds effectively could have a material adverse effect on our business, results of operations or financial condition. See “Use of Proceeds” for a further description of how management intends to apply the proceeds from this offering.

You will experience immediate dilution in the book value per share of the common shares you purchase.

Because the public offering price per unit is substantially higher than the book value per share of our common shares, you will suffer substantial dilution in the net tangible book value of the common shares included in the units you purchase in this offering. Based on the public offering price of $ per unit and attributing no value to the warrants, if you purchase units in this offering, you will suffer immediate and substantial dilution of approximately $ per share in the net tangible book value of the common shares you acquire. In the event that you exercise your warrants, you will experience additional dilution to the extent that the exercise price of those warrants is higher than the book value per share of our common shares. See “Dilution” below for a more detailed discussion of the dilution you will incur if you purchase securities in this offering.

There is no public market for the warrants being sold in this offering.

There is no established public trading market for the warrants being offered in this offering, and we do not expect a market to develop. We do not intend to apply for listing of any such warrants on any national securities exchange or other trading market. Without an active market, there will be no or limited liquidity for the warrants.

The warrants included in this offering may not have any value.

The warrants will be immediately exercisable, and will expire on the anniversary of the date of issuance. In the event the trading price of our common shares does not exceed the exercise price of the warrants during the period when the warrants are exercisable, the warrants may not have any value.

As a holder of warrants, you will have no rights as a common shareholder with respect to the shares underlying the warrants until you acquire our common shares.

Until you acquire our common shares upon exercise of your warrants, you will have no rights with respect to the common shares underlying those warrants. Upon exercise of your warrants, you will be entitled to exercise the rights of a common shareholder only as to matters for which the record date for actions to be taken by our common shareholders occurs after the date you exercise your warrants.

If we do not maintain an effective registration statement, U.S. holders of warrants may not be able to exercise their warrants.

For U.S. holders of warrants to be able to exercise warrants, the common shares underlying the warrants must either be covered by an effective and current registration statement or an applicable exemption from registration must be available. We cannot assure you that we will continue to maintain an effective and current registration statement relating to the common shares underlying the warrants or that an applicable exemption from registration will otherwise be available. The value of the warrants may be significantly reduced if U.S. holders are not able to so exercise their warrants.

If our common shares are not listed on a national securities exchange, U.S. holders of warrants may not be able to exercise their warrants without compliance with applicable state securities laws and the value of your warrants may be significantly reduced.

If our common shares are delisted from The NASDAQ Capital Market and are not eligible to be listed on another national securities exchange, the exercise of the warrants by U.S. holders may not be exempt from state securities laws. As a result, depending on the state of residence of a holder of the warrants, a U.S. holder may not be able to exercise its warrants unless we comply with any state securities law requirements necessary to permit such exercise or an exemption from such requirements applies. In the event that our common shares are delisted from The NASDAQ Capital Market and are not eligible to be listed on another securities exchange, your ability to exercise your warrants may be limited. The value of the warrants may be significantly reduced if U.S. holders are not able to exercise their warrants under applicable state securities laws.

If our common shares are not listed on a national securities exchange, compliance with applicable state securities laws may be required for subsequent reoffers, transfers and sales of the common shares and warrants offered hereby.

The common shares and the warrants are being offered pursuant to one or more exemptions from registration and qualification under applicable state securities laws. Because our common shares are listed on The NASDAQ Capital Market, we are not required to register or qualify in any state the subsequent reoffer, transfer or sale of the common shares or warrants. If our common shares are delisted from The NASDAQ Capital Market and are not eligible to be listed on another national securities exchange, subsequent transfers of our common shares and the warrants offered hereby by U.S. holders may not be exempt from state securities laws. In such event, it will be the responsibility of the holder of common shares or warrants to register or qualify the common shares or the warrants for any subsequent offer, transfer or sale in the United States or to determine that any such offer, transfer or sale is exempt under applicable state securities laws.

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.

Risks Relating to our Company

Our business is capital intensive and requires significant investment to conduct 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 research and development, clinical and regulatory activities necessary to bring our products to market and to establish commercial manufacturing, marketing and sales capabilities. As of November 30, 2012, our most recently completed fiscal year, our cash balance was $0.5 million. As of May 31, 2013, our cash balance was $1.6 million. Assuming we receive net proceeds of approximately $3 million from the sale of the common shares and warrants offered by this prospectus supplement, we currently expect to satisfy our operating cash requirements through the end of our current fiscal year from such proceeds and cash on hand. In order for us to continue operations at existing levels thereafter, we will require significant additional capital. Potential sources of any such capital may include collection of anticipated revenues resulting from future commercialization activities, development agreements or marketing license agreements, managing operating expense levels, equity and/or debt financings, and/or new strategic partnership agreements funding some or all costs of development, although there can be no assurance that we will be able to obtain any such capital on terms or in amounts sufficient to meet our needs or at all. The availability of equity or debt financing will be affected by, among other things, the results of our research and development, our ability to obtain regulatory approvals, the market acceptance of our products, the state of the capital markets generally, 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 additional capital over the next twelve months, there may be substantial doubt about our ability to continue as a going concern and realize our assets and pay our liabilities as they become due. Any failure on our part to 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 our not taking advantage of business opportunities, in the termination or delay of clinical trials 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 or NDAs at all or in time to competitively market our products or product candidates.

We have a history of operating losses, which may continue in the foreseeable future.

We have incurred net losses from inception through November 30, 2012 and had an accumulated deficit of $30.1 million as of such date and $33.2 million as of May 31, 2013, and have incurred additional losses since such date. As we engage in the development of products in our pipeline, we will continue to incur further losses. There can be no assurance that we will ever be able to achieve or sustain profitability or positive cash flow. Our ultimate success will depend on whether our drug formulations receive the approval of the FDA or other applicable regulatory agencies and we are able to successfully market approved products. We cannot be certain that we will be able to receive FDA approval for any of our drug formulations, or that we will reach the level of sales and revenues necessary to achieve and sustain profitability.

Approvals for our product candidates may be delayed or become more difficult to obtain if the FDA institutes changes to 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 Fee User Amendments of 2012 (“GDUFA”) was enacted into law. The GDUFA legislation implemented fees for new ANDAs, Drug Master Files, product and establishment fees and a one-time fee for back-logged ANDAs pending approval as of October 1, 2012. In return, the program is intended to provide faster and more predictable ANDA reviews by the FDA and increased inspections of drug facilities. For the FDA's fiscal year 2013, the user fee rates are $51,520 for new ANDAs, $25,760 for Prior Approval Supplements, and $17,434 for each ANDA already on file at the FDA. There is also an annual facility user fee of $190,389. 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 GDFUA may 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.

We operate in a highly litigious environment.

From time to time, we are subject to legal proceedings. As of the date of this prospectus supplement, we are not aware of any material litigation pending or threatened against us other than as described under “Legal Proceedings and Regulatory Actions” in our annual report on Form 20-F for the fiscal year ended November 30, 2012. 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.

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 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.

Brand-name pharmaceutical manufacturers routinely bring patent infringement litigation against ANDA applicants seeking FDA approval to manufacture and market generic forms of their branded products. We are routinely subject to patent litigation that can delay or prevent our commercialization of products, force us to incur substantial expense to defend, and expose us to substantial liability.

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. 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.

Our significant shareholders have the ability to exercise significant influence over certain corporate actions.

Our principal shareholders, Drs. Amina and Isa Odidi, our President and Chief Operating Officer and Chairman and our Chief Executive Officer, respectively, and Odidi Holdings Inc., a privately-held company controlled by Drs. Amina and Isa Odidi, owned in the aggregate approximately 30.5% of our issued and outstanding common shares as of the date of this prospectus supplement (and collectively beneficially owned in the aggregate approximately 37.5% of our common shares including common shares issuable upon the exercise of outstanding options and the conversion of the convertible debenture held by Drs. Amina and Isa Odidi that are exercisable or convertible within 60 days of the date hereof). As a result, the principal shareholders have the ability to exercise significant influence over all matters submitted to our shareholders for approval whether subject to approval by a majority of holders of our common shares or subject to a class vote or special resolution requiring the approval of 66 % of the votes cast by holders of our common shares, in person or by proxy.

A large number of our common shares could be sold in the market in the near future, which could depress our stock price.

As of the date of this prospectus supplement, we had approximately 19.7 million common shares outstanding. In addition, a substantial portion of our shares are currently freely trading without restriction under the Securities Act of 1933, as amended, or the Securities Act, having been registered for resale or held by their holders for over one year therefore are eligible for sale under Rule 144.

Our shareholders who received shares under the court approved plan of arrangement and merger (the "IPC Arrangement Agreement") that resulted in the October 22, 2009 combination of IPC Ltd. and Intellipharmaceutics Corp. with 7231971 Canada Inc., were not deemed "affiliates" of either Vasogen, IPC Ltd., or us prior to the IPC Arrangement Agreement and were able to resell the common shares that they received without restriction under the 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 the date of this prospectus supplement, there are currently common shares issuable upon the exercise of outstanding options and warrants and the conversion of the outstanding convertible debenture for an aggregate of approximately 7.4 million common shares. To the extent any of our options and warrants are exercised and the convertible debenture is 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included and incorporated by reference in this prospectus supplement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements expressed or implied regarding our plans, goals and milestones, status of developments or expenditures relating to our business, plans to fund our current activities, statements concerning our partnering activities, health regulatory submissions, strategy, future operations, future financial position, future sales, revenues and profitability, projected costs, and market penetration. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "potential," "continue," "intends," "could," or the negative of such terms or other comparable terminology. We made a numbe 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, on capital availability, the potential dilutive effects of any future financing, 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 timing and amount of any available investment tax credits, the actual or perceived benefits to users of our drug delivery technologies and product candidates as compared to others, our ability to establish and maintain valid and enforceable intellectual property rights in our drug delivery technologies and product candidates, the scope of protection provided by intellectual property for our drug delivery technologies and product candidates, the actual size of the potential markets for any of our product candidates compared to our market estimates, our selection and licensing of product candidates, our ability to attract distributors and collaborators with the ability to fund patent litigation and with acceptable 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 collaborators, 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, the timing and amount of insurance reimbursement for our products, the success and pricing of other competing therapies that may become available, our ability to retain and hire qualified employees, and the manufacturing capacity of third-party manufacturers that we may use for our products. Additional risks and uncertainties relating to the Company and our business can be found in the "Risk Factors" section of this prospectus supplement and the accompanying prospectus, as well as in our other public filings incorporated by reference herein. The forward-looking statements are made as of the date hereof, 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.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the units offered by this prospectus supplement will be approximately $, after deducting the underwriting discount and estimated offering expenses payable by us. We will receive additional proceeds from any cash exercise of the warrants offered by this prospectus supplement. We cannot provide any assurance as to the amount or timing of receipt of any such additional proceeds, and it is possible that these warrants may expire and never be exercised.

We currently intend to use the net proceeds from this offering for expenses related to bioequivalence studies and clinical trials for the advancement of product development, and for working capital, research and development and general corporate purposes. The amounts and timing of our use of proceeds will vary depending on a number of

factors, including the amount of cash generated or used by our operations, and the rate of growth, if any, of our business. As a result, we will retain broad discretion in the allocation of the net proceeds of this offering.

Pending the final application of the net proceeds of this offering, we intend to invest the net proceeds of this offering in short-term, interest bearing, investment-grade securities.

EXCHANGE RATE INFORMATION

The following table sets out the high and low rates of exchange for one U.S. dollar expressed in Canadian dollars in effect at the end of each of the following periods; the average rate of exchange for those periods; and the rate of exchange in effect at the end of each of those periods, each based on the noon spot rate published by the Bank of Canada.

	Six months ended June 30, 2013	Years ended December 31, 2012	2011	2010
High	Cdn$1.0532	Cdn$1.0418	Cdn$1.0604	Cdn$1.0778
Low	Cdn$0.9839	Cdn$0.9710	Cdn$0.9449	Cdn$0.9946
Average for the Period	Cdn$1.0519	Cdn$0.9996	Cdn$0.9891	Cdn$1.0299
End of Period	Cdn$1.0518	Cdn$0.9949	Cdn$1.0170	Cdn$0.9946

On July , 2013, the noon spot rate for Canadian dollars in terms of the United States dollar, as reported by the Bank of Canada, was U.S.$1.00=Cdn$ or Cdn$1.00=U.S.$.

DILUTION

Our net tangible book deficit as of May 31, 2013 was approximately $ million, or $ per common share. Net tangible book deficit per common share is determined by dividing our total tangible assets, less total liabilities, by the number of common shares outstanding as of May 31, 2013. Dilution in net tangible book value per common share represents the difference between the amount per share paid by purchasers of units in this offering and the net tangible book deficit per common share immediately after this offering.

After giving effect to the sale of units in this offering at the public offering price of $ per unit (but excluding the exercise of any warrants issued in this offering) and after deducting estimated underwriter fees and offering expenses payable by us and attributing no value to the warrants, our as-adjusted net tangible book value as of May 31, 2013 would have been approximately $ million, or $ per common share. This represents an immediate increase in net tangible book value of $ per common share to existing shareholders and immediate dilution in net tangible book value of $ per common share to new investors purchasing units in this offering. The following table illustrates this dilution on a per common share basis:

Public offering price per unit		$
Net tangible book deficit per common share as of May 31, 2013	$	
Increase per common share attributable to new investors	$	
As-adjusted net tangible book value per common share after this offering		$
Dilution per common share to new investors		$

The number of common shares to be outstanding after this offering is based on 19,721,936 common shares outstanding as of July , 2013 does not include the common shares issuable upon the exercise of the warrants offered hereby or an aggregate of 500,000 common shares issuable upon the conversion of a convertible debenture held by Drs. Isa and Amina Odidi, principal stockholders, directors and executive officers of the Company, and also excludes, as of that date:

- an aggregate of 4,460,572 common shares issuable upon the exercise of outstanding options, with a weighted average exercise price of U.S.$3.97 per common share;
- up to 275,562 additional common shares that have been reserved for issuance in connection with future grants under our stock option plan;
- an aggregate of 2,409,750 common shares issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of U.S.$ 2.45 per common share; and
- an aggregate of 38,011 deferred share units.

To the extent that outstanding options or warrants are exercised, investors purchasing units in this offering will experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our shareholders.

DESCRIPTION OF SHARE CAPITAL

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 July , 2013, there were 19,721,936 common shares and no preference shares issued and outstanding.

Common Shares

Each common share entitles the holder thereof to one vote at any meeting of our shareholders, except meetings at which only holders of a specified class of shares are entitled to vote. Common shares are entitled to receive, as and when declared by the board of directors, dividends in such amounts as shall be determined by the board of directors. The holders of common shares 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 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 our shareholders. 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 our assets among our shareholders for the purpose of winding up our affairs, on such shares over the common shares and over any other shares ranking junior to the preference shares.

Warrants

At July , 2013, an aggregate of 2,409,750 common shares were issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of U.S.$2.45 per common share.

Options

At July , 2013, an aggregate of 4,460,572 common shares were issuable upon the exercise of outstanding options, with a weighted average exercise price of U.S.$3.97 per common share. Up to 275,562 additional common shares are reserved for issuance under our stock option plan.

Convertible Debenture

On January 10, 2013, we completed a private placement financing of a debenture in the principal amount of $1.5 million, which will mature January 1, 2015. The 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 500,000 common shares at a conversion price of $3.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, our principal stockholders, directors and executive officers provided us with the $1.5 million of the proceeds for the debenture.

Deferred Share Units

At July , 2013, there were 38,011 deferred share units issued to one non-management director.

Registration Rights

The Company conducted a private placement issuance of common shares and warrants in February, 2011, which was exempt from registration under the Securities Act pursuant to Regulation D and Section 4(2) and/or Regulation S thereof and such other available exemptions. As such, the common shares, the warrants, and the common shares underlying the warrants may not be offered or sold in the United States unless they are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.

In connection with the private placement, we agreed to file a registration statement on Form F-3, or the Registration Statement within 40 days after the closing and use our best efforts to have it declared effective within 150 days after the closing to register (i) 100% of the common shares issued in the private placement; and (ii) 100% of the common shares underlying the investor warrants issued in the private placement, or the Registrable Securities.

The Registration Statement was declared effective as of March 30, 2011. If (i) the Registration Statement ceases to be continuously effective for more than twenty consecutive calendar days or more than an aggregate of thirty calendar

days during any consecutive 12-month period, or (ii) at a time in which the Registrable Securities cannot be sold under the Registration Statement, we shall fail for any reason to satisfy the current public information requirement under Rule 144 as to the applicable Registrable Securities, we shall pay to the investors, on a pro rata basis, partial liquidated damages of one percent (1%) of the aggregate purchase price paid by each investor on the occurrence of an event listed above and for each calendar month (pro rata for any period less than a calendar month) from an event, until cured.

The securities shall cease to be Registrable Securities for so long as (i) they have been sold (A) pursuant to a registration statement; or (B) in accordance with Rule 144 or any other rule of similar effect; or (ii) such securities become eligible for resale without volume or manner-of-sale restrictions, and when either we are compliant with any current public information requirements pursuant to Rule 144 or the current public information requirements no longer apply.

TRADING PRICE AND VOLUME

Our common shares are currently listed on the Toronto Stock Exchange, or TSX, and quoted for trading on The NASDAQ Capital Market, or NASDAQ, under the symbols “I” and “IPCI”, respectively. Our common shares began trading on October 22, 2009.

The following table sets forth the monthly trading history for the preceding 12 month period, the reported high, low and closing prices (in Canadian dollars) and total volume traded of our common shares on the TSX and reported high, low and closing prices (in U.S. dollars) and total volume of our common shares traded on NASDAQ.

	TSX (Cdn$ per share)				NASDAQ (U.S.$ per share)			
Date	High	Low	Close	Volume Traded	High	Low	Close	Volume Traded
Jul-12	$3.25	$2.72	$2.83	13,659	$3.30	$2.66	$2.79	421,725
Aug-12	$2.90	$2.49	$2.84	10,925	$3.00	$2.40	$2.98	421,065
Sep-12	$2.92	$2.69	$2.74	6,214	$3.02	$2.76	$2.92	243,806
Oct-12	$3.17	$2.72	$2.88	13,348	$3.16	$2.82	$3.02	421,338
Nov-12	$2.90	$1.81	$2.41	30,388	$3.00	$1.88	$2.42	600,632
Dec-12	$2.56	$2.06	$2.44	28,294	$2.59	$2.15	$2.50	350,445
Jan-13	$2.43	$2.11	$2.20	195,274	$2.56	$2.19	$2.29	625,535
Feb-13	$2.39	$1.77	$1.77	37,966	$2.35	$1.72	$1.79	592,099
Mar-13	$2.20	$1.70	$1.94	79,795	$2.16	$1.71	$1.80	682,843
Apr-13	$2.35	$1.60	$2.21	70,100	$2.20	$1.57	$2.16	774,147
May-13	$2.09	$1.77	$1.80	33,515	$2.23	$1.70	$1.74	399,948
Jun-13	$2.00	$1.55	$1.80	18,665	$1.86	$1.50	$1.70	296,922
Jul 1 to Jul 25-13	$3.84	$1.65	$2.65	147,446	$3.72	$1.56	$2.55	2,257,225

PRIOR SALES

During the 12 month period prior to the date of this prospectus supplement, we have issued common shares, and securities convertible into common shares, as follows:

In January 2013, we completed a private placement financing of a debenture in the principal amount of $1.5 million, which will mature January 1, 2015. The 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 500,000 common shares at a conversion price of U.S.$3.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, our principal stockholders, directors and executive officers provided us with the $1.5 million of the proceeds for the debenture.

In March 2013, we completed a registered direct unit offering for gross proceeds of $3,121,800. We sold an aggregate of 1,815,000 units at a price of $1.72 per unit. The units were comprised of an aggregate of 1,815,000 common shares and warrants to purchase an additional 453,750 common shares. The warrants are exercisable for a term of five years and have an exercise price of $2.10 per common share.

During the 12 month period prior to the date of this prospectus supplement, 391,000 options were granted and no options were exercised.

Also during the 12 month period prior to the date of this prospectus supplement, a total of 18,984 deferred share units were granted.

RELATED PARTY TRANSACTIONS

As at November 30, 2012 and May 31, 2013, we had an outstanding related party loan to Dr. Isa Odidi and Dr. Amina Odidi, principal stockholders, directors and executive officers of the Company, in the amount of approximately $0.8 million. Repayments of this related party loan are restricted under the terms of the loan such that the principal amount thereof shall be payable when payment is required solely out of (i) revenues earned by Intellipharmaceutics Corp., a wholly-owned subsidiary of the Company ("IPC Corp."), following the effective date of October 22, 2009 ("effective date"), and/or proceeds received by any Intellipharmaceutics company from any offering of its securities (other than the proceeds from the transactions completed in February 2011, March 2012 and March 2013) following the effective date and/or amounts received by IPC Corp. for scientific research tax credits received after the effective date for research expenses of IPC Corp. incurred before the effective date and (ii) up to C$800,000 of the Net Cash from the Vasogen transaction (as defined in the IPC Arrangement Agreement). During the year ended November 30, 2012, no related party loan principal repayment was made and interest payments of $39,173 (C$39,083) in respect of the promissory note were made by us in accordance with the IPC Arrangement Agreement. During the six months ended May 31, 2013 shareholder loan interest of $18,322 was paid in accordance with the terms of the IPC Arrangement Agreement.

In addition at January 10, 2013, we completed a private placement financing of a debenture in the principal amount of $1.5 million, which will mature January 1, 2015. The 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 500,000 common shares at a conversion price of $3.00 per common share at the option of the holder. Drs. Isa and Amina Odidi, our principal stockholders, directors and executive officers, provided us with the $1.5 million of the proceeds for the debenture.

Since the beginning of our preceding three financial years to the date hereof, other than discussed herein, there have been no transactions or proposed transactions which are material to us or to any of our associates, holders of 10% of our outstanding shares, director or officer or any transactions that are unusual in their nature or conditions to which we or any of our subsidiaries was a party.

TRANSFER AGENT AND REGISTRAR

Our Canadian transfer agent and registrar is CIBC Mellon Trust Company, P.O. Box 7010, Adelaide Street Postal Station, Toronto Ontario, Canada M5C 2W9. Our United States co-transfer agent and registrar is Bank of New York Mellon, 480 Washington Blvd., Jersey City, NJ 07310 U.S.A.

THE SECURITIES WE ARE OFFERING

We are offering units, each of which consists of one of our common shares and one warrant to purchase of a common share. The units will not be issued or certificated. The common shares and the warrants that we are issuing are immediately separable and will be issued separately.

Common Shares

The material terms and provisions of our common shares and each other class of our securities which qualifies or limits our common shares are described under the caption “Description of Share Capital” in this prospectus supplement.

Warrants

The following summary of certain terms and provisions of warrants that are being offered hereby is not complete and is subject to, and qualified in its entirety by the provisions of the warrant, the form of which will be filed as an exhibit to the registration statement of which this prospectus supplement is a part. Prospective investors should carefully review the terms and provisions of the form of warrant for a complete description of the terms and conditions of the warrants.

Duration and Exercise Price. The warrants offered hereby will entitle the holders thereof to purchase up to an aggregate of common shares at an initial exercise price per share of $, commencing from the date of issuance, and will expire on the anniversary of the date of issuance. The warrants will be issued separately from the common shares included in the units, and may be transferred separately immediately thereafter. Warrants will be issued in certificated form only. The exercise price is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our common shares and the exercise price and number of warrants held by a holder (or such holder’s direct or indirect transferee) are subject to appropriate adjustment in the event of cash dividends or other distributions to holders of our common shares.

Exercisability. The warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of common shares purchased upon such exercise. Only if the registration statement of which this prospectus forms a part, or other applicable registration statement, covering the issuance of the common shares issuable upon exercise of the warrants is not available for such

issuance, the holder may, subject to applicable securities laws, exercise the warrant in whole or in part on a cashless basis.

Transferability. Subject to applicable laws and any restrictions on transfer set forth in the warrant agreement, warrants may be transferred at the option of the holder upon surrender of the warrants to us together with the appropriate instruments of transfer.

Exchange Listing. There is no established public trading market for the warrants, and we do not expect a market to develop. We do not intend to apply to list the warrants on any securities exchange. Without an active market, the liquidity of the warrants will be limited. In addition, in the event our common share price does not exceed the per share exercise price of the warrants during the period when the warrants are exercisable, the warrants will not have any value.

Fundamental Transactions. At any time the warrants are outstanding, we may not consummate any fundamental transaction, as described in the warrants and generally including any consolidation or merger with another corporation, the consummation of a transaction whereby another entity acquires more than 50% of our outstanding common shares, or the sale of all or substantially all of our assets, or other transaction in which our common shares is converted into or exchanged for other securities or other consideration, or reclassification of our common shares, unless the successor entity assumes in writing all of our obligations under the warrants. If, at any time the warrants are outstanding, we consummate any fundamental transaction, the holder of any warrants will thereafter receive, upon exercise of the warrants, the securities or other consideration to which a holder of the number of common shares then deliverable upon the exercise or conversion of such warrants would have been entitled upon such fundamental transaction. In addition, in the event of a fundamental transaction, the holder of any warrants has the right, exercisable at any time within ninety (90) days after the consummation of the fundamental transaction, to require us or any successor entity to purchase the warrant for an amount of cash equal to the value of the warrant as determined in accordance with the Black-Scholes option pricing model.

Exercise Limitation. A holder may not exercise its warrants if, after giving effect to the exercise, the holder and certain related parties would beneficially own more than 4.99% of our common shares. A holder may increase or decrease that limitation up to a maximum of 9.99% of our common shares upon not less than 61 days' prior notice to us.

Right as a Shareholder. Except as otherwise provided in the warrants or by virtue of such holder's ownership of our common shares, the holders of the warrants do not have the rights or privileges of holders of our common shares, including any voting rights, until they exercise their warrants.

Waivers and Amendments. Subject to certain exceptions, any term of the warrants may be amended or waived with our written consent and the written consent of the holders of at least a majority of the then-outstanding warrants.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY YOU, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE CODE, (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares and warrants acquired pursuant to this document.

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of common shares or warrants acquired pursuant to this offering that is any of the following for U.S. federal income tax purposes:

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an individual who is a citizen or resident of the U.S. or someone treated as a U.S. citizen or resident for U.S. federal income tax purposes;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) was in existence on August 20, 1996 and has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of common shares or warrants that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences relevant to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of common shares or warrants.

This summary is for general information purposes only and does not purport to be a complete discussion of all of the potential U.S. federal income tax considerations that may be relevant to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares or warrants. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum tax, U.S. federal estate and gift tax, U.S. state and local tax, and foreign tax consequences relating to U.S. Holders regarding the acquisition, ownership and disposition of common shares or warrants. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal tax, U.S. federal alternative minimum tax, U.S. federal estate and gift tax, U.S. state and local tax, and foreign tax consequences to U.S. Holders relating to the acquisition, ownership, and disposition of common shares or warrants.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") or any other federal, state or local agency has been requested, or will be obtained, regarding any of the tax issues affecting the Company or its U.S. Holders. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

This summary is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated under the Code by the U.S. Treasury Department (whether final, temporary, or proposed, the "Treasury Regulations"), published rulings of the IRS, published administrative interpretations and official pronouncements by the IRS, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary also does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) U.S. Holders that are qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are broker-dealers, dealers, or traders in securities; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own common shares or warrants as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired common shares or warrants in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold common shares or warrants other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be residents or deemed to be residents in Canada for purposes of the Income Tax Act (Canada) (the "Tax Act"); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares or warrants in connection with carrying on a business in Canada; (d) persons whose common shares or warrants constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult

their own tax advisor regarding the U.S. federal income tax, U.S. federal alternative minimum tax, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of common shares or warrants.

If an entity or arrangement that is treated as a partnership (or other "pass-through" entity) for U.S. federal income tax purposes holds common shares or warrants, the U.S. federal income tax consequences to such beneficial owner generally will depend on the activities of the partnership and the status of such partner. This summary does not address the tax consequences to any such beneficial owner. A Holder of common shares or warrants that is a partnership and partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares or warrants.

THIS SUMMARY OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH HOLDER IS URGED TO CONSULT ITS TAX ADVISOR REGARDING THE APPLICATION OF UNITED STATES FEDERAL INCOME TAX LAWS WITH RESPECT TO ITS PARTICULAR SITUATION AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY FOREIGN, STATE OR LOCAL JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Allocation of Purchase Price and Characterization of a Unit

Because the components of a unit are immediately separable, the purchaser of a unit generally will be treated, for U.S. federal income tax purposes, as the owner of the underlying common share and warrant components of the unit. However, there is no authority addressing the treatment, for U.S. federal income tax purposes, of securities with terms substantially the same as the units, and, therefore, that treatment is not entirely clear. Each unit should be treated for U.S. federal income tax purposes as an investment unit consisting of one common share and one warrant to purchase one common share. For U.S. federal income tax purposes, each purchaser of a unit generally must allocate the purchase price of a unit between the common share and the warrant that comprise the unit based on the relative fair market value of each at the time of issuance. The price allocated to each common share and the warrant generally will be the holder's tax basis in such share or warrant, as the case may be.

The foregoing description of a holder's purchase price allocation is not binding on the IRS or the courts. Because there are no authorities that directly address instruments that are similar to the units, no assurance can be given that the IRS or the courts will agree with the characterization described above or the discussion below. Accordingly, each holder is advised to consult its own tax advisor regarding the risks associated with an investment in a unit (including alternative characterizations of a unit) and regarding an allocation of the purchase price between the common share and the warrant that comprise a unit. The balance of this discussion assumes that the characterization of the units described above is respected for U.S. federal income tax purposes.

Passive Foreign Investment Company Considerations

Special, generally unfavorable, U.S. federal income tax rules apply to the ownership and disposition of the stock or warrants of a passive foreign investment company ("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 election to treat the Company as a qualified electing fund (a "QEF Election") or by making a timely and effective mark-to-market election with respect to its common shares (a "Mark-to-Market Election").

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. 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 Intellipharmaceutics is a PFIC, U.S. Holders of common shares will be treated as holding stock of Intellipharmaceutics' 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.

Although the matter is not free from doubt, we believe that we were not a PFIC during our 2012 taxable year and may not be a PFIC during our 2013 taxable year. However, 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 and assets 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, there can be no assurance that the Company will not be considered a PFIC for any taxable year (including our 2013 taxable year). Absent one of the elections described below, if the Company is a PFIC for any taxable year during which a U.S. Holder holds the Company's common shares or warrants, the Company generally will continue to be treated as a PFIC subject to the regime described below with respect to such U.S. Holder, regardless of whether the Company ceases to meet the PFIC tests in one or more subsequent years. Unless otherwise provided by the IRS, a U.S. Holder of common shares is generally required to file an information return annually to report its ownership interest in the Company during any year in which the Company is 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 other taxable years will be subject to tax at the highest ordinary income tax rate 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 the 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 in the three preceding taxable years or, if shorter, 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 the dividends-received deduction otherwise available to U.S. corporations. Any amounts treated as dividends paid by a PFIC 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% rate for such income generally in effect 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 common 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") in a timely manner to treat Intellipharmaceutics as a QEF (a "QEF Election") would generally include in gross income (and be subject to current U.S. federal income tax on) its pro rata share of (a) Intellipharmaceutics' ordinary earnings, as ordinary income, and (b) Intellipharmaceutics' 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, subject to certain limitations. However, if deferred, the taxes will be subject to an interest charge.

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 relating to PFIC shares, 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 creates a deemed sale of such shares at their fair market value. 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 such 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 represents "earnings and profits" of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in his, her or its common shares to reflect the amount included in income (resulting in an increase in basis) or allowed as a tax-free distribution (resulting in a decrease in basis) because 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 our 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 our subsidiaries. Earnings of Intellipharmaceutics (or 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 in which he owns 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 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, at any time, a PFIC.

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 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. Any gain on a disposition of our common shares by an electing U.S. Holder would be treated as ordinary income. The electing U.S. Holder's basis in its common shares would be adjusted to reflect any of these income or loss amounts. 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 ceases to be treated 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 subsidiaries in the event that any of our subsidiaries were considered PFICs. Accordingly, if Intellipharmaceutics and any of our 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 its indirectly owned shares of subsidiary stock.

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 SHARES.

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

Distributions on Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share 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. 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 the "dividends received deduction". The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Possible Constructive Distributions

The terms of each warrant 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 the 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 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 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.

Sale or Other Taxable Disposition of Common Shares

Upon the sale 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 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%, 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 and prospective U.S. Holders should consult their tax advisors. The deductibility of losses may be subject to limitations.

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 amount of the 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 would equal the 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 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. In this case, 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 Passive 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, 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 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 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, 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.

Payments to Foreign Financial Institutions After 2013. The Hiring Incentives to Restore Employment Act of March 2010 (the "HIRE Act"), including the Foreign Account Tax Compliance Act (“FATCA”) provisions promulgated thereunder, generally provides that, beginning January 1, 2014, a 30% withholding tax may be imposed on payments of U.S. source income and proceeds from the sale of property that could give rise to U.S. source interest or dividends to certain non-U.S. entities unless such entities enter into an agreement with the IRS to disclose the name, address and taxpayer identification number of certain U.S. persons that own, directly or indirectly, interests in such entities, as well as certain other information relating to such interests. U.S. Holders are encouraged to consult with their own tax advisors regarding the possible implications and obligations of FATCA and the HIRE Act.

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, recently enacted legislation generally requires 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, etc. Certain domestic entities that are U.S. Holders may also be required to file Form 8938 in the near future. 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 the Company’s common shares or proceeds on the disposition of the Company’s 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 28% 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.

EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a statement of the estimated expenses, other than any underwriter fees, to be incurred in connection with the distribution of approximately $ of units under this prospectus supplement.

SEC registration and Canadian securities regulatory fees	$	(1)
NASDAQ and TSX listing expenses		
Printing expenses		
Legal fees and expenses		
Accountants' fees and expenses		
Underwriter expenses		
Miscellaneous		
Total	$	

(1) SEC registration and Canadian securities regulatory fees in the amount of approximately $24,000 were paid by us upon filing the registration statement of which this prospectus supplement forms a part, $4,000 was applied to the Company's registered direct common share offering of 1,818,182 common shares completed in March 2012, and $2,000 was applied to the Company's registered direct common share offering of units comprised of an aggregate of 1,815,000 common shares and warrants to purchase an additional 453,750 common shares completed in March 2013. The remaining amount of SEC registration and Canadian securities regulatory fees may be applied to additional offerings of securities by us up the maximum amount of securities registered under the registration statement.

UNDERWRITING

We have entered into an underwriting agreement, dated July [ ], 2013, with Maxim Group LLC acting as representative of the underwriters. The underwriting agreement provides for the purchase of a specific number of common shares and warrants to be issued in units by each of the underwriters. The underwriters' obligations are several, which means that each underwriter is required to purchase a specified number of common shares and warrants, but is not responsible for the commitment of any other underwriter to purchase common shares and warrants; however, if an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters in certain circumstances may be increased or the underwriting agreement may be terminated. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase the number of common shares and warrants set forth opposite its name below.

Underwriter	Number of Units
Maxim Group LLC	[ ]
Brean Capital, LLC	[ ]
Total	[ ]

The underwriters have agreed to purchase all of the securities offered by this prospectus supplement if any are purchased.

Delivery of the securities offered hereby will take place on or about July [ ], 2013 against payment in immediately available funds. The underwriters are offering the securities subject to various conditions and may reject all or part of any order. The representative has advised us that the underwriters propose to offer the securities directly to the public at the public offering price that appears on the cover page of this prospectus supplement. After the securities are released for sale to the public, the representative may change the offering price and other selling terms at various times.

The following table shows the per unit and total underwriting discount that we will pay to the underwriters and the proceeds we will receive before expenses.

	Per Unit	Total
Public offering price		
Underwriting discount		
Proceeds to us, before expenses		

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discount, will be approximately $, and are payable by us. In addition to the underwriting discount, we have agreed to reimburse the expenses of the representative of the underwriters for reasonable out-of-pocket expenses, including reasonable fees and disbursements of counsel, up to an amount equal to $50,000, subject to compliance with FINRA Rule 5110(f)(2)(D). In the event the engagement of Maxim Group terminates prior to the consummation of this offering, Maxim Group shall be entitled to reimbursement for actual out of pocket expenses in an amount not to exceed $40,000.

The securities are being offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the representative of the underwriters and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify this offer and to reject orders in whole or in part. The obligations of the underwriters may also be terminated upon the occurrence of the events specified in the underwriting agreement.

Determination of Offering Price. The offering price for the securities was determined by negotiations between us and the representative of the underwriters. The factors we considered in these negotiations included our compliance with Nasdaq Capital Market continued listing requirements, the funding required to continue the development of our drugs and to meet our operating costs, current market conditions and market valuations of other companies that we and the representative of the underwriters believed to be comparable to us.

Lock-ups. Pursuant to the underwriting agreement, we have agreed to not issue, enter into an agreement to issue or announce the issuance of (i) common shares or securities convertible or exercisable into common shares for a period of 30 trading days following the closing of the offering at an effective price per common share less than the public offering price set forth on the cover page of this prospectus supplement, (ii) convertible debt securities and underlying shares upon the conversion thereof to any officers (or affiliated entities) or directors of the Company and (iii) common shares or common share equivalents (or a combination thereof) involving certain variable rate transactions, without the prior written consent of the representative, subject to certain exceptions, including the following: (a) our issuance of common shares, options to acquire common shares or other derivative securities to our employees, officers or directors pursuant to our employee benefit plans, (b) our issuance of securities upon exercise or exchange of or conversion of any securities issued in this offering and/or other securities exercisable or exchangeable for or convertible into common shares issued and outstanding on the date of this prospectus supplement or that are granted after the date of this prospectus supplement under one of our employee benefit plans, and (c) our issuance of common shares or securities convertible or exercisable into common shares in connection with any acquisitions or strategic transactions (including without limitation commercial relationships, consulting agreements, licenses, partnerships, joint ventures, collaborations, mergers, acquisitions or other business combinations or otherwise), but do not include any such transaction in which we are issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

In addition, our directors, executive officers and certain of our stockholders have agreed to a 90-day lock-up from the date of the underwriting agreement with respect to our common shares (or other securities convertible into or exercisable or exchangeable for our common shares) that they beneficially own, subject to certain exceptions. This means that, for such 90-day period, such persons may not, without the prior written consent of the representative, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of our securities or any securities convertible into or exercisable or exchangeable for the shares owned or acquired on or prior to the closing date of this offering (including any common shares acquired after the closing date of this offering upon the conversion, exercise or exchange of such securities other than issuances of options to purchase common shares, pursuant to any stock option, stock bonus, or other stock plan or arrangement described in the prospectus or prospectus supplement, as applicable, forming part of this registration statement) (we collectively refer to such securities as the “Lock-Up Securities”); (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Lock-Up Securities, in cash or otherwise; (3) make any demand for or exercise any right with respect to the registration of any Lock-Up Securities; or (4) publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement relating to any Lock-Up Securities. Notwithstanding the foregoing, and subject to the conditions below, they may transfer Lock-Up Securities without the prior written consent of the representative of the underwriters in connection with (a) transactions relating to Lock-Up Securities acquired in this offering or in open market transactions after the completion of this offering; provided that no filing under Section 16(a) of the Exchange

Act, shall be required or shall be voluntarily made in connection with subsequent sales of Lock-Up Securities acquired in such open market transactions; (b) transfers of Lock-Up Securities as a bona fide gift, by will or intestacy or to a family member or trust for the benefit of a family member; (c) transfers of Lock-Up Securities to a charity or educational institution; or (d) if the director or executive officer or holder, directly or indirectly, controls a corporation, partnership, limited liability company or other business entity, any transfers of Lock-Up Securities to any shareholder, partner or member of, or owner of similar equity interests in such entity, as the case may be; provided that in the case of any transfer pursuant to the foregoing clauses (b), (c) or (d), (i) any such transfer shall not involve a disposition for value, (ii) each transferee shall sign and deliver to the representative of the underwriters a lock-up agreement substantially in the form of the lock-up agreement executed by the director or executive officer and (iii) no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made.

The applicable restricted period will be automatically extended if (i) during the last 17 days of the restricted period we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period, in either of which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Indemnity. We have agreed to indemnify the underwriters, persons who control the underwriters, and the underwriters' partners, directors, officers, employees and agents against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of these liabilities.

Stabilization. In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids. Stabilizing transactions permit bids to purchase common shares so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the common shares while this offering is in progress.

Over-allotment transactions involve sales by the underwriters of common shares in excess of the number of common shares the underwriter is obligated to purchase. This creates a syndicate short position, which may be either a covered short position or a naked short position. In a covered short position, the number of common shares over-allotted by the underwriters is not greater than the number of common shares that it may purchase in the over-allotment option. In a naked short position, the number of common shares involved is greater than the number of common shares in the over-allotment option. The underwriters may close out any short position by exercising the over-allotment option and/or purchasing common shares in the open market. In this offering, the underwriters do not have an over-allotment option.

Syndicate covering transactions involve purchases of common shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of common shares to close out the short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the over-allotment option. If the underwriter sells more common shares than could be covered by exercise of the over-allotment option and, therefore, has naked short position, the position can be closed out only by buying common shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that after pricing, there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in this offering.

Penalty bids permit the underwriter to reclaim a selling concession from a syndicate member when the common shares originally sold by that syndicate member is purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common shares or preventing or retarding a decline in the market price of our common shares. As a result, the price of our common shares in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common shares. These transactions may be effected on The Nasdaq Capital Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Our Relationship with the underwriters. From time to time, the underwriters and some of their affiliates have provided, and may continue to provide, investment banking services to us in the ordinary course of their businesses, and have received, and may continue to receive, compensation from us for such services.

LEGAL MATTERS

The legality of the securities offered hereby has been passed on for us by John Allport. Mr. Allport currently holds the positions of Vice-President, Legal Affairs and Licensing, Director of the Company and acting general counsel. Certain legal matters relating to the offering of securities hereunder will be passed upon on behalf of the Company by Gowling Lafleur Henderson LLP with respect to Canadian legal matters. Ellenoff Grossman & Schole LLP is acting

as counsel for the underwriters in connection with this offering.

EXPERTS

Our consolidated financial statements, appearing in our Annual Report on Form 20-F, which is incorporated by reference in this prospectus supplement, have been audited by Deloitte LLP, independent registered chartered accountants, as stated in their report, which is incorporated in this prospectus supplement by reference. Such financial statements and financial statement schedules are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file reports and other information with the securities commissions and similar regulatory authorities in each of the provinces and territories of Canada. These reports and information are available to the public free of charge on SEDAR at www.sedar.com.

We have filed with the SEC a registration statement on Form F-3 relating to the securities offered hereby. This prospectus supplement and the accompanying prospectus, which constitute a part of the registration statement, do not contain all of the information contained in the registration statement, certain items of which are contained in the exhibits to the registration statement as permitted by the rules and regulations of the SEC. Statements included in this prospectus supplement and the accompanying prospectus or incorporated herein by reference about the contents of any contract, agreement or other documents referred to are not necessarily complete, and in each instance investors should refer to the exhibits for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference. Copies of the documents incorporated herein by reference may be obtained on request, orally or in writing, without charge, from Shameze Rampertab, Chief Financial Officer, at 30 Worcester Road, Toronto, Ontario M9W 5X2, (416) 798-3001.

We are subject to the information requirements of the Exchange Act relating to foreign private issuers and applicable Canadian securities legislation and, in accordance therewith, file reports and other information with the SEC and with the securities regulatory authorities in Canada. As a foreign private issuer, we are exempt from the rules under the 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 Exchange Act. In addition, we are not required to publish financial statements as promptly as U.S. companies.

Investors may read any document that we have filed with the SEC at the SEC's public reference room in Washington, D.C. Investors may also obtain copies of those documents from the public reference room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 by paying a fee. Investors should call the SEC at 1-800-SEC-0330 or access its website at www.sec.gov for further information about the public reference rooms. Investors may read and download some of the documents we have filed with the SEC's Electronic Data Gathering and Retrieval system at www.sec.gov. Readers should rely only on information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide the reader with different information. We are not making an offer of the securities offered hereby in any jurisdiction where the offer is not permitted.

Readers should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement or the accompanying prospectus, as applicable, unless otherwise noted herein or as required by law. It should be assumed that the information appearing in this prospectus supplement and the accompanying prospectus and the documents incorporated herein or therein by reference are accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

INFORMATION INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus supplement and the accompanying prospectus from documents filed with securities commissions or similar authorities in each of the provinces and territories of Canada and filed with, or furnished to, the SEC. Copies of the documents incorporated herein by reference may be obtained on request without charge from our Chief Financial Officer at 30 Worcester Road, Toronto, Ontario, Canada, M9W 5X2, telephone (416) 798-3001. These documents are also available through the Internet on SEDAR, which can be accessed online at www.sedar.com, and on the SEC's Electronic Data Gathering and Retrieval System at www.sec.gov. The following documents, filed or furnished by us with the various securities commissions or similar authorities in the provinces and territories of Canada and the SEC, as applicable, are specifically incorporated by

reference into and form an integral part of this prospectus supplement and the accompanying prospectus:

(a) our annual report on Form 20-F for the fiscal year ended November 30, 2012, which was filed with the SEC on January 31, 2013, as amended by our Form 20-F/A (Amendment No.1) which was filed with the SEC on February 1,2013, including our audited consolidated balance sheets as at November 30, 2012 and 2011, and the consolidated statements of operations and comprehensive loss, shareholders' equity (deficiency), and cash flows for each of the years;

(b) our management proxy circular dated February 27, 2012 for the annual meeting of shareholders held on March 28, 2013, which was included as part of Exhibit 99.2 to our report on Form 6-K furnished to the SEC on March 8, 2013; and

(c) our reports on Form 6-K furnished to the SEC on March 14, 2013, April 4, 2013 (SEC Accession No. 0001171843-13-001243), April 4, 2013 (SEC Accession No. 0001171843-13-001254) (only the section entitled "Management Discussion and Analysis of Financial Condition And Results of Operations for the Three Months Ended February 28, 2013," which was included as Exhibit 99.1 to such report), July 3, 2013 (only the section entitled "Management Discussion and Analysis of Financial Condition And Results of Operations for the Three and Six Months Ended May 31, 2013," which was included as Exhibit 99.1 to such report) and July , 2013.

In addition, this prospectus supplement and the accompanying prospectus shall also be deemed to incorporate by reference all subsequent annual reports filed on Form 20-F, Form 40-F or Form 10-K, and all subsequent filings on Forms 10-Q and 8-K filed by us pursuant to the Exchange Act prior to the termination of the offering made by this prospectus supplement and the accompanying prospectus. We may incorporate by reference into this prospectus supplement and the accompanying prospectus any Form 6-K that is submitted to the SEC after the date of the filing of the registration statement of which this prospectus supplement and the accompanying prospectus form a part and before the date of termination of this offering. Any such Form 6-K that we intend to so incorporate shall state in such form that it is being incorporated by reference into the registration statement of which this prospectus supplement and the accompanying prospectus form a part. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to us and the readers should review all information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated or deemed to be incorporated herein or therein by reference.

Upon a new annual information form or annual report on Form 20-F and related annual consolidated financial statements being filed by us with the applicable securities regulatory authorities during the duration that this prospectus supplement and the accompanying prospectus is effective, the previous annual information form or annual report on Form 20-F, the previous annual consolidated financial statements and all interim consolidated financial statements, and in each case the accompanying management's discussion and analysis, information circulars (to the extent the disclosure is inconsistent) and material change reports filed prior to the commencement of the financial year of the Company in which the new annual information form or annual report on Form 20-F is filed shall be deemed no longer to be incorporated into this prospectus supplement and the accompanying prospectus for purposes of future offers and sales of securities under this prospectus supplement and the accompanying prospectus. Upon interim consolidated financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the duration that this prospectus supplement and the accompanying prospectus is effective, all interim consolidated financial statements and the accompanying management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated into this prospectus supplement and the accompanying prospectus for purposes of future offers and sales of securities under this prospectus supplement and the accompanying prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus supplement and the accompanying prospectus, to the extent that a statement contained herein, or therein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, or therein, modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this prospectus supplement or accompanying prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

SHORT FORM BASE SHELF PROSPECTUS

New Issue December 22, 2011

INTELLIPHARMACEUTICS INTERNATIONAL INC.

Common Shares
Preference Shares
Warrants
Subscription Receipts
Units
U.S.$30,000,000

Intellipharmaceutics International Inc. (the “Company”, “Intellipharmaceutics”, “we”, “us” or “our”) may offer and issue fr time to time common shares of the Company (“Common Shares”), preference shares of the Company (“Preference Shares”), warrants to purchase Common Shares or Preference Shares (“Warrants”), subscription receipts (“Subscription Receipts”) and/or units comprised of one or more of the foregoing (“Units” and together with the Common Shares, Preference Shares, Warrants and Subscription Receipts, the “Securities”) or any combination thereof for up to an aggregate initial offering price of U.S.$30,000,000 (or the equivalent thereof in other currencies) during the 25-month period that this short form base shelf prospectus (the “Prospectus”), including any amendments hereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement (a “Prospectus Supplement”).

The specific terms of the Securities with respect to a particular offering will be set out in the applicable Prospectus Supplement and may include, where applicable (i) in the case of Common Shares, the number of Common Shares offered, the offering price, whether the Common Shares are being offered for cash, and any other terms specific to the Common Shares being offered, (ii) in the case of Preference Shares, the number of Preference Shares offered, the designation of a particular class or series, if applicable, the offering price, whether the Preference Shares are being offered for cash, the dividend rate, if any, any terms for redemption or retraction, any conversion rights, and any other terms specific to the Preference Shares being offered, (iii) in the case of Warrants, the offering price, whether the Warrants are being offered for cash, the designation, the number and the terms of the Common Shares or Preference Shares purchasable upon exercise of the Warrants, any procedures that will result in the adjustment of these numbers, the exercise price, the dates and periods of exercise and any other terms specific to the Warrants being offered, (iv) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price, whether the Subscription Receipts are being offered for cash, the procedures for the exchange of the Subscription Receipts for Common Shares, Preference Shares or Warrants, as the case may be, and any other terms specific to the Subscription Receipts being offered and (v) in the case of Units, the number of Units offered, the offering price, and any other terms specific to the Units being offered. Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to the Securities will be included in the Prospectus Supplement describing the Securities.

All shelf information permitted under applicable law to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

This Prospectus constitutes a public offering of the Securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell the Securities in those jurisdictions. The Company may offer and sell Securities to, or through, underwriters or dealers and also may offer and sell certain Securities directly to other purchasers or through agents pursuant to exemptions from registration or qualification under applicable securities laws. A Prospectus Supplement relating to each issue of Securities offered thereby will set forth the names of any underwriters, dealers, or agents involved in the offering and sale of the Securities and will set forth the terms of the offering of the Securities, the method of distribution of the Securities including, to the extent applicable, the proceeds to the Company and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution.

The outstanding Common Shares are listed on the Toronto Stock Exchange (the "TSX") and quoted for trading on The NASDAQ Capital Market under the symbols "I" and "IPCI", respectively. Unless otherwise specified in the applicable Prospectus Supplement, no Securities, other than Common Shares, will be listed on any securities exchange.

The aggregate market value of our outstanding Common Shares held by non-affiliates is U.S.$28,652,529 based on 15,908,444 shares outstanding as of December 21, 2011, of which 9,745,758 shares are held by non-affiliates, at a per share price of U.S.$2.94 based on the closing sale price of our Common Shares on December 21, 2011. In addition, as of the date hereof, we have not offered any securities pursuant to General Instruction I.B.5 of Form F-3 during the prior 12 calendar month period that ends on and includes the date of this Prospectus.

The Company's registered office and head office is located at 30 Worcester Road, Toronto, Ontario, Canada, M9W 5X2.

We are a foreign private issuer under United States ("U.S.") securities laws. The financial statements incorporated herein by reference have