NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND
Form N-Q
January 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-09161

Nuveen California Dividend Advantage Municipal Fund
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Vice President and Secretary
333 West Wacker Drive, Chicago, Illinois 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: 312-917-7700

Date of fiscal year end: 2/28

Date of reporting period: 11/30/14

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)

Nuveen California Dividend Advantage Municipal Fund (NAC)
November 30, 2014

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	LONG-TERM INVESTMENTS – 144.9% (99.2% of Total Investments)			
	MUNICIPAL BONDS – 144.9% (99.2% of Total Investments)			
	Consumer Staples – 6.3% (4.3% of Total Investments)			
$ 3,760	California County Tobacco Securitization Agency, Tobacco Settlement Asset-Backed Bonds, Alameda County Tobacco Asset Securitization Corporation, Series 2002, 5.750%, 6/01/29	No Opt. Call	Baa1	$ 3,759,774
	California County Tobacco Securitization Agency, Tobacco Settlement Asset-Backed Bonds, Los Angeles County Securitization Corporation, Series 2006A:			
11,840	5.600%, 6/01/36	12/18 at 100.00	B+	10,311,338
13,060	5.650%, 6/01/41	12/18 at 100.00	B+	11,088,462
	California County Tobacco Securitization Agency, Tobacco Settlement Asset-Backed Bonds, Sonoma County Tobacco Securitization Corporation, Series 2005:			
2,125	4.250%, 6/01/21	6/15 at 100.00	BB+	2,053,069
3,500	5.250%, 6/01/45	6/15 at 100.00	B–	2,832,060
4,770	California County Tobacco Securitization Agency, Tobacco Settlement Asset-Backed Bonds, Stanislaus County Tobacco Funding Corporation, Series 2002A, 5.500%, 6/01/33	No Opt. Call	Baa1	4,716,528
5,495	California Statewide Financing Authority, Tobacco Settlement Asset-Backed Bonds, Pooled Tobacco Securitization Program, Series 2002A, 5.625%, 5/01/29	No Opt. Call	BBB	5,494,451
	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2007A-1:			
27,450	5.750%, 6/01/47	6/17 at 100.00	B	23,163,133

		6/17 at		
5,075	5.125%, 6/01/47	100.00	B	3,897,448
	Golden State Tobacco Securitization Corporation, California, Tobacco	6/22 at		
39,515	Settlement Asset-Backed	100.00	B	31,775,591
	Bonds, Series 2007A-2, 5.300%, 6/01/37			
	Tobacco Securitization Authority of Northern California, Tobacco Settlement Asset-Backed			
	Bonds, Series 2005A-1:			
		6/15 at		
8,500	5.375%, 6/01/38	100.00	B–	7,045,395
		6/15 at		
1,250	5.500%, 6/01/45	100.00	B–	985,400
126,340	Total Consumer Staples			107,122,649
	Education and Civic Organizations – 5.0% (3.4% of Total Investments)			
	ABAG Finance Authority for Non-Profit Corporations, California, Revenue	7/22 at		
2,225	Bonds, The Jackson	100.00	A1	2,409,497
	Laboratory, Series 2012, 5.000%, 7/01/37			
	California Educational Facilities Authority, Revenue Bonds, Dominican	12/16 at		
3,000	University, Series 2006,	100.00	Baa3	3,076,560
	5.000%, 12/01/36			
	California Educational Facilities Authority, Revenue Bonds, Occidental	10/15 at		
2,000	College, Series 2005A,	100.00	Aa3	2,073,720
	5.000%, 10/01/27 – NPFG Insured			
	California Educational Facilities Authority, Revenue Bonds, Santa Clara	2/20 at		
4,075	University, Series	100.00	Aa3	4,529,485
	2010, 5.000%, 2/01/40			
	California Educational Facilities Authority, Revenue Bonds, University of	10/15 at		
1,290	Redlands, Series	100.00	A3	1,307,415
	2005A, 5.000%, 10/01/35			
	California Educational Facilities Authority, Revenue Bonds, University of San	10/21 at		
2,165	Francisco,	100.00	A2	2,638,139
	Series 2011, 6.125%, 10/01/36			
	California Educational Facilities Authority, Revenue Bonds, University of	10/17 at		
10,000	Southern California,	100.00	Aa1	10,778,400
	Series 2007A, 4.500%, 10/01/33 (UB)			
	California Educational Facilities Authority, Revenue Bonds, University of	10/18 at		
2,470	Southern California,	100.00	Aa1	3,612,918
	Tender Option Bond Trust 09-11B, 17.991%, 10/01/38 (IF) (4)			
	California Educational Facilities Authority, Revenue Bonds, University of the Pacific, Series 2006:			
		11/15 at		
895	5.000%, 11/01/21	100.00	A2	931,212
		11/15 at		
3,950	5.000%, 11/01/30	100.00	A2	4,084,695
	California Infrastructure and Economic Development Bond Bank, Revenue	7/15 at		
2,740	Bonds, Scripps Research	100.00	Aa3	2,815,569
	Institute, Series 2005A, 5.000%, 7/01/24			
	California Municipal Finance Authority, Charter School Revenue Bonds,	6/22 at		
3,980	Rocketship Education –	102.00	N/R	4,415,054
	Multiple Projects, Series 2014A , 7.250%, 6/01/43			
1,000			Baa1	1,085,830

	California Municipal Finance Authority, Revenue Bonds, Biola University, Series 2013, 5.000%, 10/01/38	10/23 at 100.00		
2,500	California Municipal Finance Authority, Revenue Bonds, University of La Verne, Series 2010A, 6.250%, 6/01/40	6/20 at 100.00	Baa1	2,910,850
6,000	California State Public Works Board, Lease Revenue Bonds, California State University Projects, Series 1997C, 5.400%, 10/01/22	4/15 at 100.00	Aa3	6,025,200
4,000	California State Public Works Board, Lease Revenue Refunding Bonds, Community Colleges Projects, Series 1996B, 5.625%, 3/01/19 – AMBAC Insured	3/15 at 100.00	A1	4,071,960
2,750	California Statewide Communities Development Authority, Revenue Bonds, Buck Institute for Research on Aging, Series 2014, 5.000%, 11/15/44 – AGM Insured	11/24 at 100.00	AA	3,044,415
4,300	California Statewide Communities Development Authority, School Facility Revenue Bonds, Alliance College-Ready Public Schools, Series 2011A, 7.000%, 7/01/46	7/21 at 100.00	BBB–	4,932,487
1,815	California Statewide Communities Development Authority, Charter School Revenue Bonds, Rocketship 4 – Mosaic Elementary Charter School, Series 2011A, 8.500%, 12/01/41	12/21 at 100.00	N/R	2,124,675
9,000	San Diego County, California, Certificates of Participation, Burnham Institute, Series 2006, 5.000%, 9/01/34	9/15 at 102.00	Baa1	9,255,780
7,590	University of California, General Revenue Bonds, Series 2013AI, 5.000%, 5/15/38	5/23 at 100.00	AA	8,641,139
77,745	Total Education and Civic Organizations			84,765,000
	Health Care – 31.1% (21.3% of Total Investments)			
2,270	ABAG Finance Authority for Nonprofit Corporations, California, Revenue Bonds, Sharp HealthCare, Series 2014A, 5.000%, 8/01/43	8/23 at 100.00	AA–	2,540,788
3,000	Antelope Valley Healthcare District, California, Revenue Bonds, Series 2011A, 7.250%, 3/01/36	3/21 at 100.00	Ba2	3,387,780
1,500	California Health Facilities Financing Authority, Revenue Bonds, Cedars-Sinai Medical Center, Series 2009, 5.000%, 8/15/39	8/19 at 100.00	A1	1,652,040
16,405	California Health Facilities Financing Authority, Revenue Bonds, Children's Hospital Los Angeles, Series 2010A, 5.250%, 7/01/38 – AGC Insured	7/20 at 100.00	AA	18,385,904
5,100	California Health Facilities Financing Authority, Revenue Bonds, Lucile Salter Packard Children's Hospital, Series 2014A, 5.000%, 8/15/43	8/24 at 100.00	AA	5,754,228
1,250	California Health Facilities Financing Authority, Revenue Bonds, Memorial Health Services, Series 2012A, 5.000%, 10/01/33	No Opt. Call	AA–	1,396,175
3,135	California Health Facilities Financing Authority, Revenue Bonds, Providence Health & Services, Series 2014A, 5.000%, 10/01/38	10/24 at 100.00	AA	3,575,373
6,200	California Health Facilities Financing Authority, Revenue Bonds, Providence Health & Services,	10/24 at 100.00	AA	7,037,434

	Series 2014B, 5.000%, 10/01/44			
6,420	California Health Facilities Financing Authority, Revenue Bonds, Rady Children's Hospital – San Diego, Series 2011, 5.250%, 8/15/41	8/21 at 100.00	AA–	7,242,274
3,000	California Health Facilities Financing Authority, Revenue Bonds, Saint Joseph Health System, Series 2009A, 5.750%, 7/01/39	7/19 at 100.00	AA–	3,483,330
7,250	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, Series 2007A, 5.250%, 11/15/46	11/16 at 100.00	AA–	7,782,948
49,980	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, Series 2007A, 5.250%, 11/15/46 (UB)	11/16 at 100.00	AA–	53,654,030
	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, Series 2011B:			
2,470	6.000%, 8/15/42	8/20 at 100.00	AA–	2,977,906
6,530	6.000%, 8/15/42 (UB)	8/20 at 100.00	AA–	7,872,764
3,795	California Municipal Finance Authority, Revenue Bonds, Eisenhower Medical Center, Series 2010A, 5.750%, 7/01/40	7/20 at 100.00	Baa2	4,208,845
	California Municipal Financing Authority, Certificates of Participation, Community Hospitals of Central California, Series 2007:			
7,150	5.250%, 2/01/27	2/17 at 100.00	Baa1	7,559,552
7,415	5.250%, 2/01/46	2/17 at 100.00	Baa1	7,704,556
20,320	California Statewide Communities Development Authority, Revenue Bonds, Adventist Health System West, Series 2005A, 5.000%, 3/01/35	3/15 at 100.00	A	20,424,648
1,335	California Statewide Communities Development Authority, Revenue Bonds, Huntington Memorial Hospital, Refunding Series 2014B, 5.000%, 7/01/44 (WI/DD, Settling 12/04/14)	7/24 at 100.00	A	1,475,148
21,090	California Statewide Communities Development Authority, Revenue Bonds, Kaiser Permanente, Series 2012A, 5.000%, 4/01/42	4/22 at 100.00	A+	23,268,808
7,190	California Statewide Communities Development Authority, Revenue Bonds, Saint Joseph Health System, Trust 2554, 18.324%, 7/01/47 – AGM Insured (IF)	7/18 at 100.00	AA	9,238,220
23,125	California Statewide Communities Development Authority, Revenue Bonds, Sutter Health, Series 2011A, 6.000%, 8/15/42	8/20 at 100.00	AA–	27,880,194
11,360	California Statewide Communities Development Authority, Revenue Bonds, ValleyCare Health System, Series 2007A, 5.125%, 7/15/31	7/17 at 100.00	N/R	11,689,894
1,440	California Statewide Community Development Authority, Revenue Bonds, Children's Hospital of Los Angeles, Series 2007, 5.000%, 8/15/47	8/17 at 100.00	BBB+	1,481,458

	California Statewide Community Development Authority, Revenue Bonds, Daughters of Charity Health System, Series 2005A:			
14,275	5.250%, 7/01/24	7/15 at 100.00	B–	14,280,853
7,405	5.250%, 7/01/30	7/15 at 100.00	B–	7,406,333
150	5.250%, 7/01/35	7/15 at 100.00	B–	150,027
10,000	5.000%, 7/01/39	7/15 at 100.00	B–	9,985,500
15,030	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2001C, 5.250%, 8/01/31	8/16 at 100.00	A+	15,959,756
	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2006:			
24,220	5.000%, 3/01/41	3/16 at 100.00	A+	24,959,921
2,355	5.250%, 3/01/45	3/16 at 100.00	A+	2,434,199
9,980	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2006, 5.000%, 3/01/41 – BHAC Insured (UB)	3/16 at 100.00	AA+	10,429,799
2,010	California Statewide Community Development Authority, Revenue Bonds, Methodist Hospital Project, Series 2009, 6.750%, 2/01/38	8/19 at 100.00	Aa2	2,422,553
3,385	California Statewide Community Development Authority, Revenue Bonds, Sherman Oaks Health System, Series 1998A, 5.000%, 8/01/22 – AMBAC Insured	No Opt. Call	Aa3	3,903,040
	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Series 2005A:			
3,355	5.000%, 11/15/43	11/15 at 100.00	AA–	3,412,639
4,045	5.000%, 11/15/43 (UB) (4)	11/15 at 100.00	AA–	4,114,493
	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Series 2007C:			
200	5.000%, 8/15/38 – AMBAC Insured	8/17 at 100.00	AA–	212,736
17,470	5.000%, 8/15/38 – AMBAC Insured (UB) (4)	8/17 at 100.00	AA–	18,582,490
5,000	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Series 2008B, 5.250%, 11/15/48	5/18 at 100.00	AA–	5,380,000
4,565	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Tender Option Bond Trust 3102, 19.139%, 11/15/46 (IF) (4)	11/16 at 100.00	AA–	5,906,790

	Loma Linda, California, Hospital Revenue Bonds, Loma Linda University Medical Center, Series 2005A:			
3,000	5.000%, 12/01/22	12/15 at 100.00	BBB	3,028,740
6,000	5.000%, 12/01/23	12/15 at 100.00	BBB	6,049,140
13,670	Loma Linda, California, Hospital Revenue Bonds, Loma Linda University Medical Center, Series 2008A, 8.250%, 12/01/38	12/17 at 100.00	BBB	15,762,330
	Madera County, California, Certificates of Participation, Children's Hospital Central California, Series 2010:			
1,195	5.500%, 3/15/36	3/15 at 100.00	A+	1,210,416
8,615	5.375%, 3/15/36	3/20 at 100.00	A+	9,683,863
6,200	Madera County, California, Certificates of Participation, Valley Children's Hospital Project, Series 1995, 5.750%, 3/15/28 – NPFG Insured	3/15 at 100.00	AA–	6,216,740
11,400	Marysville, California, Revenue Bonds, The Fremont-Rideout Health Group, Series 2011, 5.250%, 1/01/42	1/21 at 100.00	A	12,252,492
740	Oak Valley Hospital District, Stanislaus County, California, Revenue Bonds, Series 2010A, 6.500%, 11/01/29	11/20 at 100.00	BB	777,710
	Palomar Pomerado Health Care District, California, Certificates of Participation, Series 2009:			
10,500	6.625%, 11/01/29	11/19 at 100.00	Ba1	11,519,025
6,885	6.750%, 11/01/39	11/19 at 100.00	Ba1	7,447,298
27,035	Palomar Pomerado Health Care District, California, Certificates of Participation, Series 2010, 6.000%, 11/01/41	11/20 at 100.00	Ba1	28,236,434
17,225	Rancho Mirage Joint Powers Financing Authority, California, Revenue Bonds, Eisenhower Medical Center, Series 2007A, 5.000%, 7/01/38	7/17 at 100.00	Baa2	17,734,343
11,750	San Buenaventura, California, Revenue Bonds, Community Memorial Health System, Series 2011, 7.500%, 12/01/41	12/21 at 100.00	BB	14,122,443
5,500	Santa Clara County Financing Authority, California, Insured Revenue Bonds, El Camino Hospital, Series 2007A, 5.750%, 2/01/41 – AMBAC Insured	8/17 at 100.00	A+	5,901,170
2,600	The Regents of the University of California, Medical Center Pooled Revenue Bonds, Series 2009E, 5.000%, 5/15/38	5/17 at 101.00	AA–	2,743,234
10,700	Upland, California, Certificates of Participation, San Antonio Community Hospital, Series 2011, 6.500%, 1/01/41	1/21 at 100.00	A–	12,575,172
485,190	Total Health Care			526,475,976

	Housing/Multifamily – 1.7% (1.2% of Total Investments)			
9,065	California Municipal Finance Authority, Mobile Home Park Revenue Bonds, Caritas Projects Series 2010A, 6.400%, 8/15/45	8/20 at 100.00	BBB	10,187,972

"Comprehensive tax reform" remains a topic of discussion in the United States Congress. Such legislation could significantly alter the existing Internal Revenue Code of 1986, as amended, or the Code. We cannot predict whether, when, or to what extent U.S. federal tax laws, regulations, interpretations, or rulings will be issued, nor is the long-term impact of proposed comprehensive tax reforms known at this time. We could be adversely affected by changes as a result of comprehensive tax reform. In particular, under a recently released draft outline of comprehensive tax reform, the U.S. is considering changing the method by which foreign income is taxed as well as changing the rates of U.S. federal income tax. If passed, these changes to the Code may impact current law and regulations regarding passive foreign investment companies and the impact on our shareholders may be substantial.

Risks related to our Industry

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

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

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

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

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

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

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

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

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

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

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

Some abbreviated application procedures for controlled-release drugs and other products, including those related to our ANDA filings, or to the ANDA filings of unrelated third parties in respect of drugs similar to or chemically related to those of our ANDA filings, are or may become the subject of petitions filed by brand-name drug manufacturers or other ANDA filers seeking changes from the FDA in the interpretation of the statutory approval requirements for particular drugs as part of their strategy to thwart or advance generic competition. We cannot predict whether the FDA will make any changes to its interpretation of

the requirements applicable to our ANDA applications as a result of these petitions, or whether unforeseen delays will occur in our ANDA filings while the FDA considers such petitions or changes or otherwise, or the effect that any changes may have on us. Any such changes in FDA interpretation of the statutes or regulations, or any legislated changes in the statutes or regulations, may make it more difficult for us to file ANDAs or obtain further approval of our ANDAs and generate revenues and thus may materially harm our business and financial results.

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

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

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

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

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

There is also increasing legislative attention to opioid abuse in the U.S., including passage of the 2016 Comprehensive Addiction and Recovery Act and the 21st Century Cures Act, which, among other things, strengthens state prescription drug monitoring programs and expands educational efforts for

certain populations. These laws could result in fewer prescriptions being written for opioid drugs, which could impact future sales of our Rexista and related opioid product candidates.

We expect that the new presidential administration and U.S. Congress will seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the Affordable Care Act. Since taking office, President Trump has continued to support the repeal of all or portions of the Affordable Care Act and the House and Senate have recently taken certain action in furtherance of this goal.

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

Our ability to market and promote our Rexista™ product candidate (abuse-deterrent oxycodone hydrochloride extended release tablets) and its abuse-deterrent features will be determined by FDA-approved labeling requirements.

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

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

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

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

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

While we currently have, and in some cases are contractually obligated to maintain, insurance for our business, property and our products as they are administered in bioavailability/bioequivalence studies, first and third party insurance is increasingly costly and narrow in scope. Therefore, we may be unable to meet such contractual obligations or we may be required to assume more risk in the future. If we are subject to third party claims or suffer a loss or damage in excess of our insurance coverage, we may be required to bear that

risk in excess of our insurance limits. Furthermore, any first or third party claims made on our insurance policy may impact our ability to obtain or maintain insurance coverage at reasonable costs or at all in the future.

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

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

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

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

varying regulatory restrictions on sales of our products to certain markets and unexpected changes in regulatory requirements;

tariffs, customs, duties, and other trade barriers;

difficulties in managing foreign operations and foreign distribution partners;

longer payment cycles and problems in collecting accounts receivable;

political risks;

foreign exchange controls that may restrict or prohibit repatriation of funds;

export and import restrictions or prohibitions, and delays from customs brokers or government agencies;

seasonal reductions in business activity in certain parts of the world; and

potentially adverse tax consequences.

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

Risks related to our common shares

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

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

sales of our common shares, including any sales made in connection with future financings;

announcements regarding new or existing corporate relationships or arrangements;

announcements by us of significant acquisitions, joint ventures, or capital commitments;

actual or anticipated period-to-period fluctuations in financial results;

clinical and regulatory development regarding our product candidates;

litigation or threat of litigation;

failure to achieve, or changes in, financial estimates by securities analysts;

comments or opinions by securities analysts or members of the medical community;

announcements regarding new or existing products or services or technological innovations by us or our competitors;

conditions or trends in the pharmaceutical and biotechnology industries;

additions or departures of key personnel or directors;

economic and other external factors or disasters or crises;

limited daily trading volume; and

developments regarding our patents or other intellectual property or that of our competitors.

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

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 July 7, 2017, we had approximately 30,572,912 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 U.S. Securities Act, having been registered for resale or held by their holders for over one year and are eligible for sale under Rule 144. In addition, in November 2013, we established our at-the-market equity program pursuant to which we originally could, from time to time, sell up to 5,305,484 of our common shares for up to an aggregate of $16.8 million (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations). As of July 7, 2017 we have issued and sold 4,255,111 common shares with an aggregate offering price of $12,837,173 under the at-the-market program. As a result of prior sales of our common shares under the equity distribution agreement, we may in the future offer and sell our common shares with an aggregate purchase price of up to $3,962,827 pursuant to the at-the-market program (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations, such amount we currently can offer and sell being limited to approximately $2.5 million). The registration statement of which this prospectus forms a part, or this Replacement Shelf Registration Statement, was filed to replace the Shelf Registration Statement (as defined below). This Replacement Shelf Registration Statement is intended, upon it being declared effective by the SEC, to provide us with additional flexibility to continue to access the capital markets, including through the sale of additional common shares under our at-the-market equity program, if

we seek to do so.

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

As of July 7, 2017, there are currently common shares issuable upon the exercise of outstanding options and warrants and the conversion of an outstanding convertible debenture for an aggregate of approximately 7,828,102 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.

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

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

There may not be an active, liquid market for our common shares.

There is no guarantee that an active trading market for our common shares will be maintained on the NASDAQ Capital Market, or NASDAQ, or the Toronto Stock Exchange, or TSX. Investors may not be able to sell their shares quickly or at the latest market price if trading in our common shares is not active.

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

We may need to issue substantial amounts of common shares in the future. In this regard, in November 2013, we entered into an at-the-market program pursuant to which we originally could, from time to time, sell up to 5,305,484 of our common shares for up to an aggregate of $16.8 million (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations) of our common shares on NASDAQ or otherwise. As of July 7, 2017, we have issued and sold 4,255,111 common shares with an aggregate offering price of $12,837,173 under the at-the-market program. There can be no assurance that any additional shares will be sold under our at-the-market program. To the extent that the market price of our common shares declines, we will need to issue an increasing number of common shares per dollar of equity investment. In addition to our common shares issuable in connection with the exercise of our outstanding warrants, our employees, and directors will hold rights to acquire substantial amounts of our common shares. In order to obtain future financing if required, it is likely that we will issue additional common shares or financial instruments that are exchangeable for or convertible into common shares. Also, in order to provide incentives to employees and induce prospective employees and consultants to work for us, we may offer and issue options to purchase common shares and/or rights exchangeable for or convertible into common shares. Future issuances of shares could result in substantial dilution to shareholders. Capital raising activities, if available, and dilution associated with such activities could cause our share price to decline. In addition, the existence of common share purchase warrants may encourage short selling by market participants. Also, in order to provide incentives to current employees and directors and induce prospective employees and consultants to work for us, we have historically granted options and deferred share units, or DSUs, and intend to continue to do so or offer and issue

other rights exchangeable for or convertible into common shares. Future issuances of shares could result in substantial dilution to all our shareholders. In addition, future public sales by holders of our common shares could impair our ability to raise capital through any future equity offerings.

On June 4, 2014, our most recent prior registration statement on Form F-3 was declared effective by the SEC (the "Shelf Registration Statement"), and on June 5, 2014, we filed a final short form base shelf prospectus with securities regulatory authorities in each of the provinces and territories of Canada, except Quebec. These documents allow for, subject to securities regulatory requirements and limitations, the potential offering of up to an aggregate of US$100 million of our common shares, preference shares, warrants, subscription receipts, and units, or any combination thereof, from time to time in one or more offerings, and are intended to give us the flexibility to take advantage of financing opportunities when, and if, market conditions are favorable to us. This Replacement Shelf Registration Statement was filed to replace the existing Shelf Registration Statement and is intended, upon it being declared effective by the SEC, to provide us with additional flexibility to continue to access the capital markets, including through the sale of additional common shares under our at-the-market equity program, if we seek to do so. The specific terms of future offerings, if any, would be established, subject to the approval of our board of directors, at the time of such offering and will be described in detail in a prospectus supplement filed at the time of any such offering. As of July 7, 2017, we have not sold any securities under the Shelf Registration Statement or the shelf prospectus, other than (i) the sale since June 4, 2014 of 2,565,611 common shares under our at-the-market program referred to above, (ii) the sale of units, common shares and warrants under the Underwriting Agreement between us and Dawson James Securities, Inc., dated May 27, 2016, and (iii) the issuance of 1,030,590 common shares pursuant to warrants previously issued, and there can be no assurance that any additional securities will be sold under the Shelf Registration Statement, the shelf prospectus or this Replacement Shelf Registration Statement.

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

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

Our common shares may not continue to be listed on the TSX.

Failure to maintain the applicable continued listing requirements of the TSX could result in our common shares being delisted from the TSX. The TSX will normally consider the delisting of securities if, in the opinion of the exchange, it appears that the public distribution, price, or trading activity of the securities has been so reduced as to make further dealings in the securities on TSX unwarranted. Specifically, participating securities may be delisted from the TSX if, among other things, the market value of an issuer's securities is less than C$3,000,000 over any period of 30 consecutive trading days. In such circumstances, the TSX may place an issuer under a delisting review pursuant to which the issuer would be reviewed under the TSX's remedial review process and typically be granted 120 days to comply with all requirements for continued listing. If the market price of our common shares declines further or we are unable to maintain other listing requirements, the TSX could commence a remedial review process that could lead to the delisting of our common shares from the TSX. Further, if we complete a sale, merger, acquisition, or alternative strategic transaction, we will have to consider if the continued listing of our common shares on the TSX is appropriate, or possible.

If our common shares are no longer listed on the TSX, they may be eligible for listing on the TSX Venture Exchange. In the event that we are not able to maintain a listing for our common shares on the TSX or the TSX Venture Exchange, it may be extremely difficult or impossible for shareholders to sell their common shares in Canada. Moreover, if we are delisted from the TSX, but obtain a substitute listing for our common shares on the TSX Venture Exchange, our common shares will likely have less liquidity and more price volatility than experienced on the TSX. Shareholders may not be able to sell their common shares on any such substitute exchange in the quantities, at the times, or at the prices that could potentially be available on a more liquid trading market. As a result of these factors, if our common shares are delisted from the TSX, the price of our common shares is likely to decline.

Our common shares may not continue to be listed on NASDAQ.

Failure to meet the applicable quantitative and/or qualitative maintenance requirements of NASDAQ could result in our common shares being delisted from NASDAQ. For continued listing, NASDAQ requires, among other things,

that listed securities maintain a minimum bid price of not less than $1.00 per share. If the bid price falls below the $1.00 minimum for more than 30 consecutive trading days, an issuer will typically have 180 days to satisfy the $1.00 minimum bid price, which must be maintained for a period of at least ten trading days in order to regain compliance.

If we are delisted from NASDAQ, our common shares may be eligible for trading on an over-the-counter market in the United States. In the event that we are not able to obtain a listing on another U.S. stock exchange or quotation service for our common shares, it may be extremely difficult or impossible for shareholders to sell their common shares in the United States. Moreover, if we are delisted from NASDAQ, but obtain a substitute listing for our common shares in the United States, it will likely be on a market with less liquidity, and therefore experience potentially more price volatility than experienced on NASDAQ. Shareholders may not be able to sell their common shares on any such substitute U.S. market in the quantities, at the times, or at the prices that could potentially be available on a more liquid trading market. As a result of these factors, if our common shares are delisted from NASDAQ, the price of our common shares is likely to decline. In addition, a decline in the price of our common shares will impair our ability to obtain financing in the future.

Our common shares are listed for trading in the United States and may become subject to the SEC's penny stock rules.

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

make a special written suitability determination for the purchaser;

receive the purchaser's written agreement to a transaction prior to sale;

provide the purchaser with risk disclosure documents which identify risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and

obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

As a result of these requirements, if our common shares are at such time subject to the "penny stock" rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in these shares in the United States may be significantly limited. Accordingly, the market price of the shares may be depressed, and investors may find it more difficult to sell the shares.

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

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

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

Any future changes to the laws and regulations affecting public companies, as well as compliance with existing provisions of the Sarbanes-Oxley Act of 2002, or SOX, in the United States and applicable Canadian securities laws, regulations, rules and policies, may cause us to incur increased costs to comply with such laws and requirements, including, among others, hiring additional personnel and increased legal, accounting and advisory fees. Delays, or a failure to comply with, applicable laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits. The new laws and regulations may increase potential costs to be borne under indemnities provided by us to our officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers; as such, we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult to attract and retain qualified persons to serve on our board of directors, or as executive officers.

We are required annually to review and report on the effectiveness of our internal control over financial reporting in accordance with SOX Section 404 and Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings of the Canadian Securities Administrators. The results of this review are reported in our Annual Report on Form 20-F and in our Management Discussion and Analysis. Management's review is designed to provide reasonable, not absolute, assurance that all material weaknesses in our internal controls are identified. Material weaknesses represent deficiencies in our internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on our quarterly or annual financial statements. In addition, there can be no assurance that any remedial actions we take to address any material weaknesses identified will be successful, nor can there be any assurance that further material weaknesses will not be identified in future years. Material errors, omissions or misrepresentations in our disclosures that occur as a result of our failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, financial condition, results of operations, and the value of our common shares.

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

The possible classification of our company as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes could have significant and adverse tax consequences for U.S. Holders (as defined below) of our common shares and preference shares (collectively, "shares"). It may be possible for U.S. holders of shares to mitigate certain of these consequences by making an election to treat us as a "qualified electing fund" or "QEF" under Section 1295 of the Code, or a QEF Election, or a mark-to-market election under Section 1296 of the Code. A non-U.S. corporation generally will be a PFIC if, for a taxable year (a) 75% or more of the gross income of such corporation for such taxable year consists of specified types of passive income or (b) on average, 50% or more of the assets held by such corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets (or on the adjusted tax basis of such assets, if such non-U.S. corporation is not publicly traded and either is a "controlled foreign corporation" under Section 957(a) of the Code, or makes an election to determine whether it is a PFIC based on the adjusted basis of the assets).

The determination of whether we are, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to various interpretations. Although the matter is not free from doubt, we believe that we were not a PFIC during our 2016 taxable year and will not likely be a PFIC during our 2017 taxable year. Because PFIC status is based on our income, assets and activities for the entire taxable year, and our market capitalization, it is not possible to determine whether we will be characterized as a PFIC for the 2017 taxable year until after the close of the taxable year. The tests for determining PFIC status are subject to a number of uncertainties. These tests are applied annually, and it is difficult to accurately

predict future income, assets and activities relevant to this determination. In addition, because the market price of our common shares is likely to fluctuate, the market price may affect the determination of whether we will be considered a PFIC. There can be no assurance that we will not be considered a PFIC for any taxable year (including our 2017 taxable year). Absent one of the elections described above, if we are a PFIC for any taxable year during which a U.S. holder holds our shares, we generally will continue to be treated as a PFIC regardless of whether we cease to meet the PFIC tests in one or more subsequent years. Accordingly, no assurance can be given that we will not constitute a PFIC in the current (or any future) tax year or that the Internal Revenue Service (the “IRS”) will not challenge any determination made by us concerning our PFIC status.

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

It is unclear how corporate tax reform currently being considered in the United States, specifically the recent proposal to change the method by which income derived from outside of the U.S. is taxed, will affect the PFIC rules or QEF elections. The foregoing only speaks to the United States federal income tax considerations as to the Code in effect on January 1, 2017.

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

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

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

THE COMPANY

History and Development of the Company

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

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

In this prospectus, any prospectus supplement, and/or the documents incorporated by reference herein or therein, unless the context otherwise

requires, the terms “we”, “us”, “our”, “Intellipharmaceutics,” and the “Company” refer to Intellipharmaceutics International Inc. and its subsidiaries.

Business Overview

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

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

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

Our 5, 10, 20 and 40 mg strengths were also then tentatively FDA approved, subject to the right of Teva to 180 days of generic exclusivity from the date of first launch of such products. In January 2017, Par launched the 25 and 35 mg strengths of its generic Focalin XR® capsules in the U.S., and in May 2017, Par launched the 10 and 20 mg strengths, complementing the 15 and 30 mg strengths of our generic Focalin XR® currently marketed by Par. The FDA recently had granted final approval under the Par ANDA for its generic Focalin XR® capsules in the 5, 10, 15, 20, 25, 30, 35 and 40 mg strengths. We believe Par is preparing to launch the remaining 5 and 40 mg strengths in the near future. As the first filer of an ANDA for generic Focalin XR® in the 25 and 35 mg strengths, Par had 180 days of U.S. generic marketing exclusivity for those strengths. Under the Par agreement, we receive quarterly profit share payments on Par's U.S. sales of generic Focalin XR®. We expect sales of the 10, 20, 25 and 35 mg strengths to improve our revenues significantly in 2017. There can be no assurance as to when or if any further launches will occur for the remaining strengths, or if they will be successfully commercialized.

In February 2017, we received final approval from the FDA for our ANDA for metformin hydrochloride extended release tablets in the 500 and 750 mg strengths. Our newly-approved product is a generic equivalent for the corresponding strengths of the branded product Glucophage® XR sold in the U.S. by Bristol-Myers Squibb. The Company is aware that several other generic versions of this product are currently available and serve to limit the overall market opportunity. We are actively evaluating options to realize commercial

returns from this new approval. There can be no assurance that our metformin hydrochloride extended release tablets for the 500 and 750 mg strengths will be successfully commercialized.

In February 2016, we received final approval from the FDA of our ANDA for generic Keppra XR® (levetiracetam extended-release tablets) for the 500 and 750 mg strengths. Our generic Keppra XR® is a generic equivalent for the corresponding strengths of the branded product Keppra XR® sold in the U.S. by UCB, Inc., and is indicated for use in the treatment of partial onset seizures associated with epilepsy. We are aware that several other generic versions of this product are currently available and serve to limit the overall market opportunity. We are actively exploring the best approach to maximize our commercial returns from this approval. There can be no assurance that our generic Keppra XR® for the 500 and 750 mg strengths will be successfully commercialized.

In October 2016, we received tentative approval from the FDA for our ANDA for quetiapine fumarate extended-release tablets in the 50, 150, 200, 300 and 400 mg strengths, and in May 2017, our ANDA received final FDA approval for all of these strengths. Our approved product is a generic equivalent for the corresponding strengths of the branded product Seroquel XR® sold in the U.S. by AstraZeneca Pharmaceuticals LP, or AstraZeneca. Pursuant to a settlement agreement between us and AstraZeneca dated July 30, 2012, we were permitted to launch our generic versions of the 50, 150, 200, 300 and 400 mg strengths of generic Seroquel XR®, on November 1, 2016, subject to FDA final approval of our ANDA for those strengths. Our final FDA approval followed the expiry of 180-day exclusivity periods granted to the first filers of generic equivalents to the branded product, which were shared by Par and Accord Healthcare ("Accord"). The Company has manufactured and shipped commercial quantities of all strengths of generic Seroquel XR® to our marketing and distribution partner Mallinckrodt, and Mallinckrodt launched all strengths in June 2017. There can be no assurance that our generic Seroquel XR® in any of the 50, 150, 200, 300 and 400 mg strengths will be successfully commercialized.

In October 2016, we announced a license and commercial supply agreement with Mallinckrodt, or the Mallinckrodt agreement, granting Mallinckrodt an exclusive license to market, sell and distribute in the U.S. the following extended release drug product candidates ("licensed products") for which we have ANDAs filed with the FDA:

Quetiapine fumarate extended-release tablets (generic Seroquel XR®) – ANDA Approved by FDA

Desvenlafaxine extended-release tablets (generic Pristiq®) – ANDA Under FDA Review

Lamotrigine extended-release tablets (generic Lamictal® XR™) – ANDA Under FDA Review

Under the terms of the 10-year agreement, we received a non-refundable upfront payment of $3 million in October 2016. In addition, the agreement also provides for a long-term profit sharing arrangement with respect to these licensed products (which includes up to $11 million in cost recovery payments to us). We have agreed to manufacture and supply the licensed products exclusively for Mallinckrodt on a cost plus basis. The Mallinckrodt agreement contains customary terms and conditions for an agreement of this kind, and is subject to early termination in the event we do not obtain FDA approvals of the Mallinckrodt licensed products by specified dates, or pursuant to any one of several termination rights of each party.

Our goal is to leverage our proprietary technologies and know-how in order to build a diversified portfolio of commercialized products that generate revenue.

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

Our Strategy

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

The principal focus of our development activities previously targeted difficult-to-develop controlled-release generic drugs which follow an ANDA regulatory path. Our current development effort is increasingly directed towards improved difficult-to-develop controlled-release drugs which follow an NDA 505(b)(2) regulatory pathway. We have increased our research and development ("R&D") emphasis towards specialty new product development, facilitated by the 505(b)(2) regulatory pathway, by advancing the product development program for both Rexista™ and Regabatin™. The technology that is central to our abuse deterrent formulation of our Rexista™ is the novel Point of Divergence Drug Delivery System ("nPODDDS™"). nPODDDS™ is designed to provide for certain unique drug delivery features in a product. These include the release of the active substance to show a divergence in a dissolution and/or bioavailability profile. The divergence represents a point or a segment in a release timeline where the release rate, represented by the slope of the curve, changes from an initial rate or set of rates to another rate or set of rates, the former representing the usually higher rate of release shortly after ingesting a dose of the drug, and the latter representing the rate of release over a later and longer period of time, being more in the nature of a controlled-release or sustained action. It is applicable for the delivery of opioid analgesics in which it is desired to discourage common methods of tampering associated with misuse and abuse of a drug, and also dose dumping in the presence of alcohol. It can potentially retard tampering without interfering with the bioavailability of the product.

In addition, our Paradoxical OverDose Resistance Activating System, or PODRAS™, delivery technology was initially introduced to enhance our Rexista™ (abuse deterrent oxycodone hydrochloride extended release tablets) product candidate. The PODRAS™ delivery technology platform was designed to prevent overdose when more pills than prescribed are swallowed intact. Preclinical studies of prototypes of oxycodone with PODRAS technology suggest that, unlike other third-party abuse-deterrent oxycodone products in the marketplace, if more tablets than prescribed are deliberately or inadvertently swallowed, the amount of drug active released over 24 hours may be substantially less than expected. However, if the prescribed number of pills is swallowed, the drug release should be as expected. Certain aspects of our PODRAS technology are covered by U.S. Patent No. 9,522,119 and Canadian Patent No. 2,910,865 issued by the U.S. Patent and Trademark Office and the Canadian Intellectual Property Office in respect of "Compositions and Methods for Reducing Overdose" in December 2016. The issuance of these patents provides us with the opportunity to accelerate our PODRAS™ development plan in 2017 by pursuing proof of concept studies in humans. We intend to incorporate this technology in an alternate Rexista™ product candidate.

The NDA 505(b)(2) pathway (which relies in part upon the FDA's findings for a previously approved drug) both accelerates development timelines and reduces costs in comparison to NDAs for new chemical entities.

An advantage of our strategy for development of NDA 505(b)(2) drugs is that our product candidates can, if approved for sale by the FDA, potentially enjoy an exclusivity period which may provide for greater commercial opportunity

relative to the generic ANDA route.

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

For 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 U.S. by their former employer/clients. The regulatory pathway for this approach requires ANDAs for the U.S. and ANDSs for Canada.

For branded immediate-release (multiple-times-per-day) drugs, we can formulate improved replacement products, typically by developing new, potentially patentable, controlled-release once-a-day drugs. Among other out-licensing opportunities, these drugs can be licensed to and sold by the pharmaceutical company that made the original immediate-release product. These can potentially protect against revenue erosion in the brand by providing a clinically attractive patented product that competes favorably with the generic immediate-release competition that arises on expiry of the original patent(s). The regulatory pathway for this approach requires NDAs via a 505(b)(2) application for the U.S. or corresponding pathways for other jurisdictions where applicable.

Some of our technologies are also focused on the development of abuse-deterrent and overdose preventive pain medications. The growing abuse and diversion of prescription “painkillers”, specifically opioid analgesics, is well documented and is a major health and social concern. We believe that our technologies and know-how are aptly suited to developing abuse-deterrent pain medications. The regulatory pathway for this approach requires NDAs via a 505(b)(2) application for the U.S. or corresponding pathways for other jurisdictions where applicable.

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.

Incidental services which we may provide from time to time include consulting advice provided to other organizations regarding FDA standards.

CONSOLIDATED CAPITALIZATION

Except as set forth below, there have been no material changes in our share and loan capital, on a consolidated basis, since the date of our condensed unaudited interim consolidated financial statements as at and for the three month period ended February 28, 2017, which are incorporated by reference in this prospectus.

In November 2013, we established an at-the-market equity program pursuant to which we originally could, from time to time, sell up to 5,305,484 of our common shares for up to an aggregate of $16.8 million (or such lesser amount

as may then be permitted under applicable exchange rules and securities laws and regulations). As a result of prior sales of our common shares under the equity distribution agreement, we may in the future offer and sell our common shares with an aggregate purchase price of up to $3,962,827 pursuant to the at-the-market program (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations, such amount we currently can offer and sell being limited to approximately $2.5 million). During the period commencing March 1, 2017 through July 7, 2017, 401,554 of our common shares were sold under the at-the-market offering for net proceeds to us of $901,407. There can be no assurance that any additional shares will be sold under the at-the-market program.

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we may use the net proceeds from the sale of shelf securities under this prospectus for general corporate purposes, including funding research, acceleration of one or more product development initiatives, and other corporate development opportunities and to possibly fund costs and other expenses relating to our current leased facilities to accommodate our anticipated growth requirements, and, although we have no present understandings, commitments or agreements to do so, potential acquisitions of, or investments in, companies and technologies that complement our businesses. Each prospectus supplement will contain specific information, if any, concerning the use of proceeds from that sale of securities. Pending the application of such proceeds, we expect to invest the proceeds in short-term, interest bearing, investment-grade marketable securities or money market obligations.

All expenses relating to an offering of securities and any compensation paid to underwriters, dealers or agents, as the case may be, will be paid out of the Company's general funds, unless otherwise stated in the applicable prospectus supplement.

EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a statement of the expenses (all of which are estimated), other than any underwriting discounts and commission and expenses reimbursed by us, to be incurred in connection with a distribution of the securities registered under this registration statement.

SEC registration and Canadian securities regulatory fees	$29,290
Nasdaq and TSX listing expenses	*
Printing expenses	*
Legal fees and expenses	*
Accountants' fees and expenses	*
Miscellaneous	*
Total	$*

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* to be provided by a prospectus supplement, or as an exhibit to a Report on Form 6-K that is incorporated by reference into this prospectus.

PLAN OF DISTRIBUTION

The Company may sell the securities, separately or together, to or through underwriters or dealers purchasing as principals for public offering and sale by them, and also may sell securities to one or more other purchasers directly or through agents. Each prospectus supplement will set forth the terms of the offering, including the name or names of any underwriters or agents, the purchase price or prices of the securities and the proceeds to the Company from the sale of the securities.

The securities may be sold from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The prices at which the securities may be offered may vary as between purchasers and during the period of distribution. If, in connection with the offering of securities at a fixed price or prices, the underwriters have made a bona fide effort to sell all of the securities at the initial offering price fixed in the applicable prospectus supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial public offering price fixed in such prospectus supplement, in which case the compensation realized by the underwriters will be decreased by the amount that the aggregate price paid by purchasers for the securities is less than the gross proceeds paid by the underwriters to the Company.

Underwriters, dealers and agents who participate in the distribution of the securities may be entitled under agreements to be entered into with the Company to indemnification by the Company against certain liabilities, including liabilities under the U.S. Securities Act and Canadian securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

In connection with any offering of securities, except as otherwise set out in a prospectus supplement relating to a particular offering of securities, the underwriters may over-allot or effect transactions intended to maintain or stabilize the market price of the securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. Any underwriters, dealers or agents to or through whom securities are sold by us for public offering and sale may make a market in the securities, but such underwriters, dealers or agents will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that a trading market in the securities of any series or issue will develop or as to the liquidity of any such trading market for the securities.

We may sell the securities covered by this prospectus from time to time. Registration of our securities covered by this prospectus does not mean, however, that those securities will necessarily be offered or sold.

RELATED PARTY TRANSACTIONS

During the year ended November 30, 2014, we had repaid an outstanding related party loan payable to Dr. Isa Odidi and Dr. Amina Odidi, our principal stockholders, directors and executive officers. Repayments of the related party loan were restricted under the terms of the loan such that the principal amount thereof was payable when payment was 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 IPC Corp or its affiliates from the offering of its securities after the effective date (other than the proceeds from the transactions completed in February 2011, March 2012, March 2013 and July 2013), and/or amounts received by IPC Corp for scientific research tax credits of IPC Corp and (ii) up to C$800,000 of the Net Cash from the Vasogen transaction (as defined in the IPC Arrangement Agreement). In March 2014, we repaid the entire outstanding related party loan principal, in the amount of $690,049 (C$764,851) out of licensing revenues earned by IPC Corp and made interest payments of $48,504 (C$53,762) in respect of the promissory note in accordance with the IPC Arrangement Agreement.

In January 2013, we completed a private placement financing of an unsecured Debenture in the original principal amount of $1.5 million. 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 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 original $1.5 million of the proceeds for the Debenture. In December 2016, a principal repayment of $150,000 was made on the Debenture. Effective March 28, 2017, the maturity date for the Debenture was extended to October 1, 2017. The Company currently expects to repay the current outstanding principal amount of $1,350,000 on or about October 1, 2017, if the Company then has cash available

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

DESCRIPTION OF SHARE CAPITAL

The Company's 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. As of July 7, 2017, there were 30,572,912

common shares and no preference shares issued and outstanding.

Common Shares

Each of our common shares entitles the holder thereof to one vote at any meeting of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote. 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 the shareholders of the Company. Holders of preference shares will be entitled to preference with respect to payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, on such shares over the common shares and over any other shares ranking junior to the preference shares.

Warrants

At July 7, 2017, an aggregate of 1,994,797 common shares were issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of $2.03 per common share.

Options

As of July 7, 2017, there were 5,383,305 common shares issuable upon the exercise of outstanding options. The weighted average exercise price of these options is $3.45 per common share. As at July 7, 2017, up to 434,951 additional common shares were reserved for issuance under our option plan.

Convertible Debenture

On January 10, 2013, we completed a private placement financing of an unsecured Debenture in the original principal amount of $1.5 million. The Debenture was originally due to mature on January 1, 2015, but effective October 1, 2014, the maturity date was extended to July 1, 2015; effective June 29, 2015, the July 1, 2015 maturity date was extended to January 1, 2016; and effective as of December 8, 2015, the maturity date was extended to July 1, 2016. Effective May 26, 2016, the maturity date of the Debenture was further extended to December 1, 2016. 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 was 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. Effective December 1, 2016, the maturity date for the Debenture was extended to April 1, 2017 and a principal repayment of $150,000 was made at the time of the extension. After giving effect to such partial repayment, the Debenture is convertible at any time into 450,000 common shares at a conversion price of $3.00 per common share at the option of the holder. Effective March 28, 2017, the maturity date of the Debenture was further extended to October 1, 2017. The

Company currently expects to repay the current net amount of $1,350,000 on or about October 1, 2017, if the Company then has cash available.

Deferred Share Units

At November 30, 2016, there were 76,743 DSUs issued and outstanding. From November 30, 2016 to July 7, 2017, an additional 9,207 DSUs have been issued. At July 7, 2017, 24,050 additional DSUs are reserved for issuance under our DSU plan.

Restricted Share Units

At November 30, 2016, there were no restricted share units (“RSUs”) issued and outstanding. From November 30, 2016 to the date of this prospectus, no RSUs have been issued. At the date of this prospectus, 330,000 RSUs are reserved for issuance under our RSU Plan.

Registration Rights

We conducted a private placement issuance of units comprised of common shares and warrants in February, 2011, which was exempt from registration under the U.S. 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 U.S. Securities Act, or an exemption from the registration requirements of the U.S. 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 when (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 began trading on October 22, 2009 and are currently listed on the TSX and listed on NASDAQ under the symbol “IPCI”. Prior to March 20, 2017, our common shares traded on the TSX under the symbol “I”; effective that date, our TSX trading symbol was harmonized with our NASDAQ symbol.

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				NASDAQ			
	(Cdn$ per share)				(U.S.$ per share)			
Date	High	Low	Close	Volume Traded	High	Low	Close	Volume Traded
Jul-16	$2.40	$1.97	$2.36	240,500	$1.85	$1.53	$1.84	2,499,500
Aug-16	$2.61	$2.23	$2.30	255,300	$2.06	$1.71	$1.76	3,313,300
Sep-16	$2.95	$2.21	$2.75	393,300	$2.34	$1.69	$2.10	5,764,800
Oct-16	$4.40	$2.75	$3.74	1,058,000	$3.33	$2.08	$2.77	19,519,200
Nov-16	$4.50	$3.28	$3.70	571,000	$3.35	$2.44	$2.79	6,246,000
Dec-16	$4.09	$3.50	$3.79	205,600	$3.05	$2.63	$2.88	4,127,700
Jan-17	$3.91	$3.24	$3.65	220,800	$2.96	$2.46	$2.75	3,614,500
Feb-17	$4.05	$2.78	$3.35	497,100	$3.12	$2.11	$2.53	11,874,700
Mar -17	$3.57	$2.87	$3.32	243,100	$2.69	$2.19	$2.50	4,292,200
Apr -17	$3.33	$2.48	$2.89	176,100	$2.50	$1.81	$2.11	3.499,200
May -17	$3.05	$2.57	$2.75	105,200	$2.57	$1.88	$1.89	5,596,200
June -17	$3.50	$2.56	$2.57	261,600	$2.27	$1.85	$2.09	2,669,900
July 1 to July 7 -17	$3.25	$3.00	$3.07	38,600	$2.50	$2.17	$2.39	1,211,800

PRIOR SALES

During the 12 month period prior to the date of this prospectus, the Company has issued common shares, or securities convertible into common shares, as follows:

In November 2013, we entered into an equity distribution agreement with Roth Capital Partners, LLC, or Roth, pursuant to which we originally could, from time to time, sell up to 5,305,484 of our common shares for up to an aggregate of $16.8 million (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations) through at-the-market issuances on the NASDAQ or otherwise. Under the equity distribution agreement, we may at our discretion, from time to time, offer and sell common shares through Roth or directly to Roth for resale. Sales of common shares through Roth, if any, will be made at such time and at such price as are acceptable to us, from time to time, by means of ordinary brokers' transactions on the NASDAQ or otherwise at market prices prevailing at the time of sale or as determined by us. We are not required to sell shares under the equity distribution agreement. We will pay Roth a commission, or allow a discount, of 2.75% of the gross proceeds we receive from any sales of our common shares under the equity distribution agreement. Any sales of shares under our at-the market offering program will be made pursuant to an effective shelf registration statement on Form F-3 filed with the SEC. We have also agreed to reimburse Roth for certain expenses relating to the offering. As of July 7, 2017, we have issued and sold an aggregate of 4,255,111 common shares with an aggregate offering price of $12,837,173 under the at-the-market program, including 1,338,568 common shares with an aggregate offering price of $3,427,319 during the 12-month period prior to the date of this prospectus. Roth received aggregate compensation of $94,585 in connection with such sales. We currently may offer and sell our common shares with an aggregate purchase price of up to $3,962,827 pursuant to the at-the-market program (or such lesser amount as may then be permitted under applicable exchange rules and securities laws and regulations, such amount we currently can offer and sell being limited to approximately $2.5 million). There can be no assurance that any additional shares will be sold under our at-the-market program.

During the 12-month period prior to the date of this prospectus, warrants to purchase an aggregate of 445,532 common shares were exercised.

During the 12-month period prior to the date of this prospectus, 460,000 options were granted and 34,500 options were exercised.

During the 12 month period prior to the date of this prospectus, a total of 13,290 deferred share units were granted.

During the 12-month period prior to the date of this prospectus, nil restricted share units were granted.

DIVIDEND POLICY

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

DESCRIPTION OF WARRANTS

The Company may issue warrants to purchase common shares or preference shares. This section describes the general terms that will apply to any warrants issued pursuant to this prospectus. Warrants may be offered separately or together with other securities and may be attached to or separate from any other securities.

Unless the applicable prospectus supplement otherwise indicates, each series of warrants will be issued under a separate warrant indenture to be entered into between the Company and one or more banks or trust companies acting as warrant agent. The warrant agent will act solely as the agent of the Company and will not assume a relationship of agency with any holders of warrant certificates or beneficial owners of warrants.

The applicable prospectus supplement will include details of the warrant indentures, if any, governing the warrants being offered. The specific terms of the warrants, and the extent to which the general terms described in this section apply to those warrants, will be set out in the applicable prospectus supplement. The prospectus supplement relating to any warrants the Company offers will describe the warrants and the specific terms relating to the offering. The description will include, where applicable:

the designation and aggregate number of warrants;

the price at which the warrants will be offered;

the currency or currencies in which the warrants will be offered;

the date on which the right to exercise the warrants will commence and the date on which the right will expire;

the designation, number and terms of the common shares or preference shares, as applicable, that may be purchased upon exercise of the warrants, and the procedures that will result in the adjustment of those numbers;

the exercise price of the warrants;

the designation and terms of the securities, if any, with which the warrants will be offered, and the number of warrants that will be offered with each Security;

if the warrants are issued as a unit with another Security, the date, if any, on and after which the warrants and the other Security will be separately transferable;

any minimum or maximum amount of warrants that may be exercised at any one time;

any terms, procedures and limitations relating to the transferability, exchange or exercise of the warrants;

whether the warrants will be subject to redemption or call and, if so, the terms of such redemption or call provisions;

material United States and Canadian federal income tax consequences of owning the warrants; and

any other material terms or conditions of the warrants.

Warrant certificates will be exchangeable for new warrant certificates of different denominations at the office indicated in the prospectus supplement. Prior to the exercise of their warrants, holders of warrants will not have any of the rights of holders of the securities subject to the warrants. The Company may amend the warrant indenture(s) and the warrants, without the consent of the holders of the warrants, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not prejudice the rights of the holders of outstanding warrants, as a group.

The Company will provide an initial Canadian purchaser of warrants with a contractual right of rescission against the Company following the issuance of common shares or preference shares, as the case may be, to such purchaser, entitling the purchaser to receive the amount paid for the warrants upon surrender of the common shares or preference shares, as the case may be, if this prospectus, the applicable prospectus supplement, and any amendment thereto, contains a misrepresentation, provided such remedy for rescission is exercised within 180 days of the date the warrants are issued. This right of rescission does not extend to holders of warrants who acquire such warrants from an initial purchaser, on the open market or otherwise, or to initial purchasers who acquire warrants in the United States.

DESCRIPTION OF SUBSCRIPTION RECEIPTS

The Company may issue subscription receipts, separately or together, with common shares, preference shares or warrants, as the case may be. The subscription receipts will be issued under a subscription receipt agreement. This section describes the general terms that will apply to any subscription receipts that may be offered by the Company pursuant to this prospectus.

The applicable prospectus supplement will include details of the subscription receipt agreement covering the subscription receipts being offered. A copy of the subscription receipt agreement relating to an offering of subscription receipts will be filed by the Company with securities regulatory authorities in Canada and the United States after it has been entered into by the Company. The specific terms of the subscription receipts, and the extent to which the general terms described in this section apply to those subscription receipts, will be set forth in the applicable prospectus supplement. This description will include, where applicable:

the number of subscription receipts;

the price at which the subscription receipts will be offered and whether the price is payable in installments;

conditions to the exchange of subscription receipts into common shares, preference shares or warrants, as the case may be, and the consequences of such

conditions not being satisfied;

the procedures for the exchange of the subscription receipts into common shares, preference shares or warrants;

the number of common shares, preference shares or warrants that may be exchanged upon exercise of each subscription receipt;

the designation and terms of any other securities with which the subscription receipts will be offered, if any, and the number of subscription receipts that will be offered with each Security;

the dates or periods during which the subscription receipts may be exchanged into common shares, preference shares or warrants;

terms applicable to the gross or net proceeds from the sale of the subscription receipts plus any interest earned thereon;

material United States and Canadian federal income tax consequences of owning the subscription receipts;

any other rights, privileges, restrictions and conditions attaching to the subscription receipts; and

any other material terms and conditions of the subscription receipts.

Subscription receipt certificates will be exchangeable for new subscription receipt certificates of different denominations at the office indicated in the prospectus supplement. Prior to the exchange of their subscription receipts, holders of subscription receipts will not have any of the rights of holders of the securities subject to the subscription receipts.

Under the subscription receipt agreement, a Canadian purchaser of subscription receipts will have a contractual right of rescission following the issuance of common shares, preference shares or warrants, as the case may be, to such purchaser, entitling the purchaser to receive the amount paid for the subscription receipts upon surrender of the common shares, preference shares or warrants, as the case may be, if this prospectus, the applicable prospectus supplement, and any amendment thereto, contains a misrepresentation, provided such remedy for rescission is exercised within 180 days of the date the subscription receipts are issued. This right of rescission does not extend to holders of subscription receipts who acquire such subscription receipts from an initial purchaser, on the open market or otherwise, or to initial purchasers who acquire subscription receipts in the United States.

DESCRIPTION OF SUBSCRIPTION RIGHTS

We may issue rights to purchase our common shares, preference shares, warrants, units and/or other securities described in this prospectus or any combination thereof, as the case may be. The rights may or may not be transferable by the persons purchasing or receiving the rights. In connection with any rights offering, we may enter into a standby underwriting or other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other persons would purchase any offered securities remaining unsubscribed for after such rights offering. In connection with a rights offering to holders of our capital stock a prospectus supplement will be distributed to such holders on the record date for receiving rights in the rights offering set by us.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from a report on Form 6-K that we file with the SEC, forms of the subscription rights, standby underwriting agreement or other agreements, if any. The prospectus supplement relating to any rights that we offer will include specific terms relating to the offering, including, among other matters:

the date of determining the

security holders entitled to the rights distribution;

the aggregate number of rights issued and the aggregate amount of securities purchasable upon exercise of the rights;

the exercise price;

the conditions to completion of the rights offering;

the date on which the right to exercise the rights will commence and the date on which the rights will expire; and

any applicable federal income tax considerations.

Each right would entitle the holder of the rights to purchase the principal amount of securities at the exercise price set forth in the applicable prospectus supplement. Rights may be exercised at any time up to the close of business on the expiration date for the rights provided in the applicable prospectus supplement. After the close of business on the expiration date, all unexercised rights will become void.

Holders may exercise rights as described in the applicable prospectus supplement. Upon receipt of payment and the rights certificate properly completed and duly executed at the corporate trust office of the rights agent, if any, or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon exercise of the rights. If less than all of the rights issued in any rights offering are exercised, we may

offer any unsubscribed securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting arrangements, as described in the applicable prospectus supplement.

DESCRIPTION OF UNITS

The following description of the terms of the units sets forth certain general terms and provisions of the units to which any prospectus supplement many relate. We may issue units comprised of one or more of the other securities described in this prospectus in any combination. Each unit will be issued so that the holder of the unit is also the holder of each Security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included Security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

The applicable prospectus supplement may describe:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; and

whether the units will be issued in fully registered or global form.

The applicable prospectus supplement will describe the terms of any units. The preceding description and any description of units in the applicable prospectus supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the unit agreement and, if applicable, collateral arrangements and depositary arrangements relating to such units.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The applicable prospectus supplement may describe certain U.S. federal income tax considerations generally applicable to the purchase, holding and disposition of the securities by an investor who is a U.S. Holder (as defined below), including, to the extent applicable, certain U.S. federal income tax rules pertaining to capital gains and ordinary income treatment, original issue discount, whether or not we will be considered a passive foreign investment company (and if so, the tax consequences to a United States shareholder), backup withholding and the foreign tax credit, and certain U.S. federal income tax consequences relating to securities payable in a currency other than U.S. dollars or containing early redemption provisions or other special terms.

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 preference shares (the common shares and preference shares being collectively referred to as the “shares”), warrants and units acquired pursuant to this document.

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

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 or otherwise considered a U.S. domestic corporation for U.S. federal income tax purposes;

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 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 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 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 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 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. Specifically, the below does not address the impact current U.S. federal income tax reform proposals may have on the taxation of the Company, its shareholders, and the rules and laws applicable to passive foreign investment companies as discussed herein. 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 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 shares or warrants in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold 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 shares or warrants in connection with carrying on a business in Canada; (d) persons whose 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 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 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 U.S. Holder of 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 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

The applicable prospectus supplement will describe the terms of any units. For purposes of this summary, it is assumed a unit will be comprised of a common share and a warrant to purchase common shares. If 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 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 such unit should be treated for U.S. federal income tax purposes as an investment unit consisting of one share and one warrant to purchase one share. For U.S. federal income tax purposes, each purchaser of such a unit generally must allocate the purchase price of a unit between the 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 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 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, or PFIC. As discussed below, however, a U.S. Holder of our 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 QEF or by making a timely and effective mark-to-market election with respect to its common shares.

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 the Company is a PFIC, U.S. Holders of shares will be treated as holding stock of the Company’s subsidiaries that are PFICs in certain circumstances. In these circumstances, certain dispositions of, and distributions on, stock of such subsidiaries may have consequences for U.S. Holders under the PFIC rules.

Although the matter is not free from doubt, we believe that we were not a PFIC during our 2016 taxable year and may not be a PFIC during our 2017 taxable year. Because PFIC status is based on our income, assets and activities for the entire taxable year, and our market capitalization, it is not possible to determine whether we will be characterized as a PFIC for the 2017 taxable year until after the close of the taxable year. The tests for determining PFIC status are subject to a number of uncertainties. These tests are applied annually, and it is difficult to accurately predict future income, assets and activities relevant to this determination. In addition, because the market price of our common shares is likely to fluctuate, the market price may affect the determination of whether we will be considered a PFIC. There can be no assurance that we will not be considered a PFIC for any taxable year (including our 2016 taxable year). Absent one of the elections described below, if we are a PFIC for any taxable year during which a U.S. Holder holds our shares, we 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 we cease to meet the PFIC tests in one or more subsequent years. Accordingly, no assurance can be given that we will not constitute a PFIC in the current (or any future) tax year or that the IRS will not challenge any determination made by us concerning our PFIC status.

If we are a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of our shares will depend on whether such U.S.

Holder makes a QEF or mark-to-market election. Unless otherwise provided by the IRS, a U.S. Holder of our shares is generally required to file an informational return annually to report its ownership interest in the PFIC during any year in which we are a PFIC.

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

The “No Election” Alternative – Taxation of Excess Distributions

If we are classified as a PFIC for any year during which a U.S. Holder has held shares or warrants and, in the case of our 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 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 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 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 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 shares and, to the extent in excess of such tax basis, will be treated as gain from a sale or exchange of such shares. It is possible that any such gain may be treated as an excess distribution.

The QEF Election Alternative

A U.S. Holder of shares (but not warrants) who elects (an "Electing U.S. Holder") under Section 1295 of the Code, in a timely manner to treat us as a QEF would generally include in gross income (and be subject to current U.S. federal income tax on) its pro rata share of (a) the Company's ordinary earnings, as ordinary income, and (b) our net capital gains, as long-term capital gain. An Electing U.S. Holder will generally be subject to U.S. federal income tax on such amounts for each taxable year in which we are classified as a PFIC, regardless of whether such amounts are actually distributed to the Electing U.S. Holder. An Electing U.S. Holder may further elect, in any given taxable year, to defer payment of U.S. federal income tax on such amounts, 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 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 shares (or has previously made a QEF election with respect to our shares), the QEF election will apply to the newly acquired 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 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 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 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. Our earnings (or earnings of any of our subsidiaries) attributable to distributions from any of our subsidiaries that had previously been included in the income of an Electing U.S. Holder under the QEF rules would generally not be taxed to the Electing U.S. Holder again.

Upon the sale or other disposition of shares, an Electing U.S. Holder who makes a QEF Election for the first taxable year in which he owns 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 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, under Section 1296 of the Code, to mark the common shares to market annually. Consequently, the U.S. Holder will generally recognize as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of its common shares and the U.S. Holder's

adjusted tax basis in the common shares. Any mark-to-market loss is treated as an ordinary deduction, but only to the extent of the net mark-to-market gain that the Holder has included pursuant to the election in prior tax years. 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. We do not anticipate that the preference shares will be treated as marketable stock for these purposes.

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 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 shares and thereafter as gain from the sale or exchange of such shares. (See "Sale or Other Taxable Disposition of 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 shares will constitute ordinary dividend income. Dividends received on 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.

The terms of a warrant may provide for an adjustment to the number of 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 shares that would be obtained upon exercise) as a result of a distribution of cash to the holders of our shares which is taxable to the U.S. Holders of such 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 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 shares sold or otherwise disposed of. A U.S. Holder's tax basis in shares generally will be such Holder's U.S. dollar cost for such 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 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 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 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 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 shares received would equal the U.S. holder's basis in the warrant. If the cashless exercise were treated as not being a gain realization event, a U.S. Holder's holding period in the 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 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 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 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 shares received would equal the sum of the fair market value of the 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 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.

Subscription Rights

Receipt, Exercise, and Expiration of Rights

A U.S. Holder generally should not recognize any gain or loss for U.S. federal income tax purposes as a result of the receipt, exercise, or expiration of subscription rights.

If the fair market value of subscription rights when received by a U.S. Holder is less than 15% of the fair market value of the common shares with respect to which such subscription rights are received, the subscription rights will have no basis unless the U.S. Holder affirmatively elects to allocate its adjusted tax basis in its common shares between its common shares and the subscription rights received in proportion to their relative fair market values (as determined on the date the subscription rights are received). A U.S. Holder must make this election in its timely filed U.S. federal income tax return for the taxable year in which the subscription rights are received and once made, the election is irrevocable. If, at the time of receipt, the fair market value of the subscription rights is 15% or more of the fair market value of the common shares with respect to which the subscription rights are received, a U.S. Holder's adjusted tax basis in its common shares must be allocated between its common shares and the subscription rights received in proportion to their relative fair market values (as determined on the date subscription rights are received). Any tax basis allocated to subscription rights under these rules will be allocated back to the common shares if the subscription rights expire unexercised.

A U.S. Holder generally will not realize gain or loss on the exercise of a subscription right. A U.S. Holder's tax basis in a common share acquired upon the exercise of a subscription right will be equal to its adjusted tax basis in the subscription right plus the U.S. dollar value exercise price determined at the spot rate on the date of exercise. The holding period of a common share acquired upon the exercise of a subscription right will begin with and include the date of exercise. If a U.S. Holder receives the subscription rights pursuant to the offering and such subscription rights expire, the U.S. Holder generally will not recognize gain or loss. In addition, any tax basis allocated to subscription rights under the rules described in the preceding paragraph would be allocated back to the common shares such that the tax bases of such common shares would be the same as they were prior to the distribution of the subscription rights.

Sale, Exchange, or Other Disposition of Subscription Rights

Subject to the PFIC rules discussed above, a U.S. Holder will recognize capital gain or loss on the sale or other taxable disposition of subscription rights in an amount equal to the difference between the U.S. Holder's tax basis in the subscription rights, if any, and the U.S. dollar value of the amount realized from the sale or other disposition. A U.S. Holder's holding period in the subscription rights will include its holding period in the common shares with respect to which the subscription rights were distributed. If the U.S. Holder's holding period for the subscription rights exceeds one year, any gain or loss generally will be long-term capital gain or loss. The deductibility of capital losses may be subject to limitations.

The amount realized on a sale or other disposition of a subscription right for an amount in a currency other than the U.S. dollar (a "foreign currency") will generally be the U.S. dollar value of this amount on the date of sale or disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date, provided that the subscription rights are traded on an established securities market). On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the exchange rate in effect on the date of sale or other disposition and the settlement date. However, in the case of subscription rights traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

If any Canadian taxes are imposed upon a gain from the sale or other disposition of a right by a U.S. Holder, foreign tax credits may not be available with respect to such Canadian taxes. U.S. Holders should consult their own tax advisors regarding the potential imposition of any Canadian taxes on any gain and the related U.S. federal income tax consequences.

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 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 shares or warrants is not debt-financed. Tax-exempt investors should consult their own tax advisors regarding an investment in our 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 shares or warrants. Under current proposed U.S. comprehensive tax reform, the 3.8% Medicare surtax would be repealed. It is unclear when, if at all, this proposal will be passed but such passage would generally reduce the U.S. federal income taxation of our shareholders.

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 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 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 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. It is unclear how the proposed changes to the taxation of foreign entities under the Code currently being deliberated in the U.S. will affect the availability or calculation of foreign tax credits and any change may have an adverse impact to the Company or our shareholders.

Payments to Foreign Financial Institutions

The Hiring Incentives to Restore Employment Act of March 2010, or the HIRE Act, including the Foreign Account Tax Compliance Act, or FATCA, provisions promulgated thereunder, generally provides that 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.

State and Local Tax

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

Information Reporting

In general, U.S. Holders of 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 shares who disposes of such 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 shares should consult their tax advisors concerning any possible disclosure obligation under the tax shelter rules with respect to the disposition of their shares.

Backup Withholding

Generally, information reporting requirements will apply to distributions on our shares or proceeds on the disposition of our 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.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Taxation

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

The 2017 Canadian Federal Budget released on March 22, 2017 contained an indication that the Canadian Federal Government intended to pursue signature of the multilateral tax treaty that has been proposed by the Organisation for Economic Co-operation and Development addressing perceived tax treaty abuse (the "MLI"). Further to this intention, on June 7, 2017, Canada signed the MLI, and intends to take steps to complete the ratification and implementation of the MLI in Canada. The provisions of the multilateral tax treaty are not discussed herein. United States Holders should consult their own tax advisors with respect to the potential application of the multilateral tax treaty provisions to their particular circumstances.

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

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

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

Dividends on the Company's Common Shares

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

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

Disposition of the Company's Common Shares

In general, a United States Holder will not be subject to Canadian income tax on capital gains arising on the disposition of the Company's common shares, unless such shares are "taxable Canadian property" within the meaning of the Canadian Tax Act. Generally, the shares of a corporation resident in Canada will not be taxable Canadian property of a United States Holder at the time of disposition unless at any time during the 60-month period immediately preceding the disposition, more than 50% of the value of the Company's common shares was derived directly or indirectly from properties that are "real or immovable properties", "Canadian resource properties", or "timber resource properties", within the meaning of the Canadian Tax Act. The value of the Company's common shares is not now, and is not expected to be in the future, derived more than 50% from any of these properties. Consequently, any gain realized by a United States Holder upon the disposition of the Company's common shares should be exempt from tax under the Canadian Tax Act.

EXPERTS

The consolidated financial statements for the year ended November 30, 2016 incorporated by reference in this prospectus from our Annual Report on Form 20-F for the year ended November 30, 2016, have been audited by MNP LLP, an independent registered public accounting firm, 111 Richmond Street West, Suite 300, Toronto, ON M5H 2G4, as stated in their report incorporated herein by reference (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the conditions and events that raise substantial doubt on the Company's ability to continue as a going concern). Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements for the years ended November 30, 2015 and 2014 incorporated in this prospectus by reference from our Annual Report on Form 20-F for the year ended November 30, 2016, have been audited by Deloitte LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the conditions and events that raise substantial doubt about the Company's ability to continue as a going concern), which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL PROCEEDINGS

From time to time, the Company may be exposed to claims and legal actions in the normal course of business. As at February 28, 2017, and continuing as at July 10, 2017, the Company is not aware of any pending or threatened material litigation claims against the Company, other than as described below.

In November 2016, the Company filed an NDA for its Rexista™ product candidate (abuse-deterrent oxycodone hydrochloride extended release tablets), relying on the 505(b)(2) regulatory pathway, which allowed the Company to reference data from Purdue Pharma L.P.'s file for its OxyContin® extended release oxycodone hydrochloride. The Rexista™ application was accepted by the FDA for further review in February 2017. The Company certified to the FDA that it believed that its Rexista™ product candidate would not infringe any of sixteen (16) patents owned by one or more of the Purdue litigation plaintiffs, or that such patents are invalid, and so notified Purdue Pharma L.P. and the other owners of the subject patents listed in the Orange Book of such certification. On April 7, 2017, the Company received notice that the Purdue litigation plaintiffs had commenced patent infringement proceedings against the Company in the U.S. District Court for the District of Delaware in respect of the Company's NDA filing for Rexista™, alleging that Rexista™ infringes six (6) out of the sixteen (16) patents. The complaint seeks injunctive relief as well as attorneys' fees and costs and such other and further relief as the Court may deem just and proper. An answer and counterclaim have been filed.

As a result of the commencement of these legal proceedings, the FDA is stayed for 30 months from granting final approval to the Company's Rexista™ product candidate. That time period commenced on February 24, 2017, when the plaintiffs received notice of the Company certification concerning the patents, and will expire on August 24, 2019, unless the stay is earlier terminated by a final declaration of the courts that the patents are invalid, or are not infringed, or the matter is otherwise settled among the parties. The Company is confident that it does not infringe the subject patents, and will vigorously defend against these claims.

LEGAL MATTERS

Certain legal matters relating to the offering of securities hereunder will be passed upon on behalf of the Company by Gowling WLG (Canada) LLP. At the date hereof, the partners and associates of Gowling WLG (Canada) LLP, as a group, beneficially own, directly or indirectly, less than one per cent of any outstanding securities of the Company or any associate or affiliate of the Company.

TRANSFER AGENT AND REGISTRAR

Our Canadian transfer agent and registrar is CST Trust Company, 320 Bay Street, 3rd Floor, Toronto, Ontario, Canada M5H 4A6. As of July 14, 2017, the Toronto office of CST Trust Company will be: 1 Toronto Street, Suite 1200, Toronto, ON M5C 2V6. Our United States co-transfer agent and registrar is American Stock Transfer & Trust Company LLC, 6201 15th Avenue, Brooklyn, NY 11219.

PURCHASERS' STATUTORY RIGHTS

Unless provided otherwise in a prospectus supplement, the following is a description of a purchaser's statutory rights. Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price, or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price, or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the province or territory in which the purchaser resides. The purchaser should refer to any applicable provisions of the securities legislation of the province or territory in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

Original Canadian purchasers of subscription receipts or warrants which are convertible into other securities of the Company will have a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such subscription receipts or warrants. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this prospectus (as amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the Securities Act (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 the Securities Act (Ontario) or otherwise at law. Original purchasers are further advised that in certain provinces and territories the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the province or territory in which the purchaser resides for the particulars of these rights, or consult with a legal advisor.

ENFORCEMENT OF CERTAIN CIVIL LIABILITIES

The Company is incorporated under the laws of Ontario, Canada and its principal place of business is in Canada. Most of the Company's directors and officers, and some of the experts named in this prospectus, are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of the Company's assets, are located outside the United States. The Company has appointed an agent for service of process in the United States but it may be difficult for holders of securities who reside in the United States to effect service within the United States upon the Company or those directors, officers and experts who are not residents of the United States. Investors should not assume that a Canadian court would enforce a judgment of a U.S. court obtained in an action against the Company or such other persons predicated on the civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States or would enforce, in original actions, liabilities against the Company or such persons predicated on the U.S. federal securities laws or any such state securities or "blue sky" laws. The Company's Canadian counsel has advised the Company that a monetary judgment of a U.S. court predicated solely upon the civil liability provisions of U.S. federal securities laws would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Company cannot provide assurance that this will be the case. It is less certain that an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been or will be filed with the SEC as part of the registration statement of which this prospectus forms a part: the documents set out under the heading "Where You Can Find More Information; Incorporation by Reference"; the consents of the auditor and legal counsel and the powers of attorney from the directors and certain officers of the Company.

DISCLOSURE OF COMMISSION POSITION ON

INDEMNIFICATION FOR U.S. SECURITIES ACT LIABILITY

Insofar as indemnification for liabilities arising under the U.S. Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the U.S. Securities Act and is therefore unenforceable.

INTELLIPHARMACEUTICS INTERNATIONAL INC.

U.S. $100,000,000

Common Shares
Preference Shares
Warrants
Subscription Receipts
Subscription Rights
Units

PROSPECTUS

July 17, 2017