Intellipharmaceutics International Inc.
Form 424B5
March 20, 2018

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-218297

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 17, 2017)

INTELLIPHARMACEUTICS INTERNATIONAL INC.

3,000,000 Common Shares

We are offering 3,000,000 common shares, no par value. In a concurrent private placement, we are also selling to purchasers of our common shares in this offering, warrants to purchase up to 1,500,000 common shares which represent 50% of the number of our common shares being purchased in this offering. The warrants and the common shares issuable upon the exercise of the warrants are not being registered under the United States Securities Act of 1933, as amended, or the U.S. Securities Act, are not being offered pursuant to this prospectus supplement and the accompanying prospectus and are being offered pursuant to the exemption provided in Section 4(a)(2) under the U.S. Securities Act and Rule 506(b) promulgated thereunder.

Our common shares are listed for trading on the Toronto Stock Exchange (the "TSX"), and on the Nasdaq Capital Market ("Nasdaq"), under the symbol "IPCI". On March 16, 2018, the closing sale price of our common shares as reported by the TSX and Nasdaq was Cdn$0.86 and $0.66, respectively. On March 16, 2018, the aggregate market value of our outstanding common shares held by non-affiliates was $32,965,121, based on our 40,537,849 outstanding common shares as of such date, of which 34,700,127 common shares were held by non-affiliates, and a per share price of $0.95, the closing sale price of our common shares on January 19, 2018 (which is the highest closing sale price of our common shares in the last 60 days). We have sold or offered securities having an aggregate market value of approximately $8,960,885 pursuant to General Instruction I.B.5 of Form F-3 during the prior twelve calendar month period that ends on and includes the date of this prospectus supplement.

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

We have retained H.C. Wainwright & Co., LLC, or Wainwright or the placement agent, to act as our exclusive placement agent. The placement agent has agreed to use its "reasonable best efforts" to arrange for the sale of the common shares offered by this prospectus supplement. The placement agent has no obligation to buy any of the common shares from us or to arrange for the purchase or sale of any specific number or dollar amount of the common shares. There is no required minimum number of common shares that must be sold as a condition to completion of this offering. We have agreed to pay the placement agent fees set forth in the table below, which assumes that we sell all of the common shares we are offering.

	PER SHARE	TOTAL
Offering price	$0.600	$1,800,000.00
Placement agent fees(1)	$0.042	$126,000.00
Proceeds to us before expenses(2)	$0.558	$1,674,000.00

(1)
In addition, we have agreed to reimburse the placement agent for offering expenses in the non-accountable sum of $35,000. We have also agreed to issue to the placement agent warrants in an amount equal to 5% of the number of shares placed in this offering and issued on closing. See “Plan of Distribution” on page S-27 of this prospectus supplement for more information on the placement agent’s compensation.

(2)
Does not include proceeds from the exercise of the warrants in cash, if any. We estimate total expenses of this offering, excluding the placement agent fees, will be approximately $164,098.

The offering price of the common shares will be payable in U.S. dollars. All of the net proceeds of this offering will be paid to us in U.S. dollars.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

We expect to deliver the securities being offered pursuant to this prospectus supplement on or about March 21, 2018.

H.C. Wainwright & Co.

Prospectus Supplement dated March 19, 2018

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Prospectus Supplement

PROSPECTUS

About this Prospectus Supplement

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectus that we have authorized for use in connection with this offering. We have not, and the placement agent has not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the placement agent is not, making an offer to sell common shares or seeking offers to buy common shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and in any free writing prospectus that we have authorized for use in connection with this offering, is accurate only as of the date of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. You should read this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering, in their entirety before making an investment decision. You should also read and consider the information in the documents to which we have referred you in the section of this prospectus supplement entitled “Where You Can Find More Information; Incorporation by Reference” and the section of the accompanying prospectus entitled “Where You Can Find More Information; Incorporation by Reference.” In this prospectus supplement, the “Company,” “Intellipharmaceutics,” “we,” “us” and “our” refer to Intellipharmaceutics International Inc. and its subsidiaries.

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

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference into this prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreement, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

References to “$,” “U.S.$” or “dollars” are to U.S. dollars, and all references to “Cdn$” are to the lawful currency of Canada. In this prospectus supplement, where applicable, and unless otherwise indicated, amounts are converted from U.S. dollars to Canadian dollars and vice versa by applying the closing rate of exchange of the Bank of Canada on March 16, 2018. See “Exchange Rate Information.” Except as otherwise indicated, our consolidated financial statements and other information are presented in U.S. dollars.

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

Whenever we refer to any of our current product candidates (including additional product strengths of products we are currently marketing, no assurances can be given that we, or any of our strategic partners, will successfully commercialize or complete the development of any of such product candidates or future products under development or proposed for development, that regulatory approvals will be granted for any such product candidate or future product, or that any approved product will be produced in commercial quantities or sold profitably.

In this prospectus supplement, the accompanying prospectus and/or the documents incorporated by reference herein or therein, we refer to information regarding potential markets for our products, product candidates and other industry data. We believe that all such information has been obtained from reliable sources that are customarily relied upon by companies in our industry. However, we have not independently verified any such information.

This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Trademarks

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

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement or incorporated by reference herein. This summary is not complete and may not contain all of the information that you should consider before deciding whether or not you should purchase the securities offered hereunder. You should read the entire prospectus supplement and accompanying prospectus carefully, including the section entitled "Risk Factors" beginning on page S-4 of this prospectus supplement and the section entitled "Risks Factors" in our annual report on Form 20-F for the fiscal year ended November 30, 2017, and all other information included or incorporated herein by reference in this prospectus supplement and the accompanying prospectus before you decide whether to purchase our securities.

Our Company

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

We also have new drug application, or NDA, 505(b)(2) specialty drug product candidates in our development pipeline. These include our oxycodone hydrochloride extended release tablets (previously referred to as Rexista™), or Oxycodone ER, an abuse deterrent oxycodone based on our proprietary nPODDDS™ novel Point Of Divergence Drug Delivery System (for which an NDA has been filed with the FDA), and Regabatin™ XR (pregabalin extended-release capsules). The NDA 505(b)(2) pathway (which relies in part upon the approving agency's findings for a previously approved drug) both accelerates development timelines and reduces costs in comparison to NDAs for new chemical entities. 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.

Recent Developments

Nasdaq Notices

In September 2017, we were notified by Nasdaq that we were not in compliance with the minimum market value of listed securities requirement set forth in Nasdaq Rules for continued listing on Nasdaq. Nasdaq Listing Rule 5550(b)(2) requires listed securities to maintain a minimum market value of $35.0 million. A failure to meet the minimum market value requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the market value of our common shares for the 30 consecutive business days from August 8, 2017, we no longer meet the minimum market value of listed securities requirement. We were provided 180 calendar days, or until March 19, 2018, to regain compliance with Nasdaq Listing Rule 5550(b)(2). To regain compliance, our common shares must have a market value of at least $35.0 million for a minimum of 10 consecutive business days. As we have not regained compliance, we may receive a notice of delisting, but may be eligible for additional time to regain compliance. If not, our securities may be delisted from Nasdaq.

In December 2017, we were notified by Nasdaq that the minimum bid price per share for our common shares was below $1.00 for a period of 30 consecutive business days and that we did not meet the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2). We have a period of 180 calendar days, or until June 4, 2018, to regain compliance with Nasdaq's minimum bid price requirement. To regain compliance, our common shares must have a closing bid price of at least $1.00 for a minimum of 10 consecutive business days. In the event we do not regain compliance by June 4, 2018, we may be eligible for additional time to regain compliance. If not, our securities may be delisted from Nasdaq.

There can be no assurance that we will be able to regain or maintain compliance with all applicable Nasdaq continued listing standards. If our common shares are delisted from Nasdaq, they may trade on the over-the-counter market, which may be a less liquid market. In such case, our shareholders' ability to trade, or obtain quotations of the market value of, our common shares would be severely limited because of lower trading volumes and transaction delays. See "—Risk Factors-- There can be no assurance that our common shares will continue to trade on Nasdaq or another national securities exchange."

FDA Meetings

In July 2017, a joint meeting of the Anesthetic and Analgesic Drug Products Advisory Committee and Drug Safety and Risk Management Advisory Committee of the FDA, or the Advisory Committees, was held to review our NDA for Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets. The Advisory Committees voted 22 to 1 in finding that our NDA for Oxycodone ER abuse-deterrent oxycodone hydrochloride extended release tablets should not be approved at that time. The Advisory Committees also voted 19 to 4 that we did not demonstrate that Oxycodone ER has properties that can be expected to deter abuse by the intravenous route of administration, and 23 to 0 that there is not sufficient data for Oxycodone ER to support inclusion of language regarding abuse-deterrent properties in the product label for the intravenous route of administration. The Advisory Committees expressed a desire to review the additional safety and efficacy data for Oxycodone ER that may be obtained from human abuse potential studies for the oral and intranasal routes of administration.

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

Purported Class Action Litigation

In July 2017, three complaints were filed in the U.S. District Court for the Southern District of New York asserting claims under the federal securities laws against us and two of our executive officers on behalf of a putative class of purchasers of our securities. In a subsequent order, the Court consolidated the three actions under the caption Shanawaz v. Intellipharmaceutics Int'l Inc., et al., No. 1:17-cv-05761 (S.D.N.Y.), appointed lead plaintiffs in the consolidated action, and approved lead plaintiffs' selection of counsel. For further information regarding the purported class action, see "—Risk Factors-- We operate in a highly litigious environment" and "—Legal Proceedings."

Patent Litigation

In April 2017, we received notice that Purdue Pharma L.P., Purdue Pharmaceuticals L.P., The P.F. Laboratories, Inc., or collectively the Purdue parties, Rhodes Technologies, and Grünenthal GmbH, or collectively the Purdue litigation plaintiffs or plaintiffs, had commenced patent infringement proceedings, or the Purdue litigation, against us in the U.S. District Court for the District of Delaware in respect of our NDA filing for our Oxycodone ER product candidate, alleging that it infringes 6 out of the 16 patents associated with the branded product OxyContin®, or the OxyContin® patents, listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. We are confident that we do not infringe the subject patents, and will vigorously defend against these claims. For further information regarding the patent litigation, see "—Risk Factors-- We operate in a highly litigious environment" and "--Legal Proceedings."

At-The-Market Termination

On March 13, 2018, we terminated the continuous offering by us under the prospectus supplement dated July 18, 2017 and prospectus dated July 17, 2017 in respect of our at-the-market program. If we seek to offer and sell common shares under our at-the-market program, we will file another prospectus supplement prior to making such additional offers and sales. We are not required to sell shares under the equity distribution agreement. There can be no assurance

that any additional shares will be sold under our at-the-market program. For further information regarding the at-the-market program and sales thereunder, see "—Risk Factors–A large number of our common shares could be sold in the market in the near future, which could depress our stock price."

Recent Registered Direct Offering

Pursuant to a placement agent agreement dated March 12, 2018 between the Company and H.C. Wainwright & Co., LLC, on March 16, 2018, we completed a registered direct offering consisting of 5,833,334 common shares at a price of $0.60 per share for gross proceeds of approximately $3.5 million. We also issued to the investors unregistered warrants to purchase an aggregate of 2,916,667 common shares at an exercise price of $0.60 per share. The warrants are exercisable six months following the March 16, 2018 closing date and will expire 30 months after the date they become exercisable. The common shares (but not the warrants or the common shares underlying the warrants) were offered by us through a prospectus supplement pursuant to our shelf registration statement on Form F-3 as previously filed and declared effective by the SEC and the base prospectus contained therein (Registration Statement No. 333-218297). The warrants described above were offered in a private placement under Section 4(a)(2) of the U.S. Securities Act, and Regulation D promulgated thereunder and, along with the common shares underlying the warrants, have not been registered under the U.S. Securities Act, or applicable state securities laws. We also issued to the placement agent 291,667 warrants to purchase a share of common stock at an exercise price of $0.75 per share, paid $245,000.03 in cash for placement agent fees and an aggregate of $65,000 for certain expenses. The total net proceeds from the offering were approximately $3.0 million, after deducting offering expenses. For more information about this recent prior offering, reference the documents we have filed with the SEC in connection with the prior offering. See “Where You Can Find More Information; Incorporation by Reference” in this prospectus supplement.

Our Corporate Information

We were incorporated under the Canada Business Corporations Act by certificate and articles of arrangement dated October 22, 2009. Our registered principal office is located at 30 Worcester Road, Toronto, Ontario, Canada M9W 5X2. Our telephone number is (416) 798-3001 and our facsimile number is (416) 798-3007. Our website address is http://www.intellipharmaceutics.com. Information on or accessed through our website is not incorporated into this prospectus supplement and is not a part of this prospectus supplement. Our common shares are listed for trading on the TSX and on Nasdaq under the symbol “IPCI”.

There can be no assurance that our products will be successfully commercialized or produce significant revenues for us. Also, there can be no assurance that we will not be required to conduct further studies for our Oxycodone ER product candidate, that the FDA will approve any of our requested abuse-deterrence label claims or that the FDA will ultimately approve the NDA for the sale of our Oxycodone ER product in the U.S. market, or that it will ever be successfully commercialized, that we will be successful in submitting any additional ANDAs or NDAs with the FDA or ANDSs with Health Canada, that the FDA or Health Canada will approve any of our current or future product candidates for sale in the U.S. market and Canadian market, or that they will ever be successfully commercialized and produce significant revenue for us. Also, there can be no assurance that we can achieve Nasdaq’s minimum market value of listed securities, minimum bid-price or other requirements.

The Offering

Common shares we are offering:	3,000,000 shares
Offering price:	$0.60 per share
Common shares outstanding before this offering:	40,537,849 shares

Common shares to be outstanding after this offering:	43,537,849 shares
Concurrent private placement:	In a concurrent private placement, we are selling to the purchasers of common shares in this offering, warrants to purchase one-half the number of common shares purchased by such purchasers in this offering, or up to 1,500,000 of our common shares. The warrants will be exercisable six months after issuance at an exercise price of $0.60 per share and will expire on the 30 month anniversary of the initial exercise date. The warrants and the common shares issuable upon the exercise of the warrants, are not being offered pursuant to this prospectus supplement and the accompanying prospectus and are being offered pursuant to the exemption provided in Section 4(a)(2) under the U.S. Securities Act and Rule 506(b) promulgated thereunder. See “Concurrent Private Placement Transaction.”

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Use of proceeds:	We currently intend to use the net proceeds from this offering for general corporate purposes, which may include working capital, capital expenditures, research and development, accounts payable and other commercial expenditures. See “Use of Proceeds” beginning on page S-11.
Nasdaq and TSX symbol:	IPCI. See “Recent Developments” above for important information about the listing of our common shares on Nasdaq.
Risk Factors:	Investing in our securities involves substantial risks. You should carefully review and consider the “Risk Factors” section of this prospectus supplement for a discussion of factors to consider before deciding to invest in our securities.

The number of common shares shown above to be outstanding after this offering is based on 40,537,849 shares outstanding as of March 19, 2018 and excludes, as of that date:

an aggregate of 5,669,835 common shares issuable upon the exercise of outstanding options, with a weighted average exercise price of U.S.$3.13 per common share;

up to 564,557 additional common shares that have been reserved for issuance in connection with future grants under our stock option plan;

an aggregate of 7,188,131 common shares issuable upon the exercise of outstanding common share purchase warrants, with a weighted average exercise price of U.S.$1.18 per common share;

an aggregate of 102,791 deferred share units;

an aggregate of 450,000 common shares issuable upon the conversion of an unsecured convertible debenture held by Drs. Isa and Amina Odidi, our principal stockholders, directors and executive officers, or the Debenture (as defined below);

an aggregate of 1,500,000 common shares issuable upon the exercise of the warrants to be issued in the concurrent private placement. See “Concurrent Private Placement Transaction;” and

an aggregate of 150,000 common shares issuable upon the exercise of the warrants to be issued to the placement agent with an exercise price of U.S.$0.75 as described in “Plan of Distribution.”

RISK FACTORS

Our past experience may not be indicative of future performance, and as noted elsewhere in this prospectus supplement and documents incorporated by reference into this prospectus supplement, we have included forward-looking statements about our business, plans and prospects that are subject to change. In addition to the other risks or uncertainties contained in this prospectus supplement and the accompanying prospectus and documents

incorporated by reference into this prospectus supplement, the following risks may affect our operating results, financial condition and cash flows. If any of these risks occurs, either alone or in combination with other factors, our business, financial condition or operating results could be adversely affected. Moreover, readers should note this is not an exhaustive list of the risks we face. Some risks are unknown or not quantifiable, and other risks that we currently perceive as immaterial may ultimately prove more significant than expected. Statements about plans, predictions or expectations should not be construed to be assurances of performance or promises to take a given course of action.

The “Risk Factors” beginning on page 6 of the accompanying prospectus are incorporated by reference in this prospectus supplement.

Risks Relating to this Offering

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

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

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

Because the offering price per common share is substantially higher than the book value per share of our common shares, you will suffer substantial dilution in the net tangible book value of the common shares you purchase in this offering. Based on the offering price of $0.60 per share, if you purchase shares in this offering, you will suffer immediate and substantial dilution of approximately $0.49 per share in the net tangible book value of the common shares you acquire. See “Dilution” below for a more detailed discussion of the dilution you will incur if you purchase securities in this offering.

In addition to this offering, sub