Intellipharmaceutics International Inc.
Form 424B5
July 26, 2013

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

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

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

INTELLIPHARMACEUTICS INTERNATIONAL INC.

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

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

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

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

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

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

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

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

Sole Book-Running Manager

Maxim Group LLC

Co-Manager

Brean Capital, LLC

Prospectus supplement dated July , 2013.

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Prospectus

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

About this Prospectus Supplement

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

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

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

Trademarks

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

SUMMARY

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

Our Company

We are a pharmaceutical company specializing in the research, development and manufacture of novel and generic controlled-release and targeted-release oral solid dosage drugs. Our patented Hypermatrix™ technology is a multidimensional controlled-release drug delivery platform that can be applied to the efficient development of a wide range of existing and new pharmaceuticals. Based on this technology, we have a pipeline of product candidates in various stages of development, including eight abbreviated new drug applications, or ANDAs, filed with the U.S. Food and Drug Administration, or FDA, seven of which are under review, in therapeutic areas that include neurology, cardiovascular, gastrointestinal tract, diabetes and pain. Certain, but not all, of the products in our pipeline may be developed from time to time for third parties pursuant to drug development agreements with those third parties, under which our development partner generally pays certain of the expenses of development, sometimes makes certain milestone payments to us and receives a share of revenues or profits if the drug is developed successfully to completion, the control of which is generally in the discretion of our drug development partner. At this time, there is one such product in multiple strengths being developed in cooperation with a development partner.

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

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

- For existing controlled-release (once-a-day) products whose active pharmaceutical ingredients, or APIs, are covered by drug molecule patents about to expire or already expired, or whose formulations are covered by patents about to expire, already expired or which we believe we do not infringe, we can seek to formulate generic products which are bioequivalent to the branded products. Our scientists have demonstrated a successful track record with such products, having previously developed several drug products which have been commercialized in the United States by their former employer/clients. The regulatory pathway for this approach requires ANDAs for the United States and corresponding pathways for other jurisdictions.

- For branded immediate-release (multiple-times-per-day) drugs, we can formulate improved replacement products, typically by developing new, potentially patentable, controlled-release once-a-day drugs. Among other out-licensing opportunities, these drugs can be licensed to and sold by the pharmaceutical company that made the original immediate-release product. These can potentially protect against revenue erosion in the brand by providing a clinically attractive patented product that competes favorably with the generic immediate-release competition that arises on expiry of the original patent(s). The regulatory pathway for this approach requires NDAs via a 505(b)(2) application for the United States or corresponding pathways for other jurisdictions where applicable. The 505(b)(2) pathway (which relies in part upon the approving agency's findings for a previously approved drug) both accelerates development timelines and reduces costs in comparison to NDAs for new chemical entities.

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

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

Our Corporate Information

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

The Offering

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

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

hereby, and excludes, as of that date:

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

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

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

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

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

RISK FACTORS

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

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

Risks Relating to this Offering

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Future sales of our common shares may cause the prevailing market price of our common shares to decrease.

We have registered a substantial number of outstanding common shares and common shares that are issuable upon the exercise of outstanding warrants. If the holders of our registered common shares choose to sell such shares in the public market or if holders of our warrants exercise their purchase rights and sell the underlying common shares in the public market, or if holders of currently restricted common shares choose to sell such shares in the public market, the

prevailing market price for our common shares may decline. The sale of shares issued upon the exercise of our warrants (and options) could also further dilute the holdings of our then existing shareholders. In addition, future public sales by holders of our common shares could impair our ability to raise capital through equity offerings.

Risks Relating to our Company

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

Our business requires substantial capital investment in order to conduct the research and development, clinical and regulatory activities necessary to bring our products to market and to establish commercial manufacturing, marketing and sales capabilities. As of November 30, 2012, our most recently completed fiscal year, our cash balance was $0.5 million. As of May 31, 2013, our cash balance was $1.6 million. Assuming we receive net proceeds of approximately $3 million from the sale of the common shares and warrants offered by this prospectus supplement, we currently expect to satisfy our operating cash requirements through the end of our current fiscal year from such proceeds and cash on hand. In order for us to continue operations at existing levels thereafter, we will require significant additional capital. Potential sources of any such capital may include collection of anticipated revenues resulting from future commercialization activities, development agreements or marketing license agreements, managing operating expense levels, equity and/or debt financings, and/or new strategic partnership agreements funding some or all costs of development, although there can be no assurance that we will be able to obtain any such capital on terms or in amounts sufficient to meet our needs or at all. The availability of equity or debt financing will be affected by, among other things, the results of our research and development, our ability to obtain regulatory approvals, the market acceptance of our products, the state of the capital markets generally, strategic alliance agreements, and other relevant commercial considerations. In addition, if we raise additional funds by issuing equity securities, our then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. In the event that we do not obtain additional capital over the next twelve months, there may be substantial doubt about our ability to continue as a going concern and realize our assets and pay our liabilities as they become due. Any failure on our part to raise additional funds on terms favorable to us or at all, may require us to significantly change or curtail our current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in our not taking advantage of business opportunities, in the termination or delay of clinical trials for one or more of our product candidates, in curtailment of our product development programs designed to identify new product candidates, in the sale or assignment of rights to our technologies, products or product candidates, and/or our inability to file ANDAs or NDAs at all or in time to competitively market our products or product candidates.

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

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

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

The FDA may institute changes to its ANDA approval requirements, which may make it more difficult or expensive for us to obtain approval for our new generic products. For instance, in July 2012, the Generic Drug Fee User Amendments of 2012 (“GDUFA”) was enacted into law. The GDUFA legislation implemented fees for new ANDAs, Drug Master Files, product and establishment fees and a one-time fee for back-logged ANDAs pending approval as of October 1, 2012. In return, the program is intended to provide faster and more predictable ANDA reviews by the FDA and increased inspections of drug facilities. For the FDA's fiscal year 2013, the user fee rates are $51,520 for new ANDAs, $25,760 for Prior Approval Supplements, and $17,434 for each ANDA already on file at the FDA. There is also an annual facility user fee of $190,389. Under GDUFA, generic product companies face significant penalties for failure to pay the new user fees, including rendering an ANDA not “substantially complete” until the fee is paid. It is currently uncertain the effect the new fees will have on our ANDA process and business. However, any failure by us or our suppliers to pay the fees or to comply with the other provisions of GDFUA may impact or delay our ability to file ANDAs, obtain approvals for new generic products, generate revenues and thus may have a material adverse effect on our business, results of operations and financial condition.

We operate in a highly litigious environment.

From time to time, we are subject to legal proceedings. As of the date of this prospectus supplement, we are not aware of any material litigation pending or threatened against us other than as described under “Legal Proceedings and Regulatory Actions” in our annual report on Form 20-F for the fiscal year ended November 30, 2012. Litigation to which we are, or may be, subject could relate to, among other things, our patent and other intellectual property rights or such rights of others, business or licensing arrangements with other persons, product liability or financing activities. Such litigation could include an injunction against the manufacture or sale of one or more of our products or potential products or a significant monetary judgment, including a possible punitive damages award, or a judgment that certain of our patent or other intellectual property rights are invalid or unenforceable or infringe the intellectual property rights of others. If such litigation is commenced, our business, results of operations, financial condition and cash flows could be materially adversely affected.

There has been substantial litigation in the pharmaceutical industry concerning the manufacture, use and sale of new products that are the subject of conflicting patent rights. When we file an ANDA for a bioequivalent version of a drug, we may, in some circumstances, be required to certify to the FDA that any patent which has been listed with the FDA as covering the branded product has expired, the date any such patent will expire, or that any such patent is invalid or will not be infringed by the manufacture, sale or use of the new drug for which the application is submitted. Approval of an ANDA is not effective until each listed patent expires, unless the applicant certifies that the patents at issue are not infringed or are invalid and so notifies the patent holder and the holder of the branded product. A patent holder may challenge a notice of non-infringement or invalidity by suing for patent infringement within 45 days of receiving notice. Such a challenge prevents FDA approval for a period which ends 30 months after

the receipt of notice, or sooner if an appropriate court rules that the patent is invalid or not infringed. From time to time, in the ordinary course of business, we face and have faced such challenges and may continue to do so in the future.

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

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

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

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

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

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

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

Our shareholders who received shares under the court approved plan of arrangement and merger (the "IPC Arrangement Agreement") that resulted in the October 22, 2009 combination of IPC Ltd. and Intellipharmaceutics Corp. with 7231971 Canada Inc., were not deemed "affiliates" of either Vasogen, IPC Ltd., or us prior to the IPC Arrangement Agreement and were able to resell the common shares that they received without restriction under the Securities Act. The common shares received by an "affiliate" after the IPC Arrangement Agreement or who were "affiliates" of either Vasogen, IPC Ltd., or us prior to the IPC Arrangement Agreement are subject to certain restrictions on resale under Rule 144.

As of the date of this prospectus supplement, there are currently common shares issuable upon the exercise of outstanding options and warrants and the conversion of the outstanding convertible debenture for an aggregate of approximately 7.4 million common shares. To the extent any of our options and warrants are exercised and the convertible debenture is converted, a shareholder's percentage ownership will be diluted and our stock price could be further adversely affected. Moreover, as the underlying shares are sold, the market price could drop significantly if the

holders of these restricted shares sell them or if the market perceives that the holders intend to sell these shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included and incorporated by reference in this prospectus supplement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements expressed or implied regarding our plans, goals and milestones, status of developments or expenditures relating to our business, plans to fund our current activities, statements concerning our partnering activities, health regulatory submissions, strategy, future operations, future financial position, future sales, revenues and profitability, projected costs, and market penetration. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "potential," "continue," "intends," "could," or the negative of such terms or other comparable terminology. We made a numbe of assumptions in the preparation of our forward-looking statements. You should not place undue reliance on our forward looking statements, which are subject to a multitude of known and unknown risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those stated in or implied by the forward-looking statements. Risks, uncertainties and other factors that could affect our actual results include, but are not limited to, the effects of general economic conditions, securing and maintaining corporate alliances, our estimates regarding our capital requirements and the effect of capital market conditions and other factors, including the current status of our product development programs, on capital availability, the potential dilutive effects of any future financing, our programs regarding research, development and commercialization of our product candidates, the timing of such programs, the timing, costs and uncertainties regarding obtaining regulatory approvals to market our product candidates, and the timing and amount of any available investment tax credits, the actual or perceived benefits to users of our drug delivery technologies and product candidates as compared to others, our ability to establish and maintain valid and enforceable intellectual property rights in our drug delivery technologies and product candidates, the scope of protection provided by intellectual property for our drug delivery technologies and product candidates, the actual size of the potential markets for any of our product candidates compared to our market estimates, our selection and licensing of product candidates, our ability to attract distributors and collaborators with the ability to fund patent litigation and with acceptable development, regulatory and commercialization expertise and, the benefits to be derived from such collaborative efforts, sources of revenues and anticipated revenues, including contributions from distributors and collaborators, product sales, license agreements and other collaborative efforts for the development and commercialization of product candidates, our ability to create an effective direct sales and marketing infrastructure for products we elect to market and sell directly, the rate and degree of market acceptance of our products, the timing and amount of insurance reimbursement for our products, the success and pricing of other competing therapies that may become available, our ability to retain and hire qualified employees, and the manufacturing capacity of third-party manufacturers that we may use for our products. Additional risks and uncertainties relating to the Company and our business can be found in the "Risk Factors" section of this prospectus supplement and the accompanying prospectus, as well as in our other public filings incorporated by reference herein. The forward-looking statements are made as of the date hereof, and we disclaim any intention and have no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

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

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

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

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

EXCHANGE RATE INFORMATION

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

	Six months ended June 30, 2013