

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

INTEGRAL TECHNOLOGIES, INC.

=====

(Name of small business issuer in its charter)

| | | |
|---|---|---------------------------------------|
| Nevada | 3663 | 98-0163519 |
| ----- | ----- | ----- |
| (State or jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | I.R.S. Employer Identification No. |

805 W. Orchard Drive, Suite 3
Bellingham, Washington 98225
(360) 752-1982

(Address and telephone number of principal executive offices)

805 W. Orchard Drive, Suite 3
Bellingham, Washington 98225

(Address of principal place of business or intended principal place of
business)

William A. Ince
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Bellingham, Washington 98225
(360) 752-1982

(Name, address and telephone number of agent for service)

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Approximate date of proposed sale to the public: From time to time after the
effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant
to Rule 462(b) under the Securities Act, please check the following box and list
the Securities Act registration statement number of the earlier effective
registration statement for the same offering. ____

If any securities being registered on this Form are to be offered on a delayed
or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check
the following box. ☒ X

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under
the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. ____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under
the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. ____

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. ____

<TABLE>
<CAPTION>

CALCULATION OF REGISTRATION FEE

| Title of each Class of Securities to be Registered | Proposed Maximum Amount to be Registered | Proposed Maximum Offering Price Per Security (1) | Amount of Aggregate Offering Price | Registration Fee |
|---|--|--|--|---------------------|
| <S> | <C> | <C> | <C> | <C> |
| Common Stock, par \$0.001(2) | 8,293,336 | \$ 1.425 | \$ 11,818,003.80 | \$ 1,497.34 |
| Common Stock, par \$0.001 (3) | 3,263,602 | \$ 1.425 | \$ 4,650,632.85 | \$ 589.24 |
| Total | 11,556,938 | \$ | 16,468,636.65 | \$ 2,086.58 |

<FN>

(1) In accordance with Rule 457(c), the aggregate offering price of shares of common stock of Integral is estimated solely for purposes of calculating the registration fees payable pursuant hereto, as determined in accordance with Rule 457(c), using the average of the high and low sales price reported by the OTC Bulletin Board for the Common Stock on February 9, 2004, which was \$1.425 per share and, with respect to shares of common stock of Integral issuable upon exercise of outstanding warrants, the higher of (a) such average sales price or (b) the exercise price of such warrants.

(2) Represents outstanding shares of common stock held by certain selling securityholders.

(3) Issuable upon the exercise of common stock purchase warrants held by certain selling securityholders. The per share exercise prices of the warrants range from zero to \$1.188.

</TABLE>

The company hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the company shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

PROSPECTUS

INTEGRAL TECHNOLOGIES, INC.

The Resale of Up To 11,556,938 Shares of Common Stock

The selling price of the shares will be determined by market factors at the time of their resale.

This prospectus relates to the resale by the selling securityholders of up to 11,556,938 shares of common stock. The selling securityholders may sell the stock from time to time in the over-the-counter market at the prevailing market price or in negotiated transactions. Of the shares offered:

- o 8,293,336 shares were held by selling securityholders; and
- o up to 3,263,602 shares were issuable upon the exercise of outstanding warrants held by selling securityholders.

We will receive no proceeds from the sale of the shares by the selling shareholders. However, we have received proceeds from the sale of shares that are presently outstanding. In addition, we may receive additional proceeds from the exercise of warrants held by selling securityholders.

Our common stock is quoted on the over-the-counter Electronic Bulletin Board under the symbol ITKG.

Investing in the common stock involves a high degree of risk. You should invest in the common stock only if you can afford to lose your entire investment. See "Risk Factors" beginning on page 4 of this prospectus.

Please read this prospectus carefully. It describes our company, finances, products and services. Federal and state securities laws require that we include in this prospectus all the important information that you will need to make an investment decision.

You should rely only on the information contained or incorporated by reference in this prospectus to make your investment decision. We have not authorized anyone to provide you with different information. The selling shareholders are not offering these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front page of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2004

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The following table of contents has been designed to help you find important information contained in this prospectus. We encourage you to read the entire prospectus.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in the common stock. You should read the entire prospectus carefully, including the "Risk Factors" section and the financial statements and related notes.

Unless the context otherwise requires, the terms "we," "our," "us," and "Integral" refer to Integral Technologies, Inc., a Nevada corporation. Our principal offices are located at 805 W. Orchard Drive, Suite 3, Bellingham, Washington 98225. Our telephone number is (360) 752-1982. The address of our website is www.itkg.net. Information contained on our website is not a part of this prospectus.

The Offering

| | |
|-----------------------|--|
| Securities Offered | Up to 11,556,938 shares of Common Stock. |
| Offering Price | The shares being registered hereunder are being offered by the selling securityholders from time to time at the then current market price. |
| Dividend Policy | Integral does not anticipate paying dividends on its Common Stock in the foreseeable future. |
| Use of Proceeds | The shares offered herein are being sold by the selling securityholders and as such, Integral will not receive any of the proceeds of the offering (see, "Use of Proceeds" section). |
| Material Risk Factors | This offering involves a high degree of risk, elements of which include possible lack of profitability, competition, breach of leasing agreements, death or incapacity of management and inadequate insurance coverage. There is a risk to investors due to the speculative nature of this investment, historical losses from operations, a shortage of capital, lack of dividends, dilution factors, control by present shareholders and economic conditions in general. There is a material risk that we may have insufficient funding to engage in any or all of the proposed activities. |

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus and documents incorporated by reference contain forward-looking statements. Forward-looking statements relate to our future operations. They estimate the occurrence of future events and are not based on historical facts. Forward-looking statements may be identified by terms such as:

- believes
- intends
- projects
- forecasts
- predicts
- may
- will
- expects
- estimates
- anticipates
- probable
- continue

This list is not comprehensive. Similar terms, variations of those terms, and the negative of those terms may also identify forward-looking statements.

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The risk factors discussed in this prospectus are cautionary statements. They identify some of the factors that could cause actual results to be significantly different from those predicted in the forward-looking statements. The forward-looking statements and documents incorporated by reference were compiled by Integral based upon assumptions it considered reasonable. These assumptions are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. Therefore, forecasted and actual results will likely vary, and these variations may be material.

There can be no assurance that the statements, estimates, and projections contained in this prospectus will be achieved. Thus, Integral makes no representation or warranty as to their accuracy or completeness. In addition, Integral cannot guarantee that any forecast in this prospectus will be achieved.

These forward-looking statements were compiled as of the date of this prospectus

or the date of the documents incorporated by reference, as the case may be. Integral does not intend to update these statements, except as required by law. Therefore, you should evaluate them by considering any changes that may have occurred after the date these forward-looking statements appear.

Integral cannot guarantee the assumptions relating to the forward-looking statements or the documents incorporated by reference will prove to be accurate. Therefore, while these forward-looking statements contain Integral's best good faith estimates as of the date of this prospectus, Integral urges you and your advisors to review these forward-looking statements, to consider the assumptions upon which they are based, and to ascertain their reasonableness.

RISK FACTORS

An investment in our common stock involves major risks. The Investor should carefully consider the following risk factors, in addition to all of the other information available to the Investor, in determining whether to purchase shares of our stock.

WE ARE A HIGHLY SPECULATIVE INVESTMENT. Integral has been operating at a loss since inception, and you cannot assume that Integral's plans will either materialize or prove successful. There is no assurance that Integral's operations will become profitable. In the event Integral's plans are unsuccessful, you may lose all or a substantial part of your investment. For these and other reasons, the purchase of Integral's stock must be considered a highly speculative investment.

WE HAVE A HISTORY OF OPERATING LOSSES AND FINANCIAL INSTABILITY. For the year ended June 30, 2003, Integral had a net loss of approximately \$1.3 million. Losses are expected to continue for an undetermined time. As of June 30, 2003, Integral had a stockholders' deficit of \$628,072 and a deficit accumulated during the development stage of approximately \$14.6 million. The long term financial success of Integral will depend largely upon facts related to Integral's operations. A report by Integral's independent auditors for the period ended June 30, 2003 stated that there is substantial doubt as to whether Integral will be able to continue operations. There can be no assurance as to whether Integral will be able to achieve profitable operations or sustained revenues.

WE CANNOT BE SURE THAT FUTURE CAPITAL WILL BE AVAILABLE. We currently have adequate funds available to fund our operations over the next twelve months, but we will continue to require substantial funds for capital expenditures and related operating expenses in pursuit of our business plans. The timing and amount of such spending is difficult to predict accurately and will depend upon many factors. To the extent required, Integral may seek additional funds through additional private placements that will be exempt from registration. Any such additional private placements will not require prior shareholder approval and may include offerings of equity securities such as common stock or preferred stock which is convertible into common stock, or debt securities such as notes or debentures convertible into common stock. If additional funds are raised by issuing equity or debt securities, further dilution to shareholders could occur. Additionally, investors purchasing future equity or debt securities could be granted

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registration rights by Integral. There can be no assurance that additional financing will be available when needed or on terms acceptable to Integral.

WE DEPEND ON EXISTING MANAGEMENT; NO ADDITIONAL LIFE INSURANCE ON KEY PERSONNEL IS CARRIED. Integral's future success depends in a significant part upon the continued service of certain key management personnel. Competition for such personnel is intense, and there can be no assurance that Integral can retain its key managerial personnel or that it can attract, assimilate or retain other highly qualified managerial personnel in the future. The loss of key personnel, especially if without advance notice, or the inability to hire or retain qualified personnel could have a material adverse effect upon Integral's business, financial condition and result of operations. Integral does not currently maintain additional life insurance on the life of any of its key officers, directors, employees or consultants. To date, Integral has relied on loans from management and management's ability to raise capital through debt and equity private placement financings to fund its operations.

PATENTS AND PROPRIETARY RIGHTS SUBJECT TO UNCERTAINTY; POSSIBLE INFRINGEMENT BY INTEGRAL. Integral relies on a combination of patents, trademarks, copyright and trade secret laws, confidentiality procedures and licensing arrangements to protect its intellectual property rights. There can be no assurance that any patents held by Integral will not be challenged and invalidated, that patents will issue from any of the Integral's pending applications or that any claims allowed from existing or pending patents will be of sufficient scope or strength or be issued in all countries where Integral's products can be sold so as to provide meaningful protection or any commercial advantage to Integral. Competitors of Integral may also be able to design around its patents.

Problems with patents or other rights could potentially increase the cost of Integral's products or delay or preclude new product development and commercialization by Integral. If infringement claims against Integral are deemed valid it may seek licenses that might not be available on acceptable terms or at all. Litigation could be costly and time-consuming but may be necessary to protect Integral's technology and could have a materially adverse effect on Integral and its business prospects. There can be no assurance that any application of Integral's technologies will not infringe upon the proprietary rights of others or that licenses required by Integral from others will be available on commercially reasonable terms, if at all.

PENDING LITIGATION. Integral is involved in litigation against a shareholder and former co-founder of the Company. The shareholder alleges breach of contract, negligence and fraud claims, and alleges damages in excess of \$1 million. The shareholder is the holder of approximately 1.8 million shares of common stock and is also attempting to liquidate these shares. Integral is vigorously defending the matter and filed counterclaims against the shareholder for the following claims for relief: (1) Intentional Misrepresentation; (2) Breach of Contract; (3) Negligent Misrepresentation; and (4) Rescission and Restitution. However, as with any legal dispute, there is an inherent risk that the final outcome could result in substantial costs and uncertainty to the Company.

PREFERRED STOCK. The Articles of Incorporation of Integral authorize the issuance of 20,000,000 shares of preferred stock. The preferred stock may be divided into one or more series. The board of directors is authorized to determine the rights, provisions, privileges and restrictions and number of authorized shares of any series of preferred stock. Additionally, the preferred stock can have other rights, including voting and economic rights that are senior to the common stock. The issuance of preferred stock could adversely affect the market value of the common stock.

1,000,000 shares of preferred stock have been designated as Series A Convertible Preferred Stock of which 321,038 are issued and outstanding, and held by two insiders of Integral. Each share of Series A Convertible Preferred Stock:

- has a stated value and liquidation preference of \$1.00;
- has a 5% annual dividend, payable in cash or shares of common stock;

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- may be converted into shares of common stock (determined by dividing the number of shares of Series A being converted by the average of the high and low bid prices of Integral's common stock reported by the OTC Bulletin Board over the ten trading days preceding the date of conversion);
- may be redeemed by Integral within one year after issue at \$1.50, after one year but less than two years at \$2.00, after two years but less than three years at \$2.50, after three years but less than four years at \$3.00, and after four years but less than five years at \$3.50;
- may be voted on all matters on an as-converted basis; and
- may be voted as a class on any merger, share exchange, recapitalization, dissolution, liquidation or change in control of Integral.

WE HAVE NEVER PAID DIVIDENDS. The board of directors of Integral has the sole authority to determine whether cash dividends will be paid. This decision will depend on many factors including Integral's earnings, capital requirements and financial condition. Integral has not paid cash dividends in the past and does not anticipate paying cash dividends in the near future.

HOW FUTURE ISSUANCES OF COMMON STOCK PURSUANT TO OUR STOCK OPTION PLANS WILL AFFECT YOU. Integral has two non-qualified stock option plans in effect. As of December 31, 2003, approximately 2,817,500 shares are available under the plan for issuance either directly or pursuant to options, to officers, directors, employees and consultants of Integral and its subsidiaries. As of December 31, 2003, of the 2,817,500 shares available, approximately 1,317,500 are under option, at a weighted-average exercise price of approximately \$0.94 per share. When additional shares are issued under this plan, your stock ownership may be diluted. Additional stock or options to acquire stock of Integral can be granted at any time by the board of directors, usually without shareholder approval.

HOW FUTURE SALES OF COMMON STOCK MAY AFFECT YOU. Future sales of common stock by management personnel and others may be made under Rule 144 of the 1933 Act. In general, under Rule 144, a person who has held their stock for one year may, under certain circumstances, sell within any three-month period a number of shares which is not greater than one percent of the then outstanding shares of common stock or (if qualified) the average weekly trading volume in shares during the four calendar weeks immediately prior to such sale. Under certain circumstances, the sale of shares which have been held for two years by a person who is not affiliated with Integral is also permitted. Management personnel and others have or may acquire shares of common stock which may be registered on Form S-8 and which may be sold in compliance with state securities laws without restriction by non-affiliates in, and by those affiliated with Integral either (i) under Rule 144 but without the one-year holding period or (ii) pursuant to an effective reoffer prospectus filed for the Form S-8. Future sales of common stock may have an adverse effect on the current market price of the common stock and adversely affect Integral's ability to obtain future funding as well as create a potential market overhang.

OUR STOCK HAS BEEN LIMITED IN ITS PUBLIC TRADING; VOLATILITY OF STOCK. There has been a limited public trading market for the common stock of Integral, and there can be no assurance that an active trading market will be sustained upon the completion of the offering. The issuance of common stock upon exercise of the warrants and the subsequent sale of the common stock pursuant to this prospectus can dilute the common stock and adversely affect the market price of the common stock. There can be no assurance that the market price of the stock will not decline below its current price. Integral believes that fluctuations in its operating results and even mild expressions of interest on a particular day (being traded on the OTC Bulletin Board) can cause the market price of its shares to fluctuate, perhaps substantially. The stock can expect to experience

substantial price changes in short periods of time, owing to the unpredictability of the OTC Bulletin Board. Stock markets in the United States have, from time to time, experienced significant price and volume fluctuations which are not necessarily related to Integral's net worth or any other established criteria of value. It can be expected that substantial price swings will occur in the stock for the foreseeable future, and percentage changes in stock indices (such as the Dow Jones Industrial Average) could be magnified, particularly in downward movements of the markets. These fluctuations may adversely affect the price of the common stock.

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RESTRICTIONS ON SECONDARY TRADING. While it is quoted on the OTC Bulletin Board and trades below \$5.00 per share, Integral's common stock will be subject to restrictions imposed by law that limit the ability of broker-dealers which sell such securities to anyone other than established customers and investors which meet certain sophisticated investor tests. These restrictions can affect the ability of broker-dealers to sell Integral's stock and can also affect your ability to resell your stock in any trading market that may develop.

TECHNOLOGIES IN VARIOUS STAGES OF DEVELOPMENT; NO ASSURANCE OF COMPLETION; MAY BE SUBJECT TO ADDITIONAL DELAYS. Integral's technologies and products are in various stages of development. There can be no assurance that additional products can be introduced or technologies completed to production or marketability due to the inherent risks of new product and technology development, limitations on financing, competition, obsolescence, loss of key personnel and other factors. Integral has generated virtually no revenues from its various technologies to date and there is no assurance of revenues in the future. Integral's development projects are high risk in nature, where unanticipated technical obstacles can arise at any time and result in lengthy and costly delays or in a determination that a further development is not feasible.

The development of Integral's technologies has taken longer than anticipated by management and could be subject to additional delays. Therefore, there can be no assurance of timely completion and introduction of these technologies on a cost-effective basis, or that such technologies, if introduced, will achieve market acceptance.

FUTURE DEPENDENCE ON MARKET ACCEPTANCE OF INTEGRAL'S TECHNOLOGIES AND PRODUCTS. The future of Integral is dependent upon the success of the current and future generations of one or more of Integral's technologies. There can be no assurance that Integral can introduce any of its technologies or new products or that, if introduced, they will achieve market acceptance such that in combination with existing products they will sustain Integral or allow it to achieve profitable operations.

SIGNIFICANT COMPETITION AND POSSIBLE OBSOLESCENCE. Technological competition from other and longer established antenna companies is significant and expected to increase. Most of the companies with which Integral competes and expects to compete have far greater capital resources and more significant research and development staffs, marketing and distribution programs and facilities, and many of them have substantially greater experience in the production and marketing of products. Integral's ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the sale and marketing of their products than are available to Integral. In addition, one or more of Integral's competitors may succeed or may have already succeeded in developing technologies and products that are more effective than any of those offered or being developed by Integral, rendering Integral's technology and products obsolete or noncompetitive.

DEPENDENCE ON OUTSIDE MANUFACTURERS AND SUPPLIERS. Currently, we rely, and intend to continue to rely, on outside suppliers for raw materials and components used in our antenna products. We may also rely on outside manufacturers to assemble our antenna products. There can be no assurance that these suppliers and manufacturers will be able to meet our cost and performance requirements in the future. In the event that any of our suppliers or manufacturers should become too expensive or suffer from quality control problems or financial difficulties, we would have to find alternative sources, which could disrupt our business and have an adverse effect on our financial condition.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares by the selling securityholders. Any net proceeds from the exercise of warrants are intended to be used for general corporate purposes.

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DESCRIPTION OF INTEGRAL

BUSINESS DEVELOPMENT

Integral Technologies, Inc. ("Integral," the "Company" or the "Registrant") is a development stage company, incorporated under the laws of the State of Nevada on February 12, 1996. To date, Integral, directly and through its subsidiaries, has expended its resources on the research and development of several different types of technologies.

Presently, Integral is focusing substantially all of its resources on the researching, developing and commercializing of new antenna technologies.

ANTENNA PRODUCTS

The Company is focusing its marketing efforts through to the end of calendar 2004 on wireless market segments. The Company's technology will be marketed to manufacturers of such wireless devices as cellular phones, portable phones, paging communicators, satellite communications, global positioning systems (GPS) and wireless based networks. The Company's GPS/LEO antenna is for use in mobile asset tracking and fleet management, utilizing GPS satellite tracking and low earth orbit (LEO) satellite data communications to trucking fleets, heavy equipment, marine vessels, railway cars, shipping containers, transit vehicles, all via satellite interface communications. Presently, the Company is focusing all of its resources on the researching, developing and commercializing its Plastenna and Electriplast technologies.

Plastenna

The Company has developed and prototyped a new antenna technology. The pioneering aspect of the Plastenna technology is that it opens the doors to vast new horizons in antenna design and manufacturing processes. The combination of the Company's proprietary recipe of conductive materials, and a selection of resins from various resin suppliers results in a covert moldable antenna, that can become part of the shell or case of any wireless device, be it phones, radios, or even body parts of vehicles, or new designs for conventional antennas as we know them today. Our research indicates that the Plastenna technology vastly improves design flexibility, increases signal performance, reduces manufacturing costs, and shows a marked reduction in power consumption.

Electriplast

The Company has recently developed a new family of innovative applications, deemed "Electriplast", based upon the Company's extensive research and development of its Plastenna technology. Electriplast is the utilization of Integral's proprietary recipe of conductive materials, combined with a selection of resins from various resin suppliers to conduct electricity in multiple applications.

GPS/LEOS Antenna

Integral has recently finalized the development of a "ruggedized" GPS/LEO antenna, measuring only 13.25 inches by 9.90 inches, and .870 inches in height. The term "ruggedized" is used to describe the durability of this antenna, that is to say it can withstand the elements and yet endure significant shock and vibration effects. This antenna is for use in mobile asset tracking and fleet management, utilizing GPS satellite tracking and LEO satellite data communications to trucking fleets, heavy equipment, marine vessels, railway cars, shipping containers, transit vehicles, all via satellite interface communications.

Integral continues to advance to the next stage of the commercialization of its proprietary antenna technologies. The Company's Plastenna and GPS/LEO antenna technologies are currently undergoing pilot projects with a number of wireless companies around the world.

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Flat Panel Antennas

The Company has also been developing several new flat panel antenna designs for use in different wireless technology markets.

PATENTS ON ANTENNA TECHNOLOGIES

Integral has completed a patent review of the antenna technologies and has filed 33 U.S. patent applications, 25 of which are currently provisional patents, three are pending final approval, and four have been granted. No assurances can be given that all patent applications will be approved; however, to the extent that patents are not granted, Integral will continue to attempt to commercialize these technologies without the protection of patents. As patents are issued, Integral will have the exclusive right to use in the U.S. the antenna design(s) described in each issued patent for the 18-year life of the patent.

The Company's intellectual property portfolio consists of over eight years of accumulated research and design knowledge and trade secrets relating to antenna design & components as well as proprietary manufacturing processes.

Product Manufacturing and Distribution

The Company is not in the manufacturing business. The Company relies on third-party manufacturing companies to manufacture antenna products.

The Company's antenna products will not be sold directly to the general public, but rather to businesses and manufacturers who will use the antennas in their products.

Barriers to Entry into Market Segment

In the antenna market, Integral will be competing with other established antenna providers that are much larger and better capitalized than Integral. In order to compete, management believes that Integral must demonstrate to potential users that its antenna products have an advantage over other antennas on the market in terms of performance and cost.

EMPLOYEES

Integral and its subsidiaries currently employ a total of 4 people on a full-time basis. Research and development activities are conducted primarily by one employee. However, Integral also relies on the expertise of several technical advisors who are consulted as needed on a part-time, contract basis.

LEGAL PROCEEDINGS

In April 2003, James E. Smith, a shareholder and former co-founder of the Company, filed suit against the Company and its transfer agent in the Circuit Court of Monongalia County, West Virginia. The Complaint alleges breach of contract, negligence and fraud claims, and alleges damages in excess of \$1 million. Mr. Smith is the holder of approximately 1.8 million shares of common stock and is also attempting to liquidate these shares. The Company was successful in having the case moved to federal court in the U.S. District Court for the Northern District of West Virginia. The Company filed an Answer denying the claims, and filed Counterclaims against Mr. Smith for the following claims for relief: (1) Intentional Misrepresentation; (2) Breach of Contract; (3) Negligent Misrepresentation; and (4) Rescission and Restitution. The case is scheduled to go to trial in July 2004.

9 DESCRIPTION OF PROPERTY

Neither the Company nor its subsidiaries own any real property. The Company and its subsidiaries lease office space in Bellingham, Washington and in Vancouver, B.C., Canada.

MARKET FOR COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Market Information

There is a limited public market for the common stock of the Company. The Company's common stock is quoted on the NASD OTC Bulletin Board under the symbol "ITKG."

The following table sets forth the range of high and low bid quotations for the Company's common stock on the OTC Bulletin Board for each quarter of the fiscal years ended June 30, 2002 and 2003, and the first and second quarters of the current fiscal year.

| Quarter Ended ----- | Low Bid ----- | High Bid ----- |
|------------------------|------------------|-------------------|
| September 30, 2001 | \$ 0.32 | \$ 0.90 |
| December 31, 2001 | \$ 0.48 | \$ 1.96 |
| March 31, 2002 | \$ 1.05 | \$ 1.84 |
| June 30, 2002 | \$ 0.77 | \$ 1.34 |
| September 30, 2002 | \$ 0.66 | \$ 1.06 |
| December 31, 2002 | \$ 0.49 | \$ 0.88 |
| March 31, 2003 | \$ 0.68 | \$ 1.26 |
| June 30, 2003 | \$ 0.72 | \$ 1.05 |
| September 30, 2003 | \$ 0.77 | \$ 1.40 |
| December 31, 2003 | \$ 1.04 | \$ 1.50 |

The source of this information is the OTC Bulletin Board and other quotation services. The quotations reflect inter-dealer prices, without retail markup, markdown or commission and may not represent actual transactions.

Holders

As of February 1, 2004, there were approximately 195 holders of record of the Company's common stock (this number does not include beneficial owners who hold shares at broker/dealers in "street-name").

Dividends

To date, the Company has not paid any dividends on its common stock and does not expect to declare or pay any dividends on such common stock in the foreseeable future. Payment of any dividends will be dependent upon future earnings, if any, the financial condition of the Company, and other factors as deemed relevant by the Company's Board of Directors.

10 MANAGEMENT'S PLAN OF OPERATION

To date the Company has recorded nominal revenues from operations. The Company is still considered a development stage company for accounting purposes. From inception on February 12, 1996 through December 31, 2003, the Company has accrued an accumulated deficit of approximately \$15.6 million.

As a result of the commercial interest in the Company's antenna technologies, the Company presently intends to focus substantially all of its resources on the commercialization and sales of Plastenna and Electriplast technologies, and the Company will not be devoting any of its resources on the

further research, development and commercialization of the other technologies in which it has an interest.

The Company's business strategy focuses on leveraging its intellectual property rights on its antenna technologies, its strengths in antenna design, material innovation, and an understanding of the wireless marketplace.

The Company is not in the manufacturing business and does not expect to make any capital purchases of a manufacturing plant or significant equipment in the next twelve months. The Company will be relying on contract manufacturers to produce the antenna products.

The Company is focusing its marketing efforts through to the end of calendar 2004 on wireless market segments. The Company's technology will be marketed to manufacturers of such wireless devices as cellular phones, portable phones, paging communicators, satellite communications, global positioning systems (GPS) and wireless based networks. The Company's GPS/LEO antenna is for use in mobile asset tracking and fleet management, utilizing GPS satellite tracking and low earth orbit (LEO) satellite data communications to trucking fleets, heavy equipment, marine vessels, railway cars, shipping containers, transit vehicles, all via satellite interface communications. Presently, the Company is focusing all of its resources on the researching, developing and commercializing its Plastenna and Electriplast technologies.

The Company anticipates spending approximately \$250,000 over the next twelve months on ongoing research and development of the different applications and uses of its antenna technologies.

During the next twelve months, the Company does not anticipate increasing its staff.

To date, the Company has relied on loans from management and management's ability to raise capital through debt and equity private placement financings to fund its operations.

Pursuant to the terms of an Investment Agreement with Swartz Private Equity, LLC ("Swartz") (executed in May 2000), the Company, in its sole discretion and subject to certain restrictions, periodically sold ("Put") shares of common stock to Swartz. The Company received net proceeds of \$102,356 from a Put of 81,885 shares to Swartz during the fiscal year ended June 30, 2001. The Company received net proceeds of \$954,582 from Puts totaling 775,975 shares to Swartz during the year ended June 30, 2002. The Investment Agreement terminated in May 2003.

In November 2002, the Company completed a private placement with eight investors and sold 1,684,000 shares of its common stock at \$.50 per share and warrants to purchase 842,000 shares of its common stock within two years at an exercise price of \$.75 per share. Aggregate proceeds from the sale of the common stock was \$842,000. In connection with the offering, the Company agreed to use its best efforts to register the shares of common stock (including the shares underlying the warrants) for resale by the investors within 180 days after the close of the offering.

In September 2003, the Company completed a private placement with ten investors and sold 898,336 shares of its common stock at \$.75 per share and warrants to purchase 449,168 shares of its common stock within two years at an exercise price of \$1.00 per share. Aggregate proceeds from the sale of the common stock was \$673,752. In connection with the offering, the Company agreed to use its

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best efforts to register the shares of common stock (including the shares underlying the warrants) for resale by the investors within 180 days after the close of the offering.

In January 2004, the Company completed a private placement of its securities and raised \$5,711,500 in gross proceeds. The transaction was completed pursuant to a Securities Purchase Agreement dated December 26, 2003, between the Company and Wellington Management Company, LLP, for a private offering of 57,115 units ("Units") of equity securities, each Unit consisting of 100 shares of common stock (the "Common Stock"), and one warrant (the "Warrant") convertible into 30 shares of Common Stock, at a purchase price of \$100.00 per Unit. Wellington Management Company, LLP acted as an investment advisor on behalf of eleven institutional investors. By mutual agreement with the Investors, closing occurred on January 14, 2004. Each Warrant may be exercised in whole or in part at any time, and from time to time, during the period commencing on April 30, 2004 and expiring on December 31, 2009, and entitles the holder to receive shares of common stock for no additional consideration. Pursuant to the Securities Purchase Agreement, the Company agreed to file this registration statement to register the shares of common stock (including the share of common stock underlying the Warrants), for resale by the investors. Wells Fargo Securities, LLC, served as placement agent for the Company and is entitled to a fee of six percent of the gross proceeds raised from the offering.

As a result of the private placement financing that was completed in January 2004, the Company will have adequate funds available to fund its operations over the next twelve months.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers of Registrant. The Company has a Board of Directors which is currently comprised of two members. Each director holds office until the next annual meeting of shareholders or until a successor is

elected or appointed. The members of the Board and the executive officers of the Company and their respective age and position are as follows:

<TABLE>
<CAPTION>

| Name | Director of Age | Position with Registrant | Registrant Since |
|---------------------|--------------------|---|------------------|
| <S> | <C> | <C> | <C> |
| William S. Robinson | 47 | Chairman, CEO and Treasurer | February 1996 |
| William A. Ince | 53 | Director, President, Secretary and Chief Financial Officer | February 1996 |

</TABLE>

DIRECTORS AND EXECUTIVE OFFICERS OF INTEGRAL

WILLIAM ROBINSON
(Chairman, CEO and Treasurer)

As a co-founder of the Company (since 1996), Mr. Robinson has been responsible since the inception of Integral for securing funding in order to ensure the ongoing operations of Integral and its subsidiaries. Together with Mr. Ince, he has been responsible for the development and implementation of corporate strategies.

Mr. Robinson brings many years of management experience in finance, banking and corporate development. Previously, he acted as a director of a number of companies involved in natural resources, sales and marketing, and computer technologies.

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WILLIAM A. INCE
(Director, President, Secretary and Chief Financial Officer)

Mr. Ince, a co-founder of the Company (since 1996), is responsible, along with Mr. Robinson, for the development and implementation of corporate strategies. He is also responsible for the accounting and financial systems and record-keeping of Integral and its subsidiaries.

Mr. Ince brings with him a background as a professional accountant and experience from management positions in finance and operations in several private companies. He has consulted to both private and public companies in the areas of marketing and finance, as well as turn-around situations. Mr. Ince has been responsible for "team building" efforts to ensure that each project is brought to fruition on a timely basis.

SIGNIFICANT EMPLOYEES OF THE COMPANY AND ITS SUBSIDIARIES

TOM AISENBREY, General Manager and Chief Technology Officer, has been with the Company since February 2001. Mr. Aisenbrey is an accomplished executive program manager with 27 years of experience in a variety of electronic industries, with design & development of multiple computer oriented products, specializing in wireless products. Mr. Aisenbrey is responsible for the development of the Company's antenna technologies.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of copies of such reports received or written representations from certain reporting persons, the Company believes that, during the year ended June 30, 2003, all Section 16(a) filing requirements applicable to its officers, directors and ten percent shareholders were complied with by such persons.

OWNERSHIP OF SECURITIES BY BENEFICIAL OWNERS AND MANAGEMENT

A. Common Stock

The following table sets forth, as of January 31, 2004 the stock ownership of each person known by Integral to be the beneficial owner of five percent or more of Integral's common stock, each Officer and Director individually and all Directors and Officers of Integral as a group. Each person is believed to have sole voting and investment power over the shares except as noted.

<TABLE>
<CAPTION>

| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership(1) (2) | Percent of Class (3) |
|---|---|----------------------|
| <S> | <C> | <C> |
| William S. Robinson (4) #3 1070 West Pender St. Vancouver, B.C. V6E 2N7 | 2,373,533 | 6.0% |
| William A. Ince (5) | | |

| | | |
|---|-----------|-------|
| 805 W. Orchard Dr., Suite #3 Bellingham, WA 98225 | 2,128,833 | 5.3% |
| ===== | ===== | ===== |
| All officers and directors of Integral as a group (2 persons) | 4,502,366 | 11.2% |
| ===== | ===== | ===== |

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<FN>

- (1) Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named.
- (2) Includes vested options beneficially owned but not yet exercised and outstanding, if any. The table does not include the effects of conversion by Mr. Robinson and Mr. Ince of their shares of Series A Convertible Preferred Stock ("Series A"), which are convertible into shares of common stock at a conversion rate that varies with the market price of the common stock at the time of conversion. The conversion rate is determined by dividing the number of shares of Series A being converted by the average of the high and low bid prices of Integral's common stock reported by the OTC Bulletin Board over the ten trading days preceding the date of conversion. Mr. Robinson owns 211,225 shares of Series A and Mr. Ince owns 109,813 shares of Series A. As of January 31, 2004, the conversion rate was \$1.44 per share, so Mr. Robinson's 211,225 shares of Series A were convertible into 146,684 shares of common stock, and Mr. Ince's 109,813 shares of Series A were convertible into 76,259 shares of common stock. The actual number of shares of common stock receivable by Messrs. Robinson and Ince upon conversion of the Series A would depend on the actual conversion rate in effect at the time of conversion.
- (3) Based upon 39,869,051 shares issued and outstanding, plus the amount of shares each person or group has the right to acquire within 60 days pursuant to options, warrants, conversion privileges or other rights.
- (4) Mr. Robinson is an officer and director of Integral and each of its subsidiaries.
- (5) Mr. Ince is an officer and director of Integral and each of its subsidiaries. Beneficial ownership figure includes 415,000 shares underlying options.

</TABLE>

B. Series A Convertible Preferred Stock

The following table sets forth, as of January 31, 2004, the stock ownership of each person known by Integral to be the beneficial owner of five percent or more of Integral's Series A Convertible Preferred Stock, each Officer and Director individually and all Directors and Officers of Integral as a group. Each person is believed to have sole voting and investment power over the shares except as noted.

<TABLE>

<CAPTION>

| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership(1) | Percent of Class (2) |
|---|---|----------------------|
| ----- | ----- | ----- |
| <S> | <C> | <C> |
| William S. Robinson (3) #3 1070 West Pender St. Vancouver, B.C. V6E 2N7 | 211,225 | 65.8% |
| ----- | ----- | ----- |
| William A. Ince (4) 805 W. Orchard Dr., Suite #3 Bellingham, WA 98225 | 109,813 | 34.2% |
| ===== | ===== | ===== |
| All officers and directors of Integral as a group (2 persons) | 321,038 | 100% |
| ===== | ===== | ===== |

<FN>

- (1) Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named.
- (2) Based upon 321,038 Series A Convertible Preferred shares issued and outstanding.
- (3) Mr. Robinson is an officer and director of Integral and each of its subsidiaries.
- (4) Mr. Ince is an officer and director of Integral and each of its subsidiaries.

</TABLE>

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EQUITY COMPENSATION PLAN INFORMATION

The following information concerning the Company's equity compensation plans is as of the end of the fiscal year ended June 30, 2003:

<TABLE>

<CAPTION>

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of options, warrants and rights | Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|-----|--|--|--|
| (a) | | | |

Plan category

(b)

(c)

| <S> | <C> | <C> | <C> |
|--|-----------|---------|-----------|
| Equity compensation plans approved by security holders | N/A | N/A | N/A |
| Equity compensation plans not approved by security holders | 1,907,500 | \$ 0.94 | 1,687,500 |
| Total | 1,907,500 | \$ 0.94 | 1,687,500 |

</TABLE>

As of June 30, 2002, Integral had two Employee Benefit and Consulting Services Compensation Plans in effect.

On January 2, 2001, Integral adopted an employee benefit and consulting services compensation plan entitled the Integral Technologies, Inc. 2001 Stock Plan (the "2001 Plan"), which was amended on December 17, 2001. As amended, the 2001 Plan covers up to 3,500,000 shares of common stock. The 2001 Plan has not previously been approved by security holders.

On April 4, 2003, Integral adopted an employee benefit and consulting services compensation plan entitled the Integral Technologies, Inc. 2003 Stock Plan (the "2003 Plan"). The 2003 Plan covers up to 1,500,000 shares of common stock. The 2003 Plan has not previously been approved by security holders.

Under both Plans, Integral may issue common stock and/or options to purchase common stock to certain officers, directors and employees and consultants of Integral and its subsidiaries. The purpose of the Plans is to promote the best interests of Integral and its shareholders by providing a means of non-cash remuneration to eligible participants who contribute to operating progress and earning power of Integral. The Plans are administered by Integral's Board of Directors or a committee thereof which has the discretion to determine from time to time the eligible participants to receive an award; the number of shares of stock issuable directly or to be granted pursuant to option; the price at which the option may be exercised or the price per share in cash or cancellation of fees or other payment which Integral or its subsidiaries is liable if a direct issue of stock and all other terms on which each option shall be granted.

EXECUTIVE COMPENSATION

(a) General

The following information discloses all plan and non-plan compensation awarded to, earned by, or paid to the executive officers of the Company, and other individuals for whom disclosure is required, for all services rendered in all capacities to the Company and its subsidiaries.

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(b) Summary Compensation Table

The following table sets forth all compensation, including bonuses, stock option awards and other payments, paid or accrued by Integral and/or its subsidiaries, to or for Integral's Chief Executive Officer and each of the other executive officers of Integral, during the fiscal years ended June 30, 2003, 2002 and 2001.

<TABLE>

<CAPTION>

| (a) Name And Principal Position | (b) Year Ended June 30 | Annual Compensation | | |
|--|---------------------------------|-----------------------|----------------------|--|
| | | (c) Salary (\$) | (d) Bonus (\$) | (e) Other Annual Compensation (\$) |
| <S> | <C> | <C> | <C> | <C> |
| William S. Robinson, Director, Chairman, CEO, Treasurer (n1) | 2003 | \$ 170,000 | -0- | -0- |
| | 2002 | \$ 156,000 | -0- | -0- |
| | 2001 | \$ 138,000 | -0- | -0- |
| William A. Ince, Director, President, Secretary, CFO (n2) | 2003 | \$ 170,000 | -0- | -0- |
| | 2002 | \$ 156,000 | -0- | -0- |
| | 2001 | \$ 138,000 | -0- | -0- |

</TABLE>

<TABLE>

<CAPTION>

| (a) Name | (b) | Long Term Compensation | | | |
|-------------|-----|-----------------------------|-----|----------------|-----|
| | | (f) Awards Restricted | (g) | (h) Payouts | (i) |

| And Principal Position | Year Ended June 30 | Stock Award(s) (\$) | Shares Underlying Options | LTIP Payouts (\$) | All Other Compensation (\$) |
|---|--------------------------|---------------------------|---------------------------------|-------------------------|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| William S. Robinson, Chairman, CEO, Treasurer (n1) | 2003 2002 2001 | -0- -0- -0- | 415,000 -0- 240,000 | -0- -0- -0- | -0- \$ 93,600 (n3) \$ 50,000 (n4) |
| William A. Ince, Director, President, Secretary, CFO (n2) | 2003 2002 2001 | -0- -0- -0- | 415,000 -0- 240,000 | -0- -0- -0- | -0- \$ 93,600 (n3) \$ 50,000 (n4) |

<FN>

(n1) As of June 30, 2003, of the \$170,000 salary earned for the year then ended, the Company owed Mr. Robinson \$103,275 of this amount as accrued but unpaid salary for the year then ended.

(n2) As of June 30, 2003, of the \$170,000 salary earned for the year then ended, the Company owed Mr. Ince \$127,375 of this amount as accrued but unpaid salary for the year then ended.

(n3) In March 2002, the Company redeemed an aggregate of 124,800 shares of Series A Preferred Stock from Mr. Robinson (62,400 shares) and Mr. Ince (62,400 shares) at a predetermined redemption price of \$2.50 per share. The stated value of the Series A

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Preferred Stock is \$1.00 per share, which resulted in a redemption premium of \$1.50 per share over the stated value.

(n4) In December 2000, the Company redeemed an aggregate of 100,000 shares of Series A Preferred Stock from Mr. Robinson (50,000 shares) and Mr. Ince (50,000 shares) at a predetermined redemption price of \$2.00 per share. The stated value of the Series A Preferred Stock is \$1.00 per share, which resulted in a redemption premium of \$1.00 per share over the stated value.

</TABLE>

(c) Option/SAR Grants in Last Fiscal Year

The information provided in the table below provides information with respect to individual grants of stock options for the year ended June 30, 2003 to each of the persons named in the Summary Compensation Table above. Integral did not grant any stock appreciation rights for the year ended June 30, 2003.

<TABLE>

<CAPTION>

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Individual Grants

| (a) | (b) | (c) | (d) | (e) |
|---|--|---|--------------------------------------|--------------------|
| Name | Number of Securities Underlying Options/SARs Granted (#) | % of Total Options/SARs Granted to Employees in Fiscal Year (n1) | Exercise or Base Price (\$/Sh) | Expiration Date |
| <S> | <C> | <C> | <C> | <C> |
| William S. Robinson, Chairman, CEO, Treasurer | 415,000 (n2) | 34% | \$ 1.00 | 12/31/2005 |
| William A. Ince, Director, President, Secretary, CFO | 415,000 (n3) | 34% | \$ 1.00 | 12/31/2005 |

<FN>

(n1) The percentage of total options granted (1,230,000) in the fiscal year is based upon all options granted to eligible participants, which includes officers, directors, employees, consultants and advisors, under Integral's 2001 Stock Plan during the year ended June 30, 2003.

(n2) William S. Robinson: On July 1, 2002, Mr. Robinson was granted 415,000 options under Integral's 2001 Stock Plan.

(n3) William A. Ince: On July 1, 2002, Mr. Ince was granted 415,000 options under Integral's 2001 Stock Plan.

</TABLE>

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(d) Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The information provided in the table below provides information with respect to each exercise of stock options during most recent fiscal year ended June 30, 2003 by the persons named in the Summary Compensation Table and the fiscal year end value of unexercised options.

<TABLE>
<CAPTION>

| (a) | (b) | (c) | (d) | (e) |
|---|---|-------------------------------|---|---|
| Name | Shares Acquired on Exercise (#) | Value Realized (\$)(n1) | Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable | Value of Unexercised In-the-Money Options/SARs at FY-End(\$) Exercisable/ Unexercisable(n1) |
| <S> | <C> | <C> | <C> | <C> |
| William S. Robinson Director, Chairman, CEO, Treasurer | -0- | N/A | 415,000/-0- | -0-/-0- |
| William A. Ince Director, President, Secretary, CFO <FN> | -0- | N/A | 415,000/-0- | -0-/-0- |

(n1) The aggregate dollar values in columns (c) and (e) are calculated by determining the difference between the fair market value of the common stock underlying the options and the exercise price of the options at exercise or fiscal year end, respectively. At June 30, 2003, all options held by Messrs. Robinson and Ince were out-of-the money (the exercise price of \$1.00 was greater than the market price of \$.82).
</TABLE>

(e) Long-Term Incentive Plans ("LTIP") - Awards in Last Fiscal Year

This table has been omitted, as no executive officers named in the Summary Compensation Table above received any awards pursuant to any LTIP during the fiscal year ended June 30, 2003.

(f) Compensation of Directors

No compensation was paid by Integral to its Directors for any service provided as a Director during the fiscal year ended June 30, 2003. There are no other formal or informal understandings or arrangements relating to compensation; however, Directors may be reimbursed for all reasonable expenses incurred by them in conducting Integral's business. These expenses would include out-of-pocket expenses for such items as travel, telephone, and postage.

(g) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

On July 1, 2002, Integral executed new employment agreements with William S. Robinson, the Chairman, CEO and Treasurer of Integral and William A. Ince, a director and the President, Secretary and CFO of Integral. Each employment agreement provides for a two year term, an annual salary of \$170,000 and fully-vested options to purchase 415,000 shares of Integral's common stock at an exercise price of \$1.00 per share, which are exercisable after January 1, 2003.

Pursuant to the employment agreements, in the event Integral terminates the employment of the executive without cause, then the executive shall be entitled to severance pay equal to twelve month's

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base salary based on the base salary then in effect at the termination. In addition, the employment agreements provide that in the event Integral is indebted to the executive for a minimum of three months salary, the executive shall have the option to convert such unpaid salary into shares of common stock of Integral at market price (average daily closing over the previous month).

Integral's Board of Directors has complete discretion as to the appropriateness of (a) key-man life insurance, (b) obtaining officer and director liability insurance, (c) employment contracts with and compensation of executive officers and directors, (d) indemnification contracts, and (e) incentive plan to award executive officers and key employees.

Integral's Board of Directors is responsible for reviewing and determining the annual salary and other compensation of the executive officers and key employees of Integral. The goals of Integral are to align compensation with business objectives and performance and to enable Integral to attract, retain and reward executive officers and other key employees who contribute to the long-term success of Integral. Integral intends to provide base salaries to its executive officers and key employees sufficient to provide motivation to achieve certain operating goals. Although salaries are not specifically tied into performance, incentive bonuses may be available to certain executive officers and key employees. In the future, executive compensation may include without limitation cash bonuses, stock option grants and stock reward grants.

(h) Employee Benefit and Consulting Services Compensation Plans

As of June 30, 2002, Integral had two Employee Benefit and Consulting Services Compensation Plans in effect.

On January 2, 2001, Integral adopted an employee benefit and consulting services compensation plan entitled the Integral Technologies, Inc. 2001 Stock Plan (the "2001 Plan"), which was amended on December 17, 2001. As amended, the

2001 Plan covers up to 3,500,000 shares of common stock. The 2001 Plan has not previously been approved by security holders.

On April 4, 2003, Integral adopted an employee benefit and consulting services compensation plan entitled the Integral Technologies, Inc. 2003 Stock Plan (the "2003 Plan"). The 2003 Plan covers up to 1,500,000 shares of common stock. The 2003 Plan has not previously been approved by security holders.

Under both Plans, Integral may issue common stock and/or options to purchase common stock to certain officers, directors and employees and consultants of Integral and its subsidiaries. The purpose of the Plans is to promote the best interests of Integral and its shareholders by providing a means of non-cash remuneration to eligible participants who contribute to operating progress and earning power of Integral. The Plans are administered by Integral's Board of Directors or a committee thereof which has the discretion to determine from time to time the eligible participants to receive an award; the number of shares of stock issuable directly or to be granted pursuant to option; the price at which the option may be exercised or the price per share in cash or cancellation of fees or other payment which Integral or its subsidiaries is liable if a direct issue of stock and all other terms on which each option shall be granted.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the last two fiscal years, Integral entered into the following transactions in which its officers and directors have a material interest:

(a) In August 2001, the Company issued an aggregate of 700,000 shares of its common stock to Mr. Robinson (350,000) and Mr. Ince (350,000) upon exercise of options pursuant to the Employee Benefit and Consulting Services Compensation Plan. The options had exercise prices of \$0.15 to \$.23 per share. The Company issued the shares in consideration for a reduction of an aggregate of \$124,200 of accrued salaries payable (\$62,100 for Mr. Robinson and \$62,100 for Mr. Ince).

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(b) In March 2002, the Company redeemed an aggregate of 124,800 shares of Series A Preferred Stock from Mr. Robinson (62,400 shares) and Mr. Ince (62,400 shares) at a predetermined redemption price of \$2.50 per share. The stated value of the Series A Preferred Stock is \$1.00 per share, which resulted in a redemption premium of \$1.50 per share over the stated value.

(c) A 5% dividend on the Series A Preferred Stock, payable in cash or shares of common stock at the election of the Company, has been accrued but not paid. As of the year ended June 30, 2003, \$72,513 was accrued to Mr. Robinson and \$32,268 was accrued to Mr. Ince.

SELLING SECURITYHOLDERS

The following table provides certain information with respect to the selling shareholders' beneficial ownership of our common stock as of January 31, 2004, and as adjusted to give effect to the sale of all of the shares offered hereby. To the best of our knowledge, none of the selling shareholders currently is an affiliate of ours, and none of them has had a material relationship with us during the past three years. None of the selling shareholders are or were affiliated with registered broker-dealers. See "Plan of Distribution." The selling shareholders possess sole voting and investment power with respect to the securities shown.

<TABLE>
<CAPTION>

| NAME OF SELLING SECURITYHOLDER | SHARES BENEFICIALLY OWNED PRIOR | MAXIMUM SHARES OFFERED IN OFFERING | SHARES BENEFICIALLY OWNED AFTER OFFERING (n2) | |
|---|---------------------------------------|---|--|---------|
| | TO OFFERING (n1) | NUMBER | NUMBER | PERCENT |
| <S> | <C> | <C> | <C> | <C> |
| Swartz Private Equity, LLC | 259,134 | 259,134 | 0 | 0 |
| Aisensat, David | 150,000 | 150,000 | 0 | 0 |
| Berry, Danny T. | 370,001 | 370,001 | 0 | 0 |
| Blumberg Pension & Profit Sharing Plan | 1,300,001 | 1,300,001 | 0 | 0 |
| Brambila, G. Robert | 681,000 | 681,000 | 0 | 0 |
| Erickson, Douglas | 250,001 | 250,001 | 0 | 0 |
| Erickson, Michael | 280,001 | 280,001 | 0 | 0 |
| Jay, Roger | 50,002 | 50,002 | 0 | 0 |
| Lee, Wayne | 25,001 | 25,001 | 0 | 0 |
| McArthur, Scott | 30,000 | 30,000 | 0 | 0 |
| Ming Capital Enterprises | 81,000 | 81,000 | 0 | 0 |
| Norris, Kent | 150,000 | 150,000 | 0 | 0 |

| | | | | |
|--|---------|---------|---|---|
| Vandy, Pamela | 954,000 | 954,000 | 0 | 0 |
| British Columbia Investment Management Corporation | 299,000 | 299,000 | 0 | 0 |

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<TABLE>
<CAPTION>

| NAME OF SELLING SECURITYHOLDER | SHARES BENEFICIALLY OWNED PRIOR | MAXIMUM SHARES OFFERED IN OFFERING | SHARES BENEFICIALLY OWNED AFTER OFFERING (n2) | |
|--|---------------------------------------|---|--|---------|
| | TO OFFERING (n1) | NUMBER | NUMBER | PERCENT |
| <S> | <C> | <C> | <C> | <C> |
| The Dow Chemical Employees' Retirement Plan | 590,200 | 590,200 | 0 | 0 |
| The Retirement Program Plan for Employees of Union Carbide Corporation | 1,081,600 | 1,081,600 | 0 | 0 |
| Government of Singapore Investment Corporation Pte Ltd | 3,365,700 | 3,365,700 | 0 | 0 |
| Howard Hughes Medical Institute | 598,000 | 598,000 | 0 | 0 |
| New York State Nurses Association Pension Plan | 357,500 | 357,500 | 0 | 0 |
| Ohio Carpenters' Pension Fund | 195,000 | 195,000 | 0 | 0 |
| Laborers' District Council and Contractors' of Ohio Pension Fund | 162,500 | 162,500 | 0 | 0 |
| The Robert Wood Johnson Foundation | 821,600 | 821,600 | 0 | 0 |
| WTC-CIF Emerging Companies Portfolio | 819,000 | 819,000 | 0 | 0 |
| WTC-CTF Emerging Companies Portfolio | 968,500 | 968,500 | 0 | 0 |

<FN>

(n1) Represents common stock held by the selling securityholders or issuable upon exercise of outstanding warrants held by such selling securityholders.

(n2) Assumes that all shares being registered for resale will be resold by the selling shareholders and none will be held by the selling shareholders for their own accounts.

</TABLE>

We are registering the shares for resale by the selling securityholders in accordance with registration rights granted to the selling securityholders. We will pay the registration and filing fees, printing expenses, listing fees, blue sky fees, if any, and fees and disbursements of our counsel in connection with this offering, but the selling securityholders will pay any underwriting discounts, selling commissions and similar expenses relating to the sale of the shares, as well as the fees and expenses of their counsel. In addition, we have agreed to indemnify the selling securityholders and certain affiliated parties, against certain liabilities, including liabilities under the Securities Act, in connection with the offering. Certain selling securityholders have agreed to indemnify Integral against certain losses. Insofar as indemnification for liabilities under the Securities Act may be permitted to our directors or officers, or persons controlling the Company, the company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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In November 2002, we completed a private placement with eight investors and sold 1,684,000 shares of its common stock at \$.50 per share and warrants to purchase 842,000 shares of its common stock within two years at an exercise price of \$.75 per share. Aggregate proceeds from the sale of the common stock was \$842,000. In connection with the offering, we agreed to register the shares of common stock (including the shares underlying the warrants) for resale by the investors.

In September 2003, we completed a private placement with ten investors and sold 898,336 shares of its common stock at \$.75 per share and warrants to purchase 449,168 shares of its common stock within two years at an exercise price of \$1.00 per share. Aggregate proceeds from the sale of the common stock was \$673,752. In connection with the offering, we agreed to use its best efforts to register the shares of common stock (including the shares underlying the warrants) for resale by the investors.

In January 2004, we completed a private placement and raised \$5,711,500 in gross proceeds. The transaction was completed pursuant to a Securities Purchase Agreement dated December 26, 2003, between the Company and Wellington Management Company, LLP, for a private offering of 57,115 units ("Units") of equity securities, each Unit consisting of 100 shares of common stock (the "Common Stock"), and one warrant (the "Warrant") convertible into 30 shares of Common Stock, at a purchase price of \$100.00 per Unit. Wellington Management Company, LLP acted as an investment advisor on behalf of eleven institutional investors. By mutual agreement with the Investors, closing occurred on January 14, 2004. Each Warrant may be exercised in whole or in part at any time, and from time to time, during the period commencing on April 30, 2004 and expiring on December 31, 2009, and entitles the holder to receive shares of common stock for no additional consideration. Pursuant to the Securities Purchase Agreement, we agreed to register the shares of common stock (including the share of common stock underlying the Warrants), for resale by the investors. Wells Fargo Securities, LLC, served as placement agent for the Company and was paid a fee of six percent of the gross proceeds raised from the offering.

PLAN OF DISTRIBUTION

Each selling shareholder is free to offer and sell his or her common shares at such times, in such manner and at such prices as he or she may determine. The types of transactions in which the common shares are sold may include transactions in the over-the-counter market (including block transactions), negotiated transactions, the settlement of short sales of common shares or a combination of such methods of sale. The sales will be at market prices prevailing at the time of sale or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling shareholders have advised us that they have not entered into agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares. The selling shareholders do not have an underwriter or coordinating broker acting in connection with the proposed sale of the common shares.

The selling shareholders may sell their shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. These broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling shareholders. They may also receive compensation from the purchasers of common shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). Each selling shareholder and any broker-dealer that assists in the sale of the common stock may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act. Any commissions received by such broker-dealers and any profit on the resale of the common shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions.

The selling shareholders have agreed to comply with applicable securities laws. Each of the selling shareholders and any securities broker-dealer or others who may be deemed to be statutory underwriters will be subject to the prospectus delivery requirements under the Securities Act. The offer and sale by

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the selling shareholders may be a "distribution" under Regulation M, in which case the selling stockholder, any "affiliated purchasers", and any broker-dealer or other person who participates in such distribution may be subject to Rule 102 of Regulation M until their participation in that distribution is completed. Rule 102 makes it unlawful for any person who is participating in a distribution to bid for or purchase stock of the same class of securities that are the subject of the distribution. A "distribution" is defined in Rule 102 as an offering of securities "that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods". In addition Rule 101 under Regulation M prohibits any "stabilizing bid" or "stabilizing purchase" by a selling shareholder in connection with a distribution for the purpose of pegging, fixing or stabilizing the price of the common stock in connection with this offering.

Selling shareholders also may resell all or a portion of the common shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of such Rule.

We are responsible for all costs, expenses and fees incurred in registering the shares offered hereby. The selling shareholders are responsible for brokerage commissions, if any, attributable to the sale of such securities. We will not receive any of the proceeds from the sale of any of the shares by the selling shareholders.

We have also agreed to indemnify the selling shareholders against certain liabilities, including liabilities under the Securities Act.

DESCRIPTION OF SECURITIES

(a) Capital Stock

Integral is presently authorized to issue 50,000,000 shares of its common stock, with a par value of \$0.001 per share, and 20,000,000 shares of Preferred Stock, \$.001 par value, of which 1,000,000 have been designated as Series A Convertible Preferred. As of January 31, 2004, 39,869,051 shares of common stock are issued and outstanding, and 321,038 Series A Convertible Preferred shares are issued and outstanding.

(b) Common Stock

The holders of the common stock are entitled to one vote per share on each

matter submitted to a vote at any meeting of shareholders. Shares of common stock do not carry cumulative voting rights and, therefore, a majority of the outstanding shares of common stock will be able to elect the entire Board of Directors and, if they do so, minority shareholders would not be able to elect any members to the Board of Directors.

Shareholders of Integral have no preemptive rights to acquire additional shares of common stock or other securities. The common stock is not subject to redemption and carries no subscription or conversion rights. In the event of liquidation of Integral, the shares of common stock are entitled to share equally in corporate assets after satisfaction of all liabilities.

The outstanding shares of common stock are fully paid and non-assessable. There are no outstanding options, warrants or rights to purchase shares of Integral's common stock, other than disclosed in this Registration Statement.

(c) Preferred Stock

Integral's Articles of Incorporation authorize Integral to issue 20,000,000 shares of preferred stock, \$.001 par value. The preferred stock may be divided into and issued in one or more series as may be determined by resolution of the board of directors. The board of directors is authorized, without any

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further action by the shareholders, to determine dividend rates, liquidation preferences, redemption provisions, sinking fund provisions, conversion rights, voting rights, and other rights, preferences, privileges and restrictions of any wholly unissued series of preferred stock and the number of shares constituting any such series. In addition, such preferred stock could have other rights, including voting and economic rights senior to the common stock so that the issuance of such preferred stock could adversely affect the market value of the common stock. The creation of one or more series of preferred stock also may have the effect of delaying, deferring or preventing a change in control of Integral without any action by shareholders.

Integral has designated 1,000,000 of the shares of preferred stock as Series A Convertible Preferred Stock, of which 321,038 shares are outstanding. Each share of Series A:

- has a stated value and liquidation preference of \$1.00;
- has a 5% annual dividend, payable in cash or shares of common stock;
- may be converted into shares of common stock (determined by dividing the number of shares of Series A being converted by the average of the high and low bid prices of Integral's common stock reported by the OTC Bulletin Board over the ten trading days preceding the date of conversion);
- may be redeemed by Integral within one year after issue at \$1.50, after one year but less than two years at \$2.00, after two years but less than three years at \$2.50, after three years but less than four years at \$3.00, and after four years but less than five years at \$3.50;
- may be voted on all matters on an as-converted basis; and
- may be voted as a class on any merger, share exchange, recapitalization, dissolution, liquidation or change in control of Integral.

The details of the dividend rates, liquidation preferences, redemption provisions, conversion rights, voting rights, and other rights, preferences, privileges and restrictions are set forth in the "Designation of Rights and Preferences of Series A Convertible Preferred Stock," that was filed as an amendment to Integral's Articles of Incorporation on November 8, 1999.

INTEREST OF NAMED EXPERTS AND COUNSEL

The validity of the securities offered by the prospectus is being passed upon for the Company by the law firm of Futro & Associates, P.C., 1401 - 17th Street, Suite 1150, Denver, CO 80202.

INDEMNIFICATION DISCLOSURE FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the company pursuant to the Nevada General Corporation Law or the provisions of the company's Articles of Incorporation, as amended, or Bylaws, or otherwise, the company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for the indemnification against such liabilities (other than the payment by the company of expenses incurred or paid by a director, officer or controlling person of the company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

WHERE YOU CAN FIND MORE INFORMATION

We file reports and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any document we file at the Public Reference Room of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Regional Offices of the Commission at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Please call 1-800-SEC-0330 for further information concerning the Public Reference Room. Our filings also are available to the public from the Commission's website at www.sec.gov.

We are not required to deliver an annual report to shareholders; however, upon request, we will provide at no cost to our shareholders, annual reports containing audited financial statements.

You may request a copy of these filings, at no cost, by writing or calling us at:

Attention: Shareholder Relations
805 W. Orchard Drive, Suite 3
Bellingham, Washington 98225
(360) 752-1982

FINANCIAL STATEMENTS

The consolidated balance sheets of Integral Technologies, Inc. (A Development Stage Company) as of June 30, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years ended June 30, 2003, 2002 and 2001 and the cumulative totals for the development stage of operations from February 12, 1996 (inception) through June 30, 2003 have been audited by Pannell Kerr Forster, Vancouver, Canada, an independent public accounting firm, as indicated in its report thereto, and are included herein in reliance upon the authority of Pannell Kerr Forster, as experts in accounting and auditing and in giving said reports.

The unaudited financial statements for the period ended December 31, 2003, are also included herein.

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INDEX TO FINANCIAL STATEMENTS

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)

Consolidated Financial Statements
June 30, 2003, 2002 and 2001
(Audited)

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Consolidated Financial Statements
December 31, 2003
(Unaudited)

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REPORT OF INDEPENDENT ACCOUNTANTS

TO THE DIRECTORS AND STOCKHOLDERS OF
 INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)

We have audited the accompanying consolidated balance sheets of Integral Technologies, Inc. (A Development Stage Company) as of June 30, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years ended June 30, 2003, 2002 and 2001 and the cumulative totals for the development stage of operations from February 12, 1996 (inception) through June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Integral Technologies, Inc. from February 12, 1996 (inception) through June 30, 1996 were audited by other auditors whose report dated November 20, 1996, expressed an unqualified opinion on those statements. Our opinion insofar as it relates to the cumulative totals for development stage operations from February 12, 1996 (inception) through June 30, 1996, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2003 and 2002 and the consolidated results of its operations and its cash flows for each of the years ended June 30, 2003, 2002 and 2001 and the cumulative totals for the development stage of operations from February 12, 1996 (inception) through June 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has minimal capital resources available and has incurred substantial losses to June 30, 2003. The Company must obtain additional financing to meet its cash flow requirements. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in note 2. These financial statements do not include any adjustments that may result from the outcome of these uncertainties.

/s/ Pannell Kerr Forster

Chartered Accountants

Vancouver, Canada
 September 3, 2003

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<TABLE>
 <CAPTION>
 INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 CONSOLIDATED BALANCE SHEETS
 JUNE 30
 (U.S. DOLLARS)

| | 2003 | 2002 |
|---|------------|------------|
| <S> | <C> | <C> |
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 174,210 | \$ 267,795 |
| Accounts receivable | 1,141 | 15,767 |
| Prepaid expenses | 11,844 | 15,093 |
| TOTAL CURRENT ASSETS | 187,195 | 298,655 |
| PROPERTY AND EQUIPMENT (note 4) | 54,282 | 78,583 |
| INVESTMENTS (note 5) | 1 | 1 |
| TOTAL ASSETS | \$ 241,478 | \$ 377,239 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accruals (note 8) | \$ 472,254 | \$ 657,107 |
| Due to West Virginia University Research Corporation (note 10(a)) | 397,296 | 397,296 |
| Customer deposits | 0 | 13,232 |

| | | |
|---|--------------|--------------|
| TOTAL CURRENT LIABILITIES | 869,550 | 1,067,635 |
| ----- | | |
| CONTINGENCIES (note 10) | | |
| STOCKHOLDERS' DEFICIT (note 6) | | |
| PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF \$0.001 PAR VALUE | | |
| 20,000,000 Shares authorized | | |
| 439,610 (2002 - 439,610) Shares issued and outstanding (note 6(b)) | 439,610 | 439,610 |
| COMMON STOCK AND PAID-IN CAPITAL IN EXCESS OF \$0.001 PAR VALUE | | |
| 50,000,000 Shares authorized | | |
| 32,923,855 (2002 - 30,787,562) Shares issued and outstanding (note 6(a)) | 13,335,752 | 12,116,450 |
| PROMISSORY NOTES RECEIVABLE (note 6(e)) | (66,500) | (66,500) |
| SHARE SUBSCRIPTIONS | 211,915 | 0 |
| OTHER COMPREHENSIVE INCOME | 46,267 | 46,267 |
| DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | (14,595,116) | (13,226,223) |
| ----- | | |
| TOTAL STOCKHOLDERS' DEFICIT | (628,072) | (690,396) |
| ----- | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 241,478 | \$ 377,239 |
| ===== | | |

</TABLE>

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See notes to consolidated financial statements.

<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. DOLLARS)

| | PERIOD FROM FEBRUARY 12, 1996 (INCEPTION) THROUGH JUNE 30, 2003 | | | |
|--|--|------------------------------|----------------|-----------------|
| | 2003 | YEARS ENDED JUNE 30, 2002 | 2001 | |
| ----- | | | | |
| <S> | <C> | <C> | <C> | <C> |
| REVENUE | \$ 21,355 | \$ 27,686 | \$ 15,209 | \$ 236,667 |
| COST OF SALES | 0 | 13,468 | 5,360 | 216,016 |
| ----- | | | | |
| | 21,355 | 14,218 | 9,849 | 20,651 |
| ----- | | | | |
| EXPENSES | | | | |
| Consulting | 445,193 | 663,795 | 151,108 | 2,155,517 |
| Salaries | 467,093 | 547,272 | 1,273,094 | 3,256,448 |
| Legal and accounting | 151,651 | 169,247 | 390,034 | 1,176,169 |
| Travel and entertainment | 93,879 | 122,898 | 173,242 | 743,668 |
| General and administrative | 57,515 | 97,458 | 115,428 | 506,417 |
| Settlement of lawsuit (note 10(b)) | 45,250 | 0 | 0 | 45,250 |
| Rent | 31,838 | 34,102 | 73,578 | 253,618 |
| Telephone | 29,892 | 33,169 | 45,842 | 257,300 |
| Bad debts | 10,753 | 14,500 | 48,750 | 76,571 |
| Advertising | 9,360 | 13,348 | 139,961 | 271,255 |
| Bank charges and interest, net | 1,498 | 10,053 | (53,971) | 107,855 |
| Research and development | 1,234 | 8,401 | 171,756 | 1,244,755 |
| Remuneration pursuant to proprietary, non-competition agreement (note 6(a)(i)) | 0 | 711,000 | 0 | 711,000 |
| Financing fees (note 6(a)(ii)) | 0 | 104,542 | 0 | 104,542 |
| Write-down of license and operating assets (note 1) | 0 | 48,919 | 1,382,046 | 1,855,619 |
| Interest on beneficial conversion feature | 0 | 0 | 0 | 566,456 |
| Write-off of investments (note 5) | 0 | 1,249,999 | 0 | 1,249,999 |
| Depreciation and amortization | 23,032 | 21,706 | 99,150 | 270,104 |
| ----- | | | | |
| | 1,368,188 | 3,850,409 | 4,010,018 | 14,852,543 |
| ----- | | | | |
| LOSS BEFORE OTHER INCOME | (1,346,833) | (3,836,191) | (4,000,169) | (14,831,892) |
| OTHER INCOME | | | | |
| Cancellation of debt | 0 | 0 | 0 | 602,843 |
| ----- | | | | |
| NET LOSS FOR PERIOD | \$ (1,346,833) | \$ (3,836,191) | \$ (4,000,169) | \$ (14,229,049) |
| ===== | | | | |
| LOSS PER COMMON SHARE BEFORE OTHER INCOME | \$ (0.04) | \$ (0.13) | \$ (0.15) | |
| OTHER INCOME PER COMMON SHARE | 0.00 | 0.00 | 0.00 | |
| ----- | | | | |

NET LOSS PER COMMON SHARE \$ (0.04) \$ (0.13) \$ (0.15)

WEIGHTED AVERAGE NUMBER OF
COMMON SHARES OUTSTANDING 31,928,310 29,064,780 26,499,533

</TABLE>

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See notes to consolidated financial statements.

<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(U.S. DOLLARS)

| | SHARES OF COMMON STOCK ISSUED | COMMON STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | SHARES OF PREFERRED STOCK ISSUED | PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | PROMISSORY NOTES RECEIVABLE | SHARE SUBSCRIPTIONS | OTHER COMPREHENSIVE INCOME |
|--|--|--|---|---|-----------------------------------|------------------------|----------------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| SHARES ISSUED FOR | | | | | | | |
| Cash | 1,000,000 | \$ 10,000 | 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Property and equipment (to officers and directors) | 1,500,000 | 15,000 | 0 | 0 | 0 | 0 | 0 |
| Services (provided by officers and directors) | 2,000,000 | 20,000 | 0 | 0 | 0 | 0 | 0 |
| Services | 1,500,000 | 15,000 | 0 | 0 | 0 | 0 | 0 |
| Foreign currency Translation | 0 | 0 | 0 | 0 | 0 | 0 | (1,226) |
| Net loss for year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 1996 | 6,000,000 | 60,000 | 0 | 0 | 0 | 0 | (1,226) |
| SHARES ISSUED FOR | | | | | | | |
| Cash | 5,086,000 | 865,514 | 0 | 0 | 0 | 0 | 0 |
| Share issue costs | 0 | (48,920) | 0 | 0 | 0 | 0 | 0 |
| Services | 564,000 | 63,036 | 0 | 0 | 0 | 0 | 0 |
| Acquisition of subsidiary | 100,000 | 275,000 | 0 | 0 | 0 | 0 | 0 |
| Foreign currency Translation | 0 | 0 | 0 | 0 | 0 | 0 | 12,601 |
| Net loss for year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 1997 | 11,750,000 | 1,214,630 | 0 | 0 | 0 | 0 | 11,375 |
| SHARES ISSUED FOR | | | | | | | |
| Cash | 825,396 | 650,000 | 0 | 0 | 0 | 0 | 0 |
| Share issue costs | 0 | (78,000) | 0 | 0 | 0 | 0 | 0 |
| Foreign currency Translation | 0 | 0 | 0 | 0 | 0 | 0 | 24,860 |
| Net loss for year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 1998 | 12,575,396 | \$1,786,630 | 0 | \$ 0 | \$ 0 | \$ 0 | \$ 36,235 |

| | DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | TOTAL STOCKHOLDERS' EQUITY (DEFICIT) |
|--|--|--|
| <S> | <C> | <C> |
| SHARES ISSUED FOR | | |
| Cash | \$ 0 | \$ 10,000 |
| Property and equipment (to officers and directors) | 0 | 15,000 |
| Services (provided by officers and directors) | 0 | 20,000 |
| Services | 0 | 15,000 |
| Foreign currency Translation | 0 | (1,226) |
| Net loss for year | (344,843) | (344,843) |
| BALANCE, JUNE 30, 1996 | (344,843) | (286,069) |
| SHARES ISSUED FOR | | |
| Cash | 0 | 865,514 |
| Share issue costs | 0 | (48,920) |
| Services | 0 | 63,036 |
| Acquisition of subsidiary | 0 | 275,000 |
| Foreign currency Translation | 0 | 12,601 |
| Net loss for year | (822,217) | (822,217) |
| BALANCE, JUNE 30, 1997 | (1,167,060) | 58,945 |
| SHARES ISSUED FOR | | |
| Cash | 0 | 650,000 |
| Share issue costs | 0 | (78,000) |
| Foreign currency Translation | 0 | 24,860 |

| | | |
|------------------------|----------------|--------------|
| Net loss for year | (937,373) | (937,373) |
| <hr/> | | |
| BALANCE, JUNE 30, 1998 | \$ (2,104,433) | \$ (281,568) |
| <hr/> | | |

</TABLE>

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See notes to consolidated financial statements.

<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(U.S. DOLLARS)

| | SHARES OF COMMON STOCK ISSUED | COMMON STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | SHARES OF PREFERRED STOCK ISSUED | PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | PROMISSORY NOTES RECEIVABLE | SHARE SUBSCRIPTIONS |
|--|--|--|---|---|-----------------------------------|------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 1998 | 12,575,396 | \$1,786,630 | 0 | \$ 0 | \$ 0 | \$ 0 |
| SHARES ISSUED FOR | | | | | | |
| Cash | 200,000 | 50,000 | 0 | 0 | 0 | 0 |
| Exercise of stock options | 445,000 | 80,500 | 0 | 0 | 0 | 0 |
| Promissory note | 1,683,789 | 252,568 | 0 | 0 | (284,068) | 0 |
| Settlement of lawsuit | 150,000 | 15,000 | 0 | 0 | 0 | 0 |
| Services (provided by officers and directors) | 666,666 | 100,000 | 0 | 0 | 0 | 0 |
| Share issue costs | 0 | (100,500) | 0 | 0 | 0 | 0 |
| Services | 250,000 | 50,000 | 0 | 0 | 0 | 0 |
| Conversion of convertible debentures | 3,869,120 | 525,813 | 0 | 0 | 0 | 0 |
| Acquisition of subsidiary | 1,800,000 | 619,200 | 0 | 0 | 0 | 0 |
| Held in escrow | 447,091 | 0 | 0 | 0 | 0 | 0 |
| Stock option benefit | 0 | 70,600 | 0 | 0 | 0 | 0 |
| Beneficial conversion feature | 0 | 566,456 | 0 | 0 | 0 | 0 |
| Foreign currency translation | 0 | 0 | 0 | 0 | 0 | 0 |
| Net loss for year | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE JUNE 30, 1999 | 22,087,062 | 4,016,267 | 0 | 0 | (284,068) | 0 |
| SHARES ISSUED FOR | | | | | | |
| Cash on private placement | 2,650,000 | 3,975,000 | 0 | 0 | 0 | 0 |
| Exercise of options | 1,245,000 | 256,700 | 0 | 0 | 0 | 0 |
| Release from escrow | 0 | 75,558 | 0 | 0 | 0 | 0 |
| Services | 50,000 | 13,000 | 0 | 0 | 0 | 0 |
| Settlement of debt | 0 | 0 | 664,410 | 664,410 | 0 | 0 |
| Stock option benefit | 0 | 48,256 | 0 | 0 | 0 | 0 |
| Promissory note repayment | 0 | 0 | 0 | 0 | 225,568 | 0 |
| Foreign currency translation | 0 | 0 | 0 | 0 | 0 | 0 |
| Net loss for the year | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 2000 | 26,032,062 | \$8,384,781 | 664,410 | \$ 664,410 | \$ (58,500) | \$ 0 |

| | OTHER COMPREHENSIVE INCOME | DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | TOTAL STOCKHOLDERS' EQUITY (DEFICIT) |
|--|----------------------------------|--|--|
| <S> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 1998 | \$ 36,235 | \$ (2,104,433) | \$ (281,568) |
| SHARES ISSUED FOR | | | |
| Cash | 0 | 0 | 50,000 |
| Exercise of stock options | 0 | 0 | 80,500 |
| Promissory note | 0 | 0 | (31,500) |
| Settlement of lawsuit | 0 | 0 | 15,000 |
| Services (provided by officers and directors) | 0 | 0 | 100,000 |
| Share issue costs | 0 | 0 | (100,500) |
| Services | 0 | 0 | 50,000 |
| Conversion of convertible debentures | 0 | 0 | 525,813 |
| Acquisition of subsidiary | 0 | 0 | 619,200 |
| Held in escrow | 0 | 0 | 0 |
| Stock option benefit | 0 | 0 | 70,600 |
| Beneficial conversion feature | 0 | 0 | 566,456 |
| Foreign currency translation | 8,444 | 0 | 8,444 |
| Net loss for year | 0 | (1,404,021) | (1,404,021) |
| BALANCE JUNE 30, 1999 | 44,679 | (3,508,454) | 268,424 |
| SHARES ISSUED FOR | | | |
| Cash on private placement | 0 | 0 | 3,975,000 |
| Exercise of options | 0 | 0 | 256,700 |
| Release from escrow | 0 | 0 | 75,558 |
| Services | 0 | 0 | 13,000 |
| Settlement of debt | 0 | 0 | 664,410 |
| Stock option benefit | 0 | 0 | 48,256 |
| Promissory note repayment | 0 | 0 | 225,568 |
| Foreign currency translation | 1,614 | 0 | 1,614 |
| Net loss for the year | 0 | (1,537,402) | (1,537,402) |

| | | | | | |
|------------------------|----|--------|----------------|----|-----------|
| BALANCE, JUNE 30, 2000 | \$ | 46,293 | \$ (5,045,856) | \$ | 3,991,128 |
|------------------------|----|--------|----------------|----|-----------|

F-5
See notes to consolidated financial statements.

<TABLE>
<CAPTION>
INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(U.S. DOLLARS)

| | SHARES OF COMMON STOCK ISSUED | COMMON STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | SHARES OF PREFERRED STOCK ISSUED | PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | PROMISSORY NOTES RECEIVABLE | SHARE SUBSCRIPTIONS | OTHER COMPREHENSIVE INCOME |
|--|--|--|---|---|-----------------------------------|------------------------|----------------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 2000 | 26,032,062 | \$ 8,384,781 | 664,410 | \$ 664,410 | \$ (58,500) | \$ 0 | \$ 46,293 |
| SHARES ISSUED FOR | | | | | | | |
| Private placement | 81,885 | 112,480 | 0 | 0 | 0 | 0 | 0 |
| Exercise of options | 517,000 | 91,515 | 0 | 0 | 0 | 0 | 0 |
| For services | 100,000 | 40,000 | 0 | 0 | 0 | 0 | 0 |
| Held in escrow | | | | | | | |
| (note 6(a)(ii)(b)(i)) | 218,115 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock option benefit | 0 | 272,207 | 0 | 0 | 0 | 0 | 0 |
| Dividends on preferred shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share subscriptions | 0 | 0 | 0 | 0 | 0 | 50,000 | 0 |
| Redeemed shares | 0 | 0 | (100,000) | (100,000) | 0 | 0 | 0 |
| Foreign currency translation | 0 | 0 | 0 | 0 | 0 | 0 | (26) |
| Net loss for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 2001 | 26,949,062 | 8,900,983 | 564,410 | 564,410 | (58,500) | 50,000 | 46,267 |
| SHARES ISSUED FOR | | | | | | | |
| Proprietary non-competition agreement (note 6(a)(i)) | 450,000 | 711,000 | 0 | 0 | 0 | 0 | 0 |
| Held in escrow | 700,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exercise of options | 2,263,500 | 971,200 | 0 | 0 | (15,000) | (10,000) | 0 |
| Exercise of warrants | 325,000 | 130,000 | 0 | 0 | 0 | 0 | 0 |
| Subscriptions | 100,000 | 40,000 | 0 | 0 | 0 | (40,000) | 0 |
| Stock option compensation | 0 | 415,685 | 0 | 0 | 0 | 0 | 0 |
| Shares released from escrow | 0 | 954,582 | 0 | 0 | 0 | 0 | 0 |
| Dividends on preferred shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Redeemed shares | 0 | 0 | (124,800) | (124,800) | 0 | 0 | 0 |
| Write-off of promissory note receivable | 0 | (7,000) | 0 | 0 | 7,000 | 0 | 0 |
| Net loss for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 2002 | 30,787,562 | \$12,116,450 | 439,610 | \$ 439,610 | \$ (66,500) | \$ 0 | \$ 46,267 |

| | DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | TOTAL STOCKHOLDERS' EQUITY (DEFICIT) |
|--|--|--|
| <S> | <C> | <C> |
| BALANCE, JUNE 30, 2000 | \$ (5,045,856) | \$ 3,991,128 |
| SHARES ISSUED FOR | | |
| Private placement | 0 | 112,480 |
| Exercise of options | 0 | 1,515 |
| For services | 0 | 40,000 |
| Held in escrow | | |
| (note 6(a)(ii)(b)(i)) | 0 | 0 |
| Stock option benefit | 0 | 272,207 |
| Dividends on preferred shares | (30,720) | (30,720) |
| Share subscriptions | 0 | 50,000 |
| Redeemed shares | (100,000) | (200,000) |
| Foreign currency translation | 0 | (26) |
| Net loss for the year | (4,000,169) | (4,000,169) |
| BALANCE, JUNE 30, 2001 | (9,176,745) | 326,415 |
| SHARES ISSUED FOR | | |
| Proprietary non-competition agreement (note 6(a)(i)) | 0 | 711,000 |
| Held in escrow | 0 | 0 |
| Exercise of options | 0 | 946,200 |
| Exercise of warrants | 0 | 130,000 |
| Subscriptions | 0 | 0 |
| Stock option compensation | 0 | 415,685 |
| Shares released from escrow | 0 | 954,582 |
| Dividends on preferred shares | (26,087) | (26,087) |
| Redeemed shares | (187,200) | (312,000) |
| Write-off of promissory note receivable | 0 | 0 |
| Net loss for the year | (3,836,191) | (3,836,191) |

BALANCE, JUNE 30, 2002 \$(13,226,223) \$ (690,396)

</TABLE>

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See notes to consolidated financial statements.

<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(U.S. DOLLARS)

| | SHARES OF COMMON STOCK ISSUED | COMMON STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | SHARES OF PREFERRED STOCK ISSUED | PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | PROMISSORY NOTES RECEIVABLE | SHARE SUBSCRIPTIONS | OTHER COMPREHENSIVE INCOME |
|--|--|--|---|---|-----------------------------------|------------------------|----------------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 2002 | 30,787,562 | \$12,116,450 | 439,610 | \$ 439,610 | \$ (66,500) | \$ 0 | \$ 46,267 |
| SHARES ISSUED FOR | | | | | | | |
| Private placement for cash | 1,684,000 | 842,050 | 0 | 0 | 0 | 0 | 0 |
| Settlement of debt | 144,793 | 104,542 | 0 | 0 | 0 | 0 | 0 |
| Services | 200,000 | 196,000 | 0 | 0 | 0 | 0 | 0 |
| Exercise of options | 52,500 | 43,750 | 0 | 0 | 0 | 0 | 0 |
| Exercise of warrants | 55,000 | 27,500 | 0 | 0 | 0 | 0 | 0 |
| Subscription received (note 6(a)(vi)) | 0 | 0 | 0 | 0 | 0 | 176,665 | 0 |
| Stock option compensation | 0 | 5,460 | 0 | 0 | 0 | 0 | 0 |
| Settlement of lawsuit (note 10(b)) | 0 | 0 | 0 | 0 | 0 | 35,250 | 0 |
| Dividends on preferred shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net loss for year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BALANCE, JUNE 30, 2003 | 32,923,855 | \$13,335,752 | 439,610 | \$ 439,610 | \$ (66,500) | \$ 211,915 | \$ 46,267 |

| | DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | TOTAL STOCKHOLDERS' EQUITY (DEFICIT) |
|--|--|--|
| <S> | <C> | <C> |
| BALANCE, JUNE 30, 2002 | \$ (13,226,223) | \$ (690,396) |
| SHARES ISSUED FOR | | |
| Private placement for cash | 0 | 842,050 |
| Settlement of debt | 0 | 104,542 |
| Services | 0 | 196,000 |
| Exercise of options | 0 | 43,750 |
| Exercise of warrants | 0 | 27,500 |
| Subscription received (note 6(a)(vi)) | 0 | 176,665 |
| Stock option compensation | 0 | 5,460 |
| Settlement of lawsuit (note 10(b)) | 0 | 35,250 |
| Dividends on preferred shares | (22,060) | (22,060) |
| Net loss for year | (1,346,833) | (1,346,833) |
| BALANCE, JUNE 30, 2003 | \$ (14,595,116) | \$ (628,072) |

</TABLE>

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See notes to consolidated financial statements.

<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. DOLLARS)

| | 2003 | YEARS ENDED JUNE 30, 2002 | 2001 | PERIOD FROM FEBRUARY 12, 1996 (INCEPTION) THROUGH JUNE 30, 2003 |
|---|----------------|------------------------------|----------------|--|
| <S> | <C> | <C> | <C> | <C> |
| OPERATING ACTIVITIES | | | | |
| Net loss | \$ (1,346,833) | \$ (3,836,191) | \$ (4,000,169) | \$ (14,229,049) |
| Adjustments to reconcile net loss to net cash used by operating activities | | | | |
| Write-down of investment | 0 | 1,249,999 | 0 | 1,249,999 |
| Cancellation of debt | 0 | 0 | 0 | (602,843) |

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Proprietary, non-competition agreement (note 6(a)(i)) | 0 | 711,000 | | 711,000 |
| Consulting services and financing fees | 223,500 | 254,792 | 55,389 | 895,400 |
| Depreciation and amortization | 24,302 | 28,983 | 99,150 | 295,659 |
| Stock option compensation | 5,460 | 415,685 | 272,207 | 812,208 |
| Interest on beneficial conversion | 0 | 0 | 0 | 566,456 |
| Settlement of lawsuit | 45,250 | 0 | 0 | 60,250 |
| Write-down of license and operating assets | 0 | 46,842 | 1,382,046 | 1,853,542 |
| Bad debt | 10,752 | 14,500 | 48,750 | 76,571 |
| Changes in non-cash working capital | | | | |
| Due from affiliated company | 0 | 0 | 0 | (116,000) |
| Notes and accounts receivable | 3,873 | (2,923) | (453) | (109,213) |
| Inventory | 0 | 0 | (21,842) | (46,842) |
| Prepaid expenses | 3,249 | (14,928) | 5,230 | (11,844) |
| Deferred revenue and other | (13,232) | 0 | 0 | (2,609) |
| Accounts payable and accruals | (112,371) | (95,852) | 143,369 | 715,828 |
| Due to West Virginia University Research Corporation | 0 | 0 | 0 | 397,296 |
| NET CASH USED BY OPERATING ACTIVITIES | (1,156,050) | (1,228,093) | (2,016,323) | (7,484,191) |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, equipment and intangibles assets | 0 | 0 | (66,401) | (200,935) |
| Assets acquired and liabilities assumed on purchase of subsidiary | 0 | 0 | 0 | (129,474) |
| Investment in and advances to affiliated companies | 0 | 0 | (950,000) | (2,000,000) |
| License agreements | 0 | 0 | 0 | (124,835) |
| NET CASH USED BY INVESTING ACTIVITIES | 0 | 0 | (1,016,401) | (2,455,244) |
| FINANCING ACTIVITIES | | | | |
| Repayment of loan | 0 | 0 | (45,000) | (45,000) |
| Advances from stockholders | 0 | 0 | 0 | 1,078,284 |
| Repayments to stockholders | 0 | 0 | 0 | (94,046) |
| Subscriptions received | 176,665 | 0 | 50,000 | 226,665 |
| Proceeds from issuance of common stock | 885,800 | 1,426,332 | 188,606 | 8,528,895 |
| Proceeds from convertible debentures | 0 | 0 | 0 | 600,000 |
| Share issue costs | 0 | 0 | 0 | (227,420) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,062,465 | 1,426,332 | 193,606 | 10,067,378 |
| EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH | 0 | 0 | (26) | 46,267 |
| INCREASE (DECREASE) IN CASH | (93,585) | 198,239 | (2,839,144) | 174,210 |
| CASH, BEGINNING OF YEAR | 267,795 | 69,556 | 2,908,700 | 0 |
| CASH, END OF YEAR | \$ 174,210 | \$ 267,795 | \$ 69,556 | \$ 174,210 |

</TABLE>

Supplemental cash flow information (note 7)

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See notes to consolidated financial statements.
INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

1. INCORPORATION AND NATURE OF OPERATIONS

The Company was incorporated under the laws of the State of Nevada on February 12, 1996 and has its head office in Bellingham, Washington, U.S.A. The Company is in the development stage as more fully defined in Statement No. 7 of the Financial Accounting Standards Board. The Company is in the business of researching, developing and commercializing new antenna technologies.

The Company will be devoting all of its resources to the research, development and commercialization of its antenna technologies. As a consequence, the value for the license of all other technologies was written off in 2001.

2. GOING CONCERN

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America on a going concern basis. This presumes funds will be available to finance on-going development, operations and capital expenditures and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The Company has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar companies, has a working capital deficiency (an excess of current liabilities over current assets) of \$682,355 (2002 - \$768,980) and has an accumulated deficit during the development stage of \$14,595,116 (2002 - \$13,226,223). These factors raise substantial doubt about the Company's ability to continue as a going concern and is dependent on its ability to obtain and maintain an appropriate level of financing on a timely basis and to achieve sufficient cash flows to cover obligations and expenses.

Management is continuously working to obtain financing (note 6). The outcome of these matters cannot be predicted. These consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These financial statements include the accounts of Integral Technologies, Inc. (a development stage company), its wholly-owned subsidiaries, Integral Vision Systems, Inc. ("IVSI") and Antek Wireless Inc. ("Antek") and its 76.625% owned subsidiary, Emergent Technologies Corp. ("ETC"). All intercompany balances and transactions have been eliminated. Investment in Continental Divide Robotics, Inc. ("CDRI") is accounted for using the cost method since the Company exerts no significant influence (note 5).

(b) Depreciation

Depreciation is provided using the straight-line method based on the following estimated useful lives:

| | | |
|------------------------------------|---|---------|
| Machinery, furniture and equipment | - | 5 Years |
| Computer hardware and software | - | 5 Years |
| Molds | - | 5 Years |

The Company reviews long-term assets to determine if the carrying amount is recoverable based on the estimate of future cash flow expected to result from the use of the asset and its eventual disposition. If in this determination there is an apparent shortfall, the loss will be recognized as a current charge to operations.

(c) Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the period. Common share equivalents consisting of stock options and warrants are not considered in the computation because their effect would be anti-dilutive.

(d) Stock issued in exchange for services

The valuation of the common stock issued in exchange for services is valued at an estimated fair market value as determined by officers and directors of the Company based upon other sales and issuances of the Company's common stock within the same general time period.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition

As the Company is continuing development of its technologies, no significant revenues have been earned to date. The Company recognizes revenues at the time of delivery of the product to the customers.

(f) Foreign currency translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated to U.S. dollars at year-end exchange rates. Income and expense items are translated at weighted-average rates of exchange prevailing during the year. Translation adjustments are recorded in accumulated gains and losses not affecting retained earnings within stockholders' equity (deficit).

Property and equipment and other non-monetary assets and liabilities of non-U.S. subsidiaries and branches that operate in U.S. dollars, or whose economic environment is highly inflationary, are translated at approximate exchange rates prevailing when the Company acquired the assets or liabilities. All other assets and liabilities are translated at year-end exchange rates. Cost of sales and depreciation are translated at historical exchange rates. All other income and expense items are translated at the weighted-average rates of exchange prevailing during the year. Gains and losses that result from translation are included in the determination of net loss.

(g) Research and development

Research and development expenditures are charged to operations as incurred.

(h) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

(a) Fair value

The carrying value of cash, accounts receivable, accounts payable and accruals and due to West Virginia University Research Corporation approximate their fair value because of the short maturity of these financial instruments.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash which is placed with major financial institutions.

(d) Translation risk

The Company translates the results of non-US operations into US currency using rates approximating the average exchange rate for the year. The exchange rate may vary from time to time. This risk is considered nominal as the Company does not incur any significant transactions in non-US currency.

(j) Income taxes

The Company uses the asset and liability approach in its method of accounting for income taxes which requires the recognition of deferred tax liabilities and assets for expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance against deferred tax assets is recorded if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Stock-based compensation

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock options granted to employees, and accordingly, compensation expense of \$Nil (2002 - \$7,800; 2001 - \$219,200) was recognized as salaries expense. Had compensation expense been determined as provided in SFAS 123 using the Black-Scholes option - pricing model, the pro-forma effect on the Company's net loss and per share amounts would have been as follows:

<TABLE>
<CAPTION>

| | 2003 | 2002 | 2001 |
|--|------|------|------|
| | | | |

| <S> | <C> | <C> | <C> |
|--|----------------|----------------|----------------|
| Net loss, as reported | \$ (1,346,833) | \$ (3,836,191) | \$ (4,000,169) |
| Add: Stock-based employee compensation expense under intrinsic value method included in reporting net income, net of related tax effects | 0 | 7,800 | 219,200 |
| Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects | (230,180) | (320,640) | (392,000) |
| Net loss, pro-forma | \$ (1,577,013) | \$ (4,149,031) | \$ (4,172,969) |
| Net loss per share, as reported | \$ (0.04) | \$ (0.13) | \$ (0.15) |
| Add: Stock-based employee compensation expense under intrinsic value method included in reporting net income, net of related tax effects | 0.00 | 0.00 | 0.01 |
| Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects | (0.01) | (0.01) | (0.02) |
| Net loss per share, pro-forma | \$ (0.05) | \$ (0.14) | \$ (0.16) |

</TABLE>

The Company applies SFAS 123 in accounting for its stock options granted to non-employees, and accordingly, compensation expense of \$5,460 (2002 - \$Nil; 2001 - \$53,007) was recognized as consulting expense.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Stock based compensation (Continued)

The fair value of each option grant is calculated using the following weighted average assumptions:

| <S> | <C> | <C> | <C> |
|-----------------------|--------|--------|--------|
| Expected life (years) | 2.2 | 2 | 5 |
| Interest rate | 3.00% | 4.38% | 5.00% |
| Volatility | 51.50% | 71.86% | 61.04% |
| Dividend yield | 0.00% | 0.00% | 0.00% |

</TABLE>

(l) Comprehensive income

Other comprehensive income includes revenues and expenses and unrealized gains and losses that under accounting principles generally accepted in the United States of America are excluded from net income (loss) and are recorded directly as an adjustment to stockholders' equity, net of tax. When the unrealized gains and losses are realized they are reclassified from other comprehensive income and included in net income. The Company's other comprehensive income (loss) is composed of unrealized gains and losses from foreign currency translation adjustments.

(m) Recent accounting pronouncements

- (i) In December 2002, FASB issued SFAS 148, "Accounting for Stock-based Compensation - Transition and Disclosure, an amendment to SFAS 123". SFAS 148 provides two additional transition methods for entities that adopt the preferable method of accounting for stock-based compensation. Further, the statement requires disclosure of comparable information for all companies regardless of whether, when, or how an entity adopts the preferable, fair value method of accounting. These disclosures are now required for interim periods in addition to the traditional annual disclosure. The amendment to SFAS 123, which provides for additional methods, are effective for the periods beginning after December 15, 2002, although earlier application is permitted. The amendments to the disclosure requirements are required for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The Company adopted these requirements effective July 1, 2002.

INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (U.S. DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Recent accounting pronouncements (Continued)

- (ii) In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements. Interpretation 46 establishes accounting guidance for consolidation of variable interest entities that function to support the activities of the primary beneficiary. Interpretation 46 applies to any business enterprise both public and private, that has a controlling interest, contractual relationship or other business relationship with a variable interest entity. The Company has no investment in or contractual relationship or other business relationship with a variable interest entity and therefore the adoption did not have any impact on the Company's consolidated financial position, results of operations or cash flows.
- (iii) On April 30, 2003, the FASB issued Statement No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. Statement 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to Statement 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In addition, Statement 149 clarifies the definition of a derivative by providing guidance on the meaning of initial net investments related to derivatives. Statement 149 is effective for contracts entered into or modified after June 30, 2003. The Company believes the adoption of Statement 149 will not have any effect on its consolidated financial position, results of operations or cash flows.
- (iv) On May 15, 2003, the FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. Statement 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Statement 150 represents a significant change in practice in the accounting for a number of financial instruments, including mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. Statement 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments as of September 1, 2003. The Company adopted Statement 150 on July 1, 2003 and believes the effect of adopting this statement will not have any impact on its consolidated financial position, results of operations or cash flows.
- (v) On April 2002, the FASB issued statement No. 145, Rescission of FASB No. 4 Reporting Gains and Losses from Extinguishment of Debt, and amendment of FASB No. 64 Extinguishment of Debt made to Satisfy Sinking-fund Requirements. This statement also rescinds FASB No. 44 Accounting for intangible Assets of Motor Carriers and also amends FASB No 13 Accounting for leases to eliminate an inconsistency in accounting for sale-leaseback. The Company adopted this statement effective July 1, 2002. The impact of adopting this statement is the reclassification of cancellation of debt, previously recorded as extraordinary item, to other income.

INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (U.S. DOLLARS)

4. PROPERTY AND EQUIPMENT

<TABLE>
 <CAPTION>

| | 2003 | | 2002 | |
|------------------------------------|------|---------|------|---------|
| <S> | <C> | | <C> | |
| Machinery, furniture and equipment | \$ | 148,940 | \$ | 148,940 |
| Computer hardware and software | | 39,419 | | 39,419 |
| Molds | | 4,800 | | 4,800 |
| | | 193,159 | | 193,159 |

| | | |
|--------------------------------|-----------|-----------|
| Less: Accumulated depreciation | (138,877) | (114,576) |
|--------------------------------|-----------|-----------|

| | | | |
|----|--------|----|--------|
| \$ | 54,282 | \$ | 78,583 |
|----|--------|----|--------|

</TABLE>

5. INVESTMENTS

In July 2000, the Company executed a Stock Purchase Agreement with Continental Divide Robotics Inc. ("CDRI") related to the acquisition of a minority interest in CDRI. CDRI has developed certain proprietary hardware and software systems that use a radio-navigation, satellite-based Global Positioning System to track individuals, on a real time basis.

Pursuant to the agreement, the Company invested \$1.25 million dollars to acquire 20.33% of the outstanding common stock of CDRI. Because the Company has no influence or control over CDRI, and no ability to exercise significant influence over CDRI, the Company's investment has been recorded at cost using the cost method.

CDRI is a privately held company and there is no public market for its common stock. CDRI has a working capital deficiency and has sustained continued significant operating losses. Due to the Company's lack of control over the operations of CDRI, lack of information concerning the business prospects of CDRI, lack of financial information concerning the ability of CDRI to continue as a going concern, and lack of liquidity for the Company's investment in CDRI during the year ended June 30, 2002, the Company wrote down its investment in CDRI from \$1,250,000 to a nominal value of \$1. This decision was made in consideration of the foregoing, and in order to conform with accounting principles generally accepted in the United States of America. However, CDRI remains an active business entity, possessing proprietary technology, and continues to market its technology. The Company has no current information to suggest that the CDRI technology or the business opportunity for such technology has been negatively impacted. The Company continues to retain its ownership position in CDRI.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

6. STOCKHOLDERS' EQUITY (DEFICIT)

(a) Common stock

- (i) During the year ended June 30, 2002, the Company entered into a proprietary, non-disclosure and non-solicitation agreement with two of its employees whereby, for a total of 450,000 common shares, these employees will not disclose any information that is defined as confidential by the Company in this agreement; the employees will work for the Company exclusively while employed by the Company and will not work for a competitor for a period of at least three years after leaving the Company. These shares were recorded at \$1.58 per common share being the market price at the date of issue for a total charge to operations of \$711,000.

(ii) Private placement agreement

- (a) During the year ended June 30, 2000, the Company entered into a private placement agreement with Swartz Private Equity, LLC ("Swartz") which called for periodic purchases over a three year period of up to \$25,000,000 of the Company's common stock. This agreement expired May 2003.

Each periodic purchase ("put") will have a purchase price equal to the lesser of the market price minus \$0.25, or 91% of the market price, but not less than a stated minimum purchase price as set in the advance put notice, which cannot be greater than 80% of the market price on that date.

Each put cannot exceed the lesser of:

- (i) \$2,000,000 worth of common stock;
- (ii) 15% of the aggregate reported trading volume of the Company's common stock during the 20 business days before and after the date of notice to exercise each put; and,
- (iii) a number of shares that would cause Swartz to acquire in a 31 day period preceding the put date, in total in excess of 9.99% of the Company's total number of shares of common stock outstanding at that time.

At the time of each put, the Company will issue Swartz a purchase warrant which will give Swartz the right to purchase up to 10% of the number of shares issued in the put. Each warrant will be immediately exercisable for a five year period for a price equal to 110% of the market price for such put.

INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (U.S. DOLLARS)

=====

6. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(a) Common stock (Continued)

(ii) Private placement agreement (Continued)

If the Company has not put a minimum of \$1,000,000 in aggregate Put Dollar Amount during any six month period of time during the term of the Investment Agreement, the Company will be required to pay Swartz a non-usage fee equal to the difference of \$100,000 minus 10% of the aggregate Put Dollar Amount of the Put Shares put to Swartz during such six month period. In the event that the Company delivers a termination notice to Swartz or an automatic termination occurs, the Company must pay Swartz a termination fee equal to the greater of the non-usage fee for the applicable period or the difference of \$200,000 minus 10% of the aggregate Put Dollar Amount of the Put Shares put to Swartz during all Puts to such date. The non-usage fee for the year ended June 30, 2003 has been waived as the agreement expired. The non-usage fee for the year ended June 30, 2002 of \$104,542 was settled in 2003 by issuance of 144,793 shares of common stock. The non-usage fee for the period prior to August 3, 2001 has been waived by Swartz.

(b) Pursuant to this agreement:

- (i) During the year ended June 30, 2001, the Company issued 300,000 shares to be held in escrow to exercise a put. Of these, 81,885 shares were released on the exercise of the put and 218,115 are held in escrow for future put exercises.

As partial consideration of the investment agreement the Company issued warrants to Swartz to purchase 495,000 shares of common stock (note 6(d)(i)).

- (ii) During the year ended June 30, 2002, the Company issued 700,000 shares held in escrow to exercise puts. 775,975 shares were released on the exercise of these puts for total proceeds of \$954,582, leaving 142,140 shares in escrow at June 30, 2002. As part of these puts 85,788 warrants were issued (note 6(d)(ii)).

- (iii) During the year ended June 30, 2003, the Company settled the non-usage fee of \$104,542 due to Swartz by issuing 144,793 shares of common stock.

- (iv) Subsequent to June 30, 2003, the 142,140 shares in escrow were returned to the Company and cancelled.

INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (U.S. DOLLARS)

=====

6. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(a) Common stock (continued)

- (iii) During the year ended June 30, 2003, the Company entered into a private placement agreement with various investors whereby the Company issued 1,684,000 units consisting of one share of common stock and one-half a share purchase warrant at a price of \$0.50 per unit. Each whole warrant is exercisable at a price of \$0.75 per share and expires two years after the date of grant.

- (iv) During the year ended June 30, 2003, the Company entered into a letter of agreement whereby the Company will pay a monthly fee of \$10,000 for investor relations and maintenance fees commencing March 7, 2003 for a period of one year. For introductions for private placement money, the Company will pay a three percent fee for every one million dollars raised through this agreement.

As part of this agreement, the Company agreed to issue 200,000 common shares which was recognized as consulting expense at market value on the date of the transaction totalling \$196,000.

- (v) During the year ended June 30, 2003, the Company issued 55,000 shares at a price of \$0.50 per share on exercise of warrants.

- (vi) Subsequent to June 30, 2003, the Company entered into a private

placement whereby the Company will issue a total of 898,336 shares at a price of \$0.75 per share and 449,168 share purchase warrants exercisable within two years with an exercise price of \$1.00 per share. As at June 30, 2003, \$176,665 has been received pursuant to this agreement.

(b) Preferred stock

The preferred stock may be issued in one or more series. The distinguishing features of each series including preference, rights and restriction are to be determined by the Company's Board of Directors upon the establishment of each such series.

During the year ended June 30, 2000, the Company designated 1,000,000 of its authorized 20,000,000 preferred shares as Series A Convertible Preferred Stock with a par value of \$0.001 each and a stated value and liquidation preference of \$1.00 per share. Cumulative dividends are accrued at the rate of 5% annually, payable at the option of the Company. The shares may be converted to restricted shares of common stock at the average trading price ten days prior to conversion, and entitled to votes equal to the number of shares of common stock into which each series of preferred stock may be converted. Each Series A Convertible Preferred Stock may be redeemed by the Company for \$1.50 each within one year after the date of issue, and for \$2.00, \$2.50, \$3.00 and \$3.50 per share in each of the subsequent four years after the date of issue.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

6. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(b) Preferred stock (Continued)

During the year ended June 30, 2000, the Company agreed to settle \$383,228 of accounts payable and \$281,182 of long-term debt, both amounts owed to officers and directors of the Company, by issuing 664,410 shares of Series A convertible preferred stock at a par value of \$0.001 and a stated value of \$1.00 per share.

During the year ended June 30, 2002, the Company redeemed 124,800 (2001 - 100,000) preferred shares at a total cost of \$312,000 (2001 - \$200,000).

(c) Stock options

In January 2001 the Company adopted the "Integral Technologies, Inc. 2001 Stock Plan" (the "2001 Plan"), a non-qualified stock option plan under which the Company may issue up to 2,500,000 stock options and stock bonuses of common stock of the Company to provide incentives to officers, directors, key employees and other persons who contribute to the success of the Company. This plan was amended December 2001 to increase the number of common share options which may be granted from 2,500,000 to 3,500,000 stock options.

The following table summarizes the Company's stock option activity for the years ended June 30, 2003, 2002 and 2001:

<TABLE>
<CAPTION>

| | Number of Shares | Exercise Price Per Share | Weighted Average Exercise Price |
|--|---------------------|--------------------------------|--|
| <S> | <C> | <C> | <C> |
| Balance, June 30, 2000 | 1,610,000 | \$0.15 to \$2.00 | \$ 0.27 |
| Granted during the year June 30, 2001 | 689,500 | \$0.15 to \$0.65 | \$ 0.50 |
| Cancelled | (209,000) | \$ 0.15 | \$ 0.15 |
| Expired | (235,000) | \$0.15 to \$2.00 | \$ 0.66 |
| Exercised | (517,000) | \$0.15 to \$0.20 | \$ 0.17 |
| Balance, June 30, 2001 | 1,338,500 | \$0.15 to \$1.00 | \$ 0.35 |
| Granted during the year June 30, 2002 | 2,430,000 | \$0.40 to \$1.50 | \$ 0.63 |
| Exercised | (2,463,500) | \$0.15 to \$1.20 | \$ 0.41 |
| Balance, June 30, 2002 | 1,305,000 | \$0.40 to \$1.50 | \$ 0.76 |
| Granted during the year June 30, 2003 | 1,230,000 | \$ 100 | \$ 1.00 |
| Exercised | (52,500) | \$0.69 to \$1.50 | \$ 0.83 |
| Cancelled | (575,000) | \$0.40 to \$1.00 | \$ 0.66 |
| Balance, June 30, 2003 | 1,907,500 | \$0.40 to \$1.50 | \$ 0.94 |

</TABLE>

INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (U.S. DOLLARS)

6. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(c) Stock options (Continued)

The following summarizes the options outstanding at June 30, 2003 and 2002 all of which were fully vested at these dates:

<TABLE>
 <CAPTION>

| Expiry Date | Exercise Price | Number of 2003 | Shares 2002 |
|-------------------|-------------------|----------------|-------------|
| <S> | <C> | <C> | <C> |
| August 31, 2003 | \$ 0.40 to \$1.50 | 1,077,500 | 1,305,000 |
| December 31, 2005 | \$1.00 | 830,000 | 0 |

</TABLE>

Pursuant to the 2001 Plan:

- (i) During the year ended June 30, 2003, the Company granted a total of 1,230,000 stock options to officers, directors and key employees at an exercise price of \$1.00 per common share. 400,000 of these options are fully vested at the date of grant and expire August 31, 2003 and 830,000 vested January 1, 2003 and expire December 31, 2005.
- (ii) During the year ended June 30, 2002, the Company granted a total of 2,430,000 fully vested stock options to officers, directors, key employees and consultants at an exercise price ranging from \$0.40 to \$1.50 per share which will expire August 31, 2003.

Subsequent to June 30, 2003, the Company extended the options with an expiry date of August 31, 2003 to August 31, 2004.

In April 2003, the Company adopted the "Integral Technologies, Inc. 2003 Stock Plan" (the "2003 Plan"), a non-qualified stock option plan under which the Company may issue up to 1,500,000 stock options. As of June 30, 2003, no options have been granted with respect to this plan.

(d) Stock purchase warrants

At June 30, 2003, the following stock purchase warrants were outstanding:

- (i) 440,000 (2002 - 495,000) with an adjusted exercise price of \$0.50 exercisable before November 10, 2005;
- (ii) 85,788 (2002 - 85,788) with exercise prices ranging from \$0.51 to \$1.18 exercisable on or before November 10, 2005; and
- (iii) 842,000 with exercise price of \$0.75 exercisable before November 1, 2004.

Both (i) and (ii) above have reset provisions, whereby the exercise price is adjusted to 110% of the five day average on every month's anniversary of the warrants.

INTEGRAL TECHNOLOGIES, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2003, 2002 AND 2001
 (U.S. DOLLARS)

6. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

(e) Promissory notes receivable at June 30, 2003 includes:

- (i) \$31,500 (2002 - \$31,500) due on exercise of 210,000 stock options, interest at 10% per annum, due November 1, 2002, subsequently extended to June 30, 2003.
- (ii) \$20,000 (2002 - \$20,000) due on exercise of 100,000 stock options, interest at 8% per annum due June 6, 2002.
- (iii) \$15,000 (2002 - \$15,000) due on exercise of 23,000 stock options, interest at 10% per annum due June 30, 2003.

As at September 3, 2003, these notes have not been collected. Shares issued on exercise of options are restricted for trading by the

Company. The restrictions will not be removed until the respective notes are paid to the Company.

7. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<TABLE>
<CAPTION>

| | | | | PERIOD FROM FEBRUARY 12, 1996 (INCEPTION) THROUGH JUNE 30, 2003 |
|---|---------|-----------|--------|--|
| | 2003 | 2002 | 2001 | |
| <S> | <C> | <C> | <C> | <C> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS | | | | |
| SHARES ISSUED | | | | |
| For property and equipment | \$ 0 | \$ 18,000 | \$ 0 | \$ 23,000 |
| For proprietary agreement | 0 | 711,000 | 0 | 711,000 |
| For settlement of accounts payable | 104,542 | 124,200 | 0 | 124,200 |
| For services (provided by officers and directors) | 0 | 0 | 0 | 120,000 |
| For settlement of lawsuit | 0 | 0 | 0 | 15,000 |
| For services | 223,500 | 150,250 | 45,265 | 634,911 |
| For acquisition of subsidiary | 0 | 0 | 0 | 894,200 |
| SUPPLEMENT CASH FLOW INFORMATION | | | | |
| Interest paid | 0 | 0 | 0 | 81,111 |
| Income tax paid | 0 | 0 | 0 | 0 |

</TABLE>

8. RELATED PARTY TRANSACTIONS

- (a) Accounts payable at June 30, 2003 includes \$269,660 (2002 - \$178,128) due to two directors and officers of the Company.
- (b) The Company incurred \$340,000 (2002 - \$312,000; 2001 - \$276,000) for wages due to two directors and officers of the Company.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, 2002 AND 2001
(U.S. DOLLARS)

9. INCOME TAXES

Deferred income taxes reflect the tax effect of the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The components of the net deferred income tax assets are as follows:

<TABLE>
<CAPTION>

| | 2003 | 2002 | 2001 |
|--|--------------|--------------|--------------|
| <S> | <C> | <C> | <C> |
| Deferred income tax assets | | | |
| Net operating loss and credit carryforwards | \$ 3,900,000 | \$ 3,400,000 | \$ 2,400,000 |
| Temporary differences on property and equipment depreciation | (1,000) | (1,000) | (1,000) |
| Gross deferred tax assets | 3,899,000 | 3,399,000 | 2,399,000 |
| Valuation allowance | (3,899,000) | (3,399,000) | (2,399,000) |
| | \$ 0 | \$ 0 | \$ 0 |

</TABLE>

As at June 30, 2003 the Company's net operating loss carryforwards for income tax purposes were approximately \$8,300,000. If not utilized, they will start to expire in 2017.

10. CONTINGENCIES

- (a) A dispute exists between West Virginia University Research Corporation ("WVURC") and the Company with respect to the development work performed by WVURC on the Plasma Ignition System and the Counterfeit Detection Technology. The Company has included in its accounts the amount alleged by WVURC to be owing to WVURC of \$397,296, however, it is the opinion of management that this amount should be reduced to an amount not greater than \$43,052. Management intends to defend this position. As the actual outcome cannot be determined at this time, any adjustments required will be recorded by the Company when settlement occurs.

(b) On August 9, 2000, the Company filed a Petition for Order to Compel Arbitration against Joffe Rolland in the District Court of Clark County, State of Nevada. The purpose of the Petition for Order to Compel Arbitration was to require Joffe Rolland, a former employee to arbitrate employment issues that had arisen under contracts he had entered into with the Company. On November 3, 2000, the Nevada State Court ordered Joffe Rolland to arbitrate the dispute in the State of Nevada. Instead of arbitrating as required by the Nevada State Court Order, Joffe Rolland and Robin Rolland (the "Rollands") filed suit against the Company and ETC in October 2000 in the Circuit Court of Harrison County, West Virginia. The Rollands' complaint alleges that the Rollands suffered damages and are seeking in excess of \$18 million in damages (including at least \$18 million for lost sales royalties) for their claims for relief. The Company filed a petition in the U.S. District Court, District of Nevada, for an order compelling arbitration. On June 6, 2001, the U.S. District Court of Nevada ordered the dispute between the parties be arbitrated in Nevada, and that the action pending before the West Virginia State Court be stayed pending completion of the arbitration. The parties have commenced the process of arbitration. Management intends to vigorously defend against these claims. As the outcome of this litigation cannot be determined at this time, any adjustments required will be recorded by the Company when the outcome becomes determinable.

(a) Integral agreed to amend U.S. patent number 6,320,548 B1 and U.S. patent number 6,329,950 B1 to add Joffre J. Rolland Jr. as an inventor.

- (b) Joffre J. Rolland Jr. will be entitled to receive future royalties on any sales of products covered by U.S. patent number 6,320,548 B1 and U.S. patent number 6,329,950 B1.
- (c) Joffre J. Rolland Jr. will receive \$10,000 in cash and 37,500 shares of Integral common stock, issued pursuant to Rule 144.

(c) On April 4, 2003, a suit was filed against the Company by James E. Smith seeking damages in excess of one million dollars for claims for relief of Breach of Contract, Quantum Mervit and/or Promissory Estoppel, Fraud, Conversion and Negligence. The Company has denied these allegations and asserted several Affirmative Defenses.

In addition, the Company filed counter-claims against James E. Smith for relief of Intentional Misrepresentation, Breach of Contract, Negligence, Misrepresentation, Rescission and Restitution. The parties have participated in mediation to resolve the litigation but no resolution has been reached as at September 3, 2003. Trial is scheduled to commence July 26, 2004.

<TABLE>
<CAPTION>

| | 2003 | 2002 | 2001 | PERIOD FROM FEBRUARY 12, 1996 (INCEPTION) THROUGH JUNE 30, 2003 |
|--------------------------------------|----------------|----------------|----------------|--|
| <S> | <C> | <C> | <C> | <C> |
| Net loss | \$ (1,346,833) | \$ (3,836,191) | \$ (4,000,169) | \$ (14,229,049) |
| Other comprehensive Income (loss) | 0 | 0 | (26) | 46,267 |

| | | | | |
|---------------|----------------|----------------|----------------|-----------------|
| Comprehensive | | | | |
| Loss | \$ (1,346,833) | \$ (3,836,191) | \$ (4,000,195) | \$ (14,182,782) |

</TABLE>

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<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(U.S. DOLLARS)

| | DECEMBER 31, 2003 | JUNE 30, 2003 |
|--|----------------------|------------------|
| <S> | <C> | <C> |
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 25,801 | \$ 174,210 |
| Accounts receivable | 1,141 | 1,141 |
| Prepaid expenses | 40,704 | 11,844 |
| TOTAL CURRENT ASSETS | 67,646 | 187,195 |
| PROPERTY AND EQUIPMENT | 42,765 | 54,282 |
| INVESTMENTS | 1 | 1 |
| TOTAL ASSETS | \$ 110,412 | \$ 241,478 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accruals | \$ 505,369 | \$ 472,254 |
| Due to West Virginia University Research Corporation | 397,296 | 397,296 |
| TOTAL CURRENT LIABILITIES | 902,665 | 869,550 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF \$0.001 PAR VALUE | | |
| 20,000,000 Shares authorized | | |
| 321,038 (June 30, 2003 - 439,610) issued and outstanding | 321,038 | 439,610 |
| COMMON STOCK AND PAID IN CAPITAL IN EXCESS OF \$0.001 PAR VALUE | | |
| 50,000,000 Shares authorized | | |
| 33,742,551 (June 30, 2003 - 32,923,855) issued and outstanding | 14,070,628 | 13,335,752 |
| SUBSCRIPTIONS RECEIVED | 415,000 | 211,915 |
| PROMISSORY NOTES RECEIVABLE | (66,500) | (66,500) |
| OTHER COMPREHENSIVE INCOME | 46,267 | 46,267 |
| DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | (15,578,686) | (14,595,116) |
| TOTAL STOCKHOLDERS' EQUITY (DEFICIT) | (792,253) | (628,072) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$ 110,412 | \$ 241,478 |

<FN>

See notes to consolidated financial statements.

</TABLE>

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<TABLE>

<CAPTION>

INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(U.S. DOLLARS)

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | | PERIOD FROM |
|---------|----------------------|----------------------|----------------------|----------------------|--|
| | DECEMBER 31, 2003 | DECEMBER 31, 2002 | DECEMBER 31, 2003 | DECEMBER 31, 2002 | FEBRUARY 12, 1996 (INCEPTION) TO DECEMBER 31, 2003 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| REVENUE | \$ 0 | \$ 12,351 | \$ 676 | \$ 16,749 | \$ 237,343 |

| | | | | | |
|---|------------|------------|------------|------------|---------------|
| COST OF SALES | 0 | 0 | 0 | 0 | 216,016 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| OTHER INCOME, CANCELLATION OF DEBT | 0 | 12,351 | 676 | 16,749 | 21,327 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| | 0 | 0 | 0 | 0 | 624,170 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| EXPENSES | | | | | |
| Salaries and benefits | 103,750 | 135,185 | 207,500 | 246,902 | 3,463,948 |
| Legal and accounting | 112,114 | 63,960 | 166,254 | 83,765 | 1,342,423 |
| Consulting | 40,266 | 46,712 | 165,825 | 94,748 | 2,321,342 |
| Travel and entertainment | 25,587 | 31,690 | 50,431 | 51,481 | 794,099 |
| General and administrative | 21,903 | 32,224 | 42,013 | 58,958 | 548,430 |
| Telephone | 8,296 | 6,618 | 16,611 | 13,778 | 273,911 |
| Rent | 6,706 | 8,187 | 14,985 | 15,439 | 268,603 |
| Advertising | 1,000 | 4,860 | 1,000 | 9,360 | 272,255 |
| Bank charges and interest, net | 198 | 154 | 693 | 339 | 108,548 |
| Research and development | 0 | 196 | 0 | 646 | 1,244,755 |
| Interest on beneficial conversion feature | 0 | 0 | 0 | 0 | 566,456 |
| Settlement of lawsuit | 0 | 0 | 0 | 0 | 45,250 |
| Bad debts | 0 | 0 | 0 | 0 | 76,571 |
| Remuneration pursuant to proprietary, non- competition agreement | 0 | 0 | 0 | 0 | 711,000 |
| Financing fees | 0 | 0 | 0 | 0 | 104,542 |
| Write-off of investments | 0 | 0 | 0 | 0 | 1,249,999 |
| Write-down of license and operating assets | 0 | 0 | 0 | 0 | 1,855,619 |
| Depreciation and amortization | 5,758 | 5,758 | 11,516 | 11,516 | 281,620 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| | 325,578 | 335,544 | 676,828 | 586,932 | 15,529,371 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| NET LOSS FOR PERIOD | \$ 325,578 | \$ 323,193 | \$ 676,152 | \$ 570,183 | \$ 14,905,201 |
| ===== | ===== | ===== | ===== | ===== | ===== |
| NET LOSS PER COMMON SHARE | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.04) | |
| ===== | ===== | ===== | ===== | ===== | ===== |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 33,734,495 | 31,494,108 | 33,722,312 | 30,961,779 | |
| ===== | ===== | ===== | ===== | ===== | ===== |

<FN>

See notes to consolidated financial statements.
</TABLE>

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<TABLE>
<CAPTION>
INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)
(U.S. DOLLARS)

| | SHARES OF COMMON STOCK ISSUED | COMMON STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | SHARES OF PREFERRED STOCK ISSUED | PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF PAR | PROMISSORY NOTES RECEIVABLE | SHARE SUBSCRIPTIONS |
|---|--|--|---|---|-----------------------------------|------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 2002 | 30,787,562 | \$12,116,450 | 439,610 | \$ 439,610 | \$ (66,500) | \$ 0 |
| SHARES ISSUED FOR | | | | | | |
| Private placement for cash | 1,684,000 | 842,050 | 0 | 0 | 0 | 0 |
| Settlement of debt | 144,793 | 104,542 | 0 | 0 | 0 | 0 |
| Services | 200,000 | 196,000 | 0 | 0 | 0 | 0 |
| Exercise of options | 52,500 | 43,750 | 0 | 0 | 0 | 0 |
| Exercise of warrants | 55,000 | 27,500 | 0 | 0 | 0 | 0 |
| Subscription received | 0 | 0 | 0 | 0 | 0 | 176,665 |
| Stock option compensation | 0 | 5,460 | 0 | 0 | 0 | 0 |
| Settlement of lawsuit | 0 | 0 | 0 | 0 | 0 | 35,250 |
| Dividends on preferred shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Net loss for year | 0 | 0 | 0 | 0 | 0 | 0 |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE, JUNE 30, 2003 | 32,923,855 | 13,335,752 | 439,610 | 439,610 | (66,500) | 211,915 |
| Dividends on Preferred Shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Net loss for period | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares issued for | | | | | | |
| Cash on private placement | 898,336 | 674,626 | 0 | 0 | 0 | (211,915) |
| Cash on exercise of options | 25,000 | 25,000 | 0 | 0 | 0 | 0 |
| Settlement of debt | 37,500 | 35,250 | 0 | 0 | 0 | 0 |
| Redemption of preferred shares(note 2(e)) | 0 | 0 | (118,572) | (118,572) | 0 | 415,000 |
| Shares returned to treasury for cancellation | (142,140) | 0 | 0 | 0 | 0 | 0 |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE, DECEMBER 31, 2003 | 33,742,551 | \$14,070,628 | 321,038 | \$ 321,038 | \$ (66,500) | \$ 415,000 |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== |

| | OTHER COMPREHENSIVE INCOME | DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE | TOTAL STOCKHOLDERS' EQUITY |
|---|----------------------------------|--|----------------------------------|
| <S> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 2002 | \$ 46,267 | \$ (13,226,223) | \$ (690,396) |
| SHARES ISSUED FOR | | | |
| Private placement for cash | 0 | 0 | 842,050 |
| Settlement of debt | 0 | 0 | 104,542 |
| Services | 0 | 0 | 196,000 |
| Exercise of options | 0 | 0 | 43,750 |
| Exercise of warrants | 0 | 0 | 27,500 |
| Subscription received | 0 | 0 | 176,665 |
| Stock option compensation | 0 | 0 | 5,460 |
| Settlement of lawsuit | 0 | 0 | 35,250 |
| Dividends on preferred shares | 0 | (22,060) | (22,060) |
| Net loss for year | 0 | (1,346,833) | (1,346,833) |
| BALANCE, JUNE 30, 2003 | 46,267 | (14,595,116) | (628,072) |
| Dividends on Preferred Shares | 0 | (10,990) | (10,990) |
| Net loss for period | 0 | (676,152) | (676,152) |
| Shares issued for | | | |
| Cash on private placement | 0 | 0 | 462,711 |
| Cash on exercise of options | 0 | 0 | 25,000 |
| Settlement of debt | 0 | 0 | 35,250 |
| Redemption of preferred shares(note 2(e)) | 0 | (296,428) | 0 |
| Shares returned to treasury for cancellation | 0 | 0 | 0 |
| BALANCE, DECEMBER 31, 2003 | \$ 46,267 | \$ (15,578,686) | \$ (792,253) |

<FN>

See notes to consolidated financial statements.
</TABLE>

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<TABLE>
<CAPTION>
INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(U.S. DOLLARS)

| | SIX MONTHS ENDED DECEMBER 31, 2003 | 2002 | PERIOD FROM FEBRUARY 12, 1996 (INCEPTION) THROUGH DECEMBER 31, 2003 |
|---|--|--------------|--|
| <S> | <C> | <C> | <C> |
| OPERATING ACTIVITIES | | | |
| Net loss | \$ (676,152) | \$ (570,183) | \$ (14,905,201) |
| Items not involving cash | | | |
| Write-down of investment | 0 | 0 | 1,249,999 |
| Proprietary, non-competition agreement | 0 | 0 | 711,000 |
| Depreciation and amortization | 11,516 | 12,198 | 307,175 |
| Extraordinary item | 0 | 0 | (602,843) |
| Consulting services and financing fees | 40,000 | 0 | 935,400 |
| Stock option compensation benefit | 0 | 0 | 812,208 |
| Interest on beneficial conversion | 0 | 0 | 566,456 |
| Settlement of lawsuit | 0 | 0 | 60,250 |
| Write-down of license and operating assets | 0 | 0 | 1,853,542 |
| Bad debts | 0 | 0 | 76,571 |
| CHANGES IN NON-CASH WORKING CAPITAL | | | |
| Due from affiliated company | 0 | 0 | (116,000) |
| Notes and account receivable | 0 | 3,873 | (109,213) |
| Inventory | 0 | 0 | (46,942) |
| Prepaid expenses | (28,859) | 7,165 | (40,703) |
| Other | 0 | 0 | (2,609) |
| Accounts payable and accruals | 22,124 | (48,625) | 737,952 |
| Due to West Virginia University Research Corporation | 0 | 0 | 397,296 |
| CASH USED IN OPERATING ACTIVITIES | (631,371) | (595,572) | (8,115,562) |
| INVESTING ACTIVITIES | | | |
| Purchase of property, equipment and intangible assets | 0 | 0 | (200,935) |
| Assets acquired and liabilities assumed on purchase of subsidiary | 0 | 0 | (129,474) |
| Investment purchase | 0 | 0 | (2,000,000) |
| License agreement | 0 | 0 | (124,835) |
| CASH USED IN INVESTING ACTIVITIES | 0 | 0 | (2,455,244) |
| FINANCING ACTIVITIES | | | |
| Repayment of loan | 0 | 0 | (45,000) |
| Repayments to stockholders | 0 | 0 | (94,046) |
| Subscriptions received | 0 | 0 | 226,665 |

| | | | |
|---|-----------|------------|------------|
| Issuance of common stock | 482,962 | 842,000 | 9,011,857 |
| Advances from stockholders, net of repayments | 0 | 0 | 1,078,284 |
| Share issue cost | 0 | 0 | (227,420) |
| Proceeds from convertible debentures | 0 | 0 | 600,000 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 482,962 | 842,000 | 10,550,240 |
| EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH | 0 | 0 | 46,267 |
| INFLOW (OUTFLOW) OF CASH | (148,409) | 246,428 | 25,801 |
| CASH, BEGINNING OF PERIOD | 174,210 | 267,795 | 0 |
| CASH, END OF PERIOD | \$ 25,801 | \$ 514,223 | \$ 25,801 |

<FN>

See notes to consolidated financial statements.
</TABLE>

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2003
(UNAUDITED)
(U.S. DOLLARS)

1. BASIS OF PRESENTATION

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's audited consolidated financial statements filed as part of the Company's June 30, 2003 Form 10-KSB.

In the opinion of the Company's management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company's consolidated financial position at December 31, 2003 and June 30, 2003 and the consolidated results of operations for the three and six months and the consolidated statements of cash flows for the six months ended December 31, 2002 and 2003. The results of operations for the three and six months ended December 31, 2003 are not necessarily indicative of the results to be expected for the entire fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

2. STOCKHOLDERS' EQUITY

- (a) During the period ended December 31, 2003, the Company entered into a private placement whereby the Company issued 898,336 shares at a price of \$0.75 per share and 449,168 share purchase warrants exercisable within two years with an exercise price of \$1.00 per share.
- (b) During the period ended December 31, 2003, the Company received for cancellation 142,140 shares previously issued and held in escrow under the Swartz agreement which expired during the year ended June 20, 2003.
- (c) During the period ended December 31, 2003, the Company issued 37,500 shares as part of the mutual release agreement in settlement of all claims related to the Joffre J. Rolland and Robin L. Rolland claim.
- (d) During the period ended December 31, 2003, the Company issued 25,000 shares at a price of \$1.00 per share on exercise of options.
- (e) During the period ended December 31, 2003, the Company redeemed 118,572 shares of Series A Convertible Preferred Stock from an individual. The redemption price of \$3.50 per share was used as consideration for the exercise of 415,000 options to purchase common stock of the Company at a price of \$1.00 per share.

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INTEGRAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2003
(UNAUDITED)
(U.S. DOLLARS)

3. SUBSEQUENT EVENT

Subsequent to December 31, 2003, the company entered into a private placement whereby the company issued 57,115 units at \$100 per unit for total gross proceeds of \$5,711,500 less a private placement fee of 6% of gross proceeds. Each unit is comprised of 100 newly issued shares of the company's common stock and one warrant convertible into 30 additional shares of common stock. Each Warrant may be exercised in whole or in part at any time, during the period commencing on April 30, 2004 and expiring on December 31, 2009, and entitles the holder to receive shares of common stock for no additional consideration.

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PART II -- INFORMATION NOT REQUIRED IN PROSPECTUS

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Integral's Articles of Incorporation and Bylaws provided Integral may indemnify a controlling person, officer or director from liability for acting in such capacities, to the full extent permitted by the law of the State of Nevada. The Articles of Incorporation further provide that, to the full extent permitted by the Nevada Corporation Code, as the same exists or may hereafter be amended, a director or officer of Integral shall not be liable to Integral or its shareholders for monetary damages for breach of fiduciary duty as a director or officer.

OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting compensation, are:

| | |
|--|-------------|
| SEC filing fee for Registration Statement: | \$ 2,086.58 |
| Accounting Fees | \$ 5,000.00 |
| Legal Fees and Expenses | \$22,500.00 |
| Miscellaneous | \$ 3,000.00 |
| Total: | \$32,586.58 |

All of the expenses above have been or will be paid by the Company.

RECENT SALES OF UNREGISTERED SECURITIES

Set forth below is information regarding the issuance and sales of securities of the Company without registration within the past three fiscal years.

(a) In May 2000, the Company entered into an Investment Agreement and a Registration Rights Agreement with Swartz Private Equity, LLC ("Swartz"). Pursuant to the terms of the Investment Agreement, the Company periodically sold ("put") shares of common stock to Swartz for up to \$25,000,000. In partial consideration of the Investment Agreement, the Company issued a Commitment Warrants to Swartz to purchase 495,000 shares of Common Stock for five years, at an adjusted exercise price of \$.50 per share. The Company believes that these transactions are exempt from registration pursuant to Section 4(2) of the Securities Act and/or Rule 506 of Regulation D. Following is a summary of completed put transactions to date:

<TABLE>

<CAPTION>

| Put Date | No. Shares | Price Per Share | Gross Proceeds | No. Warrants | Warrant Exercise Price (as adjusted) |
|------------|------------|-----------------|----------------|--------------|--------------------------------------|
| <C> | <C> | <C> | <C> | <C> | <C> |
| 09-28-2000 | 81,885 | \$ 1.25 | \$ 102,356 | 8,189 | \$ 0.5126 |
| 09-26-2001 | 67,635 | \$ 0.45 | \$ 30,436 | 6,764 | \$ 0.561 |
| 12-12-2001 | 547,865 | \$ 1.34 | \$ 734,139 | 54,787 | \$ 1.0406 |
| 01-23-2002 | 51,000 | \$ 1.30 | \$ 66,300 | 5,100 | \$ 0.814 |
| 02-28-2002 | 109,475 | \$ 1.13 | \$ 123,707 | 10,948 | \$ 1.188 |
| TOTALS | 857,860 | | \$1,056,938 | 85,788 | |

</TABLE>

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(b) On December 28, 2000, the Company issued 20,000 shares of its common stock to one person upon exercise of options pursuant to the Employee Benefit and Consulting Services Compensation Plan. The Company issued the shares in consideration for the payment of \$3,000. This transaction did not involve any public offering, the securities were issued under a plan structured in compliance with Rule 701 of the Securities Act, no sales commissions were paid, and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Rule 701 of the Securities Act.

(c) In January 2001, the Company issued an aggregate of 517,000 shares of its common stock to six persons upon exercise of options pursuant to the Employee Benefit and Consulting Services Compensation Plan. The options had various exercise prices, ranging from \$0.15 to \$1.16 per share. The Company issued the shares in consideration for an aggregate of \$91,500. These transactions did not involve any public offering, the securities were issued under a plan structured in compliance with Rule 701 of the Securities Act, no sales commissions were paid, and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that each transaction was exempt from registration pursuant to Rule 701 of the Securities Act.

(d) In April 2001, the Company issued 100,000 shares of its common stock to one person upon exercise of options pursuant to the Employee Benefit and Consulting Services Compensation Plan. The exercise price of the shares was \$.40 per share, and the exercise price was paid in the form of services rendered (valued at \$40,000). The transaction did not involve any public offering, the securities were issued under a plan structured in compliance with Rule 701 of the Securities Act, no sales commissions were paid, and a restrictive legend was placed on each certificate evidencing the shares. Integral believes that the transaction was exempt from registration pursuant to Rule 701 of the Securities Act.

(e) In August 2001, the Company issued an aggregate of 858,500 shares of its common stock to 3 persons (including two officers) upon exercise of options pursuant to the Employee Benefit and Consulting Services Compensation Plan. The options had various exercise prices, ranging from \$0.15 to \$.33 per share. The Company issued the shares in consideration for an aggregate of \$52,305 in cash and \$124,200 in lieu of accrued salaries payable. These transactions did not involve any public offering, the securities were issued under a plan structured in compliance with Rule 701 of the Securities Act, no sales commissions were paid, and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that each transaction was exempt from registration pursuant to Rule 701 of the Securities Act.

(f) In September 2001, the Company issued an aggregate of 325,000 shares to eight persons pursuant to the exercise of warrants previously issued in connection with a private placement in March 2000, for aggregate proceeds of \$130,000. In August 2001, the exercise price of the warrants had been temporarily reduced from \$1.80 to \$.40 per share through September 2001. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) and Section 4(6) of the Securities Act and/or Rule 506 of Regulation D.

(g) In January 2002, the Company issued 100,000 shares of its common stock pursuant to its employee benefit and consulting services plan to one person. The exercise price of the shares was \$.40 per share and the exercise price was paid in cash. The transaction did not involve any public offering, the securities were issued under a plan structured in compliance with Rule 701 of the Securities Act, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Rule 701 of the Securities Act.

(h) In January 2002, the Company issued an aggregate of 450,000 shares of common stock to two employees in consideration of the execution of a "Proprietary, Non-Disclosure and Non-Solicitation Agreement" by each person. A restrictive legend was placed on each certificate evidencing the shares.

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The Company believes that the transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and/or Rule 506 of Regulation D.

(i) In October 2002, the Company issued 144,793 shares of restricted common stock to Swartz Private Equity, LLC ("Swartz"), pursuant to an agreement to settle a non-use fee of \$104,541.84 that had accrued pursuant to the Investment Agreement between the Company and Swartz. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) and Section 4(6) of the Securities Act and/or Rule 506 of Regulation D.

(j) In November 2002, the Company completed a private placement with eight investors and sold 1,684,000 shares of its common stock at \$.50 per share and warrants to purchase 842,000 shares of its common stock within two years at an exercise price of \$.75 per share. Aggregate proceeds from the sale of the common stock was \$842,000. In connection with the offering, the Company agreed to use its best efforts to register the shares of common stock (including the shares underlying the warrants) for resale by the investors within 180 days after the close of the offering. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) and Section 4(6) of the Securities Act and/or Rule 506 of Regulation D.

(k) In February 2003, Swartz Private Equity, LLC ("Swartz") exercised a portion of an outstanding warrant for \$27,500 (\$.50 per share) and the Company issued to Swartz 55,000 shares of restricted common stock. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) and Section 4(6) of the Securities Act and/or Rule 506 of Regulation D.

(l) In May 2003 issued 200,000 shares of restricted common stock to The Investor Relations Group, Inc. pursuant to a one-year service agreement dated February 27, 2003. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) and Section 4(6) of the Securities Act and/or Rule 506 of Regulation D.

(m) In September 2003, the Company completed a private placement with ten investors and sold 898,336 shares of its common stock at \$.75 per share and warrants to purchase 449,168 shares of its common stock within two years at an exercise price of \$1.00 per share. Aggregate proceeds from the sale of the common stock was \$673,752. In connection with the offering, the Company agreed to use its best efforts to register the shares of common stock (including the shares underlying the warrants) for resale by the investors within 180 days after the close of the offering. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) and Section 4(6) of the Securities Act and/or Rule 506 of Regulation D.

(n) In September 2003, the Company issued 37,500 shares of restricted common stock in connection with a settlement of a legal dispute with Joffre J. Rolland, Jr. and Robyn Rolland, pursuant to a mutual release executed in August 2003. The transaction did not involve any public offering, no sales commissions were paid and a restrictive legend was placed on each certificate evidencing the shares. The Company believes that the transaction was exempt from registration pursuant to Section 4(2) of the Securities Act and/or Rule 506 of Regulation D.

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LIST OF EXHIBITS

| Exhibit No. | Description |
|-------------|--|
| 3.1 | Articles of Incorporation, as amended and currently in effect. (Incorporated by reference to Exhibit 3.1 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.) |
| 3.2 | Bylaws, as amended and restated on December 31, 1997. (Incorporated by reference to Exhibit 3.2 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.) |
| 4.5 | Registration Rights Agreement, dated May 11, 2000, by and between Integral and Swartz Private Equity, LLC. (Incorporated by reference to Exhibit 4.5 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.) |
| 4.6 | Form of warrant to purchase Common Stock issued to Swartz Private Equity, LLC. (Incorporated by reference to Exhibit 4.6 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.) |
| 4.7 | Form of Securities Purchase Agreement between Integral and certain selling shareholders related to the purchase of Integral common stock pursuant to private placement completed in November 2002. (Filed herewith.) |
| 4.8 | Form of Common Stock Purchase Warrant related to the offering of securities described in Exhibit 4.7. (Filed herewith.) |
| 4.9 | Form of Securities Purchase Agreement between Integral and certain selling shareholders related to the purchase of Integral common stock pursuant to private placement completed in September 2003. (Filed herewith.) |
| 4.10 | Form of Common Stock Purchase Warrant related to the offering of securities described in Exhibit 4.9. (Filed herewith.) |
| 4.11 | Securities Purchase Agreement dated December 26, 2003, between the Registrant and Wellington Management Company, LLP. (Incorporated by reference to Exhibit 10.16 of Integral's Current Report on Form 8-K dated January 14, 2004 (filed January 28, 2004).) |
| 4.12 | Form of Common Stock Purchase Warrant related to the offering of securities described in Exhibit 10.16. (Incorporated by reference to Exhibit 10.17 of Integral's Current Report on Form 8-K dated January 14, 2004 (filed January 28, 2004).) |
| 5.6 | Legal opinion of Futro & Associates, P.C. (Filed herewith.) |
| 10.12 | Integral Technologies, Inc. 2001 Stock Plan dated January 2, 2001, as amended December 17, 2001. (Incorporated by reference to Exhibit 10.12 of Integral's registration statement on Form S-8 (file no. 333-76058).) |
| 10.13 | Employment Agreement between Integral and William S. Robinson dated July 1, 2002. (Incorporated by reference to Exhibit 10.13 of Integral's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2002.) |

- 10.14 Employment Agreement between Integral and William A. Ince dated July 1, 2002. (Incorporated by reference to Exhibit 10.13 of Integral's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2002.)
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- 10.15 Integral Technologies, Inc. 2003 Stock Plan dated April 4, 2003 (Incorporated by reference to Exhibit 10.15 of Integral's registration statement on Form S-8 (file no. 333-104522).)
- 21.3 List of Subsidiaries. (Incorporated by reference to Exhibit 21.3 of Integral's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2001.)
- 23.11 Consent of auditors, Pannell Kerr Forster. (Filed herewith.)
- 23.12 Consent of counsel, Futro & Associates, P.C. (Incorporated by reference to Exhibit 5.6.)

UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and notwithstanding the forgoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospects filed with the commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) To include any additional or changed material information on the plan of distribution.

(2) For the purpose of determining any liability under the Securities Act, to treat each post-effective amendment as a new registration statement of the securities offered, and the offering of such securities at that time to be the initial bona fide offering.

(3) To file a post-effective amendment to remove from registration any of the securities that remain unsold at the termination of the offering.

(b) The undersigned Registrant, hereby requesting acceleration of the effective date of the registration statement under Rule 461 under the Securities Act, hereby undertakes to include the following:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of the expenses incurred or paid by a director, officer, or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

In accordance with the Securities Act of 1933, the company certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of Bellingham, State of Washington, on February 12, 2004.

INTEGRAL TECHNOLOGIES, INC.

By: /s/ William S. Robinson

William S. Robinson, Chief Executive Officer

In accordance with the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated:

<TABLE>
<CAPTION>

| Name | Title | Date |
|------|-------|------|
|------|-------|------|

| | | |
|-------------------------|---------------------------------------|-------------------|
| <S> | <C> | <C> |
| /s/ William S. Robinson | Chairman, Chief Executive | |
| William S. Robinson | Officer, Treasurer and Director | February 12, 2004 |
| | | |
| /s/ William A. Ince | President, Secretary, Chief Financial | |
| William A. Ince | Officer and Director | February 12, 2004 |

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EXHIBIT INDEX

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| 23.11 | Consent of auditors, Pannell Kerr Forster. (Filed herewith.) |
| 23.12 | Consent of counsel, Futro & Associates, P.C. (Incorporated by reference to Exhibit 5.6.) |

BETWEEN

INTEGRAL TECHNOLOGIES, INC.

AND

THE INVESTOR(S) SIGNATORY HERETO

SECURITIES PURCHASE AGREEMENT (the "Agreement"), between the person subscribing for Investment Securities by its signatures hereto (the "Investor"), and Integral Technologies, Inc., a corporation organized and existing under the laws of the State of Nevada (the "Company"), effective as of the date of acceptance by the Company as set forth on the signature page hereof.

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Investor, and the Investor shall purchase the Investment Securities, as defined below.

WHEREAS, such investments will be made in reliance upon the provisions of Section 4(2) ("Section 4(2)") or 4(6) of the United States Securities Act of 1933, as amended, and Regulation D ("Regulation D") and the other rules and regulations promulgated thereunder (the "Securities Act"), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments in the Company's securities to be made hereunder.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

Section 1.1. "Affiliate" means, with respect to any specified Person, any

other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person, and includes any immediate family member of such Person, and any trust established by or for the benefit of any one or more such persons exclusively.

Section 1.2. "Closing" shall mean the closing of the purchase and sale of

the Investment Securities pursuant to Section 2.1.

Section 1.3. "Closing Date" shall mean the date on which all conditions to

the Closing have been satisfied (as defined in Section 2.1 hereto) and the Closing shall have occurred.

Section 1.4. "Common Stock" shall mean the Company's \$.001 par value common

stock.

Section 1.5. "Damages" shall mean any loss, claim, damage, liability, costs

and expenses (including, without limitation, reasonable attorney's fees and disbursements and reasonable costs and expenses of expert witnesses and investigation).

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Section 1.6. "Exchange Act" shall mean the Securities Exchange Act of 1934,

as amended, and the rules and regulations promulgated thereunder.

Section 1.7. "Legend" shall mean the legend set forth in Section 9.1.

Section 1.8. "Material Adverse Effect" shall mean any effect on the

business, operations, properties, prospects, or financial condition of the Company that is material and adverse to the Company and its subsidiaries and affiliates, taken as a whole, and/or any condition, circumstance, or situation that would prohibit or otherwise interfere with the ability of the Company to enter into and perform any of its obligations under this Agreement in any material respect.

Section 1.9. "Outstanding" when used with reference to shares of Common

Stock, shall mean, at any date as of which the number of such shares is to be determined, all issued and outstanding shares, and shall include all such shares issuable in respect of outstanding scrip or any certificates representing fractional interests in such shares; provided, however, that "Outstanding" shall

not mean any such shares then directly or indirectly owned or held by or for the account of the Company.

Section 1.10. "Person" shall mean any individual, firm, corporation,

partnership, limited partnership, company, association, trust or other entity or organization, as well as any syndicate or group that would be deemed to be a Person under Section 13(d)(3) of the Exchange Act.

Section 1.11. "Investment Securities" shall mean the Investment Shares and

the Investment Warrants.

Section 1.12. "Investment Shares" shall mean the 1,000,000 shares of the

Company's Common Stock being offered and sold by the Company and purchased by the Investor under and pursuant to this Agreement.

Section 1.13. "Investment Warrant" shall mean a common stock purchase

warrant to purchase up to 500,000 shares of Common Stock on or before two years after the Closing Date at an exercise price of US\$.75 per share, to be offered and sold by the Company and purchased by the Investor simultaneously with the purchase of the Investment Shares under and pursuant to this Agreement. The Investment Warrant shall be in the form of Exhibit A attached hereto.

Section 1.14. "Principal Market" shall mean the OTC Bulletin Board, the

American Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, or the NASDAQ Small-Cap Market, whichever is at the time the principal trading exchange or market for the Common Stock.

Section 1.15. "Purchase Price" shall mean, (i) as to the Investment Shares,

fifty cents (US\$.50) per Investment Share, and (ii) as to the Investment Warrant, \$.001 per share of Common Stock underlying the Investment Warrant.

Section 1.16. "Registrable Securities" shall mean the Investment Shares and

the Warrant Shares until (i) the Registration Statement has been declared effective by the SEC, and all Investment Shares and Warrant Shares have been disposed of pursuant to the Registration Statement, (ii) all Investment Shares and Warrant Shares have been sold under circumstances under which all of the applicable conditions of Rule 144 (or any similar provision then in force) under the Securities Act ("Rule 144") are met, (iii) all

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Investment Shares and Warrant Shares have been otherwise transferred to holders who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend or (iv) such time as, in the opinion of counsel to the Company, all Investment Shares and Warrant Shares may be sold without any time, volume or manner limitations pursuant to Rule 144(k) (or any similar provision then in effect) under the Securities Act.

Section 1.17. "Registration Statement" shall mean a registration statement

on Form SB-2 (if use of such form is then available to the Company pursuant to the rules of the SEC and, if not, on such other form promulgated by the SEC for which the Company then qualifies and which counsel for the Company shall deem appropriate, and which form shall be available for the resale of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement and in accordance with the intended method of distribution of such securities), for the registration of the resale by the Investor of the Registrable Securities under the Securities Act.

Section 1.18. "Regulation D" shall have the meaning set forth in the

recitals of this Agreement.

Section 1.19. "SEC" shall mean the Securities and Exchange Commission.

Section 1.20. "Section 4(2)" shall have the meaning set forth in the

recitals of this Agreement.

Section 1.21. "Securities Act" shall have the meaning set forth in the

recitals of this Agreement.

Section 1.22. "SEC Documents" shall mean the Company's Form 10-KSB for the

fiscal year ended June 30, 2002, and each report or registration statement subsequently filed by the Company with the SEC pursuant to the Exchange Act or the Securities Act through the date hereof.

Section 1.23. "Warrant Shares" shall mean all shares of Common Stock

issuable pursuant to exercise of the Investment Warrant.

ARTICLE II

PURCHASE AND SALE OF INVESTMENT SECURITIES

Section 2.1. Investment.

Upon the terms and subject to the conditions set forth herein, the Company agrees to sell, and the Investor agrees to purchase, the Investment Securities on the Closing Date as follows:

(a) Upon execution and delivery of this Agreement and in anticipation of Closing, the Investor shall deliver the Purchase Price, and the Company shall deliver the Investment Securities, as follows:

- (i) Investment Shares. Upon execution and delivery of this Agreement, the Investor shall deliver to the Company immediately available funds in the amount of the aggregate Purchase Price for the Investment Shares of \$_____ and the

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Company shall deliver the Investment Shares to the Investor upon receipt of the funds by the Company.

- (ii) Investment Warrant. Simultaneously with the purchase and sale of the Investment Shares, the Investor shall deliver to the Company immediately available funds in the amount of the aggregate Purchase Price for the Investment Warrant of \$_____, and the Company shall deliver the Investment Warrant to the Investor upon receipt of the funds by the Company.

(b) The Closing Date, for purposes of this Agreement, shall be on the date that all delivery requirements set forth in Section 2.1.(a) have been completed; provided, however, that the Closing Date shall not be later than December 31, 2002, unless otherwise agreed by the parties. The obligation of the parties to consummate the purchase and sale of the Investment Securities on

the Closing Date is subject to the satisfaction of the following conditions:

- (i) all representations and warranties of the Investor contained herein shall remain true and correct as of the Closing Date (as a condition to the Company's obligations);
- (ii) all representations and warranties of the Company contained herein shall remain true and correct as of the Closing Date (as a condition to the Investor's obligations);
- (iii) the Company shall have obtained all permits and qualifications required by any state for the offer and sale of the Investment Securities, or shall have the availability of exemptions therefrom; and
- (iv) the sale and issuance of the Investment Securities hereunder shall be legally permitted by all laws and regulations to which the Investor and the Company are subject and there shall be no ruling, judgment or writ of any court prohibiting the transactions contemplated by this Agreement.

Section 2.2. Registration Rights. (a) The Company agrees that it will

prepare and file with the Commission, within sixty (60) days after the Closing Date, a Registration Statement, at the sole expense of the Company (except as provided below), in respect of all Registrable Securities, so as to permit a public offering and resale of the Registrable Securities under the Act.

(b) The Company shall use its best efforts to cause the Registration Statement to become effective within one-hundred-twenty (120) days from the Closing Date, or, if earlier, within five (5) days of SEC clearance to request acceleration of effectiveness. The Company will notify Investor of the effectiveness of the Registration Statement within one business day of such event.

(c) The Company will maintain the Registration Statement or post-effective amendment until the earlier of (i) the date that all of the Registrable Securities have been sold pursuant to the Registration Statement, (ii) the date the Investor receives an opinion of counsel to the Company that the Registrable Securities may be sold under the provisions of Rule 144 without limitation as to volume, (iii) all Registrable Securities have been otherwise transferred to Persons who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend, or (iv) all Registrable Securities may be

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sold without any time, volume or manner limitations pursuant to Rule 144(k) or any similar provision then in effect under the Securities Act in the opinion of counsel to the Company.

(d) All fees, disbursements and out-of-pocket expenses and costs incurred by the Company in connection with the preparation and filing of the Registration Statement and in complying with applicable securities and Blue Sky laws (including, without limitation, all attorneys' fees of the Company) shall be borne by the Company. The Investor shall bear the cost of underwriting and/or brokerage discounts, fees and commissions, if any, applicable to the Registrable Securities being registered and the fees and expenses of its counsel.

(e) No provision contained herein shall preclude the Company from selling securities pursuant to any Registration Statement in which it is required to include Registrable Securities pursuant to this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF INVESTOR

The Investor represents and warrants to the Company that:

Section 3.1. Intent. The Investor is entering into this Agreement for its

own account and the Investor has no present arrangement (whether or not legally binding) at any time to sell the Investment Securities to or through any person or entity; provided, however, that by making the representations herein, the Investor does not agree to hold such securities for any minimum or other specific term and reserves the right to dispose of the Investment Securities at any time in accordance with Article IX of this Agreement.

Section 3.2. Sophisticated and Accredited Investor. The Investor is a

sophisticated investor (as described in Rule 506(b)(2)(ii) of Regulation D) and an accredited investor (as defined in Rule 501 of Regulation D), and Investor has such experience in business and financial matters that it is capable of evaluating the merits and risks of an investment in the Investment Securities. The Investor acknowledges that an investment in the Investment Securities is speculative and involves a high degree of risk.

Section 3.3. Authority. This Agreement and each agreement which is required

to be executed by Investor has been duly authorized and validly executed and delivered by the Investor and is a valid and binding agreement of the Investor enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 3.4. Absence of Conflicts. The execution and delivery of this

Agreement and any other agreements executed in connection herewith, and the consummation of the transactions contemplated thereby, and compliance with the requirements thereof, will not violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Investor or (a) violate any provision of any indenture, instrument or agreement to which Investor is a party or is subject, or by which Investor or any of its assets is bound; (b) conflict with or constitute a material default thereunder; (c) result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement, or constitute a breach of any fiduciary duty owed by Investor to any third party; or (d) require the approval of any third-party (which has not been obtained) pursuant to any material contract, agreement, instrument,

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relationship or legal obligation to which Investor is subject or to which any of its assets, operations or management may be subject.

Section 3.5. Disclosure; Access to Information. The Investor has received

all documents, records, books and other publicly available information pertaining to Investor's investment in the Company that have been requested by the Investor. The Company is subject to the periodic reporting requirements of the Exchange Act, and the Investor has received copies of all SEC Documents that have been requested by it.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Investor that, except as may be set forth in any Schedule of Exceptions attached hereto or as set forth in the SEC Documents:

Section 4.1. Organization of the Company. The Company is a corporation duly

incorporated and existing in good standing under the laws of the State of Nevada and has all requisite corporate authority to own its properties and to carry on its business as now being conducted. The Company does not have any subsidiaries and does not own more than fifty percent (50%) of or control any other business entity except as set forth in the SEC Documents. The Company is duly qualified and is in good standing as a foreign corporation to do business in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, other than those in which the failure so

to qualify would not have a Material Adverse Effect.

Section 4.2. Authority. (i) The Company has the requisite corporate power

and corporate authority to enter into and perform its obligations under this Agreement and to issue the Investment Securities, (ii) the execution, issuance and delivery of this Agreement and the Investment Securities by the Company and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action and no further consent or authorization of the Company or its Board of Directors or stockholders is required, and (iii) this Agreement and the Investment Securities have been duly executed and delivered by the Company and at the Closing shall constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 4.3. Capitalization. The authorized capital stock of the Company

consists of 50,000,000 shares of Common Stock, of which approximately 30,787,562 shares are issued and outstanding as of September 30, 2002; and 20,000,000 shares of preferred stock, par value \$0.001 per share, 1,000,000 of which have been designated as Series A Convertible Preferred Stock, of which 439,610 shares are issued and outstanding as of September 30, 2002. All of the outstanding shares of Common Stock and Series A Convertible Preferred Stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable.

Section 4.4. SEC Documents. The Company has delivered or made available to

the Investor true and complete copies of the SEC Documents. The Company has not provided to the Investor any information that, according to applicable law, rule or regulation, should have been disclosed publicly prior to the date hereof by the Company, but which has not been so disclosed. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act, and rules and

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regulations of the SEC promulgated thereunder and the SEC Documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto at the time of such inclusion. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments). Neither the Company nor any of its subsidiaries has any material indebtedness, obligations or liabilities of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due) that would have been required to be reflected in, reserved against or otherwise described in the financial statements or in the notes thereto in accordance with GAAP, which was not fully reflected in, reserved against or otherwise described in the financial statements or the notes thereto included in the SEC Documents or was not incurred in the ordinary course of business consistent with the Company's past practices since the last date of such financial statements.

Section 4.5. Exemption from Registration; Valid Issuances. Subject to the

accuracy of the Investor's representations in Article III, the sale of the Investment Securities will not require registration under the Securities Act and/or any applicable state securities law. When issued and paid for the Investment Securities will be duly and validly issued, fully paid, and

non-assessable. Neither the sales of the Investment Securities pursuant to, nor the Company's performance of its obligations under, this Agreement will (i) result in the creation or imposition by the Company of any liens, charges, claims or other encumbrances upon the Investment Securities or any of the assets of the Company, or (ii) entitle the holders of Outstanding Common Stock to preemptive or other rights to subscribe to or acquire the Investment Securities or other securities of the Company. The Investment Securities shall not subject the Investor to personal liability to the Company or its creditors by reason of the possession thereof.

Section 4.6. Corporate Documents. The Company has furnished or made

available to the Investor true and correct copies of the Company's Certificate of Incorporation, as amended and in effect on the date hereof (the "Certificate"), and the Company's By-Laws, as amended and in effect on the date hereof (the "By-Laws").

Section 4.7. No Conflicts. The execution, delivery and performance of this

Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, including without limitation the issuance of the Investment Securities, do not and will not (i) result in a violation of the Company's Certificate of Incorporation or By-Laws or (ii) conflict with, or constitute a material default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument, or any "lock-up" or similar provision of any underwriting or similar agreement to which the Company is a party, or (iii) result in a violation of any federal, state or local law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or by which any material property or asset of the Company is bound or affected, nor is the Company otherwise in violation of, conflict with or default under any of the foregoing (except in each case for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not have, individually or in the aggregate, a Material Adverse Effect). The

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business of the Company is not being conducted in violation of any law, ordinance or regulation of any governmental entity, except for possible violations that either singly or in the aggregate would not have a Material Adverse Effect. The Company is not required under federal, state or local law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or issue and sell the Investment Securities in accordance with the terms hereof (other than any SEC, Principal Market or state securities filings that may be required to be made by the Company subsequent to Closing and any registration statement that may be filed pursuant hereto); provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Investor herein.

Section 4.8. No Material Adverse Change. Since the date of filing of the SEC

Documents, no Material Adverse Effect has occurred or exists, and no facts have arisen that would be reasonably expected to result in or constitute a Material Adverse Effect, with respect to the Company.

Section 4.9. No Undisclosed Events or Circumstances. Since the date of

filing of the SEC Documents, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, prospects, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the SEC Documents.

Section 4.10. No Misleading or Untrue Communication. The Company and, to

the knowledge of the Company, any person representing the Company, or any other person selling or offering to sell the Investment Securities in connection with the transaction contemplated by this Agreement, have not made, at any time, any oral communication in connection with the offer or sale of the same which

contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

Section 4.11. Material Non-Public Information. The Company has not

disclosed to the Investor any material non-public information that (i) if disclosed, would, or could reasonably be expected to have, a material effect on the price of the Common Stock or (ii) according to applicable law, rule or regulation, should have been disclosed publicly by the Company prior to the date hereof but which has not been so disclosed.

Section 4.12. No Misrepresentation. No representation or warranty of the

Company contained in this Agreement, any schedule, annex or exhibit hereto or any agreement, instrument or certificate furnished by the Company to the Investor pursuant to this Agreement, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, not misleading.

Section 4.13. Additional Investors. The Company expressly reserves the

right to offer additional Investment Securities, in any amount, provided that the Purchase Price and other material terms remain the same as set forth in this Agreement, to additional investors at any time prior to the Closing Date.

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ARTICLE V

COVENANTS OF THE INVESTOR

Section 5.1. Compliance with Law. The Investor's trading activities with

respect to shares of the Company's Common Stock will be in compliance with all applicable state and federal securities laws, rules and regulations and rules and regulations of the Principal Market on which the Company's Common Stock is listed.

Section 5.2. No Short Positions. The Investor agrees that neither the

Investor nor any of his, her or its affiliates has entered, has the intention of entering, or will, at any time during which the Investor holds any equity securities of the Company, enter into any put option, short position or other similar instrument or position with respect to the Common Stock of the Company.

ARTICLE VI

COVENANTS OF THE COMPANY

Section 6.1. Listing of Common Stock. The Company hereby agrees to maintain

the listing of the Common Stock on a Principal Market, and as soon as reasonably practicable following the Closing (but in any event prior to the effective date of the Registration Statement) to list the Registrable Securities on the Principal Market, if required by such market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Principal Market, it will include in such application the Registrable Securities, and will take such other action as is necessary or desirable in the opinion of the Investor to cause the Common Stock to be listed on such other Principal Market as promptly as possible. The Company will take all action to continue the listing and trading of its Common Stock on a Principal Market (including, without limitation, maintaining sufficient net tangible assets) and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market and shall provide Investor with copies of any correspondence to or from such Principal Market which questions or threatens delisting of the Common Stock, within three (3) business days of the Company's receipt thereof, until the Investor has disposed of all of its Registrable Securities.

Section 6.2. Exchange Act Reporting. The Company will use its best efforts

to comply in all respects with its reporting and filing obligations under the Exchange Act, and will not take any action or file any document (whether or not permitted by the Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said Act until the Investor has disposed of all of its Registrable Securities.

Section 6.3. Corporate Existence. The Company will take all steps necessary

to preserve and continue the corporate existence of the Company.

Section 6.4. Consolidation; Merger. The Company shall not, at any time

after the date hereof, effect any merger or consolidation of the Company with or into, or a transfer of all or substantially all of the assets of the Company to, another entity (a "Consolidation Event") unless the resulting successor or acquiring entity (if not the Company) assumes by written instrument or by operation

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of law the obligation to deliver to the Investor such shares of stock and/or securities as the Investor is entitled to receive pursuant to this Agreement.

Section 6.5. Issuance of Investment Securities. The sale of the Investment

Securities shall be made in accordance with the provisions and requirements of Section 4(2) and Regulation D and any applicable state securities law. The Company shall make all necessary SEC and "blue sky" filings required to be made by the Company in connection with the sale of the Investment Securities to the Investor as required by all applicable Laws, and, upon request, shall provide a copy thereof to the Investor promptly after such filing.

ARTICLE VII

SURVIVAL; INDEMNIFICATION

Section 7.1. Survival. The representations, warranties and covenants made

by each of the Company and the Investor in this Agreement, the annexes, schedules and exhibits hereto and in each instrument, agreement and certificate entered into and delivered by them pursuant to this Agreement, shall survive the Closing and the consummation of the transactions contemplated hereby. In the event of a breach or violation of any of such representations, warranties or covenants, the party to whom such representations, warranties or covenants have been made shall have all rights and remedies for such breach or violation available to it under the provisions of this Agreement or otherwise, whether at law or in equity, irrespective of any investigation made by or on behalf of such party on or prior to the Closing Date.

Section 7.2. Indemnity. (a) The Company hereby agrees to indemnify and hold

harmless the Investor, its Affiliates and their respective officers, directors, partners and members (collectively, the "Investor Indemnitees"), from and against any and all losses, claims, Damages, judgments, penalties, liabilities and deficiencies (collectively, "Losses"), and agrees to reimburse the Investor Indemnitees for all reasonable out-of-pocket expenses (including the reasonable fees and expenses of legal counsel), in each case promptly as incurred by the Investor Indemnitees and to the extent arising out of or in connection with:

(i) any misrepresentation, omission of fact or breach of any of the Company's representations or warranties contained in this Agreement, the annexes, schedules or exhibits hereto or any instrument, agreement or certificate entered into or delivered by the Company pursuant to this Agreement; or

(ii) any failure by the Company to perform in any material respect any of its covenants, agreements, undertakings or obligations set forth in this Agreement, the annexes, schedules or exhibits hereto or any

instrument, agreement or certificate entered into or delivered by the Company pursuant to this Agreement.

(b) The Investor hereby agrees to indemnify and hold harmless the Company, its Affiliates and their respective officers, directors, partners and members (collectively, the "Company Indemnitees"), from and against any and all Losses, and agrees to reimburse the Company Indemnitees for reasonable all out-of-pocket expenses (including the reasonable fees and expenses of legal counsel), in each case promptly as incurred by the Company Indemnitees and to the extent arising out of or in connection with:

(i) any misrepresentation, omission of fact, or breach of any of the Investor's representations or warranties contained in this Agreement, the annexes, schedules or exhibits

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hereto or any instrument, agreement or certificate entered into or delivered by the Investor pursuant to this Agreement; or

(ii) any failure by the Investor to perform in any material respect any of its covenants, agreements, undertakings or obligations set forth in this Agreement or any instrument, certificate or agreement entered into or delivered by the Investor pursuant to this Agreement.

Section 7.3. Notice. Promptly after receipt by either party hereto seeking

indemnification pursuant to Section 7.2 (an "Indemnified Party") of written notice of any investigation, claim, proceeding or other action in respect of which indemnification is being sought (each, a "Claim"), the Indemnified Party promptly shall notify the party against whom indemnification pursuant to Section 7.2 is being sought (the "Indemnifying Party") of the commencement thereof; but the omission to so notify the Indemnifying Party shall not relieve it from any liability that it otherwise may have to the Indemnified Party, except to the extent that the Indemnifying Party is materially prejudiced and forfeits substantive rights and defenses by reason of such failure. In connection with any Claim as to which both the Indemnifying Party and the Indemnified Party are parties, the Indemnifying Party shall be entitled to assume the defense thereof. Notwithstanding the assumption of the defense of any Claim by the Indemnifying Party, the Indemnified Party shall have the right to employ separate legal counsel and to participate in the defense of such Claim, and the Indemnifying Party shall bear the reasonable fees, out-of-pocket costs and expenses of such separate legal counsel to the Indemnified Party if (and only if): (x) the Indemnifying Party shall have agreed to pay such fees, out-of-pocket costs and expenses, (y) the Indemnified Party and the Indemnifying Party reasonably shall have concluded that representation of the Indemnified Party and the Indemnifying Party by the same legal counsel would not be appropriate due to actual or, as reasonably determined by legal counsel to the Indemnified Party, potentially differing interests between such parties in the conduct of the defense of such Claim, or if there may be legal defenses available to the Indemnified Party that are in addition to or disparate from those available to the Indemnifying Party, or (z) the Indemnifying Party shall have failed to employ legal counsel reasonably satisfactory to the Indemnified Party within a reasonable period of time after notice of the commencement of such Claim. If the Indemnified Party employs separate legal counsel in circumstances other than as described in clauses (x), (y) or (z) above, the fees, costs and expenses of such legal counsel shall be borne exclusively by the Indemnified Party. Except as provided above, the Indemnifying Party shall not, in connection with any Claim in the same jurisdiction, be liable for the fees and expenses of more than one firm of legal counsel for the Indemnified Party (together with appropriate local counsel). The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which consent shall not unreasonably be withheld), settle or compromise any Claim or consent to the entry of any judgment that does not include an unconditional release of the Indemnified Party from all liabilities with respect to such Claim or judgment.

Section 7.4. Direct Claims. In the event one party hereunder should have a

claim for indemnification that does not involve a claim or demand being asserted by a third party, the Indemnified Party promptly shall deliver notice of such claim to the Indemnifying Party. If the Indemnified Party disputes the claim, such dispute shall be resolved by mutual agreement of the Indemnified Party and the Indemnifying Party or by binding arbitration conducted in accordance with

the procedures and rules of the American Arbitration Association as set forth in Article X. Judgment upon any award rendered by any arbitrators may be entered in any court having competent jurisdiction thereof.

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ARTICLE VIII

DUE DILIGENCE REVIEW; NON-DISCLOSURE OF NON-PUBLIC INFORMATION.

Section 8.1. Due Diligence Review. Subject to Section 8.2, the Company

shall make available for inspection and review by the Investor, advisors to and representatives of the Investor (who may or may not be affiliated with the Investor and who are reasonably acceptable to the Company). All SEC Documents and other filings with the SEC, and all other publicly available corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees to supply all such publicly available information reasonably requested by the Investor or any such representative or advisor.

Section 8.2. Non-Disclosure of Non-Public Information. (a) The Company shall

not disclose material non-public information to the Investor, advisors to or representatives of the Investor unless prior to disclosure of such information the Company identifies such information as being non-public information and provides the Investor, such advisors and representatives with the opportunity to accept or refuse to accept such non-public information for review. The Company may, as a condition to disclosing any non-public information hereunder, require the Investor's advisors and representatives to enter into a confidentiality agreement in form reasonably satisfactory to the Company and the Investor.

(b) Nothing herein shall require the Company to disclose material non-public information to the Investor or its advisors or representatives, and the Company represents that it does not disseminate material non-public information to any investors who purchase stock in the Company in a public offering, to money managers or to securities analysts.

ARTICLE IX

LEGENDS

Section 9.1. Legends. Unless otherwise provided below, each certificate

representing Investment Securities, the Investment Warrant and Registrable Securities will bear the following legend or equivalent (the "Legend"):

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION THAT IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

Section 9.2. No Other Legend or Stock Transfer Restrictions. No legend

other than the one specified in Section 9.1 has been or shall be placed on the Investment Warrant or the share certificates representing

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the Investment Securities and Registrable Securities and no instructions or "stop transfer orders," so called, "stock transfer restrictions," or other restrictions have been or shall be given to the Company's transfer agent with respect thereto other than as expressly set forth in this Article IX. The Company will not engage an independent transfer agent with respect to the Investment Securities or the Investment Warrant.

Section 9.3. Investor's Compliance. Nothing in this Article shall affect in

any way the Investor's obligations to comply with all applicable securities laws
upon resale of the Investment Securities, the Investment Warrant and the
Registrable Securities.

ARTICLE X

CHOICE OF LAW

Section 10.1. Governing Law/Arbitration. This Agreement shall be governed

by and construed in accordance with the laws of the State of Colorado applicable
to contracts made in Nevada by persons domiciled in Colorado and without regard
to its principles of conflicts of laws. Any dispute under this Agreement or any
Exhibit attached hereto shall be submitted to arbitration under the American
Arbitration Association (the "AAA") in Denver, Colorado, and shall be finally
and conclusively determined by the decision of a board of arbitration consisting
of three (3) members (hereinafter referred to as the "Board of Arbitration")
selected as according to the rules governing the AAA. The Board of Arbitration
shall meet on consecutive business days in Denver, Colorado, and shall reach and
render a decision in writing (concurring in by a majority of the members of the
Board of Arbitration) with respect to the amount, if any, which the losing party
is required to pay to the other party in respect of a claim filed. In
connection with rendering its decisions, the Board of Arbitration shall adopt
and follow the laws of the State of Colorado. To the extent practical,
decisions of the Board of Arbitration shall be rendered no more than thirty (30)
calendar days following commencement of proceedings with respect thereto. The
Board of Arbitration shall cause its written decision to be delivered to all
parties involved in the dispute. Any decision made by the Board of Arbitration
(either prior to or after the expiration of such thirty (30) calendar day
period) shall be final, binding and conclusive on the parties to the dispute,
and entitled to be enforced to the fullest extent permitted by law and entered
in any court of competent jurisdiction. The non-prevailing party to any
arbitration (as determined by the Board of Arbitration) shall pay the expenses
of the prevailing party including reasonable attorney's fees, in connection with
such arbitration.

ARTICLE XI

ASSIGNMENT

Section 11.1. Assignment. Neither this Agreement nor any rights of the

Investor or the Company hereunder may be assigned by either party to any other
person.

ARTICLE XII

NOTICES

Section 12.1. Notices. All notices, demands, requests, consents, approvals,

and other communications required or permitted hereunder shall be in writing
and, unless otherwise specified herein, shall be

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deemed to have been given or made upon receipt and shall be (i) personally
served, (ii) deposited in the mail, registered or certified, return receipt
requested, postage prepaid, or (iii) delivered by reputable air courier service
with charges prepaid. In all cases, at the same time any such communication is
made or given, a copy shall be delivered by facsimile, and the receiving party
shall promptly acknowledge receipt by return facsimile. The addresses for such
communications shall be:

agent in the ordinary course) or (iii) in the case of any such mutilation, on surrender and cancellation of such certificate, the Company at its expense will execute and deliver, in lieu thereof, a new certificate of like tenor.

Section 13.6. Fees and Expenses. Each of the Company and the Investor agrees

to pay its own expenses incident to the performance of its obligations hereunder.

Section 13.7. Brokerage. Each of the parties hereto represents that it has

had no dealings in connection with this transaction with any finder or broker who will demand payment of any fee or commission from the other party. The Company on the one hand, and the Investor, on the other hand, agree to indemnify the other against and hold the other harmless from any and all liabilities to any person claiming brokerage commissions or finder's fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the undersigned, thereunto duly authorized, as of the dates set forth below.

Address:

INVESTOR:

Name of Investor

By: _____

Print Name: _____

Telephone: _____

Title: _____

Fax: _____

Date: _____

=====

ACCEPTED:

INTEGRAL TECHNOLOGIES, INC.

DATED: _____

By: _____

William S. Robinson, CEO

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE, OR UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES ARE RESTRICTED AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

INTEGRAL TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

1. Issuance. In consideration of good and valuable consideration,

the receipt of which is hereby acknowledged by Integral Technologies, Inc., a Nevada corporation (the "Company"), _____, or registered assigns (the "Holder") is hereby granted the right to purchase at any time commencing on the date hereof and until 5:00 P.M., E.S.T., on November 29, 2004 (the "Expiration Date"), _____
(_____) fully paid and nonassessable shares of the Company's Common Stock, \$.001 par value per share (the "Common Stock") at an initial exercise price per share of US\$.75 (the "Exercise Price"), subject to further adjustment as set forth in Section 6 hereof.

2. Exercise of Warrants. This Warrant is exercisable in whole or

in part at the Exercise Price per share of Common Stock payable hereunder, payable in cash, by certified or official bank check, or by wire transfer. Upon surrender of this Warrant Certificate with the annexed Notice of Exercise Form duly executed, together with payment of the Exercise Price for the shares of Common Stock purchased, the Holder shall be entitled to receive a certificate or certificates for the shares of Common Stock so purchased.

3. Reservation of Shares. The Company hereby agrees that at all

times during the term of this Warrant there shall be reserved for issuance upon exercise of this Warrant such number of shares of its Common Stock as shall be required for issuance upon exercise of this Warrant (the "Warrant Shares"). The Company shall use its best efforts and all due diligence to increase the number of shares of Common Stock so reserved to cure any deficiencies, and, if necessary, to obtain approval of its stockholders therefor, including authorization of such additional number of shares of Common Stock as may be required in excess of the number so reserved.

4. Mutilation or Loss of Warrant. Upon receipt by the Company of

evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) receipt of reasonably satisfactory indemnification (which shall not include the posting of any bond by the Holder), and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor and date and any such lost, stolen, destroyed or mutilated Warrant shall thereupon become void.

5. Rights of the Holder. The Holder shall not, by virtue hereof,

be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

6. Protection Against Dilution; Failure to Register Warrant

Shares.

6.1 Adjustment Mechanism. If an adjustment of the Exercise

Price is required pursuant to this Section 6, the Holder shall be entitled to purchase such number of additional shares of Common Stock as will cause (i) the total number of shares of Common Stock the Holder is entitled to purchase pursuant to this Warrant, multiplied by (ii) the adjusted purchase price per share, to equal (iii) the dollar amount of the total number of shares of Common Stock the Holder is entitled to purchase before adjustment multiplied by the total purchase price before adjustment.

6.2 Capital Adjustments. In case of any stock split or

reverse stock split, stock dividend, reclassification of the Common Stock, recapitalization, merger or consolidation, or like capital adjustment affecting the Common Stock of the Company, the provisions of this Section 6 shall be applied as if such capital adjustment event had occurred immediately prior to the date of this Warrant and the original purchase price had been fairly allocated to the stock resulting from such capital adjustment; and in other respects the provisions of this Section shall be applied in a fair, equitable and reasonable manner so as to give effect, as nearly as may be, to the purposes hereof. A rights offering to stockholders shall be deemed a stock dividend to the extent of the bargain purchase element of the rights.

6.3 Merger, Sale of Assets, Etc. If at any time while this

Warrant, or any portion hereof, is outstanding and unexpired there shall be (i) a reorganization (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), (ii) a merger or consolidation of the Company with or into another corporation or other entity including a merger or consolidation in which the Company is the surviving entity but the shares of the Company's capital stock outstanding immediately prior to the merger are converted by virtue of the merger into other property, whether in the form of securities, cash, or otherwise, or (iii) a sale or transfer of the Company's properties and assets as, or substantially as, an entirety to any other person, then as a part of such reorganization, merger, consolidation, sale or transfer lawful provision shall be made so that the holder of this Warrant shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and payment of the Exercise Price then in effect, the number of shares of stock or other securities or property resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 6. The foregoing provisions of this Section 6 shall similarly apply to successive reorganization, consolidations, mergers, sales and transfers and to the stock or securities of any other corporation or other entity that are at the time receivable upon the exercise of this Warrant. If the consideration deliverable to the Holder hereof in connection with any such transactions is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

7. Redemption by Company. In the event that the average closing

bid price of a share of the Company's Common Stock exceeds \$3.00 for ten consecutive trading days, the Company has the right to redeem this Warrant for \$.01 per share of Common Stock purchasable hereunder, upon thirty days written notice. The Holder shall have the right to exercise the Warrant in accordance with its terms prior to the expiration of the thirty day period.

8. Transfer to Comply with the Securities Act. This Warrant has

not been registered under the Securities Act and has been issued to the holder for investment purposes and not with a view to the distribution of either the Warrant or the Warrant Shares. Neither this Warrant nor any of the Warrant Shares or any other security issued or issuable upon exercise of this Warrant may be sold, transferred, pledged or hypothecated in the absence of an effective registration statement under the Act relating to such security or an opinion of counsel reasonably satisfactory to the Company that registration is not required under the Securities Act. Each certificate for the Warrant, the Warrant Shares and any other security issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, setting forth the restrictions on transfer contained in this Section.

9. Notices. Any notice required or permitted hereunder shall be

given in writing and shall be deemed effectively given upon, (a) by personal delivery or fax, or (ii) one business day after deposit with a nationally recognized overnight delivery service such as Federal Express, with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses, or at such other addresses as a party may designate by written notice to each of the other parties hereto.

COMPANY: INTEGRAL TECHNOLOGIES, INC.
1070 West Pender Street, Suite #3
Vancouver, B.C., Canada V6E 2N7
Attention: William S. Robinson, CEO
Telephone: (604) 685-9933
Facsimile: (604) 685-6794

HOLDER: _____

10. Supplements and Amendments; Whole Agreement. This Warrant may

be amended or supplemented only by an instrument in writing signed by the parties hereto. This Warrant and the Stock Purchase Agreement (including exhibits thereto) between the Company and the Holder contain the full understanding of the parties hereto with respect to the subject matter hereof and thereof and there are no representations, warranties, agreements or understanding of the parties hereto with respect to the subject matter hereof and thereof other than expressly contained herein and therein.

11. Governing Law. This Warrant shall be deemed to be a contract

under the laws of the State of Colorado and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

12. Counterparts. This Warrant may be executed in any number of

counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

13. Descriptive Headings. Descriptive headings of the several

Sections of this Warrant are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to such terms as in the Securities Purchase Agreement.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by an officer thereunto duly authorized.

Dated: _____

INTEGRAL TECHNOLOGIES, INC.

By:_____

Name:_____

Title:_____

Attest:

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FORM OF

NOTICE OF EXERCISE

Dated: _____, _____

Integral Technologies, Inc.

Dear Sir or Madam:

The undersigned, (the "Investor"), does hereby give notice that it wishes to purchase _____ shares of Common Stock of Integral Technologies, Inc. (the "Company"), pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price in full, together with all applicable transfer taxes, if any. Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned as specified below.

Name: _____

Address: _____

INVESTOR:

NOT FOR EXECUTION

By:_____

BETWEEN

INTEGRAL TECHNOLOGIES, INC.

AND

THE INVESTOR(S) SIGNATORY HERETO

SECURITIES PURCHASE AGREEMENT (the "Agreement"), between the person subscribing for Investment Securities by its signatures hereto (the "Investor"), and Integral Technologies, Inc., a corporation organized and existing under the laws of the State of Nevada (the "Company"), effective as of the date of acceptance by the Company as set forth on the signature page hereof.

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Investor, and the Investor shall purchase the Investment Securities, as defined below.

WHEREAS, such investments will be made in reliance upon the provisions of Section 4(2) ("Section 4(2)") or 4(6) of the United States Securities Act of 1933, as amended, and Regulation D ("Regulation D") and the other rules and regulations promulgated thereunder (the "Securities Act"), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments in the Company's securities to be made hereunder.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

Section 1.1. "Affiliate" means, with respect to any specified Person, any

other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person, and includes any immediate family member of such Person, and any trust established by or for the benefit of any one or more such persons exclusively.

Section 1.2. "Closing" shall mean the closing of the purchase and sale of

the Investment Securities pursuant to Section 2.1.

Section 1.3. "Closing Date" shall mean the date on which all conditions to

the Closing have been satisfied (as defined in Section 2.1 hereto) and the Closing shall have occurred.

Section 1.4. "Common Stock" shall mean the Company's \$.001 par value common

stock.

Section 1.5. "Damages" shall mean any loss, claim, damage, liability, costs

and expenses (including, without limitation, reasonable attorney's fees and disbursements and reasonable costs and expenses of expert witnesses and investigation).

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Section 1.6. "Exchange Act" shall mean the Securities Exchange Act of 1934,

as amended, and the rules and regulations promulgated thereunder.

Section 1.7. "Legend" shall mean the legend set forth in Section 9.1.

Section 1.8. "Material Adverse Effect" shall mean any effect on the

business, operations, properties, prospects, or financial condition of the Company that is material and adverse to the Company and its subsidiaries and affiliates, taken as a whole, and/or any condition, circumstance, or situation that would prohibit or otherwise interfere with the ability of the Company to enter into and perform any of its obligations under this Agreement in any material respect.

Section 1.9. "Outstanding" when used with reference to shares of Common

Stock, shall mean, at any date as of which the number of such shares is to be determined, all issued and outstanding shares, and shall include all such shares issuable in respect of outstanding scrip or any certificates representing fractional interests in such shares; provided, however, that "Outstanding" shall

not mean any such shares then directly or indirectly owned or held by or for the account of the Company.

Section 1.10. "Person" shall mean any individual, firm, corporation,

partnership, limited partnership, company, association, trust or other entity or organization, as well as any syndicate or group that would be deemed to be a Person under Section 13(d)(3) of the Exchange Act.

Section 1.11. "Investment Securities" shall mean the Investment Shares and

the Investment Warrants.

Section 1.12. "Investment Shares" shall mean the 1,000,000 shares of the

Company's Common Stock being offered and sold by the Company and purchased by the Investor under and pursuant to this Agreement.

Section 1.13. "Investment Warrant" shall mean a common stock purchase

warrant to purchase up to 500,000 shares of Common Stock on or before two years after the Closing Date at an exercise price of US\$1.00 per share, to be offered and sold by the Company and purchased by the Investor simultaneously with the purchase of the Investment Shares under and pursuant to this Agreement. The Investment Warrant shall be in the form of Exhibit A attached hereto.

Section 1.14. "Principal Market" shall mean the OTC Bulletin Board, the

American Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, or the NASDAQ Small-Cap Market, whichever is at the time the principal trading exchange or market for the Common Stock.

Section 1.15. "Purchase Price" shall mean, (i) as to the Investment Shares,

Seventy Five cents (US\$.75) per Investment Share, and (ii) as to the Investment Warrant, \$.001 per share of Common Stock underlying the Investment Warrant.

Section 1.16. "Registrable Securities" shall mean the Investment Shares and

the Warrant Shares until (i) the Registration Statement has been declared effective by the SEC, and all Investment Shares and Warrant Shares have been disposed of pursuant to the Registration Statement, (ii) all Investment Shares and Warrant Shares have been sold under circumstances under which all of the applicable conditions of Rule 144 (or any similar provision then in force) under the Securities Act ("Rule 144") are met, (iii) all

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Investment Shares and Warrant Shares have been otherwise transferred to holders who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend or (iv) such time as, in the opinion of counsel to the Company, all Investment Shares and Warrant Shares may be sold without any time, volume or manner limitations pursuant to Rule 144(k) (or any similar provision then in effect) under the Securities Act.

Section 1.17. "Registration Statement" shall mean a registration statement

on Form SB-2 (if use of such form is then available to the Company pursuant to the rules of the SEC and, if not, on such other form promulgated by the SEC for which the Company then qualifies and which counsel for the Company shall deem appropriate, and which form shall be available for the resale of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement and in accordance with the intended method of distribution of such securities), for the registration of the resale by the Investor of the Registrable Securities under the Securities Act.

Section 1.18. "Regulation D" shall have the meaning set forth in the

recitals of this Agreement.

Section 1.19. "SEC" shall mean the Securities and Exchange Commission.

Section 1.20. "Section 4(2)" shall have the meaning set forth in the

recitals of this Agreement.

Section 1.21. "Securities Act" shall have the meaning set forth in the

recitals of this Agreement.

Section 1.22. "SEC Documents" shall mean the Company's Form 10-KSB for the

fiscal year ended June 30, 2002, and each report or registration statement subsequently filed by the Company with the SEC pursuant to the Exchange Act or the Securities Act through the date hereof.

Section 1.23. "Warrant Shares" shall mean all shares of Common Stock

issuable pursuant to exercise of the Investment Warrant.

ARTICLE II

PURCHASE AND SALE OF INVESTMENT SECURITIES

Section 2.1. Investment.

Upon the terms and subject to the conditions set forth herein, the Company agrees to sell, and the Investor agrees to purchase, the Investment Securities on the Closing Date as follows:

(a) Upon execution and delivery of this Agreement and in anticipation of Closing, the Investor shall deliver the Purchase Price, and the Company shall deliver the Investment Securities, as follows:

- (i) Investment Shares. Upon execution and delivery of this Agreement, the Investor shall deliver to the Company immediately available funds in the amount of the aggregate Purchase Price for the Investment Shares of \$_____ and the

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Company shall deliver the Investment Shares to the Investor upon receipt of the funds by the Company.

- (ii) Investment Warrant. Simultaneously with the purchase and sale of the Investment Shares, the Investor shall deliver to the Company immediately available funds in the amount of the aggregate Purchase Price for the Investment Warrant of \$_____, and the Company shall deliver the Investment Warrant to the Investor upon receipt of the funds by the Company.

(b) The Closing Date, for purposes of this Agreement, shall be on the date that all delivery requirements set forth in Section 2.1.(a) have been completed; provided, however, that the Closing Date shall not be later than June 30, 2003, unless otherwise agreed by the parties. The obligation of the parties to consummate the purchase and sale of the Investment Securities on the Closing

Date is subject to the satisfaction of the following conditions:

- (i) all representations and warranties of the Investor contained herein shall remain true and correct as of the Closing Date (as a condition to the Company's obligations);
- (ii) all representations and warranties of the Company contained herein shall remain true and correct as of the Closing Date (as a condition to the Investor's obligations);
- (iii) the Company shall have obtained all permits and qualifications required by any state for the offer and sale of the Investment Securities, or shall have the availability of exemptions therefrom; and
- (iv) the sale and issuance of the Investment Securities hereunder shall be legally permitted by all laws and regulations to which the Investor and the Company are subject and there shall be no ruling, judgment or writ of any court prohibiting the transactions contemplated by this Agreement.

Section 2.2. Registration Rights. (a) The Company agrees that it will

prepare and file with the Commission, within sixty (60) days after the Closing Date, a Registration Statement, at the sole expense of the Company (except as provided below), in respect of all Registrable Securities, so as to permit a public offering and resale of the Registrable Securities under the Act.

(b) The Company shall use its best efforts to cause the Registration Statement to become effective within one-hundred-twenty (120) days from the Closing Date, or, if earlier, within five (5) days of SEC clearance to request acceleration of effectiveness. The Company will notify Investor of the effectiveness of the Registration Statement within one business day of such event.

(c) The Company will maintain the Registration Statement or post-effective amendment until the earlier of (i) the date that all of the Registrable Securities have been sold pursuant to the Registration Statement, (ii) the date the Investor receives an opinion of counsel to the Company that the Registrable Securities may be sold under the provisions of Rule 144 without limitation as to volume, (iii) all Registrable Securities have been otherwise transferred to Persons who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend, or (iv) all Registrable Securities may be

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sold without any time, volume or manner limitations pursuant to Rule 144(k) or any similar provision then in effect under the Securities Act in the opinion of counsel to the Company.

(d) All fees, disbursements and out-of-pocket expenses and costs incurred by the Company in connection with the preparation and filing of the Registration Statement and in complying with applicable securities and Blue Sky laws (including, without limitation, all attorneys' fees of the Company) shall be borne by the Company. The Investor shall bear the cost of underwriting and/or brokerage discounts, fees and commissions, if any, applicable to the Registrable Securities being registered and the fees and expenses of its counsel.

(e) No provision contained herein shall preclude the Company from selling securities pursuant to any Registration Statement in which it is required to include Registrable Securities pursuant to this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF INVESTOR

The Investor represents and warrants to the Company that:

Section 3.1. Intent. The Investor is entering into this Agreement for its

own account and the Investor has no present arrangement (whether or not legally binding) at any time to sell the Investment Securities to or through any person or entity; provided, however, that by making the representations herein, the Investor does not agree to hold such securities for any minimum or other specific term and reserves the right to dispose of the Investment Securities at any time in accordance with Article IX of this Agreement.

Section 3.2. Sophisticated and Accredited Investor. The Investor is a

sophisticated investor (as described in Rule 506(b)(2)(ii) of Regulation D) and an accredited investor (as defined in Rule 501 of Regulation D), and Investor has such experience in business and financial matters that it is capable of evaluating the merits and risks of an investment in the Investment Securities. The Investor acknowledges that an investment in the Investment Securities is speculative and involves a high degree of risk.

Section 3.3. Authority. This Agreement and each agreement which is required

to be executed by Investor has been duly authorized and validly executed and delivered by the Investor and is a valid and binding agreement of the Investor enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 3.4. Absence of Conflicts. The execution and delivery of this

Agreement and any other agreements executed in connection herewith, and the consummation of the transactions contemplated thereby, and compliance with the requirements thereof, will not violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Investor or (a) violate any provision of any indenture, instrument or agreement to which Investor is a party or is subject, or by which Investor or any of its assets is bound; (b) conflict with or constitute a material default thereunder; (c) result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement, or constitute a breach of any fiduciary duty owed by Investor to any third party; or (d) require the approval of any third-party (which has not been obtained) pursuant to any material contract, agreement, instrument,

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relationship or legal obligation to which Investor is subject or to which any of its assets, operations or management may be subject.

Section 3.5. Disclosure; Access to Information. The Investor has received

all documents, records, books and other publicly available information pertaining to Investor's investment in the Company that have been requested by the Investor. The Company is subject to the periodic reporting requirements of the Exchange Act, and the Investor has received copies of all SEC Documents that have been requested by it.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Investor that, except as may be set forth in any Schedule of Exceptions attached hereto or as set forth in the SEC Documents:

Section 4.1. Organization of the Company. The Company is a corporation duly

incorporated and existing in good standing under the laws of the State of Nevada and has all requisite corporate authority to own its properties and to carry on its business as now being conducted. The Company does not have any subsidiaries and does not own more than fifty percent (50%) of or control any other business entity except as set forth in the SEC Documents. The Company is duly qualified and is in good standing as a foreign corporation to do business in every jurisdiction in which the nature of the business conducted or property owned by

it makes such qualification necessary, other than those in which the failure so to qualify would not have a Material Adverse Effect.

Section 4.2. Authority. (i) The Company has the requisite corporate power

and corporate authority to enter into and perform its obligations under this Agreement and to issue the Investment Securities, (ii) the execution, issuance and delivery of this Agreement and the Investment Securities by the Company and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action and no further consent or authorization of the Company or its Board of Directors or stockholders is required, and (iii) this Agreement and the Investment Securities have been duly executed and delivered by the Company and at the Closing shall constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 4.3. Capitalization. The authorized capital stock of the Company

consists of 50,000,000 shares of Common Stock, of which approximately 32,708,855 shares are issued and outstanding as of March 31, 2003; and 20,000,000 shares of preferred stock, par value \$0.001 per share, 1,000,000 of which have been designated as Series A Convertible Preferred Stock, of which 439,610 shares are issued and outstanding as of March 31, 2003. All of the outstanding shares of Common Stock and Series A Convertible Preferred Stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable.

Section 4.4. SEC Documents. The Company has delivered or made available to

the Investor true and complete copies of the SEC Documents. The Company has not provided to the Investor any information that, according to applicable law, rule or regulation, should have been disclosed publicly prior to the date hereof by the Company, but which has not been so disclosed. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act, and rules and

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regulations of the SEC promulgated thereunder and the SEC Documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto at the time of such inclusion. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments). Neither the Company nor any of its subsidiaries has any material indebtedness, obligations or liabilities of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due) that would have been required to be reflected in, reserved against or otherwise described in the financial statements or in the notes thereto in accordance with GAAP, which was not fully reflected in, reserved against or otherwise described in the financial statements or the notes thereto included in the SEC Documents or was not incurred in the ordinary course of business consistent with the Company's past practices since the last date of such financial statements.

Section 4.5. Exemption from Registration; Valid Issuances. Subject to the

accuracy of the Investor's representations in Article III, the sale of the Investment Securities will not require registration under the Securities Act and/or any applicable state securities law. When issued and paid for the Investment Securities will be duly and validly issued, fully paid, and

non-assessable. Neither the sales of the Investment Securities pursuant to, nor the Company's performance of its obligations under, this Agreement will (i) result in the creation or imposition by the Company of any liens, charges, claims or other encumbrances upon the Investment Securities or any of the assets of the Company, or (ii) entitle the holders of Outstanding Common Stock to preemptive or other rights to subscribe to or acquire the Investment Securities or other securities of the Company. The Investment Securities shall not subject the Investor to personal liability to the Company or its creditors by reason of the possession thereof.

Section 4.6. Corporate Documents. The Company has furnished or made

available to the Investor true and correct copies of the Company's Certificate of Incorporation, as amended and in effect on the date hereof (the "Certificate"), and the Company's By-Laws, as amended and in effect on the date hereof (the "By-Laws").

Section 4.7. No Conflicts. The execution, delivery and performance of this

Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, including without limitation the issuance of the Investment Securities, do not and will not (i) result in a violation of the Company's Certificate of Incorporation or By-Laws or (ii) conflict with, or constitute a material default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture or instrument, or any "lock-up" or similar provision of any underwriting or similar agreement to which the Company is a party, or (iii) result in a violation of any federal, state or local law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or by which any material property or asset of the Company is bound or affected, nor is the Company otherwise in violation of, conflict with or default under any of the foregoing (except in each case for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not have, individually or in the aggregate, a Material Adverse Effect). The

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business of the Company is not being conducted in violation of any law, ordinance or regulation of any governmental entity, except for possible violations that either singly or in the aggregate would not have a Material Adverse Effect. The Company is not required under federal, state or local law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or issue and sell the Investment Securities in accordance with the terms hereof (other than any SEC, Principal Market or state securities filings that may be required to be made by the Company subsequent to Closing and any registration statement that may be filed pursuant hereto); provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Investor herein.

Section 4.8. No Material Adverse Change. Since the date of filing of the SEC

Documents, no Material Adverse Effect has occurred or exists, and no facts have arisen that would be reasonably expected to result in or constitute a Material Adverse Effect, with respect to the Company.

Section 4.9. No Undisclosed Events or Circumstances. Since the date of

filing of the SEC Documents, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, prospects, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the SEC Documents.

Section 4.10. No Misleading or Untrue Communication. The Company and, to

the knowledge of the Company, any person representing the Company, or any other person selling or offering to sell the Investment Securities in connection with the transaction contemplated by this Agreement, have not made, at any time, any oral communication in connection with the offer or sale of the same which

contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

Section 4.11. Material Non-Public Information. The Company has not

disclosed to the Investor any material non-public information that (i) if disclosed, would, or could reasonably be expected to have, a material effect on the price of the Common Stock or (ii) according to applicable law, rule or regulation, should have been disclosed publicly by the Company prior to the date hereof but which has not been so disclosed.

Section 4.12. No Misrepresentation. No representation or warranty of the

Company contained in this Agreement, any schedule, annex or exhibit hereto or any agreement, instrument or certificate furnished by the Company to the Investor pursuant to this Agreement, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, not misleading.

Section 4.13. Additional Investors. The Company expressly reserves the

right to offer additional Investment Securities, in any amount, provided that the Purchase Price and other material terms remain the same as set forth in this Agreement, to additional investors at any time prior to the Closing Date.

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ARTICLE V

COVENANTS OF THE INVESTOR

Section 5.1. Compliance with Law. The Investor's trading activities with

respect to shares of the Company's Common Stock will be in compliance with all applicable state and federal securities laws, rules and regulations and rules and regulations of the Principal Market on which the Company's Common Stock is listed.

Section 5.2. No Short Positions. The Investor agrees that neither the

Investor nor any of his, her or its affiliates has entered, has the intention of entering, or will, at any time during which the Investor holds any equity securities of the Company, enter into any put option, short position or other similar instrument or position with respect to the Common Stock of the Company.

ARTICLE VI

COVENANTS OF THE COMPANY

Section 6.1. Listing of Common Stock. The Company hereby agrees to maintain

the listing of the Common Stock on a Principal Market, and as soon as reasonably practicable following the Closing (but in any event prior to the effective date of the Registration Statement) to list the Registrable Securities on the Principal Market, if required by such market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Principal Market, it will include in such application the Registrable Securities, and will take such other action as is necessary or desirable in the opinion of the Investor to cause the Common Stock to be listed on such other Principal Market as promptly as possible. The Company will take all action to continue the listing and trading of its Common Stock on a Principal Market (including, without limitation, maintaining sufficient net tangible assets) and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market and shall provide Investor with copies of any correspondence to or from such Principal Market which questions or threatens delisting of the Common Stock, within three (3) business days of the Company's receipt thereof, until the Investor has disposed of all of its Registrable Securities.

Section 6.2. Exchange Act Reporting. The Company will use its best efforts

to comply in all respects with its reporting and filing obligations under the Exchange Act, and will not take any action or file any document (whether or not permitted by the Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said Act until the Investor has disposed of all of its Registrable Securities.

Section 6.3. Corporate Existence. The Company will take all steps necessary

to preserve and continue the corporate existence of the Company.

Section 6.4. Consolidation; Merger. The Company shall not, at any time

after the date hereof, effect any merger or consolidation of the Company with or into, or a transfer of all or substantially all of the assets of the Company to, another entity (a "Consolidation Event") unless the resulting successor or acquiring entity (if not the Company) assumes by written instrument or by operation of law the obligation

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to deliver to the Investor such shares of stock and/or securities as the Investor is entitled to receive pursuant to this Agreement.

Section 6.5. Issuance of Investment Securities. The sale of the Investment

Securities shall be made in accordance with the provisions and requirements of Section 4(2) and Regulation D and any applicable state securities law. The Company shall make all necessary SEC and "blue sky" filings required to be made by the Company in connection with the sale of the Investment Securities to the Investor as required by all applicable Laws, and, upon request, shall provide a copy thereof to the Investor promptly after such filing.

ARTICLE VII

SURVIVAL; INDEMNIFICATION

Section 7.1. Survival. The representations, warranties and covenants made

by each of the Company and the Investor in this Agreement, the annexes, schedules and exhibits hereto and in each instrument, agreement and certificate entered into and delivered by them pursuant to this Agreement, shall survive the Closing and the consummation of the transactions contemplated hereby. In the event of a breach or violation of any of such representations, warranties or covenants, the party to whom such representations, warranties or covenants have been made shall have all rights and remedies for such breach or violation available to it under the provisions of this Agreement or otherwise, whether at law or in equity, irrespective of any investigation made by or on behalf of such party on or prior to the Closing Date.

Section 7.2. Indemnity. (a) The Company hereby agrees to indemnify and hold

harmless the Investor, its Affiliates and their respective officers, directors, partners and members (collectively, the "Investor Indemnitees"), from and against any and all losses, claims, Damages, judgments, penalties, liabilities and deficiencies (collectively, "Losses"), and agrees to reimburse the Investor Indemnitees for all reasonable out-of-pocket expenses (including the reasonable fees and expenses of legal counsel), in each case promptly as incurred by the Investor Indemnitees and to the extent arising out of or in connection with:

(i) any misrepresentation, omission of fact or breach of any of the Company's representations or warranties contained in this Agreement, the annexes, schedules or exhibits hereto or any instrument, agreement or certificate entered into or delivered by the Company pursuant to this Agreement; or

(ii) any failure by the Company to perform in any material respect any of its covenants, agreements, undertakings or obligations set forth in this Agreement, the annexes, schedules or exhibits hereto or any

instrument, agreement or certificate entered into or delivered by the Company pursuant to this Agreement.

(b) The Investor hereby agrees to indemnify and hold harmless the Company, its Affiliates and their respective officers, directors, partners and members (collectively, the "Company Indemnitees"), from and against any and all Losses, and agrees to reimburse the Company Indemnitees for reasonable all out-of-pocket expenses (including the reasonable fees and expenses of legal counsel), in each case promptly as incurred by the Company Indemnitees and to the extent arising out of or in connection with:

(i) any misrepresentation, omission of fact, or breach of any of the Investor's representations or warranties contained in this Agreement, the annexes, schedules or exhibits

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hereto or any instrument, agreement or certificate entered into or delivered by the Investor pursuant to this Agreement; or

(ii) any failure by the Investor to perform in any material respect any of its covenants, agreements, undertakings or obligations set forth in this Agreement or any instrument, certificate or agreement entered into or delivered by the Investor pursuant to this Agreement.

Section 7.3. Notice. Promptly after receipt by either party hereto seeking

indemnification pursuant to Section 7.2 (an "Indemnified Party") of written notice of any investigation, claim, proceeding or other action in respect of which indemnification is being sought (each, a "Claim"), the Indemnified Party promptly shall notify the party against whom indemnification pursuant to Section 7.2 is being sought (the "Indemnifying Party") of the commencement thereof; but the omission to so notify the Indemnifying Party shall not relieve it from any liability that it otherwise may have to the Indemnified Party, except to the extent that the Indemnifying Party is materially prejudiced and forfeits substantive rights and defenses by reason of such failure. In connection with any Claim as to which both the Indemnifying Party and the Indemnified Party are parties, the Indemnifying Party shall be entitled to assume the defense thereof. Notwithstanding the assumption of the defense of any Claim by the Indemnifying Party, the Indemnified Party shall have the right to employ separate legal counsel and to participate in the defense of such Claim, and the Indemnifying Party shall bear the reasonable fees, out-of-pocket costs and expenses of such separate legal counsel to the Indemnified Party if (and only if): (x) the Indemnifying Party shall have agreed to pay such fees, out-of-pocket costs and expenses, (y) the Indemnified Party and the Indemnifying Party reasonably shall have concluded that representation of the Indemnified Party and the Indemnifying Party by the same legal counsel would not be appropriate due to actual or, as reasonably determined by legal counsel to the Indemnified Party, potentially differing interests between such parties in the conduct of the defense of such Claim, or if there may be legal defenses available to the Indemnified Party that are in addition to or disparate from those available to the Indemnifying Party, or (z) the Indemnifying Party shall have failed to employ legal counsel reasonably satisfactory to the Indemnified Party within a reasonable period of time after notice of the commencement of such Claim. If the Indemnified Party employs separate legal counsel in circumstances other than as described in clauses (x), (y) or (z) above, the fees, costs and expenses of such legal counsel shall be borne exclusively by the Indemnified Party. Except as provided above, the Indemnifying Party shall not, in connection with any Claim in the same jurisdiction, be liable for the fees and expenses of more than one firm of legal counsel for the Indemnified Party (together with appropriate local counsel). The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which consent shall not unreasonably be withheld), settle or compromise any Claim or consent to the entry of any judgment that does not include an unconditional release of the Indemnified Party from all liabilities with respect to such Claim or judgment.

Section 7.4. Direct Claims. In the event one party hereunder should have a

claim for indemnification that does not involve a claim or demand being asserted by a third party, the Indemnified Party promptly shall deliver notice of such claim to the Indemnifying Party. If the Indemnified Party disputes the claim, such dispute shall be resolved by mutual agreement of the Indemnified Party and the Indemnifying Party or by binding arbitration conducted in accordance with

the procedures and rules of the American Arbitration Association as set forth in Article X. Judgment upon any award rendered by any arbitrators may be entered in any court having competent jurisdiction thereof.

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ARTICLE VIII

DUE DILIGENCE REVIEW; NON-DISCLOSURE OF NON-PUBLIC INFORMATION.

Section 8.1. Due Diligence Review. Subject to Section 8.2, the Company

shall make available for inspection and review by the Investor, advisors to and representatives of the Investor (who may or may not be affiliated with the Investor and who are reasonably acceptable to the Company). All SEC Documents and other filings with the SEC, and all other publicly available corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees to supply all such publicly available information reasonably requested by the Investor or any such representative or advisor.

Section 8.2. Non-Disclosure of Non-Public Information. (a) The Company shall

not disclose material non-public information to the Investor, advisors to or representatives of the Investor unless prior to disclosure of such information the Company identifies such information as being non-public information and provides the Investor, such advisors and representatives with the opportunity to accept or refuse to accept such non-public information for review. The Company may, as a condition to disclosing any non-public information hereunder, require the Investor's advisors and representatives to enter into a confidentiality agreement in form reasonably satisfactory to the Company and the Investor.

(b) Nothing herein shall require the Company to disclose material non-public information to the Investor or its advisors or representatives, and the Company represents that it does not disseminate material non-public information to any investors who purchase stock in the Company in a public offering, to money managers or to securities analysts.

ARTICLE IX

LEGENDS

Section 9.1. Legends. Unless otherwise provided below, each certificate

representing Investment Securities, the Investment Warrant and Registrable Securities will bear the following legend or equivalent (the "Legend"):

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION THAT IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

Section 9.2. No Other Legend or Stock Transfer Restrictions. No legend

other than the one specified in Section 9.1 has been or shall be placed on the Investment Warrant or the share certificates representing

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the Investment Securities and Registrable Securities and no instructions or "stop transfer orders," so called, "stock transfer restrictions," or other restrictions have been or shall be given to the Company's transfer agent with respect thereto other than as expressly set forth in this Article IX. The Company will not engage an independent transfer agent with respect to the Investment Securities or the Investment Warrant.

Section 9.3. Investor's Compliance. Nothing in this Article shall affect in

any way the Investor's obligations to comply with all applicable securities laws
upon resale of the Investment Securities, the Investment Warrant and the
Registrable Securities.

ARTICLE X

CHOICE OF LAW

Section 10.1. Governing Law/Arbitration. This Agreement shall be governed

by and construed in accordance with the laws of the State of Colorado applicable
to contracts made in Nevada by persons domiciled in Colorado and without regard
to its principles of conflicts of laws. Any dispute under this Agreement or any
Exhibit attached hereto shall be submitted to arbitration under the American
Arbitration Association (the "AAA") in Denver, Colorado, and shall be finally
and conclusively determined by the decision of a board of arbitration consisting
of three (3) members (hereinafter referred to as the "Board of Arbitration")
selected as according to the rules governing the AAA. The Board of Arbitration
shall meet on consecutive business days in Denver, Colorado, and shall reach and
render a decision in writing (concurring in by a majority of the members of the
Board of Arbitration) with respect to the amount, if any, which the losing party
is required to pay to the other party in respect of a claim filed. In
connection with rendering its decisions, the Board of Arbitration shall adopt
and follow the laws of the State of Colorado. To the extent practical,
decisions of the Board of Arbitration shall be rendered no more than thirty (30)
calendar days following commencement of proceedings with respect thereto. The
Board of Arbitration shall cause its written decision to be delivered to all
parties involved in the dispute. Any decision made by the Board of Arbitration
(either prior to or after the expiration of such thirty (30) calendar day
period) shall be final, binding and conclusive on the parties to the dispute,
and entitled to be enforced to the fullest extent permitted by law and entered
in any court of competent jurisdiction. The non-prevailing party to any
arbitration (as determined by the Board of Arbitration) shall pay the expenses
of the prevailing party including reasonable attorney's fees, in connection with
such arbitration.

ARTICLE XI

ASSIGNMENT

Section 11.1. Assignment. Neither this Agreement nor any rights of the

Investor or the Company hereunder may be assigned by either party to any other
person.

ARTICLE XII

NOTICES

Section 12.1. Notices. All notices, demands, requests, consents, approvals,

and other communications required or permitted hereunder shall be in writing
and, unless otherwise specified herein, shall be

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deemed to have been given or made upon receipt and shall be (i) personally
served, (ii) deposited in the mail, registered or certified, return receipt
requested, postage prepaid, or (iii) delivered by reputable air courier service
with charges prepaid. In all cases, at the same time any such communication is
made or given, a copy shall be delivered by facsimile, and the receiving party
shall promptly acknowledge receipt by return facsimile. The addresses for such
communications shall be:

If to the Company: Integral Technologies, Inc.
1070 West Pender Street, Suite #3
Vancouver, B.C., Canada V6E 2N7
Attention: William S. Robinson, CEO
Telephone: (604) 685-9933
Facsimile: (604) 685-6794

with a copy to: Futro & Trauernicht LLC
(shall not constitute notice) 1401 Seventeenth Street
11th Floor
Denver, CO 80202
Attention: Peter G. Futro, Esq.
Telephone: (303) 295-3360
Facsimile: (303) 295-1563

if to the Investor: As set forth on the signature page

Either party hereto may from time to time change its address or facsimile number for notices under this Section 12.1 by giving written notice of such changed address or facsimile number to the other party hereto as provided in this Section 12.1.

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Counterparts/ Facsimile/ Amendments. This Agreement may be

executed in multiple counterparts, each of which may be executed by less than all of the parties and shall be deemed to be an original instrument which shall be enforceable against the parties actually executing such counterparts and all of which together shall constitute one and the same instrument. Except as otherwise stated herein, in lieu of the original documents, a facsimile transmission or copy of the original documents shall be as effective and enforceable as the original. This Agreement may be amended only by a writing executed by all parties.

Section 13.2. Entire Agreement. This Agreement sets forth the entire

agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, negotiations and understandings between the parties, both oral and written relating to the subject matter hereof. The terms and conditions of any exhibits to this Agreement are incorporated herein by this reference and shall constitute part of this Agreement as is fully set forth herein.

Section 13.3. Severability. In the event that any provision of this

Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full

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force and effect without said provision; provided that such severability shall be ineffective if it materially changes the economic benefit of this Agreement to any party.

Section 13.4. Headings. The headings used in this Agreement are used for

convenience only and are not to be considered in construing or interpreting this Agreement.

Section 13.5. Replacement of Certificates. Upon (i) receipt of evidence

reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of the Investment Warrant or a certificate representing the Investment Securities or the Registrable Securities and (ii) in the case of any such loss, theft or destruction of such certificate, upon delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company (which shall not exceed that required by the Company's transfer agent in the ordinary course) or (iii) in the case of any such mutilation, on

surrender and cancellation of such certificate, the Company at its expense will execute and deliver, in lieu thereof, a new certificate of like tenor.

Section 13.6. Fees and Expenses. Each of the Company and the Investor agrees

to pay its own expenses incident to the performance of its obligations hereunder.

Section 13.7. Brokerage. Each of the parties hereto represents that it has

had no dealings in connection with this transaction with any finder or broker who will demand payment of any fee or commission from the other party. The Company on the one hand, and the Investor, on the other hand, agree to indemnify the other against and hold the other harmless from any and all liabilities to any person claiming brokerage commissions or finder's fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the undersigned, thereunto duly authorized, as of the dates set forth below.

Address:

INVESTOR:

Name of Investor

By:_____

Print Name:_____

Telephone:_____

Title:_____

Fax:_____

Date:_____

=====

ACCEPTED:

INTEGRAL TECHNOLOGIES, INC.

DATED:_____

By: _____
William S. Robinson, CEO

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE, OR UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES ARE RESTRICTED AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

INTEGRAL TECHNOLOGIES, INC.

COMMON STOCK PURCHASE WARRANT

1. Issuance. In consideration of good and valuable consideration,

the receipt of which is hereby acknowledged by Integral Technologies, Inc., a Nevada corporation (the "Company"), _____, or registered assigns (the "Holder") is hereby granted the right to purchase at any time commencing on the date hereof and until 5:00 P.M., E.S.T., on June 30, 2005 (the "Expiration Date"), _____ (_____) fully paid and nonassessable shares of the Company's Common Stock, \$.001 par value per share (the "Common Stock") at an initial exercise price per share of US\$1.00 (the "Exercise Price"), subject to further adjustment as set forth in Section 6 hereof.

2. Exercise of Warrants. This Warrant is exercisable in whole or

in part at the Exercise Price per share of Common Stock payable hereunder, payable in cash, by certified or official bank check, or by wire transfer. Upon surrender of this Warrant Certificate with the annexed Notice of Exercise Form duly executed, together with payment of the Exercise Price for the shares of Common Stock purchased, the Holder shall be entitled to receive a certificate or certificates for the shares of Common Stock so purchased.

3. Reservation of Shares. The Company hereby agrees that at all

times during the term of this Warrant there shall be reserved for issuance upon exercise of this Warrant such number of shares of its Common Stock as shall be required for issuance upon exercise of this Warrant (the "Warrant Shares"). The Company shall use its best efforts and all due diligence to increase the number of shares of Common Stock so reserved to cure any deficiencies, and, if necessary, to obtain approval of its stockholders therefor, including authorization of such additional number of shares of Common Stock as may be required in excess of the number so reserved.

4. Mutilation or Loss of Warrant. Upon receipt by the Company of

evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) receipt of reasonably satisfactory indemnification (which shall not include the posting of any bond by the Holder), and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor and date and any such lost, stolen, destroyed or mutilated Warrant shall thereupon become void.

5. Rights of the Holder. The Holder shall not, by virtue hereof,

be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

6. Protection Against Dilution; Failure to Register Warrant

Shares.

6.1 Adjustment Mechanism. If an adjustment of the Exercise

Price is required pursuant to this Section 6, the Holder shall be entitled to purchase such number of additional shares of Common Stock as will cause (i) the total number of shares of Common Stock the Holder is entitled to purchase pursuant to this Warrant, multiplied by (ii) the adjusted purchase price per share, to equal (iii) the dollar amount of the total number of shares of Common Stock the Holder is entitled to purchase before adjustment multiplied by the total purchase price before adjustment.

6.2 Capital Adjustments. In case of any stock split or

reverse stock split, stock dividend, reclassification of the Common Stock, recapitalization, merger or consolidation, or like capital adjustment affecting the Common Stock of the Company, the provisions of this Section 6 shall be applied as if such capital adjustment event had occurred immediately prior to the date of this Warrant and the original purchase price had been fairly allocated to the stock resulting from such capital adjustment; and in other respects the provisions of this Section shall be applied in a fair, equitable and reasonable manner so as to give effect, as nearly as may be, to the purposes hereof. A rights offering to stockholders shall be deemed a stock dividend to the extent of the bargain purchase element of the rights.

6.3 Merger, Sale of Assets, Etc. If at any time while this

Warrant, or any portion hereof, is outstanding and unexpired there shall be (i) a reorganization (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), (ii) a merger or consolidation of the Company with or into another corporation or other entity including a merger or consolidation in which the Company is the surviving entity but the shares of the Company's capital stock outstanding immediately prior to the merger are converted by virtue of the merger into other property, whether in the form of securities, cash, or otherwise, or (iii) a sale or transfer of the Company's properties and assets as, or substantially as, an entirety to any other person, then as a part of such reorganization, merger, consolidation, sale or transfer lawful provision shall be made so that the holder of this Warrant shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and payment of the Exercise Price then in effect, the number of shares of stock or other securities or property resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 6. The foregoing provisions of this Section 6 shall similarly apply to successive reorganization, consolidations, mergers, sales and transfers and to the stock or securities of any other corporation or other entity that are at the time receivable upon the exercise of this Warrant. If the consideration deliverable to the Holder hereof in connection with any such transactions is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

7. Redemption by Company. In the event that the average closing

bid price of a share of the Company's Common Stock exceeds \$3.00 for ten consecutive trading days, the Company has the right to redeem this Warrant for \$.01 per share of Common Stock purchasable hereunder, upon thirty days written notice. The Holder shall have the right to exercise the Warrant in accordance with its terms prior to the expiration of the thirty day period.

8. Transfer to Comply with the Securities Act. This Warrant has

not been registered under the Securities Act and has been issued to the holder for investment purposes and not with a view to the distribution of either the Warrant or the Warrant Shares. Neither this Warrant nor any of the Warrant Shares or any other security issued or issuable upon exercise of this Warrant may be sold, transferred, pledged or hypothecated in the absence of an effective registration statement under the Act relating to such security or an opinion of counsel reasonably satisfactory to the Company that registration is not required under the Securities Act. Each certificate for the Warrant, the Warrant Shares and any other security issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, setting forth the restrictions on transfer contained in this Section.

9. Notices. Any notice required or permitted hereunder shall be

given in writing and shall be deemed effectively given upon, (a) by personal delivery or fax, or (ii) one business day after deposit with a nationally recognized overnight delivery service such as Federal Express, with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses, or at such other addresses as a party may designate by written notice to each of the other parties hereto.

COMPANY: INTEGRAL TECHNOLOGIES, INC.
1070 West Pender Street, Suite #3
Vancouver, B.C., Canada V6E 2N7
Attention: William S. Robinson, CEO
Telephone: (604) 685-9933
Facsimile: (604) 685-6794

HOLDER: _____

10. Supplements and Amendments; Whole Agreement. This Warrant may

be amended or supplemented only by an instrument in writing signed by the parties hereto. This Warrant and the Stock Purchase Agreement (including exhibits thereto) between the Company and the Holder contain the full understanding of the parties hereto with respect to the subject matter hereof and thereof and there are no representations, warranties, agreements or understanding of the parties hereto with respect to the subject matter hereof and thereof other than expressly contained herein and therein.

11. Governing Law. This Warrant shall be deemed to be a contract

under the laws of the State of Colorado and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

12. Counterparts. This Warrant may be executed in any number of

counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

13. Descriptive Headings. Descriptive headings of the several

Sections of this Warrant are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to such terms as in the Securities Purchase Agreement.

IN WITNESS WHEREOF, the Company has caused this instrument to be
duly executed by an officer thereunto duly authorized.

Dated: _____

INTEGRAL TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

Attest:

4
FORM OF

NOTICE OF EXERCISE

Dated: _____, _____

Integral Technologies, Inc.

Dear Sir or Madam:

The undersigned, (the "Investor"), does hereby give notice that it
wishes to purchase _____ shares of Common Stock of Integral Technologies,
Inc. (the "Company"), pursuant to the terms of the attached Warrant, and tenders
herewith payment of the purchase price in full, together with all applicable
transfer taxes, if any. Please issue a certificate or certificates representing
said shares of Common Stock in the name of the undersigned as specified below.

Name: _____

Address: _____

INVESTOR:

NOT FOR EXECUTION

By: _____

FUTRO & ASSOCIATES, P.C.
Attorneys and Counselors at Law

ALAMO PLAZA
1401 SEVENTEENTH STREET - 11TH FLOOR
DENVER, COLORADO 80202

TELEPHONE (303) 295-3360
FACSIMILE (303) 295-1563

February 12, 2004

Board of Directors
Integral Technologies, Inc.
805 W. Orchard Drive, Suite 3
Bellingham, WA 98225

Re: Opinion of Counsel No. 04-043.1
Registration Statement of Form SB-2

Gentlemen:

You have requested our opinion, as counsel for Integral Technologies, Inc., a Nevada corporation (the "Company"), in connection with the registration statement on Form SB-2 (the "Registration Statement"), under the Securities Act of 1933, filed by the Company with the Securities and Exchange Commission for the sale of 11,556,938 shares (the "Registered Shares") of common stock, \$.0001 par value (the "Common Stock"), by the selling securityholders named in the Registration Statement, including: (i) up to 8,293,336 shares of common stock held by certain selling securityholders; and (ii) up to 3,263,602 shares of common stock issuable upon exercise of common stock warrants by certain selling securityholders.

We have examined such records and documents and made such examinations of law as we have deemed relevant in connection with this opinion. In our examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies.

Based upon the foregoing and in reliance thereon, we are of the opinion that the 8,293,336 shares of common stock held by certain selling securityholders are, and the 3,263,602 shares of common stock issuable upon exercise of common stock warrants, when issued will be, duly and validly authorized, legally issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. We hereby further consent to the reference to us under the caption "Legal Matters" in the prospectus included in the Registration Statement.

Sincerely,

/s/ FUTRO & ASSOCIATES, P.C.

Pannell Kerr Forster

PKF
International

7th Floor, Marine Building
355 Burrard Street,
Vancouver, B.C.,
Canada, V6C 2G8
Telephone: 604.687.1231
Facsimile: 604.688.4675

February 11, 2004

Board of Directors
Integral Technologies Inc.
3-1070 West Pender Street
Vancouver, BC V6E 2N7

Dear Sirs:

We consent to the incorporation in the Registration Statement on Form SB-2 of our report dated September 3, 2003 relating to the consolidated balance sheets of Integral Technologies Inc. as of June 30, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended June 30, 2003, 2002 and 2001 and the period from February 12, 1996 (inception) Through June 30, 2003. We also consent to the use of our name in the section "Financial Statements".

/s/ Pannell Kerr Forster

CHARTERED ACCOUNTANTS
Vancouver, Canada