

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-28353

**INTEGRAL TECHNOLOGIES, INC.**

(Name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

98-0163519

(IRS Employer Identification No.)

805 W. Orchard Drive, Suite 7, Bellingham, Washington

(Address of principal executive offices)

98225

(Zip Code)

Issuer's telephone number: (360) 752-1982

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Indicate by check mark if the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the issuer has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

State issuer's revenues for its most recent fiscal year. \$-0-

As of September 14, 2009, the aggregate market value of the voting stock held by non-affiliates, approximately 46,290,056 shares of Common Stock, was approximately \$21.7 million based on an average of the bid and ask prices of approximately \$0.47 per share of Common Stock on such date.

The number of shares outstanding of the issuer's Common Stock, \$.001 par value, as of September 14, 2009 was 50,305,769 shares.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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## **PART I**

### **CAUTIONARY STATEMENT IDENTIFYING IMPORTANT FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER FROM THOSE PROJECTED IN FORWARD LOOKING STATEMENTS**

Readers of this document and any document incorporated by reference herein, are advised that this document and documents incorporated by reference into this document contain both statements of historical facts and forward looking statements. Forward looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially for those indicated by the forward looking statements. Examples of forward looking statements include, but are not limited to (i) projections of revenues, income or loss, earning or loss per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements of the plans and objectives of Integral Technologies, Inc. or our management or Board of Directors, including the introduction of new products, or estimates or predictions of actions by customers, suppliers, competitors or regulatory authorities, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements and statements about our Company or our business.

This document and any documents incorporated by reference herein also identify important factors which could cause actual results to differ materially from those indicated by forward looking statements. These risks and uncertainties include price competition, the decisions of customers, the actions of competitors, the effects of government regulation, possible delays in the introduction of new products and services, customer acceptance of products and services, our ability to secure debt and/or equity financing on reasonable terms, and other factors which are described herein and/or in documents incorporated by reference herein.

The cautionary statements made above and elsewhere should not be construed as exhaustive or as any admission regarding the adequacy of disclosures made by us. Forward looking statements are beyond the ability of our Company to control and in many cases we cannot predict what factors would cause results to differ materially from those indicated by the forward looking statements.

#### **ITEM 1. BUSINESS.**

##### **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, we have expended resources on the research and development of several different types of technologies.

Presently, we are focusing substantially all of our resources on the researching, developing and commercializing of our ElectriPlast™ technology, which is comprised of a multitude of applications. In addition, we apply a significant portion of our resources to the protection of our intellectual property through patent filings. To date, we have not realized any revenue from our efforts. We expect to derive future revenues from the sale of ElectriPlast™ materials and/or fees from licensing ElectriPlast™ technologies to third-party manufacturers.

##### **TECHNOLOGIES**

###### *ElectriPlast™*

We have developed an innovative, electrically-conductive resin-based material called "ElectriPlast™." The ElectriPlast™ polymer is a compounded formulation of resin-based materials, which are conductively loaded, or doped, with a proprietary-controlled, balanced concentration of micron conductive materials, then pelletized. The conductive loading or doping within this pellet is then homogenized using conventional molding techniques and conventional molding equipment. The end result is a product that can be molded into any of the infinite shapes and sizes associated with plastics and rubbers, and is non-corrosive, but which is as electrically conductive as if it were metal.

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Various examples of applications for ElectriPlast™ are antennas, shielding, lighting circuitry, switch actuators, resistors, medical devices, thermal management and cable connector bodies, to name just a few. We have been working to introduce these new applications and the ElectriPlast™ technology on a global scale.

## Patents/Trademarks on Technologies

Our intellectual property portfolio consists of over eleven years of accumulated research and design knowledge and trade secrets. We have sought U.S. patent protection for many of our ideas related to our ElectriPlast™ technologies. Currently, we have filed 118 U.S. patent applications, 42 of which have been issued and 76 of which have been filed and are pending approval. No assurances can be given that all patent applications will be approved; however, to the extent that patents are not granted, we will continue to attempt to commercialize these technologies without the protection of patents. As patents are issued, we will have the exclusive right to use in the U.S. the design(s) described in each issued patent for the 18-year life of the patent.

Of the aforementioned 76 U.S. patent applications which have been filed, 52 have been rejected and 24 have received a non final rejection. Certain patent office applications have been rejected by the patent office due to more stringent requirements implemented by the patent office over 18 months ago. The company has elected not to appeal those patent application rejected as the contents of those rejected applications have been incorporated into subsequent applications. While the number of rejections has been significant for reasons mentioned in the previous paragraph, we maintain patents on the core technology and over 40 applications thereon.

Since the Supreme Court decision in *KSR v. Teleflex* (2007), applicants for to the US Patent and Trademark Office have encountered increased difficulty in obtaining US patents. *KSR* gave the USPTO greater power to declare inventions obvious by combining prior art references. Prior to *KSR*, the USPTO could only combine references if a teaching, suggestion, or motivation to combine was recited in those references. After *KSR*, the USPTO may combine references without citing such teaching, suggest, or motivation. This change clearly tips the balance of power away from inventors and has reduced patent issue rates across the board as has been noted by patent practitioners, generally.

With respect to Integral's patent portfolio, the effect of *KSR* has been significant for two reasons.

First, many of Integral's patent applications are directed to specific uses of the ElectriPlast™ composition where the material serves as a replacement for traditional materials such as metal. In these cases, the USPTO has been finding an example of another patent where a conductive plastic – even one of very different composition - has been used to replace the traditional material. This patent is then combined with any of several “resin plus fiber” compositional patents that are known to the USPTO but that predate Integral's entry into the field. Once this combination is made, the task of finding allowable subject matter is difficult.

In some cases, Integral can successfully argue to remove some of the cited art based on distinctions made in Integral's patent application or based on specific teachings in the cited art – such as where the cited art somehow teaches against some critical aspect of the invention. In other cases, the claims may be amended to narrow the claims to specific material selections, specific sizes and dimensions of conductive fiber, and so forth. The process of argument and claim amendment is frequently successful in eliminating particular reasons for rejection. However, post-*KSR* rules give the USPTO greater leeway in finding new combinations of art to counter the arguments and amendments.

Second, these “specific use” patents often lack novel features apart from the material composition. For example, an application directed toward an aerospace component essentially describes a well-known component that is now manufactured using ElectriPlast™. In such a case, the invention entirely rests on whether the ElectriPlast™ is a sufficiently non-obvious substitute material to warrant a patent. Integral cannot rely on any other unique features of the component to obtain patent allowance. Again, post-*KSR*, this has simply become more difficult.

Irrespective of these difficulties, Integral continuously reviews its pending applications to determine how best to protect its intellectual property interests. As warranted by the specific facts of each application, Integral vigorously pursues continued examinations and appeals through the USPTO process. While patent issuance has become more difficult to obtain, it has not stopped altogether. And, Integral expects that a portion of the remaining, pending applications, will eventually issue.

We have also filed trademark applications with the U.S. Trademark Office for “ElectriPlast™” and related names such as “ElectriPonix™” and “ElectriOnix™”.

## Product Manufacturing and Distribution

We are not in the manufacturing business. Our manufacturing agreement with Jasper Rubber Products, Inc. provides for Jasper to manufacture ElectriPlast™ for us.

After eight months of refining the manufacturing and molding process of ElectriPlast™, the Jasper facility is now capable of producing over 50,000 pounds of ElectriPlast™ pellets per month. We have entered into patent license agreements with several companies, as summarized below, and we are in the process of producing prototypes of requested applications of ElectriPlast™ for these companies as well as other prospective customers. In addition to its manufacturing capabilities, Jasper has a distribution network throughout the US and Canada, allowing for ElectriPlast™ to be introduced to prospective customers and delivered to customers.

We anticipate that our technologies will not be sold directly to the general public, but rather to businesses and manufacturers who will incorporate our technologies as components in the design of their products.

## Barriers to Entry into Market Segment

We have been working to introduce the ElectriPlast™ technology as an alternative to metal for use as an electrically conductive material. The process of educating potential customers about ElectriPlast™ may prove time consuming and difficult.



## SUMMARY OF AGREEMENTS

We are focusing our marketing efforts on securing licensing agreements for applications of our ElectriPlast™ technology. Our technologies will be marketed to manufactures of products which would benefit from the incorporation of any of the ElectriPlast™ applications into their products. Below is a summary of each of our commercial agreements concerning our ElectriPlast™ technology:

### Patent License Agreement with Heatron, Inc.

In March 2006, we entered into a Patent License Agreement with Heatron, Inc. (“Heatron”), pursuant to which we granted to Heatron the rights to use our ElectriPlast™ technology for specific applications in the heating and LED lighting markets. Heatron, founded in 1977 and based in Leavenworth, Kansas, is an industry leader in heating element and thermal management designs and solutions.

We granted to Heatron a non-exclusive, non-sublicensable, non-assignable, worldwide license; however, Heatron’s rights are exclusive for the initial two years. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

Heatron paid to us a nominal up-front license fee of \$1.00. Any revenue to be generated by us under the agreement will be from raw materials fees. We have not yet derived revenues from this agreement.

### Patent License Agreement with Jasper Rubber Products, Inc.

In August 2006, we entered into a Patent License Agreement with Jasper Rubber Products, Inc. (“Jasper”), pursuant to which we granted to Jasper the rights to use our ElectriPlast™ technology for specific applications within its customer base. Jasper, founded in 1949, and based in Jasper, Indiana, is an industry leader in innovative rubber and plastics development. Jasper manufactures a full range of molded, extruded, lathe-cut rubber and thermoplastic products for major appliance, oil filter, and automotive industries.

We granted to Jasper a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

Jasper paid to us a nominal up-front license fee of \$1.00. Any revenue to be generated by us under the agreement will be from raw materials fees. We have not yet derived revenues from this agreement.

### Manufacturing Agreement with Jasper Rubber Products, Inc.

In November 2006, we entered into a Manufacturing Agreement with Jasper Rubber Products, Inc. (“Jasper”), pursuant to which Jasper shall manufacturer for us resin-based conductive, moldable capsules incorporating our ElectriPlast™ technology. The primary term of the agreement is five years, subject to automatic renewal or termination under certain conditions. Jasper agreed that during the term of the agreement and for a period of 12 months after its expiration or termination for any reason, Jasper will not directly or indirectly compete with us or our ElectriPlast™ technology.

In July 2007, we entered into an Amendment One to Manufacturing Agreement (“Amendment One”) with Jasper. The primary purposes of the Amendment One were 1) to replace in its entirety Section 4 of the Manufacturing Agreement, concerning “Pricing, Invoicing and Payment” and 2) to authorize Jasper to sell, on our behalf, products incorporating our ElectriPlast™ technology. As revised by the Amendment One, Section 4 of the Manufacturing Agreement now reflects more definitive information concerning definitions and calculations of “hourly payment”, “sales royalties”, “gross margin”, “manufacturing costs” and “payment terms”. These revisions were mutually agreed upon following several months of production test-runs and cost evaluations.

Patent License Agreement with ADAC Plastics, Inc. d/b/a ADAC Automotive.

In November 2006, we entered into a Patent License Agreement with ADAC Plastics, Inc. d/b/a ADAC Automotive (“ADAC”), pursuant to which we granted to ADAC the rights to use our ElectriPlast™ technology for use in car antennas, cup holder heating elements, driver’s seat heating elements and light-emitting diode (LED) packs manufactured and sold by specified customers of ADAC. ADAC is a full-service automotive supplier dedicated to the production of door handles and components, cowl vent grilles, exterior trim, and marker lighting. Founded in 1975 as ADAC Plastics, Inc., the Grand Rapids, Mich.-based company operates facilities in North America and the United Kingdom.

We granted to ADAC a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

ADAC paid to us a nominal up-front license fee of \$1.00. Any revenue to be generated by us under the agreement will be from raw materials fees. We have not yet derived revenues from this agreement.

Patent License Agreement with Esprit Solutions Limited

In December 2006, we entered into a Patent License Agreement with Esprit Solutions Limited (“Esprit”), pursuant to which we granted to Esprit the rights to use our ElectriPlast™ technology for the manufacture and sale of products to Esprit’s customer base in the Aero/Defense Interconnection and Protective Components Industry. Esprit, based in the United Kingdom, specializes in high performance protective systems within the Aerospace and Defense markets.

We granted to Esprit a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

Esprit paid to us a nominal up-front license fee of \$1.00. Any revenue to be generated by us under the agreement will be from raw materials fees. We have not yet derived revenues from this agreement.

Patent License Agreement with Knowles Electronics, LLC

In January 2007, we entered into a Patent License Agreement with Knowles Electronics, LLC (“Knowles”), pursuant to which we granted to Knowles the rights to use our proprietary ElectriPlast™ technology for the manufacture and sale of EMF protected molded components. Knowles is the world's leading provider of microphones and receivers to the hearing health industry. They are credited with the miniaturization of the acoustic transducer, which has enabled the design and manufacture of smaller hearing aids.

We granted to Knowles a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

Knowles paid a nominal up-front fee of \$1.00 to Integral. Any revenue to be generated by us under the agreement will be from raw materials fees.

**CES Innovations 2007 Design and Engineering Award**

On November 8, 2006, we issued a press release to announce that our ElectriPlast™ technology has been selected as a recipient of a CES Innovations 2007 Design and Engineering Award in the Enabling Technologies product category. Presented by the Consumer Electronics Association (CEA) and the International Consumer Electronics Show (CES), the Innovations Awards recognize advancements in technology and engineering. This year, an independent panel of judges evaluated more than 1,000 entries from over 160 companies.

## EMPLOYEES

We currently employ or retain a total of 4 people on a full-time basis. However, we also rely on the expertise of several technical advisors who are consulted as needed on a part-time, contract basis.

## SEC REPORTS AVAILABLE ON WEBSITE

The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other SEC filings are available on the SEC's website or by visiting our company website at [www.itkg.net](http://www.itkg.net).

## ITEM 1A. RISK FACTORS

An investment in our common stock involves major risks. Before you invest in our common stock, you should be aware that there are various risks, including those described below. You should carefully consider these risk factors together with all of the other information included in this annual report on Form 10-K before you decide to purchase shares of our common stock.

**Purchase of our stock is a highly speculative you could lose your entire investment.** We have been operating at a loss since inception, and you cannot assume that our plans will either materialize or prove successful. In the event our plans are unsuccessful, you may lose all or a substantial part of your investment. The purchase of our stock must be considered a highly speculative investment.

**We have incurred substantial losses from inception and we have never generate substantial revenues; failure to achieve profitability in the future would cause the market price for our common stock to decline significantly.** We have generated net losses from inception and we have an accumulated deficit of approximately \$30.9 million as of June 30, 2009. We have never generated more than nominal revenues. If we don't achieve profitability, the market price for our common stock could decline significantly.

**If we do not generate adequate revenues in our fiscal year ending June 30, 2010, we may need to raise capital to continue our operations.** We estimate that we will require \$1.8 million to carry out our business plan during our fiscal year ending June 30, 2010. We had approximately \$0.5 million in cash on hand at June 30, 2009. Unless we generate adequate revenues from operations (we have had none to date) in the near future, we may require additional financing to carry out our business plans next year, and such financing may not be available at that time. If we require additional financing, we may seek additional funds through private placements that will be exempt from registration and will not require prior shareholder approval. If additional funds are raised by issuing common stock, or securities that are convertible into common stock (such as preferred stock, warrants, or convertible debentures), further dilution to shareholders could occur. Additionally, investors could be granted registration rights by us, which could result in market overhang and depress the market price of the common stock. If we fail to obtain sufficient additional financing, we will not be able to implement our business plans in a complete or timely manner.

**If we are unable to compete effectively with our competitors, we will not be successful generating revenues or attaining profits.** Our ability to generate revenues and achieve profitability is directly related to our ability to compete with our competitors. Most of the companies with which we compete and expect 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. In each market, we face competition from companies with established technologies. Currently, we believe that we will be able to compete because of the relative performance, price and adaptability of our unique ElectriPlast™ technology. Our beliefs are based only on our research and development testing. If we are unable to compete effectively, we will not be successful in generating revenues or attaining profits.

**Loss of key personnel could cause a major disruption in our day-to-day operations and we could lose our relationships with third-parties with whom we do business.** Our future success depends in a significant part upon the continued service of certain key personnel. Competition for such personnel is intense, and to be successful we must retain our key personnel. The loss of key personnel or the inability to hire or retain qualified replacement personnel could have cause a major disruption in our operations and we could lose our relationships with third-parties with whom we do business, which could adversely affect our financial condition and results of operations.



**If future market acceptance of our ElectriPlast™ technology is poor, we will not be able to generate adequate sales to achieve profitable operations.** Our future is dependent upon the success of the current and future generations of our ElectriPlast™ technology. Our ElectriPlast™ technology will be marketed to manufacturers of products which would benefit from the incorporation of any of the ElectriPlast™ applications into their products. As of June 30, 2009, we have not generated any revenue from our ElectriPlast™ technology. If future market acceptance of our ElectriPlast™ technology is poor, we will not be able to generate adequate sales to achieve profitable operations.

**Dependence on outside suppliers and manufacturers could disrupt our business if they fail to meet our expectations.** Currently, we rely on outside suppliers and manufacturers to produce ElectriPlast™ for us. While we have entered into formal arrangements with outside suppliers and manufacturers for the production of ElectriPlast™, if any of them 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.

**Our patent and other intellectual property rights may be subject to uncertainty and may be challenged or circumvented by competitors.** We rely on a combination of patents, patent applications, trademarks, copyrights, trade secrets and confidentiality procedures to protect our intellectual property rights, which we believe will give us a competitive advantage over our competitors. We have sought U.S. patent protection for many of our ideas related to our ElectriPlast™ technologies. Currently, we have filed 118 U.S. patent applications, 42 of which have been issued, and 76 of which have been filed and are pending approval. No assurances can be given that all patent applications will be approved; however, to the extent that patents are not granted, we will continue to attempt to commercialize these technologies without the protection of patents. As patents are issued, we will have the exclusive right to use in the U.S. the design(s) described in each issued patent for the 18-year life of the patent.

Of the aforementioned 76 U.S. patent applications which have been filed, 52 have been rejected and 24 have received a non final rejection. Certain patent office applications have been rejected by the patent office due to more stringent requirements implemented by the patent office over 18 months ago. The company has elected not to appeal those patent application rejected as the contents of those rejected applications have been incorporated into subsequent applications.

As of September 14, 2009, we have filed 118 U.S. patent applications relating to our ElectriPlast™ technology, with 42 patents issued and 76 patents pending. Additional patents may not be issued from our pending applications, although we will continue to attempt to commercialize these technologies without the protection of patents. As patents are issued, we will have the exclusive right to use in the U.S. the design(s) described in each issued patent for the 18-year life of the patent. However, the issuance of a patent is not conclusive as to its validity or enforceability and, if a patent is issued, it is uncertain how much protection, if any, will be given to our patent if we attempt to enforce it. Litigation, which could be costly and time consuming, may be necessary to enforce our current patents or any patent issued in the future or to determine the scope and validity of the proprietary rights of third parties. A competitor may successfully challenge the validity or enforceability of a patent or challenge the extent of the patent's coverage. If the outcome of litigation is adverse to us, third parties may be able to use our patented technology without payment to us. Even if we are successful in defending such litigation, the cost of litigation to uphold the patent can be substantial.

It is possible that competitors may infringe upon our patents or successfully avoid them through design innovation. To stop these activities we may need to file a lawsuit. These lawsuits are expensive and would consume time and other resources. In addition, there is a risk that a court would decide that our patent is not valid, that we do not have the right to stop the other party from using the inventions, or that the competitor's activities do not infringe our patent.

Our competitive position is also dependent upon unpatented technology and trade secrets, which may be difficult to protect. Others may independently develop substantially equivalent proprietary information and techniques that would legally circumvent our intellectual property rights.

**The use of our technologies could potentially conflict with the rights of others.** Our competitors, or others, may have or may acquire patent rights that they could enforce against us. If our products conflict with patent rights of others, third parties could bring legal actions against us or our suppliers or customers, claiming damages and seeking to enjoin manufacturing and marketing of the affected products. If these legal actions are successful, in addition to any potential liability for damages, we could be required to alter our products or obtain a license in order to continue to manufacture or market the affected products. We may not prevail in any legal action and a required license under the patent may not be available on acceptable terms or at all. The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial.

**Holders of preferred stock have rights that are senior to the rights of holders of common stock.** Our Articles of Incorporation authorize the issuance of 20,000,000 shares of preferred stock. The preferred stock may be divided into one or more series. Our 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.

As of June 30, 2009, 1,000,000 shares of preferred stock have been designated as Series A Convertible Preferred Stock of which 308,538 are issued and outstanding, and held by two of our insiders. 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;
- 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 our common stock reported by the OTC Bulletin Board over the ten trading days preceding the date of conversion);
- may be redeemed by us 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;
- subsequent to June 30, 2009, an amendment was made to the Series A convertible preferred shares in which they may be redeemed after five years but less than six years after the date of issue at a redemption price of \$4.00 and increasing \$0.50 per year for each share of Series A Convertible Preferred Stock so redeemed.
- 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 our company.

**How future issuances of common stock pursuant to our stock plans will affect you.** We have three non-qualified stock plans in effect. As of June 30, 2009, approximately 1,839,500 (2001-464,500 and 2003-1,375,000) shares are available under the plans for future issuance either directly or pursuant to options, to our officers, directors, employees and consultants. Also, as of June 30, 2009, approximately 1,370,000 shares are under option under the plans, at a weighted-average exercise price of approximately \$1.21 per share. In addition, pursuant to grants of options that were not under either of the formal non-qualified stock plans, 1,000,000 shares are under option by an employee at an exercise price of \$.50 per share, plus an additional 1,000,000 shares are under option by the same employee at an exercise price of \$2.25 per share. Additional stock or options to acquire our stock of can be granted at any time by our board of directors, usually without shareholder approval. When shares of common stock are issued directly or upon the exercise of options under these plans, your ownership may be diluted.

**We do not expect to be able to pay cash dividends in the foreseeable future, so you should not make an investment in our stock if you require dividend income.** The payment of cash dividends, if any, in the future rests within the discretion of our board of directors and will depend, among other things, upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. We have not paid or declared any cash dividends upon our common stock since our inception and by reason of our present financial status and our contemplated future financial requirements we do not contemplate or anticipate making any cash distributions upon our common stock in the foreseeable future.

**We have a limited market for our common stock which causes the market price to be volatile and to usually decline when there is more selling than buying on any given day.** Our common stock currently trades on the OTC Bulletin Board under the symbol "ITKG." However, at most times in the past, our common stock has been thinly traded and the market price usually declines when there is more selling than buying on any given day. As a result, the market price has been volatile, and the market price may decline immediately if you decide to place an order to sell your shares.

**The market price of our common stock is highly volatile and several factors that are beyond our control, including our common stock being historically thinly traded, could adversely affect its market price.** Our common stock has been historically thinly traded and the market price has been highly volatile. During the year ended June 30, 2009, the closing bid price of our common stock has been quoted on the OTC Bulletin Board from as low as \$0.18 to as high as \$0.84. These quotations reflect interdealer prices without retail markup, markdown, or commission and may not represent actual transactions. For these and other reasons, our stock price is subject to significant volatility and will likely be adversely affected if our revenues or earnings (or lack of revenues or earnings) in any quarter fail to meet the investment community's expectations. Additionally, the market price of our common stock could be subject to significant fluctuations in response to:

- announcements of new products or sales offered by us or our competitors;
- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by securities analysts, if any;
- changes in the market's perception of us or the nature of our business; and
- sales of our common stock.

**Future sales of common stock into the public market place will increase the public float and may adversely affect the market price.** As of June 30, 2009, approximately six million shares of common stock were available for sale by both affiliates (officers and directors) and non-affiliates under Rule 144 of the Securities Act of 1933, as amended. In general, under Rule 144, a person who has held stock for six months 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 (as of June 30, 2009, there were 50,305,769 shares of common stock outstanding, and one percent of the total number of shares outstanding equaled 457,049 shares). Under certain circumstances, the sale of shares which have been held for one year by a person who is not affiliated with us is also permitted without limitation under Rule 144. Future sales of common stock will increase the public float and may have an adverse effect on the market price of the common stock, which in turn could adversely affect our ability to obtain future funding as well as create a potential market overhang.

**"Penny Stock" regulations may adversely affect your ability to resell your stock in market transactions.** The SEC has adopted penny stock regulations which apply to securities traded over-the-counter. These regulations generally define penny stock to be any equity security that has a market price of less than \$5.00 per share or an equity security of an issuer with net tangible assets of less than \$5,000,000 as indicated in audited financial statements, if the corporation has been in continuous operations for less than three years. Subject to certain limited exceptions, the rules for any transaction involving a penny stock require the delivery, prior to the transaction, of a risk disclosure document prepared by the SEC that contains certain information describing the nature and level of risk associated with investments in the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Monthly account statements must be sent by the broker-dealer disclosing the estimated market value of each penny stock held in the account or indicating that the estimated market value cannot be determined because of the unavailability of firm quotes. In addition, the rules impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and institutional accredited investors (generally institutions with assets in excess of \$5,000,000). These practices require that, prior to the purchase, the broker-dealer determined that transactions in penny stocks were suitable for the purchaser and obtained the purchaser's written consent to the transaction.

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Our common stock is currently subject to the penny stock regulations. Compliance with the penny stock regulations by broker-dealers will likely result in price fluctuations and the lack of a liquid market for the common stock, and may make it difficult for you to resell your stock in market transactions.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We do not own any real property. We lease office space in Bellingham, Washington and Vancouver, B.C., Canada.

**ITEM 3. LEGAL PROCEEDINGS**

There are no pending legal proceedings involving our Company.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended June 30, 2009.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### *Market Information*

There is a limited public market for our common stock. Our common stock is quoted on the OTC Bulletin Board under the symbol "ITKG." The following table sets forth the range of high and low bid quotations for our common stock on the OTC Bulletin Board for each quarter of the fiscal years ended June 30, 2009 and 2008.

<u>Quarter Ended</u>	<u>Low Bid</u>	<u>High Bid</u>
September 30, 2007	\$ 1.22	\$ 2.22
December 31, 2007	\$ 0.92	\$ 1.99
March 31, 2008	\$ 0.73	\$ 1.19
June 30, 2008	\$ 0.63	\$ 0.91
September 30, 2008	\$ 0.50	\$ 0.84
December 31, 2008	\$ 0.18	\$ 0.64
March 31, 2009	\$ 0.21	\$ 0.50
June 30, 2009	\$ 0.35	\$ 0.21

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.

#### *Holdings*

As of September 14, 2009 there were approximately 212 holders of record of our common stock (this number does not include beneficial owners who hold shares at broker/dealers in "street-name").

#### *Dividends*

To date, we have not paid any dividends on our common stock and do 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, our financial condition, and other factors as deemed relevant by our Board of Directors.

#### *Recent Sales of Unregistered Securities*

Information regarding the issuance and sales of securities without registration during the fiscal year ended June 30, 2009, has previously been included in Quarterly Reports on Forms 10-Q and Current Reports on Form 8-K filed during the period covered by this report.

#### *Repurchases of equity securities*

We did not repurchase any of its outstanding equity securities during the forth quarter ended June 30, 2009.

**ITEM 6. SELECTED FINANCIAL DATA**

N/A

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

Statements contained herein that are not historical facts are forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, the forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those projected. We caution investors that any forward-looking statements made by us are not guarantees of future performance and that actual results may differ materially from those in the forward-looking statements. Such risks and uncertainties include, without limitation: well-established competitors who have substantially greater financial resources and longer operating histories, regulatory delays or denials, ability to compete as a start-up company in a highly competitive market, and access to sources of capital.

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto included elsewhere in this Form 10-K. Except for the historical information contained herein, the discussion in this Form 10-K contains certain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-K should be read as being applicable to all related forward-looking statements wherever they appear in this Form 10-K. Our actual results could differ materially from those discussed here.

To date we have recorded nominal revenues. We are still considered a development stage company for accounting purposes. From inception on February 12, 1996 through June 30, 2009, we have accrued an accumulated deficit of approximately \$30.9 million.

At June 30, 2009, all of our assets were current assets of \$546,584, consisting of cash of \$535,231 and prepaid expenses of \$11,353. All of our property and equipment has been fully depreciated.

At June 30, 2009, all of our liabilities were current liabilities of \$661,792, consisting of accounts payable and accruals. Of this amount, payables for legal fees (including associated filing fees) related to patent filings accounting for approximately \$535,000 of the total.

At June 30, 2009, total stockholder's deficit was \$115,208.

Our net loss for the year ended June 30, 2009, was \$1,554,876 compared to a net loss of \$1,938,216 for the prior fiscal year, a reduction of \$383,340. This decrease in our net loss is attributable to the reduction salary and consulting expenses and of non-cash charges incurred under the expense categories of "salaries" and "consulting" during the year ended June 30, 2009: salaries of \$585,197 included non-cash, stock based compensation charges (for the issuance of common stock and/or the granting of options) of \$62,125 compared to salary expense of \$633,725 for the year ended June 30, 2008 which included non-cash, stock based compensation charges (for the issuance of common stock and/or the granting of options) of \$65,233, and consulting fees of \$287,204 which included non-cash, stock based compensation charges (for the issuance of common stock and/or the granting of options) of \$56,939 compared to \$500,850 for the year ended June 30, 2008 which included non-cash, stock based compensation charges (for the issuance of common stock and/or the granting of options) of \$182,711. As described in the notes to the financial statements, these values were determined using the Black-Scholes option pricing model.

Salary expenses during the year ended June 30, 2009, included non-cash expenses of \$62,125 for the extension of the expiration date of outstanding options held by former Thomas Aisenbrey.

Consulting expenses during the year ended June 30, 2009, included non-cash expenses of \$60,500 for the issuance of common stock to Visionary Innovations, Inc., and \$51,778 for the extension of the expiration dates of outstanding options held by two other long-term consultants, Michael Pound and Scott McArthur.

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Our net loss for the year ended June 30, 2009, was offset minimally by “other income” of \$8,511. The category of “other income” consists of interest income and nominal license fees.

Legal fees incurred during the year ended June 30, 2008, were down from prior periods, due to a decrease in patent filings in 2009.

Research and development costs incurred during the year ended June 30, 2009 were \$230,060 a decrease of \$57,049 over the prior fiscal year attributable to refining the manufacturing process by Jasper Rubber Products, Inc. of our ElectriPlast™ material.

For the year ended June 30, 2009, our cash used in operating activities was \$1,464,073, compared to \$1,621,747 used in 2008 and \$1,655,866 used in 2007.

For the year ended June 30, 2009, our cash provided by financing activities was \$895,200, compared to \$485,495 provided in 2008, and \$2,399,404 used in 2007.

We anticipate spending up to approximately \$250,000 over the next twelve months on ongoing research and development (primarily salaries and consulting fees) of the different applications and uses of our technologies.

During the next twelve months, we do not anticipate increasing our staff.

As of June 30, 2009, we had \$535,231 in cash on hand. Accordingly, management believes that until we generate revenues from operations (we have none to date) additional funding will be required to carry out our business plan.

We are not in the manufacturing business and do not expect to make any capital purchases of a manufacturing plant or significant equipment in the next twelve months.

Presently, we are focusing all of our resources on the researching, developing and commercializing of our ElectriPlast™ technologies. Our business strategy focuses on leveraging our intellectual property rights and our strengths in product design and material innovation. We are focusing our marketing efforts on securing licensing agreements for applications of our ElectriPlast™ technologies with manufacturers of products which would benefit from the incorporation of any of the ElectriPlast™ applications.

ElectriPlast™ is an innovative, electrically-conductive resin-based material. The ElectriPlast™ polymer is a compounded formulation of resin-based materials, which are conductively loaded, or doped, with a proprietary-controlled, balanced concentration of micron conductive materials, then pelletized. The conductive loading or doping within this pellet is then homogenized using conventional molding techniques and conventional molding equipment. The end result is a product that can be molded into any of the infinite shapes and sizes associated with plastics and rubbers, and is non-corrosive, but which is as electrically conductive as if it were metal.

Various examples of applications for ElectriPlast™ are shielding, lighting circuitry, switch actuators, resistors, medical devices, thermal management and cable connector bodies, to name just a few. We have been working to introduce these new applications and the ElectriPlast™ technology on a global scale.

A description of our manufacturing agreement with Jasper Rubber Products, Inc. and our various patent license agreements is provided above under the heading “Summary of Agreements” in the “Description of Business” section of this report.

#### **Status of Material Agreements with Consultants**

Subsequent to the year end on August 10, 2009, our Company retained the services of Mr. Zeidan. Mr. Zeidan has over 25 years of experience in automotive engineering and engineering management. At Lear Corp. he was the Chief Technology Officer and Director of Hybrid Engineering, creating the Hybrid Engineering Department that developed innovative technologies resulting in major business growth. Prior to Lear, he worked at United Technologies Automotive “UTA” for about 14 years in Advanced Engineering for many Global OEM programs from Advance Phase through Production Launch being the complete life cycle of the technology.

Mr. Zeidan and his team will identify partners for joint development of our customers' products utilizing ElectriPlast™, and take it through product implementation, including prototype testing to secure technology approval and validation, and secure awarding of contracts.

The term of the agreement is from August 10, 2009 and expires on July 31, 2011. The agreement calls for a monthly fee for Mr. Zeidan and his team of engineers of \$25,000. In addition, Mr. Zeidan has been granted by Integral, options to acquire 2,000,000 shares of Integral's common stock at an exercise price of \$0.25 per share. These options shall be fully vested pursuant to the schedule attached in Exhibit 10.32. Either party may terminate the agreement at "six month" intervals with 30 days notice as more fully explained in Exhibit 10. 32.

In January 2006, we entered into a consulting agreement with Visionary Innovations, Inc. ("Visionary") for a term of one year, and compensated Visionary with 250,000 shares of restricted common stock. On February 16, 2007, we renewed our agreement with Visionary. Visionary and its principal, Scott Shaffer, agreed to continue to provide strategic and consulting services to us in connection with the worldwide commercialization of our ElectriPlast™ technology for a period of three years. As outlined in the agreement, the scope of services to be provided to us by Visionary may include: research of business channels, strategic and negotiation consultation, distributor/client support, governmental channels and research, manufacturing expansion, international licensees and distributors, client introductions, and exit planning.

Pursuant to our renewed agreement, we agreed to compensate Visionary with 50,000 shares of our restricted common stock upon execution of the renewed agreement, another 50,000 shares on February 16, 2008, and another 50,000 shares on February 16, 2009. We also granted to Visionary 125,000 options which vest on February 17, 2007 at an exercise price of \$2.75, and another 125,000 options which vest on February 17, 2008 at an exercise price of \$2.75. Visionary is also entitled to a contingent fee equal to 2% of the Net Revenue actually paid to us by new clients or other parties directly introduced by Visionary ("Net Revenue" is defined to mean revenue actually received by us from third parties in respect of sales of our products and/or services, license fees, or research grants, net of taxes payable by us with respect to such amounts and all direct costs incurred by us in generating such revenue).

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

N/A



## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The audited financial statements and an index thereto commences on the index to the financial statements, which is the second page following this page.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our Exchange Act reports is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. It is management’s responsibility to establish and maintain adequate internal control over financial reporting for the Company.

Our chief executive officer and our chief financial officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and they have concluded that, as of June 30, 2009, our disclosure controls and procedures were effective.

### **Management’s Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes these policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. Our evaluation was based on the criteria for smaller public companies set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under those criteria, our management concluded that, as of June 30, 2009, our internal control over financial reporting was effective.

This annual assessment does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s assessment was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter ended June 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Limitations on the Effectiveness of Internal Controls***

There are inherent limitations to the effectiveness of any system of internal control over financial reporting, such as resource constraints, judgments used in decision-making, assumptions about the likelihood of future events, the possibility of human error and the risk of fraud. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to the preparation and presentation of financial statements in accordance with accounting principles generally accepted in the United States. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate over time. Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors or all fraud.

**ITEM 9B. OTHER INFORMATION**

None.

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**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**

**Consolidated Financial Statements**  
**June 30, 2009, 2008 and 2007**  
**(US Dollars)**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**TO THE DIRECTORS AND STOCKHOLDERS OF INTEGRAL TECHNOLOGIES, INC.  
(A Development Stage Company)**

We have audited the consolidated balance sheets of Integral Technologies, Inc. (A Development Stage Company) as of June 30, 2009 and 2008 and the consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years ended June 30, 2009, 2008 and 2007, and the cumulative totals for the development stage of operations from February 12, 1996 (inception) through June 30, 2009. 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 the standards of the Public Company Accounting Oversight Board (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 audits and the report of the other auditors, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for each of the years ended June 30, 2009, 2008 and 2007, and the cumulative totals for the development stage of operations from February 12, 1996 (inception) through June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated 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 no revenues and limited capital, which together raise substantial doubt about its ability to continue as a going concern. Management plans in regard to these matters are also described in note 2. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Pannell Kerr Forster*

Chartered Accountants  
(Registered with the PCAOB as "Smythe Ratcliffe")

Vancouver, Canada  
September 28, 2009

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Balance Sheets**  
**June 30**  
**(US Dollars)**

	2009	2008
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 535,231	\$ 1,104,104
Prepaid expenses	11,353	30,575
<b>Total Assets</b>	<b>\$ 546,584</b>	<b>\$ 1,134,679</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	\$ 661,792	\$ 707,848
<b>Total Liabilities</b>	<b>661,792</b>	<b>707,848</b>
<b>Stockholders' Equity (Deficit) (note 4)</b>		
<b>Preferred Stock and Paid-in Capital in Excess of \$0.001 Par Value</b>		
20,000,000 Shares authorized		
308,538 Shares issued and outstanding (note 4(b))	308,538	308,538
<b>Common Stock and Paid-in Capital in Excess of \$0.001 Par Value</b>		
150,000,000 Shares authorized		
50,305,769 (2008 – 45,704,969) Shares issued and outstanding (note 4(a))	30,524,475	29,219,711
<b>Promissory Notes Receivable (note 4(e))</b>	<b>(29,737)</b>	<b>(29,737)</b>
<b>Subscriptions Received (note 4(f))</b>	<b>0</b>	<b>276,500</b>
<b>Other Comprehensive Income</b>	<b>46,267</b>	<b>46,267</b>
<b>Deficit Accumulated During the Development Stage</b>	<b>(30,964,751)</b>	<b>(29,394,448)</b>
<b>Total Stockholders' Equity (Deficit)</b>	<b>(115,208)</b>	<b>426,831</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 546,584</b>	<b>\$ 1,134,679</b>

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Operations**  
**(US Dollars)**

	Years Ended June 30,			Period From
	2009	2008	2007	February 12, 1996 (Inception) Through June 30, 2009
<b>Revenues</b>	\$ 0	\$ 0	\$ 0	\$ 249,308
<b>Cost of Sales</b>	0	0	0	216,016
	0	0	0	33,292
<b>Other Income</b>	8,511	57,975	138,720	865,607
	8,511	57,975	138,720	898,899
<b>Expenses</b>				
Salaries (note 4(c))	585,197	633,725	3,335,225	9,687,289
Consulting (note 4(c))	287,204	500,850	2,006,943	6,551,606
Legal and accounting	263,964	305,452	324,284	4,403,759
Research and development	230,060	287,109	106,335	1,470,963
General and administrative	70,184	95,706	119,043	1,182,824
Travel and entertainment	53,934	96,162	124,930	1,357,280
Rent	43,170	46,659	40,486	487,670
Telephone	24,993	29,605	38,442	459,295
Bank charges and interest, net	3,090	6,932	17,878	205,288
Advertising	1,591	0	11,004	332,861
Write-off of investments	0	0	0	1,250,000
Non-competition agreement	0	0	0	711,000
Write-down of license and operating assets	0	0	0	1,855,619
Interest on beneficial conversion feature	0	0	0	566,455
Settlement of lawsuit	0	0	0	45,250
Financing fees, net	0	0	0	129,043
Bad debts (recovery)	0	(6,009)	0	46,604
Depreciation and amortization	0	0	0	324,386
	1,563,387	1,996,191	6,124,570	31,067,192
<b>Net Loss</b>	\$ (1,554,876)	\$ (1,938,216)	\$ (5,985,850)	\$ (30,168,293)
<b>Loss Per Share</b> (note 8)	\$ (0.03)	\$ (0.04)	\$ (0.13)	
<b>Weighted Average Number of Common Shares Outstanding</b>	47,360,459	45,617,756	45,230,171	

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US 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	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Shares Issued for</b>									
Cash	1,000,000	\$ 10,000	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000
Property and equipment (to officers and directors)	1,500,000	15,000	0	0	0	0	0	0	15,000
Services (provided by officers and directors)	2,000,000	20,000	0	0	0	0	0	0	20,000
Services (others)	1,500,000	15,000	0	0	0	0	0	0	15,000
Foreign currency translation	0	0	0	0	0	0	(1,226)	0	(1,226)
Net loss for period	0	0	0	0	0	0	0	(344,843)	(344,843)
<b>Balance, June 30, 1996</b>	<b>6,000,000</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,226)</b>	<b>(344,843)</b>	<b>(286,069)</b>
<b>Shares Issued for</b>									
Cash	5,086,000	865,514	0	0	0	0	0	0	865,514
Share issue costs	0	(48,920)	0	0	0	0	0	0	(48,920)
Services	564,000	63,036	0	0	0	0	0	0	63,036
Acquisition of subsidiary	100,000	275,000	0	0	0	0	0	0	275,000
Foreign currency translation	0	0	0	0	0	0	12,601	0	12,601
Net loss for year	0	0	0	0	0	0	0	(822,217)	(822,217)
<b>Balance, June 30, 1997</b>	<b>11,750,000</b>	<b>1,214,630</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,375</b>	<b>(1,167,060)</b>	<b>58,945</b>
<b>Shares Issued for</b>									
Cash	825,396	650,000	0	0	0	0	0	0	650,000
Share issue costs	0	(78,000)	0	0	0	0	0	0	(78,000)
Foreign currency translation	0	0	0	0	0	0	24,860	0	24,860
Net loss for year	0	0	0	0	0	0	0	(937,373)	(937,373)
<b>Balance, June 30, 1998</b>	<b>12,575,396</b>	<b>\$ 1,786,630</b>	<b>0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>36,235</b>	<b>\$ (2,104,433)</b>	<b>\$ (281,568)</b>

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US 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	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 1998</b>	12,575,396	\$ 1,786,630	0	\$ 0	\$ 0	\$ 0	36,235	\$ (2,104,433)	\$ (281,568)
<b>Shares Issued for</b>									
Cash	200,000	50,000	0	0	0	0	0	0	50,000
Exercise of stock options	445,000	80,500	0	0	0	0	0	0	80,500
Promissory note	1,683,789	252,568	0	0	(284,068)	0	0	0	(31,500)
Settlement of lawsuit	150,000	15,000	0	0	0	0	0	0	15,000
Services (provided by officers and directors)	666,666	100,000	0	0	0	0	0	0	100,000
Share issue costs	0	(100,500)	0	0	0	0	0	0	(100,500)
Services	250,000	50,000	0	0	0	0	0	0	50,000
Conversion of convertible debentures	3,869,120	525,813	0	0	0	0	0	0	525,813
Acquisition of subsidiary	1,800,000	619,200	0	0	0	0	0	0	619,200
Held in escrow	447,091	0	0	0	0	0	0	0	0
Stock-based compensation	0	70,600	0	0	0	0	0	0	70,600
Beneficial conversion feature	0	566,456	0	0	0	0	0	0	566,456
Foreign currency translation	0	0	0	0	0	0	8,444	0	8,444
Net loss for year	0	0	0	0	0	0	0	(1,404,021)	(1,404,021)
<b>Balance June 30, 1999</b>	22,087,062	4,016,267	0	0	(284,068)	0	44,679	(3,508,454)	268,424
<b>Shares Issued for</b>									
Cash on private placement	2,650,000	3,975,000	0	0	0	0	0	0	3,975,000
Exercise of options	1,245,000	256,700	0	0	0	0	0	0	256,700
Services	50,000	13,000	0	0	0	0	0	0	13,000
Settlement of debt	0	0	664,410	664,410	0	0	0	0	664,410
Shares released from escrow	0	75,558	0	0	0	0	0	0	75,558
Stock-based compensation	0	48,256	0	0	0	0	0	0	48,256
Promissory note repayment	0	0	0	0	225,568	0	0	0	225,568
Foreign currency translation	0	0	0	0	0	0	1,614	0	1,614
Net loss for year	0	0	0	0	0	0	0	(1,537,402)	(1,537,402)
<b>Balance, June 30, 2000</b>	26,032,062	\$ 8,384,781	664,410	\$ 664,410	\$ (58,500)	\$ 0	46,293	\$ (5,045,856)	\$ 3,991,128

See notes to consolidated financial statements



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US 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	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 2000</b>	26,032,062	\$ 8,384,781	664,410	\$ 664,410	\$ (58,500)	\$ 0	\$ 46,293	\$ (5,045,856)	\$ 3,991,128
<b>Shares Issued for</b>									
Cash on private placement	81,885	112,480	0	0	0	0	0	0	112,480
Exercise of options	517,000	91,515	0	0	0	0	0	0	91,515
Services	100,000	40,000	0	0	0	0	0	0	40,000
Held in escrow	218,115	0	0	0	0	0	0	0	0
Stock-based compensation	0	272,207	0	0	0	0	0	0	272,207
Dividends on preferred shares	0	0	0	0	0	0	0	(30,720)	(30,720)
Share subscriptions	0	0	0	0	0	50,000	0	0	50,000
Redeemed shares	0	0	(100,000)	(100,000)	0	0	0	(100,000)	(200,000)
Foreign currency translation	0	0	0	0	0	0	(26)	0	(26)
Net loss for year	0	0	0	0	0	0	0	(4,000,169)	(4,000,169)
<b>Balance, June 30, 2001</b>	26,949,062	8,900,983	564,410	564,410	(58,500)	50,000	46,267	(9,176,745)	326,415
<b>Shares Issued for</b>									
Proprietary non-competition agreement	450,000	711,000	0	0	0	0	0	0	711,000
Held in escrow	700,000	0	0	0	0	0	0	0	0
Exercise of options	2,263,500	971,200	0	0	(15,000)	(10,000)	0	0	946,200
Exercise of warrants	325,000	130,000	0	0	0	0	0	0	130,000
Subscriptions	100,000	40,000	0	0	0	(40,000)	0	0	0
Stock-based compensation	0	415,685	0	0	0	0	0	0	415,685
Shares released from escrow	0	954,582	0	0	0	0	0	0	954,582
Dividends on preferred shares	0	0	0	0	0	0	0	(26,087)	(26,087)
Redeemed shares	0	0	(124,800)	(124,800)	0	0	0	(187,200)	(312,000)
Write-off of promissory note receivable	0	(7,000)	0	0	7,000	0	0	0	0
Net loss for year	0	0	0	0	0	0	0	(3,836,191)	(3,836,191)
<b>Balance, June 30, 2002</b>	30,787,562	\$ 12,116,450	439,610	\$ 439,610	\$ (66,500)	\$ 0	\$ 46,267	\$ (13,226,223)	\$ (690,396)

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US 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	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 2002</b>	30,787,562	\$ 12,116,450	439,610	\$ 439,610	\$ (66,500)	\$ 0	\$ 46,267	\$ (13,226,223)	\$ (690,396)
<b>Shares Issued for</b>									
Cash on private placement	1,684,000	842,050	0	0	0	0	0	0	842,050
Settlement of debt	144,793	104,542	0	0	0	0	0	0	104,542
Services	200,000	196,000	0	0	0	0	0	0	196,000
Exercise of options	52,500	43,750	0	0	0	0	0	0	43,750
Exercise of warrants	55,000	27,500	0	0	0	0	0	0	27,500
Subscription received	0	0	0	0	0	176,665	0	0	176,665
Stock-based compensation	0	5,460	0	0	0	0	0	0	5,460
Settlement of lawsuit	0	0	0	0	0	35,250	0	0	35,250
Dividends on preferred shares	0	0	0	0	0	0	0	(22,060)	(22,060)
Net loss for year	0	0	0	0	0	0	0	(1,346,833)	(1,346,833)
<b>Balance, June 30, 2003</b>	32,923,855	13,335,752	439,610	439,610	(66,500)	211,915	46,267	(14,595,116)	(628,072)
<b>Shares Issued for</b>									
Cash on private placement	6,609,336	6,042,935	0	0	0	(211,915)	0	0	5,831,020
Cash on exercise of options	25,000	25,000	0	0	0	0	0	0	25,000
Settlement of lawsuit	37,500	35,250	0	0	0	0	0	0	35,250
Services	25,000	21,873	0	0	0	0	0	0	21,873
Redemption of preferred shares	415,000	415,000	(118,572)	(118,572)	0	0	0	(296,428)	0
Exercise of warrants	288,298	0	0	0	0	0	0	0	0
Shares returned to treasury for cancellation	(142,140)	0	0	0	0	0	0	0	0
Stock-based compensation	0	321,275	0	0	0	0	0	0	321,275
Dividends on preferred shares	0	0	0	0	0	0	0	(19,016)	(19,016)
Net loss for year	0	0	0	0	0	0	0	(2,543,848)	(2,543,848)
<b>Balance, June 30, 2004</b>	40,181,849	\$ 20,197,085	321,038	\$ 321,038	\$ (66,500)	\$ 0	\$ 46,267	\$ (17,454,408)	\$ 3,043,482

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US 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	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 2004</b>	40,181,849	\$ 20,197,085	321,038	\$ 321,038	\$ (66,500)	\$ 0	\$ 46,267	\$ (17,454,408)	\$ 3,043,482
<b>Shares Issued for</b>									
Settlement of debt	44,000	55,000	0	0	0	0	0	0	55,000
Cashless exercise of warrants	1,713,300	0	0	0	0	0	0	0	0
Services	500,000	270,000	0	0	0	0	0	0	270,000
Redemption of preferred shares	0	0	(12,500)	(12,500)	0	0	0	(37,500)	(50,000)
Dividends on preferred shares	0	0	0	0	0	0	0	(15,739)	(15,739)
Net loss for year	0	0	0	0	0	0	0	(1,812,265)	(1,812,265)
<b>Balance, June 30, 2005</b>	42,439,149	20,522,085	308,538	308,538	(66,500)	0	46,267	(19,319,912)	1,490,478
<b>Shares Issued for</b>									
Exercise of options	200,000	134,000	0	0	0	0	0	0	134,000
Cashless exercise of warrants	35,115	0	0	0	0	0	0	0	0
Services	269,000	191,510	0	0	0	0	0	0	191,510
Exercise of warrants	1,291,168	1,080,669	0	0	0	0	0	0	1,080,669
Repayment of promissory note	0	0	0	0	34,000	0	0	0	34,000
Dividends on preferred shares	0	0	0	0	0	0	0	(15,427)	(15,427)
Stock-based compensation	0	107,219	0	0	0	0	0	0	107,219
Net loss for year	0	0	0	0	0	0	0	(2,104,189)	(2,104,189)
<b>Balance, June 30, 2006</b>	44,234,432	22,035,483	308,538	308,538	(32,500)	0	46,267	(21,439,528)	918,260
<b>Shares Issued for</b>									
Exercise of options	50,000	35,000	0	0	0	0	0	0	35,000
Services	50,000	105,000	0	0	0	0	0	0	105,000
Private placement	1,180,537	2,361,641	0	0	0	0	0	0	2,361,641
Repayment of promissory note	0	0	0	0	2,763	0	0	0	2,763
Dividends on preferred shares	0	0	0	0	0	0	0	(15,427)	(15,427)
Stock-based compensation	0	4,225,648	0	0	0	0	0	0	4,225,648
Net loss for year	0	0	0	0	0	0	0	(5,985,850)	(5,985,850)
<b>Balance, June 30, 2007</b>	45,514,969	\$ 28,762,772	308,538	\$ 308,538	\$ (29,737)	\$ 0	\$ 46,267	\$ (27,440,805)	\$ 1,647,035

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US 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	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 2007</b>	45,514,969	\$ 28,762,772	308,538	\$ 308,538	\$ (29,737)	\$ 0	\$ 46,267	\$ (27,440,805)	\$ 1,647,035
<b>Shares Issued for</b>									
Exercise of warrants	190,000	208,995	0	0	0	0	0	0	208,995
Subscriptions received	0	0	0	0	0	276,500	0	0	276,500
Dividends on preferred shares	0	0	0	0	0	0	0	(15,427)	(15,427)
Stock-based compensation	0	247,944	0	0	0	0	0	0	247,944
Net loss for year	0	0	0	0	0	0	0	(1,938,216)	(1,938,216)
<b>Balance, June 30, 2008</b>	45,704,969	29,219,711	308,538	308,538	(29,737)	276,500	46,267	(29,394,448)	426,831
<b>Shares Issued for</b>									
Services	100,000	60,500	0	0	0	(46,500)	0	0	14,000
Subscriptions received	4,500,800	1,125,200	0	0	0	(230,000)	0	0	895,200
Dividends on preferred shares	0	0	0	0	0	0	0	(15,427)	(15,427)
Stock-based compensation	0	119,064	0	0	0	0	0	0	119,064
Net loss for year	0	0	0	0	0	0	0	(1,554,876)	(1,554,876)
<b>Balance, June 30, 2009</b>	50,305,769	\$ 30,524,475	308,538	\$ 308,538	\$ (29,737)	\$ 0	\$ 46,267	\$ (30,964,751)	\$ (115,208)

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Cash Flows**  
**(US Dollars)**

	Years Ended June 30			Period from February 12, 1996 (Inception) Through June 30, 2009
	2009	2008	2007	2009
<b>Operating Activities</b>				
Net loss	\$ (1,554,876)	\$ (1,938,216)	\$ (5,985,850)	\$ (30,168,293)
Adjustments to reconcile net loss to net cash used in operating activities				
Write-down of investment	0	0	0	1,250,000
Other income	0	0	0	(658,305)
Proprietary, non-competition agreement	0	0	0	711,000
Consulting services	14,000	0	199,790	1,537,783
Depreciation and amortization	0	0	0	349,941
Stock-based compensation	119,064	247,944	4,225,648	5,833,358
Interest on beneficial conversion feature	0	0	0	566,456
Settlement of lawsuit	0	0	0	60,250
Write-down of license and operating assets	0	0	0	1,853,542
Bad debt	0	0	0	77,712
Changes in non-cash working capital				
Due from affiliated company	0	0	0	(116,000)
Notes and accounts receivable	0	0	0	(109,213)
Inventory	0	0	0	(46,842)
Prepaid expenses	19,223	1,867	(18,187)	(11,352)
Deferred revenue and other	0	0	0	(2,609)
Accounts payable and accruals	(61,484)	66,658	(77,267)	919,364
<b>Net Cash Used in Operating Activities</b>	<b>(1,464,073)</b>	<b>(1,621,747)</b>	<b>(1,655,866)</b>	<b>(17,953,208)</b>
<b>Investing Activities</b>				
Purchase of property, equipment and intangible assets	0	0	0	(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	0	(2,000,000)
License agreements	0	0	0	(124,835)
<b>Net Cash Used in Investing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,455,244)</b>
<b>Financing Activities</b>				
Redemption of preferred shares	0	0	0	(50,000)
Repayment of loan	0	0	0	(11,000)
Advances from stockholders	0	0	0	1,078,284
Repayments from (to) stockholders	0	0	2,763	(91,283)
Subscriptions received	0	276,500	0	503,165
Proceeds from issuance of common stock	895,200	208,995	2,396,641	19,095,670
Proceeds from convertible debentures	0	0	0	600,000
Share issue costs	0	0	0	(227,420)
<b>Net Cash Provided by Financing Activities</b>	<b>895,200</b>	<b>485,495</b>	<b>2,399,404</b>	<b>20,897,416</b>
<b>Effect of Foreign Currency Translation on Cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,267</b>
<b>Inflow (Outflow) of Cash</b>	<b>(568,873)</b>	<b>(1,136,252)</b>	<b>743,538</b>	<b>535,231</b>
<b>Cash, Beginning of Year</b>	<b>1,104,104</b>	<b>2,240,356</b>	<b>1,496,818</b>	<b>0</b>
<b>Cash, End of Year</b>	<b>\$ 535,231</b>	<b>\$ 1,104,104</b>	<b>\$ 2,240,356</b>	<b>\$ 535,231</b>

Supplemental disclosure of cash flow information (note 5)

See notes to consolidated financial statements

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2009, 2008 and 2007**  
**(US Dollars)**

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**1. INCORPORATION AND NATURE OF OPERATIONS**

Integral Technologies, Inc. (the "Company") was incorporated under the laws of the State of Nevada on February 12, 1996 and has its head office in Bellingham, Washington, USA. The Company is in the development stage, as more fully defined in Statement No. 7 of the Financial Accounting Standards Board ("FASB"). 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 ElectriPlast technology.

**2. GOING CONCERN**

These consolidated financial statements have been prepared on the going concern basis and which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of business. The Company's operations have resulted in a net loss of \$1,554,876 (2008 - \$1,938,216; 2007 - \$5,985,850), an accumulated deficit of \$30,964,751 at June 30, 2009 (2008 - \$29,394,448) and a working capital deficiency of \$115,208 at June 30, 2009 (2008 - working capital of \$426,831). The Company has not yet commenced revenue-producing operations and has significant expenditure requirements to continue to advance its research, developing and commercializing new antenna technologies. The Company estimates that without further funding, it will deplete its cash resources in approximately four months. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's future operations and its continuation as a going concern are dependent upon its ability to raise additional capital and to sell its products and services to new customers, generate positive cash flows from operations and ultimately attain profitability.

Financing transactions may include the issuance of equity securities, obtaining additional credit facilities or other financing mechanisms. However, the trading price of the Company's common stock and the downturn in the United States of America stock markets could make it more difficult to obtain financing through the issuance of equity securities.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events that raise doubts about the validity of the going concern assumption used in preparing these consolidated financial statements. Management intends to raise additional capital through stock issuances to finance operations and invest in other business opportunities.

If none of these events occur, there is a risk that the business will fail. The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2009, 2008 and 2007**  
**(US Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Principles of consolidation

These financial statements include the accounts of the Company, its wholly-owned subsidiaries, Integral Vision Systems, Inc. ("IVSI"), Antek Wireless Inc. ("Antek") and Plastenna, Inc. ("Plastenna") and its 76.625%-owned subsidiary, Emergent Technologies Corp. ("ETC"), which is currently inactive. All intercompany balances and transactions have been eliminated.

(b) Loss per share

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

(c) Stock issued in exchange for services

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

(d) Revenue recognition

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

(e) Foreign currency translation

The Company's functional and reporting currency is the US dollar. Transactions for the Company's operations which are not in US dollars are translated into US dollars at the exchange rates in effect at the balance sheet dates for monetary assets and liabilities and at historical exchange rates for non-monetary assets and liabilities. Revenues and expenses are translated at the rate of exchange on the date of the transaction, except for amortization and depreciation, which are translated on the same basis as the related assets. Resulting translation gains or losses are reflected in the statements of operations.

(f) Research and development

Research and development expenditures are charged to operations as incurred.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2009, 2008 and 2007**  
**(US Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(g) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include valuation allowance for deferred income tax asset and the determination of the assumptions used in calculating the fair value of stock-based compensation. Actual results could differ from those estimates and could impact future results of operations and cash flows.

(h) Financial instruments

The Company considers all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair value of these investments approximates their carrying value due to their short-term to maturity. Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-sale and are recorded at market value using the specific identification method. Changes in market value are reflected in other comprehensive income (excluding other-than-temporary impairments).

Equity and other investments classified as long-term include both debt and equity instruments. Debt securities and publicly traded equity securities are classified as available-for-sale and are recorded at market using the specific identification method. Changes in market value are reflected in other comprehensive income (excluding other-than-temporary impairments). All other investments, excluding those accounted for using the equity method, are recorded at cost.

(i) 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.

(ii) Credit risk

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

(iii) Currency risk

The Company translates the results of non-US transactions into US currency using rates of exchange on the date of the transaction. The exchange rate varies from time to time. This risk is considered nominal as the Company does not incur any significant transactions in currencies other than US dollars.



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2009, 2008 and 2007**  
**(US Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(i) Income taxes

The Company uses the asset and liability approach in its method of accounting for income taxes that 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.

Effective July 1, 2007, the Company adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (“FIN 48”), which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory and interpretive guidance on the application of the law is complex and often ambiguous. Because of this, whether a tax position will ultimately be sustained may be uncertain. Under FIN 48, the impact of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority must be recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained.

(j) Stock-based compensation

The Company accounts for stock-based compensation expenses associated with stock options and other forms of equity compensation in accordance with SFAS No. 123R, Share-Based Payment, (“SFAS 123R”) as interpreted by SEC Staff Accounting Bulletin No. 107. SFAS 123R requires the Company to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company’s statement of operations. The Company uses the straight-line single-option method to recognize the value of stock-based compensation expense for all share-based payment awards. Stock-based compensation expense recognized in the statement of operations is reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(k) Recently adopted accounting pronouncements

- (i) In May 2009, FASB issued Statement No. 165, *Subsequent Events* (“SFAS 165”). SFAS 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Company has evaluated subsequent events through September 28, 2009, the date the financial statements were issued. The adoption of this statement did not significantly impact the Company’s disclosures. Events occurring after this date have not been evaluated.
- (ii) In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*. The adoption of this statement did not significantly impact the Company’s financial position or results of operations.
- (iii) In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement did not significantly impact the Company’s financial position or results of operations.

(l) Recent accounting pronouncements not yet adopted

- (i) In June 2009, the FASB issued SFAS No. 168, *The Hierarchy of Generally Accepted Accounting Principles*. The new standard replaces SFAS 162 and establishes the “FASB Accounting Standards Codification” as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with US generally accepted accounting principles. The Statement shall be effective for financial statements issued for interim and annual periods ending after September 15, 2009.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (l) Recent accounting pronouncements not yet adopted (Continued)
- (ii) In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)". The new standard is to improve financial reporting by enterprises involved with variable interest entities. SFAS 167 addresses the effects on certain provisions of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("Interpretation 46(R)"), as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, "Accounting for Transfers of Financial Assets", and constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. The Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begin after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter.
- (iii) In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets". The new standard is intended to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This standard addresses the practices that developed since the issuance of FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", that are not consistent with the original intent and key requirements of that Statement and the concerns of financial statement users that many of the financial assets (and related obligations) that have been de-recognized should continue to be reported in the financial statements of transferors. The Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter.
- (iv) In June 2008, the FASB ratified EITF Issue 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock ("EITF 07-5"). Paragraph 11(a) of SFAS 133 specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to our own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exemption. EITF 07-5 is effective on January 1, 2009. The Company is currently evaluating the impact of the adoption in its financial position and results of operations.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (l) Recent accounting pronouncements not yet adopted (Continued)
- (v) In May 2008, the FASB issued SFAS No. 163, “*Accounting for Financial Guarantee Insurance Contracts – An interpretation of FASB Statement No. 60*”. SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. It also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities, and requires expanded disclosures about financial guarantee insurance contracts. It is effective for financial statements issued for fiscal years beginning after December 15, 2008, except for some disclosures about the insurance enterprise’s risk-management activities. SFAS 163 requires that disclosure about the risk-management activities of the insurance enterprise be effective for the first period beginning after issuance. Except for those disclosures, earlier application is not permitted.
- (vi) In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB Statement No. 133*”. SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged.
- (vii) In December 2007, the FASB issued SFAS No. 160, “*Non-controlling Interests in Consolidated Financial Statements*”, which, among other things, provides guidance and establishes amended accounting and reporting standards for a parent company’s non-controlling interest in a subsidiary. This pronouncement is effective for fiscal years beginning on or after December 15, 2008.
- (viii) In December 2007, FASB Statement No. 141 (revised 2007), *Business Combinations* (“SFAS 141”), was issued. SFAS 141 establishes principles and requirements for how the acquirer (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and non-controlling interest in the acquired entity; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS 141 are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

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**4. STOCKHOLDERS' EQUITY (DEFICIT)**

(a) Common stock

(i) During the year ended June 30, 2007, the Company:

- (a) Closed a private placement on September 15, 2006 of 1,180,537 units consisting of common stock at \$2 per share and warrants to purchase 590,269 shares of common stock within two years at an exercise price of \$2.50 per share, provided that in the event that the average closing bid price of a share of the Company's common stock exceeds \$4.50 for ten consecutive trading days, the Company has the right to redeem the warrants for \$0.01 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). The purchase price attributable to the warrants was \$0.001 per share of common stock underlying the warrants. Aggregate proceeds from the sale of the common stock and the warrants were \$2,361,641 (\$2,361,051 for the common stock and \$590 for the warrants). At any time commencing 60 days after the close of the offering, the investors can require the Company prepare and file a registration statement to register the common stock (including the shares underlying the warrants) for resale by the investors. The Company also reserves the right to file such a registration statement at any time after the closing date on its own initiative;
- (b) Issued 50,000 shares of common stock in the amount of \$35,000 on the exercise of options; and
- (c) Issued 50,000 shares of common stock as consideration for consulting services to be provided over 12 months. These shares have been recorded at a value of \$105,000 representing the market value of the shares on the date of issuance.

(ii) During the year ended June 30, 2008, the Company:

- (a) Issued 190,000 shares of common stock for \$208,995 on the exercise of warrants. The Company approved a temporary adjustment to the exercise price of stock purchase warrants dated September 15, 2006 by reducing their exercise price from \$2.50 per share to \$1.10 per share in consideration of overall market conditions in October 2007 as long as the warrants were exercised prior to November 15, 2007.

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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

(a) Common stock (Continued)

(iii) During the year ended June 30, 2009, the Company:

- (a) Closed a private placement for which it received \$1,125,200 (\$848,700 received during 2009 (2008 - \$276,500) (note 4(f)) for issuance of 4,500,800 units, each unit consisting of one share of common stock at \$0.25 per share and one warrant at \$0.001 per share. Each warrant entitles the holder to purchase one share of common stock on or before December 31, 2010 at an exercise price of \$0.50 per share;
- (b) Issued 50,000 shares of common stock as consideration for consulting services. These shares have been recorded at a value of \$14,000 representing the market value of the shares on the date of issuance; and
- (c) Issued 50,000 shares of common stock as consideration for consulting services. These shares have been recorded at a value of \$46,500 representing the market value of the shares on the date of issuance.

(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 are 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 share may be redeemed by the Company for \$1.50 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. The Company may, at its discretion, redeem the shares at a price higher than stipulated herein.

Subsequent to June 30, 2009, an amendment was made to the Series A convertible preferred stock in that they may be redeemed by the Company for \$4.00, with the redemption price increasing by \$0.50 each year thereafter for the following five years.

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.

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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

- (c) Stock options and stock-based compensation

**Stock option plans**

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 during December 2001 to increase the number of common stock options that may be granted from 2,500,000 to 3,500,000 stock options. As at June 30, 2008, there were 464,500 common stock options available under this plan.

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, 2009, there were 1,375,000 common stock options available under this plan.

Subsequent to June 30, 2009, the Company adopted the "Integral Technologies, Inc. 2009 Stock Plan" (the "2009 Plan"), a non-qualified stock option plan under which the Company may issue up to 5,000,000 common stock options.

**Pursuant to the 2001, 2003 and 2009 plans**

On November 3, 2006, the Company granted an option to a consultant to acquire 100,000 shares of common stock, exercisable at \$1.00 per share to November 15, 2009.

On November 6, 2006, the Company granted an option to an officer to acquire 1,000,000 shares of common stock, exercisable at \$2.25 per share to June 30, 2010.

On March 23, 2007, the Company granted an option to a consultant to acquire 100,000 shares of common stock, exercisable at \$1.00 per share to March 23, 2009. These options expired unexercised.

During the year ended June 30, 2007, pursuant to a consulting agreement with Visionary Innovations, Inc. ("Visionary"), the Company granted Visionary 125,000 common stock options which vested on March 30, 2007 at an exercise price of \$2.75, and another 125,000 common stock options which vested on March 30, 2008 at an exercise price of \$2.75, all exercisable to March 30, 2009. These options expired unexercised.

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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

(c) Stock options and stock-based compensation (Continued)

During the year ended June 30, 2007, the Company extended the expiry date of 1,295,000 common stock options, which resulted in additional stock-based compensation of \$2,696,776.

During the year ended June 30, 2008, the Company extended the expiry date of 1,295,000 common stock options, which resulted in additional stock-based compensation of \$180,478.

During the year ended June 30, 2009, the Company extended the expiry date of 955,000 common stock options, which resulted in additional stock-based compensation of \$119,064.

Subsequent to June 30, 2009, the Company granted an option to two directors to acquire 500,000 shares of common stock, exercisable at \$0.25 per share. These options will fully vest on grant date and may be exercised in whole or in part at any time after January 1, 2010. All options will expire the earlier of December 31, 2014 or one year after termination of employment with the Company.

Subsequent to June 30, 2009, the Company signed a consulting agreement that will expire on July 31, 2011. The contact can be terminated by either party on January 31, 2010, July 31, 2010 or January 31, 2011 with 30 days notice. The Company granted an option to acquire a total of 2,000,000 shares of common stock, exercisable at \$0.25 per share. Every three months, 200,000 options will vest beginning July 10, 2009 to April 10, 2011, and the remaining 400,000 options will vest on July 10, 2011.

**Stock-based compensation**

During the year ended June 30, 2009, the Company recorded stock-based compensation expense of \$119,064 (2008 - \$247,944; 2007 - \$4,225,648); of this amount, \$56,939 (2008 - \$182,711; 2007 - \$1,548,630) is included in consulting fees and \$62,125 (2008 - \$65,233; 2007 - \$2,677,018) is included in salaries.



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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

(c) Stock options and stock-based compensation (Continued)

**Key assumptions**

The fair value of the Company's stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Expected life (years)	1	1	1
Interest rate	3.87%	4.28%	5.00%
Volatility	84.24%	87.75%	106.90%
Dividend yield	0.00%	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%	0.00%

Expected life: The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience and vesting schedules of similar awards.

Risk-free interest rate: The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on US Treasury zero-coupon issues with an equivalent remaining term.

Expected volatility: The Company's expected volatility represents the weighted average historical volatility of the Company's common stock for a period equal to the expected life of the options.

Expected dividend: The Black-Scholes valuation model calls for a single expected dividend yield as an input. The dividend yield is determined by dividing the expected per share dividend during the coming year by the grant date stock price. The expected dividend assumption is based on the Company's current expectations about its anticipated dividend policy.

Estimated forfeitures: Estimated forfeitures represent the Company's historical forfeitures for the most recent two-year period and considers termination behavior as well as analysis of actual option forfeitures.

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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

(c) Stock options and stock-based compensation (Continued)

**Stock option activity**

The following table summarizes the Company's stock option activity for the years ended June 30, 2009, 2008 and 2007:

	Number of Shares	Price Per Share	Weighted Average Exercise Price
Balance, June 30, 2006	2,295,000	0.40 to \$ 1.16	\$ 0.76
Granted	1,475,000	0.40 to \$ 2.75	\$ 2.14
Exercised	(50,000)	0.40 to \$ 1.00	\$ 0.82
Balance, June 30, 2007 and 2008	3,720,000	0.50 to \$ 2.75	\$ 1.31
Expired	350,000	1.00 to \$ 2.75	\$ 2.25
Balance, June 30, 2009	3,370,000	0.50 to \$ 2.25	\$ 1.21

The following summarizes the options outstanding and exercisable at June 30, 2009, 2008 and 2007, which were fully vested at these dates:

Expiry Date	Exercise Price	Number of Shares		
		2009	2008	2007
March 23, 2009	\$ 1.00	0	100,000	100,000
March 30, 2009	\$ 2.75	0	250,000	250,000
August 31, 2009	0.65 to \$ 1.16	855,000*	855,000	855,000
November 15, 2009	\$ 1.00	100,000	100,000	100,000
June 30, 2010	\$ 0.50	1,000,000	1,000,000	1,000,000
June 30, 2010	\$ 2.25	1,000,000	1,000,000	1,000,000
December 31, 2010	\$ 1.00	415,000	415,000	415,000
Total outstanding	0.50 to \$ 2.25	3,370,000	3,720,000	3,720,000
Total exercisable	0.50 to \$ 2.75	3,370,000	3,720,000	3,626,250

\* Subsequent to June 30, 2009, the expiry date of 110,000 options was extended from August 31, 2009 to August 31, 2010. The remaining 755,000 options expired unexercised.

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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

(c) Stock options and stock-based compensation (Continued)

**Stock option activity (Continued)**

The weighted average remaining contractual life at June 30, 2009 was 0.83 years (2008 – 1.63 years; 2007 – 1.38 years).

The weighted average grant date fair value of options granted or extended during the year ended June 30, 2009 was \$1.27 per share (2008 - \$1.35; 2007 - \$1.35). The weighted average intrinsic value of options exercised during the year ended June 30, 2009 was \$Nil per share (2008 - \$Nil; 2007 - \$Nil). The weighted average intrinsic value of options outstanding as at June 30, 2009 was \$0.13 per share (2008 - \$0.15; 2007 - \$0.15).

(d) Stock purchase warrants

The following table summarizes the Company's stock purchase warrant activity for the years ended June 30, 2009, 2008 and 2007:

	Number of Shares	Price Per Share	Weighted Average Exercise Price
Balance, June 30, 2006	0	\$ 0.00	\$ 0.00
Issued	590,629	\$ 2.50	\$ 2.50
Balance, June 30, 2007	590,629	\$ 2.50	\$ 2.50
Exercised	(190,000)	\$ 2.50	\$ 2.50
Balance, June 30, 2008	400,269	\$ 2.50	\$ 2.50
Issued	4,500,800	\$ 0.50	\$ 0.50
Expired	(400,269)	\$ 2.50	\$ 2.50
Balance, June 30, 2009	4,500,800	\$ 0.50	\$ 0.50

At June 30, 2009, 2008 and 2007, the following stock purchase warrants were outstanding:

Expiry Date	Exercise Price	Number of Shares		
		2009	2008	2007
September 15, 2008	\$ 2.50	0	400,269	590,269
December 31, 2010	\$ 0.50	4,500,800	0	0
Total outstanding	\$ 0.50 to 2.50	4,500,800	400,269	590,269

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**4. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)**

(e) Promissory notes receivable at June 30, 2009 includes:

- (i) \$17,500 (2008 - \$17,500) due on exercise of 210,000 stock options, interest at 10% per annum, due November 1, 2002, subsequently extended to June 30, 2003; and
- (ii) \$12,237 (2008 - \$12,237) due on exercise of 23,000 stock options, interest at 10% per annum, due June 30, 2003.

Shares issued on exercise of options are restricted from trading. The restrictions will not be removed until the respective notes are paid to the Company.

(f) Subscriptions received

- (i) During the year ended June 30, 2008, \$230,000 was received for subscriptions of 333,333 units consisting of common stock at \$0.69 per share and warrants at \$0.001 per share of common stock underlying the warrant to purchase 333,333 shares of common stock on or before two years after the closing date at an exercise price of \$0.75 per share (exercise of the investment warrant may be required in the event that the market price for the common stock exceeds \$1.25 per share).

In consideration of overall market conditions during the year ended June 30, 2009, the terms of the above subscriptions received during 2008 was reduced. A total of \$230,000 was received and the revised subscription was for 920,000 units consisting of common stock at \$0.25 per share at \$0.001 per share of common stock underlying the warrant to purchase 920,000 shares of common stock on or before two years after the closing date at an exercise price of \$0.50 per share, included in the private placement of 4,500,800 units (note 4a(iii)(a)). During the year ended June 30, 2009, these shares have been issued.

- (ii) At June 30, 2008, the Company had an obligation to issue 50,000 shares of common stock as consideration for consulting services. These shares were recorded at a value of \$46,500 representing the market value of the shares at the date the shares were to have been issued. During the year ended June 30, 2009, these shares have been issued.

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**5. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	Years Ended June 30,			Period from
	2009	2008	2007	February 12, 1996 (Inception) Through June 30, 2009
<b>Supplemental Disclosure of Non-Cash Transactions</b>				
<b>Shares Issued for</b>				
Redemption of preferred shares	\$ 0	\$ 0	\$ 0	\$ 415,000
Property and equipment	\$ 0	\$ 0	\$ 0	\$ 23,000
Proprietary agreement	\$ 0	\$ 0	\$ 0	\$ 711,000
Settlement of accounts payable	\$ 0	\$ 0	\$ 0	\$ 228,742
Services (provided by officers and directors)	\$ 0	\$ 0	\$ 0	\$ 120,000
Settlement of lawsuit	\$ 0	\$ 0	\$ 0	\$ 15,000
Services	\$ 14,000	\$ 0	\$ 105,000	\$ 815,784
Subscriptions received	\$ 46,500	\$ 0	\$ 0	\$ 46,500
Acquisition of subsidiary	\$ 0	\$ 0	\$ 0	\$ 894,200
<b>Supplemental Cash Flow Information</b>				
Interest paid	\$ 0	\$ 0	\$ 0	\$ 81,111
Income tax paid	\$ 0	\$ 0	\$ 0	\$ 0

**6. RELATED PARTY TRANSACTIONS**

- (a) Accounts payable at June 30, 2009 includes \$3,685 (2008 - \$3,685) due to two directors and officers of the Company.
- (b) The Company recorded an expense of \$420,000 (2008 - \$420,000; 2007 - \$505,000) for wages paid to two directors and officers of the Company.
- (c) Promissory notes receivable at June 30, 2009 includes \$29,737 (2008 - \$29,737) for advances made by the Company to an officer of the Company.

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**7. INCOME TAXES**

The provision for income taxes consists of the following at June 30:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current Expense	\$ 0	\$ 0	\$ 0
Deferred Benefit	(528,000)	(669,000)	(2,994,000)
Increase in valuation allowance	528,000	669,000	2,994,000
<b>Total provision for income tax</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

The total provision differs from the amount computed by applying federal statutory rates to loss before income taxes due to the following at June 30:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Provision for income tax at the statutory rate of 34%	\$ (529,000)	\$ (660,000)	\$ (2,024,000)
Increase(Decrease) in taxes due to			
Change in valuation allowance	528,000	669,000	2,994,000
Disallowed expense	1,000	1,000	1,000
True-up of deferred tax assets	0	(10,000)	(971,000)
<b>Total provision for income tax</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

The Company has used a federal statutory rate of 34%. All of the Company's operations are in Washington State, which has no corporation income tax, so no provision for state income tax is needed.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
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**(US Dollars)**

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**7. INCOME TAXES (Continued)**

Deferred tax assets and liabilities reflect the tax effects of the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The Company has net deferred income tax assets which have been reduced to zero through a valuation allowance because of uncertainties relating to utilization of future tax benefits. The increase in the valuation allowance for the years ended June 30, 2009, June 30, 2008, and June 30, 2007 are respectively \$528,000, \$669,000, and \$2,995,000. The components of the net deferred income tax assets, calculated at an effective rate of 34%, are as follows at June 30:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Deferred income tax assets			
Current deferred tax assets			
Legal dispute reserve	\$ 0	\$ 182,000	\$ 182,000
Accrued Liabilities	12,000	14,000	7,000
Total current deferred tax assets	12,000	196,000	189,000
Noncurrent deferred tax assets			
Net operating loss carryforwards	7,706,000	7,034,000	6,454,000
Nonqualified stock options	1,795,000	1,754,000	1,670,000
Capital loss carryforwards	425,000	425,000	425,000
Investment reserve	247,000	247,000	247,000
Basis difference of fixed assets	1,000	2,000	4,000
Valuation allowance	(10,186,000)	(9,658,000)	(8,989,000)
Total noncurrent deferred tax assets	(12,000)	(196,000)	(189,000)
Noncurrent deferred tax liabilities	0	0	0
Total noncurrent deferred tax liabilities	0	0	0
Net deferred tax asset/(liability)	\$ 0	\$ 0	\$ 0

**INTEGRAL TECHNOLOGIES, INC.**  
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**Years Ended June 30, 2009, 2008 and 2007**  
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**7. INCOME TAXES (Continued)**

For tax purposes, the Company has unused net operating losses available to carryforward to future tax years. At June 30, 2009, the amounts and expiration dates of the Company's net operating loss carryforwards are as follows.

Year Ended	Expires	Amount
June 30, 1996	June 30, 2011	\$ 346,000
June 30, 1997	June 30, 2012	1,405,000
June 30, 1998	June 30, 2018	999,000
June 30, 1999	June 30, 2019	1,361,000
June 30, 2000	June 30, 2020	1,091,000
June 30, 2001	June 30, 2021	2,002,000
June 30, 2002	June 30, 2022	2,527,000
June 30, 2003	June 30, 2023	1,364,000
June 30, 2004	June 30, 2024	2,162,000
June 30, 2005	June 30, 2025	2,208,000
June 30, 2006	June 30, 2026	2,373,000
June 30, 2007	June 30, 2027	1,177,000
June 30, 2008	June 30, 2028	1,676,000
June 30, 2009	June 30, 2029	1,974,000
<b>Total</b>		<b>\$ 22,665,000</b>

Current federal tax laws include substantial restrictions on the utilization of net operating losses and tax credits in the event of an ownership change of a corporation. Accordingly, the Company's ability to utilize net operating loss and tax credit carryforwards may be limited as a result of such ownership changes. Such a limitation could result in the expiration of loss carryforwards before they are utilized.

For tax purposes, the Company has unused capital losses available to carryforward to future tax years. At June 30, 2009, the amounts and expiration dates of the Company's capital loss carryforwards are as follows.

Year Ended	Expires	Amount
June 30, 2005	June 30, 2010	\$ 1,250,000
<b>Total</b>		<b>\$ 1,250,000</b>



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
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**(US Dollars)**

**7. INCOME TAXES (Continued)**

In July 2006, the FASB released the Final Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (FIN 48). FIN 48 prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also requires additional disclosure of the beginning and ending unrecognized tax benefits and details regarding the uncertainties that may cause the unrecognized benefits to increase or decrease within a twelve month period.

We adopted the provisions of FIN 48 on July 1, 2007. There was no impact on our consolidated financial position, results of operations and cash flows as a result of adoption. We have an unrecognized tax benefit of \$336,000 as of June 30, 2009, including no accrued amounts for interest and penalties.

Our policy will be to recognize interest and penalties related to income taxes as a component of income tax expense. We are subject to income tax examinations for U.S. incomes taxes from the year ended June 30, 1996 forward. We do not anticipate that total unrecognized tax benefits will significantly change prior to June 30, 2010.

**8. LOSS PER SHARE**

	Income (Numerator)	Weighted Average Number of Shares (Denominator)	Loss Per Share
<b>2009</b>			
Loss for the year	\$ (1,554,876)		
Preferred stock dividends	(15,427)		
Loss attributable to common shareholders	\$ (1,570,303)	47,360,459	\$ (0.03)
<b>2008</b>			
Loss for the year	\$ (1,938,216)		
Preferred stock dividends	(15,427)		
Loss attributable to common shareholders	\$ (1,953,643)	45,617,756	\$ (0.04)
<b>2007</b>			
Loss for the year	\$ (5,985,850)		
Preferred stock dividends	(15,427)		
Loss attributable to common shareholders	\$ (6,001,277)	45,230,171	\$ (0.13)

Common share equivalents consisting of stock options and warrants are not considered in the computation of diluted loss per share because their effect would be anti-dilutive.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Our 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 our Company and their respective age and position are as follows:

Name	Age	Position with Company	Director of Company Since
William S. Robinson	52	Director, Chairman, CEO and Treasurer	February 1996
William A. Ince	58	Director, President, Secretary and Chief Financial Officer	February 1996

#### **William Robinson**

*(Chairman, CEO and Treasurer)*

As a co-founder of our 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.

#### **William A. Ince**

*(Director, President, Secretary and Chief Financial Officer)*

Mr. Ince, a co-founder of our 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.

#### **Non-Executive Officer / Significant Consultant**

##### **Mohamed Zeidan**

*(Consultant)*

Subsequent to the year end on August 10, 2009 our Company retained the services of Mr. Zeidan. Mr. Zeidan has over 25 years of experience in automotive engineering and engineering management. At Lear Corp. he was the Chief Technology Officer and Director of Hybrid Engineering, creating the Hybrid Engineering Department that developed innovative technologies resulting in major business growth. Prior to Lear, he worked at United Technologies Automotive “UTA” for about 14 years in Advanced Engineering for many Global OEM programs from Advance Phase through Production Launch being the complete life cycle of the technology.

Mr. Zeidan and his team will identify partners for joint development of our customers’ products utilizing ElectriPlast™, and take it through product implementation, including prototype testing to secure technology approval and validation, and secure awarding of contracts.

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The term of the agreement is from August 10, 2009 and expiry on July 31, 2011. The agreement calls for a monthly fee for Mr, Zeidan and his team of engineers of \$25,000. In addition, Mr. Zeidan has been granted by Integral, options to acquire 2,000,000 shares of Integral's common stock at an exercise price of \$0.25 per share. These options shall be fully vested pursuant to the schedule attached in Exhibit 10.32. Either party may terminate the agreement at "six month" intervals with 30 days notice as more fully explained in Exhibit 10. 32.

**Audit Committee and Audit Committee Financial Expert Disclosure**

Our Company does not have a separately-designated standing audit committee at this time because it is not required to do so. Accordingly, we do not have an audit committee financial expert.

**Code of Ethics**

On September 20, 2004, the Board of Directors established a written code of ethics that applies to our senior executive and financial officers. A copy of the code of ethics is incorporated by reference as an exhibit to this annual report. In addition, a copy of the code of ethics is posted on our Company's website at [www.itkg.net](http://www.itkg.net).

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our Company's officers and directors, and persons who own more than 10% of a registered class of our 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 us with copies of all Section 16(a) forms they file. Based solely on our review of copies of such reports received or written representations from certain reporting persons, we believe that, during the year ended June 30, 2009, all Section 16(a) filing requirements applicable to our officers, directors and ten percent shareholders were complied with by such persons.

**ITEM 11. EXECUTIVE COMPENSATION**

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

**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 principal executive officer and each of the other executive officers (one person) and one non-executive officer, during the fiscal years ended June 30, 2009 and 2008.

Name and Principal Position	Fiscal			Options	Non-Equity	Nonqualified	All Other		
	Year Ended June 30	Salary (\$)	Bonus (\$)	Stock Awards	Awards (\$)(n2)	Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	Compensation (\$)(n3)	Total (\$)
William S. Robinson Chief Executive Officer, Treasurer, Chairman, Director	2009	\$ 210,000	-0-	-0-	\$ -0-	-0-	-0-	\$ 28,282	\$ 238,282
	2008	\$ 210,000	-0-	-0-	\$ -0-	-0-	-0-	\$ 28,282	\$ 238,282
William A. Ince Chief Financial and Accounting Officer, President, Secretary, Director	2009	\$ 210,000	-0-	-0-	-0-	-0-	-0-	\$ 23,145	\$ 233,145
	2008	\$ 210,000	-0-	-0-	-0-	-0-	-0-	\$ 23,145	\$ 233,145

(n1) Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires the company to determine the overall value of the options as of the date of grant based upon the Black-Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). As a general rule, for time-in-service-based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option. For a description FAS 123R and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the consolidated financial statements included with this report.

(n2) On July 1, 2002, Mr. Ince was granted an option to acquire 415,000 shares of common stock at an exercise price of \$1.00 per share. In December 2005, the expiration date of these options was extended until December 31, 2007. Then in June 2007, the expiration date of these options was extended until December 31, 2010.

Subsequent to June 30, 2009, Mr. Robinson and Mr. Ince were each granted an option to acquire 500,000 shares of common stock at an exercise price of \$0.25 per share. These options are exercisable after January 1, 2010 and expire on December 31, 2014.

On November 6, 2006, Mr. Aisenbrey, Integral's former Chief Technology Officer, was granted an option to acquire 1,000,000 shares of common stock at an exercise price of \$2.25 per share, exercisable in whole or in part at any time until June 30, 2010. The exercise price per share shall automatically be adjusted down to \$.001 per share in the event of a "triggering event," which is defined as the termination of employment of Mr. Aisenbrey or a change in control of Integral. A change in control of Integral shall be deemed to have occurred if there is any sale, exchange or transfer of all or substantially all of the assets of Integral, or if there is any merger or share exchange involving Integral, which has the result of effecting a change in control of the business through a change in management and/or officers and directors of Integral.

- (n3) William S. Robinson and William A. Ince each own shares of Series A Preferred Stock. A 5% dividend on the Series A Preferred Stock is payable in cash or shares of common stock at the election of Integral. For the year ended June 30, 2009, \$10,282 was paid or accrued for Mr. Robinson and \$5,145 was paid or accrued for Mr. Ince. For the year ended June 30, 2008, \$10,282 was paid or accrued for Mr. Robinson and \$5,145 was paid or accrued for Mr. Ince.

William S. Robinson and William A. Ince each received an automobile expense allowance of \$18,000 in 2009 and \$18,000 in 2008.

Except as set forth above, no outstanding common stock purchase option or other equity-based award granted to or held by any named executive officer were repriced or otherwise materially modified, including extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined, nor was there any waiver or modification of any specified performance target, goal or condition to payout.

**Executive Officer Outstanding Equity Awards At Fiscal Year-End**

The following table provides certain information concerning any common stock purchase options, stock awards or equity incentive plan awards held by each of our named executive officers that were outstanding as of June 30, 2009.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Options (#) Unearned	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Number of Shares, Units or Rights That Have Not Vested	Market or Payout Value of Shares, Units or Other Rights That Have Not Vested
William S. Robinson (n1)	0	0	0			0	0	0	0
William A. Ince (n2)	415,000	0	0	\$ 1.00	12/31/2010	0	0	0	0

(n1) Mr. Robinson holds the following options: Subsequent to the year end on July 14, 2009 Mr. Robinson was granted an option to acquire 500,000 shares of common stock at an exercise price of \$0.25 per share. These options are exercisable after January 1, 2010 and expire on December 31, 2014.

(n2) Mr. Ince holds the following options: Subsequent to the year end on July 1, 2002, Mr. Ince was granted an option to acquire 415,000 shares of common stock at an exercise price of \$1.00 per share. In June 2007, the expiration date of these options was extended until December 31, 2010. On July 14, 2009 Mr. Ince was granted an option to acquire 500,000 shares of common stock at an exercise price of \$0.25 per share. These options are exercisable after January 1, 2010 and expire on December 31, 2014.

(n2) Mr. Aisenbrey, Integral’s former Chief Technology Officer holds the following options:

- On June 17, 2005, Mr. Aisenbrey was granted an option to acquire 1,000,000 share of common stock at an exercise price of \$.50 per share, exercisable in whole or in part at any time until June 30, 2010.
- On November 6, 2006, Mr. Aisenbrey was granted an option to acquire 1,000,000 shares of common stock at an exercise price of \$2.25 per share, exercisable in whole or in part at any time until June 30, 2010.

With respect to the option granted on June 17, 2005 and the option granted on November 6, 2006, the exercise price per share shall automatically be adjusted down to \$.001 per share in the event of a “triggering event,” which is defined as the termination of employment of Mr. Aisenbrey or a change in control of Integral. A change in control of Integral shall be deemed to have occurred if there is any sale, exchange or transfer of all or substantially all of the assets of Integral, or if there is any merger or share exchange involving Integral, which has the result of effecting a change in control of the business through a change in management and/or officers and directors of Integral.

## **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, 2009. 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.

## **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

Subsequent to the year end on August 1, 2009 the Board of Directors deemed it in the best interest of the Company to enter into employment agreements with William S. Robinson, its Chief Executive Officer and Treasurer and William A. Ince its President and Accounting Officer.

Mr. Robinson's agreement calls for the following terms and conditions. The term of the agreement is from August 1, 2009 through to July 31, 2014. The agreement calls for a compensation package of \$220,000 annually for services and \$1,500 per month for automobile allowance. In addition, Integral has granted Mr. Robinson options to acquire 500,000 shares of Integral's common stock at an exercise price of \$0.25 per share. These options shall be fully vested on August 1, 2009 and may be exercised in whole or in part any time after January 1, 2010. All options shall expire on December 31, 2014.

Mr. Ince's agreement calls for the following terms and conditions. The term of the agreement is from August 1, 2009 through to July 31, 2014. The agreement calls for a compensation package of \$220,000 annually for services and \$1,500 per month for automobile allowance. In addition, Integral has granted Mr. Ince options to acquire 500,000 shares of Integral's common stock at an exercise price of \$0.25 per share. These options shall be fully vested on August 1, 2009 and may be exercised in whole or in part any time after January 1, 2010. All options shall expire on December 31, 2014.

In the event of termination without cause, Mr. Robinson or Mr. Ince are entitled to one years compensation.

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.

## **Employee Benefit and Consulting Services Compensation Plans**

As of June 30, 2009, 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.

Subsequent to the year end on July 14, 2009, Integral adopted an employee benefit and consulting services compensation plan entitled the Integral Technologies, Inc. 2009 Stock Plan (the “2009 Plan”). The 2009 Plan covers up to 5,000,000 shares of common stock. The 2009 Plan has not previously been approved by security holders.

Under all 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.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**Common Stock**

The following table sets forth, as of September 14, 2009 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 director and executive officer individually and all directors and executive officers of Integral as a group. Each person is believed to have sole voting and investment power over the shares except as noted.

Name and Address of Beneficial Owner (n1)	Amount and Nature of Beneficial Ownership(n1)(n2)	Percent of Class (n3)
Executive Officers and Directors:		
William S. Robinson (n4) #3 1070 West Pender St. Vancouver, B.C. V6E 2N7	3,030,781	5.8%
William A. Ince (n5) 805 W. Orchard Dr., Suite #7 Bellingham, WA 98225	2,723,544	5.3%
All executive officers and directors as a group	5,754,325	11.1%

- (n1) Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named.
- (n2) 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 204,975 shares of Series A and Mr. Ince owns 103,563 shares of Series A. As of September 14, 2009, the conversion rate was \$0.42 per share, so Mr. Robinson’s 204,975 shares of Series A were convertible into 488,035 shares of common stock, and Mr. Ince’s 103,563 shares of Series A were convertible into 246,578 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.
- (n3) Based upon 50,305,769 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.
- (n4) Mr. Robinson is an executive officer and director of Integral and each of its subsidiaries. Beneficial ownership figure includes an aggregate of 150,000 shares held in the names of his spouse and his two minor children and 500,000 underlying options.
- (n5) Mr. Ince is an executive officer and director of Integral and each of its subsidiaries. Beneficial ownership figure includes 915,000 shares underlying options.

### Series A Convertible Preferred Stock

The following table sets forth, as of September 14, 2009, 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.

Name and Address of Beneficial Owner (n1)	Amount and Nature of Beneficial Ownership(n1)	Percent of Class (n2)
William S. Robinson (n3) #3 1070 West Pender St. Vancouver, B.C. V6E 2N7	204,975	66.4%
William A. Ince (n4) 805 W. Orchard Dr., Suite #3 Bellingham, WA 98225	103,563	33.6%
All officers and directors of Integral as a group (2 persons)	308,538	100%

(n1) Unless otherwise indicated, all shares are directly beneficially owned and investing power is held by the persons named.

(n2) Based upon 308,538 Series A Convertible Preferred shares issued and outstanding.

(n3) Mr. Robinson is an executive officer and director of Integral and each of its subsidiaries.

(n4) Mr. Ince is an executive officer and director of Integral and each of its subsidiaries.

## 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, 2009:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of options, warrants and rights (b)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders	3,370,000	\$1.21	1,839,500
Total	3,370,000	\$1.21	1,839,500

As of June 30, 2009, 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.

Subsequent to the year end on July 14, 2009, Integral adopted an employee benefit and consulting services compensation plan entitled the Integral Technologies, Inc. 2009 Stock Plan (the "2009 Plan"). The 2009 Plan covers up to 5,000,000 shares of common stock. The 2009 Plan has not previously been approved by security holders.

Under all three 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.

In addition, included in the chart are two grant of options that were outside of the 2001 Plan and the 2003 Plan, made to Thomas Aisenbrey, Integral's former Chief Technology Officer:

- On June 17, 2005, Integral provided a Grant of Option to Thomas Aisenbrey. Pursuant to the Grant of Option, Mr. Aisenbrey was granted an option to acquire 1,000,000 share of common stock at an exercise price of \$.50 per share, exercisable in whole or in part at any time until June 30, 2010.

- On November 6, 2006, Integral provided a Grant of Option to Thomas Aisenbrey. Pursuant to the Grant of Option, Mr. Aisenbrey was granted an option to acquire 1,000,000 share of common stock at an exercise price of \$2.25 per share, exercisable in whole or in part at any time until June 30, 2010.

With respect to each option granted to Mr. Aisenbrey, the exercise price per share shall automatically be adjusted down to \$.001 per share in the event of a "triggering event," which is defined as the termination of employment of Mr. Aisenbrey or a change in control of Integral. A change in control of Integral shall be deemed to have occurred if there is any sale, exchange or transfer of all or substantially all of the assets of Integral, or if there is any merger or share exchange involving Integral, which has the result of effecting a change in control of the business through a change in management and/or officers and directors of Integral. The option and the underlying shares of common stock are subject to restrictions on transfer, as required by applicable federal and state securities laws.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since the beginning of the last fiscal year, we entered into the following transactions in which our officers and directors have a material interest:

(a) William S. Robinson and William A. Ince each own shares of Series A Preferred Stock. A 5% dividend on the Series A Preferred Stock is payable in cash or shares of common stock at the election of Integral. For the year ended June 30, 2009, \$10,282 was paid or accrued for Mr. Robinson and \$5,145 was paid or accrued for Mr. Ince.

(b) On November 6, 2006, we provided a Grant of Option to Thomas Aisenbrey, Integral's former Chief Technology Officer. Pursuant to the Grant of Option, which was not under either of our formal Employee Benefit and Consulting Services Compensation Plans, Mr. Aisebrey was granted an option to acquire 1,000,000 share of common stock at an exercise price of \$2.25 per share, exercisable in whole or in part at any time until June 30, 2010. The exercise price per share shall automatically be adjusted down to \$.001 per share in the event of a "triggering event," which is defined as the termination of employment of Mr. Aisenbrey or a change in control of Integral. A change in control of Integral shall be deemed to have occurred if there is any sale, exchange or transfer of all or substantially all of the assets of Integral, or if there is any merger or share exchange involving Integral, which has the result of effecting a change in control of the business through a change in management and/or officers and directors of Integral. The option and the underlying shares of common stock are subject to restrictions on transfer, as required by applicable federal and state securities laws.

### **DIRECTOR INDEPENDENCE**

Our Board of Directors is comprised of two members, William S. Robinson and William A. Ince, both of whom are also executive officers. We do not have any independent directors.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Our Company's board of directors reviews and approves audit and permissible non-audit services performed by Pannell Kerr Forster, Vancouver, Canada ("PKF"), as well as the fees charged by PKF for such services. In its review of non-audit service fees and its appointment of PKF as our Company's independent accountants, the board of directors considered whether the provision of such services is compatible with maintaining PKF's independence. All of the services provided and fees charged by PKF in the fiscal year ended June 30, 2009 were pre-approved by the board of directors.

##### **Audit Fees**

The aggregate fees billed for professional services rendered by PKF for the audit of our annual financial statements and the reviews of the financial statements included in our quarterly reports on Form 10-Q for fiscal years ended June 30, 2009 and 2008 were \$41,160 and \$47,530, respectively.

##### **Audit-Related Fees**

There were no other fees billed by PKF during the last two fiscal years for assurance and related services that were reasonably related to the performance of the audit or review of our Company's financial statements and not reported under "Audit Fees" above.

##### **Tax Fees**

There were no fees billed for professional services rendered by PKF for tax compliance services in fiscal years ended June 30, 2009 and 2008.

##### **All Other Fees**

There were no other fees billed by PKF during the last two fiscal years for products and services provided by PKF.

**ITEM 15. EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
3.03	Articles of Incorporation, as amended and currently in effect. (Incorporated by reference to Exhibit 3.03 of Integral's quarterly report on Form 10-QSB for the period ended March 31, 2006.)
3.04	Bylaws, as amended and restated on December 31, 1997. (Incorporated by reference to Exhibit 3.04 of Integral's quarterly report on Form 10-QSB for the period ended March 31, 2006.)
<a href="#">3.05</a>	Amendment to Series A Preferred Stock-July 14, 2009
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).)
10.15	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).)
10.18	Grant of Option dated June 17, 2005 between Integral and Thomas Aisenbrey. (Incorporated by reference to Exhibit 10.18 of Integral's Current Report Form 8-K dated June 17, 2005 (filed June 23, 2005).)
10.19	Agreement between the Company and The QuanStar Group, LLC dated June 20, 2005. (Incorporated by reference to Exhibit 10.18 of Integral's Current Report Form 8-K dated June 17, 2005 (filed June 23, 2005).)
10.20	Patent License Agreement between the Company and Heatron, Inc. dated March 17, 2006. (Incorporated by reference to Exhibit 10.20 of Integral's Current Report Form 8-K dated March 17, 2006 (filed April 11, 2006).)
10.21	Patent License Agreement between the Company and Jasper Rubber Products, Inc. dated August 25, 2006. (Incorporated by reference to Exhibit 10.21 of Integral's Current Report Form 8-K dated August 25, 2006 (filed September 19, 2006).)
10.22	Grant of Option dated November 6, 2006 between Integral and Thomas Aisenbrey. (Incorporated by reference to Exhibit 10.22 of Integral's Quarterly Report on Form 10-QSB for the period ended September 30, 2006.)
10.23	Manufacturing Agreement between Integral and Jasper Rubber Products, Inc. dated November 22, 2006. (Incorporated by reference to Exhibit 10.23 of Integral's Current Report on Form 8-K dated November 27, 2006 (filed December 4, 2006).)
10.24	Patent License Agreement between Integral and ADAC Plastics, Inc. d/b/a ADAC Automotive, dated November 28, 2006. (Incorporated by reference to Exhibit 10.24 of Integral's Current Report on Form 8-K dated December 18, 2006 (filed December 20, 2006).)
10.25	Patent License Agreement between Integral and Esprit Solutions Limited, dated December 18, 2006. (Incorporated by reference to Exhibit 10.25 of Integral's Current Report on Form 8-K dated January 9, 2007 (filed January 19, 2007).)
10.26	Patent License Agreement between Integral and Knowles Electronics, LLC, dated January 18, 2007. (Incorporated by reference to Exhibit 10.26 of Integral's Quarterly Report on Form 10-QSB for the period ended December 31, 2006.)

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- 10.27 Agreement between Integral and Visionary Innovations, Inc., dated February 16, 2007. (Incorporated by reference to Exhibit 10.27 of Integral's Quarterly Report on Form 10-QSB for the period ended March 31, 2007.)
- 10.28 Amendment One to Manufacturing Agreement between Integral and Jasper Rubber Products, Inc. dated July 19, 2007. (Incorporated by reference to Exhibit 10.28 of Integral's Current Report on Form 8-K dated July 19, 2007 (filed July 30, 2007).)
- [10.29](#) Integral Technologies, Inc. 2009 Stock Option Plan dated July 14, 2009
- [10.30](#) Employment Agreement between Integral and William Robinson dated July 14, 2009.
- [10.31](#) Employment Agreement between Integral and William Ince dated July 14, 2009.
- [10.32](#) Consulting Agreement between Integral and Mohamed Zeidan dated August 10, 2009.
- 14.1 Code of Ethics adopted September 20, 2004. (Incorporated by reference to Exhibit 14.1 of Integral's annual report on Form 10-KSB for the period ended June 30, 2004.)
- 21.4 List of Subsidiaries. (Incorporated by reference to Exhibit 21.4 of Integral's annual report on Form 10-KSB for the period ended June 30, 2004.)
- [31.1](#) Section 302 Certification by the Corporation's Chief Executive Officer. (Filed herewith).
- [31.2](#) Section 302 Certification by the Corporation's Chief Financial Officer. (Filed herewith).
- [32.1](#) Section 906 Certification by the Corporation's Chief Executive Officer. (Filed herewith).
- [32.2](#) Section 906 Certification by the Corporation's Chief Financial Officer. (Filed herewith).

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRAL TECHNOLOGIES, INC

Dated: September 28, 2009

/s/ William S. Robinson  
William S. Robinson, Chief Executive Officer

/s/ William A. Ince  
William A. Ince, Chief Financial Officer and Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William S. Robinson</u> William S. Robinson	Director	September 28, 2009
<u>/s/ William A. Ince</u> William A. Ince	Director	September 28, 2009





**AMENDMENT TO  
CERTIFICATE OF DESIGNATION  
OF RIGHTS AND PREFERENCES OF  
SERIES A CONVERTIBLE PREFERRED STOCK OF  
INTEGRAL TECHNOLOGIES, INC.**

Pursuant to Section 78.1955 of the Nevada Revised Statutes, the undersigned Chief Executive Officer of Integral Technologies, Inc., a Nevada corporation (the "Corporation"), does hereby certify as follows:

1. On September 30, 1999, the Corporation executed a Certificate of Designation of Rights and Preferences of Series A convertible Preferred Stock (the "Series A Certificate of Designation"). The date of filing of the Series A Certificate of Designation with the Secretary of State of Nevada was October 29, 1999.
2. Section 7 of the Series A Certificate of Designation is hereby superceded and replaced as follows:
  7. *Redemption by the Corporation.* The Corporation, at the option of the Board, may redeem, in whole or in part, the Series A Convertible Preferred Stock at any time by paying to the holders or record a per share cash redemption price based on the following schedule:
    - (i) If the Corporation redeems within one year after the date the Series A Convertible Preferred Stock is issued to the holder, the redemption price shall be \$1.50 for each share of Series A Convertible Preferred Stock so redeemed.
    - (ii) If the Corporation redeems after one year but less than two years after the date the Series A Convertible Preferred Stock is issued to the holder, the redemption price shall be \$2.00 for each share of Series A Convertible Preferred Stock so redeemed.
    - (iii) If the Corporation redeems after two years but less than three years after the date the Series A Convertible Preferred Stock is issued to the holder, the redemption price shall be \$2.50 for each share of Series A Convertible Preferred Stock so redeemed.
    - (iv) If the Corporation redeems after three years but less than four years after the date the Series A Convertible Preferred Stock is issued to the holder, the redemption price shall be \$3.00 for each share of Series A Convertible Preferred Stock so redeemed.
    - (v) If the Corporation redeems after four years but less than five years after the date the Series A Convertible Preferred Stock is issued to the holder the redemption price shall be \$3.50 for each share of Series A Convertible Preferred Stock so redeemed.

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(vi) If the Corporation redeems after five years but less than six years after the Series A Convertible Preferred Stock is issued to the holder the redemption price shall be \$4.00 and increasing \$0.50 per year thereafter for each share of Series A Convertible Preferred Stock so redeemed.

If the Corporation elects to exercise this redemption right, the Corporation shall give written notice of the date fixed for redemption at least 14 days prior thereto to the holders of record of the Series A Convertible Preferred Stock to be redeemed. Upon redemption, holders shall be paid the applicable redemption price per share of Series A Convertible Preferred Stock plus all accrued and unpaid distributions declared or accrued, at the date fixed for redemption. At any time prior to the date fixed for redemption, holders may elect to convert, in whole or in part, the Series A Convertible Preferred Stock pursuant to paragraph 5. The Board shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which the Series A Convertible Preferred Stock shall be redeemed. In addition, on such date the holders of Series A Convertible Preferred Stock shall no longer be entitled to any distributions and shall not have any rights or interests as holders of said shares, except to receive the payment herein designated, without interest thereon, upon presentation and surrender of their certificates therefor.

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3. The foregoing amendment to the Series A Certificate of Designation has been duly adopted by the unanimous written consent of the Corporation's Board of Directors and a majority of the holders of the Corporation's Series A Convertible Preferred Stock in accordance with the provisions of Sections 78.1955, 78.315, and 78.320 of the Nevada Revised Statutes.

**IN WITNESS WHEREOF**, the Corporation has caused this Amendment to the Certificate of Designation of Rights and Preferences of Series A Convertible Preferred Stock to be signed by William S. Robinson, its Chief Executive Officer, this 14th day July 2009.

**Integral Technologies, Inc.**

By: /s/ William S. Robinson

William S. Robinson

Chief Executive Officer



## Integral Technologies, Inc. 2009 Stock Plan

### SECTION 1. INTRODUCTION

1.1 Establishment. Effective as provided in Section 17, Integral Technologies, Inc., a Nevada corporation (the “Company”), hereby establishes this plan of stock-based compensation incentives for selected Eligible Participants of the Company and its affiliated corporations. This Plan shall be known as the Integral Technologies, Inc. 2009 Stock Plan (the “Plan”).

1.2 Purpose. The purpose of this Plan is to promote the best interest of the Company, and its stockholders by providing a means of non-cash remuneration to selected Eligible Participants.

### SECTION 2. DEFINITIONS

The following definitions shall be applicable to the terms used in this Plan:

2.1 *“Affiliated Corporation”* means any corporation that is either a parent corporation with respect to the Company or a subsidiary corporation with respect to the Company (within the meaning of Sections 424(e) and (f), respectively, of the Internal Revenue Code).

2.2 *“Code”* means the Internal Revenue Code of 1986, as it may be amended from time to time.

2.3 *“Committee”* means a committee designated by the Board of Directors to administer this Plan or, if no committee is so designated, the Board of Directors. Any Committee member who is also an Eligible Participant may receive an Option or Stock Award only if he abstains from voting in favor of a grant to himself, and the grant is determined and approved by the remaining Committee members. The Board of Directors, in its sole discretion, may at any time remove any member of the Committee and appoint another Director to fill any vacancy on the Committee.

2.4 *“Common Stock”* means the Company's \$.001 par value common stock.

2.5 *“Company”* means Integral Technologies, Inc., a Nevada corporation.

2.6 *“Effective Date”* means the effective date of this Plan, as set forth in Section 17 hereof.

2.7 *“Eligible Participant”* means any employee, director, officer, consultant, or advisor of the Company who is determined (in accordance with the provisions of Section 4 hereof) to be eligible to receive an Option or Stock Award hereunder.

2.8 *“Option”* means the grant to an Eligible Participant of a right to acquire shares of Common Stock.

2.9 *“Plan”* means this Integral Technologies, Inc. 2009 Stock Plan dated July 14, 2009.

2.10 *“Stock Award”* means the grant to an Eligible Participant of shares of Common Stock issuable directly under this Plan rather than upon exercise of an Option.

Wherever appropriate, words used in this Plan in the singular may mean the plural, the plural may mean the singular, and the masculine may mean the feminine.

### **SECTION 3. ADOPTION AND ADMINISTRATION OF THIS PLAN**

Upon adoption by the Company's Board of Directors, this Plan became effective as of July 14th, 2009. In the absence of contrary action by the Board of Directors, and except for action taken by the Committee pursuant to Section 4 in connection with the determination of Eligible Participants, any action taken by the Committee or by the Board of Directors with respect to the implementation, interpretation or administration of this Plan shall be final, conclusive and binding.

### **SECTION 4. ELIGIBILITY AND AWARDS**

The Committee shall determine at any time and from time to time after the effective date of this Plan: (i) the Eligible Participants; (ii) the number of shares of Common Stock issuable directly or to be granted pursuant to an Option; (iii) the price per share at which each Option may be exercised, in cash or cancellation of fees for services for which the Company is liable, if applicable, or the value per share if a direct issue of stock pursuant to a Stock Award; and (iv) the terms on which each Option may be granted. Such determination, as may from time to time be amended or altered at the sole discretion of the Committee. Notwithstanding the provisions of Section 3 hereof, no such determination by the Committee shall be final, conclusive and binding upon the Company unless and until the Board of Directors has approved the same; provided, however, that if the Committee is composed of a majority of the persons then comprising the Board of Directors of the Company, such approval by the Board of Directors shall not be necessary.

### **SECTION 5. GRANT OF OPTION OR STOCK AWARD**

Subject to the terms and provisions of this Plan, the terms and conditions under which an Option or Stock Award may be granted to an Eligible Participant shall be set forth in a written agreement (i.e., a Consulting Agreement, Services Agreement, Fee Agreement, or Employment Agreement) or, if an Option, a written Grant of Option in the form attached hereto as Exhibit A (which may contain such modifications thereto and such other provisions as the Committee, in its sole discretion, may determine).

### **SECTION 6. TOTAL NUMBER OF SHARES OF COMMON STOCK**

The total number of shares of Common Stock reserved for issuance by the Company either directly as Stock Awards or underlying Options granted under this Plan shall not be more than 4,000,000. The total number of shares of Common Stock reserved for such issuance may be increased only by a resolution adopted by the Board of Directors and amendment of this Plan. Such Common Stock may be authorized and unissued or reacquired Common Stock of the Company.

### **SECTION 7. PURCHASE OF SHARES OF COMMON STOCK**

7.1 As soon as practicable after the determination by the Committee and approval by the Board of Directors (if necessary, pursuant to Section 4 hereof) of the Eligible Participants and the number of shares an Eligible Participant may be issued directly as a Stock Award or eligible to purchase pursuant to an Option, the Committee shall give written notice thereof to each Eligible Participant, which notice may be accompanied by the Grant of Option, if appropriate, to be executed by such Eligible Participant.

7.2 The negotiated cost basis of stock issued directly as a Stock Award or the exercise price for each Option to purchase shares of Common Stock pursuant to paragraph 7.1 shall be as determined by the Committee, it being understood that the price so determined by the Committee may vary from one Eligible Participant to another. In computing the negotiated direct issue price as a Stock Award or the Option exercise price per share of Common Stock, the Committee shall take into consideration, among other factors, the restrictions set forth in Section 11 hereof.

## **SECTION 8. TERMS AND CONDITIONS OF OPTIONS**

The Committee shall determine the terms and conditions of each Option granted to Eligible Participants, which terms shall be set forth in writing. The terms and conditions so set by the Committee may vary from one Eligible Participant to another. In the event that all the Committee approves an Option permitting deferred payments, the Eligible Participant's obligation to pay for such Common Stock may be evidenced by a promissory note executed by such Eligible Participant and containing such modifications thereto and such other provisions as the Committee, in its sole discretion, may determine.

## **SECTION 9. DELIVERY OF SHARES OF COMMON STOCK UPON EXERCISE OF OPTION**

The Company shall deliver to each Eligible Participant such number of shares of Common Stock as such Eligible Participant is entitled to receive pursuant to a Stock Award or elects to purchase upon exercise of the Option. Such shares, which shall be fully paid and nonassessable upon the issuance thereof (unless a portion or all of the purchase price shall be paid on a deferred basis) shall be represented by a certificate or certificates registered in the name of the Eligible Participant and stamped with an appropriate legend referring to the restrictions thereon, if any. Subject to the terms and provisions of the Nevada General Corporation Law and the written agreement to which he is a party, an Eligible Participant shall have all the rights of a stockholder with respect to such shares, including the right to vote the shares and to receive all dividends or other distributions paid or made with respect thereto (except to the extent such Eligible Participant defaults under a promissory note, if any, evidencing the deferred purchase price for such shares), provided that such shares shall be subject to the restrictions hereinafter set forth. In the event of a merger or consolidation to which the Company is a party, or of any other acquisition of a majority of the issued and outstanding shares of Common Stock of the Company involving an exchange or a substitution of stock of an acquiring corporation for Common Stock of the Company, or of any transfer of all or substantially all of the assets of the Company in exchange for stock of an acquiring corporation, a determination as to whether the stock of the acquiring corporation so received shall be subject to the restrictions set forth in Section 11 shall be made solely by the acquiring corporation.

## **SECTION 10. RIGHTS OF EMPLOYEES; ELIGIBLE PARTICIPANTS**

10.1 Employment. Nothing contained in this Plan or in any Option or Stock Award granted under this Plan shall confer upon any Eligible Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the Eligible Participant from the rate in existence at the time of the grant of an Option or Stock Award. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Committee at the time.

10.2 Non-transferability. No right or interest of any Eligible Participant in an Option or Stock Award shall be assignable or transferable during the lifetime of the Eligible Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. However, the Board of Directors may, in its sole discretion, permit transfers to family members if and to the extent such transfers are permissible under applicable securities laws. In the event of an Eligible Participant's death, an Eligible Participant's rights and interest in an Option or Stock Award shall be transferable by testamentary will or the laws of descent and distribution, and delivery of any shares of Common Stock due under this Plan shall be made to, and exercise of any Options may be made by, the Eligible Participant's legal representatives, heirs or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to this Plan is unable to care for his or her affairs because of mental condition, physical condition, or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.



## **SECTION 11. GENERAL RESTRICTIONS**

11.1 Representations. The Company may require any Eligible Participant to whom an Option or Stock Award is granted, as a condition of exercising such Option, or receiving such Stock Award, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Common Stock subject to the Option or Stock Award for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

11.2 Restrictions on Transfer of Common Stock. The shares of Common Stock issuable directly as a Stock Award or upon exercise of an Option may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement or pursuant to an exemption from registration, the availability of which is to be established to the satisfaction of the Company, and any certificates representing shares of Common Stock will bear a legend to that effect. However, the Company may, in the sole discretion of the Board of Directors, register with the Securities and Exchange Commission some or all of the shares of Common Stock reserved for issuance under this Plan. Special resale restrictions may, however, continue to apply to officers, directors, control shareholders and affiliates of the Company and such persons will be required to obtain an opinion of counsel as regards their ability to resell shares received pursuant to this Plan.

11.3 Compliance with Securities Laws. Each Option or Stock Award shall be subject to the requirement that if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Common Stock subject to such Option or Stock Award upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such Option or Stock Award may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

11.4 Changes in Accounting Rules. Notwithstanding any other provision of this Plan to the contrary, if, during the term of this Plan, any changes in the financial or tax accounting rules applicable to Options or Stock Awards shall occur that, in the sole judgment of the Committee, may have a material adverse effect on the reported earnings, assets or liabilities of the Company, the Committee shall have the right and power to modify as necessary, or cancel, any then outstanding and unexercised Options.

## **SECTION 12. COMPLIANCE WITH TAX REQUIREMENTS**

Each Eligible Participant shall be liable for payment of all applicable federal, state and local income taxes incurred as a result of the receipt of a Stock Award or an Option, the exercise of an Option, and the sale of any shares of Common Stock received pursuant to a Stock Award or upon exercise of an Option. The Company may be required, pursuant to applicable tax regulations, to withhold taxes for an Eligible Participant, in which case the Company's obligations to deliver shares of Common Stock upon the exercise of any Option granted under this Plan or pursuant to any Stock Award, shall be subject to the Eligible Participant's satisfaction of all applicable federal, state and local income and other income tax withholding requirements.

## **SECTION 13. PLAN BINDING UPON ASSIGNS OR TRANSFEREES**

In the event that, at any time or from time to time, any Option or Stock Award is assigned or transferred to any party (other than the Company) pursuant to the provisions of Section 10.2 hereof, such party shall take such Option or Stock Award pursuant to all provisions and conditions of this Plan, and, as a condition precedent to the transfer of such interest, such party shall agree (for and on behalf of himself or itself, his or its legal representatives and his or its transferees and assigns) in writing to be bound by all provisions of this Plan.

#### **SECTION 14. COSTS AND EXPENSES**

All costs and expenses with respect to the adoption, implementation, interpretation and administration of this Plan shall be borne by the Company.

#### **SECTION 15. CHANGES IN CAPITAL STRUCTURE OF THE COMPANY**

Appropriate adjustments shall be made to the number of shares of Common Stock issuable pursuant to an incomplete or pending Stock Award that has not yet been delivered or upon exercise of any Options and the exercise price thereof in the event of: (i) a subdivision or combination of any of the shares of capital stock of the Company; (ii) a dividend payable in shares of capital stock of the Company; (iii) a reclassification of any shares of capital stock of the Company; or (iv) any other change in the capital structure of the Company.

#### **SECTION 16. PLAN AMENDMENT, MODIFICATION AND TERMINATION**

The Board, upon recommendation of the Committee or at its own initiative, at any time may terminate and at any time and from time to time and in any respect, may amend or modify this Plan, including:

- (a) Increase the total amount of Common Stock that may be awarded under this Plan, except as provided in Section 15 of this Plan;
- (b) Change the classes of persons from which Eligible Participants may be selected or materially modify the requirements as to eligibility for participation in this Plan;
- (c) Increase the benefits accruing to Eligible Participants; or
- (d) Extend the duration of this Plan.

Any Option or other Stock Award granted to a Eligible Participant prior to the date this Plan is amended, modified or terminated will remain in effect according to its terms unless otherwise agreed upon by the Eligible Participant; provided, however, that this sentence shall not impair the right of the Committee to take whatever action it deems appropriate under Section 11 or Section 15. The termination or any modification or amendment of this Plan shall not, without the consent of a Eligible Participant, affect his rights under an Option or other Stock Award previously granted to him.

#### **SECTION 17. EFFECTIVE DATE OF THIS PLAN**

17.1 Effective Date. This Plan is effective as of July 14th, 2009, the date it was adopted by the Board of Directors of the Company.

17.2 Duration of this Plan. This Plan shall terminate at midnight on July 13, 2014, which is the day before the fifth anniversary of the Effective Date, and may be extended thereafter or terminated prior thereto by action of the Board of Directors; and no Option or Stock Award shall be granted after such termination. Options and Stock Awards outstanding at the time of this Plan termination may continue to be exercised, or become free of restrictions, in accordance with their terms.

**SECTION 18. BURDEN AND BENEFIT**

The terms and provisions of this Plan shall be binding upon, and shall inure to the benefit of, each Eligible Participant, his executives or administrators, heirs, and personal and legal representatives.

Dated as of the 14th day of July, 2009.

**INTEGRAL TECHNOLOGIES, INC.**

By: /s/ William S. Robinson  
William S. Robinson, Chief Executive Officer

**EXHIBIT A**  
**FORM OF**  
**GRANT OF OPTION PURSUANT TO THE**  
**INTEGRAL TECHNOLOGIES, INC. 2009 STOCK PLAN**

Integral Technologies, Inc., a Nevada corporation (the "Company"), hereby grants to \_\_\_\_\_ ("Optionee") an Option to purchase \_\_\_\_\_ shares of common stock, \$.001 par value (the "Shares") of the Company at the purchase price of \$\_\_\_\_\_ per share (the "Purchase Price"), in accordance with and subject to the terms and conditions of the Integral Technologies, Inc. 2009 Stock Plan (the "Plan"). This option is exercisable in whole or in part, and upon payment in cash or cancellation of fees, or other form of payment acceptable to the Company, to the principal office of the Company.

In the event that Optionee's consultant status with the Company or any of its subsidiaries ceases or terminates for any reason whatsoever, including, but not limited to, death, disability, or voluntary or involuntary cessation or termination ("Cessation"), this Grant of Option shall terminate with respect to any portion of this Grant of Option that has not vested prior to the date of cessation or termination of the consultant status, as determined in the sole discretion of the Company. In the event of Cessation, this Grant of Option shall immediately terminate in full with respect to any un-vested options. Any vested but un-exercised options must be exercised within 30 days after the date of Cessation, notwithstanding the Expiration Date set forth below.

Subject to the preceding paragraph, this Grant of Option, or any portion hereof, may be exercised only to the extent vested per the attached schedule, and must be exercised by Optionee no later than \_\_\_\_\_ (the "Expiration Date") by (i) notice in writing, signed by Optionee; and (ii) payment of the Purchase Price of a minimum of \$1,000 (unless the Purchase Price for the exercise of all vested options available to be exercised totals less than \$1,000) pursuant to the terms of this Grant of Option and the Plan. Any portion of this Grant of Option that is not exercised on or before the Expiration Date shall lapse. The notice must refer to this Grant of Option, and it must specify the number of shares being purchased, and recite the consideration being paid therefor. Notice shall be deemed given on the date on which the notice is received by the Company.

This Option shall be considered validly exercised once payment therefor has cleared the banking system or the Company has issued a credit memo for services in the appropriate amount, and the Company has received written notice of such exercise. If payment is not received within two business days after the date the notice is received, the Company may deem the notice to be invalid.

If Optionee fails to exercise this Option in accordance with this Grant of Option, then this Grant of Option shall terminate and have no force and effect, in which event the Company and Optionee shall have no liability to each other with respect to this Grant of Option.

This Option may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The validity, construction and enforceability of this Grant of Option shall be construed under and governed by the laws of the State of Nevada, without regard to its rules concerning conflicts of laws, and any action brought to enforce this Grant of Option or resolve any controversy, breach or disagreement relative hereto shall be brought only in a court of competent jurisdiction within the state and county of the Company's principal office.

The shares of common stock issuable upon exercise of the Option (the "Underlying Shares") may not be sold, exchanged, assigned, transferred or permitted to be transferred, whether voluntarily, involuntarily or by operation of law, delivered, encumbered, discounted, pledged, hypothecated or otherwise disposed of until an Opinion of Counsel, satisfactory to the Company, has been received, which opinion sets forth the basis and availability of any exemption for resale or transfer from federal or state securities registration requirements.

The shares of common stock issued upon exercise of the Option (the "Underlying Shares") may not be available for resale pursuant to Rule 144 until at least six months after the issue of the Underling Shares.

This Grant of Option relates to options granted on \_\_\_\_\_, \_\_\_\_\_.

**INTEGRAL TECHNOLOGIES, INC.**

**BY THE BOARD OF DIRECTORS  
OR A SPECIAL COMMITTEE THEREOF**

**NOT FOR EXECUTION**

By: \_\_\_\_\_

***OPTIONEE:***

**NOT FOR EXECUTION**

\_\_\_\_\_

\_\_\_\_\_

*Grant of Option pursuant to the  
Integral Technologies, Inc. 2009 Stock Plan*

*Optionee:* \_\_\_\_\_  
*Options Granted:* \_\_\_\_\_  
*Purchase Price:* \$ \_\_\_\_\_ per Share  
*Date of Grant:* \_\_\_\_\_  
*Exercise Period:* \_\_\_\_\_ to \_\_\_\_\_

*Vesting Schedule:*

<i>option on</i>	<i>date vested</i>	<i>(assuming continued employment, etc.)</i>
<i>#shares</i>		
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	

*Exercised to Date:* \_\_\_\_\_ *including this exercise*  
*Balance to be Exercised:* \_\_\_\_\_

---

**NOTICE OF EXERCISE**  
(TO BE SIGNED ONLY UPON EXERCISE OF THE OPTION)

TO: Integral Technologies, Inc. ("Optionor")

The undersigned, the holder of the Option described above, hereby irrevocably elects to exercise the purchase rights represented by such Option for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock of Integral Technologies, Inc., and herewith makes payment of \_\_\_\_\_ therefor. Optionee requests that the certificates for such shares be issued in the name of \_\_\_\_\_ Optionee and be delivered to \_\_\_\_\_ Optionee at the address of \_\_\_\_\_, and if such shares shall not be all of the shares purchasable hereunder, represents that a new Notice of Exercise of like tenor for the appropriate balance of the shares, or a portion thereof, purchasable under the Grant of Option pursuant to the Integral Technologies, Inc. 2003 Stock Plan, be delivered to Optionor when and as appropriate.

**OPTIONEE:**

**NOT FOR EXECUTION**

Dated: \_\_\_\_\_

---

**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (the "Agreement") is made this 1st day of August 2009, by and between **INTEGRAL TECHNOLOGIES, INC.**, a Nevada corporation, with principal executive offices located at 805 West Orchard Drive, #3, Bellingham, Washington 98225 (the "Company"), and **WILLIAM S. ROBINSON**, an individual residing at 5918 Olympic ST., Vancouver B.C. V6N 1Z6 (the "Executive").

**RECITALS**

**NOW, THEREFORE**, for and in consideration of the mutual covenants and representations and warranties of each other contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the Executive and the Company agree as follows:

**ARTICLE I  
EMPLOYMENT**

The Company hereby employs the Executive; and the Executive hereby accepts such employment and agrees to serve as an employee and Director of the Company, subject to and upon the terms and conditions set forth in this Agreement.

**ARTICLE II  
TITLE AND DUTIES**

(A) During the term of employment with the Company, and subject to the direction of the Board of Directors, the Executive shall perform duties and functions consistent with his employment hereunder as an officer and director of the Company in the capacity of President, Secretary and Chief Financial Officer, as further defined in the Company's bylaws. The Executive shall also perform duties and functions consistent with his employment hereunder as an officer and director of each subsidiary of the Company.

(B) The Executive agrees to devote his best efforts to the performance of his duties for the Company; to render his services to any joint venture, subsidiary or affiliated business of the Company; to participate in establishing the direction of the Company's business; and to promote the Company's relationships with its employees, customers and others in the business and financial communities.

William S. Robinson Employment Agreement



**ARTICLE III  
COMPENSATION**

(A) The Company shall pay to the Executive \$220,000 per year for all services to be rendered pursuant to the terms of this Agreement. Such salary is payable in accordance with the Company's normal payroll procedures. The Board of Directors may increase the Executive's salary from time to time in its discretion.

(B) The Company shall grant the Executive options to acquire 500,000 shares of the Company's common stock at an exercise price of \$0.25 per share. These options shall be granted pursuant to the Integral Technologies, Inc. 2009 Stock Plan. These options shall be fully vested on August 1, 2009 and may be exercised in whole or in part at any time after January 1, 2010. All options shall expire the earlier of December 31, 2014, or one year following the termination of employment with the Company. The following terms and conditions apply to the options: (i) both the number of options and the exercise price are subject to appropriate adjustments in the event of any stock split, stock dividend or other change in capital structure affecting the Company's common stock, (ii) the options and the shares of common stock issuable upon exercise of the options are subject to restrictions on transfer, as required by applicable federal and state securities laws; (iii) options which have not vested on or before the date of termination of the Executive's employment shall terminate on such date, and (iv) notwithstanding the expiration date, all vested options must be exercised within the earlier of the expiration date of the options or one year after termination of the Executive's employment. The Executive acknowledges that as long as he remains an executive officer of the Company, he shall be deemed an "affiliate" and/or a "control person" for purposes of reporting and compliance under the rules and regulations of the Securities and Exchange Commission.

(C) The Executive shall be eligible to receive bonuses, based on the extent the Executive achieves certain goals and objectives, to be determined by mutual agreement between the Executive and the Board of Directors.

(D) The Board of Directors may at its discretion from time to time grant to the Executive additional options to purchase shares of common stock of the Company.

**ARTICLE IV  
WORKING CONDITIONS AND BENEFITS**

(A) The Executive shall be entitled to paid vacations during each year of his employment with the Company in accordance with Company practice in that year. The Executive shall also be entitled to leave for illness or temporary disability, subject to the terms of Article VII(B), which may be paid or unpaid, in accordance with the policies of the Company in effect at that time.

(B) The Executive is authorized to incur reasonable and necessary expenses for promoting the business of the Company, including authorized expenses for entertainment, travel and similar items. The Company shall reimburse the Executive in accordance with the policies of the Company in effect from time to time for all such expenses, upon presentation by the Executive of an itemized account of such authorized expenditures.

(C) The Executive shall be employed by the Company at its executive offices in Bellingham, Washington. The Executive shall travel on the Company's behalf to the extent reasonable and necessary and be reimbursed for such travel.

(D) The Company shall provide to the Executive, to the full extent provided for under the laws of the Company's state of incorporation and the Company's bylaws, indemnification for any claim or lawsuit which may be threatened, asserted or commenced against the Executive by reason of the fact that he is or was a director, officer, employee or other agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, or other enterprise or employee benefit plan, provided that indemnification shall not be provided in violation of applicable law. The Company shall also provide the Executive with mandatory advancement of expenses upon receipt by the Company of Executive's written undertaking to repay any such amount advanced if he is ultimately found not to be entitled to indemnification under applicable law.

#### **ARTICLE V OTHER BENEFITS**

(A) During the term hereof, the Executive shall be entitled to receive such of the following other benefits of employment available to other members of the Company's senior executive management: major medical health benefits, life insurance benefits, pension, profit sharing and income protection or disability plans, in each instance, consistent with the Executive's position.

(B) The Executive shall be entitled to receive an automobile allowance up to \$1,500 per month.

#### **ARTICLE VI TERM**

The term of this Agreement shall commence as of August 1, 2009 and continue until July 31, 2014, unless this Agreement is terminated pursuant to the terms hereof.

#### **ARTICLE VII TERMINATION**

(A) The Executive may voluntarily terminate this Agreement at any time upon written notice to the Company. The Executive shall provide at least one month advance notice to the Company of his election to voluntarily terminate this Agreement.

(B) The Company may terminate this Agreement upon written notice to the Executive if the Executive becomes disabled or suffers an illness and as a result of such disability or illness is substantially unable to perform the Executive's duties hereunder for a period of three (3) consecutive months or an aggregate of ninety (90) working days over a consecutive twelve (12) month period; such notice shall be forwarded to the Executive by the Company upon and after a resolution of the Company's Board of Directors authorizing such notification. In the event of the Executive's death, this Agreement shall terminate upon the date of death.

(C) The Company may terminate this Agreement for cause upon written notice from the Company to the Executive if the Executive has materially violated the terms of this Agreement or committed acts of misconduct or willfully fails to carry out the policies of the Company's Board of Directors or commits acts which have a material adverse affect on the business of the Company. Such notice shall be forwarded to the Executive by the Company upon and after a resolution of the Company's Board of Directors authorizing such notification.

(D) In the event that the Company terminates the employment of the Executive without cause, then the Executive shall be entitled to severance pay equal to twelve (12) month's base salary based on the base salary then in effect at the termination date. Such severance pay shall be made in one lump sum or in monthly installments on the first day of each month at the option of the Company. In addition, the Executive shall be entitled to any prior unpaid salary and unreimbursed expenses. In addition, any and all options to purchase Company's stock held by the Executive, but not yet vested, shall immediately vest. The payments contemplated in this paragraph shall completely relieve the Company of any liability to the Executive for any compensation that would have otherwise been payable to the Executive under the terms of this Agreement.

## **ARTICLE VIII CONFIDENTIALITY AND NON-COMPETITION**

(A) All Company trade secrets, proprietary information, software, software codes, advertising, sales, marketing and other materials or articles of information, including without limitation customer and supplier lists, data processing reports, customer sales analyses, invoices, price lists or information, samples, or any other materials or data of any kind furnished to the Executive by the Company or developed by the Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with the Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during or after the termination of the Executive's employment, the Executive shall immediately deliver the same to the Company.

(B) During the term of this Agreement and for a period in which any severance payments are made, the Executive shall not, directly or indirectly, either individually or as owner, partner, agent, employee, consultant or otherwise, except for the account of and on behalf of the Company or its affiliates, engage in any activity competitive with the business of the Company or its affiliates, nor shall he, in competition with the Company or its affiliates, solicit or otherwise attempt to establish for himself or any other person, firm or entity, any business relationships with any person, firm or corporation, which was, at any time during the term of this Agreement, a customer or employee of the Company or one of its affiliates.

(C) During the term of this Agreement and at all times thereafter, the Executive shall not use for personal benefit, or disclose, communicate or divulge to, or use for the direct or indirect benefit of any person, firm, association or entity other than the Company, any material referred to in paragraph (A) above or any information regarding the business methods, business policies, procedures, techniques, research or development projects or results, trade secrets, or other knowledge or processes used or developed by the Company or any names and addresses of customers or clients or any other confidential information relating to or dealing with the business operations or activities of the Company, made known to the Executive or learned or acquired by the Executive while in the employ of the Company.

**ARTICLE IX  
SEVERABILITY**

If any provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall remain in full force and effect in all other circumstances.

**ARTICLE X  
ARBITRATION**

Any controversy, claim or dispute arising out of the terms of this Agreement, or the breach thereof, shall be settled by arbitration in the State of Washington and the award rendered thereon shall be final, binding and conclusive as to all parties and may be entered in any court of competent jurisdiction.

**ARTICLE XI  
NOTICE**

Any notice, request, demand or other communication provided for by this Agreement shall be sufficient if in writing and if delivered in person or sent by registered or certified mail to the Executive at the last resident address he has filed in writing with the Company or, in the case of the Company, at its principal executive offices.

**ARTICLE XII  
BENEFIT**

This Agreement shall inure to, and shall be binding upon, the parties hereto, the successors and assigns of the Company and the heirs and personal representatives of the Executive.

**ARTICLE XIII  
WAIVER**

The waiver of either party of any breach or violation of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

William S. Robinson Employment Agreement

**ARTICLE XIV  
GOVERNING LAW**

This Agreement has been negotiated and executed in the State of Washington and the laws of the State of Washington (except its provisions governing the choice of law) shall govern its construction and validity.

**ARTICLE XV  
ENTIRE AGREEMENT**

This Agreement contains the entire Agreement between the parties hereto; no change, addition or amendment shall be made hereto except by written agreement signed by the parties hereto. This Agreement supersedes all prior Agreements and understandings between the Executive and the Company.

**ARTICLE XVI  
COUNTERPARTS AND FACSIMILE SIGNATURES**

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a party shall constitute a valid and binding execution and delivery of this Agreement by such party. Such facsimile copies shall constitute enforceable original documents.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

**EXECUTIVE:**

/s/ William S. Robinson  
William S. Robinson

**COMPANY:**

**INTEGRAL TECHNOLOGIES, INC.**

By:/s/ William A. Ince  
William A. Ince



**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (the "Agreement") is made this 1st day of August 2009, by and between **INTEGRAL TECHNOLOGIES, INC.**, a Nevada corporation, with principal executive offices located at 805 West Orchard Drive, #7, Bellingham, Washington 98225 (the "Company"), and **WILLIAM A. INCE**, an individual residing at 2317 North Shore Road, Bellingham, Washington 98226 (the "Executive").

**RECITALS**

**NOW, THEREFORE**, for and in consideration of the mutual covenants and representations and warranties of each other contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the Executive and the Company agree as follows:

**ARTICLE I  
EMPLOYMENT**

The Company hereby employs the Executive; and the Executive hereby accepts such employment and agrees to serve as an employee and Director of the Company, subject to and upon the terms and conditions set forth in this Agreement.

**ARTICLE II  
TITLE AND DUTIES**

(A) During the term of employment with the Company, and subject to the direction of the Board of Directors, the Executive shall perform duties and functions consistent with his employment hereunder as an officer and director of the Company in the capacity of President, Secretary and Chief Financial Officer, as further defined in the Company's bylaws. The Executive shall also perform duties and functions consistent with his employment hereunder as an officer and director of each subsidiary of the Company.

(B) The Executive agrees to devote his best efforts to the performance of his duties for the Company; to render his services to any joint venture, subsidiary or affiliated business of the Company; to participate in establishing the direction of the Company's business; and to promote the Company's relationships with its employees, customers and others in the business and financial communities.

William A. Ince Employment Agreement

**ARTICLE III  
COMPENSATION**

(A) The Company shall pay to the Executive \$220,000 per year for all services to be rendered pursuant to the terms of this Agreement. Such salary is payable in accordance with the Company's normal payroll procedures. The Board of Directors may increase the Executive's salary from time to time in its discretion.

(B) The Company shall grant the Executive options to acquire 500,000 shares of the Company's common stock at an exercise price of \$0.25 per share. These options shall be granted pursuant to the Integral Technologies, Inc. 2009 Stock Plan. These options shall be fully vested on August 1, 2009 and may be exercised in whole or in part at any time after January 1, 2010. All options shall expire the earlier of December 31, 2014, or one year following the termination of employment with the Company. The following terms and conditions apply to the options: (i) both the number of options and the exercise price are subject to appropriate adjustments in the event of any stock split, stock dividend or other change in capital structure affecting the Company's common stock, (ii) the options and the shares of common stock issuable upon exercise of the options are subject to restrictions on transfer, as required by applicable federal and state securities laws; (iii) options which have not vested on or before the date of termination of the Executive's employment shall terminate on such date, and (iv) notwithstanding the expiration date, all vested options must be exercised within the earlier of the expiration date of the options or one year after termination of the Executive's employment. The Executive acknowledges that as long as he remains an executive officer of the Company, he shall be deemed an "affiliate" and/or a "control person" for purposes of reporting and compliance under the rules and regulations of the Securities and Exchange Commission.

(C) The Executive shall be eligible to receive bonuses, based on the extent the Executive achieves certain goals and objectives, to be determined by mutual agreement between the Executive and the Board of Directors.

(D) The Board of Directors may at its discretion from time to time grant to the Executive additional options to purchase shares of common stock of the Company.

**ARTICLE IV  
WORKING CONDITIONS AND BENEFITS**

(A) The Executive shall be entitled to paid vacations during each year of his employment with the Company in accordance with Company practice in that year. The Executive shall also be entitled to leave for illness or temporary disability, subject to the terms of Article VII(B), which may be paid or unpaid, in accordance with the policies of the Company in effect at that time.

(B) The Executive is authorized to incur reasonable and necessary expenses for promoting the business of the Company, including authorized expenses for entertainment, travel and similar items. The Company shall reimburse the Executive in accordance with the policies of the Company in effect from time to time for all such expenses, upon presentation by the Executive of an itemized account of such authorized expenditures.



(C) The Executive shall be employed by the Company at its executive offices in Bellingham, Washington. The Executive shall travel on the Company's behalf to the extent reasonable and necessary and be reimbursed for such travel.

(D) The Company shall provide to the Executive, to the full extent provided for under the laws of the Company's state of incorporation and the Company's bylaws, indemnification for any claim or lawsuit which may be threatened, asserted or commenced against the Executive by reason of the fact that he is or was a director, officer, employee or other agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, or other enterprise or employee benefit plan, provided that indemnification shall not be provided in violation of applicable law. The Company shall also provide the Executive with mandatory advancement of expenses upon receipt by the Company of Executive's written undertaking to repay any such amount advanced if he is ultimately found not to be entitled to indemnification under applicable law.

#### **ARTICLE V OTHER BENEFITS**

(A) During the term hereof, the Executive shall be entitled to receive such of the following other benefits of employment available to other members of the Company's senior executive management: major medical health benefits, life insurance benefits, pension, profit sharing and income protection or disability plans, in each instance, consistent with the Executive's position.

(B) The Executive shall be entitled to receive an automobile allowance up to \$1,500 per month.

#### **ARTICLE VI TERM**

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#### **ARTICLE VII TERMINATION**

(A) The Executive may voluntarily terminate this Agreement at any time upon written notice to the Company. The Executive shall provide at least one month advance notice to the Company of his election to voluntarily terminate this Agreement.

(B) The Company may terminate this Agreement upon written notice to the Executive if the Executive becomes disabled or suffers an illness and as a result of such disability or illness is substantially unable to perform the Executive's duties hereunder for a period of three (3) consecutive months or an aggregate of ninety (90) working days over a consecutive twelve (12) month period; such notice shall be forwarded to the Executive by the Company upon and after a resolution of the Company's Board of Directors authorizing such notification. In the event of the Executive's death, this Agreement shall terminate upon the date of death.

(C) The Company may terminate this Agreement for cause upon written notice from the Company to the Executive if the Executive has materially violated the terms of this Agreement or committed acts of misconduct or willfully fails to carry out the policies of the Company's Board of Directors or commits acts which have a material adverse affect on the business of the Company. Such notice shall be forwarded to the Executive by the Company upon and after a resolution of the Company's Board of Directors authorizing such notification.

(D) In the event that the Company terminates the employment of the Executive without cause, then the Executive shall be entitled to severance pay equal to twelve (12) month's base salary based on the base salary then in effect at the termination date. Such severance pay shall be made in one lump sum or in monthly installments on the first day of each month at the option of the Company. In addition, the Executive shall be entitled to any prior unpaid salary and unreimbursed expenses. In addition, any and all options to purchase Company's stock held by the Executive, but not yet vested, shall immediately vest. The payments contemplated in this paragraph shall completely relieve the Company of any liability to the Executive for any compensation that would have otherwise been payable to the Executive under the terms of this Agreement.

## **ARTICLE VIII CONFIDENTIALITY AND NON-COMPETITION**

(A) All Company trade secrets, proprietary information, software, software codes, advertising, sales, marketing and other materials or articles of information, including without limitation customer and supplier lists, data processing reports, customer sales analyses, invoices, price lists or information, samples, or any other materials or data of any kind furnished to the Executive by the Company or developed by the Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with the Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during or after the termination of the Executive's employment, the Executive shall immediately deliver the same to the Company.

(B) During the term of this Agreement and for a period in which any severance payments are made, the Executive shall not, directly or indirectly, either individually or as owner, partner, agent, employee, consultant or otherwise, except for the account of and on behalf of the Company or its affiliates, engage in any activity competitive with the business of the Company or its affiliates, nor shall he, in competition with the Company or its affiliates, solicit or otherwise attempt to establish for himself or any other person, firm or entity, any business relationships with any person, firm or corporation, which was, at any time during the term of this Agreement, a customer or employee of the Company or one of its affiliates.

(C) During the term of this Agreement and at all times thereafter, the Executive shall not use for personal benefit, or disclose, communicate or divulge to, or use for the direct or indirect benefit of any person, firm, association or entity other than the Company, any material referred to in paragraph (A) above or any information regarding the business methods, business policies, procedures, techniques, research or development projects or results, trade secrets, or other knowledge or processes used or developed by the Company or any names and addresses of customers or clients or any other confidential information relating to or dealing with the business operations or activities of the Company, made known to the Executive or learned or acquired by the Executive while in the employ of the Company.

**ARTICLE IX  
SEVERABILITY**

If any provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall remain in full force and effect in all other circumstances.

**ARTICLE X  
ARBITRATION**

Any controversy, claim or dispute arising out of the terms of this Agreement, or the breach thereof, shall be settled by arbitration in the State of Washington and the award rendered thereon shall be final, binding and conclusive as to all parties and may be entered in any court of competent jurisdiction.

**ARTICLE XI  
NOTICE**

Any notice, request, demand or other communication provided for by this Agreement shall be sufficient if in writing and if delivered in person or sent by registered or certified mail to the Executive at the last resident address he has filed in writing with the Company or, in the case of the Company, at its principal executive offices.

**ARTICLE XII  
BENEFIT**

This Agreement shall inure to, and shall be binding upon, the parties hereto, the successors and assigns of the Company and the heirs and personal representatives of the Executive.

**ARTICLE XIII  
WAIVER**

The waiver of either party of any breach or violation of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

William A. Ince Employment Agreement

**ARTICLE XIV  
GOVERNING LAW**

This Agreement has been negotiated and executed in the State of Washington and the laws of the State of Washington (except its provisions governing the choice of law) shall govern its construction and validity.

**ARTICLE XV  
ENTIRE AGREEMENT**

This Agreement contains the entire Agreement between the parties hereto; no change, addition or amendment shall be made hereto except by written agreement signed by the parties hereto. This Agreement supersedes all prior Agreements and understandings between the Executive and the Company.

**ARTICLE XVI  
COUNTERPARTS AND FACSIMILE SIGNATURES**

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a party shall constitute a valid and binding execution and delivery of this Agreement by such party. Such facsimile copies shall constitute enforceable original documents.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

**EXECUTIVE:**

/s/ William A. Ince  
William A. Ince

**COMPANY:**

**INTEGRAL TECHNOLOGIES, INC.**

By:/s/ William S. Robinson  
William S. Robinson

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CONSULTING AND CONFIDENTIALITY AGREEMENT

CONSULTING AGREEMENT for the key personnel services of IEGT, Inc.'s employee Mo Zeidan, dated as of August 10, 2009 (the "Agreement"), by IEGT, Inc., a Michigan Corporation ("Consultant"), and Integral Technologies, Inc. a Nevada corporation (the "Company" or "Integral").

WHEREAS, the Company desires to engage Consultant to provide certain consulting services as the Company may direct. The Consultant is willing to be engaged by the Company as a consultant and to provide such services, in assisting in the development/commercialization of Integral's ElectriPlast™ technology. Also, depending on time available and subject to the direction of the Company, the development/commercialization of the Carbon Fiber Wire Technology combined with ElectriPlast™ on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the Company and Consultant agree as follows:

1. Consulting. The Company hereby retains Consultant, and Consultant hereby agrees to make Consultant's employee Mo Zeidan available as a consultant to the Company, upon the terms and subject to the conditions contained herein. During the Consultant Term (as hereinafter defined), Consultant shall provide certain consulting services to the Company as requested by management.

2. Term. Subject to the provisions for termination hereinafter provided, the term of this Agreement shall commence on the date set forth above (the "Effective Date") and shall continue until July 31, 2011 (the "Consultant Term").

3. Compensation. In consideration of the services to be rendered by Consultant hereunder, during the Consultant Term the Company shall pay and grant to Consultant, and Consultant agrees to accept the following:

(a) as a consulting fee, \$25,000 per month (the "Consulting Fee") payable at the beginning of each month. This consulting fee will be reviewed every six months effective as of the date of this agreement. Consideration will be given to renegotiating the Consulting Fee based upon the success of Consultant obtaining contracts. Also, compensation per each contract obtained shall be considered by the Company. The decision on whether the Consulting Fee will be increased will be at the sole discretion of the Company.

(b) The company shall grant to Consultant 2,000,000 options for the right to purchase common stock of the Company. The Grant of Option forms part of this Agreement and is attached as Exhibit A. These options shall be priced and vested pursuant to the Grant of Option and as indicated below.

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Number of Options	Vesting Date	Option Price
200,000	July 10, 2009	\$0.25
200,000	October 10, 2009	\$0.25
200,000	January 10, 2010	\$0.25
200,000	April 10, 2010	\$0.25
200,000	July 10, 2010	\$0.25
200,000	October 10, 2010	\$0.25
200,000	January 10, 2011	\$0.25
200,000	April 10, 2011	\$0.25
400,000	July 10, 2011	\$0.25

The consideration to be given by Consultant for the Consulting Fee and the grant of options agreement shall include the following services and third party costs over the two year contract:

**Services:**

\***Engineering** – Application designs, Product Development, Technology Roadmap & Implementation Timing Plan.

\***Marketing**- Product Introduction with OEM, Tier I, Tier II, Conventions, Associations & Publications.

\***Customer Approvals and Validation**

\***Patents**– Complete Analysis of all Patents (Awarded, Pending) and categorize them by sector, Industry, Application, Priority of implementation, & identify potential customers.

\***Research & Development- Design Technical Solutions to make the “Integral Patents” Implementation Ready & “Differentiation”**. This anticipates “New Competitive Innovation” for market penetration with unique products and New Patent based on cost effective systems solutions. Joint development with the Customer’s Advanced Engineering Team for future implementation to transition into Core Approved Production Technology and migrate as a Global Customer Strategy.

\* **Business Case** – Systems Analysis per Application/Sector for Technology justification and detailing all the benefits (Financial, Technical Performance, Assembly Processes, Packaging, Weight, impact on Fuel Efficiency, Environmental, Tooling Investment impact such stamping tools versus molding tools and product reliability).

\***Expenses**- Mileage for Customers Travel & Customers Entertainment in Michigan/-surrounding states within reasonable driving distance 4 – 6 hrs. This includes driving to Jasper for meetings. Other travel expenses will be funded by Integral.

\***Joint Development/Joint Venture** – Identify Partner for joint development of products implementation which includes embedding in applications plus all the Testing up to approval phase and Business Award. Structure an agreement frame and justification. Work with customer for all phases Pre-Award - Prototype---Production.

\***ElectriPlast™ Web Site**-assist by providing technical information to the personnel of the Company and Jasper Rubber Products, Inc. of a new ElectriPlast™ web site.

\***Funding**- Support Integral as required in the technical documentation & Presentations for external funding justification such as the DOE, State, Government, Grants, and VC.

**Third party costs:**

Mileage for Customers Travel & Customers Entertainment in Michigan-/surrounding states within reasonable driving distance 4 – 6 hrs. This includes driving to Jasper for meetings. Other travel expenses will be funded by Integral.

4. Termination. The Consultant Term will end on July 31, 2011 (the “Expiration Date”), unless sooner terminated as provided below. Notwithstanding the foregoing, the Consultant Term (i) will terminate upon the death of Mo Zeidan or upon Notice of Termination (as defined below) delivered to Consultant as a result of Mo Zeidan’s Disability (as defined in Section 4(e) below), and (ii) may be terminated by the Company at any time prior to the Expiration Date for Cause (as defined in Section 4(d) below) or without Cause (“Termination Date”). Any termination of the Consultant Term by the Company or by Consultant (other than termination upon Mo Zeidan’s death) must be communicated by written “Notice of Termination” to the other party hereto. “Termination Date” means (i) if the Consultant Term has not already been terminated by such date, the Expiration Date, (ii) if the Consultant Term is terminated by Mo Zeidan’s death, the date of Mo Zeidan’s death, or (iii) if the Consultant Term is terminated upon Mo Zeidan’s Disability, by the Company, the date specified in the Notice of Termination.

(a) Either party may terminate the contract at the following “six month” intervals with 30 days notice: January 31, 2010, July 31, 2010, and January 31, 2011.

(b) If the Consultant Term is terminated by the Company without Cause, Consultant will be entitled to receive the full amount of the remaining compensation as identified in paragraph 3.a as it becomes due pursuant thereto.

(c) If the Consultant Term is terminated by the Company for Cause, the Company will pay Consultant only those amounts due as identified in paragraph 3.a, prorated, to the Termination Date and any unpaid expenses as of the Termination Date. Upon delivery of the payment described in this Section 4(b), the Company will have no further obligation to Consultant under this agreement.

(d) If Consultant terminates under paragraph 4(a) then the Company will pay Consultant only those amounts due as identified in paragraph 3.a prorated, to the Termination Date and any unpaid expenses as of the Termination Date. Upon delivery of the payment described in this Section 4(b), the Company will have no further obligation to Consultant under this agreement.

(e) If the Consultant Term is terminated upon death of Mo Zeidan or Disability, the Company will pay Consultant only those amounts due as identified in paragraph 3.a, prorated, to the Termination Date and any unpaid expenses as of the Termination Date. Upon delivery of the payment described in this Section 4(c), the Company will have no further obligation to Consultant under this agreement.



(f) “Cause” means any one of the following: (i) a material breach by Consultant of this agreement, (ii) Mo Zeidan’s conviction of, guilty plea to, or confession of guilt of, a felony, but expressly excluding misdemeanor traffic violations, (iii) fraudulent, dishonest or illegal conduct, gross negligence or willful misconduct by Consultant in the performance of services for or on behalf of the Company or any of its subsidiaries or any other conduct detrimental to the business, operations or reputation of the Company or any of its subsidiaries as determined by the Board in good faith, regardless of whether such conduct is within the scope of Consultant’s duties, (iv) Consultant’s misappropriation of funds, (v) Consultant engaging in conduct involving an act of moral turpitude, (vi) failure to comply with the directions of the Board, provided that such directions are reasonable, lawful, and consistent with Consultant’s duties and responsibilities hereunder, (vii) Consultant’s failure to perform in any material respect all of Consultant’s obligations and duties pursuant to this agreement, (viii) Consultant’s failure to achieve (or, as applicable, failure by the Company to achieve) performance and other goals established by the Board in good faith from time to time (except where such failure results from extraordinary circumstances outside of your control (i.e. *force majeure*)).

(g) “Disability” means any accident, sickness, incapacity or other physical or mental disability which prevents Mo Zeidan from performing substantially all of the duties Consultant has been assigned by the Company or any of its subsidiaries for either (i) 30 consecutive days or (ii) 30 days during any period of 365 consecutive days, in each case as determined in good faith by the Board.

5. Reimbursement. The Company will reimburse Consultant for all reasonable out-of-pocket expenses incurred in connection with this Agreement excluding Third Party Costs as set forth in Section 3(a). In addition, the Company will fund all costs related to prototype development and testing.

6. Confidential Information. Forming part of this Agreement as Exhibit B, and to be executed by the Consultant and Mo Zeidan is the Company’s standard Non Disclosure Agreement.

7. Independent Contractor. It is understood and agreed that this Agreement does not create any relationship of association, partnership or joint venture between the parties, nor constitute either party as the agent or legal representative of the other for any purpose whatsoever; and the relationship of Consultant to the Company for all purposes shall be one of independent contractor. Neither party shall have any right or authority to create any obligation or responsibility, express or implied, on behalf or in the name of the other, or to bind the other in any manner whatsoever.

8. Ownership. Consultant agrees that all patentable material, notes, records, drawing, designs, improvements, developments, discoveries and trade secrets (collectively, “Material”) conceived, made or discovered by Consultant, solely or in collaboration with others, while providing services to the Company and the period of this Agreement which relate in any manner to the business of the Company that Consultant may be directed to undertake or which Consultant may become associated with the Company in performing the services hereunder, are the sole property of the Company. Consultant further agrees to assign (or cause to be assigned) and does hereby assign fully to the Company all Material and any patents or other intellectual property rights relating thereto.

9. Further Assurances. Consultant agrees to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in ElectriPlast™ and applications related thereto, and any patents or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Material, and any patents or other intellectual property rights relating thereto, Consultant further agrees that Consultant's obligation to execute or cause to be executed, when it is in Consultant's power to do so, any instrument or papers pursuant to this Agreement shall continue after the termination of the Agreement.

10. Work Made for Hire. The Company is engaging the services of Consultant to provide services as described herein for or on behalf of the Company and/or for a customer or customers of the Company. Consultant recognizes and agrees that all work and products that Consultant creates or develops within the scope of this engagement will be Work Made for Hire that belongs to the Company and will remain the property of the Company. The Company will exclusively own, solely and completely, any work, process, product, idea or concept – whether such may be protected by patentable or not – that Consultant creates, conceives or develops, in whole or in part, within the scope of Consultant's engagement by the Company. To the extent that Consultant's work for the Company may not be deemed a Work Made For Hire, Consultant hereby assigns all of his right, ownership, interest and patents in such works completely and exclusively to the Company.

11. Conflict of Interest. Consultant and the Company hereby agree that there is no conflict of interest in connection with the retention by the Company of the Consultant pursuant to this Agreement.

12. Waiver of Breach. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach.

13. Notices. All notices and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered in person, (b) one (1) business day after being mailed with a nationally recognized overnight courier service, or (c) three (3) business days after being mailed by registered or certified first class mail, postage prepaid, return receipt requested, to the parties hereto at:

If to the Company, to :

Integral Technologies, Inc.  
805 W. Orchard Drive, Suite 7  
Bellingham, WA 98225  
Fax: 360-752-1983  
Attn: William S. Robinson, Chief Executive Officer

If to the Consultant, to: IEGT, Inc.  
Mo Zeidan, President  
409 Rosemary St.  
Dearborn Heights, MI 48127  
Fax: 313-344-1886

14. Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all other communications, whether written or oral. This Agreement may be modified or amended only by a writing signed by the Party against whom enforcement is sought.

15. Severability. The invalidity of all or any part of any provision of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such provision. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

16. Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the law of the State of Washington without giving effect to the principles of conflicts of law thereof. The parties each hereby submit themselves for the sole purpose of this Agreement and any controversy arising hereunder to the exclusive jurisdiction of the state and/or federal courts in the State of Washington.

17. Headings. The headings herein are inserted only as a matter of convenience and reference, and in no way define, limit or describe the scope of this Agreement or the intent of the provisions thereof

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Signatures evidenced by facsimile transmission will be accepted as original signatures.

19. Assignment. This Agreement and the rights, duties and obligations hereunder may not be assigned or delegated by Consultant without the prior written consent of the Company. Any assignment or delegation of rights, duties or obligations hereunder made without the prior written consent of the Company shall be void and of no effect.

20. Successors and Assigns. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the parties and their respective permitted successors and assigns.

21. Dispute Resolution and Governing Law. Consultant agrees to initiate and maintain any legal action in such designated jurisdiction and irrevocably consent to exclusive personal jurisdiction and venue therein. Should Consultant bring legal action against the Company, the Consultant shall irrevocably agree that it will be brought and maintained on an individual basis (and not consolidated with similar cases, such as class actions, aggregated actions, or mass actions) within one (1) year after the claim arises or be barred. Furthermore, except for injunctive relief, all disputes arising out of or relating to this Agreement or the subject matter thereof involving less than one hundred thousand dollars (\$100,000.00) shall be submitted to arbitration administered by the American Arbitration Association (“AAA”) under its Commercial Arbitration Rules. The parties agree that if an issue arises as to whether any matter related to this Agreement is subject to arbitration, the arbiter shall decide said issue. The arbiter shall be selected according to the procedures set by AAA. If a party to the arbitration fails or refuses to pay the fees of AAA, then any other party to the arbitration may pay said fees and proceed with the arbitration. The location of the arbitration shall be in Seattle, Washington. The arbiter’s award may be entered as a judgment in any court of competent jurisdiction. The Federal Arbitration Act shall govern the interpretation, enforcement and all proceedings in the arbitration. Disputes involving amounts exceeding the above dollar limit are not subject to arbitration and may be taken directly to court by either party. The parties agree that U.S. District Courts can hear cases involving copyright issues between them.

22. Injunctive Relief. The parties acknowledge that a violation or attempted violation of this Agreement and the Terms and Conditions will cause such damage to the Company as will be irreparable, the exact amount of which would be difficult to ascertain and for which there will be no adequate remedy at law. Accordingly, the parties agree that the Company shall be entitled to an injunction issued by any court of competent jurisdiction, restraining such violation or attempted violation of this Agreement by the Consultant or its affiliates, partners, or agents. The parties agree that no bond or other security shall be required in connection with such injunction.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

**INTEGRAL TECHNOLOGIES, INC.**

By: /s/ William A. Ince

William A. Ince, President

**IEGT, Inc.**

By: /s/ Mo Zeidan

Mo Zeidan, President



CERTIFICATION PURSUANT TO  
18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William S. Robinson, Chief Executive Officer of Integral Technologies, Inc., certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 30, 2009 of Integral Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 28, 2009

/s/ William S. Robinson

William S. Robinson, Chief Executive Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William A. Ince, Chief Financial Officer of Integral Technologies, Inc., certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 30, 2009 of Integral Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 28, 2009

/s/ William A. Ince

William A. Ince, Chief Financial Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Integral Technologies, Inc. (the “Company”) on Form 10-K for the fiscal year ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William S. Robinson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

September 28, 2009

/s/ William S. Robinson

William S. Robinson, Chief Executive Officer



CERTIFICATION PURSUANT TO  
18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Integral Technologies, Inc. (the “Company”) on Form 10-K for the fiscal year ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William A. Ince, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

September 28, 2009

/s/ William A. Ince

William A. Ince, Chief Financial Officer

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