

**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, 2013

☐ 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, \$.001 par value

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

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 registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2012 (based on an average of the bid and ask prices of approximately \$0.27) was approximately \$17,010,717.

The number of shares of the issuer's common stock, \$.001 par value, outstanding as of September 10, 2013 was 78,939,484 shares.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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## TABLE OF CONTENTS

	Page
PART I	
Item 1. <a href="#"><u>Business</u></a>	2
Item 1A. <a href="#"><u>Risk Factors</u></a>	7
Item 1B. <a href="#"><u>Unresolved Staff Comments</u></a>	11
Item 2. <a href="#"><u>Properties</u></a>	11
Item 3. <a href="#"><u>Legal Proceedings</u></a>	11
Item 4. <a href="#"><u>Reserved</u></a>	11
PART II	
Item 5. <a href="#"><u>Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	12
Item 6. <a href="#"><u>Selected Financial Data</u></a>	13
Item 7. <a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u></a>	13
Item 7A. <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	15
Item 8. <a href="#"><u>Financial Statements and Supplementary Data</u></a>	15
Item 9. <a href="#"><u>Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u></a>	15
Item 9A. <a href="#"><u>Controls and Procedures</u></a>	16
Item 9B. <a href="#"><u>Other Information</u></a>	17
PART III	
Item 10. <a href="#"><u>Directors, Executive Officers, and Corporate Governance</u></a>	19
Item 11. <a href="#"><u>Executive Compensation</u></a>	22
Item 12. <a href="#"><u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	27
Item 13. <a href="#"><u>Certain Relationship and Related Transactions, and Director Independence</u></a>	29
Item 14. <a href="#"><u>Principal Accountant Fees and Services</u></a>	31
Item 15. <a href="#"><u>Exhibits</u></a>	32
<a href="#"><u>SIGNATURES</u></a>	35

## **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 that could cause actual results to differ materially from 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, earnings 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 identifies important factors that 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 that 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 Integral Technologies, Inc. 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. We do not undertake any duty to update forward looking statements and the estimates and assumptions associated with them as circumstances change, except to the extent required by applicable federal securities laws.

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

##### **BUSINESS DEVELOPMENT**

Integral Technologies, Inc. ("Integral," the "Company" or "we") 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 researching, developing, engineering and commercializing our ElectriPlast® technology, which possesses a multitude of applications. In addition, we apply a significant portion of our resources to the protection of our intellectual property through patent filings. One source of income will be from up-front licensing fees as is the case with our manufacturing license agreement for the use of our patents and proprietary "know-how" for the manufacture of the ElectriPlast® pellets by Hanwha L&C of Korea. We expect to derive future income from additional manufacturing license fees, and other license fees related to the use of our patents and proprietary "know how" by third-parties for the development and manufacture of a variety of ElectriPlast® applications. We also expect to generate income from royalties from the sale of ElectriPlast® materials by our licensees as well as from our direct sales efforts.

Our business model calls for the Company to generate revenue from license fees from the use of our patent portfolio and proprietary "know-how", and to generate revenue through the sale of ElectriPlast® material either through a royalty revenue stream or from direct sales of ElectriPlast®. The Company's management and engineering team has expertise and know-how in the ideas related to the use of the product.

In particular, our business model calls for collaborating with leading resin and fiber suppliers, manufacturers, and technology innovators to manufacture ElectriPlast®, and develop new product applications for ElectriPlast®. We anticipate that these relationships will lead to greater market penetration and adoption for our products. In view of these goals, we have recently formed relationships with BASF, Delphi Automotive PLC and Hanwha L&C, and believe that we now have several key global relationships to help us expand our operations both domestically and internationally.

## **TECHNOLOGIES**

### *ElectriPlast®*

We have researched and developed an innovative, electrically-conductive resin-based material called “ElectriPlast®.” The ElectriPlast® polymer is a compounded formulation of resin-based materials that are conductively loaded, or doped, with a proprietary-controlled, balanced concentration of micron conductive materials, and then pelletized using our patented manufacturing process. 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, is non-corrosive, and can serve as an electrically conductive alternative material to metal.

ElectriPlast® is a patented non-corrosive, durable, conductive plastic pellet that replaces the metallic component currently used for shielding and conductive devices, thus creating applications never before possible and with a 40-60% weight reduction. ElectriPlast's® intellectual property rights and 55 issued patents and 12 pending applications cover both the material and its applications.

Various examples of applications for ElectriPlast® include antennas, shielding, lighting circuitry, switch actuators, resistors, medical devices, thermal management and cable connector bodies, among many others. We have been working to introduce these new applications and the ElectriPlast® technology on a global scale.

The ElectriPlast® intellectual property (IP) portfolio is the centerpiece of Integral's strategy to aggressively develop, protect, and market its innovations. Integral's patent holdings encompass a broad range of ElectriPlast® developments which extend beyond the core technology; to include key applications, and manufacturing processes

ElectriPlast® can be fabricated into virtually any shape or dimension using low-cost capital investment: injection molding and extrusion versus stamping. Its design flexibility, shorter development cycle and speed of manufacturing create a valuable market edge for customers.

Jasper Rubber Products, Inc., is Integral's US manufacturer of its proprietary ElectriPlast® product line (“Jasper”) ([www.jasperrubber.com](http://www.jasperrubber.com)), Jasper Rubber Products, Inc., is Integral's US manufacturer of its proprietary ElectriPlast® product line (“Jasper”) ([www.jasperrubber.com](http://www.jasperrubber.com)), Hanwha L&C is the Korean manufacturer.

Jasper, founded in 1949, is a leader in innovative rubber and plastics development. It manufactures a full range of products for customers in the major appliance, oil filter, and automotive industries, a number of which are Fortune 500 companies.

Hanwha L&C is part of the Hanwha Group (“Hanwha”) of companies that collectively form one of the largest conglomerates in South Korea. Headquartered in Seoul, Hanwha's businesses include chemicals, munitions, plastics and similar materials for aerospace, automotive and consumer goods industries, as well as solar, pharmaceuticals, financial services, renewable energy, manufacturing and construction. Hanwha Group is on Forbes' list of Top Global Companies.

### Patents/Trademarks on Technologies

Our intellectual property portfolio consists of over thirteen years of accumulated research and design knowledge and trade secrets. We have sought United States (“US”) patent protection for many of our ideas related to our ElectriPlast® technologies. Currently, we have filed 111 non-provisional US patent applications, 55 of which have been issued as patents, with 51 of those issued patents not yet expired. 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 and license the design(s) described in each issued patent for the life of the patent in the US.

Of the 111 non-provisional applications filed that have not issued as patents, 12 are currently pending, and 44 are no longer pending. Integral continues to pursue intellectual property protection through its patent and trademark portfolio while constantly evaluating its filings to judiciously apply resources to our most critical technologies. Integral has filed 12 Canadian patent applications, 2 of which have issued, with 10 no longer being active.

Integral has one pending US trademark application for ELECTRIPLAST™, one registered US trademark for ELECTRIPLAST®, a registered US trademark for INTEGRAL (with design)®, and a pending US trademark application for WHERE LIGHTWEIGHTING STARTS™. In addition, Integral has a registered mark for ELECTRIPLAST® in China, Japan, Europe and Taiwan, plus a pending trademark application in Korea for ELECTRIPLAST™. In addition, Integral has pending trademark applications in China, Japan, Europe, Korea and Taiwan for WHERE LIGHTWEIGHTING STARTS™. These applications and registration establish rights for the use of these marks in commerce.

#### Product Manufacturing and Distribution

We are not currently in the manufacturing business. As demand continues to grow and our need to increase capacity, reduce manufacturing costs and to improve margins, we would consider directly entering into the manufacturing business, including the possibility of acquiring existing assets or an operating company to help us accelerate this process. We have entered into a non-exclusive manufacturing agreement with Jasper Rubber, discussed herein, which provides for Jasper to manufacture ElectriPlast® for us.

Working with Jasper, we have refined the manufacturing and molding process of ElectriPlast®. The Jasper facility has production capacity able to meet our current and near term projected needs as well as the ability to rapidly increase capacity.

In June 2013, we signed a 10-year agreement with Hanwha L&C that grants Hanwha L&C an exclusive right to sell, distribute and manufacture ElectriPlast® in South Korea. Additionally, Hanwha has acquired non-exclusive sales and distribution rights to ElectriPlast® in Japan, Taiwan and China. Hanwha L&C is part of the Hanwha Group of companies that collectively form one of the largest conglomerates in South Korea, and is a global supplier in both automotive and consumer goods materials.

We also signed a Letter of Intent ("LOI") with chemical leader BASF Corporation to jointly explore the North American market for ElectriPlast's patented line of conductive thermoplastics. Together with BASF, we will approach key OEMs and Tier 1 manufacturers with opportunities for conductive thermoplastics as a lightweight material alternative to metals. As the world's leading chemical company, BASF's portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas.

As an engineered raw material, our technologies will not be sold directly to the general public, but rather to businesses and manufacturers of certain products who will incorporate our technologies as components in the design of their end-products. In addition to our current relationships, we are also exploring other opportunities for potential global partnerships in the automotive industry, as well as other industries, including consumer electronics, cable and wire, and telecommunications.

#### 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. Although gaining rapidly, little industry knowledge exists today regarding the science and use of conductive resins as an alternative material or how to apply the material to specific **applications**. **As with any new** technology, a prospective client must first become educated on the uses of the material, then investigate, test, trial and accept that the alternative material is an adequate, to superior cost effective replacement option. Until there is greater knowledge and broader acceptance of ElectriPlast as a viable metal replacement technology, we will continue to experience prolonged selling cycles.

## **SUMMARY OF AGREEMENTS**

Our business model calls for collaborating with leading technology innovators to develop new product applications for ElectriPlast® and to license our intellectual property for its manufacture and commercialization across many industries. 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 were 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 other circumstances.

Any revenue to be generated by us under the agreement will be from future sales of products manufactured by Heatron containing the ElectriPlast® technology.

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

In August 2006, we entered into a Patent License Agreement with 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 customers in the major appliance, oil filter, and automotive industries, a number of which are Fortune 500 companies.

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.

Any revenue to be generated by us under the agreement will be from future sales of products manufactured by Jasper containing the ElectriPlast® technology.

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

In November 2006, we entered into a Manufacturing Agreement with Jasper, pursuant to which Jasper manufactures 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 the Manufacturing Agreement (“Amendment One”) with Jasper. The primary purposes of 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 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, Michigan-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.

Any revenue to be generated by us under the agreement will be from future sales of products manufactured by ADAC containing the ElectriPlast® technology. 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 Aerospace/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.

Any revenue to be generated by us under the agreement will be from raw materials fees.

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 electromagnetic field (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-sub-licensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

Any revenue to be generated by us under the agreement will be from raw materials fees.

Co-Development Agreement with Delphi Automotive PLC

In June of 2013, we entered into a co-development agreement with Delphi Automotive PLC to jointly develop wire and cable insulation applications using ElectriPlast® Conductive Resin Technology. Integral and Delphi will focus their joint development efforts on replacing the copper braiding in wire and cable applications with the lighter and more cost effective plastic hybrid material ElectriPlast®. The resulting applications are expected to be lighter, less costly to manufacture and substantially easier to install. Delphi Automotive PLC is a leading global supplier of electronics and technologies for automotive, commercial vehicle and other market segments. Operating major technical centers, manufacturing sites and customer support facilities in 32 countries, Delphi delivers real-world innovations that make products smarter and safer as well as more powerful and efficient.

Letter of Intent with BASF

In June of 2013, we signed a Letter of Intent (“LOI”) with chemical leader BASF Corporation to jointly explore the North American market for ElectriPlast’s patented line of conductive thermoplastics. Along with BASF, we will approach key OEMs and Tier 1 manufacturers with opportunities for conductive thermoplastics as a lightweight material alternative to metals. As the world’s leading chemical company, BASF’s portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas.



Patent License Agreement with Hanwha L&C Corp.

On June 21, 2013, we entered into a 10-year license agreement with Hanwha L&C Corp., a global high-tech materials maker based in South Korea. The agreement granted Hanwha L&C Corp. an exclusive, non-transferrable, non-sub licensable, license to manufacture, sell and distribute Integral's line of conductive plastics, ElectriPlast®, in South Korea, as well as a non-exclusive, non-transferable, non-sub licensable right to sell and distribute ElectriPlast® for Japan, Taiwan and China markets. . There is a one-time license fee and an ongoing royalty fee for the life of the agreement.

**EMPLOYEES/CONSULTANTS**

We currently rely on both full and part-time associates, who work on our behalf on a contractual basis.

**SEC REPORTS AVAILABLE ON WEBSITE**

The Securities and Exchange Commission (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 invest in shares of our common stock.

**Purchase of our stock is a highly speculative and you could lose your entire investment.** We have been operating at a loss since inception, and you cannot assume that our business plans will either materialize or prove successful. In the event our plans are unsuccessful, you may lose all or substantially all 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 generated revenues; failure to achieve profitability in the future would likely 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 \$44.0 million as of June 30, 2013.

**If we do not generate adequate revenues in our fiscal year ending June 30, 2014, we will be required to raise capital to continue our operations.** Unless we generate adequate revenues from operations (we have had no revenue to date) in the near future, we will 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 that 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 an effective 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 efforts. 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 customers and third-parties with whom we do business.** Our future success significantly depends upon the continued service of certain key personnel. Competition for such key personnel is intense, and to be successful we must retain our key personnel. The loss of any key personnel or the inability to hire or retain qualified replacement personnel could cause a major disruption in our operations and we could lose our relationships with customers and third-parties with whom we do business, which could materially and 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 our current and future marketing efforts put towards our ElectriPlast® technology. Our ElectriPlast® technology will be marketed to manufacturers of products that will benefit from the incorporation of any of the ElectriPlast® applications into their products. As of June 30, 2013, 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. If alternative sources are not readily available, this could significantly 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, 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 US patent protection for many of our ideas related to our ElectriPlast® technologies. Our intellectual property portfolio consists of over thirteen years of accumulated research and design knowledge and trade secrets. We have sought United States (“US”) patent protection for many of our ideas related to our ElectriPlast® technologies. Currently, we have filed 111 non-provisional US patent applications, 55 of which have been issued as patents, with 51 of those issued patents not yet expired. 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 and license the design(s) described in each issued patent for the life of the patent in the US.

Of the 111 non-provisional applications filed that have not issued as patents, 12 are currently pending, and 44 are no longer pending. Integral continues to pursue intellectual property protection through its patent and trademark portfolio while constantly evaluating its filings to judiciously apply resources to our most critical technologies. Integral has filed 12 Canadian patent applications, 2 of which have issued, with 10 no longer being active.

Integral has one pending US trademark application for ELECTRIPLAST™, one registered US trademark for ELECTRIPLAST®, a registered US trademark for INTEGRAL (with design)®, and a pending US trademark application for WHERE LIGHTWEIGHTING STARTS™. In addition, Integral has a registered mark for ELECTRIPLAST® in China, Japan, Europe and Taiwan, plus a pending trademark application in Korea for ELECTRIPLAST™. In addition, Integral has pending trademark applications in China, Japan, Europe, Korea and Taiwan for WHERE LIGHTWEIGHTING STARTS™. These applications and registration establish rights for the use of these marks in commerce.

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 of the Company. 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. Competitors may independently develop substantially equivalent proprietary information and techniques that would legally circumvent our intellectual property rights. The inability to adequately protect our intellectual property rights, or any substantial expenses incurred in protecting our intellectual property rights, could have a material adverse affect on our financial condition and results of operations.

**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, 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. The inability to adequately protect our intellectual property rights, or any substantial expenses incurred in protecting our intellectual property rights, could have a material adverse affect on our financial condition and results of operations.

**If there are defects and errors in the Company's technology, it may lose revenues.** Defects and errors in current or future services or products could result in delay or prevent further deployment of the Company's technology, lost revenues, or a delay in or failure to achieve market acceptance. Any of these scenarios could seriously harm the Company's business and operating results. If the Company's products contain defects not discovered in the process of development or in its current deployment, it could seriously undermine the perceived trust and security needed for a commercial system and could delay or prevent market acceptance of its technology resulting in material adverse effects to the Company's business and operating results. Any defect or error could also deter potential customers, result in loss of customer confidence and adversely affect the Company's existing customer relationships.

**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, 2013, 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 at the discretion of the Board of Directors;

- 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 issuance 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;
- during the year ended June 30, 2010, 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, 2013, approximately 2,139,500 (2001-764,500, 2003-1,375,000) shares are available under the 2001 and 2003 plans for future issuance, either directly or pursuant to options, to our officers, directors, employees and consultants. As of June 30, 2013 there is an over-issuance of 1,275,000 shares of common stock under the 2009 non-qualified stock plan. The Company plans to remedy this over-issuance by authorizing additional shares of common stock for issuance under this plan. Also, as of June 30, 2013, approximately 5,900,000 shares are issued and have fully vested under our option plans, at a weighted-average exercise price of approximately \$0.43 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 upon, among other things, 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. Our contemplated future financial requirements 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 that causes the market price to be volatile and to usually decline when there is more selling than buying on any given day.** On May 9, 1997 our common stock began publicly trading on the OTC Bulletin Board under the symbol "ITKG," and it currently trades on the Pink Sheets. 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.** Historically, our common stock has been thinly traded and the market price has been highly volatile. During the year ended June 30, 2013, the closing bid price of our common stock has been quoted on the OTC Bulletin Board from as low as \$0.20 to as high as \$.83. 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 marketplace will increase the public float and may adversely affect the market price.**

As of June 30, 2013, 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 and is not an affiliate of the Company may sell their shares without limitation under Rule 144. Future sales of common stock will increase the public float and may have a material adverse effect on the market price of the common stock, which in turn could have a material adverse effect on 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 that 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.

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 Philadelphia, Pennsylvania. We principally use the Bellingham, Washington office space as our corporate headquarters. All manufacturing of our products occurs at the Jasper facility.

**ITEM 3. LEGAL PROCEEDINGS**

There are no pending legal proceedings involving our Company.

**ITEM 4. RESERVED**

**PART II****ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS***Market Information*

There is a limited public market for our common stock. On May 9, 1997, our common stock began publicly trading on the OTC Bulletin Board under the symbol "ITKG," and it currently trades on the Pink Sheets. The following table sets forth the range of high and low bid quotations for our common stock for each quarter of the fiscal years ended June 30, 2013 and 2012.

<u>Quarter Ended</u>	<u>Low Bid</u>	<u>High Bid</u>
September 30, 2011	\$ 0.31	\$ 0.51
December 31, 2011	\$ 0.25	\$ 0.51
March 31, 2012	\$ 0.24	\$ 0.65
June 30, 2012	\$ 0.30	\$ 0.45
September 30, 2012	\$ 0.29	\$ 0.39
December 31, 2012	\$ 0.20	\$ 0.38
March 31, 2013	\$ 0.20	\$ 0.37
June 30, 2013	\$ 0.28	\$ 0.83

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

*Holders*

As of September 10, 2013 there were approximately 294 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, 2013, 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. Information regarding the recent sales of unregistered securities can be found in note 4(a) of the financial statements.

*Repurchases of equity securities*

We did not repurchase any of our outstanding equity securities during the fourth quarter ended June 30, 2013.

## **ITEM 6. SELECTED FINANCIAL DATA**

As a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information called for by this Item.

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

### **Overview**

Integral focuses the majority of our resources on researching, developing and commercializing our ElectriPlast® technologies. In addition, Integral allocates resources to expand and protect the extensive intellectual property holdings surrounding its ElectriPlast® technology. Our business strategy focuses on the leveraging of our intellectual property rights and our strength in product design and material innovation. We are focusing our business development and marketing efforts on securing licensing and/or joint development agreements in areas for which we currently hold patents covering specific materials, components, parts, applications or end-products incorporating conductive resins and ElectriPlast technology. Integral collaborates with suppliers, Tier1, OEM's and manufacturers of products who 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, is non-corrosive, and can serve as an electrically conductive alternative material to metal.

Various examples of applications for ElectriPlast® where Integral holds patent protection are: antennas, electronics shielding, lighting/LED circuitry, motors, switch actuators, resistors, medical devices, thermal management, toys and cable connector bodies, among others. We have been working to introduce these new applications and the ElectriPlast® technology on a global scale.

### **Forward Looking Statements**

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, our ability to compete as a development stage company in a highly competitive market, our access to sources of capital, and other risks and other risks and uncertainties.

This 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. We do not undertake any duty to update forward looking statements and the estimates and assumptions associated with them as circumstances change, except to the extent required by applicable federal securities laws.

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, 2013, we have accrued an accumulated deficit of approximately \$44 million.

As of June 30, 2013, all of our assets were current assets of \$802,540, consisting of cash of \$532,308, prepaid expense of \$20,232 and account receivable of \$250,000. All of our property and equipment has been fully depreciated.



As of June 30, 2013, current liabilities of \$3,064,656 consisting of accounts payable and accruals of \$2,270,727, a deferred obligation of \$25,000, a convertible debenture of \$174,827, a derivative liability of \$414,102 and redeemable preferred stock of \$180,000. Non-current liabilities consist of deferred liability of \$225,000 and redeemable preferred stock of \$120,000. Included in accounts payable and accruals is legal fees payable (including associated filing fees) related to patent filings accounted for approximately \$188,000 of the total.

As of June 30, 2013, total stockholder's deficit was \$2,607,116.

### **Results of Operations of the Year Ended June 30, 2013 compared to the Year Ended June 30, 2012**

Our net loss for the year ended June 30, 2013, was \$3,749,790 compared to a net loss of \$3,400,434 for the prior fiscal year, a difference of \$349,356. This increase in our net loss is primarily attributable to the increase in the following expenses: Consulting expense increased by \$501,580, legal and accounting increased by \$126,853, general and administrative expense increased by \$32,047, interest expense increased by \$56,909, loss on extinguishment of debt increased by \$109,000 and fair value loss on derivative financial liabilities increased by \$231,211 during the year ended June 30, 2012. These increases were offset by an increase on a gain on extinguishment of debt of \$355,022, an increase in net gain on settlement of convertible debentures of \$26,189 and a decrease in salaries of \$165,000.

(1) Consulting fees of \$2,260,810, including non-cash, stock based compensation charges for options and warrants previously granted of \$131,679, shares issued for services of \$974,125 and stock based compensation charges for the extension of the expiration date of outstanding options and warrants held by consultants of \$145,835. This is compared to consulting fees of \$1,759,230 for the year ended June 30, 2012, that included non-cash, stock based compensation charges for options granted of \$376,698, shares issued for services of \$34,954 and stock based compensation charges for the extension of the expiration date of outstanding options and warrants held by consultants of \$36,264. As described in the notes to the financial statements, the fair value of options granted were valued using the Black-Scholes option pricing model.

(2) General and administrative expense of \$235,835 includes new directors and officer's insurance premiums of \$120,885 for the year ended June 30, 2013, compared to \$118,352 for the year ended June 30, 2012.

(3) Legal and accounting expense of \$472,833 includes legal fees incurred of \$375,885 for the year ended June 30, 2013, compared to \$261,392 for the year ended June 30, 2012.

(4) Interest expense of \$130,397 includes amortization of convertible debt of \$112,330 and interest on promissory note of \$8,789, compared to amortization of convertible debt of \$55,174 and interest on promissory note of \$16,370 recorded for the year ended June 30, 2012.

(5) Fair value loss on derivative financial liability of \$320,537 consists of the total change in fair value of derivative instruments related to the convertible debt since inception, compared to \$89,326 recorded for the year ended June 30, 2012. As described in the notes to the financial statements, this value was determined using the Black-Scholes option pricing model.

Our net loss for the year ended June 30, 2013, was offset minimally by "other income" of \$246 compared to "other income" in the previous fiscal year of \$103. The category of "other income" consists of interest income and nominal license fees.

Research and development costs incurred during the year ended June 30, 2013 were \$89,198, a modest decrease of \$149,599 over the prior fiscal year attributable to refining the manufacturing process by Jasper of our ElectriPlast® material and for independent testing of several of our ElectriPlast® applications and the receipt of funds from the sale of prototypes.

For the year ended June 30, 2013, our cash used in operating activities was \$1,785,964, compared to \$1,449,207 used in 2012.



For the year ended June 30, 2013, our cash provided by financing activities was \$2,146,099 compared to \$1,610,015 provided in 2012, represented by net private placement proceeds of \$2,013,160 (2012 - \$1,339,515) and proceeds from convertible debentures of \$377,500 (2012 - \$270,500). This was offset by repayment of promissory note of \$123,696 (2012 - \$nil) and repayment of convertible debentures of \$120,865 (2012 - \$nil).

### **Liquidity and Capital Resources**

We anticipate spending up to approximately \$500,000 over the next twelve months on ongoing research and development of the different applications and uses of our technologies.

As of June 30, 2013, we had \$532,308 in cash on hand, and we estimate that we will require \$3.0 million to carry out our business plan during our fiscal year ending June 30, 2014. Accordingly, management believes that until we generate revenues/income from operations (we have none to date), additional funding will be required to carry out our business plan.

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 recent year's slowdown of the United States of America's economy has made it more difficult to obtain equity financing. If none of these events occur, there is a risk that the business will fail.

The Company has used approximately \$25,000,000 in cash from operations since inception in 1996, which has been funded primarily from proceeds from the issuance of common stock.

We are not currently in the manufacturing business. As demand continues to grow and our need to increase capacity, reduce manufacturing costs and to improve margins, we would consider directly entering into the manufacturing business, including the possibility of acquiring existing assets or an operating company to help us accelerate this process.

### **Critical Accounting Policies and Estimates**

The Company accounts for stock-based compensation expense associated with stock options and other forms of equity compensation by estimating the fair value of share-based payment awards on the date of grant using a Black-Scholes option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an 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. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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

We are exposed to market risk related to changes in interest rates which could adversely affect the value of derivative financial liabilities. Therefore, an increase or decrease in interest rates by 1% from our 2013 year end would not have a material effect on operating net loss or cash flows.

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

The audited financial statements and an index thereto commences on the index to the financial statements on this Form 10-k.

### **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 the 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, 2013, they were not effective.

The certification required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.01 and 31.02, respectively, to this Annual Report on Form 10-K.

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

The Company’s 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, 2013, our internal control over financial reporting is not effective due to the significant deficiencies described below.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company’s financial reporting. Our management has identified the following significant deficiencies in our internal control over financial reporting:

- Inadequate segregation of duties consistent with control objectives; and
- Ineffective controls over periodic financial disclosures and reporting processes.

The aforementioned significant deficiencies were identified by our Chief Financial Officer and these matters were communicated to management. We believe the following planned action will be sufficient to remediate the significant deficiency described above:

- We have engaged an independent public accounting firm to perform a qualified, independent review over all significant transactions included in our financial reports as well as our period end financial disclosures included in our periodic filings.

Management believes the actions described above will remediate the significant deficiencies we have identified and strengthen our internal control over financial reporting. Our management intends to substantially complete these identified remedial actions during the fiscal year ended June 30, 2014.

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 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, 2013, 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 in 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, do 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 fraud.

#### **ITEM 9B. OTHER INFORMATION**

The following information should have been reported on a Form 8-K under Item 1.01, "Entry into a Material Definitive Agreement" during the preceding fiscal year:

- 1) The Company entered into a Consulting and Confidentiality Agreement with Stephen Neu, dated June 1, 2011, engaging Mr. Neu to provide certain consulting services to the Company. The term of the agreement expires on June 1, 2014. Mr. Neu shall receive a monthly consulting fee of \$14,000. Mr. Neu was issued 150,000 shares of common stock in the Company upon the execution of this agreement (not yet issued), and will receive an additional 100,000 shares of common stock in the Company upon the 6-month anniversary of the execution date of the agreement. Mr. Neu was granted 600,000 stock options, which vest pursuant to the terms therein, and rights to receive an additional 1,250,000 stock options (not yet issued) on the first anniversary of the execution date of the agreement. In the event Mr. Neu is terminated without cause, he will receive the full amount of compensation due through the expiration of this agreement. The agreement also contains customary provisions regarding confidentiality of the Company's proprietary information, indemnification and non-competition;

On June 13, 2013, the Company signed a separation agreement with Steve Neu. This resulted in a termination of the Consulting and Confidentiality Agreement above effective December 31, 2012. As a result of the termination the Company is required to issue 541,666 common shares pursuant to a restricted stock award agreement for options vesting prior to the agreement date and issue an additional 628,571 common shares in consideration for unpaid fees of \$243,000. The modified consulting fees have been recorded at the fair value of shares to be issued of \$352,000 included in accounts payable and accruals. The increase in value of modified debt of \$109,000 has been recognized as a loss on extinguishment of liabilities in the consolidated statements of operations. Additionally, 600,000 options previously granted to Steve Neu were cancelled.

**PART III****ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS**

Our Company has a Board of Directors that is currently comprised of five 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 named executive officers of our Company and their respective age and position are as follows:

Name	Age	Position with Company	Director of Company Since
Doug Bathauer	48	Director, CEO and Treasurer	November 2012
William A. Ince	62	Director, Secretary and Chief Financial Officer	February 1996
James Eagan	50	Director, Chairman	January 2011
Herbert C. Reedman	60	President, Director	November 2012
Richard Blumberg	64	Independent Director	November 2012

**Doug Bathauer**

*(Director, CEO and Treasurer)*

Mr. Bathauer was appointed to the Board and as the Chief Executive Officer of the Company upon the resignation of Mr. William Robinson, our former Director and Chief executive Officer, on November 8, 2012. Mr. Bathauer drives the development and implementation of company strategies. Prior to CEO, Mr. Bathauer was Vice President of Corporate Development for Integral and was responsible for Integral's corporate development efforts which included corporate communications, business development, and capital funding. Before joining Integral, Mr. Bathauer worked with some of the leading firms in the financial services industry providing financial and investment advice to early stage and small growth companies. Over his career Mr. Bathauer has advised a broad portfolio of corporate clients including consumer product, technology and renewable energy companies, assisting them in raising capital, corporate restructuring, and establishing national distribution channels. He is a graduate of Purdue University.

**William A. Ince**

*(Director, Secretary and Chief Financial Officer)*

Mr. Ince, a co-founder of our Company (since 1996), together with other executives been responsible, for the development and implementation of corporate strategies playing a key role in bringing our groundbreaking 'ElectriPlast®' technology to the marketplace.. He is also responsible for the accounting and financial systems, regulatory matters 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. For the last 30 years he has been leveraging his extensive industry experience to deliver results focused business strategy. 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 protecting and expanding the value of our Intellectual property portfolio. He remains at the forefront of this effort, managing the company's relationship with both Reed Smith, our outside counsel and ipCapital, our Intellectual property consultants.

**James Eagan**

*(Director and Chairman)*

James Eagan is a former satellite telecommunications executive and a co-founder of ORBCOMM LLC. As Executive Vice President, Chief Marketing Officer and Director of ORBCOMM, he was responsible for developing a new business model, slashing costs, raising capital, and growing the subscriber base.

He led pioneering efforts in the mobile satellite industry where he was responsible for launching low cost satellite services in North America and Asia Pacific. Prior to ORBCOMM, Mr. Eagan was with Lockheed Martin and started his career as a naval officer.

He is a graduate of the University of California Los Angeles and received his MBA from George Washington University.

**Herbert C. Reedman**

*(Director and President)*

A 40 year automotive veteran, Mr. Reedman was co-founder and Managing Partner of Vantage4, LLC a marketing and consulting firm to the automotive industry. Prior to Vantage4 he headed operations for Reedman World Auto Center, a position he held until his retirement in 2005. During his tenure in the automotive industry Mr. Reedman participated on numerous outside advisory boards including advisory boards for Jaguar Cars, Ford Motor Company, General Motors Corporation, GM Credit Card, General Motors New Product Development Committee, GM CRM Board, XM Satellite Radio and OnStar.

**Richard Blumberg**

*(Director-Independent Director )*

Mr. Blumberg is a graduate from the University of Illinois with a degree in electrical engineering and computer science and from Stanford University with a degree in law. Over the course of his extensive, multifarious career, Mr. Blumberg has worked tirelessly to put that proficiency to use. He has acted as one of the principals of a medical-legal and class action labor litigation firm, achieving judgments in the hundreds of millions of dollars. He has served as CEO of leading wind power development company Energy Logics, and, while there, oversaw the buyout of the company, which went on to successfully develop a 120 MW wind farm in Montana. Most recently, Blumberg has worked as a venture capital entrepreneur in high-tech and life sciences companies and is also currently a major shareholder in Insync Analytics, the co-developer of an analytical trading tool presently used in-house to trade stocks and commodities.

**Non-Executive Officer / Significant Consultant**

**Mohamed Zeidan-**

*(Consultant)*

On August 10, 2009 our Company retained the consulting services of Mr. Zeidan. Mr. Zeidan has over 25 years of experience in automotive engineering and engineering management. Mr. Zeidan was the Chief Technology Officer and Director of Hybrid Engineering at Lear, 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 nearly 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 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 Company is currently negotiating a renewal of Mr. Zeidan’s consulting agreement.

**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 each of our senior executive officers, and the code of ethics is incorporated by reference as an exhibit to this annual report.

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

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 regulations 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, 2013, all Section 16(a) filing requirements applicable to our officers, directors and ten percent shareholders were timely complied with by such persons, except for the following: (1) William S. Robinson filed a late Form 4 on September 27, 2010 regarding the acquisition of 500,000 options for the purchase of Common Stock that were granted on July 14, 2009; (2) William A. Ince filed a late Form 4 on September 27, 2010 regarding the acquisition of 500,000 options for the purchase of Common Stock on July 14, 2009; and (3) Richard P. Blumberg, a 10% security holder, filed a late Form 3 on June 28, 2010 relating to the acquisition of Common Stock on December 9, 2009.

## 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 such 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, 2013 and 2012.

Name and Principal Position	Fiscal Year Ended June 30	Salary (\$)	Bonus (\$)	Stock Awards (n1)	Options Awards (\$ (n2)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$ (n3)	Total (\$)
William S. Robinson Former Chief Executive Officer, Treasurer, Chairman, Director	2013	\$ 55,000	-0-	\$ -0-	\$ -0-	-0-	-0-	\$ 11,570	\$ 66,570
	2012	\$220,000	-0-	\$ -0-	\$ -0-	-0-	-0-	\$ 28,271	\$ 248,271
Doug Bathauer Chief Executive Officer, Treasurer, Director	2013	\$168,000	-0-	\$ -0-	-0-	-0-	-0-	\$ -0_	\$ 168,000
	2012	\$150,000	-0-	\$ -0-	-0-	-0-	-0-	\$ -0_	\$ 150,000
William A. Ince Chief Financial and Accounting Officer, Secretary, Director	2013	\$220,000	-0-	\$ -0-	-0-	-0-	-0-	\$ 23,189	\$ 243,189
	2012	\$220,000	-0-	\$ -0-	-0-	-0-	-0-	\$ 23,189	\$ 243,189
Herbert Reedman President, Director	2013	\$168,000	-0-	\$ -0-	-0-	-0-	-0-	-0-	\$ 168,000
	2012	\$168,000	-0-	\$ -0-	-0-	-0-	-0-	-0-	\$ 168,000

(n1) Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to ASC 718. ASC 718 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 ASC 718 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. On April 10, 2010 the expiration date of these options was extended until July 31, 2014.



On July 14, 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.

- (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, 2013, \$10,271 was paid or accrued for Mr. Robinson and \$5,189 was paid or accrued for Mr. Ince. For the year ended June 30, 2012, \$10,271 was paid or accrued for Mr. Robinson and \$5,189 was paid or accrued for Mr. Ince.

In 2013, William S. Robinson received an automobile expense allowance of \$4,500 and William A. Ince an automobile expense allowance of \$18,000. In 2012 each received an automobile expense allowance of \$18,000. .

Except as set forth above, no outstanding options to purchase common stock or other equity-based award granted to or held by any named executive officer were re-priced 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, 2013.

Name	Option Awards			Equity Incentive Plan Awards:		Stock Awards		Equity Incentive Plan Awards:	Equity Incentive Plan 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 Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
William A. Ince (n1)	415,000	0	0	\$ 1.00	7/31/2014	0	0	0	0
	500,000	0	0	\$ 0.25	12/31/2014				
Doug Bathauer	250,000	0	0	\$ 0.25	12/31/2013	0	0	0	0
	125,000	0	0	\$ 0.25	12/31/2014				
Herbert Reedman (n2)	100,000		0	\$ 0.50	10/15/2014	0	0	0	0
	100,000			\$ 0.50	04/15/2015				
	100,000			\$ 0.50	10/15/2015				
	100,000			\$ 0.50	04/15/2016				
		100,000		\$ 0.50	10/15/2016				
		100,000		\$ 0.50	04/15/2013				

(n1) Mr. Ince holds the following options: 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 and on April 10, 2010 the expiration date of these options was extended to July 31, 2014. 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) The Company entered into a Consulting and Confidentiality Agreement with Herb Reedman, dated April 15, 2011. In addition to the above mentioned options, an additional 1,250,000 options were granted to Mr. Reedman on the first anniversary of execution date of the agreement. These options have not been issued yet.

**Compensation of Directors**

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 Directors during the last completed fiscal year ended June 30, 2013.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)</b>	<b>Options Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Nonqualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
James Eagan	168,000						168,000

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

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, respectively.

The term of Mr. Robinson's 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 an 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 fully vested on August 1, 2009 and may be exercised in whole or in part at any time. All options shall expire on December 31, 2014. The agreement also contains customary provisions regarding confidentiality of the Company's proprietary information and non-competition.

On November 8, 2012, Mr. Robinson resigned from his position as director and CEO of the Company. The terms of the separation agreement are disclosed in note 14(a) of the financial statements.

The term of Mr. Ince's 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 an 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 fully vested on August 1, 2009 and may be exercised in whole or in part at any time. All options shall expire on December 31, 2014. The agreement also contains customary provisions regarding confidentiality of the Company's proprietary information and non-competition.

In the event of termination without cause, both Mr. Robinson and Mr. Ince are respectively entitled to one year's compensation as severance.

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 and performance with business objectives of the Company 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 criteria, 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.

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

### Common Stock

The following table sets forth, as of September 10, 2013 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)	Percent of Class (n3)
Executive Officers and Directors:		
Doug Bathauer (n6) 805 West Orchard Dr. Suite #7 Bellingham WA 98225	325,000	.004
William A. Ince (n4) 805 W. Orchard Dr., Suite #7 Bellingham, WA 98225	2,648,816 (n2)	3.4%
Herb Reedman (n7) 220 Commerce Drive Suite 205 Fort Washington PA 19034	650,000	.008%
James Eagan (n8) 805 West Orchard Dr. Suite 7 Bellingham WA 98225	750,000	.009%
Richard P. Blumberg	7,731,142 (n5)	9.8%
All executive officers and directors as a group	12,104,958	13.2%

(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. Ince of his 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. Ince owns 103,563 shares of Series A. As of September 10, 2013, the conversion rate was \$0.475 per share, so Mr. Ince's 103,563 shares of Series A were convertible into 215,756 shares of common stock. The actual number of shares of common stock receivable by Mr. Ince upon conversion of the Series A would depend on the actual conversion rate in effect at the time of conversion.

(n3) Based upon 78,939,484 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. Ince is an executive officer and director of Integral and each of its subsidiaries. Beneficial ownership figure includes 915,000 shares underlying options.

TABLE OF CONTENTS

- (n5) Based on information contained in Schedule 13G filed with the SEC on February 5, 2012, filed by Richard P. Blumberg whose address is 2357 Hobart Ave. S.W., Seattle, WA 98116. Richard P. Blumberg has sole voting power with respect to 4,940,667 and has shared voting power over 2,790,475 shares.
- (n6) Mr. Bathauer is an executive officer and director of Integral and each of its subsidiaries. Beneficial figure ownership includes 325,000 shares underlying options.
- (n7) Mr. Reedman is an executive officer and director of Integral and each of its subsidiaries. Beneficial figure ownership includes 650,000 shares underlying options. The Company entered into a Consulting and Confidentiality Agreement with Mr. Reedman, dated April 15, 2011. In addition to the above mentioned options, an additional 1,250,000 options were granted to Mr. Reedman on the first anniversary of execution date of the agreement. These options have not been issued yet.
- (n8) Mr. Eagan is a director of Integral and each of its subsidiaries. Beneficial figure ownership includes 750,000 shares underlying options. The Company entered into a Consulting and Confidentiality Agreement with Mr. Eagan, dated December 1, 2010. In addition to the above mentioned options, an additional 1,250,000 options were granted to Mr. Eagan on the first anniversary of execution date of the agreement. These options have not been issued yet.

**Series A Convertible Preferred Stock**

The following table sets forth, as of September 10, 2013, 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 #7 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 a former 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, 2013:

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	5,450,000	\$0.43	3,100,000
Total	5,450,000	\$0.43	3,100,000

As of June 30, 2013, Integral has three Employee Benefit and Consulting Services Compensation Plans (the "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.

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 4,000,000 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.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since the beginning of the last fiscal year, we have not entered into any transactions in which our officers and directors have a material interest, or that would otherwise be deemed a related-party transaction under the rules of the Securities Exchange Act of 1934.

## **DIRECTOR INDEPENDENCE**

Our Board of Directors is comprised of five members, Doug Bathauer, William A. Ince, James Eagan and Herbert C. Reedman. Mr. Bathauer, Mr. Ince and Mr. Reedman also serve as executive officers of the Company. We have one independent director at this time being Mr. Richard Blumberg.



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

Our Company's board of directors reviews and approves audit and permissible non-audit services performed by Smythe Ratcliffe LLP, Vancouver, Canada ("SRLLP"), as well as the fees charged by SRLLP for such services. In its review of non-audit service fees and its appointment of SRLLP as our Company's independent accountants, the board of directors considered whether the provision of such services is compatible with maintaining SRLLP's independence. All of the services provided and fees charged by SRLLP in the fiscal year ended June 30, 2013 were pre-approved by the board of directors.

### **Audit Fees**

The aggregate fees billed for professional services rendered by SRLLP for the audit of our annual financial statements and the reviews of the financial statements included in our quarterly reports on Form 10-Q during fiscal years ended June 30, 2013 and 2012 were \$70,500 and \$67,200, respectively.

### **Audit-Related Fees**

There were no other fees billed by SRLLP during the last two fiscal years 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 SRLLP for tax compliance services in fiscal years ended June 30, 2013 and 2012, respectively.

### **All Other Fees**

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

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.)
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.)

TABLE OF CONTENTS

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. (Incorporated by reference to Exhibit 10.29 of Integral's Current Report on Form 10-KSB dated September 29, 2009 (filed September 29, 2009)) .
10.30	Employment Agreement between Integral and William Robinson dated July 14, 2009. (Incorporated by reference to Exhibit 10.30 of Integral's Current Report on Form 10-KSB dated September 29, 2009 (filed September 29, 2009)).
10.31	Employment Agreement between Integral and William Ince dated July 14, 2009. (Incorporated by reference to Exhibit 10.31 of Integral's Current Report on Form 10-KSB dated September 29, 2009 (filed September 29, 2009)).
10.32	Consulting Agreement between Integral and Mohamed Zeidan dated August 10, 2009. (Incorporated by reference to Exhibit 10.32 of Integral's Current Report on Form 10-KSB dated September 29, 2009 (filed September 29, 2009)).
10.33	Consulting Agreement between Integral and James Eagan dated December 1, 2010. (Incorporated by reference to Exhibit 10.33 of Integral's Current report on Form 10-k dated September 28, 2011 (filed September 28,2011)).
10.34	Consulting Agreement between Integral and Herbert C. Reedman dated April 15, 2011. . (Incorporated by reference to Exhibit 10.34 of Integral's Current report on Form 10-k dated September 28, 2011 (filed September 28,2011)).
10.35	Consulting Agreement between Integral and Stephen Neu dated June 1, 2011. (Incorporated by reference to Exhibit 10.35 of Integral's Current report on Form 10-k dated September 28, 2011 (filed September 28,2011)).
10.36	Consulting Agreement between Integral and Paul MacKenzie dated June 1, 2011. (Incorporated by reference to Exhibit 10.36 of Integral's Current report on Form 10-k dated September 28, 2011 (filed September 28,2011)).
<a href="#"><u>10.37</u></a>	Separation Agreement between Integral and William Robinson dated November 8, 2012. (filed herewith)
<a href="#"><u>10.38</u></a>	Separation Agreement between Integral and Steven Neu dated June 13, 2013. (Filed herewith).
<a href="#"><u>10.39</u></a>	Consulting Agreement Extension between Integral and Mo Zeidan dated June 20,2013. (filed herewith)
<a href="#"><u>10.40</u></a>	Redacted License Agreement between Integral and Hanwha L&C Corp. dated June 19, 2013. (Filed herewith).
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.)

[TABLE OF CONTENTS](#)

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.)
<u><a href="#">31.1</a></u>	Section 302 Certification by the Corporation's Chief Executive Officer. (Filed herewith).
<u><a href="#">31.2</a></u>	Section 302 Certification by the Corporation's Chief Financial Officer. (Filed herewith).
<u><a href="#">32.1</a></u>	Section 906 Certification by the Corporation's Chief Executive Officer. (Filed herewith).
<u><a href="#">32.2</a></u>	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 Company caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRAL TECHNOLOGIES, INC

Dated: September 30, 2013

/s/ Douglas Bathauer

Douglas Bathauer, 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 Company and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Douglas Bathauer</u> Douglas Bathauer	Director	September 30, 2013
<u>/s/ William A. Ince</u> William A. Ince	Director	September 30, 2013
<u>/s/ James Eagan</u> James Eagan	Director	September 30, 2013

[TABLE OF CONTENTS](#)

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

**Consolidated Financial Statements**  
**June 30, 2013, 2012 and 2011**  
**(US Dollars)**

<b><u>Index</u></b>	<b><u>Page</u></b>
<b>Report of Independent Registered Public Accounting Firm</b>	<b>F-1</b>
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Stockholders' Equity (Deficit)	F-4 – F-11
Consolidated Statements of Cash Flows	F-12
Notes to Consolidated Financial Statements	F-13 – F-45

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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 accompanying consolidated balance sheets of Integral Technologies, Inc. (a development stage company) as of June 30, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years ended June 30, 2013, June 30, 2012 and June 30, 2011, and the cumulative totals for the development stage of operations for the period from February 12, 1996 (inception) to June 30, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at June 30, 2013 and 2012, and the results of its operations and its cash flows for each of the years ended June 30, 2013, June 30, 2012 and June 30, 2011, and the cumulative totals for the development stage of operations for the period from February 12, 1996 (inception) to June 30, 2013 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's plans in regard to these matters are also described in note 2. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, Canada  
September 27, 2013

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

	2013	2012
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 532,308	\$ 172,173
Prepaid expense	20,232	19,723
Account receivable (note 8)	250,000	0
<b>Total Assets</b>	<b>\$ 802,540</b>	<b>\$ 191,896</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (notes 6, 13 and 15)	\$ 2,270,727	\$ 2,032,309
Promissory note payable (note 7)	0	123,696
Deferred liability (note 8)	25,000	0
Convertible debentures (note 5)	174,827	93,356
Derivative financial liabilities (note 5)	414,102	84,718
Redeemable preferred stock (note 15)	180,000	0
	3,064,656	2,334,079
<b>Deferred Liability</b> (note 8)	<b>225,000</b>	<b>0</b>
<b>Redeemable Preferred Stock</b> (note 15)	<b>120,000</b>	<b>0</b>
<b>Total Liabilities</b>	<b>3,409,656</b>	<b>2,334,079</b>
Commitments (note 17)		
Subsequent events (note 18)		
<b>Stockholders' Deficit</b> (note 4)		
Preferred Stock and Paid-in Capital in Excess of \$0.001 Par Value		
20,000,000 shares authorized		
308,538 issued and outstanding (note 15)	237,950	308,538
<b>Common Stock and Paid-in Capital in Excess of \$0.001 Par Value</b>		
150,000,000 shares authorized		
76,748,839 (2012 – 62,368,653) issued and outstanding	41,204,935	37,655,315
<b>Promissory Notes Receivable</b>	<b>(29,737)</b>	<b>(29,737)</b>
<b>Subscriptions Received</b>	<b>13,400</b>	<b>191,600</b>
<b>Accumulated Other Comprehensive Income</b>	<b>46,267</b>	<b>46,267</b>
<b>Deficit Accumulated During the Development Stage</b>	<b>(44,079,931)</b>	<b>(40,314,166)</b>
<b>Total Stockholders' Deficit</b>	<b>(2,607,116)</b>	<b>(2,142,183)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 802,540</b>	<b>\$ 191,896</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 February 12, 1996 (Inception) Through June 30, 2013
	2013	2012	2011	
<b>Revenue</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>	246	103	797	869,652
	246	103	797	902,944
<b>Expenses</b>				
Consulting (note 4(c))	2,260,810	1,759,230	1,682,959	13,628,665
Salaries	275,000	440,000	440,000	5,416,297
Legal and accounting	472,833	345,980	192,295	11,912,149
Research and development (note 16)	89,198	238,955	245,593	2,295,535
General and administrative	235,835	203,788	89,805	1,807,806
Travel and entertainment	139,344	137,798	105,546	1,802,002
Rent	61,523	75,720	50,454	721,998
Bank charges and interest, net	130,397	73,488	910	412,076
Telephone	23,800	25,000	27,908	560,385
Advertising	12,970	11,252	6,612	369,561
Fair value loss on derivative financial liabilities (note 5)	320,537	89,326	0	409,863
Net gain on settlement of convertible debentures (note 5)	(26,189)	0	0	(26,189)
Gain on extinguishment of debt (note 15)	(355,022)	0	0	(355,022)
Loss on extinguishment of debt (note 15)	109,000	0	0	109,000
Write-down of license and operating assets	0	0	0	1,855,619
Write-off of investments	0	0	0	1,250,000
Non-competition agreement	0	0	0	711,000
Interest on beneficial conversion feature	0	0	0	566,455
Financing fees, net	0	0	0	129,043
Bad debts	0	0	0	46,604
Settlement of lawsuit	0	0	0	45,250
Depreciation and amortization	0	0	0	324,386
	3,750,036	3,400,537	2,842,082	43,992,483
<b>Net Loss and Comprehensive Loss for Period</b>	\$ (3,749,790)	\$ (3,400,434)	\$ (2,841,285)	\$ (43,089,539)
<b>Basic and Diluted Loss Per Share (note 12)</b>	\$ (0.06)	\$ (0.06)	\$ (0.05)	
<b>Weighted Average Number of Common Shares Outstanding</b>	68,354,944	59,780,612	56,487,578	

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	Accumulated 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 (other)	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>	6,000,000	60,000	0	0	0	0	(1,226)	(344,843)	(286,069)
<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>	11,750,000	1,214,630	0	0	0	0	11,375	(1,167,060)	58,945
<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>	12,575,396	\$1,786,630	0	\$ 0	\$ 0	\$ 0	\$ 36,235	\$ (2,104,433)	\$ (281,568)



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(US Dollars)**

		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	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
Balance, June 30, 1998									
	12,575,396	\$ 1,786,630	0	\$ 0	\$ 0	\$ 0	\$ 36,235	\$ (2,104,433)	\$ (281,568)
Shares Issued for									
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)
Balance June 30, 1999									
	22,087,062	4,016,267	0	0	(284,068)	0	44,679	(3,508,454)	268,424
Shares Issued for									
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</b>									
<b>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.



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)

Balance, June

30, 2002	30,787,562	\$12,116,450	439,610	\$ 439,610	\$ (66,500)	\$ 0	\$ 46,267	\$ (13,226,223)	\$ (690,396)
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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	Accumulated 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 stock	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 stock	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 stock	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)



Balance, June									
30, 2004	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	Accumulated 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 stock	0	0	(12,500)	(12,500)	0	0	0	(37,500)	(50,000)
Dividends on preferred stock	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 stock	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 stock	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</b>									
<b>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	Accumulated 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 stock	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 Private placement	100,000	60,500	0	0	0	(46,500)	0	0	14,000
	4,500,800	1,125,200	0	0	0	(230,000)	0	0	895,200
Dividends on preferred stock	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)
<b>Shares Issued for</b>									
Services Cash	270,000	81,000	0	0	0	0	0	0	81,000
	4,263,152	1,393,637	0	0	0	0	0	0	1,393,637
Subscriptions received	0	0	0	0	0	11,250	0	0	11,250
Dividends on preferred stock	0	0	0	0	0	0	0	(15,462)	(15,462)
Stock-based compensation	0	1,225,151	0	0	0	0	0	0	1,225,151
Net loss for year	0	0	0	0	0	0	0	(2,929,737)	(2,929,737)
<b>Balance, June 30, 2010</b>	54,838,921	\$33,224,263	308,538	\$ 308,538	\$ (29,737)	\$ 11,250	\$ 46,267	\$ (33,909,950)	\$ (349,369)

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	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 2010</b>	54,838,921	\$33,224,263	308,538	\$ 308,538	(29,737)	\$ 11,250	\$ 46,267	\$ (33,909,950)	\$ (349,369)
<b>Shares Issued for</b>									
Services	446,118	619,284	0	0	0	0	0	0	619,284
Cash	1,820,042	1,101,720	0	0	0	(11,250)	0	0	1,090,470
Share issue costs	330,879	(122,497)	0	0	0	0	0	0	(122,497)
Warrants exercised	860,800	430,400	0	0	0	0	0	0	430,400
Dividends on preferred stock	0	0	0	0	0	0	0	(15,460)	(15,460)
Warrant extension									
Deemed dividend	0	131,577	0	0	0	0	0	(131,577)	0
Stock-based compensation	0	474,075	0	0	0	0	0	0	474,075
Net loss for year	0	0	0	0	0	0	0	(2,841,285)	(2,841,285)
<b>Balance, June 30, 2011</b>	58,296,760	35,858,822	308,538	308,538	(29,737)	0	46,267	(36,898,272)	(714,382)
<b>Shares issued for</b>									
Services	77,755	34,954	0	0	0	0	0	0	34,954
Cash	3,364,980	1,147,915	0	0	0	0	0	0	1,147,915
Settlement of convertible debenture	629,158	236,926	0	0	0	0	0	0	236,926
Dividends on preferred stock	0	0	0	0	0	0	0	(15,460)	(15,460)
Subscriptions received	0	0	0	0	0	191,600	0	0	191,600
Stock-based compensation	0	376,698	0	0	0	0	0	0	376,698
Net loss for year	0	0	0	0	0	0	0	(3,400,434)	(3,400,434)
<b>Balance, June 30, 2012</b>	62,368,653	\$37,655,315	308,538	\$ 308,538	\$ (29,737)	\$ 191,600	\$ 46,267	\$ (40,314,166)	\$ (2,142,183)

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	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
<b>Balance, June 30, 2012</b>	62,368,653	\$37,655,315	308,538	\$ 308,538	\$ (29,737)	\$ 191,600	\$ 46,267	\$ (40,314,166)	\$ (2,142,183)
<b>Shares issued for (note 4(a))</b>									
Services	2,247,500	974,125	0	0	0	0	0	0	974,125
Cash, net	11,202,304	2,191,360	0	0	0	(191,600)	0	0	1,999,760
Settlement of convertible debenture	930,382	252,456	0	0	0	0	0	0	252,456
Dividends on preferred stock	0	0	0	0	0	0	0	(15,460)	(15,460)
Redeemable preferred stock (note 15)	0	0	0	(70,588)	0	0	0	(229,412)	(300,000)
Gain on extinguishment of debt (note 15)	0	0	0	0	0	0	0	228,897	228,897
Subscriptions received	0	0	0	0	0	13,400	0	0	13,400
Stock-based compensation (note 4(c))	0	131,679	0	0	0	0	0	0	131,679
Net loss for year	0	0	0	0	0	0	0	(3,749,790)	(3,749,790)
<b>Balance, June 30, 2013</b>	76,748,839	\$41,204,935	308,538	\$ 237,950	\$ (29,737)	\$ 13,400	\$ 46,267	\$ (44,079,931)	\$ (2,607,116)

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, 2013
	2013	2012	2011	
<b>Operating Activities</b>				
Net loss	\$ (3,749,790)	\$ (3,400,434)	\$ (2,841,285)	\$ (43,089,539)
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 and financing fees	974,125	34,954	481,803	3,109,665
Depreciation and amortization	0	0	0	349,941
Stock-based compensation	131,679	376,698	474,075	8,040,961
Interest on derivative financial liability	112,328	55,174	0	167,502
Fair value loss on derivative financial liabilities	320,537	89,326	0	409,863
Net gain on settlement of convertible debenture	(26,189)	0	0	(26,189)
Gain on extinguishment of debt	(355,022)	0	0	(355,022)
Loss on extinguishment of debt	109,000	0	0	109,000
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 (note 9)	697,368	1,345,075	113,402	2,822,896
<b>Net Cash Used in Operating Activities</b>	<b>(1,785,964)</b>	<b>(1,499,207)</b>	<b>(1,772,005)</b>	<b>(24,600,267)</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 stock	0	0	0	(50,000)
Repayment of loan	0	0	0	(11,000)
Repayment of promissory note	(123,696)			(123,696)
Advances from stockholders	0	0	0	1,078,284
Repayments to stockholders	0	0	0	(91,283)
Subscriptions received	13,400	191,600	0	719,415
Proceeds from issuance of common stock	2,199,670	1,163,590	1,520,870	25,522,688
Proceeds from convertible debentures	377,500	270,500	0	1,248,000
Repayment of convertible debentures	(120,865)	0	0	(120,865)
Share issue costs	(199,910)	(15,675)	(37,735)	(629,991)
<b>Net Cash Provided by Financing Activities</b>	<b>2,146,099</b>	<b>1,610,015</b>	<b>1,483,135</b>	<b>27,541,552</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>360,135</b>	<b>110,808</b>	<b>(288,870)</b>	<b>532,308</b>
<b>Cash, Beginning of Period</b>	<b>172,173</b>	<b>61,365</b>	<b>350,235</b>	<b>0</b>
<b>Cash, End of Period</b>	<b>\$ 532,308</b>	<b>\$ 172,173</b>	<b>\$ 61,365</b>	<b>\$ 532,308</b>

Supplemental disclosure of cash flow information (note 9)

See notes to consolidated financial statements.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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**1. INCORPORATION AND NATURE OF OPERATIONS**

Integral Technologies, Inc. (the “Company” or “Integral”) 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 and is in the business of researching, developing and commercializing new electronically-conductive resin-based materials called ElectriPlast.

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, 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 \$3,749,790 (2012 - \$3,400,434; 2011 - \$2,841,285) for the year ended June 30, 2013, and has an accumulated deficit of \$44,079,931 (2012 - \$40,314,166) and a working capital deficiency of \$2,262,116 (2012 - \$2,142,183) as at June 30, 2013. The Company has not yet commenced revenue-producing operations and has significant expenditure requirements to continue to advance its research developing and commercializing ElectriPlast technologies. The Company estimates that without further funding, it will deplete its cash resources within the first quarter of 2014. 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 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.

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, 2013, 2012 and 2011**  
**(US Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and are presented in United States dollars.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Integral Vision Systems, Inc. ("IVSI"), Antek Wireless Inc. ("Antek") and Electriplast Corp. (formerly Plastenna, Inc.) ("Electriplast"), 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 period. 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 trading, sales and other issuances of the Company's common stock.

(d) Revenue recognition

The Company has not generated significant revenue since inception. Although the Company has begun to receive some revenue from the sale of material for commercial applications, the Company is devoting substantially all its efforts to developing the business, and therefore, still qualifies as a development stage enterprise. All revenues to date, in accordance with the guidance for development stage enterprise FASB 915-605, are recorded against research and development expenditures.

(e) Foreign currency translation

The Company's functional and reporting currency is the US dollar. Transactions and balances for the Company's operations that 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 included in the consolidated 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, 2013, 2012 and 2011**  
**(US Dollars)**

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

(g) Use of estimates

The preparation of financial statements in conformity with US GAAP 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 assets, the determination of the assumptions used in calculating the fair value of stock-based compensation and the determination of the assumptions used in calculating the fair value of the derivative financial liability. 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. Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. 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 value 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) Compound financial instruments

On initial recognition, the Company allocates the proceeds of compound financial instruments between its separate components.

Subsequent to initial recognition, the Company records debt classified as other financial liabilities at amortized cost using the effective interest method such that upon maturity, the debt balance recorded will equal the maturity value of the remaining outstanding debt. The increase in the debt balance is reflected as interest expense in the consolidated statements of operations. The derivative liability is adjusted to fair value at each reporting period with the corresponding gain or loss reported in net loss.

(j) Fair value measurements

Assets and liabilities recorded at fair value in the balance sheets are categorized based upon the level of judgement associated with the inputs used to measure their fair value. For certain of the Company's financial instruments including cash and accounts payable, the carrying values approximate fair value due to their short-term nature.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(j) Fair value measurements (Continued)

ASC 820 *Fair Value Measurements and Disclosures* specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820, these inputs are summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical securities;
- Level 2 – Other significant observable inputs that are observable through corroboration with market data (including quoted prices in active markets for similar securities); and
- Level 3 – Significant unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability.

(k) 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.

The impact of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority is 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.

(l) Stock-based compensation

The Company accounts for stock-based compensation expense associated with stock options and other forms of equity compensation by estimating the fair value of share-based payment awards on the date of grant using the market price of common stock or the Black-Scholes option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements 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 consolidated statements of operations is reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(m) Recently adopted accounting pronouncements

- (i) The Financial Accounting Standards Board ("FASB") has issued ASU No. 2011-12 *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income* in ASU No. 2011-05. The amendments to the Codification in ASU No. 2011-12 are effective at the same time as the amendments in ASU No. 2011-05 *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* so that entities will not be required to comply with the presentation requirements in ASU No. 2011-05 that ASU No. 2011-12 is deferring.

In order to defer only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in ASU No. 2011-12 supersede certain pending paragraphs in ASU No. 2011-05. The amendments are being made to allow the FASB time to re-deliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the FASB is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU No. 2011-05.

All other requirements in ASU No. 2011-05 are not affected by ASU No. 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. The adoption of this statement did not have a material impact on the Company's consolidated balance sheets and results of operations or cash flows.

- (ii) The FASB has issued ASU No. 2011-05 *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. This ASU amends the FASB Codification to allow an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity (deficit). The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

The adoption of this statement did not have a material impact on the Company's consolidated financial position and results of operations or cash flows.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(m) Recently adopted accounting pronouncements (Continued)

- (iii) The FASB has issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS*. This ASU represents the converged guidance of the Boards on fair value measurement. The collective efforts of the Boards and their staff, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term “fair value”. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with US GAAP and IFRS.

The amendments to the Codification in this ASU are to be applied prospectively. The adoption of this standard did not have a material impact on the Company’s disclosures.

(n) Recent accounting pronouncements not yet adopted

- (i) The FASB has issued ASU No. 2013-01 *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. ASU 2013-01 clarifies that ordinary trade receivables and receivables are not in the scope of ASU No. 2011-11 *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the FASB Codification or subject to a master netting arrangement or similar agreement.

The FASB undertook this clarification project in response to concerns expressed by US stakeholders about the standard’s broad definition of financial instruments. After the standard was finalized, companies realized that many contracts have standard commercial provisions that would equate to a master netting arrangement significantly increasing the cost of compliance at minimal value to financial statement users.

An entity is required to apply the amendments in ASU 2013-01 for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. The effective date is the same as the effective date of ASU 2011-11.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(n) Recent accounting pronouncements not yet adopted (Continued)

- (ii) The FASB has issued ASU No. 2011-11 *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The eligibility criteria for offsetting are different in International Financial Reporting Standards (“IFRS”) and US GAAP. Offsetting, otherwise known as netting, is the presentation of assets and liabilities as a single net amount in the balance sheet. Unlike IFRS, US GAAP allows companies the option to present net in their balance sheet derivatives that are subject to a legally enforceable netting arrangement with the same party where rights of set-off are only available in the event of default or bankruptcy.

To address these differences between IFRS and US GAAP, in January 2011 the FASB and the International Accounting Standards Board (“IASB”) (the “Boards”) issued an exposure draft that proposed new criteria for netting that were narrower than the current conditions currently in US GAAP. Nevertheless, in response to feedback from their respective stakeholders, the Boards decided to retain their existing offsetting models. Instead, the Boards have issued common disclosure requirements related to offsetting arrangements to allow investors to better compare financial statements prepared in accordance with IFRS or US GAAP.

The amendments to the FASB Accounting Standards Codification<sup>TM</sup> (the “Codification”) in ASU 2011-11 *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position.

Coinciding with the release of ASU No. 2011-11, the IASB has issued Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). This amendment requires disclosures about the offsetting of financial assets and financial liabilities common to those in ASU No. 2011-11.

An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of this standard did not have a material impact on the Company’s disclosures.

- (iii) The FASB has issued ASU No. 2012-04 *Technical Corrections and Improvements*. In November 2010, the FASB Chairman added a standing project to the FASB’s agenda to address feedback received from stakeholders on the Codification and to make other incremental improvements to US GAAP. This perpetual project will facilitate Codification updates for technical corrections, clarifications, and improvements, and should eliminate the need for periodic agenda requests for narrow and incremental items. These amendments are referred to as Technical Corrections and Improvements.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(n) Recent accounting pronouncements not yet adopted (Continued)

(iii) (Continued)

The FASB has decided that the types of issues that it will consider through this project are changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. This ASU, however, includes more substantive, limited-scope improvements. These are items that represent narrow and incremental improvements to US GAAP and are not purely technical corrections. The amendments in this ASU include items raised to the FASB through the Codification's feedback mechanism and are items that the FASB concluded met the scope of this project, rather than that of a maintenance update.

This ASU also includes amendments that identify when the use of fair value should be linked to the definition of fair value in Topic 820, Fair value Measurement, and contains conforming amendments to the Codification to reflect the measurement and disclosure requirements of Topic 820. These amendments are referred to as Conforming Amendments. In addition, this ASU deletes the second glossary definition of fair value that originated from AICPA Statement of Position 92-6 *Accounting and Reporting by Health and Welfare Benefits Plans*. The first definition of originating from FASB Statement No. 123 (revised 2004) *Share-based Payment* and the third definition originating from FASB Statement No. 157 *Fair Value Measurements* remain.

The Conforming Amendments to US GAAP included in this ASU are generally non-substantive in nature. Many of the amendments conform wording to be consistent with the terminology in Topic 820 (e.g., revising market value and current market value to fair value, or mark-to market to subsequently measure at fair value). The FASB does not anticipate that the amendments in this ASU will result in pervasive changes to current practice. However, certain amendments may result in a change to existing practice. For those amendments which the FASB deemed to be more substantive, transition guidance and a delayed effective date accompany them.

The amendments in this ASU that will not have transitions guidance will be effective upon issuance for both public entities and non-public entities. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(a) Common stock

(i) During the year ended June 30, 2011, the Company:

- (a) Closed a private placement of 1,006,979 units consisting of one share of common stock at \$0.65 and one-half warrant at \$0.001. Each whole warrant entitles the holder to purchase one share of common stock on or before December 31, 2012 at an exercise price of \$1.00. Exercise of all the investment warrants may be required in the event that the market price for the common stock exceeds \$1.50 per share.

Gross proceeds totalled \$643,285 and gross proceeds received during the year ended June 30, 2010, previously shown as subscriptions received, totalled \$11,250.

- (b) Closed a private placement of 813,063 units consisting of one share of common stock at \$0.55 and one warrant at \$0.001. Each warrant entitles the holder to purchase one share of common stock on or before February 28, 2013, at an exercise price of \$1.00. Exercise of all the investment warrants may be required in the event that the market price for the common stock exceeds \$1.50 per share.

The Company determined that the warrants did not contain any provisions that would preclude equity treatment.

- (c) Issued 330,879 shares of restricted common stock and paid cash of \$37,735, as consideration for share issue costs. The shares have been recorded at an aggregate fair value of \$137,481.

Of the amounts above, \$52,719 was accrued as share issue costs as at June 30, 2010. The net of these amounts total \$122,497 and such amount is included as stock issue costs in the accompanying consolidated statements of stockholders' equity (deficit).

- (d) Issued 860,800 shares of common stock upon exercise of 860,800 share purchase warrants at \$0.50 per warrant, recording gross proceeds of \$430,400.

(ii) During the year ended June 30, 2011, the Company entered into contracts for consulting services, which call for stock and option awards over the terms of the contracts (note 17).

It was determined that these were non-employee awards which did not contain a performance commitment, and all terms were known up-front. In accordance with ASC 505-50 *Equity-Based Payments to Non-Employees*, the fair value of these awards is measured at the grant date and at each subsequent reporting date until the counterparty's performance is complete. The total fair value expense is recognized over the service period.



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(a) Common stock (Continued)

(ii) (Continued)

- (a) The Company issued 50,000 shares of restricted common stock on execution of the agreement dated November 19, 2010, 75,000 shares of restricted common stock thirty days from the execution date and 125,000 shares of restricted common stock ninety days from the execution date. On the six- and nine-month anniversaries, 125,000 shares of restricted common stock are to be issued for a total of 500,000 shares of restricted common stock. Restrictions will be removed upon contract completion.

The Company issued 250,000 shares of common stock at a fair value of \$294,303, which has been included as consulting fees.

- (b) The Company issued 150,000 shares of common stock on execution of the agreement dated December 1, 2010. On the six-month anniversary, 100,000 shares of common stock are to be issued.

The Company issued 150,000 shares of common stock at a fair value of \$105,000, which has been included as consulting fees.

- (c) The Company issued 46,118 shares of common stock and a fair value of \$82,500 has been recorded and included as consulting fees.

(iii) During the year ended June 30, 2012, the Company completed five private placements.

- (a) The first private placement amounted to \$23,000 for the issuance of 41,819 units consisting of common stock at \$0.55 per share and warrants at \$0.001 per warrant to purchase 41,819 shares of common stock on or before December 31, 2013 at an exercise price of \$1.00 per share.
- (b) The second private placement amounted to \$179,000 for the issuance of 511,428 units consisting of common stock at \$0.35 per share and warrants at \$0.001 per warrant to purchase 511,428 shares of common stock on or before November 29, 2016 at an exercise price of \$0.70 per share.
- (c) The third private placement amounted to \$200,000 for the issuance of 571,128 units consisting of common stock at \$0.35 per share and warrants at \$0.001 per warrant to purchase 856,692 shares of common stock on or before January 3, 2014 at an exercise price of \$0.70 per share.
- (d) The fourth private placement amounted to \$200,000 for the issuance of 666,666 units consisting of common stock at \$0.30 per share and warrants at \$0.001 per warrant to purchase 1,000,000 shares of common stock on or before March 31, 2014 at an exercise price of \$0.57 per share.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(a) Common stock (Continued)

(iii) (Continued)

- (e) The fifth private placement amounted to \$550,774 for the issuance of 1,573,939 units consisting of common stock at \$0.35 per share and warrants at \$0.001 per warrant to purchase 2,360,459 shares of common stock on or before January 31, 2014 at an exercise price of \$0.70 per share. Share issue costs of \$12,875 were incurred.

The Company determined that the warrants did not contain any provisions that would preclude equity treatment.

The holder of a convertible debenture converted \$138,000 of principal to 629,158 shares of the Company's common stock resulting in \$236,926, representing the present value of convertible debenture and the fair value of derivative liability recorded, allocated to equity, see note 5.

(iv) During the year ended June 30, 2013, the Company completed nine private placements.

- (a) The first private placement amounted to \$186,600, for the issuance of 533,140 units consisting of common stock at \$0.35 per share and warrants at \$0.001 per warrant to purchase 799,708 shares of common stock on or before August 31, 2014 at an exercise price of \$0.70 per share.
- (b) The second private placement amounted to \$422,297, for the issuance of 1,398,333 units consisting of common stock at \$0.30 per share and warrants at \$0.001 per warrant to purchase 2,796,666 shares of common stock on or before August 31, 2014 at an exercise price of \$0.60 per share.
- (c) The third private placement amounted to \$143,769, for the issuance of 363,296 units consisting of common stock at \$0.30 per share and 100,000 units consisting of common stock at \$0.35 and warrants at \$0.001 per warrant to purchase 926,604 shares of common stock on or before September 30, 2014 at an exercise price of \$0.50 per share.
- (d) The fourth private placement amounted to \$5,000, for the issuance of 14,285 units consisting of common stock at \$0.35 per share and warrants at \$0.001 per warrant to purchase 21,421 shares of common stock on or before February 28, 2014 at an exercise price of \$0.70 per share.
- (e) The fifth private placement amounted to \$414,954, for the issuance of 2,075,000 units consisting of common stock at \$0.20 per share and warrants at \$0.001 per warrant to purchase 4,150,000 shares of common stock on or before January 31, 2015 at an exercise price of \$0.50 per share.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

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

(a) Common stock (Continued)

(iv) (Continued)

- (f) The sixth private placement amounted to \$598,650, for the issuance of 2,368,250 units consisting of common stock at \$0.20 per share and 1,250,000 units consisting of common stock at \$0.10 and warrants at \$0.001 per warrant to purchase 4,736,500 shares of common stock on or before February 28, 2015 at an exercise price of \$0.50 per share.
- (g) The seventh private placement amounted to \$20,000, for the issuance of 100,000 units consisting of common stock at \$0.20 per share and warrants at \$0.001 per warrant to purchase 200,000 shares of common stock on or before February 28, 2015 at an exercise price of \$0.50 per share.
- (h) The eighth private placement amounted to \$115,000, for the issuance of 575,000 units consisting of common stock at \$0.20 per share and warrants at \$0.001 per warrant to purchase 1,150,000 shares of common stock on or before May 25, 2015 at an exercise price of \$0.50 per share.
- (i) The ninth private placement amounted to \$485,000, for the issuance of 2,425,000 units consisting of common stock at \$0.20 per share and warrants at \$0.001 per warrant to purchase 4,850,000 shares of common stock on or before May 25, 2015 at an exercise price of \$0.50 per share.

Share issue costs to complete the private placements totaled \$199,910.

The Company determined that the warrants did not contain any provisions that would preclude equity treatment.

The holder of a convertible debenture converted \$139,000 of principal to 930,382 shares of the Company's common stock resulting in \$252,456, representing the present value of convertible debenture and the fair value of derivative liability recorded, allocated to equity, see note 5.

The Company issued 2,247,500 shares of common stock as consideration for consulting services. These shares have been recorded at a value of \$974,125 representing the fair 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.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

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

(b) Preferred stock (Continued)

Cumulative dividends are accrued at the rate of 5% annually, payable in cash or shares of common stock 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, \$3.50 and \$4.00 in each of the subsequent five years after the date of issue, with the redemption price increasing by \$0.50 each year thereafter. The Company may, at its discretion, redeem the shares at a price higher than stipulated herein.

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.

During the years ended June 30, 2001 to June 30, 2005, a total of 355,872 shares of preferred stock were redeemed.

On November 8, 2012, a director of the Company resigned from his position as director and CEO of the Company. The Company agreed to redeem 70,588 shares of preferred stock held by the director at \$4.25 per share for a total of \$300,000 (note 15(a)). As at June 30, 2013, no payments have been made and no preferred stock has been redeemed.

(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 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, 2013, there were 764,500 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, 2013, there were 1,375,000 common stock options available under this plan.

During the year ended June 30, 2010, 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 4,000,000 common stock options. As of June 30, 2013, there is an over-issuance of 1,275,000 common stock options available under this plan. The Company plans to remedy this over-issuance by authorizing additional shares of common stock for issuance under this plan.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

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

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

During the year ended June 30, 2010, the Company extended the expiry dates of 625,000 common stock options, which resulted in additional stock-based compensation of \$180,000.

During the year ended June 30, 2011, the Company granted options to directors to acquire a total of 600,000 shares of common stock exercisable at \$0.85 per share. Every six months 100,000 options will vest beginning June 1, 2011 to December 1, 2013 and 100,000 vested options will expire the earlier of every six months beginning June 1, 2014 to December 1, 2016 or one year after termination of employment with the Company (note 17(a)).

During the year ended June 30, 2011, the Company granted options to consultants to acquire a total of 1,775,000 shares of common stock at a weighted average exercise price of \$0.48 per share; 125,000 options vested on the grant date. Of the remaining 1,650,000 granted options (note 17), 275,000 options will vest every six months from grant date and expire the earlier of every six months from the third anniversary of the vesting date or six months after termination of the consulting agreement.

During the year ended June 30, 2013, the Company cancelled 600,000 (note 15(c)) options to a consultant pursuant to a separation agreement signed June 13, 2013.

**Stock-based compensation**

During the year ended June 30, 2013, the Company recorded stock-based compensation expense with respect to vested stock options and warrants, cancelled unvested options and modified stock options of \$131,679 (2012 - \$376,698; 2011 - \$474,075), which has been included as consulting fees.

Stock-based compensation not yet recognized at June 30, 2013 relating to non-vested stock options was \$23,633 (2012 - \$115,826; 2011 - \$512,896), which will be recognized over a weighted average period of 0.60 (2012 - 0.75) years.

**Key assumptions**

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

	2013	2012	2011
Expected life (years)	3.17	3.48	4.33
Interest rate	1.09%	1.03%	1.27%
Volatility	78.50%	102.31%	96.27%
Dividend yield	0.00%	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%	0.00%

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

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

**Key assumptions (Continued)**

**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 yield:** 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 stock dividend for its common stock during the coming year by the grant date stock price of those stock. The expected dividend assumption is based on the Company's current expectations about its anticipated dividend policy.

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

**Stock option activity**

The following table summarizes the Company's stock option activity for the years ended June 30, 2013, 2012 and 2011:

	Number of Options	Price Per Option	Weighted Average Exercise Price
Outstanding, June 30, 2010	4,125,000	\$ 0.25 to \$ 1.00	\$ 0.36
Granted	2,375,000	\$ 0.25 to \$ 0.85	\$ 0.58
Outstanding, June 30, 2011 and 2012	6,500,000	\$ 0.25 to \$ 1.00	\$ 0.44
Cancelled	(600,000)	\$ 0.50	\$ 0.50
Outstanding, June 30, 2013	5,900,000	\$ 0.25 to \$ 1.00	\$ 0.43
Exercisable, June 30, 2013	5,450,000	\$ 0.25 to \$ 1.00	\$ 0.42

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

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

**Stock option activity (Continued)**

The following summarizes the options outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		2013	2012
December 31, 2013 <sup>(1)</sup>	\$ 0.25	2,500,000	2,500,000
December 31, 2013	\$ 1.00	210,000	210,000
March 9, 2014	\$ 0.25	125,000	125,000
June 1, 2014	\$ 0.85	100,000	100,000
October 15, 2014	\$ 0.50	100,000	100,000
July 31, 2014	\$ 1.00	415,000	415,000
December 1, 2014	\$ 0.50	75,000	175,000
December 1, 2014	\$ 0.85	100,000	100,000
December 31, 2014	\$ 0.25	1,000,000	1,000,000
April 15, 2015	\$ 0.50	100,000	100,000
June 1, 2015	\$ 0.50	75,000	175,000
June 1, 2015	\$ 0.85	100,000	100,000
October 15, 2015	\$ 0.50	100,000	100,000
December 1, 2015	\$ 0.50	75,000	175,000
December 1, 2015	\$ 0.85	100,000	100,000
April 15, 2016	\$ 0.50	100,000	100,000
June 1, 2016	\$ 0.50	75,000	175,000
June 1, 2016	\$ 0.85	100,000	100,000
October 15, 2016	\$ 0.50	100,000	100,000
December 1, 2016	\$ 0.50	75,000	175,000
December 1, 2016	\$ 0.85	100,000	100,000
April 15, 2017	\$ 0.50	100,000	100,000
June 1, 2017	\$ 0.50	75,000	175,000
<b>Total outstanding</b>		<b>5,900,000</b>	<b>6,500,000</b>
<b>Total exercisable</b>		<b>5,450,000</b>	<b>3,950,000</b>

(1) During the year June 30, 2013, the expiry date of these options was extended from December 31, 2012 to December 31, 2013.

No options were granted during the years ended June 30, 2013, 2012 and 2011. Of the options previously granted in 2010, 750,000 vested during the year ended June 30, 2013 (2012 - 750,000; 2011 - 1,300,000) and 450,000 (2012 - 1,400,000; 2011 - 2,150,000) remain unvested at June 30, 2013.

No options were exercised during the years ended June 30, 2013, 2012 and 2011.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

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

**Stock option activity (Continued)**

The aggregate intrinsic value of options outstanding and exercisable as at June 30, 2013 was \$1,186,750 (2012 - \$471,250) and \$1,165,750 (2012 - \$471,250), respectively. The aggregate intrinsic values exclude options having a negative aggregate intrinsic value due to awards with exercise prices greater than market value. The intrinsic value is the difference between the market value of the shares and the exercise price of the award as of the period-end date.

The weighted average remaining contractual lives for options outstanding and exercisable at June 30, 2013 and 2012 are 1.26 (2012 - 2) and 0.92 (2012 - 1.43) years, respectively.

The weighted average measurement date fair value of options modified during the year ended June 30, 2013 was \$nil (2012 - \$nil), granted during the year ended June 30, 2013 was \$nil (2012 - \$nil) and vested during the year ended June 30, 2013 was \$0.16 (2012 - \$0.18).

(d) Stock purchase warrants

Pursuant to a consulting agreement dated July 17, 2012, the Company issued 300,000 share purchase warrants to a consultant for a period of two years at an exercise price of \$0.31 per warrant. The warrants vest as to 50% on July 17, 2012, 25% on January 17, 2013 and 25% on July 17, 2013. During the year ended June 30, 2013, 225,000 warrants vested and are fully exercisable; 75,000 warrants remain unvested.

The following summarizes information about the Company's stock purchase warrants outstanding:

	Number of Warrants	Exercise Price Per Warrant	Weighted Average Exercise Price
Balance, June 30, 2010	8,763,952		\$ 0.60
Issued	1,316,553	\$ 1.00	\$ 1.00
Exercised	(860,800)	\$ 0.50	\$ 0.50
Expired	(2,970,000)	\$ 0.50	\$ 0.50
Balance, June 30, 2011	6,249,705		\$ 0.74
Issued	4,770,398	\$ 0.57 to \$1.00	\$ 0.68
Reinstated	3,040,000	\$ 0.50	\$ 0.50
Balance, June 30, 2012	14,060,103		\$ 0.67
Issued	19,930,899	\$ 0.31 to \$0.70	\$ 0.59
Balance, June 30, 2013	33,991,002	\$ 0.31 to \$1.00	\$ 0.58
Exercisable, June 30, 2013	33,916,002	\$ 0.31 to \$1.00	\$ 0.58



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

(d) Stock purchase warrants (Continued)

Expiry Date	Exercise Price	Number of Warrants	
		June 30, 2013	June 30, 2012
December 31, 2013 <sup>(1)</sup>	\$ 0.50	3,710,000	3,710,000
December 31, 2013 <sup>(1)</sup>	\$ 0.70	3,963,152	3,963,152
December 31, 2013 <sup>(1)</sup>	\$ 1.00	1,358,372	1,358,372
January 3, 2014	\$ 0.70	856,692	856,692
January 31, 2014	\$ 0.70	2,360,459	2,360,459
February 14, 2014 <sup>(2)</sup>	\$ 0.70	300,000	300,000
March 31, 2014	\$ 0.57	1,000,000	1,000,000
November 29, 2016	\$ 0.70	511,428	511,428
August 31, 2014	\$ 0.60	2,796,666	0
August 31, 2014	\$ 0.70	799,708	0
July 17, 2014	\$ 0.31	300,000	0
February 28, 2014	\$ 0.70	21,421	0
September 30, 2014	\$ 0.50	926,604	0
January 31, 2015	\$ 0.50	4,150,000	0
February 28, 2015	\$ 0.50	4,936,500	0
May 25, 2015	\$ 0.50	6,000,000	0
<b>Total outstanding</b>		<b>33,991,002</b>	<b>14,060,103</b>
<b>Total exercisable</b>		<b>33,916,002</b>	<b>14,060,103</b>

(1) During the year ended June 30, 2012, these warrants were extended to December 31, 2013.

(2) During the year ended June 30, 2012, 300,000 warrants with expiry dates of February 28, 2012, were extended to February 14, 2014.

(e) Promissory notes receivable at June 30, 2012 includes:

- (i) \$17,500 (2010 - \$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 (2010 - \$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 promissory notes are paid to the Company.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

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

- (e) Subscriptions received
- (i) During the year ended June 30, 2012, \$191,600 was received for subscriptions of 540,640 units consisting of common stock at \$0.35 per share and warrants at \$0.001 per warrant to purchase 810,960 shares of common stock on or before two years after the closing date at an exercise price of \$0.70 per share.
  - (ii) During the year ended June 30, 2013, \$13,400 was received for subscriptions of 44,000 units consisting of common stock at \$0.25 per share and warrants at \$0.001 per warrant to purchase 88,000 shares of common stock on or before two years after the closing date at an exercise price of \$0.50 per share.

**5. CONVERTIBLE DEBENTURES**

As at June 30, 2013, the Company has convertible debenture purchase agreements with Asher Enterprises Inc. and JMJ Financial as follows:

- (a) Asher Enterprises Inc.

During the year ended June 30, 2012, the Company entered into a convertible debenture purchase agreement with Asher Enterprises Inc. The agreement has since resulted in eleven separate tranches being issued. Each tranche is due approximately nine months after their respective issuance. At June 30, 2013, there are four tranches outstanding. The eleven debentures are summarized as follows:

- (i) August 9, 2011 received \$53,000 (settled);
- (ii) September 15, 2011 received \$50,000 (settled);
- (iii) October 15, 2011 received \$35,500 (settled);
- (iv) April 18, 2012 received \$53,500 (settled);
- (v) May 23, 2012 received \$78,500 (settled);
- (vi) July 5, 2012 received \$30,000, net of \$2,500 in legal fees (settled);
- (vii) November 20, 2012 received \$50,000, net of \$3,000 in legal fees (settled);
- (viii) January 4, 2013 received \$25,000, net of \$2,500 in legal fees;
- (ix) January 31, 2013 received \$37,500;
- (x) April 5, 2013 received \$50,000, net of \$3,000 in legal fees; and
- (xi) June 12, 2013 received \$35,000, net of \$2,500 in legal fees.

The convertible debentures pay interest of 8% per annum and can be converted into common stock at the option of the holder at any time after 180 days following the date of issuance. Each debenture has a conversion price equal to 58% of the market price. Market price is defined as the average of the lowest three trading prices for the Company's common stock during the ten day trading period ending one trading day prior to the date of conversion notice with a limitation of 4.99% of the issued and outstanding common stock at the time of conversion.

The convertible debenture may be repaid by the Company as follows:

- Outstanding principal multiplied by 135% together with accrued interest and unpaid interest thereon if prepaid within a period of 90 days beginning on the date of issuance of the note;

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

**5. CONVERTIBLE DEBENTURES (Continued)**

(a) Asher Enterprises Inc. (Continued)

- Outstanding principal multiplied by 145% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 91 days from the date of issuance of the note and ending on the date that is 150 days following the date of the note; and
- Outstanding principal multiplied by 150% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 151 days from the date of issuance of the note and ending on the date that is 180 days following the date of the note.

After the expiration of the 180 days following the date of issuance of the derivative, the Company will have no right of prepayment.

The liability component of the convertible debenture was measured at the present value with the embedded conversion feature being treated as a derivative liability with fair value measured at each reporting date.

(b) JMJ Financial

During the year ended June 30, 2013, the Company entered into a convertible debenture purchase agreement with JMJ Financial (the "lender"). The total amount that may be borrowed is \$500,000, which includes an upfront fee of 10%.

On signing the agreement, the first advance of \$100,000 was received by the Company from the lender. At the sole discretion of the lender, an additional \$150,000 may be advanced to the Company with the remaining consideration advanced to the Company only by mutual agreement. Each advance received by the Company is due one year from delivery of payment. As at June 30, 2013, the following amounts are payable (advance received plus 10%):

- February 27, 2013 received \$100,000, net of an upfront fee of \$11,111; and
- June 2, 2013 received \$50,000, net of an upfront fee of \$5,555.

No interest will be applied to the principal balance for the first 90 days after cash advance. After the first 90 days, an interest charge of 12% will be immediately applied to the principal and the 10% upfront fee.

On delivery of consideration, the lender may convert all or part of the unpaid principal and upfront fee into common stock at its sole discretion. All balances outstanding have a variable conversion price equal to the lesser of \$0.35 or 60% of the market price. The market price is defined as the lowest trade price in the 25 days prior to the conversion date. The lender is limited to holding no more than 4.99% of the issued and outstanding common stock at the time of conversion.

After the expiration of 90 days following the delivery date of any consideration, the Company will have no right of prepayment.

The liability component of the convertible debenture was measured at the present value with the embedded conversion feature being treated as a derivative liability with fair value measured at each reporting date.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**5. CONVERTIBLE DEBENTURES (Continued)**

During the year ended June 30, 2013, \$139,000 (2012 - \$138,000) of convertible debentures were settled by issuing 930,382 (2012 - 629,158) shares of common stock of the Company, and \$252,456 (2012 - \$236,926) representing the fair value of the derivative liabilities and the amortized cost of convertible debentures settled was included as additional paid-in capital.

During the year ended June 30, 2013, \$78,500 (2012 - \$nil) of convertible debentures were settled by paying \$120,865 (2012 - \$nil), and \$26,189 (2012 - \$nil) was recognized representing the net gain on settlement of convertible debentures.

During the year ended June 30, 2013, a fair value loss on the derivative liabilities of \$320,537 (2012 - \$89,326) was recognized.

During the year ended June 30, 2013, the Company incurred \$30,166 (2012 - \$15,500) in transaction costs in connection with the issuance of the convertible debentures, which has been recorded as a reduction to the carrying values of convertible debentures.

At June 30, 2013, 1,275,271 (2012 - 301,261) shares of common stock of the Company would be required to settle the remaining convertible debentures.

As at June 30, 2013, the face value of convertible debentures is \$338,946 (2012 - \$133,510), which includes accrued interest of \$16,780 (2012 - \$1,510).

The fair values of the derivative financial liabilities are calculated using the Black-Scholes valuation method at the consolidated balance sheet dates.

The following weighted average assumptions were used in determining the fair values of the derivative financial liabilities outstanding at inception:

	2013	2012
Expected life (years)	0.87	0.76
Interest rate	1.08 %	0.71 %
Volatility	73.62 %	62.80 %
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

The following weighted average assumptions were used in determining the fair values of the derivative financial liabilities on settlement:

	2013	2012
Expected life (years)	0.20	0.20
Interest rate	0.96 %	0.66 %
Volatility	56.15 %	72.76 %
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**5. CONVERTIBLE DEBENTURES (Continued)**

The following weighted average assumptions were used in determining the fair values of the derivative financial liabilities:

	<b>2013</b>	<b>2012</b>
Expected life (years)	0.64	0.62
Interest rate	1.07 %	0.94 %
Volatility	86.99 %	70.20 %
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

The carrying values of the convertible debentures are as follows:

	<b>2013</b>	<b>2012</b>
Fair value of convertible debenture, opening	\$ 93,356	\$ 0
Fair value at inception of new tranches	166,922	158,500
Interest accrued	112,330	55,174
Loss on early repayment	44,489	0
Repayment on November 28, 2012 (cash)	(120,865)	0
Settlement (issuance of common shares)	(121,405)	(120,318)
<b>Carrying amount of convertible debenture</b>	<b>\$ 174,827</b>	<b>\$ 93,356</b>

The carrying values of the derivative financial liabilities are as follows:

	<b>2013</b>	<b>2012</b>
Fair value of derivative liability, opening	\$ 84,718	\$ 0
Fair value at inception of new tranches	210,576	111,501
Loss on fair value of derivative liability	320,537	89,326
Gain on early repayment	(70,678)	0
Settlement (issuance of common shares)	(131,051)	(116,109)
<b>Carrying amount of derivative liability</b>	<b>\$ 414,102</b>	<b>\$ 84,718</b>

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**6. ACCOUNTS PAYABLE AND ACCRUALS**

Major categories of accounts payable and accruals include:

	2013	2012
Trade accounts payable	\$ 137,064	\$ 161,838
Related party payables (note 13)	578,634	664,086
Modified consulting fees (note 15)	352,000	0
Consulting fees payable	516,220	418,720
Legal and accounting fees payable	676,489	772,205
Dividends payable	10,320	15,460
	<u>\$ 2,270,727</u>	<u>\$ 2,032,309</u>

**7. PROMISSORY NOTE PAYABLE**

On December 31, 2011, the Company entered into a promissory note agreement with Jasper Rubber Products, Inc. for \$235,129, which bears interest at 18% annually. Any unpaid principal and unpaid accrued interest is due December 30, 2012, the maturity date. Any payments made during the year shall be first applied to unpaid accrued interest, then to the reduction of principal and finally to any other accounts payable balances owing at the time of payment.

During the year ended June 30, 2013, \$132,485 (2012 - \$127,804) was repaid by the Company representing the total remaining balance. During the year ended June 30, 2013, interest expense paid on the promissory note was \$8,789 (2012 - \$16,370).

**8. DEFERRED LIABILITY**

On June 21, 2013, the Company signed a 10 year license agreement with Hanwha L&C, of South Korea. The agreement grants Hanwha L&C exclusive rights to sell, distribute and manufacture Integral's patented line of conductive plastics, ElectriPlast, in South Korea, as well as non-exclusive sales and distribution rights to ElectriPlast for Japan, Taiwan and the China markets.

The agreement called for license fees as follows:

- \$250,000 to be paid to the Company within 15 business days; and
- A second payment is due to the Company no later than one year after signing the agreement.

The first \$250,000 has been recorded as a receivable offset by a deferred liability, which will be recognized as other income in the consolidated statements of operations over the life of the 10 year contract.

The first payment of \$250,000 was received July 9, 2013.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

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

	Years Ended June 30,			Period from February 12, 1996 (Inception) Through June 30, 2013
	2013	2012	2011	
<b>Changes in Non-Cash Working Capital</b>				
Due from affiliated company	\$ 0	\$ 0	\$ 0	\$ (116,000)
Accounts receivable	0	0	0	(109,213)
Inventory	0	0	0	(46,842)
Prepaid expenses	(509)	(19,723)	7,544	(20,231)
Deferred revenue and other	0	0	0	(2,609)
Accounts payable and accruals	697,877	1,364,798	105,858	3,117,791
	\$ 697,368	\$ 1,345,075	\$ 113,402	\$ 2,822,896
<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
Settlement of convertible debentures	\$ 252,456	\$ 236,926	\$ 0	\$ 489,382
Services (provided by officers and directors)	\$ 122,500	\$ 0	\$ 0	\$ 242,500
Settlement of lawsuit	\$ 0	\$ 0	\$ 0	\$ 60,250
Services	\$ 851,625	\$ 34,954	\$ 619,284	\$ 2,402,647
Subscriptions received	\$ 13,400	\$ 191,600	\$ 11,250	\$ 13,400
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
Accrual of liability for mandatory redeemable preferred shares	\$ 300,000	\$ 0	\$ 0	\$ 300,000
Accrual of dividends	\$ 15,460	\$ 15,460	\$ 15,460	\$ 15,460

**10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

(a) Fair value

With the exception of modified consulting fees (note 15(c)), the carrying value of accounts payable and accruals and cash approximate their fair values due to the short-term maturity of these financial instruments. Modified consulting fees have been recorded at fair value.

The convertible debenture was recognized initially at fair value, and thereafter, has been accounted for at amortized cost. The derivative financial liability is carried at fair value, and any gains or losses thereon are recognized in the consolidated statements of operations.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's financial asset that is exposed to credit risk consists of cash, which is placed with US and Canadian financial institutions.

Concentration of credit risk exists with respect to the Company's cash, as certain amounts are held at US and Canadian financial institutions. The maximum exposure is as follows:

	2013	2012
Cash (US institution) – non-FDIC insured	\$ 532,004	\$ 160,188
Cash (CDN institution)	304	11,985
	<u>\$ 532,308</u>	<u>\$ 172,173</u>

(c) 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. The Company is exposed to interest rate price risk to the extent that market interest rates differ from the fixed rate of interest of its convertible debenture (note 5). In 2013, a 0.97% change would have a \$4,000 (2012 - \$1,000) impact on the Company's consolidated net loss and comprehensive loss.

(d) Currency risk

The Company translates the results of non-US transactions into US dollars 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 significant transactions in currencies other than US dollars.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At June 30, 2013 the Company's cash totalled \$532,308 (2012 - \$172,173), accounts payable and accruals of \$2,270,727 (2012 - \$2,032,309), a promissory note payable of \$nil (2012 - \$123,696), convertible debentures of \$174,827 (2012 - \$93,356) and redeemable preferred shares of \$180,000 (2012 - \$nil). The accounts payable are due within one year. Included in accounts payable and accruals is \$352,000 (2012 - \$nil) representing the fair value of modified consulting fees payable in common shares of the Company. The convertible debenture is payable in common shares of the Company and due in the first quarter of the year ending June 30, 2014.



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**

(e) Liquidity risk (Continued)

The Company requires significant additional funding to meet its administrative overhead costs and maintain its research and development program in fiscal 2014.

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 recent year's slowdown in the United States economy has made it more difficult to obtain equity financing.

(f) Classification of financial instruments

At June 30, 2013, the Company's financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Total
Modified consulting fees <sup>(1)</sup>	\$ 352,000	\$ 0	\$ 0	\$ 352,000
Derivative financial liability	0	0	414,102	414,102
Total instruments at fair value	\$ 352,000	\$ 0	\$ 414,102	\$ 766,102

<sup>(1)</sup> Included in accounts payable and accruals in the Company's consolidated balance sheets.

The Company's modified consulting fees are classified within Level 1 of the fair value hierarchy and are valued using quoted market prices in active markets. The Company's derivative financial liabilities are classified within Level 3 of the fair value hierarchy and are valued using the Black-Scholes valuation method requiring inputs that are both significant to the fair value measurement and unobservable.

**11. INCOME TAXES**

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

	2013	2012	2011
Current expense	\$ 0	\$ 0	\$ 0
Deferred benefit	(1,280,000)	(522,000)	(846,000)
Increase (decrease) in valuation allowance	1,280,000	522,000	846,000
Total provision for income tax	\$ 0	\$ 0	\$ 0

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

**11. INCOME TAXES (Continued)**

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>2013</b>	<b>2012</b>	<b>2011</b>
Provision for income tax at the statutory rate of 34%	\$ (1,275,000)	\$ (1,001,000)	\$ (966,000)
Increase (decrease) in taxes due to			
Change in valuation allowance	1,280,000	522,000	846,000
Disallowed expense	112,000	2,000	2,000
Federal tax return true ups	(117,000)	0	0
Expiration of net operating loss	0	477,000	118,000
Expiration of capital loss	0	0	0
Change in deferred stock-based compensation	0	0	0
Total provision for income tax	\$ 0	\$ 0	\$ 0

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 required.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**11. 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 (decrease) in the valuation allowance for the years ended June 30, 2013, 2012 and 2011 are \$1,149,000, \$522,000 and \$846,000, respectively. The components of the net deferred income tax assets, calculated at an effective rate of 34%, are as follows at June 30:

	2013	2012	2011
Deferred income tax assets			
Current deferred tax assets			
Accrued liabilities	\$ 0	\$ 0	\$ 0
Valuation allowance	0	0	0
Total current deferred tax assets	0	0	0
Non-current deferred tax assets			
Net operating loss carry-forwards	\$ 10,774,000	\$ 9,455,000	\$ 9,048,000
Non-qualified stock options	1,083,000	1,038,000	923,000
Capital loss carry-forwards	0	0	0
Unrealized loss on stock compensation	37,000	0	0
Legal dispute reserve	61,000	182,000	182,000
Basis difference of fixed assets	1,000	1,000	1,000
Valuation allowance	(11,956,000)	(10,676,000)	(10,154,000)
Total non-current deferred tax assets	0	0	0
Non-current deferred tax liabilities	0	0	0
Net deferred tax asset	\$ 0	\$ 0	\$ 0

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**11. INCOME TAXES (Continued)**

For tax purposes, the Company has unused net operating losses available to carry-forward to future tax years. At June 30, 2013, the amounts and expiration dates of the Company's net operating loss carry-forwards are as follows.

Year Ended	Expires	Amount
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	1,439,000
June 30, 2010	June 30, 2030	1,699,000
June 30, 2011	June 30, 2031	3,129,000
June 30, 2012	June 30, 2032	2,968,000
June 30, 2013	June 30, 2033	3,512,000
<b>Total</b>		<b>\$ 31,687,000</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 carry-forwards may be limited as a result of such ownership changes, which could result in the expiration of carry-forwards before they are utilized.

In July 2006, the FASB released ASC 740-10 *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 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.

The Company adopted the provisions of ASC 740-10 on July 1, 2007. There was no impact on the Company's consolidated financial position and cash flows as a result of adoption. The Company has an unrecognized tax benefit of \$336,000 as of June 30, 2013, including no accrued amounts for interest and penalties. In addition, the Company has not completed an analysis under IRC section 382 to determine if there have been any direct and/or indirect ownership changes that would limit the use of net operating loss in future years.

The Company's policy will be to recognize interest and penalties related to income taxes as a component of income tax expense. The Company is subject to income tax examinations for US income 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, 2014.



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

**12. LOSS PER SHARE**

	Income (Numerator)	Weighted Average Number of Shares (Denominator)	Loss Per Share
<b>2013</b>			
Loss for the year	\$ (3,749,790)		
Preferred stock dividends	(15,460)		
Loss attributable to common shareholders	\$ (3,765,250)	68,354,944	\$ (0.06)
<b>2012</b>			
Loss for the year	\$ (3,400,434)		
Preferred stock dividends	(15,460)		
Loss attributable to common shareholders	\$ (3,415,894)	59,780,612	\$ (0.06)
<b>2011</b>			
Loss for the year	\$ (2,841,285)		
Preferred stock dividends	(15,460)		
Loss attributable to common shareholders	\$ (2,856,745)	56,487,578	\$ (0.05)

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.

**13. RELATED PARTY TRANSACTIONS**

There were no related party transactions during the years ended June 30, 2013, 2012 or 2011. As at June 30, 2013, \$583,812 (2012 - \$245,545) was included in accounts payable and accruals owed to the Company's executives for outstanding management fees, consulting fees and business related reimbursements, and are without interest or stated terms of repayment.

**14. SEGMENTED INFORMATION**

The Company operates primarily in one business segment, the development of electronically-conductive resin-based materials, with operations located in the United States.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

**15. EXTINGUISHMENT OF DEBT**

During the year ended June 30, 2013, the following debts were extinguished:

- (a) On November 8, 2012, a director of the Company resigned from his position as director and CEO of the Company. An agreement was signed indicating that all amounts owing at the agreement date would be waived resulting in payables of \$228,897 recognized as a gain on extinguishment of debt charged to accumulated deficit. Further, the agreement indicated that the Company would redeem 70,588 shares of preferred stock held by the director at \$4.25 per share for a total of \$300,000 as follows:
  - (i) Monthly installments of \$7,500 would be paid on the 15<sup>th</sup> of each month starting November 15, 2012 until June 15, 2013;
  - (ii) Monthly installments of \$10,000 would be paid on the 15<sup>th</sup> of each month starting July 15, 2013 until December 15, 2014; and
  - (iii) A lump sum payment of \$60,000 on January 15, 2015.

The \$300,000 has been reclassified as a liability with the \$70,588 par value removed from equity and \$229,412 value in excess of par charged to accumulated deficit. As at June 30, 2013, no payments have been made and no preferred stock has been redeemed.

- (b) During the year ended June 30, 2013, legal fees included in accounts payable were derecognized as a result of becoming time barred due to the statute of limitations. A total of \$355,022 has been recognized as a gain on extinguishment of liabilities in the consolidated statements of operations.
- (c) On June 13, 2013, the Company signed a separation agreement with a consultant resulting in a termination of consulting services effective December 31, 2012. As a result of the termination, the Company is required to issue 541,666 common shares pursuant to a restricted stock award agreement for options vesting prior to the agreement date and issue an additional 628,571 common shares in consideration for unpaid fees of \$243,000 (note 18(a)). The modified consulting fees have been recorded at the fair value of shares to be issued of \$352,000 included in accounts payable and accruals. The increase in value of modified debt of \$109,000 has been recognized as a loss on extinguishment of liabilities in the consolidated statements of operations.

In addition to the above, 600,000 options previously granted to a consultant were cancelled. Of the granted options, 200,000 had not vested at the date of cancellation. As such, stock-based compensation previously recorded on the unvested options of \$23,775 was reversed through consulting expense in the consolidated statements of operations.

**16. RESEARCH AND DEVELOPMENT**

As the Company is considered to be in the development stage, all research and development costs are expensed as incurred.

During the year ended June 30, 2013, the Company sold sample products totalling \$30,458 (2012 - \$2,640). This amount has been credited against research and development expenses.

**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

**17. COMMITMENTS**

During the year ended June 30, 2013, the following commitments were outstanding:

- (a) A consulting and confidentiality agreement with a director, dated December 1, 2010, engaging the individual to provide certain consulting services to the Company. The term of the agreement expires on November 30, 2013 and the Company shall pay monthly consulting fees of \$14,000 and issue 150,000 shares of common stock upon the execution of the agreement and an additional 100,000 shares of common stock upon the six-month anniversary of the execution date (not yet issued). The Company granted 600,000 stock options (note 4(c)) and an additional 1,250,000 stock options on the first anniversary of the execution date of the agreement (not yet issued).
- (b) A consulting and confidentiality agreement with a director, dated April 15, 2011, engaging the individual to provide certain consulting services to the Company. The term of the agreement expires on April 15, 2014 and the Company shall pay monthly consulting fees of \$14,000 and issue 150,000 shares of common stock upon the execution of the agreement (not yet issued) and an additional 100,000 shares of common stock upon the six-month anniversary of the execution date. The Company granted 600,000 stock options (note 4(c)) and an additional 1,250,000 stock options on the first anniversary of the execution date of the agreement (not yet issued).
- (c) A consulting and confidentiality agreement with a consultant, dated June 1, 2011, engaging the individual to provide certain consulting services to the Company. The original term of the agreement expired on June 1, 2014 and the Company was to pay monthly consulting fees of \$14,000 and issue 150,000 shares of common stock upon the execution of the agreement (not yet issued) and an additional 100,000 shares of common stock upon the six-month anniversary of the execution date. The Company granted 600,000 stock options (note 4(c)) and an additional 1,250,000 stock options on the first anniversary of the execution date of the agreement (not issued).

On June 13, 2013, the Company signed a separation agreement with the above consultant. This resulted in a termination of the consulting contract above (see note 14(c)) effective December 31, 2012.

- (d) A consulting and confidentiality agreement with a consultant, dated June 1, 2011, engaging the individual to provide certain consulting services to the Company. The term of the agreement expires on June 1, 2014 and the Company shall pay monthly consulting fees of \$12,000 and issue 112,500 shares of common stock upon the execution of the agreement (not yet issued) and an additional 75,000 shares of common stock upon the six-month anniversary of the execution date. The Company granted 450,000 stock options (note 4(c)) and an additional 1,000,000 stock options on the first anniversary of the execution date of the agreement (not yet issued).



**INTEGRAL TECHNOLOGIES, INC.**  
**(A Development Stage Company)**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2013, 2012 and 2011**  
**(US Dollars)**

---

**18. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2013:

- (a) 628,571 common shares were issued to settle modified consulting fees recorded at a fair value of \$352,000 as at June 30, 2013. An additional 541,666 common shares were issued pursuant to the separation agreement (note 15(c)).
- (b) The Company issued 44,000 units, each unit consisting of one share of common stock at \$0.20 and one warrant at \$0.001 to purchase 88,000 shares of common stock on or before two years after the closing date at an exercise price of \$0.50.

I. Integral Technologies, Inc. and its affiliates ("Integral") desire to purchase and Bill Robinson ("Robinson") desires to sell preferred shares at a cost of \$4.25 per share on the following schedule:

On the 15th of each month beginning 11/15/12 until 6/15/13:	\$	7,500
On the 15th of each month beginning 7/15/13 until 12/15/14:	\$	10,000
On January 15, 2015:	\$	60,000

In exchange for each payment, Robinson shall transmit the number of preferred shares at the rate of \$4.25 per share.

2. Integral agrees to

A. Remove the legend from all of Robinson's share certificates

B. Show Robinson the language to be inserted into a press release announcing his resignation as CEO and from the Integral Board of Director (see below) which Robinson can comment on, provided that Integral has the right to determine the final language, and provided further that Integral intends to use language indicating that Robinson has left the company to pursue other interests and thanks him for his long service.

C. Make no disparaging statements regarding Robinson.

D. Keep the terms of this agreement confidential, provided that Integral may disclose any terms that must be disclosed pursuant to state and federal laws.

E. Waive any and all claims, known or unknown, against Robinson arising out of his work for Integral, provided that this waiver does not apply to claims by any U.S. authority, including the U.S. Internal Revenue Service, for taxes owed by or on behalf of Robinson about which Integral offers no opinion.

3. Robinson agrees to

A. Resign as CEO effective November 8, 2012.

B. Resign as a member and as Chairman of the Integral Board of Directors effective November 8, 2012.

C. Waive all claims and remedies under his employment agreement and the wage and hour laws of the state of Washington and U.S. and Canadian labor laws and all claims for back pay or severance pay under his agreement, statute or common law and all other claims against Integral, known or unknown.

D. Have no further contact with customers or potential customers of Integral except as follows: the Canadian plastics company Robinson has been put in contact with through a contact in New York and an interested investor. Robinson shall advise Integral of the identities of these parties no later than November 30, at which time Robinson will cease contact with them.

E. Make: no disparaging statements regarding Integral or ElectriPlast Corporation or their affiliates and subsidiaries.

F. Not compete with Integral

G. Return all property and documents related to Integral

4. This is the only agreement between Integral and Robinson concerning the matters set forth herein and will be governed by the laws of the State of Washington and jurisdiction over the adjudication of any disputes that arise out of this agreement shall be in the courts of the State of Washington. If any portion or portions of this agreement is found invalid, it shall not invalidate any other portion or portions of the agreement.

5. Integral and Robinson agree to bring no action and waive any and all claims against each other, known or unknown. Robinson further agrees to bring no action and waives all claims, known or unknown, against the Directors and officers of Integral.

DATED this .8 day of November 2012.

Integral, by

William Ince	/s/ William Ince	
Herbert Reedman	/s/ Herbert Reedman	
James Eagan	/s/ James Egan	
Richard Blumberg	/s/ Richard Blumberg	its Board

/s/ W. S. Robinson  
Bill Robinson

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**CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE**

This Confidential Separation Agreement and General Release ("Agreement") by and between Stephen Neu ("Consultant"), and Integral Technologies, Inc., an Nevada corporation ("Company") or "Integral", is dated as of [June 13, 2013] (the "Agreement Date") but effective on the Effective Date as defined in Section 1 below.

WHEREAS, on June 1, 2011, Consultant and Company entered into a Consulting and Confidentiality Agreement (the "Consulting Agreement")

WHEREAS, Consultant's services for the Company will terminate as of December 31, 2012 and Consultant is entitled to receive the amounts as set forth in Section 2.1 of this Agreement, subject to the execution of this Agreement; and

WHEREAS, except as otherwise expressly set forth herein, the parties hereto intend that this Agreement shall supersede all previous agreements and effect a full satisfaction and release of the obligations described herein owned to consultant by Company and to Company by Consultant.

NOW, THEREFORE, in consideration of the mutual covenants of the parties hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and Company hereby covenant and agree as follows:

1. **Termination of Consulting Services.** The consulting services provided by Consultant to the Company will terminate effective December 31, 2012 ("Termination Date").

2. **Separation Payments.**

2.1 In full consideration of Executive's execution of this Agreement, and this agreement to be legally bound by its terms, Company shall provide Consultant the following benefits and payments:

- (a) Company will deliver to Consultant 541,666 shares that were granted pursuant to the Restricted Stock Award Grant Agreement dated January 1, 2012 (the "Restricted Stock Agreement") and that have vested prior to the Agreement Date; and
- (b) Company will deliver to Consultant 628,571 shares in consideration for all unpaid consulting fees earned.
- (c) Company will deliver shares within 10 days of execution of this agreement.
- (d) Company agrees to the removal of the restricted legend on certificates at such time the appropriate holding period has been met and consultant presents the shares for legend removal.

2.2 Consultant acknowledges that notwithstanding any provision to the contrary in the Consulting Agreement or otherwise, upon delivery of the foregoing options and shares, he will have been paid any and all amounts owed to him by Company through the date hereof, including but not limited to all consulting fees, all equity and equity-based awards, and all other compensation of any nature whatsoever. Consultant agrees that upon execution of this Agreement, (a) he will forfeit and have no right to any payment of any nature under the terms of the Consulting Agreement, (b) the 600,000 options granted to him in connection with the Consulting Agreement, the Grant of the Option forms attached to the Consulting Agreement, and subject to the Option Repricing Agreement dated December 20, 2011 shall be immediately forfeited, and (c) the remaining 750,000 unvested shares of restricted stock that were granted pursuant to the Restricted Stock Agreement that have not vested prior to the Agreement Date shall be immediately forfeited.

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3. **No Disparagement.** Consultant will not make any oral or written statement to any person that disparages Company, and affiliate of Company, or any past or present member, employee, product, or service of Company, or any affiliate of Company. If Consultant receives any subpoena or becomes subject to any legal obligation that might require him to engage in the conduct described in the preceding sentence, Consultant will provide prompt written notice of that fact to Doug Bathauer, Chief Executive Officer of Company, enclosing a copy of the subpoena and any other documents describing the legal obligation. Nothing herein shall prevent Consultant from testifying truthfully in any legal proceeding.

4. **Confidentiality.** Executive will not at any time (a) retain or use for the benefit, purposes or account of Consultant or any other Person (other than Company or its affiliates); or (b) disclose, divulge, reveal, communicate, share, transfer or provide access to any Person outside Company (other than its professional advisers who are bound by confidentiality obligations), any non-public, proprietary or confidential information – including without limitation trade secrets, know-how, research and development, software, database, inventions, process, formulae, technology, designs and other intellectual property, information concerning finances, investments, profits, pricing, costs, products, services, vendors, customers, clients, partners, investors, personnel, compensation, recruiting, training, advertising, sales, marketing, promotions, government and regulatory activities and approvals – concerning the past, current or future business, activities and operations of the Company, its subsidiaries or affiliates and/or any third party that has disclosed or provided any of same to the Company on a confidential basis (“Confidential Information”) without the prior written authorization of Company.

5. **Cooperation and Assistance.** Consultant shall upon reasonable notice, furnish such information and proper assistance to Company as it may reasonably require in connection with (a) any litigation in which it is, or may become, a party either during or after Consultant’s consulting services; or (b) any other matter of which Consultant has knowledge. If such assistance is needed after the “Termination Date, Consultant shall be reimbursed for reasonable and customary fees and expenses in connection with such assistance.

6. **Confidentiality of Agreement.** Except as may be specifically required by law or to enforce this Agreement, Consultant shall not disclose this Agreement, any of its terms, or any communications between Consultant or his attorneys and Company or their attorneys about any actual or proposed terms of this Agreement (collectively, “Agreement Information”) to anyone except Consultant’s attorney, Consultant’s spouse, and Consultant’s account or tax preparer to the limited extent necessary to allow that person to prepare Consultant’s tax returns, (each, an “Authorized Party”). Before disclosing any Agreement Information to an Authorized Party, Consultant shall obtain the Authorized Party’s agreement to keep all Agreement Information confidential. Consultant understands and agrees that Company may hold Consultant liable for breaching this Section 6 if Consultant or an Authorized Party disclose any Agreement Information in violation of the preceding sentence. Consultant represents and warrants that he and all Authorized Parties have fully complied with this Section 6 through the date on which he signed this Agreement. If Consultant learns that he or any Authorized Party is specifically required by law to disclose any Agreement Information, Consultant shall provide prompt notice to Company at least five (5) business days before any such disclosure must be made, describing the scope, nature, and timing of any such legal required disclosure. Notwithstanding the foregoing, Consultant may share with any person or entity with whom he does or may do business a document that completely and accurately quotes the Restrictive Covenants and describes those provisions as contractual obligations of Consultant.

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7. **Release and Agreement Not to Sue.**

7.1 Consultant (on behalf of himself and his agents, representatives, attorneys, assigns, heirs, executors, and administrators) releases each of the Released Parties from, and agrees no to bring or participate as a plaintiff or claimant in any suit, action, or proceeding against any of the Released Parties regarding, any and all liability, claims, demands, actions, causes of actions, suits, grievances, debts, sums of money, agreements, promises, damages, back and front pay, costs, expenses, attorneys' fee and remedies of any types, whether now known or unknown (collectively, "Claims"), relating to any act or failure to act that occurred before Consultant signed this Agreement, including, without limitation, all Claims arising out of or in connection with the Consultant Agreement or the provision of consulting services by Consultant to the Company

8. The provisions of this Agreement shall be governed by the laws of the State of Washington, without regard to any choice of law provisions.

For a notice to Company

Integral Technologies, Inc.,  
[220 Commerce Drive, Suite 205]  
[Fort Washington, PA 19034]  
Attention: Doug Bathauer

For notice to Consultant:

Stephen Neu  
[318 Washington Drive  
Chester Springs, PA 19425

*[Signature page follows.]*

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IN WITNESS WHEREOF, the parties have executed this Confidential Separation Agreement and General Release as of the respective dates set forth below

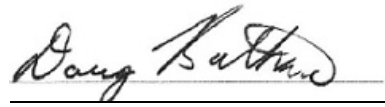
STEPHEN NEU



Dated: 6/13/2013

INTEGRAL TECHNOLOGIES, INC.

By



Its:

Dated: 6/13/2013

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June 20, 2013

Mr. Mohammed Zeidan  
409 Rosemary St.  
Dearborn, MI 48127

Dear Mo:

**RE: CONSULTING AGREEMENT EXTENSION**

We refer to your consulting agreement (the "Consulting Agreement") dated August 10, 2009 setting forth the terms pursuant to which you have continued to be a consultant ("Consultant") to Integral Technologies, Inc., or its affiliate ElectriPlast Corp. (the "Company" or "Integral"). Consultant and the Company hereby mutually agree to extend the Consulting Agreement through June 30, 2016, effective as of August 1, 2011.

Consultant and the Company agree that Consultant shall become an employee of the Company and agree to terminate the Consulting Agreement and any extension, at a time to be determined solely by the Company. The parties agree to negotiate in good faith an employment contract for Consultant that is in line with the position, duties and responsibilities that Consultant will fulfill in his new role as an employee of the Company.

The terms and conditions set forth in the Consulting Agreement shall continue with the following changes:

- a. Section 2 Term: The Consulting Agreement shall expire on June 30, 2016 unless terminated earlier as provided in the Consulting Agreement, or the parties shall mutually agree to further extend the Consulting Agreement or enter into a new agreement.
  - b. Section 3(b) Compensation: The Company shall treat the 2,000,000 options as being 100% vested and extend the expiration date on all the options until June 30, 2016. The strike price remains the same.
  - c. Section 4(a) Termination: Either party may terminate the Consulting Agreement at the following "six month" intervals with 30 days notice: December 31, 2013, June 30, 2014, December 31, 2014, June 30, 2015, December 31, 2015.
  - d. Section 4(b) Termination: Replace original in its entirety with the following: "If the Consultant Term is terminated 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, unless the termination is due to the parties, after negotiating in good faith, not being able to reach an employment agreement to replace the Consulting Agreement. If the termination is due to the parties' inability to reach an employment agreement, 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 the Consulting Agreement.
  - e. Section 4(c) Termination: There is a typo in this section. Please delete the last sentence and replace with the following: "Upon delivery of the payment described in this Section 4(c), the Company will have no further obligation to Consultant under this agreement."
-



In addition to the consulting agreement extension, the Company shall provide a restricted stock award grant to Consultant, as may be agreed to between the parties in a separate agreement.

For your convenience, a copy of the Consulting Agreement is attached to this letter.

Please confirm your acceptance of the extension of the Consulting Agreement as set forth above by signing below.

Sincerely,

/s/ Doug Bathauer

Douglas Bathauer,  
CEO

Agree and Accepted:     /s/ Mo Zeidan  
Mohammed Zeidan  
Date: June 20, 2013

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**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

**LICENSE AGREEMENT**

This Agreement is made as of the date of the signature of the last party to execute this Agreement ("Effective Date") between **Integral Technologies, Inc.**, a Nevada corporation, 805 West Orchard Street, #7 Bellingham, WA 98225, U.S.A. ("**LICENSOR**"),

**AND**

**Hanwha L&C Corp.** a South Korea corporation, Hanwha building Janggyo-dong 1 Jung-gu Seoul, South Korea ("**LICENSEE**"), hereinafter referred to individually as the "Party" and collectively as the "Parties".

**WHEREAS**, LICENSEE develops, manufactures and supplies a variety of thermoplastic and thermoset composites and components; and

**WHEREAS**, LICENSOR is a company that engages in the discovery, development, and commercialization of electrically conductive hybrid plastics used primarily as raw materials in the production of industrial, commercial and consumer products and services worldwide.

**NOW, THEREFORE**, the Parties agree as follows:

**ARTICLE 1      DEFINITIONS**

In this Agreement, the following terms have the following meanings and the singular shall incorporate the plural and vice versa:

1 . 1      "**Affiliate**" shall mean with respect to either Party any entity or entities directly or indirectly (i) controlling or (ii) controlled by or (iii) under common control by, one of the Parties. As used in this definition the term "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a party, whether through ownership of voting securities, by contract or otherwise.

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**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

1.2        **“Agreement”** means this license agreement signed by LICENSOR and LICENSEE.

1.3        **“Customer”** means a company that manufactures or uses End Products.

1.4        **“End Product(s)”** means part produced using a Product supplied by LICENSEE or its Affiliates in accordance with the terms of this Agreement.

1.5        **“Headquartered”** means a company that is incorporated in South Korea or whose primary place of business is in South Korea.

1 . 6        **“Patent(s)”** means any and all patents, described in Appendix 1 of this Agreement, and any reissue, renewal or extension thereof, that relate to moldable composite capsules and moulding parts and the method of manufacturing moldable composite capsules and moulding parts and are owned or controlled now, or hereafter during the Term, by LICENSOR and any improvements thereto which are the subject of a patent application owned or hereafter controlled now, or hereafter during the Term, by LICENSOR.

1 . 7        **“Product”** means moldable composite capsule made with nickel plated carbon fiber, stainless steel fiber or other conductive materials and thermoplastic resin based material, and made using LICENSOR’s Technology or Patents.

1.8        **“Royalty Fees”** means the payments to be paid by LICENSEE according to the provisions of Article 7.

1 . 9        **“Selling Price”** means the sale price of the Product sold by LICENSEE or its Affiliates to the Customer without all selling taxes.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

1.10 “**Technology**” means the technology which is owned by LICENSOR and is used to develop, manufacture, sell, use or mould Product, including but not limited to the know-how as described in Appendix 2 of this Agreement.

1.11 “**Territory**” means South Korea, China, Japan and Taiwan.

1.12 “**Term**” shall have the meaning set forth in Section 3.1.

## **ARTICLE 2 PURPOSE**

The purpose of this Agreement is to set forth the terms and conditions under which LICENSOR authorizes LICENSEE to manufacture and sell Product to the Customer.

## **ARTICLE 3 TERM AND TERMINATION**

3.1 Unless terminated earlier as provided herein, this Agreement shall continue in full force and effect for an initial period of ten (10) years from its Effective Date and shall be renewed for one (1) year periods thereafter by tacit renewal unless terminated by either Party by a prior written notice sent to the other three (3) months before the expiration of the initial term or renewal period (“**Term**”).

3.2 LICENSOR may elect to terminate this Agreement upon sixty (60) days prior written notice to LICENSEE if:

3.2.1 LICENSEE becomes bankrupt, insolvent, or its business is placed in the hands of a receiver, assignee, or trustee in bankruptcy;

3.2.2 LICENSEE files for dissolution of its corporate structure;

3.2.3 LICENSEE challenges the validity or enforceability of any of the Patents;

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

3.2.4 LICENSEE fails to establish manufacturing lines to produce Product in South Korea within twenty-four (24) months of the Effective Date; or

3.2.5 LICENSEE fails to maintain capacity to meet demand for the Product.

3.3 LICENSEE may elect to terminate this Agreement upon sixty (60) days prior written notice to LICENSOR if:

3.3.1 LICENSOR becomes bankrupt, insolvent, or its business is placed in the hands of a receiver, assignee, or trustee in bankruptcy; or

3.3.2 LICENSOR files for dissolution of its corporate structure.

3.4 In the event of an alleged material breach by either Party of any of the terms of this Agreement, the Party suffering such breach shall give notice to the other, in writing, thereof, specifying the type and circumstances pertaining to such breach in form sufficient to enable opportunity for correction thereof by the Party allegedly in breach. If such breach shall not have been remedied during a thirty (30) day period immediately following the receipt of such notice, the Party giving such notice shall have the right to notify the other in writing of its decision to terminate this Agreement. In the event that the breach is remedied within such thirty (30) day period, this Agreement shall continue in full force and affect the same as if no notice had been given. Waiver by any Party of its right to terminate because of any one breach shall not constitute a waiver of any subsequent breach of the same or of a different nature. No termination of this Agreement by expiration or otherwise shall relieve or release any Party from any of its obligations hereunder with respect to obligations due or acts committed under this Agreement.

3.5 Immediately upon expiration or termination of this Agreement for any reason:

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

3.5.1 LICENSEE shall cease all use of or practice of the Technology and Patents and LICENSOR may purchase from LICENSEE any Product manufactured prior to such expiration or termination. If LICENSOR does not purchase such Product, LICENSEE may sell such Product to Customers in South Korea at the prevailing market price, until Licensee sells all of such Product.

3.5.2 LICENSEE shall pay to LICENSOR the unpaid balance of any Royalty Fees, which shall be due through the expiration or termination date and including any Royalty Fees due to sales pursuant to Section 3.5.1, in accordance with the provisions of Article 7.

3.5.3 The Parties will return to the other Party or destroy all Confidential Information received from such Party pursuant to this Agreement, including all copies or summaries of such Confidential Information; provided, that the receiving Party may retain a reasonable number of copies of such Confidential Information for archival purposes and for the purposes of satisfying any applicable legal or regulatory record retention requirements.

3.6 The provisions of Sections 3.5, 5.2, 5.4 and Articles 7, 11, 12 and 13 shall survive expiration or termination of this Agreement.

#### **ARTICLE 4      GRANT OF LICENSE**

4.1 For the Term of this Agreement, LICENSOR grants to LICENSEE and its Affiliates, an exclusive, non-transferable, nonsublicensable, license to use the Technology furnished to LICENSEE under this Agreement for LICENSEE to manufacture Product in South Korea and to sell and distribute Product to Customers in South Korea.

4.2 Except as provided in Section 4.5, for the Term of this Agreement, LICENSOR grants LICENSEE and its Affiliates, a non-exclusive, non-transferable, nonsublicensable, license to use the Technology furnished to LICENSEE under this Agreement for LICENSEE to sell and distribute Product to Customers in China, Japan and Taiwan, provided the Product is made by LICENSEE or its Affiliates in South Korea.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

4.3 Except as provided in Section 4.5, for the Term of this Agreement, LICENSOR grants LICENSEE and its Affiliates permission to sell Product outside of South Korea for LICENSEE's Customers Headquartered in South Korea based on orders for Product originating in South Korea.

4.4 For the Term of this Agreement, LICENSOR agrees that LICENSOR will not grant to a third party an exclusive license under the Technology to manufacture, sell and distribute Product in China.

4.5 If LICENSOR grants another party an exclusive license to use the Technology or Patents for Japan or Taiwan, to the extent reasonably necessary to grant such license, LICENSOR may terminate the licenses granted in Sections 4.2 and 4.3 by giving LICENSEE sixty (60) days prior written notice thereof. In the event of such termination, LICENSEE shall retain the license for the Term of this Agreement to deliver the types of Product existing at the time of such termination to LICENSEE's Customers. However, LICENSEE's license shall not extend to new Customers or new types of Products.

4.6 LICENSOR shall have the right to sell and distribute Product in South Korea provided Product is made by LICENSEE. LICENSOR and LICENSEE agree to negotiate a manufacturing agreement under which LICENSEE will manufacture Product in South Korea and sell Product to LICENSOR on terms and conditions reasonably acceptable to LICENSOR and LICENSEE, on a non-exclusive basis in and outside of the Territory.

4.7 LICENSOR agrees not to assert any claims under the patents listed in Appendix 3 against LICENSEE, LICENSEE's Affiliate or a Customer of LICENSEE for making or using an End Product.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

4 . 8 LICENSOR and LICENSEE will use commercially reasonable efforts to utilize a common global supplier system for material, for use in Product that meet reasonable pricing and quality standards.

**ARTICLE 5      INFORMATION**

5 . 1 LICENSOR agrees to furnish to LICENSEE, within sixty (60) days of the Effective Date of this Agreement, the Technology identified in Appendix 2, attached hereto and made a part hereof.

5.2 LICENSEE agrees to use reasonable efforts, but no less than the efforts it uses to protect its own information of similar sensitivity, to maintain all Technology furnished hereunder and marked "Confidential" or "Proprietary" secret and confidential ("**Confidential Information**") for as long as LICENSOR maintains such Technology confidential. Any Technology first disclosed hereunder orally shall be reduced to writing, marked "Confidential" or "Proprietary" and transmitted to LICENSEE within thirty (30) days of the oral disclosure or it will not be subject to the obligations of this Section 5.2.

5.3 Nothing in this Agreement shall apply to any information (whether LICENSEE or LICENSOR):

5.3.1 Which is now generally known or readily available to the trade or public or which becomes so known or readily available without the fault of the receiving Party;

5.3.2 Which is known or possessed by the receiving Party without restriction as to disclosure or use prior to its receipt hereunder;

5.3.3 Which is disclosed in any issued patent, publication, or other source from and after the time it becomes generally available to the public; or



**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

5.3.4 Which is disclosed pursuant to governmental, regulatory or judicial order; provided, however, that the receiving Party shall have first given the disclosing Party written notice thereof and provided reasonable opportunity to seek a protective order.

5.4 In order to facilitate compliance with regulations of the United States Government concerning the export of technical information, the Parties agree that any technical information not in the public domain (whether written or otherwise) first received hereunder from the other, will not, without the prior written permission of the disclosing Party, knowingly be transmitted by the receiving Party, directly or indirectly, in violation of the United States Government regulations, as issued from time to time relating to the exportation of technical data.

5.5 If LICENSEE requests technical assistance from LICENSOR, LICENSOR shall provide LICENSEE technical assistance. If LICENSEE requests LICENSOR's employees to travel for the purpose of technical consultation related to Technology, LICENSEE shall pay to LICENSOR [\*] United States Dollars (\$[\*]) per day per person.

5.6 LICENSEE will be responsible for the reasonable travel and living expenses associated with the assistance provided in Section 5.5.

**ARTICLE 6 INITIAL PAYMENT**

LICENSEE shall pay LICENSOR an initial payment of [\*]United States Dollars (\$[\*]) payable as follows:

- a. \$[\*]no later than fifteen (15) business days after execution of this Agreement; and
- b. \$[\*] no later than [\*] ([\*]) year after execution of this Agreement.

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[\*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

**ARTICLE 7      ROYALTY FEES**

7.1      LICENSEE shall not be responsible for paying Royalty Fees (a) after [\*] years from the date when annual Royalty Fees reach \$[\*], or (b) when the Patents in Appendix 1 expire or are annulled. LICENSEE agrees to pay to LICENSOR [\*]percent ([\*]%) of the Selling Price of all Product sold by or for LICENSEE or its Affiliates to a Customer under this Agreement. In the event that Product is used to make an End Product by LICENSEE or LICENSEE's Affiliate, the Royalty Fee is imposed only on the Product, not on the End Product. The Selling Price of the Product that is (a) transferred by LICENSEE or its Affiliates without generating a Selling Price; or (b) used to make End Products by LICENSEE or its Affiliates is the average price that the same or similar Product is sold at to Customers by LICENSEE during the period of Section 7.5. If such average price is not available, a commercially reasonable price will apply.

7.2      All payments will be made in U.S. dollars. Payments due on Selling Price in the currency of countries foreign to the U.S. shall be calculated in U.S. dollars after the amount of the Selling Price in foreign currency has been converted into U.S. dollars using the applicable foreign exchange rate listed in the *Wall Street Journal* for the last day of the calendar quarter. Unless otherwise directed by LICENSOR, all payments made hereunder by LICENSEE shall be made by wire transfer to

Key Bank  
1221 North State Street  
Bellingham, WA 98225  
ABA number:  
Account number:  
Swift Code:

in immediately available United States funds.

7.3      Under this Agreement, Product shall be considered sold or otherwise transferred when LICENSEE invoices a Customer.

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[\*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

7.4 LICENSEE shall keep full, true and accurate books of account containing all particulars which may be necessary for the purpose of determining the amount payable to LICENSOR under this Agreement. Said books and the supporting data shall be open at all reasonable times, for three (3) years following the end of the calendar year to which they pertain, to an inspection, on a confidential basis, by an independent certified public accountant retained by LICENSOR, at LICENSOR's expense, and reasonably acceptable to LICENSEE, for the purposes of verifying LICENSEE's payments, or LICENSEE's compliance in other respects with this Agreement. A copy of the report of the independent certified public accountant shall be given to LICENSEE. Should such inspection and resulting report indicate an underpayment by LICENSEE, then LICENSEE shall immediately pay such amount to LICENSOR with interest at five (5) points above prime rate as published by *The Wall Street Journal* at the time of the inspection, and should such underpayment be in excess of ten (10%) percent LICENSEE shall also bear all costs of the audit.

7.5 LICENSEE, within sixty (60) days following the end of each six month period ending on June 30 and December 31 of each year, shall deliver to LICENSOR a true and accurate report, certified by an officer of LICENSEE, giving such particulars of the business conducted by LICENSEE hereunder as are pertinent to an accounting for royalties under this Agreement. These shall include at least the following:

- 7.5.1 the weight and type of Product sold by LICENSEE and the Selling Price for each; and
- 7.5.2 total Selling Price and total royalties due.

Concurrently with the delivery of each such report, LICENSEE shall pay to LICENSOR the amount due for the period covered by such report. If no payments are due, it shall be so reported. With the first report so made, LICENSEE shall report and pay over to LICENSOR all amounts due under this Agreement from the Effective Date.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

7.6 All taxes imposed on the Royalty Fees in South Korea shall be paid by LICENSEE and all other taxes imposed on the Royalty Fees in the United States shall be paid by LICENSOR.

7.7 All taxes and bank commissions related to such bank transfer in South Korea shall be paid by LICENSEE and all other taxes and bank commissions related to such bank transfer in the United States shall be paid by LICENSOR.

**ARTICLE 8 PATENT PROSECUTION**

8.1 LICENSOR shall be responsible for carrying out all of the following actions in the countries of the Territory which LICENSOR selects for patent coverage and in which LICENSEE requests LICENSOR to obtain patent coverage, unless LICENSOR declines to obtain such coverage, in which case LICENSEE, in the name of LICENSOR, may carry out one or more of the following actions:

8.1.1 to seek or continue to seek or maintain patent protection in any country in the Territory on the Technology and Product;

8.1.2 to file for, procure and maintain patents in any country in the Territory on the Technology and Product; and

8.1.3 to seek or continue to seek or maintain protection in the Territory of other proprietary rights relating to the Technology and Product.

8.2 If LICENSOR elects not to seek or continue to seek or maintain patent protection on the Technology or the Product in any country in the Territory, LICENSEE shall have the right, after receiving notice thereof from LICENSOR, to file, procure and maintain on behalf of LICENSOR, at LICENSEE's expense, in such country or countries patents on the Technology or such Product. LICENSOR agrees to advise LICENSEE of all decisions taken related to patent protection in the Territory in a timely manner and to undertake any actions, make available any inventors and execute any documents necessary to file, procure and maintain on behalf of LICENSOR in such country or countries patents in the Territory on the Technology or Product.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

8.3 Copies of all substantive communication to the patent offices in the Territory regarding applications or patents on the Technology sent or received by LICENSOR or LICENSEE, as the case may be, shall be provided to the other Party promptly after the sending or receipt thereof; and insofar as possible, copies of proposed substantive communications to such patent office shall be provided to such other Party in sufficient time before the due date in order to enable such other Party an opportunity to comment on the content thereof.

8.4 Any action undertaken in connection with this Article 8 by LICENSEE shall be carried out pursuant to the instructions provided by LICENSOR.

## **ARTICLE 9      PROTECTION OF PROPERTY RIGHTS**

9.1 LICENSEE agrees that it has not acquired, shall not acquire hereby, and shall not assert or pursue any right, title or interest to the Technology, and Patents from LICENSOR except as expressly licensed or otherwise conveyed hereunder.

9.2 LICENSEE shall notify LICENSOR immediately of all claims that LICENSEE's use of the Technology or Patents infringe the intellectual property of rights of any other person or entity. LICENSEE shall also notify LICENSOR immediately of any and all instances about which it knows which might constitute an infringement or improper use of any of the Technology or Patents, and shall cooperate with LICENSOR, at LICENSOR's expense and pursuant to LICENSOR's direction and control, to prevent such infringement or use.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

9.3 LICENSEE shall not use the Technology or Patents except as expressly authorized by this Agreement.

9.4 In any event that LICENSOR is unwilling to prosecute a patent infringer, in South Korea, LICENSEE shall have the right to seek redress on its own, at its expense, and to retain the entire amount of any award granted. In such event, LICENSOR shall cooperate with LICENSEE, at LICENSEE's expense and pursuant to LICENSEE's direction and control, in the prosecution of such infringer. It is agreed by the Parties that LICENSOR shall not be obliged to undertake any action to prosecute infringers.

#### **ARTICLE 10      WARRANTY**

10.1 LICENSEE represents, warrants and covenants to LICENSOR as follows:

10.1.1 LICENSEE is a corporation duly organized, validly existing and in good standing under the laws of South Korea. LICENSEE has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

10.1.2 The execution, delivery and performance by LICENSEE of this Agreement and the consummation of the transaction contemplated hereby has been duly and validly authorized by all requisite corporate action, and no other corporate act or proceeding on the part of LICENSEE is necessary to authorize the execution, delivery and performance of this Agreement and the consummation of the transaction contemplated hereby.

10.1.3 LICENSEE is not subject to nor obligated under its certificate of formation or bylaws, any applicable law, rule or regulation of any governmental authority, or any agreement, instrument, license or permit, or subject to any order, writ, injunction or decree, which would be breached or violated by its execution, delivery or performance of this Agreement.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

10.1.4 LICENSEE's execution and delivery of this Agreement and performance of its obligations hereunder, including the obligation of payments hereunder, do not and will not conflict with, violate, or result in any default under any agreement, instrument or other contract to which LICENSEE is a party or by which it is bound.

10.1.5 There are no claims, actions, suits, or other proceedings pending, or to the knowledge of LICENSEE threatened, which, if adversely determined, would adversely affect the ability of LICENSEE to consummate the transactions contemplated by this Agreement or perform its obligations hereunder.

10.1.6 LICENSEE shall at all material times comply with all applicable laws and regulations relating to the manufacture, sale and distribution of Product.

10.2 LICENSOR represents, warrants and covenants to LICENSEE as follows:

10.2.1 LICENSOR is a corporation duly organized, validly existing and in good standing under the laws of Nevada. LICENSOR has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

10.2.2 The execution, delivery and performance by LICENSOR of this Agreement and the consummation of the transaction contemplated hereby has been duly and validly authorized by all requisite company action, and no other company act or proceeding on the part of LICENSOR is necessary to authorize the execution, delivery and performance of this Agreement and the consummation of the transaction contemplated hereby.

10.2.3 LICENSOR is not subject to nor obligated under its certificate of formation or bylaws, any applicable law, rule or regulation of any governmental authority, or any agreement, instrument, license or permit, or subject to any order, writ, injunction or decree, which would be breached or violated by its execution, delivery or performance of this Agreement.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

10.2.4 LICENSOR's execution and delivery of this Agreement and performance of its obligations hereunder, do not and will not conflict with, violate, or result in any default under any agreement, instrument or other contract to which LICENSOR is a party or by which it is bound.

10.2.5 There are no claims, actions, suits, or other proceedings pending, or to the knowledge of LICENSOR threatened, which, if adversely determined, would adversely affect the ability of LICENSOR to consummate the transactions contemplated by this Agreement or perform its obligations hereunder.

10.2.6 LICENSOR is the sole owner of the patents and patent applications listed in Appendix 1 free and clear of all liens.

10.2.7 LICENSOR is the sole owner of the Technology free and clear of all liens.

10.2.8 Except for the Patents listed in Appendix 1 and 3, LICENSOR does not own or control any other patents that would be necessary to manufacture and sell the Product.

## **ARTICLE 11      INDEMNIFICATION**

11.1 LICENSEE shall indemnify, defend and hold LICENSOR and its Affiliates, as well as their respective officers, directors, agents, employees, successors and assigns, harmless from and against any and all claims, suits, damages, liabilities, costs and expenses including, but not limited to, court costs and reasonable attorneys fees, arising out of, based on or in any other manner related to breach of this Agreement by LICENSEE.



**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

11.2 LICENSOR shall indemnify, defend and hold LICENSEE and its Affiliates, as well as their respective officers, directors, agents, employees, successors and assigns, harmless from and against any and all claims, suits, damages, liabilities, costs and expenses including, but not limited to, court costs and reasonable attorneys fees, arising out of, based on or in any other manner related to (a) breach of this Agreement by LICENSOR, (b) infringement of a third party's intellectual property rights by reason of LICENSEE's manufacturing or selling Product using the Technology as suggested by LICENSOR pursuant to this Agreement, or (c) any act or omission of LICENSOR related to prosecution and maintenance in the Territories.

**ARTICLE 12      LIMIT OF LIABILITY**

12.1 Under no circumstances shall either party be liable under any theory of recovery, whether based in contract, in tort (including negligence and strict liability), under warranty, or otherwise, for any indirect, special, incidental or consequential loss or damage whatsoever, including but not limited to damage to or loss of property or equipment; loss of profits or revenue; or increased costs of any kind.

12.2 Under no circumstances shall the total aggregate liability of LICENSOR, under any theory of recovery, whether based in contract, in tort (including negligence and strict liability), under warranty, or otherwise, exceed [\*] thousand (\$[\*]) dollars.

**ARTICLE 13      GENERAL**

13.1 The Parties are each independent businesses and neither is nor shall it act as the representative or agent of the other for any purpose. No Party shall have the right or authority to assume, create or incur any liability or obligation of any kind, express or implied, against, in the name of, or on behalf of the other Party.

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[\*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portion.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

13.2 No Party shall be deemed in breach of this Agreement by reason of failure of or delay in performance of any obligation due to war, insurrection, civil disorder, fire, storm or natural calamity, governmental order, law or decree, or other act of force majeure or cause beyond its reasonable control, provided that the Party whose performance is inhibited thereby shall use all reasonable efforts to overcome the effect of said force majeure.

13.3 All notices required or contemplated by this Agreement shall be written, in English, and shall be deemed delivered if sent postage prepaid, certified or registered mail, to the address indicated below or to such other address as a Party may notify the other Party. All notices shall also be sent by facsimile to the number indicated, but the sending or attempted sending of a facsimile communication shall not constitute effective notice.

If to LICENSOR:     Integral Technologies, Inc.  
                          Attention: President  
                          805 West Orchard Street, #7 Bellingham, WA 98225  
                          Telephone: +1.360.752.1982 Ext. 1  
                          Fax: +1.360.752.1983

If to LICENSEE:     Hanwha L&C Corp.  
                          Attention: President  
                          Hanwha building Janggyo-dong 1 Jung-gu Seoul, South Korea  
                          Telephone: +82.2.729.2220  
                          Fax: +82.2.729.2095

13.4 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States, without regard to its conflicts of law principles.

13.5 The Parties hereto shall use commercially reasonable efforts to resolve by mutual agreement any disputes, controversies or differences which may arise from, under, out of or in connection with this Agreement. Any and all disputes or claims between the Parties arising out of or related to this Agreement which cannot be resolved through discussions shall be finally settled through arbitration in New York, NY by three arbitrators under the American Arbitration Association commercial arbitration rules ("Rules"). The arbitration shall be conducted in English. Each Party shall nominate one arbitrator within fifteen (15) days after such dispute is submitted to arbitration. The third arbitrator shall be chosen by the two arbitrators nominated by the Parties. If the two arbitrators cannot agree on the nomination of the third arbitrator, then such arbitrator shall be appointed in accordance with the Rules. The costs of the arbitration, and which Party will bear all or part of the costs and expenses (including reasonable attorneys' fees and costs) will be decided by the arbitrators. The award of the arbitrators shall be final and binding. The award of the arbitrators shall be enforceable by, and judgment on the award may be entered by, any court having jurisdiction of the Party against which the award has been rendered or where assets of such Party can be located.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

13.6 This Agreement constitutes the entire agreement of the Parties with respect to its subject matter, all prior negotiations, representations, statements and agreements being merged herein. It may not be modified or amended except by a written document making reference to this Agreement, signed by both Parties.

13.7 In the event that any provision of this Agreement is deemed as a matter of law to be unenforceable or null and void, such unenforceable or void portion of such provision shall be deemed severable from this Agreement and the remainder of this Agreement shall continue in full force and effect.

13.8 This Agreement and the rights and obligations of the Parties under this Agreement may not be assigned or transferred without the express written consent of the Parties which consent shall not be unreasonably withheld or delayed.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

13.9 Unless required by law, the Parties agree that no information concerning this Agreement shall be released for publication, advertising or any other purpose without the other Party's prior written consent.

13.10 Where remedies for breach of contract are provided herein, those remedies are in addition to all other available remedies in this Agreement, at law or in equity, unless otherwise expressly provided herein. Where no specific remedy for a breach of contract is specified, the non-breaching Party shall be entitled to pursue all available remedies in this Agreement, at law or in equity.

13.11 This Agreement may be executed in multiple counterparts, each of which shall be an original as against the Party who signed it and all of which shall constitute one and the same document.

Signed below by the duly authorized representatives of each Party.

Integral Technologies, Inc.

Hanwha L&C Corp.

By: /s/ Douglas Bathauer

By: /s/ Chang Bum Kim

Name: Douglas Bathauer

Name: Chang Bum Kim

Title: Chief Executive Officer

Title: President

Date: June 19, 2013

Date: June 19, 2013

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

**APPENDIX 1**  
**PATENT DESCRIPTION**

US Patent Number 7,223,469, Issued May 29, 2007:

**Electriplast Moldable Composite Capsule**

**Abstract:** Moldable capsules of a conductive loaded resin-based material are created. The moldable capsules include a conductive element core radially surrounded by a resin-based material. The conductive loaded resin-based material includes micron conductive powder(s), conductive fiber(s), or a combination of conductive powder and conductive fibers in a base resin host. The conductive element core includes between about 20% and about 50% of the total weight of the moldable capsule in one embodiment, between about 20% and about 40% in another embodiment, between about 25% and about 35% in another embodiment, and about 30% in another embodiment. The micron conductive powders are formed from non-metals, that may also be metallic plated, or from metals, that may also be metallic plated, or from a combination of non-metal, plated, or in combination with, metal powders. The micron conductor fibers preferably are of nickel plated carbon fiber, stainless steel fiber, copper fiber, silver fiber, or the like.

US Patent Number 7,708,920, Issued May 4, 2010:

**Conductively Doped Resin Moldable Capsule and Method of Manufacture**

**Abstract:** A method to form moldable capsules of a conductively doped resin-based material is realized. The method comprises compressing a bundle of micron conductive fiber strands by passing the bundle through a compressing ring. A resin-based material is extruded/pultruded onto the compressed bundle. The resin-based material and the bundle are sectioned into moldable capsules. The micron conductive fiber comprises between about 20% and about 50% of the total weight of each moldable capsule.

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

## **APPENDIX 2**

### **TECHNOLOGY**

All trade secrets, knowledge, expertise, technology, methodology and technical information regarding the ElectriPlast™ capsule and use thereof, including, advice, guidance, directions, and instructions necessary to manufacture or use the capsule, that is owned, possessed or controlled by LICENSOR.

This shall include but not be limited to:

1. Manufacturing process maps outlining process for the manufacture of the ElectriPlast™ capsule, including extrusion, tooling and equipment setup, resin and fiber preparation for various fiber content and loading percentages.
2. Capsule formation process maps outlining capsule design that supports the concentric formation of the fiber during manufacture, as it relates to capsule weight, dimensions, fiber percentage and production speed.
3. Material handling specifications including process for handling, packaging, shipping, manufacturing and molding with the Product.
4. Global supplier list including materials supplied.
5. Product list including part numbers, formulation, specifications, technical data.
6. Sales material & technical presentations.
7. Password protected access to on-line digital assets including, Product images, digital photos, approved images for use in sales, marketing, promotional activities.
8. Product applications overview including industry specific applications and access to technical support & expertise as requested.
9. Manufacturing technical support as requested.
10. Sales & marketing support as requested.
11. The above support will be provided in accordance with Section 5.5.

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

### APPENDIX 3

#### END PRODUCT APPLICATION PATENTS

<u>Patent Number</u>	<u>Approval Date</u>	<u>Title</u>
7,829,006	11/09/2010	Method to form vehicle component devices from conductive loaded resin-based materials
7,829,807	11/09/2010	Low cost key actuators and other switching device actuators manufactured from conductive loaded resin-based materials
7,726,440	06/01/2010	Low cost vehicle electrical and electronic components and systems manufactured from conductive loaded resin-based materials
7,658,663	02/09/2010	Low cost electronic toys and toy components manufactured from conductive loaded resin-based materials
7,644,488	01/12/2010	Method to form a conductive device
7,644,495	01/12/2010	Method of forming a conductive device using conductive resin-base materials
7,949,521	06/23/2009	Low cost electrical power connectivity for railway systems manufactured from conductive loaded resin-based materials
7,432,448	10/07/2008	Low cost aircraft structures and avionics manufactured from conductive loaded resin-based materials
7,425,885	09/16/2008	Low cost electrical fuses manufactured from conductive loaded resin-based materials
7,372,422	05/13/2008	Low cost electronic probe devices manufactured from conductive loaded resin-based materials
7,372,127	05/13/2008	Low cost and versatile resistors manufactured from conductive loaded resin-based materials
7,372,006	05/13/2008	Low cost heating devices manufactured from conductive loaded resin-based materials
7,339,146	03/04/2008	Low cost microwave oven components manufactured from conductively doped resin-based materials
7,317,420	01/08/2008	Low cost omni-directional antenna manufactured from conductive loaded resin-based materials
7,316,838	01/08/2008	Low cost electrically conductive carpeting manufactured from conductive loaded resin-based materials

**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

<b><u>Patent Number</u></b>	<b><u>Approval Date</u></b>	<b><u>Title</u></b>
7,273,135	09/25/2007	Low cost magnetic brakes and motion control devices manufactured from conductive loaded resin-based materials
7,268,637	09/11/2007	Low cost RF oscillator devices manufactured from conductive loaded resin-based materials
7,268,562	09/11/2007	Low cost detectible pipe and electric fencing manufactured from conductive loaded resin-based materials
7,268,479	09/11/2007	Low cost lighting circuits manufactured from conductive loaded resin-based materials
7,268,461	09/11/2007	Low cost electrical motor components manufactured from conductive loaded resin-based materials
7,230,572	06/12/2007	Low cost antenna devices comprising conductive loaded resin-based materials with conductive wrapping
7,222,727	05/29/2007	Low cost food processing belts and other conveyances manufactured from conductive loaded resin-based materials
7,164,388	01/16/2007	Low cost adjustable RF resonator devices manufactured from conductive loaded resin-based materials
7,136,008	11/14/2006	Low cost electromagnetic energy absorbers manufactured from conductive loaded resin-based materials
7,115,825	10/03/2006	Low cost key actuators and other switching device actuators manufactured from conductive loaded resin-based materials
7,102,077	09/05/2006	Low cost electromagnetic energy absorbing, shrinkable tubing manufactured from conductive loaded resin-based materials
7,084,826	08/01/2006	Low cost inductor devices manufactured from conductive loaded resin-based materials
7,079,086	07/18/2006	Low cost electromagnetic field absorbing devices manufactured from conductive loaded resin-based materials
7,027,304	04/11/2006	Low cost thermal management device or heat sink manufactured from conductive loaded resin-based materials
7,017,822	03/28/2006	Low cost RFID antenna manufactured from conductive loaded resin-based materials
7,006,050	02/28/2006	Low cost antennas manufactured from conductive loaded resin-based materials having a conducting wire center core
7,006,046	02/28/2006	Low cost electronic probe devices manufactured from conductive loaded resin-based materials



**CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED BASED UPON A REQUEST FOR CONFIDENTIAL TREATMENT AND THE NON-PUBLIC INFORMATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

<b><u>Patent Number</u></b>	<b><u>Approval Date</u></b>	<b><u>Title</u></b>
7,002,234	2006-02-21	Low cost capacitors manufactured from conductive loaded resin-based materials
6,947,012	09/20/2005	Low cost electrical cable connector housings and cable heads manufactured from conductive loaded resin-based materials
6,947,005	09/20/2005	Low cost antennas and electromagnetic (EMF) absorption in electronic circuit packages or transceivers using conductive loaded resin-based materials
6,940,468	09/06/2005	Transformers or inductors ("transductors") and antennas manufactured from conductive loaded resin-based materials
6,873,298	03/29/2005	Plastenna flat panel antenna
6,870,505	03/22/2005	Multi-Segmented Planar Antenna with Built-in Ground Plane
6,870,516	03/22/2005	Low cost antennas using conductive plastics or conductive composites
6,741,221	05/25/2004	Low Cost Antennas Using Conductive Plastics or Conductive Composites
6,717,550	04/06/2004	Segmented Planar Antenna with Built-in Ground Plane
6,329,950	12/11/2001	Planar Antenna Comprising Two Joined Conducting Regions with Coax
6,320,548	11/20/2001	Dual Disk Active Antenna

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

I, Doug Bathauer, 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, 2013 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 Company as of, and for, the periods presented in this report;
4. The Company'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 Company 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 Company, 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

September 30, 2013

/s/ Douglas Bathauer

Douglas Bathauer, 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, 2013 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 Company as of, and for, the periods presented in this report;
4. The Company'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 Company 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 Company, 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

September 30, 2013

/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, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Doug Bathauer, 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 30, 2013

/s/ Douglas Bathauer

Douglas Bathauer, Chief Executive 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, 2013 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 30, 2013

/s/ William A. Ince

William A. Ince, Chief Financial Officer

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