
**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, 2016

☐ 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.)

2605 Eastside Park Road Suite 1, Evansville, Indiana

(Address of principal executive offices)

47715

(Zip Code)

Issuer's telephone number: (812) 550-1770

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-K 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, 2015 (based on an average of the bid and ask prices of approximately \$0.44) was approximately \$52,086,546.

The number of shares of the issuer's common stock, \$.001 par value, outstanding as of January 6, 2017, was 140,667,603 shares.

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PART I

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

Readers of this document, and any document incorporated by reference herein, are advised that this document and documents incorporated by reference into this document contain both statements of historical facts and forward looking statements. Such forward-looking statements are characterized by future or conditional verbs such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate” and “continue” or similar words. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. Such statements are only predictions and our actual results may differ materially from those anticipated in these forward-looking statements. We believe that it is important to communicate future expectations to investors. 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 since there may be events in the future that we are not able to accurately predict or control. Factors that may cause such differences include, but are not limited to, those discussed under Item 1A. Risk Factors and elsewhere in this Form 10-K for the year ended June 30, 2016, as filed with the Securities and Exchange Commission 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, 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.

Integral focuses the majority of its resources on researching, developing and commercializing its ElectriPlast® technologies. The technology possesses a multitude of applications in a myriad of industries. These include the auto industry, the aerospace, consumer electronics, and commercial aviation industries, among others. One key factor that could drive demand for ElectriPlast is the need for light-weighting. Automotive and aerospace are leading the way to achieve reduced emissions and increased fuel economy. Light-weighting involves the substitution of lighter materials, often times using carbon-fiber based, for heavier (aluminum and other metals) materials.

On May 21, 2010, President Obama asked the EPA and NHTSA to jointly develop a national program that would “produce a new generation of clean vehicles,” to lower oil usage. The government has mandated that auto manufacturers comply with CAFE (Corporate Average Fuel Economy) standards by the year 2025. To become more energy efficient, auto manufacturers are required to have their fleets achieving 54.5 MPG (miles per gallon) by then. According to a 2009 issue of *Car and Driver Magazine*, in 2009, car fleets averaged 32.5 CAFE MPG and trucks averaged 24.5 MPG. The Obama administration’s mandate is expected to nearly double fuel efficiency by 2025.

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 Advanced Materials Co., Ltd. (“Hanwha”) of Korea. In addition, Integral allocates resources to expand and protect the extensive intellectual property holdings surrounding its ElectriPlast® technology. Integral’s business strategy focuses on the leveraging of its intellectual property rights and our strength in product design and material innovation. Integral is focusing its business development and marketing efforts on securing licensing and/or joint development agreements in areas for which it currently hold patents covering specific materials, components, parts, applications or end-products incorporating conductive resins and ElectriPlast technology. Integral collaborates with suppliers, Tier1 vendors, OEM's and manufacturers of products who would benefit from the incorporation of any of the ElectriPlast® applications.

Our business model calls for the Company to generate revenue from license fees from the use of our patent portfolio and proprietary “know-how”, to generate revenue through the sale of ElectriPlast® material either through a royalty revenue stream or from direct sales of ElectriPlast®, and by providing technical services through our Detroit Tech Center to companies needing our expertise in applying ElectriPlast® in their applications. The Company’s management and engineering team has expertise and know-how in the ideas related to the use of the product.

Various examples of applications for ElectriPlast® where Integral holds patent protection are: batteries, 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.

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, Chang Rim Eng Inc., Delphi Automotive PLC, Advanced Battery Concepts, The Ultimate Battery Co., LeddarTech, TheMix Plastics, Inc., and Hanwha, and believe that we now have several key global relationships to help us expand our operations both domestically and internationally.

During the fiscal year, several actions were taken by the Company to better position the commercialization of ElectriPlast. The Company continued to emphasize the expansion of ElectriPlast's technical and engineering capabilities. Earlier in 2015, the Company filed non-provisional patents associated with its bipolar battery technology and bipolar plate products. The Company believes the bipolar battery plate and associated power storage technology provides long-sought breakout weight savings and performance benefits for the lead-acid battery market. The company intends to develop the power storage technology as an Integral Technologies business unit and will seek partners to fully develop batteries for consumer and industrial consumption. The world-wide market demand for lead-acid batteries was estimated to be \$44.7B in 2014, and expected to grow to \$58.6B by 2020 (a 5% CAGR). The company intends to develop the bipolar battery as an ElectriPlast business unit and will seek partners to fully develop batteries for consumer and industrial consumption.

To expedite the commercialization and monetization of the battery technology, the company may consider investment or acquire other battery companies, sell all or part of the plate technology business unit, and / or merge the business unit with another company. The first prototype battery utilizing the ElectriPlast bipolar technology was produced in 2015. The battery was produced with the assistance of Advanced Battery Concepts. Based on the initial prototype and a series of discussion during the quarter, the Company announced on April 26, 2016 a Joint Technology Assessment Program with Advanced Battery Concepts, an industry leader in large format bi-polar battery design and manufacture.

In Asia, the Company, through its newly signed reseller agreement, provided conductive material containing nickel-plated carbon fiber material to Hanwha for prototype development for a major auto manufacturer based in Asia that is developing six (6) new applications. The Company continues to support Chang Rim Eng Inc. ("Chang Rim") as it readies to commercialize ElectriPlast® in South Korea. The Company announced on October 8, 2014 that Chang Rim had successfully completed its prototype phase for a motor casing targeting the domestic Asia automotive market. On August 20, 2015, the Company announced with Chang Rim the largest ElectriPlast order in the Company's history. The company continues to make progress in shielding in the electric vehicle market. During the quarter, the Company provided ElectriPlast material and applications support to a Tier 1 company for finalizing an application for an electric vehicle. The company has been approved as a supplier for the domestic Tier 1 for the purpose of supplying ElectriPlast for a specific electric vehicle platform expected to go into production in 2017. The company expects initial commercial orders to be produced in the second half of 2017.

On March 9, 2015 the Company announced the completion of the relocation of its North American manufacturing from Jasper to Evansville, Indiana to prepare the foundation for expected manufacturing growth. In conjunction with long time manufacturing partner Jasper Rubber Products, the manufacturing is now taking place at the Nova Polymers facility in Evansville, IN. In addition to relocating the line, additional capacity was added by dedicating existing Nova fixed assets to the ElectriPlast process which will increase capacity by ten times when fully implemented. Nova was selected because they provide the necessary infrastructure for scaling manufacturing capacity to meet the expected growth in customer volumes through 2020 and beyond.

During the quarter ended March 31, 2016, several steps were taken by the Company to mature certain client relationships and applications while also addressing on-going funding requirements. The Company signed a global Reseller and Marketing Agreement with a leading nickel-plating carbon fiber manufacturer dated March 1, 2016. The agreement provides exclusivity for certain major customer(s) with a provision for expanding the exclusivity rights to the Company. Nickel-plated carbon fiber is a key conductive material in the making of ElectriPlast® and the Company will pursue other opportunities that strengthens its relationship with key suppliers.

Companies continue to incorporate ElectriPlast in their on-going product development evaluations. On March 30, 2016, the Company announced that LeddarTech includes ElectriPlast material to produce lens barrels in its latest release of its LeddarOne Sensing Module, a compact and low-cost lidar that provides valuable presence detection and distance measurement capabilities to a wide range of finished products. In the announcement, LeddarTech highlighted the superior qualities of ElectriPlast in the key areas of weight-reduction, cost, and robustness in the demanding environment of drone aircraft.

In January 2016, the Company and a Tier 1 partner reached a technical milestone when its wire shielding application currently under development obtained the highest shielding effectiveness to date. The Company believes the level of shielding effectiveness validates the commercial viability of the technology. The companies have completed subsequent trials and continue to work towards commercialization for an effective alternative in replacing the more-costly metal, braided shielding.

The Company entered into a term sheet dated April 19, 2015 with a conductive plastics compounder (the “Compounder”) for the purpose of acquiring all the assets of the Compounder, with the Compounder remaining a separate entity. The Compounder is a niche supplier with an international customer base. The Company’s strategic interest in the Compounder is its equipment and expertise in conductive material compounding, as well as its customer base. The term sheet contemplated that upon the closing, all sales and marketing would be performed by the Company, and the Compounder would become the sole manufacturer for the Company. In October 2015, the founder and majority shareholder of the Compounder died from an accident before the transaction could be completed. A Special Administrator has been assigned to the deceased’s estate but the final disposition of the Compounder is unclear. Subsequently, all manufacturing employees left the Compounder and its customers turned to other suppliers.

During 3rd and 4th quarter, the Company was able to make product for the Compounder through a combination of using former employees of the Compounder as well as the Company’s own staff. Also during the year, the Compounder’s landlord filed a “Pay or Leave” eviction notice to the Compounder for unpaid rent, which remains unsettled. The landlord also acquired all the manufacturing equipment and inventory used by the Compounder owned by a third party. The Company is in the process of acquiring all the landlord’s rights to the equipment and inventory, and if successful, plans to relocate the equipment and inventory to its Evansville manufacturing location.

On November 16, 2015, the Company entered into an oral understanding with a global manufacturing company (the “Licensee”) regarding certain exclusive and non-exclusive licensing rights to the Company’s existing ElectriPlast technology. The oral understanding agreed upon between the parties included various business terms involving the licensing of the Company’s technology, including, but not limited to, license fees, the scope of the license, the territory of the license and ownership of any products. After this oral understanding was reached between the parties, the Company received documentation from the Licensee which it believes did not accurately reflect the business terms which had previously been agreed to. The Company is currently working with the Licensee to work through the discrepancies in the business terms that were previously agreed to so definitive documentation can be executed between the parties. The closing of the transactions contemplated by the proposed arrangement is subject to, among other things, approval of the board of directors of both parties and execution of definitive documentation. Both companies remain interested in completing the transactions contemplated by this arrangement will be consummated prior to the end of the year; however, there can be no assurance that the transactions described above will ever be consummated.

A key priority for the Company is to build and expand the reach of its business development activities, as well as enhance the quality of its internal governance mechanisms. On July 7, 2016 the Company announced the addition of Jeffrey A. Babka to its Board of Directors and Chairman of the Audit Committee. Babka is a Venture Partner at Insight Venture Partners (“Insight”). Prior to his position at Insight, Babka served as Chief Financial Officer of NOMi Corporation, an in-store analytics provider. Prior to NOMi, Babka served as Chief Financial Officer of Applied Predictive Technologies, a cloud-based predictive analytics company, which was acquired by MasterCard Inc. in May 2015.

On January 13, 2016 the Company announced the addition of Douglas R. Mathias (“Mathias”) to its Board of Directors. Mathias is the President and CEO of Jasper Rubber, which specializes in the mixing and manufacture of Rubber, TPE, and Plastic components for the Filtration, Automotive, and Appliance Industries. Concurrently, William Ince resigned from the Board.

TECHNOLOGIES

ElectriPlast®

We have researched and developed an innovative, electrically and thermally 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, 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, of which 51 of those patents not yet expired, and 10 pending applications cover both the material and its applications.

Various examples of applications for ElectriPlast® include antennas, EMI shielding, lighting circuitry, switch actuators, resistors, batteries, 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 equipment, such as injection molding and extrusion versus high cost stamping methods. Its design flexibility, shorter development cycle and speed of manufacturing create a valuable market edge for customers.

Jasper Rubber Products, Inc. and Nova Polymers, are Integral's US manufacturing partners of its proprietary ElectriPlast® product line (“Jasper”) (www.jasperrubber.com), and Hanwha is the Korean manufacturer.

Nova brings over thirty years of experience in the custom compounding of engineering resins. Nova manufacturing and engineering resources includes an on-site lab which is a critical component in providing the required mechanical testing for ElectriPlast.

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 Advanced Materials is part of the Hanwha Group of Companies that collectively form one of the largest conglomerates in South Korea. Headquartered in Seoul, Hanwha Group of Companies' 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.

On January 27, 2015 the Company and Hanwha Advanced Materials Co., Ltd. ("Hanwha"), formerly known as Hanwha L&C, amended that certain license agreement between the parties dated June 19, 2013, (the "License Agreement") due to the sale of certain non-automotive related assets by Hanwha, including its former name Hanwha L&C, to a third party. This amendment is effective as of July 1, 2014 and no other provisions of the License Agreement were modified.

Patents/Trademarks on Technologies

Our intellectual property portfolio consists of over fourteen 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 117 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 117 non-provisional applications filed that have not issued as patents, 9 are currently pending, and 53 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 filed an International patent application, which published on September 25, 2014, claiming features of the Company's capsule. Subsequent to the year end the Company filed national stage applications based on this PCT on September 15, 2015 in Canada, Mexico, Brazil, China, Japan, South Korea, Europe, Malaysia, Saudi Arabia, India, Thailand, Philippines, Singapore and Australia. On August 10, 2015, the Company also filed new US and PCT patent applications for a Bipolar Plate and Method of Making and Using Same.

Integral has a 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, Korea, Europe and Taiwan. In addition, Integral has a registered mark for WHERE LIGHTWEIGHTING STARTS® in Europe, Japan and Korea. These applications and registrations establish rights for the use of these marks in commerce.

Product Manufacturing and Distribution

We are currently in limited manufacturing associated with the compounded product catalog and ElectriPlast pellets for domestic and international customers. As demand continues to grow and our need to increase capacity, reduce manufacturing costs and to improve margins, we would consider either more direct investment into the manufacturing business or adding one or more foundry partners, 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 and Nova Polymers, discussed herein, which provide for Jasper and Nova to manufacture ElectriPlast® for us.

In March 2016, the Company contacted a customer of the Compounder, who consumes conductive plastics manufactured in a compounding process, and was able to negotiate a new order for the Compounder. The Company, through a combination of using former employees of the Compounder as well as the Company's own staff, was able to make the material for the order, as well as other subsequent orders for other customers. Also during the year, the Compounder's landlord filed a "Pay or Leave" eviction notice to the Compounder for unpaid rent, which remains unsettled. The landlord also acquired all the manufacturing equipment and inventory used by the Compounder owned by a third party. The Company is in the process of acquiring all the landlord's rights to the equipment and inventory, and if successful, plans to relocate the equipment and inventory to its Evansville manufacturing location.

Working with Jasper and Nova, we have refined the manufacturing and molding process of ElectriPlast®. The relocation of the current manufacturing from the Jasper Rubber Products facility to Nova Polymers began in the fall of 2014, and was completed early in early 2015. In addition to relocating the line, additional capacity was added by dedicating existing Nova fixed assets to the ElectriPlast process which will increase capacity by ten times when fully implemented. Nova was selected because they provide the necessary infrastructure for scaling manufacturing capacity to meet the expected growth in customer volumes through 2020 and beyond.

In June 2013, we signed a 10-year agreement with Hanwha that grants Hanwha 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 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.

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 (Please note that we have not yet received significant revenues from these agreements unless otherwise noted)

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.

Joint Technology Assessment Program Agreement with Advanced Battery Concepts

In April 2016, the Company executed a Joint Technology Assessment Program(JTAP) with Advanced Battery Concepts, an industry leader in large format bi-polar battery design and manufacture. The JTAP calls for jointly assessing and implementing the ElectriPlast bi-polar battery plates for use in lead acid bi-polar batteries. The JTAP has successfully produced over 100 plates that will be used for the manufacture of lead acid bi-polar batteries.

Global Reseller and Marketing Agreement

The Company signed a global Reseller and Marketing Agreement with a leading nickel-plating carbon fiber manufacturer dated March 1, 2016. The agreement provides exclusivity for certain major customer(s) with a provision for expanding the exclusivity rights to the Company. Nickel-plated carbon fiber is a key conductive material in the making of ElectriPlast® and the Company will pursue other opportunities that strengthens its relationship with key suppliers. To date, the reseller agreement has generated low quantity sales, primarily in South Korea.

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 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. The agreement is still ongoing and significant progress has been made in the development of the wire. More development is needed to achieve commercial viability. Upon commercialization, the agreement contemplates the creation of a licensing agreement.

Letter of Intent with BASF

In June of 2013, we signed a Letter of Intent ("LOI") with chemical leader BASF USA 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. The LOI has expired, but the two companies continue to collaborate.

Patent License Agreement with Hanwha

On June 21, 2013, we entered into a 10-year license agreement with Hanwha, a global high-tech materials maker based in South Korea. The agreement granted Hanwha 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. The Company may terminate Hanwha's rights in Japan and Taiwan, with certain considerations provided to Hanwha, if it desires to enter into an exclusive agreement with a third party for those territories. There was a one-time license fee and it requires an ongoing royalty fee for the life of the agreement.

See item 7 for amount of revenue recognized during the years ended June 30, 2016 and 2015.

EMPLOYEES/CONSULTANTS

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

SEC REPORTS AVAILABLE ON WEBSITE

Our website address is www.itkg.net. Information found on our website is not incorporated by reference into this report. We make available free of charge through our website our Securities and Exchange Commission, or SEC, filings furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The Company will also utilize various social media including opt-in emails to communicate important information about the Company as needed.

Investors and others should note that we currently announce material information using SEC filings, press releases, public conference calls and webcasts. In the future, we will continue to use these channels to distribute material information about the Company and may also utilize our website and/or various social media to communicate important information about the Company, key personnel, new brands and services, trends, new marketing campaigns, corporate initiatives and other matters. Information that we post on our website or on social media channels could be deemed material; therefore, we encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post on our website as well as the following social media channels: Facebook, YouTube and Twitter.

Any updates to the list of social media channels we may use to communicate material information will be posted on the Investor Relations page of the Company's website at 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 \$58 million as of June 30, 2016. We have experienced significant operating losses to date, including net losses of \$4.7 million for fiscal year 2016 and \$4.4 million in fiscal year 2015. As of June 30, 2016, we had approximately \$47,350 in cash. Our financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary as a result of this uncertainty. As a result of the substantial doubt about our ability to continue as a going concern, we may experience possible adverse effects from our customers, on our creditworthiness, or on investor confidence, any of which may have a material adverse effect on our business and the trading price of our common stock.

If we do not generate adequate revenues in our fiscal year ending June 30, 2017 we will be required to raise substantial capital to continue our operations. Unless we generate adequate revenues from operations (we have had minimal 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.

Additional financing is necessary for the implementation of our growth strategy. We may require additional debt and/or equity financing to pursue our growth strategy. Given our limited operating history and existing losses, there can be no assurance that we will be successful in obtaining additional financing. Lack of additional funding could force us to curtail substantially our growth plans or cease of operations. Furthermore, the issuance by us of any additional securities pursuant to any future fundraising activities undertaken by us would dilute the ownership of existing shareholders and may reduce the price of our common stock. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

We may be unable to manage our growth or implement our expansion strategy. We may not be able to expand our product and service offerings, our client base and markets, or implement the other features of our business strategy at the rate or to the extent presently planned. Our projected growth will place a significant strain on our administrative, operational and financial resources. If we are unable to successfully manage our future growth, establish and continue to upgrade our operating and financial control systems, recruit and hire necessary personnel or effectively manage unexpected expansion difficulties, our financial condition and results of operations could be materially and adversely affected.

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 success is heavily dependent on the continued active participation of our current executive officers listed under “Management.” Loss of the services of one or more of our officers could have a material adverse effect upon our business, financial condition or results of operations. Further, our success and achievement of our growth plans depend on our ability to recruit, hire, train and retain other highly qualified technical and managerial personnel. Competition for qualified employees among companies in the technology industry is intense, and the loss of any of such persons, or an inability to attract, retain and motivate any additional highly skilled employees required for the expansion of our activities, could have a materially adverse effect on us. The inability on our part to attract and retain the necessary personnel and consultants and advisors could have a material adverse effect on our business, financial condition or 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, 2016, we have not generated substantial 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.

We have limited manufacturing capabilities and rely entirely on contract manufacturers and suppliers to manufacture and distribute our products. If they experience manufacturing or distribution difficulties, or are otherwise unable to manufacture and distribute sufficient quantities to meet demand, our commercialization efforts may be materially harmed. We have no internal manufacturing or distribution capabilities. Instead, we rely on a combination of contract manufacturers and our partners to manufacture Electriplast, and to distribute that product to third party purchasers. Our manufacturers may experience problems with their respective manufacturing and distribution operations and processes, including for example, quality issues, including product specification and stability failures, quality procedural deviations, improper equipment installation or operation, utility failures, contamination and natural disasters. Any delay or disruption in the availability of our products from third parties could result in production disruptions, delays or higher costs with consequent adverse effects on us.

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 fifteen 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 117 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 117 non-provisional applications filed that have not issued as patents, 10 are currently pending, and 53 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 filed an International patent application, which published on September 25, 2014, claiming features of the Company’s capsule. Subsequent to the year end the Company filed national stage applications based on this PCT on September 15, 2015 in Canada, Mexico, Brazil, China, Japan, South Korea, Europe, Malaysia, Saudi Arabia, India, Thailand, Philippines, Singapore and Australia. Subsequent to the year end the Company filed new US and PCT patent applications for Bipolar Plate and Method of Making and Using Same with a US publication date of November 3, 2016 and a PCT publication date of November 10, 2016.

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. Because some patent applications in the United States may be maintained in secrecy until the patents are issued, patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, and publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our issued patents or our pending applications or that we were the first to invent the technology. Our competitors have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent application may have priority over our patent applications and could further require us to obtain rights to issued patents covering such technologies. 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.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submissions, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements. The PTO and various foreign governmental patent agencies require compliance with a number of procedural, documentaries, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property, which could limit our ability to compete. We rely in part on trade secret protection in order to protect our proprietary trade secrets and unpatented know-how. However, trade secrets are difficult to protect, and we cannot be certain that others will not develop the same or similar technologies on their own. We have taken steps, including entering into confidentiality agreements with our employees, consultants, outside collaborators and other advisors, to protect our trade secrets and unpatented know-how. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. We also typically obtain agreements from these parties which provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets or know-how is difficult, expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets or know-how. The failure to obtain or maintain trade secret protection could adversely affect our competitive position.

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. Developing, marketing and sale of our products and services may subject us to product liability claims. We currently do not have insurance coverage against product liability risks. Although we intend to purchase such insurance, such insurance coverage may not be adequate to satisfy any liability that may arise. Regardless of merit or eventual outcome, product liability claims may result in decreased demand for a service, injury to our reputation, and loss of 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 and may result in losses that could be material to us.

How future issuances of common stock pursuant to our stock plans will affect you. We currently do not have a stock option plan in effect. As of June 30, 2016, 1,150,000 options are issued and 1,100,000 options have fully vested at a weighted-average exercise price of \$0.37 and \$0.38 per share respectively. These options were previously issued under its 2001, 2003 and 2009 stock option plans. The Company is reviewing several alternatives to replace its 2001, 2003, and 2009 Stock Option Plans with a new omnibus stock option plan (the "New Plan"). In certain cases, we have made contractual commitments to provide shares or stock option grants in anticipation of putting in place the New Plan. The New Plan will allow us to attract and retain key employees or service providers as we continue to develop our business. We will obtain the necessary approvals based on the attributes of the plan.

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.

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, 2016, the closing bid price of our common stock has been quoted on the OTC Bulletin Board from as low as \$0.10 to as high as \$0.75. 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;
- significant developments relating to our relationships with our customers or suppliers;
- customer demand for our products;
- investor perceptions of our industry in general;
- announcements by us or our competitors of new products, significant acquisitions, strategic partnerships or divestitures
- changes in the market's perception of us or the nature of our business; and
- sales of our common stock.

Securities class action litigation is often instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs to us and divert our management's attention and resources. Moreover, securities markets may from time to time experience significant price and volume fluctuations for reasons unrelated to operating performance of particular companies. These market fluctuations may adversely affect the price of our common stock and other interests in our company at a time when you want to sell your interest in us.

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, 2016, there are approximately 13.7 million in options and warrants that exercisable into common stock 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 exercisable options and warrants 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.

If our common stock remains subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected. Unless our securities are listed on a national securities exchange, or we have net tangible assets of \$5,000,000 or more and our common stock has a market price per share of \$5.00 or more, transactions in our common stock will be subject to the SEC's "penny stock" rules. If our common stock remains subject to the "penny stock" rules promulgated under the Securities Exchange Act of 1934, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to the transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

As a result, if our common stock becomes subject to the penny stock rules, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

Because certain of our stockholders control a significant number of shares of our common stock, they may have effective control over actions requiring stockholder approval. Our directors, executive officers and principal stockholders, and their respective affiliates, beneficially own approximately 10.8% to adjust of our outstanding shares of common stock. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have the ability to control the management and affairs of our company. Accordingly, this concentration of ownership might harm the market price of our common stock by:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline. The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by industry or financial analysts. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any real property. We lease office space in Canton, Michigan and Evansville Indiana. We principally use the Evansville, IN space as our corporate headquarters and manufacturing operations. All manufacturing of our products occurs at the Nova Polymer facility in Evansville, Indiana where we rent approximately 2,500 square feet of manufacturing space and 800 square feet of office space at a cost of about \$2,000 per month. Our technology center is located in Canton MI where as of June 30, 2016 we lease and occupy approximately 2,000 rentable square feet of office space at the Canton MI facility. Total rent expense for the year ended June 30, 2016 and 2015 totaled approximately \$76,542 and \$48,212, respectively.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business. We are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse affect on business, financial condition or operating results.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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 OTCQB. 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, 2016 and 2015:

<u>Quarter Ended</u>	<u>Low Bid</u>	<u>High Bid</u>
September 30, 2014	\$ 0.27	\$ 0.65
December 31, 2014	\$ 0.41	\$ 0.79
March 31, 2015	\$ 0.40	\$ 0.85
June 30, 2015	\$ 0.63	\$ 0.84
September 30, 2015	\$ 0.44	\$ 0.75
December 31, 2015	\$ 0.38	\$ 0.55
March 31, 2016	\$ 0.10	\$ 0.44
June 30, 2016	\$ 0.12	\$ 0.26

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 December 31, 2016 there were approximately 300 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, 2016, 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 5 of the financial statements.

Repurchases of equity securities

We did not repurchase any of our outstanding equity securities during the year ended June 30, 2016.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes to those financial statements appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as those set forth under "Risk Factors" in Item 1A of this Annual Report on Form 10-K, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Integral focuses the majority of its resources on researching, developing and commercializing its ElectriPlast® technologies. The technology possesses a multitude of applications in a myriad of industries. These include the auto industry, the aerospace, consumer electronics, and commercial aviation industries, among others. One key factor that could drive demand for ElectriPlast is the need for light-weighting. Automotive and aerospace are leading the way to achieve reduced emissions and increased fuel economy. Light-weighting involves the substitution of lighter materials, often times using carbon-fiber based, for heavier (aluminum and other metals) materials.

In addition, Integral allocates resources to expand and protect the extensive intellectual property holdings surrounding its ElectriPlast® technology. Integral's business strategy focuses on the leveraging of its intellectual property rights and our strength in product design and material innovation. Integral is focusing its business development and marketing efforts on securing licensing and/or joint development agreements in areas for which it currently hold patents covering specific materials, components, parts, applications or end-products incorporating conductive resins and ElectriPlast technology. Integral collaborates with suppliers, Tier1 vendors, OEM's and manufacturers of products who would benefit from the incorporation of any of the ElectriPlast® applications.

ElectriPlast® is an innovative, electrically and thermally 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

Various examples of applications for ElectriPlast® where Integral holds patent protection are: batteries, 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.

During the year ended June 30, 2016, several steps were taken by the Company to mature certain client relationships and applications while also addressing on-going funding requirements. The Company signed a global Reseller and Marketing Agreement with a leading nickel-plating carbon fiber manufacturer dated March 1, 2016. The agreement provides exclusivity for certain major customer(s) with a provision for expanding the exclusivity rights to the Company. Nickel-plated carbon fiber is a key conductive material in the making of ElectriPlast® and the Company will pursue other opportunities that strengthens its relationship with key suppliers. Earlier in 2015, the Company filed non-provisional patents associated with its bipolar battery technology and bipolar plate products. The Company believes the bipolar battery plate and associated power storage technology provides long-sought breakout weight savings and performance benefits for the lead-acid battery market. The company intends to develop the power storage technology as an Integral Technologies business unit and will seek partners to fully develop batteries for consumer and industrial consumption. The first prototype battery utilizing the ElectriPlast bipolar technology was produced in 2015. The battery was produced by Advanced Battery Concepts. Based on the initial prototype and a series of discussion during the quarter, the Company announced on April 26, 2016 a Joint Technology Assessment Program with Advanced Battery Concepts, an industry leader in large format bi-polar battery design and manufacture.

Companies continue to incorporate ElectriPlast in their on-going product development evaluations. On March 30, 2016, the Company announced that LeddarTech includes ElectriPlast material to produce lens barrels in its latest release of its LeddarOne Sensing Module, a compact and low-cost lidar that provides valuable presence detection and distance measurement capabilities to a wide range of finished products. In the announcement, LeddarTech highlighted the superior qualities of ElectriPlast in the key areas of weight-reduction, cost, and robustness in the demanding environment of drone aircraft.

In Asia, the Company, through its newly signed reseller agreement, provided conductive material containing nickel-plated carbon fiber material to Hanwha for prototype development for a major auto manufacturer based in Asia that is developing six (6) new applications. The Company continues to support Chang Rim Eng Inc. (“Chang Rim”) as it readies to commercialize ElectriPlast® in South Korea. The Company announced on October 8, 2014 that Chang Rim had successfully completed its prototype phase for a motor casing targeting the domestic Asia automotive market. On August 20, 2015, the Company announced with Chang Rim the largest ElectriPlast order in the Company’s history. The company continues to make progress in shielding in the electric vehicle market. During the year, the Company provided ElectriPlast material and applications support to a Tier 1 company for finalizing an application for an electric vehicle. The company has been approved as a supplier for the domestic Tier 1 for the purpose of supplying ElectriPlast for a specific electric vehicle platform expected to go into production in 2017. The company expects initial commercial orders to be produced in the second half of 2017. There have been no orders to date.

In January the Company and a Tier 1 partner reached a technical milestone when its wire shielding application currently under development obtained the highest shielding effectiveness to date. The Company believes the level of shielding effectiveness validates the commercial viability of the technology. The companies have completed subsequent trials and continue to work towards commercialization for an effective alternative in replacing the more-costly metal, braided shielding.

The Company entered into a term sheet dated April 19, 2015 with a conductive plastics compounder (the “Compounder”) for the purpose of acquiring all the assets of the Compounder, with the Compounder remaining a separate entity. The Compounder is a niche supplier with an international customer base. The Company’s strategic interest in the Compounder is its equipment and expertise in conductive material compounding, as well as its customer base. The term sheet contemplated that upon the closing, all sales and marketing would be performed by the Company, and the Compounder would become the sole manufacturer for the Company. In October 2015, the founder and majority shareholder of the Compounder died from an accident before the transaction could be completed. A Special Administrator has been assigned to the estate, but due to the complexity of the deceased’s estate, the final disposition of the Compounder is unclear. Subsequently, all manufacturing employees left the Compounder and its customers turned to other suppliers.

In March 2016, the Company contacted one of the Compounder’s major customers and was able to negotiate a new order for the Compounder. During 3Q and 4Q the Company was able to make product for the Compounder through a combination of using former employees of the Compounder as well as the Company’s own staff. Also during the year, the Compounder’s landlord filed a “Pay or Leave” eviction notice to the Compounder for unpaid rent, which remains unsettled. The landlord also acquired all the manufacturing equipment and inventory used by the Compounder owned by a third party. The Company is in the process of acquiring all the landlord’s rights to the equipment and inventory, and if successful, plans to relocate the equipment and inventory to its Evansville manufacturing location.

On November 16, 2015, the Company entered into an oral understanding with a global manufacturing company (the “Licensee”) regarding certain exclusive and non-exclusive licensing rights to the Company’s existing ElectriPlast technology. The oral understanding agreed upon between the parties included various business terms involving the licensing of the Company’s technology, including, but not limited to, license fees, the scope of the license, the territory of the license and ownership of any products. After this oral understanding was reached between the parties, the Company received documentation from the Licensee which it believes did not accurately reflect the business terms which had previously been agreed to. The Company is currently working with the Licensee to work though the discrepancies in the business terms that were previously agreed to so definitive documentation can be executed between the parties. The closing of the transactions contemplated by the proposed arrangement is subject to, among other things, approval of the board of directors of both parties and execution of definitive documentation. Both companies remain interested in completing the transactions contemplated by this arrangement will be consummated prior to the end of the year; however there can be no assurance that the transactions described above will ever be consummated.

A key priority for the Company is to build and expand the reach of its business development activities, as well as enhance the quality of its internal governance mechanisms. On January 13, 2016 the Company announced the addition of Douglas R. Mathias (“Mathias”) to its Board of Directors. Mathias is the President and CEO of Jasper Rubber, which specializes in the mixing and manufacture of Rubber, TPE, and Plastic components for the Filtration, Automotive, and Appliance Industries. Concurrently, William Ince resigned from the Board.

Funding remains a priority for the Company, and during the year ended June 30, 2016, \$2,459,045 was raised through a combination of stock warrant exercises, debt and a share placement, net of loan and convertible debt repayments.

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. From inception on February 12, 1996 through June 30, 2016, we have accrued an accumulated deficit of approximately \$58 million.

As of June 30, 2016, our assets were \$236,762, consisting of cash of \$47,350, accounts receivable of \$21,894, prepaid expense of \$90,329, deposit of \$2,500 and property and equipment of \$74,689.

As of June 30, 2016, current liabilities of \$2,127,490 consisting of accounts payable and accruals of \$1,034,550, a loan payable of \$148,022, deferred revenues of \$50,000, convertible debentures of \$664,621, derivative liabilities of \$142,797 and warrant liability of \$87,500. Non-current liabilities consist of deferred revenues of \$320,833.

As of June 30, 2016, total stockholders' deficit was \$2,211,561.

Results of Operations of the Year Ended June 30, 2016 compared to the Year Ended June 30, 2015

Our net loss for the year ended June 30, 2016, was \$4,639,698 compared to a net loss of \$4,432,617 for the year ending June 30, 2015 representing a decrease of \$207,081. Significant changes for year ended June 30, 2016 compared to the prior fiscal year have been described as follows:

- Revenues decreased by \$125,619. The decrease is a result of a one-time engineering services contract with East Penn Manufacturing Co. totaling \$150,000 in the prior year. This was offset by an increase in sales of ElectriPlast of \$24,381.

Operating expenses for the year ended June 30, 2016, were \$3,547,124 compared to operating expenses of \$4,400,994 for the corresponding period of the prior fiscal year, a decrease of \$853,870. Significant changes for the year ended June 30, 2016, compared to the corresponding period of the prior fiscal year have been described as follows:

- Consulting fees decreased by \$733,608. Consulting fees of \$728,858 include non-cash fair value of obligations to issue shares of \$26,460. This is compared to consulting fees of \$1,462,467 provided in the corresponding period of the prior fiscal year that included non-cash shares issued for services of \$599,250 and fair value of obligations to issue shares of \$45,720;
- Insurance expense increased by \$38,678 to \$127,675 for the year ended June 30, 2016 from \$88,998 as a result of increased coverage for commercial property;
- Salaries and benefits increased by \$32,151. Salaries and benefits incurred of \$896,198 for the year ended, 2016, compared to \$864,046 in the corresponding period of the prior fiscal year. Non-cash, Stock based compensation charges for the vesting of restricted shares were \$179,584 compared to \$184,622 in the corresponding period of the prior fiscal year. The increase is due to hiring additional staff for manufacture and production of our ElectriPlast product and an office assistant;

- Marketing expense decreased by \$15,954 to \$320,459 for the year ended June 30, 2016 from \$336,413. The decrease is attributed to management's focus on cash conservation strategies.
- Research and development costs increased by \$5,939 to \$655,432 for the year ended June 30, 2016 from \$655,432 for the corresponding period of the prior fiscal year.

Other items for the year ended June 30, 2016, totaled \$1,170,595 compared to \$204,231 for the corresponding period of the prior fiscal year, an increase of \$966,364. Significant changes for the year ended June 30, 2016, compared to the corresponding period of the prior fiscal year have been described as follows:

- Interest Expense increased by \$390,519. Interest expense of \$548,478 includes non-cash amortization of convertible debt of \$511,623 (2015 - \$142,790) and is a result of more debt financing activities in the current year;
- Fair value loss on derivative financial liabilities increased by \$865,215. Fair value loss on derivative financial liabilities is non-cash fair value measurement calculated using the Black-Sholes option pricing model and a binomial lattice model where appropriate and was higher for the year ended June 30, 2016, due to an increase in convertible debt financing activities;
- Gain on extinguishment of debt increased by \$155,771. Gain on extinguishment of debt is a non-cash measurement and arises due to early settlement of convertible debt with cash and was higher compared to the prior year as a result of an increase convertible debt financing activities;
- Net loss on extinguishment of liabilities decreased by \$139,400. Net loss on extinguishment of liabilities is the non-cash fair value measurement. In the prior year, shares were issued to settle various outstanding liabilities. There were no such transactions during the year ended June 30, 2016.

For the year ended June 30, 2016, our cash used in operating activities was \$2,515,246 compared to \$3,579,307 used during the period of the corresponding fiscal year. The decrease in cash used of \$1,064,061 is primarily associated with a change in the nature of the liabilities in the two years as well as a reduction in the cash effect of stock issued for consulting services.

For the year ended June 30, 2016, our cash provided by financing activities was \$2,459,045 compared to \$3,540,284 of the corresponding period of the prior fiscal year. Financing activities consist of proceeds of \$28,000 from issuance of common stock (2015 - \$2,747,380), proceeds from exercise of warrants \$889,771 (2015 - \$685,989), subscriptions received of \$0 (2015 - \$107,500), proceeds from loans of \$130,000 (2015 - nil), proceeds from convertible debentures of \$1,863,950 (2015 - \$245,000), repayment of loan of \$221,034 (2015 - \$58,370), repayment of promissory note of \$0 (2015 - \$24,500) and repayment of convertible debentures of \$231,642 (2015 - \$162,715).

Liquidity and Capital Resources

As of June 30, 2016, we had \$47,350 in cash on hand, and we estimate that we will continue to require \$3.0 to \$4.0 million annually of additional financing to fund our ongoing operating and capital expenditures in order to carry out our business plan and to continue to operate during our fiscal year ending June 30, 2017. The Company has historically funded this requirement through a combination of debt and equity proceeds. Until such time as the Company launches material product-based manufacturing operations, we believe our funding need will remain approximately \$3M annually, and we will disclose promptly any changes to that estimate.

Based on our current cash and cash equivalents levels and expected cash flow from operations, we believe our current cash position is not sufficient to fund our cash requirements during the next twelve months, including operations and capital expenditures. We intend to license our proprietary technology and services or obtain equity and/or debt financing to support our current and proposed operations and capital expenditures. There can be no assurance, however, that any such opportunities may arise, or that any such acquisitions may be consummated. Additional financing may not be available on satisfactory terms when required. In addition, the trading price of our common stock and a downturn in the equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. We currently have no firm commitments for any additional capital. There is no guarantee that we will be successful in raising the funds required. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

The Company's cash usage since inception in 1996 has been funded primarily from proceeds from the issuance of common stock. The company has issued warrants which have the potential to yield \$3,927,797 calculated as 2,754,523 warrants exercisable at \$0.50 per share and 8,501,786 warrants exercisable at \$0.30 per share. In the event the stock price rises to certain levels in the future and that some or all of the warrant holders elect to acquire Common Stock shares by exercising their warrants, prior to the expiry date, the Company may raise additional funds from warrant holders. We have no ability to forecast future stock price movements nor are we able to determine how many warrant holder would elect to acquire shares by exercising their warrants. Subsequent to year end the company has raised \$634,155 through equity and debt financing.

We are currently in limited manufacturing operations. 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, however this will only be possible through additional capital.

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.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as of June 30, 2016 and 2015.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The full text of our audited consolidated financial statements as of June 30, 2016 and 2015 and for the years ended June 30, 2016 and 2015, begins on page F-1 of this Annual Report on Form 10-K.

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

None.

ITEM CONTROLS AND PROCEDURES

9A.

Disclosure Controls and Procedures

As at June 30, 2016, the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were ineffective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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 2013). Based on our evaluation under those criteria, our management concluded that, as of June 30, 2016, our internal control over financial reporting is ineffective due to the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The primary factor contributing to the material weakness, which relates to our financial statement close process, was as follows:

- From time to time we experience delays in receiving, reviewing and accounting for complex transactions including financings. As a result of these delays, we were not able to file our 10-K timely, which is evidence that we have a material weakness in internal controls.

While management believes that the Company's financial statements previously filed in the Company's SEC reports have been properly recorded and disclosed in accordance with US GAAP, based on the material weakness identified above, we have already implemented, the specific remediation initiative described below:

- Management contracted the services of a third-party firm to create and conduct the required sophisticated analysis for the complex transactions impacting the June 30, 2016 10-K, and will continue to use their services for quarterly reporting as required.

Management believes the action described above will remediate the material weakness we have identified and strengthen our internal control over financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the exemption provided to issuers that are neither "large accelerated filers" nor "accelerated filers" under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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

None

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

The following table sets forth certain information regarding the directors and executive officers of Integral Technologies, Inc as of Month Day, 2016:

Name	Age	Position with Company	Director of Company Since
Doug Bathauer	50	Director, CEO, President and Treasurer	November 2012
James Eagan	53	Director, Chairman	January 2011
W. Bartlett Snell	64	Chief Financial Officer and Secretary	February 2014
Richard Blumberg	65	Independent Director	November 2012
Douglas Mathias		Independent Director	January 2016
Jeffrey Babka	62	Independent Director	July 2015

James Eagan

(Director and Chairman)

Mr. Eagan is the Chairman of Integral Technologies, Inc, and on January 23, 2014 he was appointed Chief Executive Officer of ElectriPlast Corporation. Mr. Eagan replaced the previous ElectriPlast CEO, Herbert Reedman, who resigned as president and director of Integral Technologies, Inc.

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.

Doug Bathauer

(Director, CEO, President 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.

W. Bartlett Snell
(CFO)

On February 20, 2014, the board of directors of the Company appointed Bart Snell as Chief Financial Officer of the Company, effective immediately. Mr. Snell is responsible for all accounting, planning, and treasury operations of the company as well as an active contributor to the strategic direction of the Company

Since September 2007, Mr. Snell has served as CEO of PowerSource Solutions, Inc., an outsource executive consulting company. From June 2004 until September 2007, Mr. Snell served as CFO and General Manager of Aptara Corp., a publishing services company. From February 1999 until July 2002, Mr. Snell served as Senior Vice President and CFO of Motient Corp. (previously American Mobile Satellite Corp.), a terrestrial and satellite wireless network provider company. Mr. Snell started his career at IBM Corp, where he served in a number of increasingly senior positions including CFO, IBM Australia. Mr. Snell received his Bachelor of Science from the University of Virginia in Commerce (Accounting) and his MBA from the University of Texas.

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.

Jeffrey Babka
(Director-Independent Director)

Mr. Babka is a graduate of the University of Dayton with a degree in accounting and from Manhattan College with a Masters in Business Administration. He currently serves as Chief Financial Officer of nCino, a provider of cloud-based bank operating systems. Prior to nCino, Mr. Babka was a Venture Partner with Insight Venture Partners, and has served as Chief Financial Officer of several public and private companies. Mr. Babka has over 40 years of experience in financial and operational management of public/private companies, with a specific focus in the technology, software and telecommunications sectors.

Douglas Mathias
(Director-Independent Director)

Mr. Mathias is a graduate of the University of Southern Indiana and currently serves as the President and Chief Executive Officer of Jasper Rubber which specializes in the mixing and manufacture of Rubber, TPE and Plastic components for the Filtration, Automotive, and Appliance Industries. He has served as President and CEO of Jasper Rubber since 1999. Jasper Rubber served as the manufacturer of ElectriPlast for several years and Mathias worked closely with Integral during that time.

Non-Executive Officer

Mohamed Zeidan-

(Chief Technology Officer)

Mr. Zeidan is the Company's Chief Technology Officer, and is located at the company's Detroit Tech Center. Previously, starting in 2009 he served in a similar capacity as an outside consultant. 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, managing the complete life cycle of the technology.

Mr. Zeidan and his team identify partners for joint development opportunities where ElectriPlast® is introduced into the customer's products and taken through product implementation, including prototype testing to secure technology approval and validation, resulting in a contract award to the Company.

Slobodan ("Bob") Pavlovic

(Vice President of Engineering)

Mr. Pavlovic is an industry leader in conductive plastic applications and a veteran of the automotive and aerospace industries with more than 34 years of experience in advanced engineering. Prior to ElectriPlast, he spent eight years at Lear Corporation serving as Vice President of Global High Voltage/High Power (HV/HP) Systems and Components, and made Lear a leader in the use of conductive plastics. Prior to Lear, Mr. Pavlovic was Director of Advanced Engineering at Amphenol Tuchel Electronics, and the Director of Advanced Engineering at FCI, a supplier of electronic and electrical interconnect systems. Mr. Pavlovic holds over 35 patents, including seven related to conductive plastics application. Mr. Pavlovic earned his BS and MS in Applied Physics.

Eli Dusenbury CPA, CA

(Controller)

Mr. Dusenbury currently works as Controller for the Company and is located in Vancouver Canada. Most recently he worked as an audit manager at Anton & Chai, LLP a US public practice firm specializing in SEC filers. Prior to Anton & Chai, LLP, Mr. Dusenbury was a senior accountant at Smythe Ratcliffe LLP. He began articling at Smythe Ratcliffe LLP in 2009 and where he obtained his CPA, CA designation.

Mr. Dusenbury has 6 years of public accounting experience providing assurance services to both public and private sector clients reporting in Canada and the US over a broad range of industries including but not limited to: technology, agriculture, engineering, mining & exploration, manufacturing and processing and financing. With working experiences in both Canada and the US over a wide range of public and private companies he has gained in-depth understanding of business operations, control environments and strategic business decision-making, which provide a unique balance between both operational and accounting perspectives to resolve complex technical accounting, reporting and auditing issues.

Board Committees

Our Company has a Board of Directors that is currently comprised of four members. Each director holds office until the next annual meeting of shareholders or until a successor is elected or appointed.

Our Board of Directors does not currently have any committees other than the Audit Committee and as such the Board as a whole carries out the functions nominating and compensation committees. We created an Audit Committee in 2015, and appointed Mr. Babka (Chair), Mr. Egan and Mr. Blumberg as members of the audit committee. In 2017, we expect to appoint a nominating committee and a compensation committee and to adopt charters relative to each such committee. We intend to appoint such persons to committees of the Board of Directors as are expected to be required to meet the corporate governance requirements imposed by a national securities exchange, although we are not required to comply with such requirements until we elect to seek listing on a national securities exchange.

The Board of Directors selects our independent public accountant, establishes procedures for monitoring and submitting information or complaints related to accounting, internal controls or auditing matters, engages outside advisors, and makes decisions related to funding the outside auditory and non-auditory advisors.

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. A copy of that code is available on our corporate website at <http://www.itkg.com>. A copy of our Code of Business Conduct and Ethics will also be provided free of charge upon request to: Secretary, Integral Technologies Inc. 805 West Orchard Dr. Suite 7, Bellingham WA 98225.

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, 2016, 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 two other highest paid executive officers whose total annual salary and bonus exceeded \$100,000 (collectively, the "named executive officers"), during the fiscal years ended June 30, 2016 and 2015.

Name and Principal Position	Fiscal Year Ended June 30	Salary \$	Bonus \$	Stock Awards \$	Options Awards \$	Non-Equity Incentive Plan Compensation \$	Nonqualified Deferred Compensation Earnings \$	All Other Compensation \$	Total \$
James Eagan	2016	240,000	-	-	-	-	-	12,000	252,000
Chairman, Director CEO of wholly owned subsidiary ElectriPlast Corp.	2015	240,000	-	-	-	-	-	12,000	252,000
Doug Bathauer	2016	240,000	-	-	-	-	-	28,085	268,085
CEO, Treasurer, Director	2015	240,000	-	-	-	-	-	12,000	252,000
Bart Snell	2016	150,000	-	-	-	-	-	-	150,000
Chief Financial Officer	2015	150,000	-	-	-	-	-	-	150,000
William A. Ince	2016	144,000	-	-	-	-	-	-	144,000
Accounting Officer, Secretary, Director	2015	216,333	-	-	-	-	-	1,500	217,833

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, 2016.

Name	Option Awards						Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Options (#) Unearned	Equity Incentive Plan Awards:	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	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested
James Eagan	100,000	-	-	-	\$ 0.85	12/01/2016	-	-	-
Bart Snell	250,000	-	-	-	\$ 0.31	02/19/2017	-	-	-
	500,000	-	-	-	\$ 0.31	02/19/2017	-	-	-

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 non-employee directors during the last completed fiscal year ended June 30, 2016

Name	Fees Earned or Paid in Cash \$	Stock Awards \$	Options Awards \$	Non-Equity Incentive Plan Compensation \$	Nonqualified Deferred Compensation Earnings \$	All Other Compensation \$	Total \$
Richard Blumberg	22,500	-	-	-	-	-	22,500
Jeff Babka	35,000	29,250	-	-	-	-	64,250
Doug Mathias	12,500	8,400	-	-	-	-	20,900

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

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 June 30, 2016 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(n2)	Percent of Class (n3)
Executive Officers and Directors:		
Doug Bathauer 2605 Eastside Park Rd., Suite 1 Evansville, IN 47715	243,823	0.18%
Bart Snell P.O. Box 1271 Mac Lean VA 22101	786,000	0.59%
James Eagan 2605 Eastside Park Rd., Suite 1 Evansville, IN 47715	1,100,000	0.82%
Richard P. Blumberg (n4)	5,156,786	3.86%
Jeffrey Babka 2605 Eastside Park Rd., Suite 1 Evansville, IN 47715	90,000	0.07%
Douglas Mathias 2605 Eastside Park Rd., Suite 1 Evansville, IN 47715	20,000	0.02%
All executive officers and directors as a group (5 persons)	7,396,609	5.54%

(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.

(n3) Based upon 133,506,044 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.

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, 2016:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of options, warrants and rights	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders	1,100,000	\$0.37	50,000
Total	1,100,000	\$0.37	50,000

As of June 30, 2016, Integral has no Employee Benefit and Consulting Services Compensation Plans (the "Plans") in effect. The Company is reviewing several alternatives to replace its 2001, 2003, and 2009 Stock Option Plans with a new omnibus stock option plan (the "New Plan"). In certain cases, we have made contractual commitments to provide shares or stock option grants in anticipation of putting in place the New Plan. The New Plan will allow us to attract and retain key employees or service providers as we continue to develop our business. We will obtain the necessary approvals based on the attributes of the plan. We anticipate that this New Plan will be implemented prior to June 30, 2017.

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 of June 30, 2016 and 2015, there were no 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, 2016 and 2015, there were no common stock options available under this plan.

During the fiscal 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, 2016 and 2015, there were no common stock options available under this plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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.

Our Board of Directors is comprised of five members, Doug Bathauer, Douglas Mathias, James Eagan, Richard Blumberg and Jeffery Babka. Mr. Bathauer and Mr. Eagan also serve as executive officers of the Company. We have three independent directors at this time being Mr. Richard Blumberg, Mr. Douglas Mathias and Jeffrey Babka.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed for professional services rendered by Baker Tilly Virchow Krause LLP 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, 2016 and 2015 were \$108,427 and \$87,290, respectively.

Audit-Related Fees

There were no other fees billed by Baker Tilly Virchow Krause, LLP 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 Baker Tilly Virchow Krause, LLP for tax compliance services in fiscal years ended June 30, 2016 and 2015, respectively.

All Other Fees

There were no other fees billed by Baker Tilly Virchow Krause, LLP during the last two fiscal years for products and services provided.

The Board of Directors selects our independent public accountant, establishes procedures for monitoring and submitting information or complaints related to accounting, internal controls or auditing matters, engages outside advisors, and makes decisions related to funding the outside auditory and non-auditory advisors.

ITEM 15. EXHIBITS

Exhibit No.	Description
-------------	-------------

- | | |
|-------|---|
| 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.) |
| 4.01 | Form of Warrant issued to the investors in the March 2014 private placement Incorporated by reference to Exhibit 4.1 of Integral's Current Report Form 8-K dated March 31, 2014 (filed April 7, 2014).) |
| 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.)
- 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)).

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- 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)).
- 10.37 Separation Agreement between Integral and William Robinson dated November 8, 2012. . (Incorporated by reference to Exhibit 10.37 of Integral's Current report on Form 10-K for the fiscal year ended June 30, 2013 (filed September 30, 2013)
- 10.38 Separation Agreement between Integral and Steven Neu dated June 13, 2013.(Incorporated by reference to Exhibit 10.38 of Integral's Current report on Form 10-K for the fiscal year ended June 30, 2013 (filed September 30, 2013)
- 10.39 Consulting Agreement Extension between Integral and Mo Zeidan dated June 20,2013.(Incorporated by reference to Exhibit 10.38 of Integral's Current report on Form 10-K for the fiscal year ended June 30, 2013 (filed September 30, 2013)
- 10.40 License Agreement between Integral and Hanwha dated June 19, 2013. †
- 10.41 Separation Agreement between Integral and Herbert Reedman dated May 21, 2014. (filed September 30,2014)
- 10.42 Separation Agreement between Integral and Paul Mackenzie dated March 20, 2014. (filed September 30, 2014)
- 10.43 Manufacturing and Services Agreement between Integral and Integral Asia dated February 28, 2014 (filed September 30, 2014).
- 10.44 Amended Separation Agreement between Integral and William Robinson dated May 1, 2014. (filed September 30,2015)
- 10.45 Form of Subscription Agreement by and among Integral Technologies, Inc. and the investors in the March 2014 private placement. Incorporated by reference to Exhibit 10.1 of Integral's Current Report Form 8-K dated March 31, 2014 (filed April 7, 2014).)
- 10.46 Report of Registered Independent Public Accounting Firm, Smythe Ratcliffe, LLP (filed September 30, 2014)
- 14.1 Code of Ethics adopted September 20, 2004. (Incorporated by reference to Exhibit 14.1 of Integral's annual report on Form 10-KSB for the period ended June 30, 2004.)
- [21.4](#) List of Subsidiaries. (file herewith)
- [31.1](#) Section 302 Certification by the Corporation's Chief Executive Officer. (Filed herewith).

[31.2](#) Section 302 Certification by the Corporation's Chief Financial Officer. (Filed herewith).

[32.1](#) Section 906 Certification by the Corporation's Chief Executive Officer. (Filed herewith).

[32.2](#) Section 906 Certification by the Corporation's Chief Financial Officer. (Filed herewith).

† Confidential treatment has been granted for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Exchange Act. In accordance with Rule 24b-2, these confidential portions have been omitted from this exhibit and filed separately with the Commission.

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: January 17, 2017

/s/ Douglas Bathauer

Douglas Bathauer, Chief Executive Officer

Dated: January 17, 2017

/s/ W. Bartlett Snell

W. Bartlett Snell, 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	January 17, 2017
<u>/s/ W. Bartlett Snell</u> W. Bartlett Snell	CFO	January 17, 2017
<u>/s/ James Eagan</u> James Eagan	Director	January 17, 2017
<u>/s/ William A Ince</u> William A Ince	Director	January 17, 2017
<u>/s/ Richard Blumberg</u> Richard Blumberg	Independent Director	January 17, 2017
<u>/s/ Jeffrey Babka</u> Jeffrey Babka	Independent Director	January 17, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
Integral Technologies, Inc.
Evansville, IN

We have audited the accompanying consolidated balance sheets of Integral Technologies, Inc. as of June 30, 2016, and 2015, and the related consolidated statements of operations comprehensive loss, stockholders' deficit and cash flows for the years then ended. 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). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated 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 Integral Technologies, Inc. as of June 30, 2016, and 2015 and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the company has suffered recurring losses from operations, negative cash flow from operations, and has an accumulated deficit. These factors raise substantial doubt about its ability to continue as a going concern. Managements plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
January 17, 2017

Integral Technologies, Inc.
Consolidated Balance Sheets

	June 30, 2016	June 30, 2015
ASSETS		
<u>Current assets:</u>		
Cash	\$ 47,350	\$ 117,307
Accounts receivable	21,894	-
Prepaid expenses	90,329	64,541
Total current assets	159,573	181,848
Deposit	2,500	2,500
Property and equipment, net	74,689	65,514
Total Assets	\$ 236,762	\$ 249,862
LIABILITIES AND STOCKHOLDERS' DEFICIT		
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 1,004,550	\$ 345,172
Related party payable	30,000	60,480
Loans payable	148,022	32,335
Deferred revenue	50,000	50,000
Convertible debentures	664,621	94,107
Derivative liabilities	142,797	87,821
Warrant liability	87,500	-
Total current liabilities	2,127,490	669,915
<u>Non-current liabilities:</u>		
Deferred revenue, net of current portion	320,833	370,833
Total Liabilities	2,448,323	1,040,748
Commitment and Contingencies (Note 16)		
<u>Stockholders' Deficit</u>		
Preferred stock and paid-in capital in excess of \$0.001 par value, 20,000,000 shares authorized, 0 (June 30, 2015 - 0) issued and outstanding	-	-
Common stock and paid in capital in excess of \$0.001 par value, 150,000,000 shares authorized, 133,506,044 (June 30, 2015 - 114,370,094) issued and outstanding	55,024,270	51,753,457
Share subscriptions and obligations to issue shares	340,184	391,974
Accumulated other comprehensive income	46,267	46,267
Accumulated deficit	(57,622,282)	(52,982,584)
Total stockholders' deficit	(2,211,561)	(790,886)
Total Liabilities and Stockholders' Deficit	\$ 236,762	\$ 249,862

The accompanying notes are integral part of the consolidated financial statements.

Integral Technologies, Inc.
Consolidated Statements of Operations

	<u>2016</u>	<u>2015</u>
Revenue	\$ 96,713	\$ 222,332
Cost of goods sold	18,692	-
Gross profit	<u>78,021</u>	<u>222,332</u>
Operating expenses:		
Selling, general, and administrative expenses	2,885,753	3,745,562
Research and development	<u>661,371</u>	<u>655,432</u>
Total operating expenses	3,547,124	4,400,994
Fair value (loss) gain on derivative financial liabilities	(815,491)	49,724
Fair value gain on warrant liability	37,500	-
Net loss on extinguishment of liabilities	-	(139,400)
Gain (loss) on extinguishment of convertible debenture	149,194	(6,577)
Other income	6,680	257
Interest expense	<u>(548,478)</u>	<u>(157,959)</u>
Net Loss	<u>\$ (4,639,698)</u>	<u>\$ (4,432,617)</u>
Net loss per share – basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding	<u>120,011,421</u>	<u>106,267,953</u>

The accompanying notes are integral part of the consolidated financial statements.

Integral Technologies, Inc.
Consolidated Statements of Stockholders' Deficit

	Number of Shares of Common Stock Issued	Common Stock and Paid-in Capital in Excess of Par	Number of Shares of Preferred Stock Issued	Preferred Stock and Paid- in Capital in Excess of Par	Promissory Notes Receivable From Shareholders	Shares Subscriptions and Obligations to Issue Shares	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
Balance June 30, 2014	98,985,442	\$46,832,941	-	\$ -	\$ -	\$ 188,635	\$ 46,267	\$ (48,549,967)	\$ (1,482,124)
Shares issued for									
Services	1,515,000	614,500	-	-	-	(15,250)	-	-	599,250
Cash:									
Warrants exercised	2,508,262	685,989	-	-	-	-	-	-	685,989
Private placements	9,968,709	2,906,005	-	-	-	(158,625)	-	-	2,747,380
Settlement of debt	717,681	529,400	-	-	-	-	-	-	529,400
Stock-based compensation	675,000	184,622	-	-	-	-	-	-	184,622
Subscriptions received	-	-	-	-	-	107,500	-	-	107,500
Obligation to issue shares	-	-	-	-	-	269,714	-	-	269,714
Net loss for year	-	-	-	-	-	-	-	(4,432,617)	(4,432,617)
Balance June 30, 2015	114,370,094	\$51,753,457	-	\$ -	\$ -	\$ 391,974	\$ 46,267	\$ (52,982,584)	\$ (790,886)
Shares issued for									
Cash:									
Warrants exercised	3,265,569	997,271	-	-	-	(107,500)	-	-	889,771
Private placements	56,000	28,000	-	-	-	-	-	-	28,000
Settlement of convertible debt	15,463,881	2,059,738	-	-	-	-	-	-	2,059,738
Settlement of debt	13,000	6,220	-	-	-	-	-	-	6,220
Stock-based compensation	337,500	179,584	-	-	-	-	-	-	179,584
Obligation to issue shares	-	-	-	-	-	55,710	-	-	55,710
Net loss for year	-	-	-	-	-	-	-	(4,639,698)	(4,639,698)
Balance June 30, 2016	133,506,044	\$55,024,270	-	\$ -	\$ -	\$ 340,184	\$ 46,267	\$ (57,622,282)	\$ (2,211,561)

The accompanying notes are integral part of the consolidated financial statements.

Integral Technologies, Inc.
Consolidated Statements of Cash Flows

	2016	2015
Cash flows from operating activities:		
Net loss	\$ (4,639,698)	\$ (4,432,617)
Items not involving cash		
Depreciation	4,581	3,254
Accrued interest	5,500	
Settlement of debt	6,220	599,250
Deferred revenues	(50,000)	(50,000)
Obligation to issue shares for consulting services	55,710	45,720
Stock-based compensation	179,584	184,622
Interest on convertible debentures	511,623	142,790
Fair value loss (gain) on derivative financial liabilities	815,491	(49,724)
Fair value gain on warrant liability	(37,500)	
(Gain) loss on extinguishment of convertible debentures	(149,194)	6,577
Net loss on extinguishment of liabilities	-	139,400
Changes in working capital	782,437	(168,579)
	<u>(2,515,246)</u>	<u>(3,579,307)</u>
Cash flows from investing activities:		
Deposit	-	(2,500)
Purchase of property, equipment and intangible assets	(13,756)	(40,947)
	<u>(13,756)</u>	<u>(43,447)</u>
Cash flows from financing activities:		
Proceeds from loans	130,000	-
Repayment of loans	(221,034)	(58,370)
Repayment of promissory notes	-	(24,500)
Proceeds from issuance of common stock	28,000	2,747,380
Proceeds from warrants exercised	889,771	685,989
Subscriptions received	-	107,500
Proceeds from convertible debentures	1,863,950	245,000
Repayment of convertible debentures	(231,642)	(162,715)
	<u>2,459,045</u>	<u>3,540,284</u>
Decrease in cash	(69,957)	(82,470)
Cash, beginning of year	117,307	199,777
Cash, end of year	<u>\$ 47,350</u>	<u>\$ 117,307</u>
Supplemental cash flow information:		
Interest paid	\$ 31,355	\$ 14,529

The accompanying notes are integral part of the consolidated financial statements.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 1 - 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 recently relocated its head office to Evansville, Indiana, USA. The Company is in the business of researching, developing and commercializing new electrically-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.

NOTE 2 - 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.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Integral Operating, LLC (“Operating”), Integral Vision Systems, Inc. (“IVSI”), Antek Wireless Inc. (“Antek”), Electriplast Corp. (formerly Plastenna, Inc.) (“Electriplast”), and Integral Technologies Asia, Inc. (“Asia”) and its 76.625%-owned subsidiary, Emergent Technologies Corp. (“ETC”), which is currently inactive. ETC's non-controlling interest balance is immaterial to the financial statements. All intercompany balances and transactions have been eliminated.

Basic and diluted net loss per share

Basic net loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the year. Diluted net loss per common share is computed by dividing the net loss by the weighted-average number of common shares and dilutive common share equivalents outstanding during the period. Because the Company has reported a net loss for all years presented, diluted net loss per common share is the same as basic net loss per common share for those years.

Stock issued in exchange for services

The valuation of common stock issued in exchange for services to non-employees 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. Stock-based compensation expense related to awards to non-employees is recognized based on the then-current fair value at each measurement date over the associated service period of the award, which is generally the vesting term, using the accelerated attribution method. The fair value of non-employee stock options is estimated using the Black-Scholes valuation model with assumptions generally consistent with those used for employee stock options, with the exception of the expected term, which is the remaining contractual life at each measurement date. Restricted shares are issued or become issuable when they vested and are measured at their grant date and recorded evenly over the vesting period.

Revenue recognition

The Company has not generated significant revenue since inception. Although the Company has begun to receive revenue from the sale of material for commercial applications, the Company is devoting substantially all its efforts to developing the business.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

As discussed in Note 14, the Company signed a ten year license agreement with Hanwha Advanced Materials Co., Ltd., (“Hanwa”), of South Korea. For license agreements that the Company enters into, revenue is recognized when all four of the following criteria are met: (i) a contract is executed, (ii) the contract price is fixed and determinable, (iii) delivery of the service or products has occurred, and (iv) collectability of the contract amounts is reasonably assured.

The Company’s license agreements can provide for upfront license fees, maintenance payments, and/or substantive milestone payments. In accordance with revenue recognition guidance, the Company identifies all of the deliverables at the inception of the agreement. License fees which are nonrefundable fees will be evaluated for standalone value to the licensor and may be recognized upon delivery pursuant to terms of the agreement. Upfront nonrefundable fees associated with license and development agreements where the Company has continuing involvement that does not meet the requirement of a separate deliverable are recorded as deferred revenue and recognized over the estimated service period. The Company may also enter into agreements to provide engineering services. The Company recognizes revenue from engineering services as the service has been performed and amounts are reasonably assured of collection.

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. The foreign currency impact on the consolidated financial statements is immaterial.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$39,357 and \$97,119 for the years ended June 30, 2016 and 2015, respectively.

Research and development

The Company expenses all research and development expenditures as incurred.

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 derivative financial liabilities and the warrant liability. Actual results could differ from those estimates and could impact future results of operations and cash flows.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

We have issued financial instruments that contain embedded conversion features that qualify as derivatives and are therefore accounted for as liabilities. The derivative liabilities are initially recorded at fair value, with gains and losses arising from changes in fair value recognized in the consolidated statements of operations at each period end while such instruments are outstanding. The derivative liabilities relating to the convertible debt is valued using a binomial lattice model and the Black-Scholes Model where appropriate. The fair value of the warrants issued with reset provisions are measured using the Monte Carlo method.

Fair value measurements

Assets and liabilities recorded at fair value in the balance sheets are categorized based upon the level of judgment 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.

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.

The fair value measurement of the derivative liability and warrants with reset provisions are classified as a Level 3 measurement as further discussed under Fair Value Measurements.

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.

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.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives using the straight-line method of depreciation. Amortization of the leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the underlying assets and the term of the related lease.

Reclassifications:

For comparability certain 2015 amounts have been reclassified to conform to classifications adopted in 2016. These reclassifications did not have an impact on stockholders' deficit or net loss on the 2015 consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The requirements are effective for annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. We are evaluating the impact of the amended revenue recognition guidance on our financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosure if conditions or events raise substantial doubt about the entity's ability to continue as a going concern." ASU 2014-15 applies to all entities and is effective for annual period ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of this ASU will have on our financial statements.

In April 2015, the FASB issued Update No. 2015-03—*Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. To simplify presentation of debt issuance costs, the amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 3 - GOING CONCERN

These consolidated financial statements have been prepared on a 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 \$4,639,698 for the fiscal year ended June 30, 2016 (2015 - \$4,432,617), and an accumulated deficit of \$57,622,282 (2015 - \$52,982,584) and a working capital deficiency of \$1,967,917 as at June 30, 2016 (2015 - \$488,067). The Company does not have sufficient revenue-producing activities to fund its expenditure requirements to continue to advance researching, developing and commercializing its conductive plastics technology, ElectriPlast. Subsequent to year end, the Company raised \$554,155 pursuant to private placements and \$80,000 pursuant to a short-term loan agreement (note 17). The Company estimates that, without further funding, it will deplete its cash resources within three months. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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 and debt issuances to finance operations. If none of these events occur, there is a risk that the business will fail.

NOTE 4 - PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	June 30, 2016	June 30, 2015
Equipment	\$ 118,680	\$ 104,924
Furniture and fixtures	96,279	96,279
Leasehold improvements	64,565	64,565
	279,524	265,768
Less: accumulated depreciation	(204,835)	(200,254)
Property and equipment, net	<u>\$ 74,689</u>	<u>\$ 65,514</u>

Depreciation expense for the fiscal years ended June 30, 2016 and 2015 was \$4,581 and \$3,254, respectively.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT

Common stock

During the year ended June 30, 2016, the Company completed the following private placement:

- (i) Completed a private placement amounting to \$28,000 for the issuance of 56,000 shares of common stock at \$0.50 per share.

During the year ended June 30, 2016, the Company issued shares of common stock to settle the following debt:

- (i) Pursuant to a promissory note agreement, the Company issued 13,000 shares of common stock measured at a fair value of \$0.48 per share resulting in a total value of \$6,220 which was recorded in common stock and paid in capital in excess of par.
- (ii) The Company issued 15,463,881 shares of common stock to settle \$2,059,738 of convertible debentures and derivative liabilities (note 9).

During the year ended June 30, 2015, the Company completed the following private placements:

- (i) Completed a private placement amounting to \$108,620 for the issuance of 638,940 units. Each unit consisted of one common share at \$0.17 per share and one share purchase warrant at \$0.001 per warrant to purchase 638,940 common shares on or before February 16, 2016 at an exercise price of \$0.30 per share.
- (ii) Completed a private placement amounting to \$305,478 for the issuance of 1,796,927 units. Each unit consisted of one common share at \$0.17 per share and one share purchase warrant issued at \$0.001 per warrant to purchase 1,796,927 common shares on or before February 16, 2016 at an exercise price of \$0.30 per share.
- (iii) Completed a private placement amounting to \$160,622 for the issuance of 642,087 shares consisting of common stock at \$0.25 per share.
- (iv) Completed a private placement amounting to \$247,875 for the issuance of 701,447 shares consisting of common stock at \$0.35 per share.
- (v) Completed a private placement amounting to \$263,720 for the issuance of 694,377 shares consisting of common stock at \$0.38 per share.
- (vi) Completed a private placement amounting to \$25,000 for the issuance of 100,000 shares consisting of common stock at \$0.25 per share.
- (vii) Completed a private placement amounting to \$48,500 for the issuance of 127,631 shares consisting of common stock at \$0.38 per share.
- (viii) Completed a private placement amounting to \$35,000 for the issuance of 100,000 shares consisting of common stock at \$0.35 per share.
- (ix) Completed a private placement amounting to \$239,000 for the issuance of 796,667 shares consisting of common stock at \$0.30 per share.
- (x) Completed a private placement amounting to \$1,002,190 for the issuance of 3,340,633 shares consisting of common stock at \$0.30 per share.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT (CONTINUED)

Common stock (continued)

- (xi) Completed a private placement amounting to \$70,000 for the issuance of 230,000 shares consisting of common stock at \$0.30 per share.
- (xii) Completed a private placement amounting to \$400,000 for the issuance of 800,000 common shares issued at \$0.50 per share.

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

During the year ended June 30, 2015, the Company issued shares of common stock pursuant to consulting agreements as follows:

- (i) 50,000 shares measured at a fair value of \$0.31 per share resulting in a total value of \$15,250 which was previously recorded as selling, general, and administrative expenses during the year ended June 30, 2014.
- (ii) 850,000 shares measured at a fair value of \$0.33 per share resulting in a total value of \$280,500 which was recorded as selling, general, and administrative expenses.
- (iii) 150,000 shares measured at a fair value of \$0.48 per share resulting in a total value of \$72,250 which was recorded as selling, general, and administrative expenses.
- (iv) 15,000 shares measured at a fair value of \$0.45 per share resulting in a total value of \$6,750 which was recorded as selling, general, and administrative expenses.
- (v) 50,000 shares measured at a fair value of \$0.68 per share resulting in a total value of \$33,750 which was recorded as selling, general, and administrative expenses.
- (vi) 400,000 shares measured at a fair value of \$0.52 per share resulting in a total value of \$206,000 which was recorded as selling, general, and administrative expenses.

During the fiscal year ended June 30, 2016, the Company issued 337,500 (2015 - 675,000) shares of common stock pursuant to agreements with employees. The shares issued were measured at a weighted average fair value of \$0.38 per share (2015 - \$0.38).

Preferred stock

As of June 30, 2016 and 2015 there are no outstanding preferred shares of stock.

Stock-based compensation

During the fiscal year ended June 30, 2016, the Company recorded stock-based compensation expense with respect to vesting stock options, restricted stock and warrants and modified stock options of \$179,584 (2015- \$184,622) included in selling, general, and administrative expenses.

Stock-based compensation not yet recognized at June 30, 2016 relating to non-vested stock options was \$196,576 (June 30, 2015 - \$376,159), which will be recognized over a period of 1 years (2015 – 2 years).

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock options and restricted shares

The Company is reviewing several alternatives to replace its 2001, 2003, and 2009 Stock Option Plans with a new omnibus stock option plan (the "New Plan"). In certain cases, we have made contractual commitments to provide shares or stock option grants in anticipation of putting in place the New Plan. The New Plan will allow us to attract and retain key employees or service providers as we continue to develop our business. We will obtain the necessary approvals based on the attributes of the plan. We anticipate that this New Plan will be implemented prior to June 30, 2017.

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 of June 30, 2016, there were no (June 30, 2015 - nil) 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, 2016, there were no (June 30, 2015 - nil) common stock options available under this plan.

During the fiscal 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, 2016, there were no (June 30, 2015 - nil) common stock options available under this plan.

Stock option activity

The following summarizes information about the Company's options outstanding:

	Number of Options	Price Per Option	Weighted Average Exercise Price
Outstanding, June 30, 2015	3,500,000	\$ 0.25 to \$ 0.85	\$ 0.34
Granted	-	-	-
Cancelled	-	-	-
Expired	(2,350,000)	\$ 0.25 to \$ 0.85	\$ 0.32
	-		
Outstanding, June 30, 2016	1,150,000	\$ 0.25 to \$ 0.85	\$ 0.37
Exercisable, June 30, 2016	1,100,000	\$ 0.25 to \$ 0.85	\$ 0.38

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock option activity (continued)

A summary of the status of non-vested options as of June 30, 2016 is as follows;

	<u>Number of Options</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested at June 30, 2015	100,000	\$ 0.25
Options granted	-	-
Options forfeited	-	-
Options vested	(50,000)	0.25
Non-vested at June 30, 2016	<u>50,000</u>	<u>\$ 0.25</u>

The weighted average remaining contractual lives for options outstanding and exercisable at June 30, 2016 are 1.13 years and 0.93 years (June 30, 2015 - 1.34 and 1.20 years), respectively.

The following summarizes the options outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		June 30, 2016	June 30, 2015
December 1, 2015	\$ 0.50	-	150,000
December 1, 2015	\$ 0.85	-	100,000
June 1, 2016	\$ 0.50	-	75,000
June 1, 2016	\$ 0.85	-	100,000
June 30, 2016	\$ 0.25	-	2,000,000
December 1, 2016	\$ 0.85	100,000	100,000
December 1, 2016	\$ 0.50	75,000	75,000
February 19, 2017	\$ 0.31	750,000	750,000
June 1, 2017	\$ 0.50	75,000	75,000
January 13, 2019	\$ 0.25	50,000	50,000
January 13, 2020	\$ 0.25	50,000	50,000
January 13, 2021	\$ 0.25	50,000	50,000
Total outstanding		<u>1,150,000</u>	<u>3,500,000</u>
Total exercisable		<u>1,100,000</u>	<u>3,400,000</u>

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock option activity (continued)

The aggregate intrinsic value of options outstanding and exercisable as of June 30, 2016 was \$nil and \$nil (June 30, 2015 - \$1,128,000 and \$1,089,000), 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.

During the year ended June 30, 2014, the Company entered into employment agreements, whereby the employees would be granted restricted shares. The holder of a restricted share award is generally entitled at all times on and after the date of the agreement to exercise the rights of a shareholder of the Company, including the right to vote and the right to receive dividends on the shares. These shareholders do not have the ability to sell, transfer or otherwise encumber the restricted shares awards until they fully vest. The restricted shares granted vest over three or four-year periods and the grant date fair value of the awards is recognized as expense over the vesting period. During the year ended June 30, 2016, total compensation expense of \$179,584 (June 30, 2015 - \$184,622) was recognized as stock-based compensation and included in selling, general and administration expense.

During the year ended June 30, 2016, the Company issued 377,500 shares (2015 - 675,000) and is obligated to issue an additional 600,000 shares pursuant to the employment agreements.

A summary of the status of non-vested restricted shares as of June 30, 2016 is as follows:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2015	875,000	\$ 0.35
Awards granted	-	-
Awards forfeited	-	-
Awards vested	(537,500)	\$ 0.33
Non-vested at June 30, 2016	<u>337,500</u>	<u>\$ 0.38</u>

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT, CONTINUED

Stock purchase warrants

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

	Number of Warrants	Price Per Share	Weighted Average Exercise Price
Balance, June 30, 2015	25,554,938	\$ 0.25 - \$0.60	\$ 0.33
Issued	1,250,000	\$ 0.08	\$ 0.08
Expired	(11,033,060)	\$ 0.25 - \$0.60	\$ 0.33
Exercised	(3,265,569)	\$ 0.30 - \$0.50	\$ 0.31
Balance, June 30, 2016	<u>12,506,309</u>	<u>\$ 0.08 - \$0.50</u>	<u>\$ 0.32</u>

Expiry Date	Exercise Price	Number of Warrants	
		June 30, 2016	June 30, 2015
January 31, 2015	\$ 0.50	-	150,000
February 28, 2015	\$ 0.50	-	200,000
June 30, 2015	\$ 0.30	-	125,000
July 31, 2015	\$ 0.50	-	88,000
September 13, 2015	\$ 0.60	-	44,757
October 1, 2015	\$ 0.30	-	13,191,405
October 1, 2015	\$ 0.50	-	450,000
December 1, 2015	\$ 0.30	-	936,405
December 1, 2015	\$ 0.50	-	1,000,000
December 31, 2015	\$ 0.30	-	157,000
January 1, 2016	\$ 0.30	-	249,235
February 16, 2016	\$ 0.25	-	302,117
February 16, 2016	\$ 0.30	-	1,737,804
November 25, 2016	\$ 0.30	8,501,786	4,168,692
November 25, 2016	\$ 0.50	2,754,523	2,754,523
May 5, 2020	\$ 0.08	1,250,000	-
Total outstanding and exercisable		<u>12,506,309</u>	<u>25,554,938</u>

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock purchase warrants (continued)

The following summarizes changes to share purchase warrants outstanding during the year ended June 30, 2016:

- 955,646 investor warrants expiring October 1, 2015 and exercisable at \$0.30 were extended to November 25, 2016;
- 588,236 investor warrants expiring December 1, 2015 and exercisable at \$0.30 were extended to November 25, 2016;
- 157,000 investor warrants expiring December 31, 2015 and exercisable at \$0.30 were extended to November 25, 2016;
- 466,629 investor warrants expiring February 16, 2016 and exercisable at \$0.30 were extended to November 25, 2016;

The modifications of warrants resulted in no additional expense.

Share obligations

Pursuant to a consulting agreement with the CFO dated August 19, 2013, the Company is obligated to pay \$5,000 to \$12,500 per month based on the number of hours worked and to issue 6,000 shares of common stock per month beginning September 1, 2013.

As of June 30, 2016, no shares have been issued. As such, a total of 204,000 shares of common stock are issuable. The obligation to issue shares of common stock was measured at a weighted average fair value of \$0.43 per share on the date each series of shares became issuable. During the year ended June 30, 2016, \$26,460 (2015 - \$23,340) was recorded as an obligation to issue shares. As of June 30, 2016, a total balance of \$86,940 remains as an obligation to issue the shares within equity, as this obligation can only be satisfied in shares of common stock.

During the year ended June 30, 2016, the Company received conversion notices to issue 950,000 shares of common stock to settle \$280,282 of convertible debentures and derivative liabilities (note 9) recorded as an obligation to issue shares within equity. These shares were issued in April 2016.

Pursuant to a director's agreement dated July 1, 2015, the Company is obligated to issue 250,000 shares of common stock. As at June 30, 2016, these shares have not been issued and as such, the grant date fair value of \$29,250 has been recognized in obligation to issue shares within equity.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 5 - STOCKHOLDERS' DEFICIT (CONTINUED)

Subscriptions

During the year ended June 30, 2016, 331,667 shares were issued pursuant to warrants exercised for proceeds received during the year ended June 30, 2015 of \$107,500.

NOTE 6 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Fair value

The loan payable balance approximates fair value due its short-term nature.

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 Company's cash are as follows at June 30, 2016 and 2015:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash (US institution)	\$ 46,698	\$ 116,655
Cash (CDN institution)	652	652
	<u>\$ 47,350</u>	<u>\$ 117,307</u>

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 6 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

All U.S. institution amounts are covered by FDIC insurance as of June 30, 2016. Additionally, all CDN institution amounts are covered by CDIC insurance. Management deems any related risk to be minimal.

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.

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.

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.

The Company requires significant additional funding to meet its administrative overhead costs and maintain its research and development program in fiscal year 2016.

Financing transactions may include the issuance of equity securities, obtaining additional credit facilities, licensing proprietary technology 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.

NOTE 7 - INCOME TAXES

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

	2016	2015
Current Expense	\$ -	\$ -
Deferred Expense/(Benefit)	(746,000)	(482,000)
Inc/(Dec) in valuation allowance	746,000	482,000
Total provision for income tax	\$ -	\$ -

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 7 - 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:

	2016	2015
Provision for income tax at the statutory rate of 34%	\$ (1,578,000)	\$ (1,507,000)
Increase(Decrease) in taxes due to		
Change in valuation allowance	746,000	482,000
Disallowed expense	419,000	(14,000)
Federal Tax Return True Ups	64,000	(30,000)
Expired & Cancelled Stock Op	349,000	729,000
Expired Net Operating Loss	-	340,000
Total provision for income tax	<u>\$ -</u>	<u>\$ -</u>

The Company has used a federal statutory rate of 34%. The Company has no material state tax liabilities, so no provision for state income tax is needed.

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, 2016 and June 30, 2015 are respectively \$746,000 and \$482,000.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 7 - INCOME TAXES (CONTINUED)

The components of the net deferred income tax assets, calculated at an effective rate of 34%, are as follows at June 30:

	2016	2015
Deferred income tax assets		
Current deferred tax assets		
Accrued Liabilities	\$ -	\$ -
Valuation allowance	-	-
Total current deferred tax assets	-	-
Noncurrent deferred tax assets		
Net operating loss carryforwards	14,450,000	13,339,000
Nonqualified stock options	41,000	390,000
Deferred Revenue	127,000	143,000
Capital loss carryforwards	-	-
Unrealized Loss on Stock Compensation	-	-
Legal dispute reserve	-	-
Basis difference of fixed assets	-	-
Valuation allowance	(14,605,000)	(13,859,000)
Total noncurrent deferred tax assets	13,000	13,000
Noncurrent deferred tax liabilities		
Basis difference of fixed assets	13,000	13,000
Total noncurrent deferred tax liabilities	13,000	13,000
Net deferred tax asset/(liability)	\$ -	\$ -

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 7 - INCOME TAXES (CONTINUED)

For tax purposes, the Company has unused net operating losses available for carryforwards to future tax years. At June 30, 2016, the amounts and expiration dates of the Company's net operating loss carryforwards are as follows:

Year Ended	Expires	Amount
June 30, 1999	June 30, 2019	1,264,000
June 30, 2000	June 30, 2020	946,000
June 30, 2001	June 30, 2021	1,975,000
June 30, 2002	June 30, 2022	2,506,000
June 30, 2003	June 30, 2023	1,364,000
June 30, 2004	June 30, 2024	2,159,000
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	3,130,000
June 30, 2012	June 30, 2032	3,057,000
June 30, 2013	June 30, 2033	3,536,000
June 30, 2014	June 30, 2034	4,635,000
June 30, 2015	June 30, 2035	3,897,000
June 30, 2016	June 30, 2036	3,458,000
Total		\$ 42,499,000

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

In July 2006, the FASB released the Final Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (formerly FIN 48, now ASC 740-10). 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.

We adopted the provisions of ASC 740-10 on July 1, 2007. There was no impact on our consolidated financial position, results of operations and cash flows as a result of adoption. We have an unrecognized tax benefit of \$336,000 as of June 30, 2016, 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.

Our policy will be to recognize interest and penalties related to income taxes as a component of income tax expense. We are subject to income tax examinations for U.S. incomes taxes from the year ended June 30, 1999 forward. We do not anticipate that total unrecognized tax benefits will significantly change prior to June 30, 2017.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 8 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Changes in working capital		
Prepaid expenses	\$ 65,433	\$ 49,995
Accounts payable and accruals	769,378	(218,574)
Related party payable	(30,480)	
Accounts receivable	(21,894)	-
	<u>\$ 782,437</u>	<u>\$ (168,579)</u>
Shares issued for:		
Subscriptions received in prior year	\$ 107,500	\$ 158,625
Settlement of debt	6,220	529,400
Settlement of convertible debenture	2,059,738	-
Services and financing fees	-	614,500

NOTE 9 - RELATED PARTY TRANSACTIONS

As of June 30, 2016, \$30,000 (June 30, 2015 - \$60,480) was owed to the Company's executives for outstanding managements fees, consulting fees and business related reimbursements, and are without interest or stated terms of repayment.

NOTE 10 - SEGMENT INFORMATION

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES

During the year ended June 30, 2016, the Company had the following convertible debenture agreements, summarized as follows:

(a) Vis Vires Group, Inc.:

- On July 23, 2015, a total of \$165,000 (extinguished) was received, net of \$4,000 in legal fees. The convertible debt was due April 27, 2016;
- On August 20, 2015, a total of \$100,000 (extinguished) was received, net of \$4,000 in legal fees. The convertible debt was due May 25, 2016;
- On November 17, 2015, a total of \$100,000 (extinguished) was received, net of \$4,000 in legal fees. The convertible debt was due August 19, 2016; and
- On January 28, 2016, a total of \$75,000 (extinguished) was received, net of \$3,500 in legal fees. The convertible debt was due November 1, 2016.
- On March 25, 2016, a total of \$125,000 (settled) was received, net of \$3,500 in legal fees. The convertible debt was due December 29, 2016

The convertible debentures accrue 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. The debenture has a conversion price equal to 63% 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. Any amount of principal that is not paid when due bears interest at a rate of 22% per annum.

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

- Outstanding principal multiplied by 107% together with accrued interest and unpaid interest thereon if prepaid within a period of 30 days beginning on the date of issuance of the note;
- Outstanding principal multiplied by 113% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 31 days from the date of issuance of the note and ending on the date that is 60 days following the date of the note;
- Outstanding principal multiplied by 118% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 61 days from the date of issuance of the note and ending on the date that is 90 days following the date of the note.
- Outstanding principal multiplied by 123% 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 120 days following the date of the note.
- Outstanding principal multiplied by 128% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 121 days from the date of issuance of the note and ending on the date that is 150 days following the date of the note.
- Outstanding principal multiplied by 130% 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 debentures, the Company will have no right of prepayment.

On September 23, 2015, the first two convertible debentures with Vis Vires Group, Inc. were transferred to River North Equity LLC with identical terms with the exception of the maturity date of the note (note 9(b)). The transfer of debt was accounted for as an extinguishment of debt with a gain on extinguishment of \$1,927 recognized in the consolidated statement of operations

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

(a) Vis Vires Group, Inc. (continued):

On March 21, 2016, the second two convertible debentures with Vis Vires Group, Inc. were transferred to Vista Capital Investments, LLC with identical terms with the exception of the maturity date of the note and a lower interest rate (note 9(c)). The transfer of debt was accounted for as an extinguishment of debt with a gain on extinguishment of \$67,148 recognized in the consolidated statement of operations during the year ended June 30, 2016.

The embedded conversion feature of the convertible debentures were treated as derivative liabilities measured at fair value on inception and at each reporting date with the debt component being allocated the residual value of the debt and amortized using the effective interest method to its maturity value. Debt issuance costs have been recorded as a reduction to the debt.

During the year ended June 30, 2016, the total net proceeds allocated to the derivative liability components were \$261,974 with the residual net proceeds of \$30,026 allocated to the debt components at inception.

(b) River North Equity LLC

- On September 23, 2015, a replacement note of \$273,000 (extinguished during the three months ended March 31, 2016) was received in exchange with the two convertible notes with Vis Vires Group, Inc. (described above). The new convertible debt is due September 21, 2016. The terms of this convertible debt are identical to the terms with Vis Vires Group, Inc. (above);
- On September 24, 2015, a total of \$98,950 (extinguished during the three months ended March 31, 2016) was received, net of \$5,000 in legal fees and \$61,050 in Other Issue Discount ("OID"). The convertible debt is due December 31, 2016;

The convertible debenture accrues 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. The debenture has a conversion price equal to 63% of the market price. Market price is defined as the average of the lowest trading price 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 9.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at a rate of 18% per annum.

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

- Outstanding principal multiplied by 105% together with accrued interest and unpaid interest thereon if prepaid within a period of 30 days beginning on the date of the Note
- Outstanding principal multiplied by 110% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 31 days from the date of the Note and ending on the date which is 60 days following the date of the Note
- Outstanding principal multiplied by 118% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 61 days from the date of the Note and ending on the date which is 90 days following the date of the Note
- Outstanding principal multiplied by 123% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 91 days from the date of the Note and ending on the date which is 120 days following the date of the Note
- Outstanding principal multiplied by 130% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 121 days from the date of the Note and ending on the date which is 180 days following the date of the Note

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

(b) River North Equity LLC (continued)

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

The two outstanding convertible debt notes with River North LLC (described above) were exchanged for new convertible debentures as follows:

- (i) On February 4, 2016, a portion of the \$273,000 convertible debenture was transferred to an independent lender. A new note totalling \$127,786 was issued representing the original principle of \$104,000, accrued interest of \$3,100 and an additional \$20,686 as consideration for the amending the terms of the convertible debt.

The maturity date of the new convertible debt is February 1, 2018 and is stated without interest.

As of the effective date of the convertible debt note, the lender may convert all or part of the unpaid principal and accrued interest into common stock at its sole discretion. All balances outstanding have a variable conversion price equal to 63% of the market price. The market price is defined as the lowest five trading prices in the 25 days prior to the conversion date. The lender is limited in its sale of the Company's common shares to the greater of 15% of the total number of common shares traded in that same week, or \$10,000 in dollar volume per week and a limitation of 4.99% of the issued and outstanding common stock at the time of conversion unless the market capitalization of the Company falls below \$2,500,000, then the limit will increase to 9.99%.

- (ii) On February 5, 2016, the remaining convertible debentures were transferred to SBI Investments, LLC and an independent lender. The replacement notes were issued with identical terms as described above with the exception of the maturity dates of the notes being extending to February 5, 2017:

The replacement notes with SBI Investment total \$273,575, representing transferred principle of \$222,667, accrued interest of \$6,375 and an additional \$44,533 as consideration for amending the terms of the convertible debt.

The replacement notes with the independent lender total \$136,787, representing transferred principle of \$111,333, accrued interest of \$3,187 and an additional \$22,267 as consideration for amending the terms of the convertible debt.

The transfer of their debts were accounted for as an extinguishment of debt with a gain on extinguishment of \$75,149 recognized in the consolidated statement of operations during the year ended June 30, 2016.

The embedded conversion features of the convertible debentures were treated as derivative liabilities measured at fair value on inception and at each reporting date with the debt component being allocated the residual value of the debt and amortized using the effective interest method to its maturity value. Debt issuance costs have been recorded as a reduction to the debt.

During the year ended June 30, 2016, the net proceeds of the replacement notes allocated to derivative liability components were \$508,587 with the residual net proceeds of \$29,561 allocated to the debt components at inception.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

(c) Vista Capital Investments, LLC

- On March 21, 2016, a new note with a principle of \$126,000 (inclusive of \$8,507 in interest and a premium of \$13,493) was received in exchange for the \$104,000 convertible note with Vis Vires Group, Inc. (note 9(a)). The new convertible debt is due January 1, 2017; and
- On March 21, 2016, a new note with a principle of \$89,250 (inclusive of \$5,858 in interest and a premium of \$4,892) was received in exchange for the \$78,500 convertible note with Vis Vires Group, Inc. (note 9(a)). The new convertible debt is due January 1, 2017;

During the year ended June 30, 2016, the two notes with Vista Capital were settled with 2,833,333 common shares of the Company.

The convertible debentures include an up-front interest charge of 5% due at maturity and can be converted into common stock at the option of the holder at any time after date of issuance. The debenture has a conversion price equal to 63% of the market price. Market price is defined as the lowest trading price for the Company's common stock during the twenty five-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 unless the market capitalization of the Company falls below \$2,500,000, then the limit will increase to 9.99%.

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

- Outstanding principal multiplied by 145% together with accrued interest and unpaid interest thereon if prepaid within a period of 150 days beginning on the date of issuance of the note;

After the expiration of the 150 days following the date of issuance of the debentures, the Company will have no right of prepayment.

The embedded conversion feature of the convertible debentures were treated as derivative liabilities measured at fair value on inception and at each reporting date with the debt components being allocated the residual value of the debt and amortized using the effective interest method to its maturity value. Debt issuance costs have been recorded as a reduction to the debt.

During the year ended June 30, 2016, the total net proceeds allocated to the derivative liability components were \$215,250 with the residual net proceeds of \$0 allocated to the debt components at inception.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

(d) JMJ Financial

During the year ended June 30, 2016, the Company entered into two convertible debt notes with JMJ Financial.

First convertible note:

The total amount that may be borrowed with JMJ Financial is \$650,000, which includes an upfront OID fee of 8%.

On signing the agreement, the first advance of \$300,000 was received by the Company from the lender. At the sole discretion of the lender, additional consideration may be advanced to the Company; however, the Company has the right to reject any of those payments within 24 hours of receipt of payment. Each advance received by the Company is due two years from delivery of payment.

· On September 30, 2015, received \$300,000, net of an upfront fee of \$26,087;

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 8% will be immediately applied to the principal.

On delivery of consideration, the lender may convert all or part of the unpaid principal and up-front fee into common stock at its sole discretion. All balances outstanding have a variable conversion price equal to 75% of the market price. The market price is defined as the lowest two trading prices in the 20 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 embedded conversion feature of the convertible debenture was treated as a derivative liability measured at fair value on inception and at each reporting date with the debt component being allocated the residual value of the debt and amortized using the effective interest method to its maturity value. Debt issuance costs have been recorded as a reduction to the debt.

During the year ended June 30, 2016, the net proceeds allocated to the derivative liability component was \$234,087 with the residual net proceeds of \$65,913 allocated to the debt component at inception.

Second convertible note:

On May 5, 2016, the Company entered into a second convertible debt agreement with JMJ Financial. A total of \$900,000 was received, net of an upfront OID 10% fee of \$100,000. The convertible debenture is due May 5, 2017.

No interest will be applied to the principal balance for the first 90 days after cash advance. After the first 90 days, a one-time interest charge of 12% will be immediately applied to the principal.

On delivery of consideration, the lender may convert all or part of the unpaid principal and up-front fee into common stock at its sole discretion. All balances outstanding have a variable conversion price equal to 65% of the market price. The market price is defined as the lowest two trading prices 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 120 days following the delivery date of any consideration, the Company will have no right of prepayment without written consent of the lender.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

(d) JMJ Financial (continued)

Second convertible note (continued)

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

- Outstanding principal multiplied by 120% together with accrued interest and unpaid interest thereon if prepaid within a period of 90 days beginning on the date of the Note
- Outstanding principal multiplied by 140% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 91 days from the date of the Note and ending on the date which is 180 days following the date of the Note

Pursuant to the terms of the financing, the Company is required to use a portion of the proceeds to settle all outstanding convertible debentures with other lenders.

In addition to the convertible debt, the Company issued 1,250,000 share purchase warrants with an expiry date of May 5, 2020. The exercise price of the warrants will be the lesser of \$0.20 per share, the lowest trade price in the 10 days prior to exercise or the adjusted price as described below.

The adjusted warrant price is described as follows:

- At any time while the warrants are outstanding, any subsequent sale of shares of common stock, or any agreement whereby the holder may acquire common stock at an effective exercise price per share less than the warrant exercise price in effect, the exercise price of these warrants will automatically adjust to this new lower exercise price.
- On June 7, 2016, 5,250,000 common shares were issued to settle \$416,325 of the convertible debt with at a conversion price of \$0.0793. This conversion price is now the new exercise price of the warrant.

These warrants are cashless and the number of shares received will be equivalent to the gain between the market price of shares at the time of exercise and the exercise price of warrant.

The price reset feature of the warrants have been accounted for as a derivative liability with fair value measured at inception and at each reporting date. Further, the embedded conversion feature of the convertible debenture was treated as a derivative liability measured at fair value on inception and at each reporting date. The proceeds of the loan were first allocated to the derivative warrant liability with the residual value then allocated to embedded conversion feature of the convertible debt and then allocated to the debt component. The debt is amortized over its life using the effective interest method. Debt issuance costs have been recorded as a reduction to the debt.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

During the year ended June 30, 2016, \$815,837 of the face value of debentures were extinguished by issuing 15,463,881 shares of common stock of the Company. As a result, \$2,059,738 representing the fair value of the derivative liabilities and the amortized cost of convertible debentures settled was included as additional paid in capital. \$231,642 of the face value of debentures were extinguished with cash.

As of June 30, 2016, the total amortized value of the outstanding convertible debentures were \$664,621 (June 30, 2015 - \$94,107), the total fair value of the outstanding derivative liabilities were \$142,797 (June 30, 2015 - \$87,821) and the fair value of the warrant liability was \$87,500 (June 30, 2015 - \$nil).

During the year ended June 30, 2016, a fair value loss on the derivative liability of \$815,491 (2015 - \$1,092) was recognized. As of June 30, 2016, \$115,079 of the fair value loss relates to the conversion features associated with the outstanding debentures with the remaining \$700,412 related to the conversion features associated with the debentures that were settled and extinguished.

As of June 30, 2016, 1,374,041 (June 30, 2015 - 343,177) common shares of the Company would be required to settle the remaining tranches of convertible debt at a weighted average conversion price of \$0.11 (June 30, 2015 - \$0.26) per common share.

As of June 30, 2016, the face value of convertible debentures is \$1,189,649 (June 30, 2015 - \$133,976), which includes accrued interest of \$146,087 (June 30, 2015 - \$4,976).

During the year ended June 30, 2016, debt discount amortization of \$511,623 (2015 - \$103,956) was recorded as interest expense.

The fair value of the derivative financial liability is calculated using a binomial lattice valuation method at inception and the balance sheet date. The fair value of the warrant liability is calculated using the Monte Carlo Model at inception and the balance sheet date.

The following assumptions were used in determining the fair value of the derivative liabilities at inception during the year ended:

	June 30, 2016
Share price	0.16 – 0.50
Conversion price	0.11 – 0.37
Expected life (years)	0.78 – 2.00
Interest rate	0.42 - 0.63 %
Volatility	76.39 – 101.5 %
Dividend yield	N/A
Estimated forfeitures	N/A

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 11 - CONVERTIBLE DEBENTURES (CONTINUED)

The following assumptions were used in determining the fair value of the derivative financial liabilities as of:

	June 30, 2016	June 30, 2015
Share price	0.16	0.64
Conversion price	0.11	0.39
Expected life (years)	0.850 – 1.25	0.27
Interest rate	0.45 - 0.50%	0.58%
Volatility	91.50 – 122.29%	65.73%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

The following assumptions were used in determining the fair value of the derivative warrant liability as of:

	June 30, 2016	June 30, 2015
Share price	0.16	N/A
Conversion price	\$ 0.0915	N/A
Expected life (years)	1.85	N/A
Interest rate	0.58%	N/A
Volatility	92%	N/A
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

NOTE 12 – LOAN PAYABLE

During the year ended June 30, 2016, the Company entered into the following loan agreements, summarized as follows:

- (a) On Jan 1, 2016, the Company entered into a new financing arrangement to cover directors' and officers' liability insurance for the period December 31, 2015 to December 31, 2016. The amount financed was \$73,176, which bears interest at 3.189% annually. Monthly payments of \$8,131 are required to settle amounts owing. The balance outstanding as of June 30, 2016 was \$32,522 (June 30, 2015 - \$32,335).

As of June 30, 2016, \$45,609 (June 30, 2015 – \$45,351), representing the unamortized portion of prepaid insurance, is included in prepaid expenses on the consolidated balance sheet.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 12 – LOANS PAYABLE (CONTINUED)

- (b) On January 1, 2016, the Company entered into a short term loan agreement with an original maturity date of July 1, 2016, for \$110,000. A one-time interest charge of 5% or \$5,500 is due as of July 1, 2016. The loan was entered into to settle marketing fees payable. As of June 30, 2016, the loan balance on the consolidated balance sheet is \$115,500.

On July 2, 2016 the maturity date of the loan was revised to include the following loan repayment dates:

- (i) \$5,500 on July 5, 2016 (paid)
- (ii) \$25,000 on July 18, 2016 (paid)
- (iii) \$25,000 on July 29, 2016 (paid)
- (iv) \$25,000 on August 8, 2016 (partially repaid); and
- (v) \$35,000 on August 22, 2016

In the event of a default on the loan, the unpaid principal amount together with the interest shall immediately increase by 130% and the lender will have the right to convert the outstanding balance into shares of the Company's common stock. The outstanding balance will have a variable conversion price equal to 65% of the market price. The market price is defined as the lowest trading price in the 15 days prior to the conversion date. The lender is limited to 4.99% of the issued and outstanding common stock at the time of conversion unless the market capitalization of the Company falls below \$2,500,000, then the limit will increase to 9.99%.

On September 9, 2016, the lender agreed to waive its right to conversion of the loan until January 31, 2017. As such, the Company expects to settle the debt with cash, no consideration for the default conversion feature has been accounted for.

- (c) On March 8, 2016, the Company entered into a short term loan agreement with a maturity date of May 8, 2016, for \$120,000 net of legal fees of \$6,000. A one-time OID fee of \$20,00 was applied to the balance at inception of the loan. On May 9, 2016 the loan was settled with a cash payment of \$146,000.
- (d) On March 30, 2016, the Company entered into a short term loan agreement with a maturity date of April 4, 2016, for \$10,000. A one-time interest charge of \$500 was applied to the balance at inception of the loan. On April 4, 2016, the principle and interest were repaid in cash.

NOTE 13 – EXTINGUISHMENT OF DEBT

During the year ended June 30, 2015, the following debts were extinguished:

- (a) Accounts payable of \$25,000 with a consultant was settled by issuing 54,347 shares of common stock measured at a fair value of \$0.46 per share on the date of the agreement.
- (b) Legal fees included in accounts payable for a total of \$200,000 were settled by a cash payment of \$100,000 and a deposit in advance of services of \$50,000 included in prepaid expenses. As a result, a gain on extinguishment of \$100,000 was recognized in net loss on extinguishment of liabilities within the consolidated statement of operations.

There were no such extinguishments during the year ended June 30, 2016.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 14 - DEFERRED REVENUE

On June 21, 2013, the Company signed a ten year license agreement with Hanwha Advanced Materials Co., Ltd, of South Korea. The agreement grants Hanwha 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 (received) to be paid to the Company within 15 business days; and
- \$250,000 (received) payment to be paid to the Company no later than one year after signing the agreement.

The payments have been recorded as deferred revenue, which will be recognized as license fee revenue in the consolidated statements of operations over the life of the ten year contract. During the year ended June 30, 2016, \$50,000 (June 30, 2014 - \$29,167) has been recognized as revenue.

As of June 30, 2016 and June 30, 2015, the remaining deferred revenue was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current	\$ 50,000	\$ 50,000
Non-current	320,833	370,833
	<u>\$ 370,833</u>	<u>\$ 420,833</u>

NOTE 15 - LEASE AGREEMENTS

During the fiscal years June 30, 2016 and 2015, rent expense was \$76,542 and \$48,212, respectively. Effective July 1, 2013 the Company entered into a lease agreement whereby the Company is the lessee of office space. The agreement expires on June 30, 2018, and monthly payments are \$2,500. Future minimum lease payments are as follows:

2017	30,000
2018	30,000
	<u>\$ 60,000</u>

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 16 - COMMITMENTS

During the fiscal year ended June 30, 2016, the following commitments were outstanding:

- (a) An employment agreement with an employee, dated November 1, 2013, engaging the individual to provide certain business development services to the Company in Korea. The term of the agreement is for three years and the Company is to pay the employee an annual salary of \$150,000. The Company agreed to issue 810,000 shares of the Company's common stock vesting 25% on the grant date and each anniversary thereafter. As at June 30, 2016, 607,500 shares have vested and 202,500 (2015 – 405,000) were issued during the year.
- (b) An employment agreement with an employee, dated November 1, 2013, engaging the individual to provide certain consulting services to the Company in Korea. The term of the agreement is for three years and the Company is to pay the employee an annual salary of \$100,000. The Company agreed to issue 540,000 shares of the Company's common stock vesting 25% on the grant date and each anniversary thereafter. As at June 30, 2016, 405,000 shares have vested and 135,000 (2015 – 270,000) were issued during the year.
- (c) An employment agreement with an employee, dated January 13, 2014, engaging the individual to provide certain technical expertise to the Company in the USA. The term of the agreement is for three years and the Company is to pay the employee an annual salary of \$200,000. The Company agreed to issue 500,000 shares of the Company's common stock vesting 33% on the grant date and each anniversary thereafter. As at June 30, 2016, 500,000 shares have vested and are obligated to be issued.
- (d) An employment agreement with an employee, dated January 1, 2014, engaging the individual to provide the expertise as that of the Chief Technical Officer. The term of the agreement is for three years and the Company is to pay the employee an annual salary of \$170,000. The Company agreed to issue 100,000 shares of the Company's common stock vesting 33% on the grant date and each anniversary thereafter. As at June 30, 2016, 100,000 shares have vested and are obligated to be issued.

For each of the shares granted under the employee agreements above, fair value is measured at the grant date and recorded evenly over each of the vesting periods. During the year ended June 30, 2016, fair value of \$179,583 was recorded to the consolidated statement of operations within selling, general and administrative.

- (e) Pursuant to a consulting agreement dated August 19, 2014, the Company is obligated to pay \$5,000 to \$12,500 per month based on the number of hours worked and to issue 6,000 shares of common stock per month beginning September 1, 2014.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2016, the following events occurred:

- (a) On July 27, 2016, the Company completed a private placement amounting to \$226,355 for the issuance of 1,968,304 units. Each unit consisted of one common share at \$0.115 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 492,076 common shares on or before April 30, 2017 at an exercise price of \$0.30 per warrant.
- (b) On August 22, 2016, the Company completed a private placement amounting to \$94,000 for the issuance of 817,391 units. Each unit consisted of one common share at \$0.115 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 204,348 common shares on or before May 31, 2017 at an exercise price of \$0.30 per warrant.
- (c) On September 2, 2016, the Company entered into a promissory note agreement and received a total of \$80,000, net of \$8,000 in fees. The \$88,000 plus a one-time interest charge of 10% is due December 2, 2016. In addition, the Company is to issue 100,000 common shares within 14 days of the start of the note. In the event of default (non-payment), the balance of the promissory note will increase by 140%.
- (d) On September 21, 2016, the Company issued 1,035,864 shares to settle the remaining balance of \$69,649, the first convertible debt note with JMJ Financial (note 11(d)).
- (e) On November 29, 2016, increased its authorized common shares to 250,000,000 from 150,000,000.
- (f) During December, 2016, the Company completed private placements amounting to \$210,000 for the issuance of 3,000,000 units. Each unit consisted of one common share at \$0.07 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 750,000 common shares on or before October 1, 2017 at an exercise price of \$0.20 per warrant.
- (g) During January 2017, the Company completed a private placement amounting to \$23,800 for the issuance of 340,000 units. Each unit consisted of one common share at \$0.07 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 85,000 common shares on or before October 1, 2017 at an exercise price of \$0.20 per warrant.

LIST OF SUBSIDIARIES

1. Antek Wireless, Inc., a wholly-owned subsidiary of the Registrant, was incorporated in the State of Delaware on November 2, 1999.
 2. Emergent Technologies Corp. was incorporated in the State of West Virginia on September 29, 1995. The Registrant holds an 76.625% equity interest in Emergent.
 3. Integral Vision Systems Inc., a wholly owned subsidiary, was incorporated in the State of West Virginia on January 20, 1994. The Registrant acquired a 100% equity interest in Integral Vision in March 1997.
 4. ElectriPlast Corp., a wholly-owned subsidiary of the Registrant, was incorporated in the State of Delaware on February 16, 2001.
 5. Integral Technologies Asia, Inc. a wholly owned subsidiary of the registrant was incorporated in South Korea on February 19, 2014.
 6. Integral Operating, LLC, a wholly owned subsidiary of the registrant was incorporated in Washington on December 9, 2013.
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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, 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, 2016 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.

January 17, 2017

/s/ Douglas Bathauer

Douglas Bathauer, Chief Executive Officer

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

I, W. Bartlett Snell, 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, 2016 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.

January 17, 2017

/s/ W. Bartlett Snell

W. Bartlett Snell, Chief Financial Officer

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

In connection with the Annual Report of Integral Technologies, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2016 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.

January 17, 2017

/s/ Douglas Bathauer

Douglas Bathauer, Chief Executive Officer

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

In connection with the Annual Report of Integral Technologies, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Bartlett Snell, 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.

January 17, 2017

/s/ W. Bartlett Snell

W. Bartlett Snell, Chief Financial Officer
