

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2001

☐ 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.

(Exact name of small business issuer as specified in its charter)

<TABLE>

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NEVADA

<C>

98-0163519

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

</TABLE>

805 W. ORCHARD DRIVE, SUITE 3, BELLINGHAM, WASHINGTON 98225

(Address of principal executive offices)

(360) 752-1982

(issuer's telephone number)

(Former name, former address and former fiscal year, if  
changed since last report)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the issuer filed all documents and reports required to be filed by  
Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities  
under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common  
equity, as of the latest practicable date: AS OF NOVEMBER 7, 2001, THE ISSUER  
HAD 28,132,562 SHARES OF \$.001 PAR VALUE COMMON STOCK OUTSTANDING.

Transitional Small Business Disclosure Format (Check one): Yes ☐ No ☒

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

INTEGRAL TECHNOLOGIES, INC.  
(A DEVELOPMENT STAGE COMPANY)

## CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

(U.S. DOLLARS)

(UNAUDITED)

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INTEGRAL TECHNOLOGIES, INC.  
(A DEVELOPMENT STAGE COMPANY)

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(U.S. DOLLARS)

&lt;Table&gt;

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SEPTEMBER 30,  
2001

JUNE 30,  
2001

-----

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## ASSETS

## CURRENT

|                     |           |           |
|---------------------|-----------|-----------|
| Cash                | \$ 88,105 | \$ 69,556 |
| Accounts receivable | 12,844    | 27,344    |
| Inventory           | 46,842    | 46,842    |
| Prepaid expenses    | 165       | 165       |
|                     | -----     | -----     |

## TOTAL CURRENT ASSETS

147,956

143,907

## PROPERTY AND EQUIPMENT

84,266

89,566

## INVESTMENTS

1,250,000

1,250,000

## TOTAL ASSETS

\$ 1,482,222

\$ 1,483,473

## LIABILITIES

## CURRENT

|  |            |            |
|--|------------|------------|
| Accounts payable and accruals                        | \$ 721,034 | \$ 746,530 |
| Due to West Virginia University Research Corporation | 397,296    | 397,296    |
| Customer deposits                                    | 13,232     | 13,232     |
|  | -----      | -----      |

## TOTAL CURRENT LIABILITIES

1,131,562

1,157,058

## STOCKHOLDERS' EQUITY

## PREFERRED STOCK AND PAID-IN CAPITAL IN EXCESS OF \$0.001 PAR VALUE

20,000,000 Shares authorized 564,410 (June 30, 2001 - 564,410)

issued and outstanding

564,410

564,410

## COMMON STOCK AND PAID IN CAPITAL IN EXCESS OF \$0.001 PAR VALUE

50,000,000 Shares authorized 28,132,562 (June 30, 2001 - 26,949,062)

issued and outstanding

9,383,493

8,900,983

## SUBSCRIPTIONS RECEIVABLE

100,000

50,000

## PROMISSORY NOTES RECEIVABLE

(58,500)

(58,500)

## OTHER COMPREHENSIVE INCOME

46,267

46,267

## DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE

(9,685,010)

(9,176,745)

## TOTAL STOCKHOLDERS' EQUITY

350,660

326,415

|  |              |              |
|--|--------------|--------------|
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,482,222 | \$ 1,483,473 |
|  | =====        | =====        |

See notes to consolidated financial statements.

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

<Table>  
<Caption>

|   | THREE MONTHS ENDED<br>SEPTEMBER 30, |            | PERIOD FROM<br>FEBRUARY 16, 1996<br>(INCEPTION)<br>TO<br>SEPTEMBER 30, 2001 |
|---|-------------------------------------|------------|---|
|   | 2001                                | 2000       |   |
|   | -----                               | -----      | -----   |
| <S>   | <C>                                 | <C>        | <C>   |
| REVENUE   | \$ 20,882                           | \$ 0       | \$ 208,508  |
| COST OF SALES   | 11,968                              | 0          | 214,516   |
|   | -----                               | -----      | -----   |
|   | 8,914                               | 0          | (6,008)   |
|   | -----                               | -----      | -----   |
| EXPENSES  |                                     |            |   |
| Consulting  | 213,256                             | 35,700     | 1,259,785   |
| Salaries and benefits                                   | 188,369                             | 255,812    | 2,430,452   |
| Legal and accounting                                    | 27,435                              | 83,116     | 882,706   |
| Travel and entertainment                                | 24,749                              | 42,399     | 551,640   |
| Bad debts   | 14,500                              | 0          | 65,818  |
| General and administrative                              | 10,145                              | 34,826     | 361,589   |
| Rent  | 9,831                               | 21,343     | 197,509   |
| Telephone   | 7,887                               | 15,365     | 202,126   |
| Research and development                                | 4,691                               | 55,447     | 1,239,811   |
| Bank charges and interest, net                          | 3,082                               | (30,601)   | 99,386  |
| Advertising   | 2,698                               | 45,145     | 251,245   |
| Interest on beneficial<br>conversion feature            | 0                                   | 10,124     | 566,456   |
| Write-down of license and<br>operating assets           | 0                                   | 0          | 1,806,700   |
| Depreciation and amortization                           | 3,481                               | 23,151     | 228,847   |
|   | -----                               | -----      | -----   |
|   | 510,124                             | 591,827    | 10,144,070  |
|   | -----                               | -----      | -----   |
| LOSS BEFORE EXTRAORDINARY ITEM                          | 501,210                             | 591,827    | 10,150,078  |
| EXTRAORDINARY ITEM                                      |                                     |            |   |
| Cancellation of debt                                    | 0                                   | 0          | (602,843)   |
|   | -----                               | -----      | -----   |
| NET LOSS FOR PERIOD                                     | \$ 501,210                          | \$ 591,827 | \$ 9,547,235  |
|   | =====                               | =====      | =====   |
| NET LOSS PER COMMON SHARE                               | \$ (0.02)                           | \$ (0.02)  |   |
|   | =====                               | =====      | =====   |
| WEIGHTED AVERAGE NUMBER OF<br>COMMON SHARES OUTSTANDING | 27,064,839                          | 26,033,842 |   |
|   | =====                               | =====      | =====   |

</Table>

See notes to consolidated financial statements.

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

<Table>  
<Caption>

|                        | SHARES<br>OF COMMON<br>STOCK<br>ISSUED | COMMON<br>STOCK AND<br>PAID-IN<br>CAPITAL<br>IN EXCESS<br>OF PAR | SHARES OF<br>PREFERRED<br>STOCK<br>ISSUED | PREFERRED<br>STOCK AND<br>PAID-IN<br>CAPITAL<br>IN EXCESS<br>OF PAR | SUBSCRIPTIONS<br>RECEIVABLE | PROMISSORY<br>NOTES<br>RECEIVABLE |
|------------------------|--|--|---|---|-----------------------------|-----------------------------------|
|                        | -----                                  | -----  | -----                                     | -----   | -----                       | -----                             |
| <S>                    | <C>                                    | <C>  | <C>                                       | <C>   | <C>                         | <C>                               |
| BALANCE, JUNE 30, 2000 | 26,032,062                             | \$ 8,384,781   | 664,410                                   | \$ 664,410  | \$ (58,500)                 | \$ 0                              |

|                               |            |              |           |            |             |            |
|-------------------------------|------------|--------------|-----------|------------|-------------|------------|
| Shares issued for             |            |              |           |            |             |            |
| Private placement             | 81,885     | 112,480      | 0         | 0          | 0           | 0          |
| Exercise of options           | 517,000    | 91,515       | 0         | 0          | 0           | 0          |
| For services                  | 100,000    | 40,000       | 0         | 0          | 0           | 0          |
| Held in escrow                | 218,115    | 0            | 0         | 0          | 0           | 0          |
| Stock option compensation     | 0          | 272,207      | 0         | 0          | 0           | 0          |
| Dividends on preferred shares | 0          | 0            | 0         | 0          | 0           | 0          |
| Share subscriptions           | 0          | 0            | 0         | 0          | 0           | 50,000     |
| Redeemed shares               | 0          | 0            | (100,000) | (100,000)  | 0           | 0          |
| Foreign currency translation  | 0          | 0            | 0         | 0          | 0           | 0          |
| Net loss for period           | 0          | 0            | 0         | 0          | 0           | 0          |
|                               | -----      | -----        | -----     | -----      | -----       | -----      |
| BALANCE, JUNE 30, 2001        | 26,949,062 | 8,900,983    | 564,410   | 564,410    | (58,500)    | 50,000     |
| Shares issued for             |            |              |           |            |             |            |
| Exercise of options           | 858,500    | 174,200      | 0         | 0          | 0           | 0          |
| Exercise of warrants          | 325,000    | 130,000      | 0         | 0          | 0           | 0          |
| Stock option compensation     | 0          | 178,310      | 0         | 0          | 0           | 0          |
| Dividends on preferred shares | 0          | 0            | 0         | 0          | 0           | 0          |
| Share subscriptions           | 0          | 0            | 0         | 0          | 0           | 50,000     |
| Net loss for period           | 0          | 0            | 0         | 0          | 0           | 0          |
|                               | -----      | -----        | -----     | -----      | -----       | -----      |
| BALANCE, SEPTEMBER 30, 2001   | 28,132,562 | \$ 9,383,493 | 564,410   | \$ 564,410 | \$ (58,500) | \$ 100,000 |
|                               | =====      | =====        | =====     | =====      | =====       | =====      |

<Caption>

|                               | OTHER<br>COMPREHENSIVE<br>INCOME | DEFICIT<br>ACCUMULATED<br>DURING THE<br>DEVELOPMENT<br>STAGE | TOTAL<br>STOCKHOLDERS'<br>EQUITY |
|-------------------------------|----------------------------------|--|----------------------------------|
|                               | -----                            | -----  | -----                            |
| <S>                           | <C>                              | <C>  | <C>                              |
| BALANCE, JUNE 30, 2000        | \$ 46,293                        | \$ (5,045,856)   | \$ 3,991,128                     |
| Shares issued for             |                                  |  |                                  |
| Private placement             | 0                                | 0  | 112,480                          |
| Exercise of options           | 0                                | 0  | 91,515                           |
| For services                  | 0                                | 0  | 40,000                           |
| Held in escrow                | 0                                | 0  | 0                                |
| Stock option compensation     | 0                                | 0  | 272,207                          |
| Dividends on preferred shares | 0                                | (30,720)   | (30,720)                         |
| Share subscriptions           | 0                                | 0  | 50,000                           |
| Redeemed shares               | 0                                | (100,000)  | (200,000)                        |
| Foreign currency translation  | (26)                             | 0  | (26)                             |
| Net loss for period           | 0                                | (4,000,169)  | (4,000,169)                      |
|                               | -----                            | -----  | -----                            |
| BALANCE, JUNE 30, 2001        | 46,267                           | (9,176,745)  | 326,415                          |
| Shares issued for             |                                  |  |                                  |
| Exercise of options           | 0                                | 0  | 174,200                          |
| Exercise of warrants          | 0                                | 0  | 130,000                          |
| Stock option compensation     | 0                                | 0  | 178,310                          |
| Dividends on preferred shares | 0                                | (7,055)  | (7,055)                          |
| Share subscriptions           | 0                                | 0  | 50,000                           |
| Net loss for period           | 0                                | (501,210)  | (501,210)                        |
|                               | -----                            | -----  | -----                            |
| BALANCE, SEPTEMBER 30, 2001   | \$ 46,267                        | \$ (9,685,010)   | \$ 350,660                       |
|                               | =====                            | =====  | =====                            |

</Table>

See notes to consolidated financial statements.

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

<Table>

<Caption>

|  | THREE MONTHS ENDED<br>SEPTEMBER 30, |              | PERIOD FROM<br>FEBRUARY 12,<br>1996<br>(INCEPTION)<br>THROUGH<br>SEPTEMBER 30, 2001 |
|--|-------------------------------------|--------------|---|
|  | 2001                                | 2000         |   |
|  | -----                               | -----        | -----   |
| <S>                                    | <C>                                 | <C>          | <C>   |
| OPERATING ACTIVITIES                   |                                     |              |   |
| Net loss                               | \$ (501,210)                        | \$ (591,827) | \$ (9,566,910)  |
| Item not involving cash                |                                     |              |   |
| Depreciation and amortization          | 5,300                               | 26,276       | 247,675   |
| Extraordinary item                     | 0                                   | 0            | (602,843)   |
| Consulting services and financing fees | 0                                   | 0            | 417,108   |
| Stock option compensation benefit      | 178,310                             | 0            | 589,048   |
| Interest on beneficial conversion      | 0                                   | 10,124       | 566,456   |

|   |           |              |             |
|---|-----------|--------------|-------------|
| Settlement of lawsuit   | 0         | 0            | 15,000      |
| Write-down of license and operating assets                        | 0         | 0            | 1,806,700   |
| Bad debts   | 14,500    | 0            | 14,500      |
| CHANGES IN NON-CASH WORKING CAPITAL                               |           |              |             |
| Due from affiliated company                                       | 0         | 0            | (116,000)   |
| Notes and account receivable                                      | 0         | (1,002)      | (58,845)    |
| Inventory   | 0         | 0            | (46,842)    |
| Prepaid expenses  | 0         | 5,230        | (165)       |
| Deferred revenue  | 0         | 0            | 13,232      |
| Other   | 0         | 0            | (2,609)     |
| Accounts payable and accruals                                     | 91,649    | (32,229)     | 1,015,701   |
| Due to West Virginia University Research Corporation              | 0         | 0            | 397,296     |
| Short-term loans  | 0         | 0            | 0           |
| Loans payable   | 0         | 0            | 0           |
| CASH USED IN OPERATING ACTIVITIES                                 | (211,451) | (583,428)    | (5,311,498) |
| INVESTING ACTIVITIES  |           |              |             |
| Purchase of property, equipment and intangible assets             | 0         | (4,800)      | (200,936)   |
| Assets acquired and liabilities assumed on purchase of subsidiary | 0         | 0            | (129,474)   |
| Investment purchase   | 0         | (575,000)    | (2,000,000) |
| License agreement   | 0         | 0            | (124,835)   |
| CASH USED IN INVESTING ACTIVITIES                                 | 0         | (579,800)    | (2,455,245) |
| FINANCING ACTIVITIES  |           |              |             |
| Repayment of loan   | 0         | 0            | (45,000)    |
| Repayments to stockholders  | 0         | 0            | (94,046)    |
| Issuance of common stock  | 180,000   | 0            | 6,396,763   |
| Advances from stockholders (net of repayments)                    | 0         | 0            | 1,078,284   |
| Share issue cost  | 0         | 0            | (227,420)   |
| Subscriptions received  | 50,000    | 0            | 100,000     |
| Proceeds from convertible debentures                              | 0         | 0            | 600,000     |
| CASH PROVIDED BY FINANCING ACTIVITIES                             | 230,000   | 0            | 7,808,581   |
| EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH                    | 0         | 225          | 46,267      |
| INFLOW (OUTFLOW) OF CASH  | 18,549    | (1,163,003)  | 88,105      |
| CASH, BEGINNING OF PERIOD   | 69,556    | 2,908,700    | 0           |
| CASH, END OF PERIOD   | \$ 88,105 | \$ 1,745,697 | \$ 88,105   |

</Table>

See notes to consolidated financial statements.

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INTEGRAL TECHNOLOGIES, INC. (A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED SEPTEMBER 30, 2001  
(UNAUDITED)  
(U.S. DOLLARS)

1. BASIS OF PRESENTATION

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. These financial statements are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's audited consolidated financial statements filed as part of the Company's June 30, 2001 Form 10-KSB.

In the opinion of the Company's management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company's consolidated financial position at September 30, 2001 and June 30, 2001 and the consolidated results of operations and the consolidated statements of cash flows for the three months ended September 30, 2000 and 2001. The results of operations for the three months ended September 30, 2001 are not necessarily indicative of the results to be expected for the entire fiscal year.

2. STOCKHOLDERS' EQUITY

During the period, the Company:

- (a) Pursuant to the 2001 Plan, the Company granted a total of 1,600,000 fully vested stock options to employees and consultants of the Company at an exercise price ranging from \$0.40 to \$1.20 per share which will expire August 31, 2003. 1,060,000 of the 1,600,000 options were granted to consultants and have been recognized applying FASB 123 using the Black-Scholes option pricing model which resulted in additional consulting expense of \$173,510.
- (b) Issued 858,500 shares on exercise of stock options for total proceeds of \$50,000 and repayment of amounts due to directors

of \$124,200.

- (c) The following table summarizes the Company's stock option activity for the period:

<Table>  
<Caption>

|                             |                     | 2001                           |  |
|-----------------------------|---------------------|--------------------------------|--|
|                             | Number<br>of Shares | Exercise<br>Price<br>Per Share | Weighted<br>Average<br>Exercise<br>Price |
| <S>                         | <C>                 | <C>                            | <C>                                      |
| Balance, June 30, 2001      | 1,338,500           | \$ 0.15 to \$ 0.65             | \$ 0.35                                  |
| Granted during the period   | 1,600,000           | \$ 0.40 to \$ 1.20             | 0.64                                     |
| Exercised                   | (858,500)           | \$ 0.15 to \$ 0.32             | 0.20                                     |
|                             | -----               | -----                          | -----                                    |
| Balance, September 30, 2001 | 2,080,000           | \$ 0.40 to \$ 1.20             | \$ 0.65                                  |
|                             | =====               | =====                          | =====                                    |

</Table>

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INTEGRAL TECHNOLOGIES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED SEPTEMBER 30, 2001  
(UNAUDITED)  
(U.S. DOLLARS)

## 2. STOCKHOLDERS' EQUITY (Continued)

- (d) The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock options granted to employees, and accordingly, compensation expense of \$4,800 was recognized as wages expense. Had compensation expense been determined as provided in SFAS 123 using the Black-Scholes option - pricing model, the pro-forma effect on the Company's net loss and per share amounts would have been as follows:

<Table>

| <S>                             | <C>          |
|---------------------------------|--------------|
| Net loss, as reported           | \$ (501,210) |
| Net loss, pro-forma             | (794,325)    |
| Net loss per share, as reported | \$ (0.02)    |
| Net loss per share, pro-forma   | \$ (0.03)    |

</Table>

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

<Table>

| <S>                   | <C>    |
|-----------------------|--------|
| Expected life (years) | 2      |
| Interest rate         | 5.00%  |
| Volatility            | 59.538 |
| Dividend yield        | 0.00%  |

</Table>

- (e) issued 325,000 shares on exercise of stock warrants for total proceeds of \$130,000.

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## ITEM 2. PLAN OF OPERATION.

To date the Company has recorded nominal revenues from operations. The Company is still considered a development stage company for accounting purposes. From inception on February 12, 1996 through September 30, 2001, the Company has accrued an accumulated deficit of approximately \$9.7 million.

For the fiscal year ended June 30, 2001, the Company incurred a one-time write-down of approximately \$1.4 million, which represents all previously capitalized costs associated with the acquisition of a controlling interest in its subsidiary, Emergent Technologies Corp., and its rights to the Contrawound Toriodal Helical Antenna technology. This write-down was required under applicable generally accepted accounting principals because the Company does not intend to further develop or market this technology in the foreseeable future.

As a result of the commercial interest in the antenna products of the Company's subsidiary, Antek Wireless, Inc., the Company presently intends to focus substantially all of its resources on the commercialization and sales of the Antek antenna products. As a result, the Company does not anticipate

devoting any of its resources on the research, development and commercialization of its other technologies during the next twelve months.

The Company's ability to fully-implement its plan of operation over the past 16 months was disrupted due to the burden of defending the lawsuit filed against the Company by IAS Communications, Inc. in May 2000. The lawsuit was dismissed with prejudice in September 2001, which means that the litigation has ended and IAS is precluded from pursuing its claims.

The Company expects to now be able to focus on its marketing efforts through to the end of calendar 2002 on several wireless market segments through its wholly-owned subsidiary, Antek Wireless, Inc. The primary wireless segment that the Company will focus on will be mobile asset tracking, facilitated through the Orbcomm LLC constellation of 35 low-earth orbit ("LEO") satellites. Potential customers include trucking companies, railway operators and boat/ship owners. Marketing efforts will also be focused on the wireless office ("local area network" or "LAN"), cellular and global positioning system ("GPS") markets utilizing the Company's new line of flat panel antennas.

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

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

In April 2000, Antek opened a sales and operations facility in San Jose, California. In June 2001, the Company determined that these functions could be handled from the Bellingham, Washington office and the facility was closed. As a result, the Company has reduced its monthly operating costs by approximately \$80,000 through the elimination of the San Jose facility.

During the next twelve months, the Company's subsidiary, Antek, anticipates increasing its staff by approximately two to four people in order to further enhance its management team.

To date, the Company has relied on loans from management and management's ability to raise capital through debt and equity private placement financings to fund its operations. During the past two fiscal years, the Company completed the following financing transactions:

1. In March 2000, the Company completed a private placement of common stock and common stock purchase warrants which resulted in aggregate cash proceeds to the Company of nearly \$4 million.

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2. In May 2000, the Company entered into an Investment Agreement with Swartz Private Equity, LLC ("Swartz"). Pursuant to the terms of the Investment Agreement, the Company may, in its sole discretion and subject to certain restrictions, periodically sell ("Put") shares of common stock to Swartz for up to \$25,000,000. Pursuant to the terms of the Investment Agreement, the Put share price will be determined and paid to the Company twenty business days after the date of the Put. The terms of the Investment Agreement are more fully described in Item 1 (Description of Business) under the subsection entitled "Investment Agreement with Swartz Private Equity, LLC." The Company received net proceeds of \$102,356 from a Put of 81,885 shares to Swartz during the fiscal year ended June 30, 2001, and an additional \$30,436 from a Put of 67,635 shares to Swartz that was completed in October 2001.

The Company does not currently have adequate funds available to fund its operations over the next twelve months. If the Company does not earn adequate revenues to sufficiently fund operations during this time period, the Company will attempt to raise capital through the sale of its securities pursuant to the Investment Agreement with Swartz. There can be no assurance, however, that market conditions will permit the Company to raise sufficient funds pursuant to the Investment Agreement with Swartz or that additional financing will be available when needed or on terms acceptable to the Company.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

There have been no material developments in any of the legal proceedings described in the Company's annual report on Form-KSB for the year ended June 30, 2001.

The following occurred during the quarter ended September 30, 2001:

By Court Order dated September 24, 2001, the U.S. District Court Judge adopted the recommendation of the Magistrate Judge and dismissed with prejudice the case filed by IAS Communications, Inc. against the Company and its subsidiaries. The Magistrate's recommendation was made after IAS failed to appear at prior court hearings and failed to provide information ordered to be produced, which prompted the Magistrate Judge to order IAS to pay certain costs and attorneys' fees to the Company. Accordingly, no further claims exist in the litigation, and IAS is precluded from pursuing its claims.

IAS had filed the lawsuit against Integral, NextAntennas.com, Inc. (now "Antek Wireless, Inc."), Emergent Technologies Corporation and Jack Parsons in May 2000 in the United States District Court for the Northern District of West Virginia, alleging damages for claims relating primarily to license rights to the contrawound toroidal helical antenna technology.

ITEM 2. CHANGES IN SECURITIES.

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - None.

ITEM 5. OTHER INFORMATION - None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits: Exhibit Number and Brief Description

- |     |  |
|-----|--|
| 2.1 | Agreement and Plan of Reorganization between Integral and Integral Vision Systems, Inc. dated March 11, 1997. (Incorporated by reference to Exhibit 2.1 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)   |
| 3   |  |
| 2.2 | Agreement and Plan of Reorganization between Integral and Emergent Technologies Corporation dated December 10, 1997. (Incorporated by reference to Exhibit 2.2 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)  |
| 3.1 | Articles of Incorporation, as amended and currently in effect. (Incorporated by reference to Exhibit 3.1 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)  |
| 3.2 | Bylaws, as amended and restated on December 31, 1997. (Incorporated by reference to Exhibit 3.2 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)   |
| 4.1 | Form of Securities Purchase Agreement between Integral and certain parties related to the purchase of Integral common stock to be registered pursuant to this offering. (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.) |
| 4.2 | Form of Common Stock Purchase Warrant related to the offering of securities described in Exhibit 4.1. (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.)   |
| 4.3 | Investment Agreement dated May 11, 2000, by and between Integral and Swartz Private Equity, LLC. (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.)  |
| 4.4 | Warrant to purchase common stock issued to Swartz Private  |



Equity, LLC on May 11, 2000, exercisable to purchase an aggregate of 495,000 shares of common stock at \$1.306 per share (subject to adjustment) until December 13, 2004, granted to Swartz in connection with the offering of securities described in Exhibit 4.3. (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.)

- 4.5 Registration Rights Agreement, dated May 11, 2000, by and between Integral and Swartz Private Equity, LLC, related to the registration of the common stock to be sold pursuant to Exhibit 4.3. (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.)
- 4.6 Warrant to Purchase Common Stock to be issued from time to time in connection with the offering of securities described in Exhibit 4.3 (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2. (file no. 333-41938) filed July 21, 2000.)
- 4.7 Warrant Side Agreement dated May 11, 2000 between Integral and Swartz related to the offering of securities described in Exhibit 4.3. (Incorporated by reference to Exhibit 4.1 of Integral's registration statement on Form SB-2 (file no. 333-41938) filed July 21, 2000.)
- 4.8 Form of Addendum Letter sent by Integral to the ten holders of warrants issued March 31, 2000 in connection with the offering described in Exhibits 4.1 and 4.2. (Incorporated by reference to Exhibit 4.8 of Integral's Form 10-QSB for the quarter ended December 31, 2000 filed February 14, 2001.)
- 4.9 Form of Addendum Letter dated August 16, 2001 sent by Integral to the ten holders of warrants issued March 31, 2000 in connection with the offering described in Exhibits 4.1 and 4.2. (Incorporated by reference to Exhibit 4.9 of Integral's Form 10-KSB for the year ended June 30, 2001 filed October 11, 2001.)

- 10.1 Sublicense Agreement between Integral's subsidiary, Emergent Technologies Corporation, and Integral Concepts, Inc., dated January 2, 1996, relating to the Toroidal Helical Antenna. (Incorporated by reference to Exhibit 10.1 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)
- 10.2 Agreement between Integral and West Virginia University Research Corporation on Behalf of West Virginia University dated February 9, 1996, relating to RF Quarter-Wave Coaxial Cavity Resonator. (Incorporated by reference to Exhibit 10.2 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)
- 10.3 Agreement between Integral and West Virginia University Research Corporation on Behalf of West Virginia University dated February 9, 1996, relating to Counterfeit Currency. Determination Prototype. (Incorporated by reference to Exhibit 10.3 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)
- 10.4 Sublicense Agreement between Integral Concepts, Inc. and Integral dated February 15, 1996, relating to the design, construction and operation of a Plasma Ignition System. (Incorporated by reference to Exhibit 10.4 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)
- 10.7 Employee Benefit And Consulting Services Compensation Plan, as restated January 10, 1999. (Incorporated by reference to Exhibit 10.7 of Integral's registration statement on Form 10-SB (file no. 0-28353) filed December 2, 1999.)
- 10.8 Sublicense Agreement between Integral's subsidiary, Integral Vision Systems, Inc., and Integral Concepts, Inc., dated February 15, 1994, relating to vision system technologies. (Incorporated by reference to Exhibit 10.8 of Integral's registration statement on Form 10-SB/A-1 (file no. 0-28353) filed February 8, 2000.)
- 10.9 Employment Agreement between Integral and William S. Robinson dated January 2, 2001. (Incorporated by reference to Exhibit 10.9 of Integral's Form 10-QSB for the quarter ended December 31, 2000 filed February 14, 2001.)
- 10.10 Employment Agreement between Integral and William A. Ince dated January 2, 2001. (Incorporated by reference to Exhibit 10.10 of Integral's Form 10-QSB for the quarter ended December 31, 2000 filed February 14, 2001.)

10.11           Integral Technologies, Inc. 2001 Stock Plan dated January 2, 2001. (Incorporated by reference to Exhibit 10.11 of Integral's Form 10-QSB for the quarter ended December 31, 2000 filed February 14, 2001.)

(b)            Reports on Form 8-K - None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRAL TECHNOLOGIES, INC.

By: /s/ William S. Robinson  
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William S. Robinson, Chairman, Chief  
Executive Officer, Treasurer and  
Director

By: /s/ William A. Ince  
-----  
William A. Ince, President,  
Secretary, Chief Financial Officer  
and Director

Date: November 9, 2001