

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

FORM 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED December 31, 2013.

OR

- ☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

FOR THE TRANSITION FROM _____ TO _____.

COMMISSION FILE NUMBER 0-28353

INTEGRAL TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

98-0163519
(I.R.S. Employer
Identification No.)

805 W. Orchard Drive, Suite 7, Bellingham, Washington 98225
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 registrant 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 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 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 in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of December 31, 2013, there were 81,275,997 outstanding shares of the Registrant's Common Stock, \$0.001 par value.

INTEGRAL TECHNOLOGIES, INC.
December 31, 2013 QUARTERLY REPORT ON FORM 10-Q

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December	June 30,
	31,	2013
	2013	2013
	(Unaudited)	
Assets		
Current		
Cash	\$ 41,878	\$ 532,308
Prepaid expenses	0	20,232
Account receivable (note 13)	0	250,000
Total Assets	\$ 41,878	\$ 802,540
Liabilities		
Current		
Accounts payable and accruals (note 14)	\$ 1,650,692	\$ 2,270,727
Promissory notes payable (note 12)	60,000	0
Deferred liability (note 13)	25,000	25,000
Convertible debentures (note 11)	137,030	174,827
Derivative financial liabilities (note 11)	300,117	414,102
Redeemable preferred stock (notes 5 and 14)	240,000	180,000
Total Current Liabilities	2,412,839	3,064,656
Promissory Note Payable (note 12)	215,000	0
Deferred Liability (note 13)	212,500	225,000
Redeemable Preferred Stock (notes 5 and 14)	60,000	120,000
Total Liabilities	2,900,339	3,409,656
Stockholders' Deficit (note 5)		
Preferred Stock and Paid-in Capital in Excess of \$0.001 Par Value		
20,000,000 shares authorized 308,538 issued and outstanding (notes 5 and 14)	237,950	237,950
Common Stock and Paid-in Capital in Excess of \$0.001 Par Value 150,000,000 shares authorized		
81,275,997 (June 30, 2013 – 76,748,839) issued and outstanding	43,125,424	41,204,935
Promissory Notes Receivable	(29,737)	(29,737)
Share Subscriptions	28,951	13,400
Accumulated Other Comprehensive Income	46,267	46,267
Deficit Accumulated During the Development Stage	(46,267,316)	(44,079,931)
Total Stockholders' Deficit	(2,858,461)	(2,607,116)
Total Liabilities and Stockholders' Deficit	\$ 41,878	\$ 802,540

See notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended		Period from
	December 31,		December 31,		February
	2013	2012	2013	2012	12,
					1996
					(Inception)
					to
					December
					31,
					2013
Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 249,308
Cost of Sales	0	0	0	0	216,016
	0	0	0	0	33,292
Other Income	6,309	48	12,722	113	882,374
	6,309	48	12,722	113	915,666
Expenses					
Consulting	558,693	402,520	1,450,356	1,226,901	15,079,021
Legal and accounting	103,992	122,953	209,390	235,386	12,121,539
Salaries and benefits	55,000	55,000	110,000	165,000	5,526,297
Research and development (note 9)	16,432	5,591	43,628	83,695	2,339,163
General and administrative	59,151	54,432	99,433	112,960	1,907,239
Travel and entertainment	14,119	42,843	54,719	78,400	1,856,721
Bank charges and interest, net	174,688	34,509	236,776	60,388	648,852
Rent	16,514	18,174	38,402	37,806	760,400
Telephone	3,955	7,714	7,368	15,698	567,753
Advertising	7,746	500	12,452	7,500	382,013
Fair value loss (recovery) on derivative financial liabilities (note 11)	(93,270)	58,118	10,572	64,458	420,435
Net gain on settlement of convertible debenture (note 11)	(32,432)	(26,189)	(32,432)	(26,189)	(58,621)
Loss (gain) on extinguishment of debt, net (note 14)	27,142	(228,897)	(48,287)	(228,897)	(294,309)
Write-down of license and operating assets	0	0	0	0	1,855,619
Write-off of investments	0	0	0	0	1,250,000
Non-competition agreement	0	0	0	0	711,000
Interest on beneficial conversion feature	0	0	0	0	566,455
Bad debts	0	0	0	0	46,604
Financing fees	0	0	0	0	129,043
Settlement of lawsuit	0	0	0	0	45,250
Amortization	0	0	0	0	324,386
	911,730	547,268	2,192,377	1,833,106	46,184,860
Net Loss for Period	\$ (905,421)	\$ (547,220)	\$ (2,179,655)	\$ (1,832,993)	\$(45,269,194)
Basic and Diluted Loss Per Share (note 8)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)	
Weighted Average Number of Common Shares Outstanding	77,738,310	65,507,394	77,089,481	65,403,372	

See notes to consolidated financial statements.

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

	Shares of Common Stock Issued	Common Stock and Paid-in Capital in Excess of Par	Shares of Preferred Stock Issued	Preferred Stock and Paid-in Capital in Excess of Par	Promissory Notes Receivable	Share Subscriptions	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
Balance, June 30, 2012	62,368,653	\$37,655,315	308,538	\$ 308,538	\$ (29,737)	\$ 191,600	\$ 46,267	\$ (40,314,166)	\$ (2,142,183)
Shares issued for									
Services	2,247,500	974,125	0	0	0	0	0	0	974,125
Cash	11,202,304	2,191,360	0	0	0	(191,600)	0	0	1,999,760
Settlement of convertible debentures	930,382	252,456	0	0	0	0	0	0	252,456
Dividends on preferred stock	0	0	0	0	0	0	0	(15,460)	(15,460)
Redeemable preferred stock (note 14)	0	0	0	(70,588)	0	0	0	(229,412)	(300,000)
Gain on extinguishment of debt (note 14)	0	0	0	0	0	0	0	228,897	228,897
Subscriptions received	0	0	0	0	0	13,400	0	0	13,400
Stock-based compensation	0	131,679	0	0	0	0	0	0	131,679
Net loss for year	0	0	0	0	0	0	0	(3,749,790)	(3,749,790)
Balance, June 30, 2013	76,748,839	41,204,935	308,538	237,950	(29,737)	13,400	46,267	(44,079,931)	(2,607,116)
Shares issued for									
Services (note 5)	1,941,666	778,333	0	0	0	0	0	0	778,333
Cash	44,000	13,400	0	0	0	(13,400)	0	0	0
Settlement of convertible debentures (note 11)	1,449,274	576,967	0	0	0	0	0	0	576,967
Settlement of debt (note 14)	1,092,218	421,531	0	0	0	0	0	0	421,531
Dividends on preferred stock	0	0	0	0	0	0	0	(7,730)	(7,730)
Subscriptions received	0	0	0	0	0	28,951	0	0	28,951
Stock-based compensation (note 5)	0	115,008	0	0	0	0	0	0	115,008
Obligation to issue shares (note 12)	0	15,250	0	0	0	0	0	0	15,250
Net loss for period	0	0	0	0	0	0	0	(2,179,655)	(2,179,655)
Balance, December 31, 2013 (Unaudited)	81,275,997	\$43,125,424	308,538	\$ 237,950	\$ (29,737)	\$ 28,951	\$ 46,267	\$ (46,267,316)	\$ (2,858,461)

See notes to consolidated financial statements.

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

	Six Months Ended December 31,		Period from February 12, 1996 (Inception) to December 31, 2013
	2013	2012	2013
Operating Activities			
Net loss	\$ (2,179,655)	\$ (1,832,993)	\$(45,269,194)
Items not involving cash			
Write-down of investment	0	0	1,250,000
Proprietary, non-competition agreement	0	0	711,000
Amortization	0	0	349,941
Other income	(12,500)	0	(670,805)
Consulting services	778,333	349,125	3,887,998
Stock-based compensation	115,008	283,876	8,155,969
Interest on derivative financial liability	219,799	51,522	387,301
Obligation to issue shares (note 12)	15,250	0	15,250
Fair value loss on derivative financial liabilities	10,572	64,458	420,435
Net gain on settlement of convertible debentures	(32,432)	(26,189)	(58,621)
Loss (gain) on extinguishment of debt, net (note 14)	(48,287)	(228,897)	(294,309)
Interest on beneficial conversion feature	0	0	566,456
Settlement of lawsuit	0	0	60,250
Write-down of license and operating assets	0	0	1,853,542
Bad debts	0	0	77,712
Changes in non-cash working capital (note 7)	357,285	538,368	3,180,181
Net Cash Used in Operating Activities	(776,627)	(800,730)	(25,376,894)
Investing Activities			
Purchase of property, equipment and intangible assets	0	0	(200,935)
Assets acquired and liabilities assumed on purchase of subsidiary	0	0	(129,474)
Investment purchase	0	0	(2,000,000)
License agreement	0	0	(124,835)
Net Cash Used in Investing Activities	0	0	(2,455,244)
Financing Activities			
Redemption of preferred stock	0	0	(50,000)
Repayment of loan	0	0	(11,000)
Proceeds from (repayment of) promissory notes	30,000	(63,167)	(93,696)
Repayments to stockholders	0	0	(91,283)
Loan payable	0	67,273	0
Proceeds from issuance of common stock	0	398,315	25,522,688
Advances from stockholders	0	0	1,078,284
Share issue costs	0	0	(629,991)
Subscriptions received	28,951	551,223	748,366
Proceeds from convertible debentures	285,000	80,000	1,533,000
Repayment of convertible debentures	(57,754)	(120,865)	(178,619)
Net Cash Provided by Financing Activities	286,197	912,779	27,827,749
Effect of Foreign Currency Translation on Cash	0	0	46,267
Inflow (Outflow) of Cash	(490,430)	112,049	41,878
Cash, Beginning of Period	532,308	172,173	0
Cash, End of Period	\$ 41,878	\$ 284,222	\$ 41,878

Supplemental Disclosure of Cash Flow Information (note 7)

See notes to consolidated financial statements.

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Six Months Ended December 31, 2013
(Unaudited)
(US Dollars)

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 its head office in Bellingham, Washington, USA. The Company is in the development stage and is in the business of researching, developing and commercializing new electronically-conductive resin-based materials called ElectriPlast.

The Company will be devoting all of its resources to the research, development and commercialization of its ElectriPlast technology.

2. BASIS OF PRESENTATION

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”) 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 for the year ended June 30, 2013, filed as part of the Company’s June 30, 2013 Form 10-K.

In the opinion of the Company’s management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company’s consolidated balance sheet at December 31, 2013 and June 30, 2013, the consolidated results of operations for the three and six months ended December 31, 2013 and 2012 and the consolidated cash flows for the six months ended December 31, 2013 and 2012. The results of operations and cash flows for the three and six months ended December 31, 2013 and 2012 are not necessarily indicative of the results to be expected for the entire fiscal year.

3. 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. Actual results could differ from those estimates and could impact future results of operations and cash flows.

4. GOING CONCERN

These unaudited 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 \$2,179,655 for the six months ended December 31, 2013 (2012 - \$1,832,993), and an accumulated deficit of \$46,267,316 (June 30, 2013 - \$44,079,931) and a working capital deficiency of \$2,370,961 as at December 31, 2013 (June 30, 2013 - \$2,262,116). The Company has not yet commenced revenue-producing operations and has significant expenditure requirements to continue to advance research, developing and commercializing new antenna technologies. 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.

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Six Months Ended December 31, 2013
(Unaudited)
(US Dollars)

4. GOING CONCERN (Continued)

These unaudited 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.

5. STOCKHOLDERS' DEFICIT

(a) Preferred stock

Cumulative dividends on preferred stock are accrued at a rate of 5% annually, payable at the option of the Company. Each holder has the right to convert preferred shares into common stock at the average trading price ten days prior to conversion. The Company has the right to redeem the preferred shares from the date of issue as follows:

Within one year	\$	1.50
2nd year	\$	2.00
3rd year	\$	2.50
4th year	\$	3.00
5th year	\$	3.50
6th year	\$	4.00
increasing \$0.50 per year thereafter.		

On November 8, 2012, a director of the Company resigned from his position as director and CEO of the Company. The Company agreed to redeem 70,588 shares of preferred stock held by the director at \$4.25 per share for a total of \$300,000 (note 14(a)). As at December 31, 2013, no payments have been made and no preferred stock has been redeemed.

(b) Common stock

During the six months ended December 31, 2013, the Company completed a private placement amounting to \$13,400 for the issuance of 44,000 units consisting of common stock and warrants; 20,000 units were issued at \$0.35 per unit and 24,000 units were issued at \$0.25 per unit. Warrants were issued at \$0.001 per warrant to purchase 88,000 shares of common stock on or before July 31, 2015 at an exercise price of \$0.50 per share.

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

During the six months ended December 31, 2013, the Company issued shares of common stock pursuant to consulting agreements as follows:

- i) 550,000 shares measured at a fair value of \$0.50 per share
- ii) 250,000 shares measured at a fair value of \$0.36 per share
- iii) 100,000 shares measured at a fair value of \$0.30 per share
- iv) 500,000 shares measured at a fair value of \$0.29 per share.

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Six Months Ended December 31, 2013
(Unaudited)
(US Dollars)

5. STOCKHOLDERS' DEFICIT (Continued)

(b) Common stock (Continued)

During the six months ended December 31, 2013, the Company issued 541,666 shares of common stock pursuant to a restricted stock award agreement for options vesting prior to a termination agreement and issued an additional 628,571 shares of common stock to settle outstanding debt with a consultant (note 14(b)). The shares issued were measured at a fair value of \$0.44 per share.

(c) Stock-based compensation

During the six months ended December 31, 2013, the Company recorded stock-based compensation expense with respect to vested stock options and warrants and modified stock options of \$115,008 (2012 - \$178,356) included in consulting fees.

Stock-based compensation not yet recognized at December 31, 2013 relating to non-vested stock options and warrants was \$1,925 and \$nil (2012 - \$71,227 and \$12,662), which will be recognized over a weighted average period of 0.18 and nil years (2012 - 0.59 and 0.27 years), respectively.

(d) Stock options

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

	Number of Options	Price Per Option	Weighted Average Exercise Price
		0.25 to \$	
Outstanding, June 30, 2013 and December 31, 2013	5,900,000	\$ 1.00	\$ 0.43
		0.25 to \$	
Exercisable, December 31, 2013	5,725,000	\$ 1.00	\$ 0.43

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Six Months Ended December 31, 2013
(Unaudited)
(US Dollars)

5. STOCKHOLDERS' DEFICIT (Continued)

(d) Stock options (Continued)

The following summarizes the options outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		December 31, 2013	June 30, 2013
December 31, 2014 ⁽¹⁾	\$ 1.00	110,000	110,000
March 9, 2014	\$ 0.25	125,000	125,000
June 1, 2014	\$ 0.85	100,000	100,000
October 15, 2014	\$ 0.50	100,000	100,000
July 31, 2014	\$ 1.00	415,000	415,000
November 15, 2014 ⁽²⁾	\$ 1.00	100,000	100,000
December 1, 2014	\$ 0.50	75,000	75,000
December 1, 2014	\$ 0.85	100,000	100,000
December 31, 2014 ⁽³⁾	\$ 0.25	1,500,000	1,500,000
April 15, 2015	\$ 0.50	100,000	100,000
June 1, 2015	\$ 0.50	75,000	75,000
June 1, 2015	\$ 0.85	100,000	100,000
October 15, 2015	\$ 0.50	100,000	100,000
December 1, 2015	\$ 0.50	75,000	75,000
December 1, 2015	\$ 0.85	100,000	100,000
April 15, 2016	\$ 0.50	100,000	100,000
June 1, 2016	\$ 0.50	75,000	75,000
June 1, 2016	\$ 0.85	100,000	100,000
June 30, 2016 ⁽⁴⁾	\$ 0.25	2,000,000	2,000,000
October 15, 2016	\$ 0.50	100,000	100,000
December 1, 2016	\$ 0.50	75,000	75,000
December 1, 2016	\$ 0.85	100,000	100,000
April 15, 2017	\$ 0.50	100,000	100,000
June 1, 2017	\$ 0.50	75,000	75,000
Total outstanding		5,900,000	5,900,000
Total exercisable		5,725,000	5,450,000

- (1) During the six month period ended December 31, 2013, the expiry date of 110,000 options was extended from December 31, 2013 to December 31, 2014.
- (2) During the six month period ended December 31, 2013, the expiry date of 100,000 options was extended from November 15, 2013 to November 15, 2014.
- (3) During the six month period ended December 31, 2013, the expiry date of 500,000 options was extended from December 31, 2013 to December 31, 2014.
- (4) During the year ended June 30, 2013, the expiry date of 2,000,000 options was extended from December 31, 2013 to June 30, 2016.

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Six Months Ended December 31, 2013
(Unaudited)
(US Dollars)

5. STOCKHOLDERS' DEFICIT (Continued)

(d) Stock options (Continued)

The weighted average remaining contractual lives for options outstanding and exercisable at December 31, 2013 are 1.75 and 1.70 years (2013 - 1.75 and 1.18 years), respectively.

The aggregate intrinsic value of options outstanding and exercisable as at December 31, 2013 was \$145,000 (2013 - \$326,250). 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.

(e) Stock purchase warrants

Pursuant to a consulting agreement dated July 17, 2012, the Company issued 300,000 share purchase warrants to a consultant for a period of two years. The warrants vested 50% on July 17, 2012, 25% on January 17, 2013 and 20% July 17, 2013. During the six months ended December 31, 2013, 75,000 warrants vested. No warrants remain unvested.

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, 2012	14,060,103		\$ 0.67
Issued	19,930,899	\$ 0.31 to \$ 0.70	\$ 0.59
Balance, June 30, 2013	33,991,002		\$ 0.58
Issued	88,000	\$ 0.50 to \$ 0.70	\$ 0.50
Expired	(4,109,192)	\$ 1.00	\$ 0.72
Balance, December 31, 2013	29,969,810	\$ 0.31 to \$ 0.70	\$ 0.45

INTEGRAL TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Six Months Ended December 31, 2013
(Unaudited)
(US Dollars)

5. STOCKHOLDERS' DEFICIT (Continued)

(e) Stock purchase warrants (Continued)

Expiry Date	Exercise Price	Number of Warrants	
		December 31, 2013	June 30, 2013
December 31, 2013 ⁽¹⁾	\$ 0.50	0	3,710,000
December 31, 2013 ⁽²⁾	\$ 0.70	0	3,963,152
December 31, 2013 ⁽³⁾	\$ 1.00	0	1,358,372
December 29, 2013 ⁽⁴⁾	\$ 0.70	0	311,428
January 3, 2014	\$ 0.70	0	856,692
January 31, 2014 ⁽⁵⁾	\$ 0.70	817,603	2,360,459
February 14, 2014	\$ 0.70	300,000	300,000
February 28, 2014	\$ 0.70	21,421	21,421
March 31, 2014 ⁽⁶⁾	\$ 0.57	0	1,000,000
May 31, 2014 ^{(1), (3)}	\$ 0.50	2,041,620	0
July 17, 2014	\$ 0.31	300,000	300,000
August 31, 2014 ⁽²⁾	\$ 0.60	2,796,666	2,796,666
August 31, 2014	\$ 0.70	999,708	799,708
September 30, 2014	\$ 0.50	926,604	926,604
January 31, 2015	\$ 0.50	4,150,000	4,150,000
February 28, 2015 ^{(2), (3)}	\$ 0.50	5,160,925	4,936,500
May 25, 2015 ^{(1), (2), (4), (5), (6)}	\$ 0.50	12,167,263	6,000,000
July 31, 2015	\$ 0.50	88,000	0
November 29, 2016	\$ 0.70	200,000	200,000
Total outstanding		29,969,810	33,991,002
Total exercisable		29,969,810	33,916,002

- (1) During the six month period ended December 31, 2013, the expiry date of 670,000 warrants was extended from December 31, 2013 to May 25, 2015 and 1,028,000 warrants was extended to May 31, 2014.
- (2) During the six month period ended December 31, 2013, the expiry date of 200,000 warrants was extended from December 31, 2013 to August 31, 2014, 71,429 warrants extended to May 25, 2015 and re-priced to \$0.50 and 209,070 warrants was extended to February 28, 2015 and re-priced to \$0.50.
- (3) During the six month period ended December 31, 2013, the expiry date of 1,013,620 warrants was extended from December 31, 2013 to May 31, 2014 and re-priced to \$0.50 and 15,355 warrants extended to February 28, 2015 and re-priced to \$0.50.
- (4) During the year ended June 30, 2013, the expiry date of 14,286 warrants was extended from December 29, 2013 to May 25, 2015 and re-priced to \$0.50.
- (5) During the year ended June 30, 2013, the expiry date of 1,542,856 warrants was extended from January 31, 2014 to May 25, 2015 and re-priced to \$0.50.
- (6) During the year ended June 30, 2013, the expiry date of these 1,000,000 warrants was extended from March 31, 2014 to May 25, 2015.

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6. INCOME TAXES

There are no current or deferred tax expenses for the six months ended December 31, 2013 due to the Company's loss position. The Company has fully reserved for any benefits of these losses. The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized as appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carry-forward period. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

7. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Six Months Ended December 31,		Period from February 12, 1996 (Inception) to December 31, 2013
	2013	2012	2013
Changes in non-cash working capital			
Prepaid expenses	\$ 20,231	\$ (61,205)	\$ 0
Accounts payable and accruals	87,054	599,573	140,787
Due from affiliated company	0	0	(46,842)
Notes and accounts receivable	250,000	0	3,204,845
Inventory	0	0	(116,000)
Deferred revenue and other	0	0	(2,609)
	\$ 357,285	\$ 538,368	\$ 3,180,181

	Six Months Ended December 31,		Period from February 12, 1996 (Inception) to December 31, 2013
	2013	2012	2013
Shares Issued for			
Redemption of preferred shares	\$ 0	\$ 0	\$ 415,000
Property and equipment	\$ 0	\$ 0	\$ 23,000
Proprietary agreement	\$ 0	\$ 0	\$ 711,000
Settlement of debt	\$ 421,531	\$ 0	\$ 650,273
Settlement of convertible debenture	\$ 576,967	\$ 121,801	\$ 1,073,609
Services (provided by officers and directors)	\$ 0	\$ 122,500	\$ 242,500
Settlement of lawsuit	\$ 0	\$ 0	\$ 15,000
Services and financing fees	\$ 778,333	\$ 226,625	\$ 3,180,980
Subscriptions received	\$ 28,951	\$ 0	\$ 28,951
Acquisition of subsidiary	\$ 0	\$ 0	\$ 894,200
Supplemental Cash Flow Information			
Interest paid	\$ 1,236	\$ 0	\$ 100,660
Income tax paid	\$ 0	\$ 0	\$ 0
Accrual of liability for mandatory redeemable preferred shares	\$ 0	\$ 0	\$ 300,000

INTEGRAL TECHNOLOGIES, INC.
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8. LOSS PER SHARE

	Loss (Numerator)	Weighted Average Number of Shares (Denominator)	Basic and Diluted Loss Per Share
Three months ended December 31, 2013			
Net loss for period	\$ (905,421)		
Preferred stock dividends (note 5(a))	(3,865)		
Loss attributable to common shareholders	\$ (909,286)	77,738,310	\$ (0.01)
Three months ended December 31, 2012			
Net loss for period	\$ (547,220)		
Preferred stock dividends (note 5(a))	(3,865)		
Loss attributable to common shareholders	\$ (551,085)	65,507,394	\$ (0.01)
Six months ended December 31, 2013			
Net loss for period	\$ (2,179,655)		
Preferred stock dividends (note 5(a))	(7,730)		
Loss attributable to common shareholders	\$ (2,187,385)	77,089,481	\$ (0.03)
Six months ended December 31, 2012			
Net loss for period	\$ (1,832,993)		
Preferred stock dividends (note 5(a))	(7,730)		
Loss attributable to common shareholders	\$ (1,840,723)	65,403,372	\$ (0.03)

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

9. RESEARCH AND DEVELOPMENT

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

During the six months ended December 31, 2013, the Company sold sample products totaling \$nil (2012 - \$14,898). This amount has been credited against research and development expenses.

10. SEGMENT INFORMATION

The Company operates primarily in one business segment with operations located in the United States.

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11. CONVERTIBLE DEBENTURES

As at December 31, 2013, the Company has convertible debenture purchase agreements with Asher Enterprises Inc. and JMJ Financial as follows:

(a) Asher Enterprises Inc.

During the year ended June 30, 2012, the Company entered into a convertible debenture purchase agreement with Asher Enterprises Inc. The agreement has since resulted in fourteen separate tranches being issued. Each tranche is due approximately nine months after their respective issuance. At December 31, 2013, there are three tranches outstanding. The fourteen debentures are summarized as follows:

- (i) August 9, 2011 received \$53,000 (settled);
- (ii) September 15, 2011 received \$50,000 (settled);
- (iii) October 15, 2011 received \$35,500 (settled);
- (iv) April 18, 2012 received \$53,500 (settled);
- (v) May 23, 2012 received \$78,500 (settled);
- (vi) July 5, 2012 received \$30,000, net of \$2,500 in legal fees (settled);
- (vii) November 20, 2012 received \$50,000, net of \$3,000 in legal fees (settled);
- (viii) January 4, 2013 received \$25,000, net of \$2,500 in legal fees (settled);
- (ix) January 31, 2013 received \$35,000, net of \$2,500 in legal fees (settled);
- (x) April 5, 2013 received \$50,000, net of \$3,000 in legal fees (settled);
- (xi) June 12, 2013 received \$37,500 (settled);
- (xii) July 15, 2013 received \$25,000, net of \$2,500 in legal fees;
- (xiii) October 10, 2013 received \$50,000, net of \$3,000 in legal fees; and
- (xiv) November 20, 2013 received \$60,000, net of \$3,000 in legal fees.

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

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

- Outstanding principal multiplied by 135% together with accrued interest and unpaid interest thereon if prepaid within a period of 90 days beginning on the date of issuance of the note;
- Outstanding principal multiplied by 145% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 91 days from the date of issuance of the note and ending on the date that is 150 days following the date of the note; and
- Outstanding principal multiplied by 150% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 151 days from the date of issuance of the note and ending on the date that is 180 days following the date of the note.

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11. CONVERTIBLE DEBENTURES (Continued)

(a) Asher Enterprises Inc. (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 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.

(b) JMJ Financial

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

On signing the agreement, the first advance of \$100,000 was received by the Company from the lender. At the sole discretion of the lender, an additional \$150,000 may be advanced to the Company with the remaining consideration advanced to the Company only by mutual agreement. Each advance received by the Company is due one year from delivery of payment. As at December 31, 2013, the following amounts are payable (advance received plus 10%):

- February 27, 2013 received \$100,000, net of an upfront fee of \$11,111 (settled);
- June 2, 2013 received \$50,000, net of an upfront fee of \$5,555; and
- September 30, 2013 received \$150,000, net of an upfront fee of \$16,666.

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

On delivery of consideration, the lender may convert all or part of the unpaid principal and up-front fee into common stock at its sole discretion. All balances outstanding have a variable conversion price equal to the lesser of \$0.35 or 60% of the market price. The market price is defined as the lowest trade price in the 25 days prior to the conversion date. The lender is limited to holding no more than 4.99% of the issued and outstanding common stock at the time of conversion. After the expiration of 90 days following the delivery date of any consideration, the Company will have no right of prepayment.

The 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.

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11. CONVERTIBLE DEBENTURES (Continued)

During the six month period ending December 31, 2013, \$254,111 (June 30, 2013 - \$139,000) of the face value of debentures were settled by issuing 1,449,274 (year ended June 30, 2013 - 930,382) shares of common stock of the Company, and \$576,967 (year ended June 30, 2013 - \$252,456) representing the fair value of the derivative liabilities and the amortized cost of convertible debentures settled was included as additional paid in capital.

As at December 31, 2013, \$37,500 (June 30, 2013 - \$78,500) of convertible debentures were settled by paying \$57,754 (June 30, 2013 - \$120,865), and \$32,432 (six months ended December 31, 2012 - \$26,189) was recognized representing the net gain on settlement of convertible debentures.

During the six months ended December 31, 2013, a fair value loss on the derivative liability of \$10,572 (2012 - \$64,458) was recognized.

During the six months ended December 31, 2013, the Company incurred \$25,166 (year ended June 30, 2013 - \$30,166) in transactions costs in connection with the issuance of convertible debentures, which has been recorded as a reduction of the carrying value of convertible debenture.

As at December 31, 2013, 2,231,912 (June 30, 2013 - 1,275,271) shares of common stock of the Company would be required to settle the remaining tranches of convertible debt.

As at December 31, 2013, the face value of convertible debentures is \$394,925 (June 30, 2013 - \$338,946), which includes accrued interest of \$29,204 (June 30, 2013 - \$16,780).

The fair value of the derivative financial liability is calculated using the Black-Scholes valuation method at the consolidated balance sheet date.

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

	December 31, 2013	June 30, 2013
Expected life (years)	0.91	0.76
Interest rate	1.12%	0.71%
Volatility	77.57%	62.80%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

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11. CONVERTIBLE DEBENTURES (Continued)

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

	December 31, 2013	June 30, 2013
Expected life (years)	0.39	0.20
Interest rate	0.96%	0.66%
Volatility	72.14%	72.76%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

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

	December 31, 2013	June 30, 2013
Expected life (years)	0.61	0.62
Interest rate	0.96%	0.94%
Volatility	68.79%	70.20%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

The carrying value of convertible debentures are as follows:

	December 31, 2013	June 30, 2013
Fair value of convertible debenture, beginning of period	\$ 174,827	\$ 93,356
Fair value at inception of new tranches	21,595	166,922
Interest accrued	219,799	112,330
Loss on early repayment	15,758	44,489
Repayment on November 28, 2012 (cash)	(57,754)	(120,865)
Settlement (issuance of common shares)	(237,195)	(121,405)
Carrying amount of convertible debenture, end of period	\$ 137,030	\$ 174,827

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11. CONVERTIBLE DEBENTURES (Continued)

The fair value of derivative financial liabilities are as follows:

	December	
	31,	June 30,
	2013	2013
Fair value of derivative liability, beginning of period	\$ 414,102	\$ 84,718
Fair value at inception of new tranches	263,405	210,576
Loss on fair value of derivative liability	10,572	320,537
Gain on early repayment	(48,190)	(70,678)
Settlement (issuance of common shares)	(339,772)	(131,051)
Fair value of derivative liabilities, end of period	\$ 300,117	\$ 414,102

12. PROMISSORY NOTES PAYABLE

During the six months ended December 31, 2013, the Company entered into the following promissory note payable agreements:

- (a) Two promissory notes totaling \$60,000, which bear interest at 12% annually. Any unpaid principal and unpaid accrued interest is due January 19, 2014 and January 24, 2014, the maturity dates. In addition, the Company must issue 25,000 shares of common stock at each maturity date to settle the promissory notes.

The obligations to issue a total of 50,000 shares of common stock were measured at their fair values of \$0.28 and \$0.33 per share at each promissory note's agreement date. A total of \$15,250 was recorded as an obligation to issue shares within equity and as interest expense in the consolidated statements of operations. As at February 14, 2014, no payments have been made and no shares have been issued.

- (b) On October 1, 2013, the Company entered into a promissory note agreement with a consultant for \$215,000, which bears interest at 6% annually. Any interest accrued on the outstanding balance is due in six months, with the first interest payment due April 1, 2014. Any unpaid principal and unpaid accrued interest is due October 1, 2015, the maturity date. Any payments made during the year shall be first applied to unpaid accrued interest, then to the reduction of principal. As at February 14, 2014, no payments have been made.

13. DEFERRED LIABILITY

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

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13. DEFERRED LIABILITY (Continued)

The agreement called for license fees as follows:

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

The first payment of \$250,000 has been recorded as a deferred liability, which will be recognized as other income in the consolidated statements of operations over the life of the ten year contract. During the six months ended December 31, 2013, \$12,500 (December 31, 2012 - \$nil) has been recognized as other income.

14. EXTINGUISHMENT OF DEBT

During the year ended June 30, 2013 and the six months ended December 31, 2013, the following debts were extinguished:

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

During the year ended June 30, 2013, \$300,000 was reclassified as a liability with the \$70,588 par value removed from equity and \$229,412 value in excess of par charged to accumulated deficit. As at December 31, 2013, no payments have been made and no preferred stock has been redeemed.

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14. EXTINGUISHMENT OF DEBT (Continued)

- (b) On June 13, 2013, the Company signed a separation agreement with a consultant resulting in a termination of consulting services effective December 31, 2012. As a result of the termination, the Company was required to issue the following:
- (i) 541,666 shares of common stock pursuant to a restricted stock award agreement for options vesting prior to the agreement date. These shares were issued during the six months ended December 31, 2013 and were measured at a fair value of \$0.44 per share.
 - (ii) 628,571 shares common stock in consideration for unpaid fees of \$243,000. The modified consulting fees were recorded at the fair value of shares to be issued of \$352,000 as at June 30, 2013 which were included in accounts payable and accruals. The increase in value of modified debt of \$109,000 was recognized as a loss on extinguishment of liabilities in the consolidated statements of operations for the year ended June 30, 2013. During the six months ended December 31, 2013, 628,571 shares were issued to settle the above mentioned consulting fees which were re-measured at a fair value of \$0.44 per share on the share issuance date. A total of \$276,571 was recorded as equity with the decrease in value of extinguished debt of \$75,429 recorded as a recovery of loss on extinguishment of debt in the consolidated statements of operations.
- (c) On December 30, 2013 the Company amended the terms of a promissory note to add a conversion option to settle the remaining balance of \$51,040 through issuance of shares at a conversion price of \$0.165. On December 30, 2013, 309,332 shares of common stock were issued to settle the above mentioned promissory note which were measured at a fair value of \$0.28 per share on the share issuance date. A total of \$86,613 was recorded as equity with the loss on extinguishment of \$35,573 recorded in the consolidated statement of operations.
- (d) On October 16, 2013 the Company settled \$55,052 in legal fees through issuance of shares of common stock. 125,000 shares of common stock were issued to settle the above mentioned payable balance which was measured at a fair value of \$0.38 per share on the share issuance date. A total of \$47,500 was recorded as equity with the gain on extinguishment of \$7,552 recorded in the consolidated statement of operations.
- (e) On October 25, 2013 the Company settled \$11,726 in consulting fees through issuance of shares of common stock. 29,315 shares of common stock were issued to settle the above mentioned payable balance which was measured at a fair value of \$0.37 per share on the share issuance date. A total of \$10,847 was recorded as equity with the gain on extinguishment of \$879 recorded in the consolidated statement of operations.

15. SUBSEQUENT EVENTS

In accordance with Accounting Standards Codification Topic No. 855 *Subsequent Events*, the Company has evaluated subsequent events through the time between the end of the reporting period and the time this Quarterly Report on Form 10-Q for the six months ended December 31, 2013 was filed. There were no significant events during that period to disclose in these consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

Forward Looking Statements

This quarterly report on Form 10-Q and other reports (collectively, the "Filings") filed by Integral Technologies, Inc. ("Integral" or the "Company") from time to time with the U.S. Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the Filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Statements contained herein that are not historical facts are forward-looking statements. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. We caution investors that any forward-looking statements made by us are not guarantees of future performance and that actual results may differ materially from those in the forward-looking statements. Such risks and uncertainties include, without limitation: well-established competitors who have substantially greater financial resources and longer operating histories, regulatory delays or denials, our ability to compete in a highly competitive market, our access to sources of capital, and other risks and uncertainties described in our annual report on Form 10-K for the fiscal year ended June 30, 2013 as filed with the Securities and Exchange Commission on September 30, 2013, and available at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

This discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Form 10-Q. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-Q should be read as being applicable to all related forward-looking statements wherever they appear in this Form 10-Q. Our actual results could differ materially from those discussed here. We undertake no obligation to update these forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-Q, except as required by law.

Overview

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

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

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

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

Patents/Trademarks on Technologies

Our intellectual property portfolio consists of over thirteen years of accumulated research and design knowledge and trade secrets. We have sought United States ("US") patent protection for many of our ideas related to our ElectriPlast® technologies. Currently, we have filed 111 non-provisional US patent applications, 55 of which have been issued as patents, with 51 of those issued patents not yet expired. No assurances can be given that all patent applications will be approved; however, to the extent that patents are not granted, we will continue to attempt to commercialize these technologies without the protection of patents. As patents are issued, we will have the exclusive right to use and license the design(s) described in each issued patent for the life of the patent in the US.

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

Integral has 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 Japan.** In addition, Integral has pending trademark applications in China, Europe, and Korea for WHERE LIGHTWEIGHTING STARTS™. These applications and registration establish rights for the use of these marks in commerce

Financial Condition

To date we have recorded nominal revenues. We are still considered a development stage company for accounting purposes. From the Company's incorporation on February 12, 1996 through December 31, 2013, we have accrued an accumulated deficit of \$46,267,316.

At December 31, 2013, our current assets totaled \$41,878, which consisted of cash equal to \$41,878. All of our property and equipment has been fully depreciated.

As of December 31, 2013, current liabilities of \$2,412,839 consisting of accounts payable and accruals of \$1,650,692, promissory notes payable of \$60,000, a deferred obligation of \$25,000, convertible debentures of \$137,030, derivative financial liabilities of \$300,117 and redeemable preferred stock of \$240,000. Non-current liabilities consist of promissory note payable of \$215,000, deferred liability of \$212,500 and redeemable preferred stock of \$60,000. Included in accounts payable and accruals is legal fees payable (including associated filing fees) related to patent filings accounted for approximately \$155,522 of the total.

At December 31, 2013, our total stockholder's deficit was \$2,858,461.

Results of Operations of the Three Months Ended December 31, 2013 compared to the Three Months Ended December 31, 2012

Our net loss for the three months ended December 31, 2013, was \$905,421 compared to a net loss of \$547,220 for the corresponding period of the prior fiscal year, a difference of \$358,201. This increase in our net loss is primarily attributable to the increase in the following expenses: Consulting expense increased by \$156,173, bank charges and interest increased by \$140,179 and loss on extinguishment of debt increased by \$256,039. These increases were offset by a decrease in travel and entertainment of \$28,724 and a decrease in fair value loss on derivative financial liabilities of \$151,388.

Consulting fees of \$558,693, including non-cash, stock based compensation charges for options, warrants and modified options previously granted of \$26,693 and shares issued for services of \$265,000. This is compared to consulting fees of \$402,520 provided in the corresponding period of the prior fiscal year that included non-cash, stock based compensation charges for options granted of \$349,125 and shares issued for services of \$283,876. As described in the notes to the financial statements, the fair value of options granted were valued using the Black-Scholes option pricing model.

General and administrative expense of \$59,151 includes new directors and officer's insurance premiums of \$30,226 for the three month period ended December 31, 2013, compared to \$30,348 provided in the corresponding period of the prior fiscal year.

Legal and accounting expense of \$103,992 includes legal fees incurred of \$71,992 for the three month period ended December 31, 2013, compared to \$89,576 provided in the corresponding period of the prior fiscal year.

Interest expense of \$174,688 includes amortization of convertible debt of \$161,513 for the three month period ended December 31, 2013, compared to amortization of convertible debt of \$30,750 provided in the corresponding period of the prior fiscal year.

Fair value loss (recovery) on derivative financial liabilities of (\$93,270) consists of the total change in fair value of derivative instruments related to the convertible debts since inception for the three month period ended December 31, 2013, compared to \$58,118 provided in the corresponding period of the prior fiscal year. As described in the notes to the financial statements, this value was determined using the Black-Scholes option pricing model.

Research and development costs incurred during the three months ended December 31, 2013 were \$16,432, an increase of \$10,841 over the corresponding period of the prior fiscal year attributable to refining the manufacturing process by Jasper of our ElectriPlast® material and for independent testing of several of our ElectriPlast® applications and the receipt of funds from the sale of prototypes.

Our net loss for the three months ended December 31, 2013, was offset minimally by "other income" of \$6,309 compared to "other income" in the corresponding period of the prior fiscal year of \$48. The category of "other income" consists of interest income and amortization of license fees.

Results of Operations for the Six Months Ended December 31, 2013 compared to the Six Months Ended December 31, 2012

Our net loss for the six months ended December 31, 2013, was \$2,179,655 compared to a net loss of \$1,832,993 for the corresponding period of the prior fiscal year. This increase in our net loss is primarily attributable to the increase in the following expenses: Consulting expense increased by \$223,455 and bank charges and interest increased by \$176,388. These increases were offset by a decrease in legal and accounting of \$25,996, a decrease in salaries and benefits of \$55,000, a decrease in research and development of \$40,067, a decrease in fair value loss on derivative financial liabilities of \$53,886 and a decrease in gain on extinguishment of debt of \$180,610.

Total expenses for the six months ended December 31, 2013 were \$2,192,377 compared to total expenses of \$1,833,106 for the corresponding period of the prior fiscal year. The increase of \$359,271 is described in the above paragraph.

Total income for the six months ended December 31, 2013, was comprised of “other income” of \$12,722 compared to “other income” of \$113 for the corresponding period of the prior fiscal year. The category of “other income” consists of interest income and amortization of license fees.

Consulting expense during the six months ended December 31, 2013 was \$1,450,356 which includes non-cash issuances of shares in consideration for consulting services in the amount of \$778,333 and \$115,008 for non-cash stock based compensation charges. In the corresponding period of the prior fiscal year, consulting expenses were \$1,226,901 which includes non-cash issuances of shares in consideration for consulting services in the amount of \$349,125 and \$283,876 for non-cash stock based compensation charges.

Salaries and benefits expenses during the six months ended December 31, 2013, were \$110,000 which included non-cash, stock based compensation charges of \$0. In the corresponding period of the prior fiscal year, salaries and benefits expenses were \$165,000 which included non-cash, stock based compensation charges of \$0.

Research and development costs of \$43,628 during the six months ended December 31, 2013, are attributable to refining the manufacturing process of our ElectriPlast™ material. In the corresponding period of the prior fiscal year, the amount expensed under this category was \$83,695.

For the six months ended December 31, 2013, our cash used in operating activities was \$776,627 compared to \$800,730 used in the corresponding period of the prior fiscal year for an increase of \$24,103.

For the six months ended December 31, 2013, our cash provided by financing activities was \$286,197 compared to \$912,779 provided in the corresponding period of the prior fiscal year. The difference of \$626,582 was mainly due to decreased issuances of common stock during the six months ended December 31, 2013.

Critical Accounting Policies and Estimates

The details of the critical accounting policies relevant to the Company are set out note 2 of the audited financial statements for the year ended June 30, 2013, filed with the Securities and Exchange Commission on September 30, 2013. There have been no material changes to our critical accounting policies as described in Item 7 of our most recent annual report on Form 10-K for the year ended June 30, 2013.

Management does not believe that any new accounting pronouncements not yet effective will have any material effect on the Company's consolidated financial statements if adopted.

Liquidity and Capital Resources

Since inception we have funded our operations through capital fundraising, issuance of convertible debt, and loans from management. As of December 31, 2013, we had \$41,878, in cash on hand.

Net cash used in financing activities for the six months ended December 31, 2013 consisted of proceeds from promissory notes of \$60,000, repayment of promissory note of \$30,000, subscription payments received of \$28,951, proceeds from convertible debentures of \$285,000 and repayment of convertible debenture of \$57,754.

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. We cannot assure that continued funding will be available. 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 has used approximately \$25,000,000 in cash from operations since inception in 1996, which has been funded primarily from proceeds from the issuance of common stock.

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

Off-Balance Sheet Arrangements

We have never entered into any off-balance sheet financing arrangements and have never established any special purpose entities. We have not guaranteed any debt or commitments of other entities, nor entered into any options or non-financed assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Disclosure controls and procedures include, without limitation, means controls and other procedures that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, because of the Company's limited resources and limited number of employees, management concluded that our disclosure controls and procedures were ineffective as of December 31, 2013.

Management has identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment. Management of the Company believes that these material weaknesses are due to the small size of the Company's accounting staff. The small size of the Company's accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of external legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.

These control deficiencies could result in a misstatement of account balances that would result in a reasonable possibility that a material misstatement to our consolidated financial statements may not be prevented or detected on a timely basis. In light of this material weakness, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the quarter ended December 31, 2013 included in this Quarterly Report on Form 10-Q were fairly stated in accordance with US GAAP. Accordingly, management believes that despite our material weaknesses, our consolidated financial statements for the quarter ended December 31, 2013 are fairly stated, in all material respects, in accordance with US GAAP.

Limitations on Effectiveness of Controls and Procedures

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION COMPANY CONFIRM OR UPDATE AS NEEDED

ITEM 1 - LEGAL PROCEEDINGS

From time to time, the Company 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 its business. The Company is currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results.

ITEM 1A. RISK FACTORS

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide information required under this Item.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6. Exhibits

31.1	Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act is filed herewith.
31.2	Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act is filed herewith.
32.1	Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code is filed herewith.
32.2	Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code is filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Integral Technologies, Inc.

By: /s/ Doug Bathauer
Doug Bathauer, Chief Executive Officer
and Principal Executive Officer

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

Date: February 14, 2014

EXHIBIT INDEX

31.1		Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act is filed herewith.
31.2		Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act is filed herewith.
32.1		Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code is filed herewith.
32.2		Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code is filed herewith.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Doug Bathauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integral Technologies, Inc. for the period ended December 31, 2013;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: February 14, 2014

By: /s/ Doug Bathauer
Doug Bathauer
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, William A. Ince, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integral Technologies, Inc. for the period ended December 31, 2013;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: February 14, 2014

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

I, Doug Bathauer, the chief executive officer of Integral Technologies, Inc. (the "Company"), a, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report of the Company on Form 10-Q, for the fiscal period ended December 31, 2013 (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.

/s/ Doug Bathauer
Doug Bathauer
Chief Executive Officer

February 14, 2014

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

I, William A. Ince, the chief financial officer of Integral Technologies, Inc. (the "Company"), a, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report of the Company on Form 10-Q, for the fiscal period ended December 31, 2013 (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.

/s/ William A. Ince
William A. Ince
Chief Financial Officer

February 14, 2014
