

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017.

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.)

2605 Eastside Park Road Suite 1, Evansville, Indiana 47715
(Address of principal executive offices) (Zip Code)

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

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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 15, 2017, 2017, there were 140,821,770 outstanding shares of the Registrant's Common Stock, \$0.001 par value.

INTEGRAL TECHNOLOGIES, INC.
MARCH 31, 2017 QUARTERLY REPORT ON FORM 10-Q

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**PART I
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**Integral Technologies, Inc.
Consolidated Balance Sheets
As of March 31, 2017, (Unaudited) and June 30, 2016 (Audited)**

	<u>March 31, 2017</u>	<u>June 30, 2016</u>
ASSETS		
<u>Current assets:</u>		
Cash	\$ 5,174	\$ 47,350
Accounts receivable	26,372	21,894
Prepaid expense	54,175	90,329
Total current assets	85,721	159,573
Deposit	2,500	2,500
Property and equipment, net	75,065	74,689
Total Assets	<u>\$ 163,286</u>	<u>\$ 236,762</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 1,781,403	\$ 1,004,550
Related party payable	397,243	30,000
Loans payable	16,800	148,022
Deferred revenue	50,000	50,000
Convertible debentures	1,151,373	664,621
Derivative liabilities	186,968	142,797
Warrant liability	32,800	87,500
Total current liabilities	3,616,587	2,127,490
<u>Non-current liabilities:</u>		
Deferred revenue, net of current portion	283,333	320,833
Total Liabilities	<u>3,899,920</u>	<u>2,448,323</u>
Commitments and Contingencies		
<u>Stockholders' Deficit</u>		
Preferred stock and paid-in capital in excess of \$0.001 par value, 20,000,000 shares authorized, 0 (June 30, 2016 - 0) issued and outstanding	-	-
Common stock and paid in capital in excess of \$0.001 par value, 150,000,000 shares authorized, 140,402,603 (June 30, 2016 - 133,506,044) issued and outstanding	56,110,035	55,024,270
Share subscriptions and obligations to issue shares	382,244	340,184
Accumulated other comprehensive income	46,267	46,267
Accumulated deficit	(60,275,180)	(57,622,282)
Total stockholders' deficit	(3,736,634)	(2,211,561)
Total Liabilities and Stockholders' Deficit	<u>\$ 163,286</u>	<u>\$ 236,762</u>

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

Integral Technologies, Inc.
Consolidated Statements of Operations
For the three and nine months ended March 31, 2017 and 2016 (unaudited)

	Three Months Ended March		Nine Months Ended March	
	31,		31,	
	2017	2016	2017	2016
Revenue	<u>\$ 24,001</u>	<u>\$ 15,350</u>	<u>\$ 75,087</u>	<u>\$ 57,793</u>
Operating expenses:				
Selling, general, and administrative expenses	629,582	717,841	1,829,327	2,228,549
Research and development	<u>120,753</u>	<u>155,379</u>	<u>371,667</u>	<u>500,628</u>
Total operating expenses	750,335	873,220	2,200,994	2,729,177
Fair value gain (loss) on derivative financial liabilities	(4,995)	(848,208)	29,143	(887,707)
Fair value gain on warrant liability	16,400	-	54,700	-
(Loss) gain on extinguishment of debt	(42,580)	142,297	(76,486)	144,224
Other income	364	4,908	473	5,091
Interest expense	<u>(433,801)</u>	<u>(177,920)</u>	<u>(534,821)</u>	<u>(402,817)</u>
Net Loss	<u>\$ (1,190,946)</u>	<u>\$ (1,736,793)</u>	<u>\$ (2,652,898)</u>	<u>\$ (3,812,593)</u>
Net loss per share – basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	<u>138,081,400</u>	<u>118,844,465</u>	<u>141,333,616</u>	<u>116,950,725</u>

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

Integral Technologies, Inc.
Consolidated Statements of Cash Flows
For the six months ended March 31, 2017 and 2016 (unaudited)

	Nine Months Ended March 31,	
	2017	2016
<u>Cash flows from operating activities:</u>		
Net loss	\$ (2,652,898)	\$ (3,812,593)
Items not involving cash		
Accrued interest	55,720	2,750
Amortization of debt issuance costs	40,500	10,230
Deferred revenues	(37,500)	(37,500)
Depreciation	3,124	3,436
Fair value gain on warrant liability	(54,700)	-
Fair value (gain) loss on derivative financial liabilities	(29,143)	887,707
Interest on convertible debentures	433,945	380,577
Loss (gain) on extinguishment of debt	76,486	(144,224)
Obligation to issue shares for services	212,720	23,340
Stock-based compensation	111,165	134,688
Stock issued for consulting fees	-	6,220
Changes in working capital	1,175,772	622,905
Net cash used in operating activities:	<u>(664,809)</u>	<u>(1,922,464)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(3,500)	(13,756)
Net cash used in investing activities:	<u>(3,500)</u>	<u>(13,756)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from loans	92,000	130,000
Repayment of loans	(110,022)	(66,641)
Proceeds from issuance of common stock	554,155	28,000
Proceeds from warrants exercised	-	889,771
Proceeds from convertible debentures	90,000	838,950
Net cash provided Financing activities:	<u>626,133</u>	<u>1,820,080</u>
(Decrease) increase in cash	(42,176)	(116,140)
Cash, beginning of year	47,350	117,307
Cash, end of year	<u>\$ 5,174</u>	<u>\$ 1,167</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 4,655</u>	<u>\$ 3,004</u>

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 1 - NATURE OF OPERATIONS

Integral Technologies, Inc. (the "Company" or "Integral") was incorporated under the laws of the state of Nevada on February 12, 1996 and has its head office in Evansville, Indiana, USA. The Company is in the business of researching, developing and commercializing new electrically-conductive resin-based materials called ElectriPlast, applications using ElectriPlast material, and its new line of electrostatic dissipative materials.

The Company will be devoting all of its resources to the research, development and commercialization of its ElectriPlast technology and the applications using ElectriPlast. One of the key applications the Company is focused on developing is its proprietary bi-polar pate technology.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and are presented in United States dollars. We have prepared the consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The consolidated financial statements include the Company's wholly owned subsidiaries. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed from the accompanying consolidated financial statements. The accompanying comparative year end consolidated balance sheet was derived from the audited financial statements included in the annual financial statements. The accompanying interim financial statements are unaudited, and reflect all adjustments which are in the opinion of management, necessary for a fair statement of the Company's consolidated financial position, results of operations, and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. All intercompany transactions and balances have been eliminated in consolidation. The Company's results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods. Nevertheless, we believe that the disclosures are adequate to ensure the information presented is not misleading. These unaudited consolidated financial statements should be read in conjunction with our audited financial statements and the notes thereto for the year ended June 30, 2016 included in the Company's 10-K filed with the SEC on January 17, 2017.

Principles of consolidation

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

Basic and diluted net loss per share

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock issued in exchange for services

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

Revenue recognition

The Company has not generated significant revenue since inception. Although the Company has begun to receive revenue from the sale of material for commercial applications and a services contract, the Company continues to devote substantially all its efforts to developing the business.

The Company recognizes revenues from a contract with a plastics technology company for which it provides services and products, on a net basis. Fees are recognized monthly as services and products are provided. This is the point that revenues are considered realizable and earned.

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

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

Foreign currency translation

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

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$6,298 and \$34,802 for the nine months ended March 31, 2017 and 2016, respectively. Advertising expense was \$1,461 and \$3,719 for the three months ended March 31, 2017 and 2016, respectively.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development

The Company expenses all research and development expenditures as incurred.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include valuation allowance for deferred income tax assets, the determination of the assumptions used in calculating the fair value of stock-based compensation and the determination of the assumptions used in calculating the fair value of derivative financial liabilities and the warrant liability. Actual results could differ from those estimates and could impact future results of operations and cash flows.

Financial instruments

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

Fair value measurements

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

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

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

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Company uses the asset and liability approach in its method of accounting for income taxes that requires the recognition of deferred tax liabilities and assets for expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance against deferred tax assets is recorded if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The impact of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority is recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained.

Stock-based compensation

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

Property and Equipment

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

Reclassifications:

For comparability, certain 2016 fiscal year amounts have been reclassified to conform to classifications adopted in the 2017 fiscal year. These reclassifications did not have an impact on stockholders' deficit or net loss on the 2016 fiscal year consolidated financial statements.

Recent Accounting Pronouncements not yet adopted

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements not yet adopted (Continued)

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

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

In February 2016, FASB issued ASU 2016-2, *Leases*, under which lessees will recognize most leases on the balance sheet. This will generally increase reported assets and liabilities. For public entities, this ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-2 mandates a modified retrospective transition method for all entities. We are in the process of determining the impact that the updated accounting guidance will have on our financial statements.

Recent accounting pronouncements adopted

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

NOTE 3 - GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of business. The Company's operations have resulted in a net loss of \$2,652,898 for the nine months ended March 31, 2017 (2016 - \$3,812,593), and an accumulated deficit as of March 31, 2017, \$60,275,180 (June 30, 2016 - \$57,622,282) and a working capital deficiency of \$3,530,866 as of March 31, 2017, (June 30, 2016 - \$1,967,917). The Company does not have sufficient revenue-producing activities to fund its expenditure requirements to continue to advance researching, developing and commercializing its conductive plastics technology, ElectriPlast and the applications using ElectriPlast. Subsequent to period end, the Company raised \$30,000 pursuant to new promissory note agreements (note 12). 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.
Notes to the Consolidated Financial Statements

NOTE 3 - GOING CONCERN (CONTINUED)

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events that raise doubts about the validity of the going concern assumption used in preparing these consolidated financial statements. Management intends to raise additional capital through stock and debt issuances to finance operations. If none of these events occur, there is a risk that the business will fail.

NOTE 4 - STOCKHOLDERS' DEFICIT

Common stock

During the nine months ended March 31, 2017, the Company completed the following common share transactions:

- (a) On July 27, 2016, the Company raised \$226,355 for the issuance of 1,968,304 units. Each unit consisted of one common share at \$0.115 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 492,076 common shares on or before April 30, 2017 at an exercise price of \$0.30 per warrant.
- (b) On August 22, 2016, the Company raised \$94,000 for the issuance of 817,391 units. Each unit consisted of one common share at \$0.115 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 204,348 common shares on or before May 31, 2017 at an exercise price of \$0.30 per warrant.
- (c) During December, 2016, the Company completed private placements amounting to \$210,000 for the issuance of 3,000,000 units. Each unit consisted of one common share at \$0.07 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 750,000 common shares on or before October 1, 2017 at an exercise price of \$0.20 per warrant.
- (d) During January 2017, the Company completed a private placement amounting to \$23,800 for the issuance of 340,000 units. Each unit consisted of one common share at \$0.07 per share and one quarter share purchase warrant at \$0.001 per warrant to purchase 85,000 common shares on or before October 1, 2017 at an exercise price of \$0.20 per warrant.
- (e) On March 8, 2017, a total of 1,666,667 non-refundable common shares were issued as retainer fees pursuant to a consulting agreement. The shares were measured at the grant date fair value of \$200,000 and recognized within selling, general and administrative expense.
- (f) On January 6, 2017, 337,500 common shares were issued pursuant to employment agreements. The grant date fair value of these shares had previously been recognized as stock-based compensation over the vesting terms.

During the nine months ended March 31, 2017, the Company issued shares of common stock pursuant to debt agreements:

- (a) On September 21, 2016, the Company issued 1,035,864 shares to settle the remaining balance of \$69,649, the first convertible debt note with MJM Financial (note 9).
- (b) On October 11, 2016, the Company issued 75,000 shares pursuant to a debt agreement, measured at a fair value of the Company's common shares on that date of \$10,500, recorded as interest expense (note 10).

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 4 - STOCKHOLDERS' DEFICIT (CONTINUED)

Common stock (continued)

- (c) On January 6, 2017, the Company issued 100,000 shares pursuant to a debt agreement, measured at a fair value of the Company's common shares on that date of \$14,000, recorded as interest expense (note 10).
- (d) On January 6, 2017, the Company issued 725,000 common shares to extend the maturity date of loans held. The modifications were treated as debt extinguishments with the agreement date fair value of the shares of \$82,000 recognized as a loss on debt extinguishment.
- (e) On March 1, 2017, 5,250,000 common shares that were previously issued to settle convertible debt with JMJ Financial were rescinded.

During the nine months ended March 31, 2017, 2,500,000 shares were issued to settle debt with JMJ Financial with a principle value of \$108,014.

Due to the nature of the rescission rights attached to the issued common shares, the Company continues to measure the settled debt within liabilities. At the time that such rescission rights are ratified, the debt will be considered extinguished.

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

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

Preferred stock

As of March 31, 2017, and June 30, 2016 there are no outstanding preferred shares of stock.

Stock-based compensation

During the nine months ended March 31, 2017, the Company recorded stock-based compensation expense with respect to vesting stock options, restricted stock and warrants and modified stock options of \$111,165 (2016 - \$134,688). During the three months ended March 31, 2017, the Company recorded stock-based compensation expense with respect to vesting restricted stock of \$21,375 (2016 - \$44,896), respectively. Stock-based compensation expense is included in selling, general, and administrative expenses.

Stock-based compensation not yet recognized at March 31, 2017 relating to non-vested stock options was \$85,410 (June 30, 2016 - \$196,575), which will be recognized over a period of 1 year (2016 - 1 year).

Stock options and restricted shares

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 4 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock options and restricted shares (continued)

In January 2001, the Company adopted the Integral Technologies, Inc. 2001 Stock Plan (the "2001 Plan"), a non-qualified stock option plan under which the Company may issue up to 2,500,000 stock options and bonuses of common stock of the Company to provide incentives to officers, directors, key employees and other persons who contribute to the success of the Company. This plan was amended during December 2001 to increase the number of common stock options that may be granted from 2,500,000 to 3,500,000 stock options. As of March 31, 2017, there were no (June 30, 2016 - nil) common stock options available under this plan.

In April 2003, the Company adopted the Integral Technologies, Inc. 2003 Stock Plan (the "2003 Plan"), a non-qualified stock option plan under which the Company may issue up to 1,500,000 stock options. As of March 31, 2017, there were no (June 30, 2016 - nil) common stock options available under this plan.

During the fiscal year ended June 30, 2010, the Company adopted the Integral Technologies, Inc. 2009 Stock Plan (the "2009 Plan"), a non-qualified stock option plan under which the Company may issue up to 4,000,000 common stock options. As of March 31, 2017, there were no (June 30, 2016 - nil) common stock options available under this plan.

Stock option activity

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

	Number of Options	Price Per Option	Weighted Average Exercise Price
Outstanding, June 30, 2016	1,150,000	\$0.25 to \$0.85	\$ 0.37
Granted	-	-	-
Cancelled	(150,000)	\$0.50	\$ 0.50
Expired	(850,000)	\$0.31 to \$0.85	\$ 0.37
	-		
Outstanding, March 31, 2017	150,000	\$0.25	\$ 0.25
Exercisable, March 31, 2017	150,000	\$0.25	\$ 0.25

A summary of the status of non-vested options as of March 31, 2017, is as follows:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2016	50,000	\$ 0.25
Options granted	-	-
Options forfeited	-	-
Options vested	(50,000)	\$ 0.25
Non-vested at March 31, 2017	-	-

The weighted average remaining contractual lives for options outstanding and exercisable at March 31, 2017 are 3.79 years (June 30, 2016 - 1.13 and 0.93 years), respectively.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 4 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock option activity (continued)

The following summarizes the options outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		March 31, 2017	June 30, 2016
December 1, 2016	\$0.85	-	100,000
December 1, 2016	\$0.50	-	75,000
February 19, 2017	\$0.31	-	750,000
June 1, 2017	\$0.50	-	75,000
January 13, 2019	\$0.25	50,000	50,000
January 13, 2020	\$0.25	50,000	50,000
January 13, 2021	\$0.25	50,000	50,000
Total outstanding		150,000	1,150,000
Total exercisable		150,000	1,100,000

The aggregate intrinsic value of options outstanding and exercisable as of March 31, 2017 was \$nil and \$nil (June 30, 2016 - \$nil and \$nil), respectively. The aggregate intrinsic values exclude options having a negative aggregate intrinsic value due to awards with exercise prices greater than market value. The intrinsic value is the difference between the market value of the shares and the exercise price of the award.

During the year ended June 30, 2014, the Company entered into employment agreements, whereby the employees would be granted restricted shares. The holder of a restricted share award is generally entitled at all times on and after the date of the agreement to exercise the rights of a shareholder of the Company, including the right to vote and the right to receive dividends on the shares. These shareholders do not have the ability to sell, transfer or otherwise encumber the restricted shares awards until they fully vest. The restricted shares granted vest over three or four-year periods and the grant date fair value of the awards is recognized as expense over the vesting period.

During the nine months ended March 31, 2017, the Company issued 337,500 common shares (year ended June 30, 2016 - 337,500) and is obligated to issue an additional 600,000 shares pursuant to the employment agreements.

A summary of the status of non-vested restricted shares as of March 31, 2017, is as follows:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2016	337,500	\$ 0.38
Awards granted	-	-
Awards forfeited	-	-
Awards vested	(337,500)	\$ 0.38
Non-vested at March 31, 2017	-	\$ -

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 4 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock purchase warrants

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

	Number of Warrants	Price Per Share			Weighted Average Exercise Price
Balance, June 30, 2016	12,506,309	\$0.08	-	\$0.50	\$ 0.32
Granted	1,531,424	\$0.20	-	\$0.30	\$ 0.25
Expired	(8,046,844)	\$0.30	-	\$0.50	\$ 0.37
Balance, March 31, 2017	5,990,889	\$0.08	-	\$0.30	\$ 0.24

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Warrants</u>	
		March 31, 2017	June 30, 2016
November 25, 2016	\$0.30	-	8,501,786
November 25, 2016	\$0.50	-	2,754,523
April 30, 2017	\$0.30	492,076	-
May 31, 2017	\$0.30	204,348	-
October 31, 2017*	\$0.30	3,209,465	-
October 31, 2017	\$0.20	835,000	-
May 5, 2020	\$0.08	1,250,000	1,250,000
Total outstanding and exercisable		<u>5,990,889</u>	<u>12,506,309</u>

* During the nine months ended March 31, 2017, 3,209,465 warrants expiring November 25, 2016 were extended to October 31, 2017.

Share obligations

- (a) Pursuant to a separation agreement with the previous CFO, the Company will issue 36,000 shares of common stock and settle all unpaid fees from July 1, 2016 to February 10, 2017 (effective date of resignation). The Company is currently in the process of negotiating a compensation settlement agreement.

Pursuant to the separation agreement, obligations to issue shares of \$87,660, representing 204,000 common shares, were written off and recognized within gain on extinguishment of debt. During the nine months ended March 31, 2017, \$4,320 (2016 - \$23,340) was recorded as an obligation to issue shares. During the three months ended March 31, 2017, \$nil (2016 - \$5,280) was recorded as an obligation to issue shares.

- (b) On January 27, 2017, the Company agreed to issue 600,000 common shares to extend the maturity date of loans held. The modification was treated as a debt extinguishment with the agreement date fair value of the shares of \$60,000 recognized as a loss on debt extinguishment. The shares have not been issued (Note 10(c)).
- (c) On March 31, 2017, the Company entered into a debt settlement agreement to issue 950,000 common shares to settle \$49,400 in debt. The grant date fair value of the shares of \$57,000 was recognized as an obligation to issue shares with the difference recorded as a loss on extinguishment of debt of \$7,600. These shares were issued April 7, 2017 (note 10).

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 4 - STOCKHOLDERS' DEFICIT, CONTINUED

Share obligations (continued)

Pursuant to director's agreements, the Company is obligated to issue 65,000 shares of common stock. As at March 31, 2017, these shares have not been issued and as such, the grant date fair value of \$29,250 has been recognized in obligation to issue shares within equity.

NOTE 5 - INCOME TAXES

There are no current or deferred tax expenses for the nine months ended March 31, 2017, 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 to provide a full valuation allowance for financial reporting purposes. As of March 31, 2017, the Company had a net operating loss carry-forward of approximately \$45,200,000.

NOTE 6 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Nine Months Ended March 31, 2017	Nine Months Ended March 31, 2016
Changes in working capital		
Prepaid expenses	\$ 36,154	\$ 39,152
Accounts receivable	(4,478)	(7,770)
Accounts payable and accruals	776,853	591,523
Related party payable	367,243	-
	<u>\$ 1,175,772</u>	<u>\$ 622,905</u>
Shares issued for:		
Subscriptions received in prior year	\$ -	\$ 107,500
Settlement of debt	106,500	-
Pursuant to debt agreements	10,500	-
Settlement of convertible debenture	113,945	1,047,182
Debt reduction and adjustment on extinguishment	76,486	348,437
Financed prepaid D&O insurance	-	91,221

NOTE 7 - RELATED PARTY TRANSACTIONS

As of March 31, 2017, \$397,243 (June 30, 2016 - \$30,000) was owed to the Company's executives for outstanding managements fees, consulting fees and business related reimbursements, and are without interest or stated terms of repayment.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 8 - SEGMENT INFORMATION

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

NOTE 9 - CONVERTIBLE DEBENTURES

During the nine months ended March 31, 2017, the Company entered into the following new convertible debenture agreements, summarized as follows:

(a) Power Up Lending Group Ltd.:

- On February 9, 2017, a total of \$35,000 was received, net of \$3,500 in legal fees. The convertible debt was due November 20, 2017; and
- On March 9, 2017, a total of \$55,000 was received, net of \$3,000 in legal fees. The convertible debt was due December 30, 2017;

The convertible debentures accrue interest of 12% per annum and can be converted into common stock at the option of the holder at any time after 180 days following the date of issuance. The debenture has a conversion price equal to 63% of the market price. Market price is defined as the average of the lowest three trading prices for the Company's common stock during the ten-day trading period ending one trading day prior to the date of conversion notice with a limitation of 4.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at a rate of 22% per annum.

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

- Outstanding principal multiplied by 115% together with accrued interest and unpaid interest thereon if prepaid within a period of 30 days beginning on the date of issuance of the note;
- Outstanding principal multiplied by 120% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 31 days from the date of issuance of the note and ending on the date that is 60 days following the date of the note;
- Outstanding principal multiplied by 125% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 61 days from the date of issuance of the note and ending on the date that is 90 days following the date of the note.
- Outstanding principal multiplied by 130% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 91 days from the date of issuance of the note and ending on the date that is 120 days following the date of the note.
- Outstanding principal multiplied by 135% together with accrued interest and unpaid interest thereon if prepaid at any time during the period beginning 121 days from the date of issuance of the note and ending on the date that is 150 days following the date of the note.
- Outstanding principal multiplied by 140% 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.

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

During the nine months ended March 31, 2017, the total net proceeds allocated to the derivative liability components were \$22,384 with the residual net proceeds of \$67,616 allocated to the debt components at inception.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

(b) Debt settlement agreement

On March 28, 2017, the Company entered into a debt settlement agreement to add a conversion feature to debt with an original balance of \$88,000. At the date of the settlement agreement, the loan balance was \$135,520 (including interest and penalties). Pursuant to the debt settlement agreement, the lender reduced the balance payable to \$116,160 and the debt became convertible into common shares of the Company.

The debenture has a conversion price equal to 70% of the market price. Market price is defined as the average of the lowest three trading prices for the Company's common stock during the ten-day trading period ending one trading day prior to the date of conversion notice with a limitation of 4.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at a rate of 22% per annum.

The modification of the debt was accounted for as an extinguishment of debt with a gain on extinguishment of \$19,360 recognized in the consolidated statements of net loss for the nine months ended March 31, 2017.

The embedded conversion feature of the convertible debentures was treated as a derivative liability measured at fair value on the debt settlement agreement date 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.

During the nine months ended March 31, 2017, the total net proceeds allocated to the derivative liability component was \$70,357 with the residual net proceeds of \$45,803 allocated to the debt component at inception.

Summary of convertible debt transactions

As of March 31, 2017, the total amortized value of the outstanding convertible debentures were \$1,151,373 (June 30, 2016 - \$664,621), the total fair value of the outstanding derivative liabilities were \$186,968 (June 30, 2016 - \$142,797) and the fair value of the warrant liability was \$32,800 (June 30, 2016 - \$87,500).

During the nine months ended March 31, 2017, a fair value gain on the derivative liabilities of \$29,143 (2016 fair value loss - \$887,707) was recognized. During the three months ended March 31, 2017, a fair value loss on the derivative liabilities of \$4,995 (2016 fair value loss - \$848,208) was recognized. As of March 31, 2017, \$29,184 of the fair value gain relates to the conversion features associated with the outstanding debentures with the remaining fair value loss of \$41 relating to the conversion feature associated with the debenture that was settled and extinguished.

As of March 31, 2017, 5,665,990 (June 30, 2016 - 1,374,041) common shares of the Company would be required to settle the remaining convertible debentures at a weighted average conversion price of \$0.03 (June 30, 2016 - \$0.11) per common share.

As of March 31, 2017, the face value of convertible debentures is \$1,327,317 (June 30, 2016 - \$1,189,649), which includes accrued interest of \$121,157 (June 30, 2016 - \$146,087).

During the nine months ended March 31, 2017, debt discount amortization of \$433,945 (2016 - \$380,577) was recorded as interest expense. During the three months ended March 31, 2017, debt discount amortization of \$396,778 (2016 - \$176,273) was recorded as interest expense.

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

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

	March 31, 2017
Share price	0.06 – 0.50
Conversion price	0.034 – 0.37
Expected life (years)	0.18 – 2.00
Interest rate	0.42 – 1.04%
Volatility	76.39 – 135.16%
Dividend yield	N/A
Estimated forfeitures	N/A

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

	March 31, 2017	June 30, 2016
Share price	0.06	0.16
Conversion price	0.04	0.11
Expected life (years)	0.17 – 0.75	0.850 – 1.25
Interest rate	0.76 – 0.91%	0.45 – 0.50%
Volatility	91.50 – 136.71%	91.50 – 122.29%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

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

	March 31, 2017	June 30, 2016
Share price	0.09	0.16
Conversion price	0.06	\$0.09
Expected life (years)	1.34	1.85
Interest rate	0.58%	0.58%
Volatility	92%	92%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 10 – LOANS PAYABLE (CONTINUED)

During the nine months ended March 31, 2017, the Company had the following loan agreements outstanding, summarized as follows:

- (a) On Jan 1, 2016, the Company entered into a new financing arrangement to cover directors' and officers' liability insurance for the period March 31, 2016 to March 31, 2017. The amount financed was \$73,176, which bears interest at 3.189% annually. Monthly payments of \$8,131 are required to settle amounts owing. The balance outstanding as of March 31, 2017, was \$nil (June 30, 2016 - \$32,522).

As of March 31, 2017, \$nil (June 30, 2016 – \$45,609), representing the unamortized portion of prepaid insurance related to this policy, is included in prepaid expenses on the consolidated balance sheet.

- (b) On January 1, 2016, the Company entered into a short-term loan agreement with an original maturity date of July 1, 2016, for \$110,000. A one-time interest charge of 5% or \$5,500 is due as of July 1, 2016. The loan was entered into to settle marketing fees payable and had a conversion feature in the event of loan default.

On March 31, 2017, the Company entered into an amended debt agreement to settle the remaining balance of the loan of \$49,400 (includes \$11,400 of accrued interest) with 950,000 common shares. The agreement date fair value of the shares of \$57,000 was recognized within obligation to issue shares with the difference recorded as a loss on extinguishment of debt of \$7,600. These shares were issued April 7, 2017.

- (c) On September 2, 2016, the Company entered into a promissory note agreement and received a total of \$80,000, net of \$8,000 in fees. The \$88,000 plus a one-time interest charge of 10% is due December 13, 2016. In addition, the Company issued 100,000 common shares pursuant to the debt agreement. In the event of default (non-payment), the balance of the promissory note will increase by 140%. These shares were measured at the agreement date fair value with \$14,000 recognized as interest expense and additional paid in capital.

On December 13, 2016, the maturity date of the promissory note was extended to January 30, 2017. As consideration for the extension, the Company issued 500,000 shares. The shares were measured at the fair value on the agreement date and as such, \$55,000 was recognized as a gain on extinguishment of debt. On January 29, 2017, the maturity date of the promissory note was extended to March 2, 2017. As consideration for the extension, the Company agreed to issue 600,000 shares. The shares were measured at the fair value on the agreement date and as such, \$60,000 was recognized as a gain on extinguishment of debt.

On March 28, 2017, the Company entered into a debt settlement agreement to add a conversion feature to the debt. At the date of the settlement agreement, the loan balance was \$135,520 (including interest and penalties). Pursuant to the debt settlement agreement, the lender reduced the balance payable to \$116,160 and the debt became convertible into common shares of the Company.

As a result of the debt settlement agreement, the debt is now accounted for within convertible debentures (note 9).

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements

NOTE 10 – LOANS PAYABLE (CONTINUED)

- (d) On October 24, 2016, the Company entered into a promissory note agreement and received a total of \$12,000. The note is due November 9, 2016. In addition, the Company issued 75,000 common shares within 14 days of the start of the note. In the event of default (non-payment), the balance of the promissory note will increase by 140%. These shares were measured at the agreement date fair value with \$10,500 recognized as interest expense and additional paid in capital.

On November 29, 2016, the maturity date of the promissory note was extended to January 30, 2017. As consideration for the extension, the Company agreed to issue 225,000 shares. The shares were measured at the fair value on the agreement date and as such, \$27,000 was recognized as an obligation to issue shares and gain on extinguishment of debt. The Company is in the process of amending the terms of repayment.

NOTE 11 - DEFERRED REVENUE

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

The agreement called for license fees as follows:

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

The payments have been recorded as deferred revenue, which will be recognized as license fee revenue in the consolidated statements of operations over the life of the ten-year contract. During the nine months and three months ended March 31, 2017, \$37,500 and \$12,500 (2016 - \$37,500 and \$12,500) has been recognized as revenue.

As of March 31, 2017 and June 30, 2016, the remaining deferred revenue was as follows:

	March 31, 2017	June 30, 2016
Current	\$ 50,000	\$ 50,000
Non-current	283,333	320,833
	\$ 333,333	\$ 370,833

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to the nine months ended March 31, 2017, the Company:

- (a) Issued 2,223,540 common shares to settle \$90,150 of debt and convertible debt;
- (b) Issued 9,100,000 common shares subject to rescission to JMJ Financial; and
- (c) Entered into new promissory note agreements to raise \$30,000. The promissory notes, plus interest of \$500, are due May 19, 2017.

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, 2016, as filed with the Securities and Exchange Commission on January 17, 2017, 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 focuses the majority of its resources on researching, developing and commercializing its ElectriPlast® technologies. The technology possesses a multitude of applications in a myriad of industries. These include the auto industry, the aerospace, consumer electronics, and commercial aviation industries, among others. One key factor that could drive demand for ElectriPlast is the need for light-weighting. Automotive and aerospace are leading the way to achieve reduced emissions and increased fuel economy. Light-weighting involves the substitution of lighter materials, often times using carbon-fiber based, for heavier (aluminum and other metals) materials.

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

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

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

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

In April 2017, the Company announced that its ElectriPlast engineers were assisting an automotive Tier 1 develop an automotive optical electronics application using ElectriPlast conductive material to provide EMI shielding. The product is in final validation having already passed the design validation phase, and shield effectiveness test results exceeded specified requirements. If selected, the ElectriPlast application will be part of a 2018 global automotive platform going into approximately two million vehicles.

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

In May 2017, the Company announced that it was in advanced discussions with a major Asian lead acid battery manufacturer regarding the use of its bi-polar plate technology. Included in the discussions are items for Integral to supply batteries with ElectriPlast plates for validation testing to the Asian battery manufacturer. The batteries purchased by the Asian company will be engineered to meet their unique requirements. The prospective collaboration would provide the Asian battery company with the most advanced bi-polar plates for the lead acid battery market. The Integral bi-polar plate allows greater specific energy and energy density of the lead acid battery, which translates to significantly greater energy storage in the smaller size and weight battery package. The objective of the collaboration is for the Asian company to adopt the technology.

In Asia, the Company, through its newly signed reseller agreement, provided conductive material containing nickel-plated carbon fiber material to Hanwha for prototype development for a major auto manufacturer based in Asia that is developing nine (6) new applications. The Company continues to support Chang Rim Eng Inc. ("Chang Rim") as it readies to commercialize ElectriPlast® in South Korea. The Company announced on October 8, 2014, that Chang Rim had successfully completed its prototype phase for a motor casing targeting the domestic Asia automotive market. On August 20, 2015, the Company announced with Chang Rim the largest ElectriPlast order in the Company's history.

The company continues to make progress in shielding in the electric vehicle market. During the year, the Company provided ElectriPlast material and applications support to a Tier 1 company for finalizing an application for an electric vehicle. The company has been approved as a supplier for the domestic Tier 1 for the purpose of supplying ElectriPlast for a specific electric vehicle platform expected to go into production in 2017. The company expects initial commercial orders to be produced in the second half of 2017. The Company completed its first order in December 2016. The Company has also received initial pre-production orders from this Tier 1 for a 2018 European Electric vehicle.

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

Funding remains a priority for the Company, and during the nine months ended March 31, 2017, \$626,133 was raised through a combination of debt and private placements, net of loan repayments.

Pursuant to a separation agreement with the previous CFO, the Company will issue 36,000 shares of common stock and settle all unpaid fees from July 1, 2016 to February 10, 2017 (effective date of resignation). The Company is currently in the process of negotiating a compensation settlement agreement.

Patents/Trademarks on Technologies

Our intellectual property portfolio consists of over fourteen years of accumulated research and design knowledge and trade secrets. We have sought United States (“US”) patent protection for many of our ideas related to our ElectriPlast[®] technologies. Currently, we have filed 117 non-provisional US patent applications, 55 of which have been issued as patents, with 51 of those issued patents not yet expired. No assurances can be given that all patent applications will be approved; however, to the extent that patents are not granted, we will continue to attempt to commercialize these technologies without the protection of patents. As patents are issued, we will have the exclusive right to use and license the design(s) described in each issued patent for the life of the patent in the US.

Of the 117 non-provisional applications filed that have not issued as patents, 9 are currently pending, and 53 are no longer pending. Integral continues to pursue intellectual property protection through its patent and trademark portfolio while constantly evaluating its filings to judiciously apply resources to our most critical technologies. Integral has filed 12 Canadian patent applications, 2 of which have issued, with 10 no longer being active. Integral has filed an International patent application, which published on September 25, 2014, claiming features of the Company’s capsule. The Company filed national stage applications based on this PCT on September 15, 2015 in Canada, Mexico, Brazil, China, Japan, South Korea, Europe, Malaysia, Saudi Arabia, India, Thailand, Philippines, Singapore and Australia. On August 10, 2015, the Company also filed new US and PCT patent applications for a Bipolar Plate and Method of Making and Using Same with a US publication date of November 3, 2016 and a PCT publication date of November 10, 2016.

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

Financial Condition

The Company has not generated significant revenue since inception. Although the Company has begun to receive some revenue from the sale of material for commercial applications, the Company is devoting substantially all its efforts to developing the business. From inception on February 12, 1996 through March 31, 2017, we have accrued an accumulated deficit of approximately \$60 million.

As of March 31, 2017, our assets were \$163,286, consisting of cash of \$5,174, accounts receivable of \$26,372, prepaid expense of \$54,175, deposit of \$2,500 and property and equipment of \$75,065.

As of March 31, 2017, current liabilities of \$3,616,587 consisting of accounts payable and accruals of \$1,781,403, related party payables of \$397,243, a loan payable of \$16,800, deferred revenues of \$50,000, convertible debentures of \$1,151,373, derivative liabilities of \$186,968 and warrant liability of \$32,800. Non-current liabilities consist of deferred revenues of \$283,333.

As of March 31, 2017, total stockholders' deficit was \$3,785,231.

Results of operations of the nine months ended March 31, 2017, compared to the nine months ended March 31, 2016

Our net loss for the nine months ended March 31, 2017, was \$2,652,898 compared to a net loss of \$3,812,593 for the nine months ended March 31, 2016, representing a decrease of \$1,159,695. Significant changes for the nine months ended March 31, 2017, compared to the corresponding period of the prior period have been described as follows:

- Total revenues increased by \$17,294 to \$75,087 for the nine months ended March 31, 2017. The increase is a result of new services revenue stream related to the antistatic and dissipative products which has generated \$28,249 in new revenues, which is offset by a slight decrease in sales of the higher conductive line of ElectriPlast of \$10,955.

Operating expense for the nine months ended March 31, 2017, were \$2,200,994 compared to operating expense of \$2,729,177 for the nine months ended March 31, 2016, representing a decrease of \$528,183. Significant changes for the nine months ended March 31, 2017, compared to the corresponding period of the prior fiscal year have been described as follows:

- Consulting fees decreased by \$51,622 to \$646,283 for the nine months ended March 31, 2017. Consulting fees include non-cash share obligations for the nine months ended March 31, 2017 of \$204,320 compared to non-cash shares issued for services of \$23,340 for the nine months ended March 31, 2016. The decrease is due to implementing cost saving strategies and reduction in use of external consultants. As described in the notes to the financial statements, the fair value of the share obligations were measured in reference to their market value on the date each series of shares became issuable;
- Professional fees decreased by \$74,313 to \$262,542 for the nine months ended March 31, 2017. The decrease is due to implementing cost saving strategies and reduction in the use of external professionals.
- Marketing decreased by \$198,585 to \$10,921 for the nine months ended March 31, 2017. The decrease is due to implementing cost saving strategies and reduction in the use of external marketing firms.

- Research and development costs decreased by \$128,961 to \$371,667 for the nine months ended March 31, 2017. The decrease is due to the Company's focus on further developing nascent revenue streams and from reduced research and development requirements for the quarter.

Significant changes for other income and expenses for the nine months ended March 31, 2017, compared to the nine months ended March 31, 2016, have been described as follows:

- Fair value gain on derivative financial liabilities for the nine months ended March 31, 2017 was \$29,143 compared to a loss of \$887,707 for the nine months ended March 31, 2016. During the nine months ending March 31, 2017, the Company had less convertible debt outstanding compared to corresponding period of the prior fiscal year. As described in the notes to the financial statements, the fair value loss on derivative financial liabilities is non-cash fair value measurement calculated using the Black-Scholes option pricing model and a binomial lattice model where appropriate.
- Fair value gain on warrant liability for the nine months ended March 31, 2017 was \$54,700 compared to \$nil for the nine months ended March 31, 2016. During the nine months ending March 31, 2017, the Company had warrants outstanding giving rise to a liability due to the nature of the conversion features of the warrant; whereas there were no such warrants outstanding during the nine months ended March 31, 2016. The gain in the warrant liability is due to a reduction in the share price resulting in a corresponding drop in the fair value of debt. As described in the notes to the financial statements, the fair value loss on derivative financial liabilities is non-cash fair value measurement calculated using the Monte Carlo method.
- Loss on extinguishment of debt was \$76,486 compared to a gain of \$144,224 for the nine months ended March 31, 2016. During the nine months ended March 31, 2017, the Company modified the maturity dates of its debt outstanding and as a result, issued shares with the agreement date fair value of the shares being recognized as a loss on extinguishment. In the prior year, the Company transferred its convertible debt balances to a new lenders with more favorable terms resulting in extinguishment gains of \$144,224.
- Interest expense increased by \$132,004 for the nine months ended March 31, 2017, due to the significant amortization of debt relating to the JMJ Financial debt with a maturity balance of \$1,120,000. Included in interest expense is the amortization of the convertible debt discount of \$433,945 (2016 - \$380,577). Remaining change in interest expense is due to an increase in the amount of loan interest and penalties incurred by the Company.

Results of operations of the three months ended March 31, 2017, compared to the three months ended March 31, 2016

Our net loss for the three months ended March 31, 2017, was \$1,190,946 compared to a net loss of \$1,763,793 for the three months ended March 31, 2016, representing a decrease of \$545,847. Significant changes for the three months ended March 31, 2017, compared to the corresponding period of the prior period have been described as follows:

- Total revenues increased by \$8,651 to \$24,001 for the three months ended March 31, 2017. The increase is a result of new services revenue stream related to the antistatic and dissipative products which has generated \$8,000 in new revenues during the period.

Operating expense for the three months ended March 31, 2017, were \$750,335 compared to operating expense of \$873,220 for the three months ended March 31, 2016, representing a decrease of \$122,885. Significant changes for the three months ended March 31, 2017, compared to the corresponding period of the prior fiscal year have been described as follows:

- Consulting fees increased by \$135,720 to \$148,720 for the three months ended March 31, 2017. Consulting fees include non-cash share obligations for the three months ended March 31, 2017 of \$208,340 compared to non-cash shares issued for services of \$5,280 for the three months ended March 31, 2016. The increase is due to the issuance of 1,666,667 non-refundable common shares pursuant to a consulting agreement measured at a fair value of \$200,000. This was offset by a general reduction in use of external consultants. As described in the notes to the financial statements, the fair value of the share obligations were measured in reference to their market value on the date each series of shares became issuable;
- Marketing decreased by \$142,159 to \$6,000 for the three months ended March 31, 2017. The decrease is due to implementing cost saving strategies and reduction in the use of external marketing firms.
- Research and development costs decreased by \$34,626 to \$120,753 for the three months ended March 31, 2017. The decrease is due to the Company's focus on further developing nascent revenue streams and from reduced research and development requirements for the quarter.

Significant changes for other income and expenses for the three months ended March 31, 2017, compared to the three months ended March 31, 2016, have been described as follows:

- Fair value loss on derivative financial liabilities for the three months ended March 31, 2017 was \$4,995 compared to a loss of \$848,208 for the three months ended March 31, 2016. During the three months ending March 31, 2017, the Company's share price has become much more stable than in the comparative period resulting in lowered fair value fluctuations and realized a significant reduction in fair value losses. As described in the notes to the financial statements, the fair value loss on derivative financial liabilities is non-cash fair value measurement calculated using the Black-Scholes option pricing model and a binomial lattice model where appropriate.

- Fair value gain on warrant liability for the three months ended March 31, 2017 was \$16,400 compared to \$nil for the three months ended March 31, 2016. During the three months ending March 31, 2017, the Company had warrants outstanding giving rise to a liability due to the nature of the conversion features of the warrant; whereas there were no such warrants outstanding during the three months ended March 31, 2016. The gain in the warrant liability is due to a reduction in the share price resulting in a corresponding drop in the fair value of debt. As described in the notes to the financial statements, the fair value loss on derivative financial liabilities is non-cash fair value measurement calculated using the Monte Carlo method.
- Loss on extinguishment of debt was \$42,580 (three months ended March 31, 2016 - \$nil). During the three months ended March 31, 2017, the Company modified the maturity dates of its debt outstanding and as a result, issued shares with the agreement date fair value of the shares being recognized as a loss on extinguishment. In the prior year, the Company transferred its convertible debt balances to a new lender with more favorable terms resulting in extinguishment gains of \$142,297.
- Interest expense increased by \$255,881 for the three months ended March 31, 2017, due to the significant amortization of debt relating to the MJM Financial debt with a maturity balance of \$1,120,000. Included in interest expense is the amortization of the convertible debt discount of \$396,778 (March 31, 2016 - \$176,273). Remaining change in interest expense is due to an increase in the amount of loan interest and penalties incurred by the Company.

Critical Accounting Policies and Estimates

Revenue recognition

The Company recognizes revenues from a contract with a plastics technology company for which it provides services and products, on a net basis. Fees are recognized monthly as services and products are provided. This is the point that revenues are considered realizable and earned.

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

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

There have been no material changes to our critical accounting policies as described in Item 9 of our most recent annual report on Form 10-K for the year ended June 30, 2016, as filed with the Securities and Exchange Commission on January 17, 2017.

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

As of March 31, 2017, we had \$5,174 in cash on hand, and we estimate that we will continue to require \$3 million annually of additional financing to fund our ongoing operating and capital expenditures in order to carry out our business plan and to continue to operate during our fiscal year ending June 30, 2017. The Company has historically funded this requirement through a combination of debt and equity proceeds. Until such time as the Company launches material product-based manufacturing operations, we believe our funding need will remain approximately \$3 million annually, and we will disclose promptly any changes to that estimate.

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

The Company’s cash usage since inception in 1996 has been funded primarily from proceeds from the issuance of common stock, warrants and debt. The Company has issued warrants which have the potential to yield \$1,338,767 calculated as 3,905,889 warrants exercisable at \$0.30 per share and 835,000 warrants exercisable at \$0.20 per share. In the event the stock price rises to certain levels in the future and that some or all of the warrant holders elect to acquire Common Stock shares by exercising their warrants, prior to the expiry date, the Company may raise additional funds from warrant holders. We have no ability to forecast future stock price movements nor are we able to determine how many warrant holder would elect to acquire shares by exercising their warrants. Subsequent to year end the company has raised \$30,000 through debt financing.

We are currently in limited manufacturing operations. As demand continues to grow and our need to increase capacity, reduce manufacturing costs and to improve margins, we would consider directly entering into the manufacturing business, including the possibility of acquiring existing assets or an operating company to help us accelerate this process, however this will only be possible through additional capital.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As at March 31, 2017, the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were ineffective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes these policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. Our evaluation was based on the criteria for smaller public companies set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on our evaluation under those criteria, our management concluded that, as of March 31, 2017, our internal control over financial reporting is ineffective due to the material weakness described below.

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

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

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

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

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

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

Limitations on the Effectiveness of Internal Controls

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

PART II

OTHER INFORMATION COMPANY CONFIRM OR UPDATE AS NEEDED

ITEM 1 - LEGAL PROCEEDINGS

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

ITEM 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

The securities sold were not registered under the Securities Act, or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(a)(2) and Regulation D (Rule 506) under the Securities Act and corresponding provisions of state securities laws, which exempt transactions by an issuer not involving any public offering. Each investor is an "accredited investor" as such term is defined in Regulation D promulgated under the Securities Act.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5 - OTHER INFORMATION

On October 12, 2016, the Board of Directors of Integral Technologies, Inc. (the “Company”) approved and recommended for stockholder approval an amendment to the Company’s Articles of Incorporation to increase the number of authorized shares of common stock to 250,000,000 from 150,000,000 (the “Charter Amendment”). On November 28, 2016, the Company’s stockholders approved the Charter Amendment. The final voting results at the Company’s special meeting of stockholders with respect to the Charter Amendment were 70,311,541 shares voted for, 8,343,794 shares voted against and 167,670 shares abstaining. The Charter Amendment was filed with the Nevada Secretary of State and became effective on November 28, 2016. A copy of the Charter Amendment is attached to this Current Report as Exhibit 3.1 and is incorporated by reference herein.

On November 28, 2016, at the Company’s special meeting of stockholders, the Company’s stockholders approved the Charter Amendment described in Item 5.03 above.

As of the record date for the meeting of October 24, 2016, 137,413,603 shares of common stock, constituting all of the outstanding capital stock of the Company, were issued and outstanding, of which a total of 78,823,005 shares were voted at the special meeting.

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.

EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema Document
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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/ Douglas Bathauer
Douglas Bathauer, Chief Executive Officer
(Principal Executive Office)

By: /s/ Eli Dusenbury
Eli Dusenbury, Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 22, 2017

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.
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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.
EX-101.INS	XBRL Instance Document
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EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

I, Douglas Bathauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integral Technologies, Inc. for the period ended March 31, 2017;
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: May 19, 2017

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

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

I, Eli Dusenbury, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integral Technologies, Inc. for the period ended March 31, 2017;
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: May 19, 2017

By: /s/ Eli Dusenbury
Eli Dusenbury
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, Douglas 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 March 31, 2017 (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/ Douglas Bathauer
Douglas Bathauer
Chief Executive Officer

May 19, 2017

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

I, Eli Dusenbury, 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 March 31, 2017 (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/ Eli Dusenbury

Eli Dusenbury
Chief Financial Officer

May 19, 2017