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 SEPTEMBER 30, 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, smaller reporting company, or an emerging growth 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 October 30, 2018, there were 243,240,095 outstanding shares of the Registrant's Common Stock, $0.001 par value.

INTEGRAL TECHNOLOGIES, INC.
September 30, 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

	September 30, 2017 (Unaudited)	June 30, 2017
ASSETS		
Current assets:		
Cash	$ 2,156	$ 16,764
Accounts receivable	425	425
Prepaid expenses	11,979	11,979
Total current assets	14,560	29,168
Deferred financial costs	183,613	201,432
Property and Equipment, net	68,442	70,324
Total assets	$ 266,615	$ 300,924
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	$ 2,157,459	$ 1,928,983
Related party payable	136,075	483,087
Loans payable	276,452	16,800
Deferred revenue	50,000	50,000
Convertible debentures	413,806	162,821
Derivative liabilities	1,099,514	988,463
Total current liabilities	4,133,306	3,630,154
Deferred revenue, net of current portion	258,333	270,833
Total liabilities	4,391,639	3,900,987
Subsequent events (Note 13)		
Stockholders' deficit:		
Preferred stock and paid-in capital in excess of $0.001 par value, 20,000,000 shares authorized, 0 (June 30, 2017 - 0) issued and outstanding	-	-
Common stock and paid in capital in excess of $0.001 par value, 250,000,000 shares authorized, 202,210,516 (June 30, 2017 - 133,506,044) issued and outstanding	60,164,045	59,672,609
Share subscriptions and obligations to issue shares	41,250	41,250
Accumulated other comprehensive income	46,267	46,267
Accumulated deficit	(64,376,586)	(63,360,189)
Total stockholders' deficit	(4,125,024)	(3,600,063)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 266,615	300,924

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

Integral Technologies, Inc.
Consolidated Statements of Operations
Three months ended September 30, 2017 and 2016
(Unaudited)

	Three Months ended September 30,	
	2017	**2016**
Revenue	$ 33,318	$ 23,245
Operating expenses:		
Selling, general, and administrative expenses	423,218	656,429
Research and development	119,400	129,839
Total operating expenses	(542,618)	(786,268)
Fair value (loss) gain on derivative liabilities	(545,362)	29,238
Fair value gain on warrant liability	-	32,800
Gain on extinguishment of debt	149,396	-
Gain on extinguishment of liabilities	408,009	-
Other income	5	12
Interest expense	(519,145)	(29,802)
Net Loss	$ (1,016,397)	$ (730,775)
Net loss per share – basic and diluted	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	209,834,346	135,385,386

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

Integral Technologies, Inc.
Consolidated Statements of Cash Flows
Three months ended September 30, 2017 and 2016
(Unaudited)

	Three Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (1,016,397)	$ (730,775)
Items not involving cash		
Accrued interest	4,052	-
Amortization of debt issuance costs	-	4,293
Amortization of deferred finance costs	17,819	-
Deferred revenues	(12,500)	(12,500)
Depreciation	1,882	1,043
Fair value loss (gain) on derivative financial liabilities	545,362	(29,238)
Fair value loss gain on warrant liability	-	(32,800)
Interest on convertible debentures	496,685	24,605
Gain on extinguishment of debt	(149,396)	-
Gain on extinguishment of liabilities	(408,009)	
Obligation to issue shares for consulting services	-	8,580
Shares issued for services	30,000	-
Stock-based compensation	-	44,896
Changes in working capital	289,473	387,566
	(201,029)	(334,330)
Cash flows from investing activities:		
Purchase of property, equipment and intangible assets	-	(3,500)
	-	(3,500)
Cash flows from financing activities:		
Proceeds from loans	272,400	80,000
Repayment of loans	-	(101,892)
Proceeds from issuance of common stock	-	320,355
Repayment of convertible debentures	(85,979)	-
	186,421	298,463
Decrease in cash	(14,608)	(39,367)
Cash, beginning of year	16,764	47,350
Cash, end of year	$ 2,156	$ 7,983
Supplemental cash flow information:		
Interest paid	$ 589	$ 904

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and are presented in United States dollars. 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, 2017 included in the Company's 10-K filed with the SEC on September 18, 2018.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Integral Operating, LLC ("Operating"), Integral Vision Systems, Inc. ("IVSI"), Antek Wireless Inc. ("Antek"), Electriplast Corp. (formerly Plastenna, Inc.) ("Electriplast"), and Integral Technologies Asia, Inc. ("Asia"), which are currently inactive. All intercompany balances and transactions have been eliminated.

Use of estimates

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements adopted

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 did not have a material impact on the Company's financial position, results of operations or cash flows.

Recent accounting pronouncements adopted (continued)

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 adoption of this standard did not have an 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 $1,016,397 for the thee months ended September 30, 2017 (2016 - $730,775), and an accumulated deficit of $64,376,586 (June 30, 2017 - $63,360,189) and a working capital deficiency of $4,118,746 as at September 30, 2017 (June 30, 2017 - $3,600,986). The Company does not have sufficient revenue-producing activities to fund its expenditure requirements to continue to advance researching, developing and commercializing its conductive plastics technology, ElectriPlast. Subsequent to the period end, the Company raised $1,000,000 pursuant to a license agreement and $200,000 pursuant to a convertible debt agreement (note 13). The Company estimates that, without further funding, it will deplete its cash resources within twelve months. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 4 - STOCKHOLDERS' DEFICIT

Common stock

During the three months ended September 30, 2017, the Company completed the following common share transactions:

(i) On July 13, 2017, the Company issued 1,000,000 common shares as retainer fees pursuant to ongoing professional services agreement. The shares were measured at the grant date fair value of $30,000 and recognized within selling, general and administrative expense.

(ii) On September 29, 2017, the Company issued 600,000 shares pursuant to employee compensation agreements. The fair value of shares was recognized within share capital on the vesting date during the year ended June 30, 2017.

During the three months ended September 30, 2017, the Company issued shares of common stock pursuant to debt agreements:

(i) During the three months ended September 30, 2017, the Company issued 15,270,216 shares to settle $520,582 in convertible debt (note 9), of which, includes gain on extinguishment of $86,896.

(iii) On July 20, 2017, the Company issued 925,000 shares to settle $16,800 in debt. The shares were measurd at the grant date fair value of $27,750 with a gain on extinguishment of $10,950 recognized within selling, general and administrative expense.

Preferred stock

As of September 30, 2017 and June 30, 2017, there are no outstanding preferred shares.

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, the Company has made contractual commitments to provide shares or stock option grants in anticipation of putting in place the New Plan. The Company intends on obtaining the necessary approvals based on the attributes of the plan, and anticipates that this New Plan will be implemented prior to June 30, 2019.

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 September 30, 2017, there were nil (June 30, 2017 - 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 September 30, 2017, there were nil (June 30, 2017 - 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 September 30, 2017, there were nil (June 30, 2016 - nil) common stock options available under this plan.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 4 - STOCKHOLDERS' DEFICIT (CONTINUED)

Stock option activity

The following summarizes the options outstanding and exercisable:

		Number of Options	
Expiry Date	Exercise Price	September 30, 2017	June 30, 2017
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	150,000
Total exercisable		150,000	150,000

The aggregate intrinsic value of options outstanding and exercisable as of September 30, 2017 was $nil (June 30, 2017 - $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.

The weighted average remaining contractual lives for options outstanding and exercisable at September 30, 2017 and June 30, 2017 are 3.29 years and 3.54 years, respectively.

During September 2017, the Company entered into debt forgiveness agreements to settle $561,737 in debt with related parties and consultants. In exchange the company agreed to issue 5,721,641 options at an exercise price of $0.05 for periods expiring between 3 and 5 years and will vest when the Company increases its authorized shares issuable. The fair value of the options was measured at $153,728 using the black-sholes option pricing model. The total amount of the debt less the fair value of the options has been recognized as a gain on settlement of liabilities.

Stock purchase warrants

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

		Number of Warrants	
Expiry Date	Exercise Price	September 30, 2017	June 30, 2017
October 1, 2017*	$0.30	3,209,465	3,209,465
October 1, 2017	$0.20	835,000	835,000
Total outstanding and exercisable		4,044,465	12,506,309

* During the year ended June 30, 2017, 3,209,465 warrants expiring November 25, 2016 were extended to October 1, 2017.

Share obligations

(a) Pursuant to a separation agreement with the previous CFO, the Company will issue 36,000 shares of common stock with a fair value of $3,600 and settle all unpaid fees from July 1, 2016 to February 10, 2017 (effective date of resignation).

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 4 - STOCKHOLDERS' DEFICIT (CONTINUED)

Share obligations (continued)

(b) Pursuant to director's agreements, the Company is obligated to issue 65,000 shares of common stock. As at September 30, 2017, these shares have not been issued and as such, the grant date fair value of $37,650 has been recognized in obligation to issue shares within equity.

NOTE 5 - INCOME TAXES

There are no current or deferred tax expenses for the three months ended September 30, 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.

NOTE 6 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three months ended September 30, 2016	Three months ended September 30, 2016
Changes in working capital		
Prepaid expenses	$ -	$ 13,053
Related party receivable	-	(10,745)
Accounts payable and accruals	636,485	315,758
Related party payable	(347,012)	69,500
	$ 289,473	$ 387,566
Shares issued for:		
Settlement of debt	$ 27,750	$ -
Settlement of convertible debenture	$ 513,945	$ 80,039
Professional Services	$ 30,000	$ -

NOTE 7 - RELATED PARTY TRANSACTIONS

As of September 30, 2017, $136,075 (June 30, 2017 - $483,087) was owed to the Company's executives for outstanding managements fees, consulting fees and business-related reimbursements and are without interest or stated terms of repayment.

NOTE 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.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 9 - CONVERTIBLE DEBENTURES

During the year ended June 30, 2017, the Company had the following convertible debenture agreements, summarized as follows:

(a) Power Up Lending Group, Ltd.:

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

At inception of the loans, 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.

On August 9, 2017, the Company paid cash of $85,979 to settle the February 9, 2017 convertible debt agreement with Power Up Lending Group, Ltd. The Company recognized a gain on extinguishment of $73,450 as a result of the settlement.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

(b) L2 Capital Inc.:

- On May 12, 2017, a replacement note of $469,760 (partially extinguished) was received in exchange for the convertible note with JMJ Financial (described below). This note accrues interest at 12% per year. The new convertible debt is due November 12, 2017;
- On May 18, 2017, a total of $75,000 (partially settled) was received, net of $13,200 in legal fees and $31,027 in Other Issue Discount ("OID"). This note accrues interest at 8% per year. The convertible debt is due November 18, 2017;
- On June 8, 2017, a total of $25,000 (partially settled) was received, net of $2,006 in Other Issue Discount ("OID"). This note accrues interest at 8% per year. The convertible debt is due December 8, 2017;

The convertible debentures 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 65% of the market price. Market price is defined as the average of the lowest two trading prices for the Company's common stock during the twenty-one-day trading period ending one trading day prior to the date of conversion notice with a limitation of 9.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at the lessor of (i) 24% per annum or (ii) the maximum allowed by law.

- On May 19, 2017, the Company entered into an equity purchase agreement, whereby the lender may purchase up to $5,000,000 (described below) of the Company's common shares. As consideration for the equity agreement, the Company entered into a commitment fee convertible debt note of $105,000. The convertible debt is due May 5, 2020;

The convertible debenture associated with the equity purchase agreement accrues interest of 8% per annum and can be converted into common stock at the option of the holder at any time after 180 days following the date of issuance. The debenture has a conversion price equal to 67.5% of the market price. Market price is defined as the average of the lowest two trading prices for the Company's common stock during the twenty-day trading period ending one trading day prior to the date of conversion notice with a limitation of 9.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at the lessor of (i) 24% per annum or (ii) the maximum allowed by law.

If the Company enters into a convertible debt agreement with a conversion rate greater than the conversion price of the convertible debt above, then the conversion price shall be automatically adjusted to equal the most beneficial conversion rate.

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

- The May 12, 18 and June 8, 2017 convertible notes may be prepaid in cash equal to the outstanding principal multiplied by 125% together with accrued interest and unpaid interest thereon up to the date that is 180 days following the date of the notes;

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

- The May 19, 2017 equity purchase agreement convertible notes may be prepaid in cash equal to:
  - the outstanding principal multiplied by 120% together with accrued interest and unpaid interest thereon from inception up to the date that is 90 days following the date of the notes; and
  - the outstanding principal multiplied by 140% together with accrued interest and unpaid interest thereon from inception up to the date that is 91 days following the date of inception and ending on the date that is 180 days from the date of inception;

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.

The embedded conversion feature of the equity purchase agreement commission convertible debenture was treated as a derivative liability measured at fair value on inception and at each reporting date with the debt component being allocated the residual value of the debt and amortized using the effective interest method to its maturity value. Debt issuance costs have been recorded as a deferred debt discount asset to be amortized using the effective interest method to its maturity value.

At inception of the convertible debt, the total net proceeds allocated to the derivative liability components were $576,901 with the residual net proceeds of $97,859 allocated to the debt components at inception.

(c) SBI Investments LLC

- On May 12, 2017, a replacement note of $469,760 (partially extinguished) was received in exchange for the convertible note with JMJ Financial (described below). This note accrues interest at 12% per year. The new convertible debt was due November 12, 2017;
- On May 18, 2017, a total of $75,000 (partially settled) was received, net of $13,200 in legal fees and $31,027 in Other Issue Discount (“OID”). This note accrues interest at 8% per year. The convertible debt is due November 18, 2017;
- On June 23, 2017, a total of $25,000 (partially settled) was received, net of $3,750 in Other Issue Discount (“OID”). This note accrues interest at 8% per year. The convertible debt is due December 23, 2017;

The convertible debentures 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 65% of the market price. Market price is defined as the average of the lowest two trading prices for the Company’s common stock during the twenty-one-day trading period ending one trading day prior to the date of conversion notice with a limitation of 9.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at the lessor of (i) 24% per annum or (ii) the maximum allowed by law.

- On May 19, 2017, the Company entered into an equity purchase agreement, whereby the lender may purchase up to $5,000,000 (described below) of the Company’s common shares. As consideration for the equity agreement, the Company entered into a commitment fee convertible debt note of $105,000. The convertible debt is due May 5, 2020;

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

The convertible debenture associated with the equity purchase agreement accrues interest of 8% per annum and can be converted into common stock at the option of the holder at any time after 180 days following the date of issuance. The debenture has a conversion price equal to 67.5% of the market price. Market price is defined as the average of the lowest two trading prices for the Company's common stock during the twenty-day trading period ending one trading day prior to the date of conversion notice with a limitation of 9.99% of the issued and outstanding common stock at the time of conversion. Any amount of principal that is not paid when due bears interest at the lessor of (i) 24% per annum or (ii) the maximum allowed by law.

In the Company enters into a convertible debt agreement with a conversion rate greater than the conversion price of the convertible debt above, then the conversion price shall be automatically adjusted to equal the most beneficial conversion rate.

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

- The May 12, 18 and June 23, 2017 convertible notes may be prepaid in cash equal to the outstanding principal multiplied by 125% together with accrued interest and unpaid interest thereon up to the date that is 180 days following the date of the notes;
- The May 19, 2017 equity purchase agreement convertible notes may be prepaid in cash equal to:
  - the outstanding principal multiplied by 120% together with accrued interest and unpaid interest thereon from inception up to the date that is 90 days following the date of the notes; and
  - the outstanding principal multiplied by 140% together with accrued interest and unpaid interest thereon from inception up to the date that is 91 days following the date of inception and ending on the date that is 180 days from the date of inception;

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.

The embedded conversion feature of the equity purchase agreement commission convertible debenture was treated as a derivative liability measured at fair value on inception and at each reporting date with the debt component being allocated the residual value of the debt and amortized using the effective interest method to its maturity value. Debt issuance costs have been recorded as a deferred debt discount asset to be amortized using the effective interest method to its maturity value.

At inception of the convertible debt, the total net proceeds allocated to the derivative liability components were $574,840 with the residual net proceeds of $99,920 allocated to the debt components at inception.

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

Summary of convertible debt transactions

As of September 30, 2017, the total amortized value of the outstanding convertible debentures were $413,806 (June 30, 2017 - $162,821), the total amortized value of the deferred finance cost was $183,613 (June 30, 2017 - $201,432), the total fair value of the outstanding derivative liabilities were $1,099,514 (June 30, 2017 - $988,463).

During the three months ended September 30, 2017, a fair value loss on derivative liabilities of $545,362 (2016 fair value gain - $29,238) was recognized. As of September 30, 2017, $502,959 of the fair value loss relates to the conversion features associated with the outstanding debentures with the remaining fair value loss of $42,403 relating to the conversion feature associated with the debenture that was settled and extinguished.

As of September 30, 2017, 37,208,555 (June 30, 2017 – 55,374,342) common shares of the Company would be required to settle the remaining convertible debentures at a weighted average conversion price of $0.02 (June 30, 2017 - $0.01) per common share.

As of September 30, 2017, the face value of convertible debentures is $725,567 (June 30, 2017 - $1, 439,520), which includes accrued interest of $41,018 (June 30, 2017 - $22,392).

During the three months ended September 30, 2017, debt discount amortization of $496,685 (2016 - $24,605) and deferred finance costs amortization of $17,819 (2016 - $nil) was recorded as interest expense.

The fair value of the derivative financial liabilities are calculated using the Black Sholes option pricing model.

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

	September 30, 2017	June 30, 2017
Share price	0.04 – 0.05	0.04 – 0.10
Conversion price	0.02 – 0.03	0.02 – 0.06
Expected life (years)	0.50 – 0.81	0.50 – 0.81
Interest rate	1.02 – 1.11%	0.80 – 1.11%
Volatility	132.98 – 158.06%	106.63 – 158.06%
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 financial liabilities as of:

	September 30, 2017	June 30, 2017
Share price	0.04	0.03
Conversion price	0.02	0.02
Expected life (years)	1.50	0.39 – 0.64
Interest rate	1.31%	1.14%
Volatility	138.98%	152.55 – 181.43%
Dividend yield	N/A	N/A
Estimated forfeitures	N/A	N/A

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 9 - CONVERTIBLE DEBENTURES (CONTINUED)

The following table summarizes the changes in the derivative liabilities:

		Derivative liability
Balance, June 30, 2017	$	988,463
Derivatives settled upon conversion of debt		(318,273)
Gain on extinguishment of convertible debt		(116,038)
Gain on change in Fair value of the derivative		545,362
Balance, September 30, 2017	$	1,099,514

NOTE 10 – LOAN PAYABLE

During the three months ended September 30, 2017, the Company had the following loan agreements outstanding, summarized as follows:

(a) 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 was 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.

(b) 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 (issued). The shares were measured at the fair value on the agreement date with $27,000 recognized as additional paid in capital and loss on extinguishment of debt. During the three months ended September 30, 2017, the remaining balance of $16,800 was settled with 925,000 common shares measured at the issued date fair value of $27,750 with the difference of $10,950 recognized as a loss on extinguishment.

(c) During July and August 2017, the Company entered into a short-term loan agreement as follows:

(i) On July 25, 2017, the Company borrowed a total of $10,000 together with monthly interest of $200 due April 27, 2018;
(ii) On August 14, 2017, the Company borrowed a total of $100,000 together with monthly interest of $750 due May 14, 2018; and
(iii) On August 22, 2017, the Company borrowed a total of $162,400 together with monthly interest of $750 due May 23, 2018.

During the three months ended September 30, 2017, the Company accrued interest expense of $4,052 (2016 - $nil).

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

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 three months ended September 30, 2017, $12,500 (2016 - $12,500) has been recognized as revenue.

As of September 30, 2017 and June 30, 2017, the remaining deferred revenue was as follows:

	June 30, 2017	June 30, 2017
Current	$ 50,000	$ 50,000
Non-current	258,333	270,833
	$ 308,333	$ 320,833

NOTE 12 - LEASE AGREEMENT

During the three months ended September 30, 2017 and 2016, rent expense was $15,000. Effective July 1, 2013 the Company entered into a lease agreement whereby the Company is the lessee of office space. The agreement expires on June 30, 2018, and monthly payments are $2,500. Future minimum lease payments are as follows:

2018	22,500
	$ 22,500

Integral Technologies, Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to the three months ended September 30, 2017, the following occurred:

(a) On November 16, 2017, the Company entered into a debt agreement with JMJ Financial. A total of $200,000 was received. The convertible debenture is due within 180 days and becomes payable 2 days after the license agreement (not 16(b)) is entered into and cash is received.

The note becomes convertible if the Company defaults on repayment on day 180. The conversion price is the lesser of $0.05 or 50% of the lowest trade price in the 25 trading days previous to the conversion. The lender is limited to holding no more than 4.99% of the issued and outstanding common stock at the time of conversion. After the expiration of 120 days following the delivery date of any consideration, the Company will have no right of prepayment without written consent of the lender.

In addition to the debt, the Company issued 2,000,000 share purchase warrants with an expiry date of November 16, 2022. The exercise price of the warrants will be the lessor of $0.05 per share, the lowest trade price in the 10 days previous to exercise or the adjusted price.

At any time while the warrants are outstanding, any subsequent sale of shares of common stock, or any agreement whereby the holder may acquire common stock at an effective exercise price per share less than the warrant exercise price in effect, the exercise price of these warrants will automatically adjust to this new lower exercise price. Further, these warrants are cashless, and the number of shares received will be equivalent to the gain between the market price of shares at the time of exercise and the exercise price of warrant.

For any reason at the lender's sole discretion, the lender may at any time prior to selling those warrant shares, rescind such exercise.

(b) On February 20, 2018, the Company entered into an exclusive technology license agreement with an arms-length vendor. In exchange for perpetual access to the Company's technological assets, the Company will receive and/or be entitled to receive:

(i) Upfront fee of $1,000,0000 (received) within 10 business days of the agreement;

(ii) Royalties as follows:

(a) 10% of net sales effective years one to three;

(b) 7.5% of net sales effective years 4 – 7; and

(c) 5% of net sales effective years 8 – 10.

(c) Up to the date of this report, the Company issued a total of 23,223,274 common shares to settle convertible debt with a value of $509,370 held by the Company.

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, 2017, as filed with the Securities and Exchange Commission on September 19, 2018, and available at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

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

Overview

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

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

On May 21, 2010, the Obama administration asked the EPA and NHTSA to jointly develop a national program that would “produce a new generation of clean vehicles,” to lower oil usage. The government mandated that auto manufacturers comply with CAFÉ (Corporate Average Fuel Economy) standards by the year 2025. To become more energy efficient, auto manufacturers are required to have their fleets achieving 54.5 MPG (miles per gallon) by then. According to a 2009 issue of *Car and Driver Magazine,* in 2009, car fleets averaged 32.5 CAFE MPG and trucks averaged 24.5 MPG. The Trump administration has indicated it will lessen the CAFE requirements, however it is unclear what changes will be made and its effect on the requirements set by the previous administration, but globally, the trend remains an increase in CAFE standards. More importantly, countries have begun to explore a zero emissions policy which would ban internal combustion engines in favor of zero emission power systems, such as battery electric vehicles.

We apply a significant portion of our resources to the protection of our intellectual property through patent filings. One source of income is derived from up-front licensing fees as is the case with our manufacturing license agreement for the use of our patents and proprietary “know-how” for the manufacture of the ElectriPlast® pellets by PolyOne Corporation (“PolyOne”), a global polymer company and Hanwha Advanced Materials Co., Ltd. (“Hanwha”) of Korea. In addition, Integral allocates resources to expand and protect the extensive intellectual property holdings surrounding its ElectriPlast® technology. Integral’s business strategy focuses on the leveraging of its intellectual property rights and our strength in product design and material innovation. Integral is focusing its business development and marketing efforts on securing licensing and/or joint development agreements in areas for which it currently hold patents covering specific materials, components, parts, applications or end-products incorporating conductive resins and ElectriPlast technology. Integral collaborates with suppliers, Tier1 vendors, OEM's and manufacturers of products who would benefit from the incorporation of any of the ElectriPlast® applications.

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

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

In particular, our business model calls for collaborating with leading resin and fiber suppliers, manufacturers, and technology innovators to manufacture ElectriPlast®, and develop new product applications for ElectriPlast® . We anticipate that these relationships will lead to greater market penetration and adoption for our products. In view of these goals, we have recently formed relationships with BASF, Chang Rim Eng. Inc., Delphi Automotive PLC, Advanced Battery Concepts, The Ultimate Battery Co., LeddarTech, TheMix Plastics, Inc., PolyOne and Hanwha, and believe that we now have several key global relationships to help us expand our operations both domestically and internationally.

Since the previous 10-K filing, several actions were taken by the Company to better position the commercialization of ElectriPlast. The most notable event was the license agreement with PolyOne in February 20, 2018. The agreement is a 10-year, global exclusive license to manufacture, sell and distribute conductive pellets using the Company's know-how and certain patents for automotive related EMI/RFI shielding applications. The agreement requires PolyOne to pay the Company an upfront fee and royalties from future sales during the term of the agreement. The agreement excludes the Company's bipolar battery technology and the territory provided to Hanwha in an earlier agreement. The Company continues to emphasize the expansion of ElectriPlast's technical and engineering capabilities with other prospective customers and partners. The bipolar battery technology remains an important opportunity for the Company and the global vehicle electrification trend creates new opportunities that existing battery technologies are unable to meet. In 2015, the Company filed non-provisional patents associated with its bipolar battery technology and bipolar plate products. The Company believes the bipolar battery plate and associated power storage technology provides long-sought breakout weight savings and performance benefits for the lead-acid battery market. The Company intends to develop the power storage technology as an Integral Technologies business unit and will seek partners to fully develop batteries for consumer and industrial consumption. The world-wide market demand for lead-acid batteries was estimated to be $44.7B in 2014, and expected to grow to $58.6B by 2020 (a 5% CAGR). Contributing to this growth will be new battery requirements established by the United States Advanced Battery Consortium ("USABC") for 12V and 48V batteries in support of new Start – Stop systems in micro hybrid vehicles and 48V systems in hybrid vehicles coming to market over the next decade. From 2025, vehicle electrification (Hybrid & Battery EV) is expected to grow from about 10% of total vehicles sold to completely replace internal combustion engine (ICE) technology by 2050. These trends are already having a significant impact in the automotive industry and the need for new battery technologies to support growing power demands.

The Company continues to advance its bipolar plate technology for the battery industry. A core component of the bipolar plate is the ElectriPlast pellet that enables the conductivity and moldability of the proprietary bipolar plate using a nonmetal plate. The Company is presently in discussions with several prospective investment partners in the US, UK and Asia regarding the sale of the battery plate technology and global manufacturing rights. Under the present discussions, the Company retains all rights to the ElectriPlast pellet and the prospective buyer of the bipolar technology is required to purchase pellets exclusively from the Company. The first prototype battery utilizing the ElectriPlast bipolar technology was produced in 2015. The battery was produced with the assistance of Advanced Battery Concepts ("ABC"). 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. The Company continues its technical partnership with ABC and it remains a potential partner in commercializing the bipolar technology.

On June 26, 2017 the Company announced that it had been chosen by a global Tier 1 automotive supplier to provide its conductive plastic for an EMI shielding application in an automotive optical sensing system. The ElectriPlast part will be going into a global automotive platform in approximately two million vehicles with production expected to start in 2018 for a major United States auto manufacturer. The program is expected to run for five years upon commencement.

On June 21, 2017 the Company announced that its ElectriPlast material had been chosen by a leading European electric luxury SUV maker for use in a high voltage connector. This electric SUV made its European debut in late 2017. The order will run through 2024 and marks ElectriPlast's first European automotive commercial order, and the second ElectriPlast order for use in an electric vehicle platform during the reporting period. The application was co-developed with a North American automotive Tier 1.

In Asia, the Company is supporting Hanwha's market development efforts targeting the automotive sector. The Company also is also working with Chang Rim Eng. Inc. ("Chang Rim") as it continues its efforts 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 and is currently working with multiple Tier 1's in implementing their EMI shielding solutions for automotive applications. Two million electric vehicles were on the road globally in 2016 and that number is estimated to grow to 70 million by 2025.

In March 2015 the Company relocated its North American manufacturing from Jasper Rubber Products in Jasper, Indiana to the Nova Polymers facility in Evansville, Indiana to support its growing demand for ElectriPlast. In addition to relocating the line, additional capacity was added by dedicating existing Nova fixed assets to the ElectriPlast process that increased capacity by ten times. Nova was selected because they had the infrastructure to scale manufacturing capacity to meet the expected growth in customer volumes through 2020 and beyond. The recent licensing agreement with PolyOne accelerates and expands the Company's ability to provide conductive plastic pellets to customers around the world. PolyOne is a fully integrated polymer manufacturing organization with major manufacturing plants located around the world. As a recognized global polymer supplier, PolyOne already meets the stringent manufacturing, quality control and financial requirements needed to be an automotive Tier 1 supplier, items which are essential since PolyOne will become the supplier for the Company's existing projects with the automotive Tier 1's, and all other future customers for ElectriPlast. With the Polyone licensing agreement, the Company plans to reduce its capabilities at the Nova facility.

The PolyOne license agreement not only enables PolyOne to manufacture conductive pellet using the Company's proprietary know-how and patents, it also permits PolyOne to sell, market and distribute conductive pellets worldwide. The Company believes PolyOne's much larger global sales force will be key in further accelerating the Company's growth in the auto sector, while enabling the Company to focus on its key technical strengths, including applications development and a customer technical support.

Companies continue to incorporate ElectriPlast in their on-going product development evaluations. One of the Company's customers, LeddarTech raised over $100 million during the period. A LeddarTech product 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, including systems for autonomous driving vehicles. A key reason for LeddarTech using ElectriPlast is due to the superior qualities of ElectriPlast in the key areas of weight-reduction, cost, and robustness in the demanding environments where LeddarTech products are used.

In December 2017, the Company met with several prospective European investor partners in Europe regarding the feasibility of establishing a bipolar battery R&D facility and manufacturing plant in the UK. Companies and organizations included a global chemical company, a luxury car manufacturer, a leading UK university specializing in advance battery development and manufacturing processes for industry, and representatives from a local government that were supportive of providing infrastructure and tax incentives for establishing a battery plant in their district. The Company continues these discussions.

In April 2017, ElectriPlast presented its bipolar plate technology for lead acid batteries to a leading lead acid battery manufacturer in Asia. ElectriPlast's Vice President of Engineering presented the advanced lead acid battery technology and its numerous benefits, including performance, reduced size and weight compared to existing lead-acid batteries. The Asian battery company requested to purchase several bipolar batteries for their internal testing. During its next prototype production, the Company will produce a sufficient number of batteries to provide to the Asian battery company.

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

The Company entered into a term sheet dated April 19, 2015 with a low conductive plastics compounder (the "Compounder") for the purpose of acquiring all the assets of the Compounder, with the Compounder remaining a separate entity. The Compounder is a niche supplier of low conductive plastics with an international customer base. The Company's strategic interest in the Compounder is its equipment and expertise in low conductive material compounding, as well as its customer base. The term sheet contemplated that upon the closing, all sales and marketing would be performed by the Company, and the Compounder would become the sole manufacturer for the Company. In October 2015, the founder and majority shareholder of the Compounder died from an accident before the transaction could be completed. Following the founder's death, the Company made product for the Compounder through a combination of using former employees of the Compounder as well as the Company's own staff. The Company has since stopped making material for the Compounder and is exploring other manufacturing options regarding the manufacture of low conductive materials, including exiting this low margin, capital intensive business.

TECHNOLOGIES

ElectriPlast®

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

ElectriPlast® is a patented non-corrosive, durable, conductive plastic pellet that replaces the metallic component currently used for shielding and conductive devices, thus creating applications never before possible and with a 40-60% weight reduction. ElectriPlast's® intellectual property rights and 55 issued patents, of which 51 of those patents not yet expired, and 10 pending applications cover both the material and its applications.

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

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

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

PolyOne Corporation is Integral’s global manufacturing partner of its proprietary ElectriPlast® product line (www.polyone.com). Prior to the recent license agreement with PolyOne, Jasper Rubber Products, Inc. and Nova Polymers were its US manufacturing partners (“Jasper”) (www.jasperrubber.com), and Hanwha remains the Korean manufacture

PolyOne is a leading provider of specialized polymer materials, services, and solutions with operations in specialty polymer formulations, color and additive systems, polymer distribution and specialty vinyl resins. They are also a highly specialized developer and manufacturer of performance-enhancing additives, liquid coolants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, PolyOne has employees at manufacturing sites and distribution facilities in North America, South America, Europe and Asia. They provide value to customers through their ability to link their knowledge of polymers and formulation technology with their manufacturing and supply chain capabilities to provide value-added solutions to designers, assemblers, and processors of plastics (their customers). They operate in four reportable segments: (1) Global Specialty Engineered Materials; (2) Global Color, Additives and Inks; (3) Performance Products and Solutions; and (4) PolyOne Distribution.

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

Hanwha Advanced Materials is part of the Hanwha Group of Companies that collectively form one of the largest conglomerates in South Korea. Headquartered in Seoul, Hanwha Group of Companies’ businesses include chemicals, munitions, plastics and similar materials for aerospace, automotive and consumer goods industries, as well as solar, pharmaceuticals, financial services, renewable energy, manufacturing and construction. Hanwha Group is on Forbes’ list of Top Global Companies.

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

Patents/Trademarks on Technologies

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

Of the 117 non-provisional applications filed that have not issued as patents, 9 are currently pending, and 53 are no longer pending. Integral continues to pursue intellectual property protection through its patent and trademark portfolio while constantly evaluating its filings to judiciously apply resources to our most critical technologies. Integral has filed 12 Canadian patent applications, 2 of which have issued, with 10 no longer being active. Integral has filed an International patent application, which published on September 25, 2014, claiming features of the Company's capsule. 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.

Product Manufacturing and Distribution

Our manufacturing licensees PolyOne and Hanwha are currently operating at limited manufacturing capacity in producing the compounded product catalog and ElectriPlast pellets for domestic and international customers. As demand continues to grow these manufacturers have the resources and ability to scale to meet any new production requirements. As we grow, especially outside the automotive sector, we would consider expanding our licensing agreements with our existing partners and/or enter into additional licensing agreements with new manufacturing partners. We may also consider acquiring existing assets or an operating company to help meet new demand is specialized, niche markets. We maintain our relationship with Nova Polymers to manufacture ElectriPlast® in the event product cannot be supplied by PolyOne and Hanwha.

Our previous work with Jasper and Nova has enabled us to advance our manufacturing and molding process of ElectriPlast® and allows us to transfer these know-how advances to PolyOne under the license agreement. Our expertise and past experiences with our conductive pellet will greatly enhance the relationship with PolyOne, who possesses industry leading manufacturing and logistics services, but is limited in the know-how, manufacture and the development of applications using conductive materials. Within the past four years, we relocated our existing manufacturing facility from the Jasper Rubber Products plant to Nova Polymers in early 2015. In addition to relocating the line, additional capacity was added by dedicating existing Nova fixed assets to the ElectriPlast process which increased capacity by ten times. The move to Nova made strategic sense at the time because of the added infrastructure they provided that was needed for scaling manufacturing capacity to meet the expected growth in customer volumes. During the past fiscal year, the Company was awarded several large projects that required even greater manufacturing scalability that only a company of PolyOne's size, resources and global presence could provide.

In June 2013, we signed a 10-year agreement with Hanwha that grants Hanwha an exclusive right to sell, distribute and manufacture ElectriPlast® in South Korea. Additionally, Hanwha has acquired non-exclusive sales and distribution rights to ElectriPlast® in Japan, Taiwan and China. Hanwha is part of the Hanwha Group of companies that collectively form one of the largest conglomerates in South Korea, and is a global supplier in both automotive and consumer goods materials. PolyOne is aware of the existing license agreement with Hanwha and our agreement with PolyOne does not affect the Hanwha agreement.

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

Barriers to Entry into Market Segment

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

SUMMARY OF AGREEMENTS

Our business model calls for collaborating with leading technology innovators to develop new product applications for ElectriPlast® and to license our intellectual property for its manufacture and commercialization across many industries. Below is a summary of each of our commercial agreements concerning our ElectriPlast® technology (Please note that we have not yet received significant revenues from these agreements unless otherwise noted)

Patent License Agreement with Heatron, Inc.

In March 2006, we entered into a Patent License Agreement with Heatron, Inc. (“Heatron”), pursuant to which we granted to Heatron the rights to use our ElectriPlast® technology for specific applications in the heating and LED lighting markets. Heatron, founded in 1977 and based in Leavenworth, Kansas, is an industry leader in heating element and thermal management designs and solutions.

We granted to Heatron a non-exclusive, non-sublicensable, non-assignable, worldwide license; however, Heatron’s rights were exclusive for the initial two years. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain other circumstances.

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

Joint Technology Assessment Program Agreement with Advanced Battery Concepts

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

Global Reseller and Marketing Agreement

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

Patent License Agreement with Jasper Rubber Products, Inc.

In August 2006, we entered into a Patent License Agreement with Jasper, pursuant to which we granted to Jasper the rights to use our ElectriPlast® technology for specific applications within its customer base. Jasper, founded in 1949, and based in Jasper, Indiana, is an industry leader in innovative rubber and plastics development. Jasper manufactures a full range of molded, extruded, lathe-cut rubber and thermoplastic products for customers in the major appliance, oil filter, and automotive industries, a number of which are Fortune 500 companies.

We granted to Jasper a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

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

Manufacturing Agreement with Jasper Rubber Products, Inc.

In November 2006, we entered into a Manufacturing Agreement with Jasper, pursuant to which Jasper manufactures resin-based conductive, moldable capsules incorporating our ElectriPlast® technology. The primary term of the agreement is five years, subject to automatic renewal or termination under certain conditions. Jasper agreed that during the term of the agreement and for a period of 12 months after its expiration or termination for any reason, Jasper will not directly or indirectly compete with us or our ElectriPlast® technology.

In July 2007, we entered into Amendment One to the Manufacturing Agreement (“Amendment One”) with Jasper. The primary purposes of Amendment One were 1) to replace in its entirety Section 4 of the Manufacturing Agreement concerning “Pricing, Invoicing and Payment”, and 2) to authorize Jasper to sell, on our behalf, products incorporating our ElectriPlast® technology. As revised by Amendment One, Section 4 of the Manufacturing Agreement now reflects more definitive information concerning definitions and calculations of “hourly payment”, “sales royalties”, “gross margin”, “manufacturing costs” and “payment terms”. These revisions were mutually agreed upon following several months of production test-runs and cost evaluations.

Patent License Agreement with ADAC Plastics, Inc. d/b/a ADAC Automotive.

In November 2006, we entered into a Patent License Agreement with ADAC Plastics, Inc. d/b/a ADAC Automotive (“ADAC”), pursuant to which we granted to ADAC the rights to use our ElectriPlast® technology for use in car antennas, cup holder heating elements, driver’s seat heating elements and light-emitting diode (LED) packs manufactured and sold by specified customers of ADAC. ADAC is a full-service automotive supplier dedicated to the production of door handles and components, cowl vent grilles, exterior trim, and marker lighting. Founded in 1975 as ADAC Plastics, Inc., the Grand Rapids, Michigan-based company operates facilities in North America and the United Kingdom.

We granted to ADAC a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

Any revenue to be generated by us under the agreement will be from future sales of products manufactured by ADAC containing the ElectriPlast® technology. We have not yet derived revenues from this agreement.

Patent License Agreement with Esprit Solutions Limited

In December 2006, we entered into a Patent License Agreement with Esprit Solutions Limited (“Esprit”), pursuant to which we granted to Esprit the rights to use our ElectriPlast® technology for the manufacture and sale of products to Esprit’s customer base in the Aerospace/Defense Interconnection and Protective Components Industry. Esprit, based in the United Kingdom, specializes in high performance protective systems within the Aerospace and Defense markets.

We granted to Esprit a non-exclusive, non-sublicensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

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

Patent License Agreement with Knowles Electronics, LLC

In January 2007, we entered into a Patent License Agreement with Knowles Electronics, LLC (“Knowles”), pursuant to which we granted to Knowles the rights to use our proprietary ElectriPlast® technology for the manufacture and sale of electromagnetic field (EMF) protected molded components. Knowles is the world's leading provider of microphones and receivers to the hearing health industry. They are credited with the miniaturization of the acoustic transducer, which has enabled the design and manufacture of smaller hearing aids.

We granted to Knowles a non-exclusive, non-sub-licensable, non-assignable, worldwide license. The agreement will terminate upon the expiration of the last patent licensed under the agreement, or earlier under certain circumstances.

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

Co-Development Agreement with Delphi Automotive PLC

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

Letter of Intent with BASF

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

Patent License Agreement with Hanwha

On June 21, 2013, we entered into a 10-year license agreement with Hanwha, a global high-tech materials maker based in South Korea. The agreement granted Hanwha an exclusive, non-transferrable, non-sub licensable, license to manufacture, sell and distribute Integral's line of conductive plastics, ElectriPlast®, in South Korea, as well as a non-exclusive, non-transferable, non-sub licensable right to sell and distribute ElectriPlast® for Japan, Taiwan and China markets. The Company may terminate Hanwha's rights in Japan and Taiwan, with certain considerations provided to Hanwha, if it desires to enter into an exclusive agreement with a third party for those territories. There was a one-time license fee and it requires an ongoing royalty fee for the life of the agreement.

See item 7 for amount of revenue recognized during the years ended June 30, 2017 and 2016.

Patent License Agreement with PolyOne

On February 20, 2018, we entered into a 10-year license agreement with PolyOne, a leading provider of specialized polymer materials, services, and solutions. Headquartered in Avon Lake, Ohio, PolyOne has operations in North America, South America, Europe and Asia. The agreement granted PolyOne is an exclusive license to manufacture, sell and distribute conductive plastic worldwide using the Company's manufacturing know-how and certain patents, for the automotive industry. There was a one-time upfront license fee and an ongoing royalty fee that decreases in three-year increments.

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 September 30, 2017, we have accrued an accumulated deficit of approximately $64 million.

As of September 30, 2017, our assets were $266,615, consisting of cash of $2,156, accounts receivable of $425, prepaid expense of $11,979, deferred debt discount of $183,613 and property and equipment of $68,442.

As of September 30, 2017, current liabilities of $4,133,306 consisting of accounts payable and accruals of $2,157,459, related party payables of $136,075, loans payable of $276,452, deferred revenues of $50,000, convertible debentures of $413,806, derivative liabilities of $1,099,514. Non-current liabilities consist of deferred revenues of $258,333.

As of September 30, 2017, total stockholders' deficit was $4,125,024.

Results of operations of the three months ended September 30, 2017, compared to the three months ended September 30, 2016

Our net loss for the three months ended September 30, 2017, was $1,016,397 compared to a net loss of $730,775 for the three months ended September 30, 2016, representing a decrease of $285,622. Significant changes for the three months ended September 30, 2017, compared to the corresponding period of the prior period have been described as follows:

- Total revenues increased by $10,073 to $33,318 for the three months ended September 30, 2017. The increase is a result of increased sales from the Company's conductive line of ElectriPlast.

Operating expense for the three months ended September 30, 2017, were $542,618 compared to operating expense of $786,268 for the three months ended September 30, 2016, representing a decrease of $243,650. Significant changes for the three months ended September 30, 2017, compared to the corresponding period of the prior fiscal year have been described as follows:

- Consulting fees increased by $177,720 to $333,500 for the three months ended September 30, 2017. The increase is due to implementing cost saving strategies and reduction in use of external consultants. The increase is primarily a result of the company switching from the use of employees to consultants;
- Professional fees decreased by $72,541 to $50,894 for the three months ended September 30, 2017. The decrease is due to implementing cost saving strategies and reduction in the use of external professionals and a reduction in audit fees;
- Salaries and benefits decreased by $97,600 to $63,400 for the three months ended September 30, 2017. The decrease is primarily a result of the Company switching from the use of full-time employees to part-time consultants; and
- Non-cash, Stock based compensation charges for the vesting of restricted shares were $nil compared to $44,896 in the corresponding period of the prior fiscal year. The increase is due to no stock awards issued or vested in the current period;

Significant changes for other income and expenses for the three months ended September 30, 2017, compared to the three months ended September 30, 2016, have been described as follows:

- Interest Expense increased by $489,343. Interest expense of $519,145 primarily includes non-cash amortization of convertible debt of $496,685 (2016 - $24,605), non-cash amortization of deferred debt discount of $17,819 (2016 - $nil), interest accrual on debt of $4,052 (2016 - $nil) and finance charges of $589 and overall is a result of an increase in debt financing activities in the current year;
- Fair value loss on derivative financial liabilities increased by $574,600. Fair value loss on derivative financial liabilities is non-cash fair value measurement calculated using the Black-Sholes option pricing model and a binomial lattice model where appropriate and was higher for the three months ended September 30, 2017, due to an increase in convertible debt financing activities;
- Gain on extinguishment of debt increased by $149,396. Gain on extinguishment of debt is a non-cash measurement and arises due to the difference between the carrying value of the debt (after a final mark to the embedded derivative's fair value) and the shares issued to settle the debt measured at their then-current fair value. This difference was higher compared to the prior year as a result of an increase in the amount of convertible debt settled;
- Fair value gain on warrant liability decreased by $32,800 as there were no derivative warrants outstanding during the three months ended September 30, 2017. Fair value loss on warrant liability is a non-cash fair value measurement calculated using the Black-Sholes option pricing model.
- The Company recognized a one-time gain on extinguishment of liabilities of $408,009 with related parties during the year pursuant to debt forgiveness agreements. There were no such transactions in the comparative period of the prior fiscal year.

Critical Accounting Policies and Estimates

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 a Black-Scholes option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's statement of operations. The Company uses the straight-line single-option method to recognize the value of stock-based compensation expense for all share-based payment awards. Stock-based compensation expense recognized in the statement of operations is reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Revenue recognition

During the fiscal year ended June 30, 2013, 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 upfront license fees have been recorded over the term of the license agreement.

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.

Liquidity and Capital Resources

As of September 30, 2017, we had $2,156 in cash on hand, and we estimate that we will continue to require $2.0 to $3.0 million annually of additional financing to fund our ongoing operating and capital expenditures in order to carry out our business plan and to continue to operate during our fiscal year ending June 30, 2018. 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 $2M annually, and we will disclose promptly any changes to that estimate.

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

The Company's cash usage since inception in 1996 has been funded primarily from proceeds from the issuance of common stock. The company has issued warrants which have the potential to yield $1,129,840 calculated as 3,209,465 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 holders would elect to acquire shares by exercising their warrants. Subsequent to period end the company has raised $200,000 in convertible debt and entered into a license deal raising $1,000,000.

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 September 30, 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 September 30, 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 September 30, 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 debt financings in a cost-effective manner. 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, management has worked on the following remediation initiative described below:

- Management has consolidated its convertible under new and more simplified terms and has substantially reduced the complexity and volume of such debt holdings at year-end.

Management believes the action described above will remediate the material weakness we have identified and strengthen our internal controls 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

None

ITEM 6. Exhibits

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

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/ Mike Guzzetta
Mike Guzzetta, Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: October 30, 2018

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EXHIBIT INDEX

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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

EXHIBIT 31.1

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 September 30, 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: October 29, 2018

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, Mike Guzzetta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integral Technologies, Inc. for the period ended September 30, 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: October 29, 2018

By: /s/ Mike Guzzetta_________
Mike Guzzetta
Chief Financial Officer

EXHIBIT 32.1

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 September 30, 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

October 29, 2018

EXHIBIT 32.2

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

I, Mike Guzzetta, 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 September, 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/ Mike Guzzetta
Mike Guzzetta
Chief Financial Officer

October 29, 2018