

**FORM 61**

**QUARTERLY REPORT**

Incorporated as part of:   X   Schedule A

**ISSUER DETAILS:**

NAME OF ISSUER: International Hi-Tech Industries Inc.

ISSUER ADDRESS: 1096 West 10<sup>th</sup> Avenue  
Vancouver, B.C.  
V6H 1H8

CONTACT PERSON: Roger A. Rached

CONTACT'S POSITION: President

CONTACT TELEPHONE NUMBER: 733-5400

FOR QUARTER ENDED: March 31, 1999

DATE OF REPORT: May 28, 1999

**CERTIFICATE**

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THAT THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B AND C.

Roger A. Rached	"Roger A. Rached"	99/05/28
NAME OF DIRECTOR	SIGN	DATE SIGNED

Thomas Po	"Thomas Po"	99/05/28
NAME OF DIRECTOR	SIGN	DATE SIGNED

**INTERNATIONAL HI-TECH INDUSTRIES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 1999**  
**(Unaudited - see Notice to Reader)**

## **NOTICE TO READER**

We have compiled the consolidated balance sheet of International Hi-Tech Industries Inc. as at March 31, 1999 and the consolidated statements of operations and deficit and cash flows for the three month period then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, B.C.

May 27, 1999

Morgan & Company

Chartered Accountants

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## CONSOLIDATED BALANCE SHEETS

(unaudited - see Notice to Reader)

	MARCH 31	
	1999	1998
<b>ASSETS</b>		
<b>Current</b>		
Cash and short term deposits	\$ 821,480	\$ 354,119
Accounts receivable	195,406	141,742
Notes receivable (Note 2)	1,395,825	-
Prepaid expense	67,221	172,845
	<u>2,479,932</u>	<u>668,706</u>
<b>CAPITAL ASSETS (Note 3)</b>	<b>1,815,898</b>	<b>1,847,016</b>
<b>REAL ESTATE (Note 4)</b>	<b>13,445,463</b>	<b>9,589,406</b>
<b>DEFERRED PROJECT DEVELOPMENT COSTS</b>	<b>3,609,815</b>	<b>3,130,542</b>
	<u>\$ 21,351,108</u>	<u>\$ 15,235,670</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,440,803	\$ 692,250
Accrued interest payable	116,900	114,065
Loans payable (Note 5)	495,500	105,500
Advances payable	40,145	74,323
Mortgage payable (Note 6)	1,868,000	-
Project advance payable	-	2,000,000
Current portion of long term debt (Note 7)	5,184	16,237
	<u>3,966,532</u>	<u>3,002,375</u>
<b>Long Term Debt (Note 7)</b>	<b>214,894</b>	<b>221,299</b>
<b>Share Subscriptions Received (Note 8(f))</b>	<b>455,252</b>	<b>1,151,123</b>
<b>Minority Interest</b>	<b>1,052,709</b>	<b>424,177</b>
	<u>5,689,387</u>	<u>4,798,974</u>
<b>Contingencies (Note 11)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 8)</b>	<b>25,905,467</b>	<b>20,097,566</b>
<b>Contributed Surplus</b>	<b>305,000</b>	<b>-</b>
<b>Deficit</b>	<b>(10,548,746)</b>	<b>(9,660,870)</b>
	<u>15,661,721</u>	<u>10,436,696</u>
	<u>\$ 21,351,108</u>	<u>\$ 15,235,670</u>

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited – see Notice to Reader)

	THREE MONTHS ENDED MARCH 31	
	1999	1998
<b>Revenue</b>		
Licence rights	\$ 748,903	\$ -
Interest and other income	31,725	1,018
	<u>780,628</u>	<u>1,018</u>
<b>Expenses</b>		
Audit and accounting	40,291	43,219
Consulting fees	48,279	28,081
Depreciation and amortization	50,528	57,134
Directors' and officers' fees	18,000	12,000
General expense	59,559	38,408
Legal	59,165	36,047
Insurance	51,584	11,494
Interest and foreign exchange	97,345	52,558
Investor relations and product representation costs	42,013	74,687
Telephone, fax and cellular	6,288	18,751
Office rent	19,500	12,000
Promotion and presentation	27,046	-
Property taxes	2,894	-
Repairs and maintenance	22,908	9,105
Travel and business promotion	46,516	41,687
Transfer agent and filing fees	6,399	14,384
Wages and benefits	126,902	122,785
	<u>725,217</u>	<u>572,340</u>
<b>Income (Loss) Before The Following</b>	<b>55,411</b>	<b>(571,322)</b>
Minority interest in (income) loss of subsidiary	<u>(37,352)</u>	<u>23,553</u>
<b>Net Income (Loss) For The Period</b>	<b>18,059</b>	<b>(547,769)</b>
<b>Deficit, Beginning Of Period</b>	<b>(10,566,805)</b>	<b>(9,113,101)</b>
<b>Deficit, End Of Period</b>	<b>\$ (10,548,746)</b>	<b>\$ (9,660,870)</b>
<b>Net Income (Loss) Per Share</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited – see Notice to Reader)

	THREE MONTHS ENDED MARCH 31	
	1999	1998
<b>Cash Flow From Operating Activities</b>		
Net income (loss) for the period	\$ 18,059	\$ (547,769)
Adjustments for:		
Depreciation and amortization	50,528	57,134
Minority income in income (loss) of subsidiary	37,352	(23,553)
	<u>105,939</u>	<u>(514,188)</u>
Changes in non-cash working capital		
(Increase) decrease in receivables	(125,638)	33,104
Decrease in notes receivable	22,478	-
(Increase) decrease in prepaids	1,838	(32,196)
Increase (decrease) in accounts payable and accrued liabilities	885,378	(580,294)
Increase (decrease) in advances payable	(216,991)	66,992
Decrease in long term debt	(1,303)	(8,152)
	<u>565,762</u>	<u>(520,546)</u>
Cash flows from operating activities	<u>671,701</u>	<u>(1,034,734)</u>
<b>Cash Flows From Financing Activities</b>		
Issue of share capital for cash	1,152,010	569,480
Increase (decrease) in share subscriptions	(423,548)	971,123
Cash flows from financing activities	<u>728,462</u>	<u>1,540,603</u>
<b>Cash Flows From Investing Activities</b>		
Capital assets	(5,810)	-
Real estate	(1,709,328)	(339,741)
Project development costs	(278,809)	(76,469)
Cash flows from investing activities	<u>(1,993,947)</u>	<u>(416,210)</u>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(593,784)</b>	<b>89,659</b>
<b>Cash And Cash Equivalents, Beginning Of Period</b>	<b>1,415,264</b>	<b>264,460</b>
<b>Cash And Cash Equivalents, End Of Period</b>	<b>\$ 821,480</b>	<b>\$ 354,119</b>
<b>Cash And Cash Equivalents Are Comprised Of:</b>		
Cash on hand and balances with banks	\$ 678,884	\$ 116,378
Short term investments	142,596	237,741
	<u>\$ 821,480</u>	<u>\$ 354,119</u>

**INTERNATIONAL HI-TECH INDUSTRIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 1999**  
(unaudited – see Notice to Reader)

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) Consolidation

These financial statements include the accounts of the Company and its subsidiaries – Canadian Hi-Tech Manufacturing Ltd. (65% owned), IHI International Holdings Ltd. (72% owned) and IHI Construction Ltd. (100% owned).

b) Project Development Costs

The Company is deferring all architectural, design consulting and other costs directly related to the ongoing development and commercialization of its pre-fabrication building product and flexible design program to be amortized against related revenues when production commences.

c) Depreciation and amortization of Capital Assets

Automotive	-	30% declining balance method
Office furniture and equipment	-	20% declining balance method
Computer equipment	-	30% declining balance method
Other machinery and equipment	-	20% declining balance method
Patent application costs	-	on a straight line basis over ten years once a patent is secured
License rights	-	on a straight line basis over ten years

d) Non-Monetary Transactions

Shares of common stock of the Company issued for non-monetary consideration are valued at the quoted market price per share at the close of trading on the day of completion of the transaction except for those circumstances where, in the opinion of the Company and due to the nature of the transaction, the trading price does not fairly represent the value of the transaction. In such circumstances, the value of the shares is determined based on the estimated fair value of the consideration received.

e) Foreign Currency Translation

Transactions recorded in foreign currencies have been translated into Canadian dollars using the Temporal Method as follows:

- i) monetary items at the rate prevailing at the balance sheet date;
- ii) non-monetary items at the historical exchange rate;
- iii) revenue and expense at the average rate in effect during the applicable accounting period.

Gains or losses arising on translation are included in the results of operations.

**INTERNATIONAL HI-TECH INDUSTRIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 1999**  
(unaudited – see Notice to Reader)

**1. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

f) Net Income (Loss) per Share

Net income (loss) per share is based on the weighted average number of shares outstanding during the period.

**2. NOTES RECEIVABLE**

The notes receivable are repayable on demand with interest at 6.5% per annum.

**3. CAPITAL ASSETS**

	<u>1999</u>	<u>1998</u>
Automotive	\$ 143,226	\$ 123,966
Office furniture and equipment	264,379	264,379
Computer equipment	76,517	66,300
Other machinery and equipment	835,735	835,735
Patent application costs	1,438,360	1,274,441
License rights	200,000	200,000
	<u>2,958,217</u>	<u>2,764,821</u>
Accumulated depreciation and amortization	<u>1,142,319</u>	<u>917,805</u>
	<u><u>\$ 1,815,898</u></u>	<u><u>\$ 1,847,016</u></u>

**4. REAL ESTATE**

	<u>1999</u>	<u>1998</u>
Speen Road properties, Surrey		
Land and building	\$ 836,980	\$ 836,980
Hopcott Road property, Delta		
Land	1,356,527	1,356,527
Site preparation	1,404,553	1,404,553
Construction and design costs	8,583,187	4,727,130
Construction financing	857,206	857,206
Construction permits	135,810	135,810
Langley properties		
Land	141,400	141,400
Canadian National Railway properties	<u>129,800</u>	<u>129,800</u>
	<u><u>\$ 13,445,463</u></u>	<u><u>\$ 9,589,406</u></u>



**INTERNATIONAL HI-TECH INDUSTRIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 1999**  
(unaudited – see Notice to Reader)

**4. LOANS PAYABLE**

	<u>1999</u>	<u>1998</u>
Repayable on demand with interest at 20% per annum	\$ -	\$ 10,000
Repayable on demand at various interest rates	<b>95,500</b>	95,500
Repayable November 5, 1999 with interest at 10% per annum	<b>400,000</b>	-
	<u><b>\$ 495,500</b></u>	<u>\$ 105,500</u>

The \$400,000 loan payable represents the amount advanced to date on a \$1,000,000 line of credit. In consideration of providing the line of credit, a company controlled by the family of a director received 384,500 common shares at a deemed value of \$0.52 per share.

**4. MORTGAGE PAYABLE**

	<u>1999</u>	<u>1998</u>
The Company has arranged a conventional first mortgage financing secured by the land and improvements located at Hopcott Road in Delta, British Columbia. Advances under the mortgage bear interest at the rate of prime plus 5%, which is payable monthly. The mortgage is due on September 1, 1999. In consideration of their guarantees of the mortgage, two private companies controlled by the Company's president, received a total of 726,744 common shares at a deemed value of \$0.688 per share.		
Mortgage advance received	<u><b>\$ 1,868,000</b></u>	<u>\$ -</u>

**4. LONG TERM DEBT**

	<u>1999</u>	<u>1998</u>
CIBC Mortgage Corporation		
Repayable \$1,815 per month including interest at 7.6% per annum, due February 1, 2003, secured by Speen Road real estate	<b>\$ 220,078</b>	\$ 237,536
Less current portion	<u><b>5,184</b></u>	<u>16,237</u>
	<u><b>\$ 214,894</b></u>	<u>\$ 221,299</u>

**INTERNATIONAL HI-TECH INDUSTRIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 1999**  
(unaudited – see notice to reader)

**7. LONG TERM DEBT (Continued)**

The repayment requirements on the long term debt are as follows:

1999	\$	5,184
2000	\$	5,151
2001	\$	5,509
2002	\$	5,990
2003	\$	6,462

**8. SHARE CAPITAL**

a) Authorized

March 31, 1999 and 1998

200,000,000 common shares without par value

March 31, 1999 and 1998

10,000,000 Class A preferred shares without par value

b) Issued and Outstanding

	Number of Shares	Consideration
Common Shares		
Balance December 31, 1998	52,791,133	\$ 24,753,457
Shares issued for cash	1,074,200	1,233,260
	53,865,333	25,986,717
Finders' fees paid	-	(81,250)
Balance March 31, 1999	<u>53,865,333</u>	<u>\$ 25,905,467</u>

c) Escrow Shares

- i) Of the Company's issued and outstanding shares 21,470,672 are held in escrow to be released in accordance with a formula based on cumulative cash flow of the Company and 214,286 shares are held in escrow, their release being subject to the approval of the regulatory authorities.

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 1999**

(unaudited – see Notice to Reader)

### 8. SHARE CAPITAL (Continued)

- ii) As a condition of the issuance of the 384,500 shares referred to in Note 5, 230,700 of the shares remain in escrow to be issued on a prorata basis as additional funds are advanced against the line of credit.
- iii) As a condition of the issuance of the 726,744 shares referred to in Note 6, 363,372 of the shares are to be held in escrow, subject to disinterested shareholder approval at the Company's next annual general meeting. These shares will be returned to treasury if disinterested shareholder approval is not received at the Company's next annual general meeting.
- d) As at March 31, 1999 the Company had the following outstanding directors' and employees' stock options:

Number Of Shares	Exercise Price	Expiry Date
250,000	\$2.25	January 20, 2002
22,500	\$2.25	February 10, 2002
400,000	\$2.25	July 21, 2002
150,000	\$2.25	August 28, 2002
100,000	\$2.25	September 4, 2002
25,000	\$2.25	October 21, 2002
2,600,000	\$0.88	October 6, 2003

- e) As at March 31, 1999 the Company had outstanding non-transferable share purchase warrants for the purchase of additional shares as follows:

Number Of Shares	Exercise Price		Expiry Date	
	Year 1	Year 2	Year 1	Year 2
61,783	\$	1.81		April 29, 1999
83,000	\$	1.53		May 14, 1999
72,932	\$	1.53		May 26, 1999
306,122	\$	1.13		May 26, 1999
310,000	\$	1.13		May 26, 1999
300,000	\$	0.98		July 23, 1999
120,000	\$	0.98		July 29, 1999
345,000	\$	0.98		September 15, 1999
500,000	\$	1.04		September 24, 1999
110,000	\$	1.04		September 15, 1999
162,600	\$	1.41		September 23, 1999

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 1999**

(unaudited – see Notice to Reader)

### 8. SHARE CAPITAL (Continued)

Number Of Shares	Exercise Price		Expiry Date	
	Year 1	Year 2	Year 1	Year 2
80,000		\$ 1.54		October 22, 1999
75,000		\$ 1.54		October 22, 1999
105,000		\$ 1.54		October 22, 1999
75,000		\$ 1.54		October 22, 1999
100,000		\$ 1.15		November 7, 1999
100,000		\$ 1.15		November 15, 1999
100,000		\$ 1.15		November 19, 1999
100,000		\$ 1.15		November 19, 1999
100,000		\$ 1.15		November 20, 1999
176,500		\$ 0.98		December 6, 1999
176,500	\$ 0.85	\$ 0.98		January 1, 2000
150,000	\$ 0.65	\$ 0.75		January 1, 2000
450,000	\$ 0.65	\$ 0.75		January 1, 2000
150,000	\$ 0.65	\$ 0.75		January 1, 2000
300,000	\$ 0.84	\$ 0.97		January 1, 2000
125,000	\$ 0.92	\$ 1.06		January 8, 2000
125,000	\$ 0.92	\$ 1.06		January 31, 2000
108,000	\$ 0.90	\$ 1.04		February 5, 2000
277,800	\$ 0.90	\$ 1.035		February 20, 2000
156,250	\$ 0.64	\$ 0.74		March 6, 2000
234,375	\$ 0.64	\$ 0.74		March 7, 2000
108,000	\$ 0.90	\$ 1.035		March 28, 2000
108,000	\$ 0.90	\$ 1.035		March 10, 2000
108,000	\$ 0.90	\$ 1.035		March 20, 2000
108,000	\$ 0.90	\$ 1.035	April 8, 1999	April 8, 2000
108,000	\$ 0.90	\$ 1.035	April 16, 1999	April 16, 2000
100,000	\$ 1.00	\$ 1.15	April 19, 1999	April 19, 2000
110,000	\$ 0.90	\$ 1.035	April 22, 1999	April 22, 2000
300,000	\$ 1.00	\$ 1.15	April 16, 1999	April 16, 2000
100,000	\$ 1.00	\$ 1.15	May 6, 1999	May 6, 2000
200,000	\$ 1.00	\$ 1.15	May 21, 1999	May 21, 2000
300,000	\$ 1.00	\$ 1.15	June 6, 1999	June 6, 2000
100,000	\$ 1.00	\$ 1.15	June 30, 1999	June 30, 2000
1,000,000	\$ 1.00	\$ 1.15	July 1, 1999	July 1, 2000
200,000	\$ 1.00	\$ 1.15	July 17, 1999	July 17, 2000
200,000	\$ 1.00	\$ 1.15	July 18, 1999	July 18, 2000
173,913	\$ 1.15	\$ 1.3225	July 21, 1999	July 21, 2000
100,000	\$ 1.00	\$ 1.15	July 23, 1999	July 23, 2000
86,957	\$ 1.15	\$ 1.32	September 15, 1999	September 15, 2000
84,348	\$ 1.15	\$ 1.32	September 18, 1999	September 18, 2000
86,957	\$ 1.15	\$ 1.32	September 21, 1999	September 21, 2000

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 1999**

(unaudited – see Notice to Reader)

### 8. SHARE CAPITAL (Continued)

Number Of Shares	Exercise Price		Expiry Date	
	Year 1	Year 2	Year 1	Year 2
100,000	\$ 1.15	\$ 1.32	December 9, 1999	December 9, 2000
90,000	\$ 1.15	\$ 1.32	December 16, 1999	December 16, 2000
90,000	\$ 1.15	\$ 1.32	December 16, 1999	December 16, 2000
90,000	\$ 1.15	\$ 1.132	December 12, 1999	December 12, 2000
142,000	\$ 1.15	\$ 1.132	December 19, 1999	December 19, 2000
346,200	\$ 1.30	\$ 1.50	March 24, 2000	March 24, 2001

- f) The Company has arranged, subject to regulatory approval, private placements totalling 2,660,000 units for total consideration of \$3,075,000. Each unit consists of one share and one non-transferable share purchase warrant for the purchase of an additional share for a period of two years. As at March 31, 1999, \$455,252 had been advanced in connection with these private placements.
- g) As at March 31, 1999 the Company's 65% owned subsidiary, Canadian Hi-Tech Manufacturing Ltd. (Canadian Hi-Tech), has 11,000 class B preferred shares outstanding which are redeemable at \$100 per share at the option of Canadian Hi-Tech or after March 1, 1996 at the option of the preferred shareholder who has agreed not to request Canadian Hi-Tech to redeem its shares until all of the performance and escrow shares referred to in Note 8(c) have been earned out of escrow.

### 9. INCOME TAXES

At March 31, 1999, the Company and its subsidiaries had approximately \$12,950,000 in net operating loss carryforwards available to offset future taxable income. The changes in ownership of the Company during 1993 and future changes in ownership will significantly restrict the utilization of these carryforwards. These carryforwards, if available and unused, will expire from 1999 to 2005. Due to net losses the Company did not record a provision for income taxes in 1998 or 1997.

# **INTERNATIONAL HI-TECH INDUSTRIES INC.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 1999**

(unaudited – see Notice to Reader)

### **10. RELATED PARTY TRANSACTIONS**

- a) During the period, a company controlled by a director was paid project management fees of \$18,000 (1998 - \$18,000). In addition, a second company controlled by the same director was paid rent of \$19,500 (1998 - \$19,500).
- b) During the year, the Company paid directors' and officers' fees of \$Nil (1998 - \$12,000).
- c) The Company is party to a consulting fee agreement under which a company controlled by a director and a second company controlled by this same director's family will provide all building engineering designs for the Company's projects for an initial fee of 4% of the factory cost of the initial design and 1% of the factory cost for subsequent use of the same design.
- d) IHI International Holdings Ltd. ("IHI-International"), a Bermuda company and a 72% owned subsidiary of the Company, holds the right to use the building technology in all countries in the world other than Canada. The Company has agreed to use its best efforts to offer to its shareholders shares of IHI-International. As a result, shareholders of the Company will have an opportunity to acquire a direct interest in IHI-International which will hold the right to use the technology in all parts of the world other than Canada.
- e) The \$400,000 loan payable described in Note 5 is owing to a company controlled by the family of a director.

### **11. CONTINGENCIES**

- a) The Company has been named as the defendant in an action commenced by a former director claiming damages for the value of 150,000 common shares of the Company. The Company believes that the claim is without merit and intends to vigorously defend the action.
- b) A contractor engaged by the Company has commenced an action claiming that approximately \$590,000 is owing as a result of the alleged non-payment of amounts due under his contract. The Company has commenced legal action against this contractor claiming damages related to breach his contractual obligations. This contractor has also filed a builder's lien against the Company's Hopcott Road Property and in order to discharge this lien, the Company will need to pay approximately \$415,000 into court.

In addition, a number of builders' liens have been registered against the Company's Hopcott Road property by the sub-contractors of a contractor engaged by the Company during construction of the Hopcott Road facility. In order to discharge these liens, the Company may need to pay approximately \$82,000 into court.

# INTERNATIONAL HI-TECH INDUSTRIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 1999**

(unaudited – see Notice to Reader)

### 12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

### 13. SUBSEQUENT EVENTS

- a) Subsequent to March 31, 1999, the Company arranged, subject to regulatory approval, the following private placements:

Number of Units	Price Per Unit	Exercise Price of Warrants			Finders' Fees
		Year 1	Year 2		
4,700,000	\$ 1.30	\$ 1.30	\$ 1.50		\$ 522,750

- b) Subsequent to March 31, 1999, the Company completed the following private placements:

Number of Units	Price Per Unit	Exercise Price of Warrants			Finders' Fees
		Year 1	Year 2		
160,000	\$ 1.25	\$ 1.25	\$ 1.44		\$ 20,000
1,273,077	\$ 1.30	\$ 1.30	\$ 1.50		\$ 142,308

- c) Subsequent to March 31, 1999, the Company issued an additional 210,000 common shares for cash consideration of \$199,000 on the exercise of share purchase warrants.





**FORM 61**

**QUARTERLY REPORT**

Incorporated as part of:      X      Schedule B & C

**ISSUER DETAILS:**

NAME OF ISSUER:            International Hi-Tech Industries Inc.

ISSUER ADDRESS:           1096 West 10<sup>th</sup> Avenue  
                                 Vancouver, B.C.  
                                 V6H 1H8

CONTACT PERSON:         Roger A. Rached

CONTACT'S POSITION:      President

CONTACT TELEPHONE NUMBER: 733-5400

FOR QUARTER ENDED:     March 31, 1999

DATE OF REPORT:         May 28, 1999

**CERTIFICATE**

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THAT THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B AND C.

Roger A. Rached	"Roger A. Rached"	99/05/28
NAME OF DIRECTOR	SIGN	DATE SIGNED

Thomas Po	"Thomas Po"	99/05/28
NAME OF DIRECTOR	SIGN	DATE SIGNED



# INTERNATIONAL HI-TECH INDUSTRIES INC.

## QUARTERLY REPORT

MARCH 31, 1999

### Schedule A: Financial Information

See attached financial statements and schedule of deferred project development costs.

### Schedule B: Supplementary Information

1. See attached Financial Statements

2. a) Securities issued during the period

Date of Issue	Type of Security	Type of Issue	Number of Shares	Issue Price	Total Proceeds	Type of Consideration	Commission Paid
Feb. 5/99	Common	Private placement	280,000	\$1.15	\$ 322,000	Cash	\$ 32,200
Feb. 5/99	Common	Exercise warrants	108,000	\$0.90	\$ 97,200	Cash	None
Mar. 1/99	Common	Private placement	232,000	\$1.15	\$ 266,800	Cash	\$ 26,680
Mar. 23/99	Common	Exercise warrants	108,000	\$0.90	\$ 97,200	Cash	None
Mar. 26/99	Common	Private placement	346,200	\$1.30	\$ 450,060	Cash	\$ 41,250

b) Stock options granted during the period:

None

3. a)

Class	Par Value	Authorized	Number	Issued Amount
Common Class A	Without par value	200,000,000	53,865,333	\$25,905,467
Preferred	Without par value	10,000,000		

b) See Notes 8(d) and 8(e) to the attached financial statements.

c) See Note 8(c) to the attached financial statements.

d) List of Directors:

Roger A. Rached  
Evelyn Becker  
Ferdinand Rauer

Thomas Po  
Lawry Trevor-Deutsch

**Schedule C: Management Discussion**

See attached

**INTERNATIONAL HI-TECH INDUSTRIES INC.**  
**OTHER FINANCIAL INFORMATION**  
**FOR THE THREE MONTHS ENDED MARCH 31, 1999**

**1. Deferred Project Development Costs**

Balance December 31, 1998	\$ 3,331,006
Additions during the period	
Show home	<u>278,809</u>
Balance March 31, 1999	<u><u>\$ 3,609,815</u></u>

**2. General Expense**

Printing	\$ 3,383
Courier	4,057
Postage	2,930
Office supplies	18,811
Equipment leasing	22,043
Auto expenses	1,485
Utilities	5,855
Dues, subscriptions, licence	<u>995</u>
	<u><u>\$ 59,559</u></u>

**3. Investor Relations and Product Representation Costs**

Euroasian Canamerican Enterprises Inc. (Vancouver)	
3 months x \$5,000	\$ 15,000
Veda S.A. Consult (Luxembourg) 3 months x U.S. \$6,000	<u>27,013</u>
	<u><u>\$ 42,013</u></u>

**4. Travel and Business Promotion**

Meals and entertainment	\$ 19,044
Advertising	1,183
Veda S.A. Consult reimbursable expenses and other costs related to the Luxembourg Show Home	<u>26,289</u>
	<u><u>\$ 46,516</u></u>

## **SCHEDULE C MANAGEMENT DISCUSSION**

### **Overview**

The principal business of International Hi-Tech Industries Inc. (the “Corporation”) is the development and commercialization of a new building system (the “Technology”) in Canada, and internationally through the Corporation’s 72% owned subsidiary, IHI-International Holdings Ltd. (“IHI-International”). The Canadian rights to the Technology are held by the Corporation pursuant to a licence agreement which terminates on March 16, 2092. The international rights to the Technology are held by IHI-International pursuant to a licence agreement which terminates on October 4, 2093.

The Corporation continued to expand its base of strategic joint venture partners, ending the first quarter of the fiscal year with 20 interim agreements that call for the establishment of up to 27 *Hi-Tech Factories*. At the foundation of the Corporation’s success in securing joint venture partners (both directly and indirectly through IHI-International) is the sustained growth and the need for affordable housing and the Corporation’s progress in demonstrating the commercial viability of the *Hi-Tech Building Technology* in meeting such need. The Corporation has also maintained its focus and commitment to complete the construction of the permanent manufacturing facility at 7393 Hopcott Road, Delta, British Columbia and to commence the commercial production of panels derived from the Technology.

The Corporation has continued to demonstrate the attractiveness of its Technology and its expert-oriented business. Despite the continued poor British Columbia economy, during the first quarter of fiscal 1999 the Corporation generated \$748,903 from its licensing activities and generated over \$728,462 from its financing activities.

Management is committed to enhancing the financial return on the Corporation’s \$21.4 million of assets, primarily invested in its nearly completed permanent manufacturing facility located in Delta, British Columbia. In addition, the Corporation will continue to pursue strategic alliances that increase revenue and that are compatible with its corporate culture.

### ***Manufacturing Facility***

The structure for the permanent manufacturing facility (the “Facility”) (other than for the office accommodations) was completed on April 21, 1998. Finishing work and the installation of equipment for the production lines must still be completed. Mechanical and electrical work are underway. Automatic overhead doors and cranes have been installed and windows, a storm water drainage system and the infrastructure have been completed. All of the panels for the Facility, which number approximately 1,300, were produced by the Corporation.

The web site at <http://www.ihl.ca> is frequently updated with pictures detailing the construction process at the Facility.

### ***Intellectual Property***

The United States Patent and Trademark office has granted United States Patent No.

5,584,151 from the divisional application relating to foundation components of the Technology. The United States Patent and Trademark office has also granted United States Patent Nos. 5,862,639 and 5,785,904 relating to the panels and the method of securing architectural finish elements, respectively. Over 110 patent applications and applications for other forms of protection have been filed worldwide to attempt to establish exclusionary rights to the Technology in at least 180 countries or regions.

Patents have now been issued for the Russian Federation, Macedonia and Venezuela. American Samoa, Guam, Puerto Rico and the US Virgin Islands are covered under the United States Patents. New Patents have been issued for Paraguay, Kazakhstan and Madagascar. Patent protection has also been obtained for Bahrain.

#### *Operations*

The Corporation had a net profit of \$18,059 for the three months ended March 31, 1999, as compared to a net loss of \$547,769 for the three months ended March 31, 1998. For the first quarter of fiscal 1999, the Corporation has demonstrated its ability to generate cash flow to cover its operating expenses.

Directors' and officers' fees, consulting fees, legal costs, general expenses, insurance, and repair and maintenance costs have increased substantially, as the Corporation moves towards the commercial production of its products. The Corporation reported a non-cash charge for depreciation and amortization of \$50,528 for the three months ended March 31, 1999, compared to a charge of \$57,134 for the prior three month period.

For the three months ended March 31, 1999, interest and foreign exchange expense increased to \$97,345 from \$52,558, principally due to the higher interest costs associated with mortgages on such property. Rent increased from \$12,000 to \$19,500, principally due to a change in accounting treatment away from capitalizing a portion of such rent.

#### *Capital Requirements, Resources and Liquidity*

As at March 31, 1999 the Corporation had working capital deficit of \$1,486,600. Of such amount, \$1,868,000 is represented by the mortgage advance that is repayable to Highland Pacific Mortgage Corporation, the holder of the first mortgage on the Hopcott Road Property. As well, \$400,000 of such amount is due to a company controlled by the family of a director. Of the current assets, a portion thereof represents two demand notes received by Veda Consult S.A. ("Veda Consult"). Veda Consult has entered into a memorandum of understanding to promote, develop and market the products of the Corporation's construction Technology and to establish and operate factory operations in Luxembourg and in the surrounding regions. IHI-International has accepted from Veda Consult two demand notes, dated June 30 and September 30, 1998 each in the amount of U.S.\$462,500 as payment for the balance of the license fee (U.S.\$925,000), due under the memorandum of understanding dated November 27, 1995 between Veda Consult and IHI-International respecting the establishment of potential factory operations.

Since March 31, 1999, the Corporation closed \$1,855,000 of private placements. As at March 31, 1999, the Facility, including the land on which the Facility is located, had a book value of approximately \$12.3 million.

The Corporation, based on its estimate of costs in connection with the completion of the Facility, will require approximately \$4 million of financing (whether equity, debt or a lease financing, or a combination of the foregoing) to fund its completion. See "Recent Developments" below for a description of a proposed \$6.1 million private placement (\$1,655,000 of which closed on May 20, 1999). There is no assurance that a financing of \$4 million will be obtained. If the financing of \$4 million is not obtained on or before June 30, 1999 on terms reasonably acceptable to the Corporation, then the Corporation will be required to delay the completion of the Facility and the commercial production of its products until financing is obtained.

All proceeds from private placements have been used for the purposes disclosed in the applicable news releases disclosing the private placements.

The Corporation has demonstrated its ability to generate revenue to cover a significant portion of its operating expenses. The Corporation has a proven ability to access private capital. The short term outlook for the Corporation's liquidity is satisfactory provided that the Corporation can secure a financing of \$4 million on or before June 30, 1999, and that arrangements are made to either renew or replace the first mortgage over the Hopcott Road Property. The first mortgage is in favour of the Highland Pacific Mortgage Corporation. The longer term outlook for the Corporation's liquidity will depend on the Corporation's success in accessing external sources of financing, the speed with which the Corporation will be able to derive internally generated cash flow from the sales of its products and license fees generated from memoranda of understanding or interim agreements ("MOUs").

The Corporation believes, following the successful demonstration of its custom designed "show home" in Luxembourg and Vancouver, British Columbia that led to numerous inquiries regarding possible joint ventures, that it is now in a position, after having completed the building of the structure for its first *IHI Automated Facility*, to seek further commitments to enter into development, joint venture and licensing agreements with other strategic partners. The Facility incorporates the Corporation's new state of the art building Technology.

#### ***Recent Developments***

#### ***Equity Financing***

On April 16, 1999, the Corporation announced a private placement of 4.7 million units at a price of \$1.30 per unit. The proceeds raised from the private placement will be used for the purchase of equipment for the Corporation's Hopcott Road Property and for working capital purposes. The first tranche of the private placement (\$1,655,000) was closed on May 20, 1999. The second tranche of the private placement (\$4,455,000) is subject to regulatory acceptance and receipt of funds.

#### ***CIBC Investment Banking***

The Corporation has engaged CIBC Investment Banking ("CIBC") to assist the Corporation in raising debt and equity financing to fund equipment requirements and to fund the Corporation's commercialization program. Pursuant to a letter agreement dated March 9, 1999, the Corporation has paid CIBC a work fee of \$25,000.

#### ***Vancouver Show Home***

The Corporation's Vancouver show home that was displayed at the *1999 B.C. Home*



*and Garden Show*, will be remodeled and enlarged to 5,000 square feet (including *Hi-Tech* basement and garage). The opening will be on 9/9/99 for the Corporation's Annual General Meeting. This will be a completely renovated unit that will show the flexibility of the *Hi-Tech System* for accepting modifications. The show home will be open to the public and international delegations beginning 9/10/99.

### ***Joint Ventures***

On December 29, 1998, IHI-International entered into a MOU that contemplates the establishment of a joint venture in Honduras. The anticipated joint venture partner will be an affiliate of Hi-Tech Canada Development Corp. ("HCD"). HCD will contribute U.S.\$10 million for a 49% interest in a factory for the region. An irrevocable down payment of U.S.\$100,000 on account of a license fee of U.S.\$1,000,000 has been paid. The MOU provides that HCD will pay to IHI-International the remainder of the license fee by June 30, 2000.

On January 16, 1999, IHI-International entered into a MOU that contemplates the establishment of a joint venture with the Cascade Group Pty. Ltd. ("Cascade Group") of Australia. Cascade Group will contribute U.S.\$10 million for a 49% interest in the first factory for the region (which will comprise a portion of Australia), and has the option to build additional factories to serve both the entire Australian and New Zealand markets. An irrevocable down payment of U.S.\$100,000 on account of a license fee of U.S.\$1,000,000 has been paid. The MOU provides that Cascade Group will pay to IHI-International the remainder of the license fee by June 30, 2000.

On February 27, 1999, IHI-International entered into a MOU that contemplates the

establishment of a joint venture in France. Hi-Tech France Development Corp. ("Hi-Tech France") will contribute U.S.\$10 million for a 49% interest in the first of three factories for the region. An irrevocable down payment of U.S.\$100,000 on account of the first license fee of U.S.\$1,000,000 has been paid. The MOU provides that Hi-Tech France will pay to IHI-International the remainder of the first license fee by March 31, 2000. The first factory in France will serve the Northwest Region of France, including the Ile-de-France, Nord-Pas-de-Calais, Basse-Normandie, Haute-Normandie and Picardie. Two additional potential factories will serve the Southeast and Southwest Regions of France.

On February 28, 1999, the Corporation entered into a MOU that contemplates the establishment of two joint ventures with HCD. One will cover the Prairie Region of Canada and the other will cover the Atlantic Region of Canada. HCD will contribute U.S.\$10 million per factory for a 49% interest each of two factories for those regions. An irrevocable down payment of CDN.\$300,000 on account of a license fee of U.S.\$2,000,000 has been paid. The MOU provides that HCD will pay to the Corporation the remainder of the first license fee by December 31, 2000, and the remainder of the license fee by December 31, 2001.

The above joint ventures are subject to regulatory acceptance.

### ***Gerald Hamilton***

It is with deep sadness that the Corporation notes the passing of Chairman of the Board and Director, Gerald Hamilton. Mr. Hamilton was an internationally acclaimed architect, planner and land use consultant responsible for hundreds of high-rise and

low-rise residential and commercial projects in Vancouver and other parts of the world. In addition to being a member of the Royal Architectural Institute of Canada and the Architectural Institute of British Columbia, Mr. Hamilton was also a Fellow of the British Institute of Architects and an honorary member of the Mexican Society of Architects. He was a Freeman of the City of London and a Knight of the Order of St. John. As Chairman of the Company, Mr. Hamilton introduced the Hi-Tech System to his many large developer contacts in Canada and abroad. Mr. Hamilton was 75 years old.

#### ***Appointment of Lawry Trevor-Deutsch***

The Corporation has appointed Mr. Lawry Trevor-Deutsch, President of Strathmere Associates International Ltd., as a Director of the Corporation. Mr. Trevor-Deutsch, a Canadian citizen, who holds a Master of Science degree from Carleton University and a joint MBA from McGill University and the University of Manchester, is a business development consultant with 17 years of experience, specializing in strategic planning, technology development and government relations. Based in Ottawa, Mr. Trevor-Deutsch is associated with consulting firms across Canada and has served on the Boards of Directors of a number of professional and not-for-profit associations.

Among his current development projects, Mr. Trevor-Deutsch is under contract with the World Bank in Washington, D.C., assisting with the Bank's recent international distance learning initiative and is a consultant for the North Slave Metis Alliance in the Northwest Territories, assisting the Alliance with the development of a diamond cutting/polishing facility in Yellowknife. He has considerable international experience, having worked in Europe, Africa, Taiwan and the Caribbean. Mr. Trevor-Deutsch is

frequently an invited speaker to conferences, colleges and international delegations and maintains Secret-level security clearance with the Canadian Government.

#### ***Investor Relations***

Investor relations activities are conducted in-house, through Leslie Anderton.

#### ***Related Party Transactions***

Reference is made to the Management Proxy Circular for the annual meeting of the Corporation held on June 17, 1998, to the disclosure contained in the quarterly report of the Corporation for the year ended December 31, 1998 and to the notes contained in the first quarter financial statements.

#### ***Lawsuit***

On January 22, 1999, the Corporation filed an action in the Supreme Court of British Columbia against Cary Lawrence Praetor doing business as CIP International Roofing and Waterproofing for breach of contract by Mr. Praetor of an agreement to supply roofing and waterproofing services for the Facility. Mr. Praetor filed a builders lien against the Corporation's property in January, 1999. The Corporation delivered a 21 day notice under the *Builders Lien Act* to Mr. Praetor to require him either to commence an action with respect to his claim of lien or have his lien discharged. On May 19, 1999, Mr. Praetor commenced an action in the Supreme Court of British Columbia to enforce his claim of lien. For further information related to this law suit, reference should be made to the Annual Information Form of the Corporation dated May 17, 1999.

***Conclusion***

The financial achievements through the first quarter of fiscal 1999 have reconfirmed the Corporation's standing as a leader in the development of new building technology. The Corporation's directors, employees and technical and financial advisors deserve much credit for this success. Their outstanding efforts, combined with the sustained growth

for the need for affordable housing, have helped to bring the Corporation to a point where it is on the brink of commercial production. As commercial production is achieved, the capital for the Corporation's future factory growth should be readily available from both debt and equity markets, as well from profit generated from both production and licensing activities.