

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 10th Avenue
 Vancouver, B.C.
 V6H 1H8
CONTACT PERSON: Roger A. Rached
CONTACT'S POSITION: President
CONTACT TELEPHONE NUMBER: 733-5400
FOR QUARTER ENDED: December 31, 1998
DATE OF REPORT: May 19, 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.

<u>Roger A. Rached</u>	<u>"Roger A. Rached"</u>	<u>99/05/19</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

<u>Gerald Hamilton</u>	<u>"Thomas Po"</u>	<u>99/05/19</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

AUDITORS' REPORT

To the Shareholders
International Hi-Tech Industries Inc.

We have audited the consolidated balance sheets of International Hi-Tech Industries Inc. as at December 31, 1998 and 1997 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada

May 14, 1999

Morgan & Company

Chartered Accountants

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	1998	1997
ASSETS		
Current		
Cash and short term deposits	\$ 1,415,264	\$ 264,460
Accounts receivable	69,768	174,846
Notes receivable (Note 2)	1,418,303	-
Prepaid expense	69,059	140,649
	2,972,394	579,955
CAPITAL ASSETS (Note 3)	1,860,616	1,904,150
REAL ESTATE (Note 4)	11,736,135	9,249,665
DEFERRED PROJECT DEVELOPMENT COSTS	3,331,006	3,054,073
	\$ 19,900,151	\$ 14,787,843
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 560,200	\$ 1,277,044
Accrued interest payable	112,125	109,565
Loans payable (Note 5)	495,500	105,500
Advances payable	257,136	7,331
Mortgage payable (Note 6)	1,868,000	-
Project advance payable	-	2,000,000
Current portion of long term debt (Note 7)	5,184	24,573
	3,298,145	3,524,013
Long Term Debt (Note 7)	216,197	221,115
Share Subscriptions Received (Note 8(f))	878,800	180,000
Minority Interest	1,015,357	447,730
	5,408,499	4,372,858
Contingency (Note 11)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	24,753,457	19,528,086
Contributed Surplus	305,000	-
Deficit	(10,566,805)	(9,113,101)
	14,491,652	10,414,985
	\$ 19,900,151	\$ 14,787,843

Approved by the Board of Directors:

"Roger Rached"

"Thomas Po"

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	YEARS ENDED DECEMBER 31	
	1998	1997
Revenue		
Licence rights	\$ 3,245,132	\$ 402,712
Interest and other income	74,082	22,454
	3,319,214	425,166
Expenses		
Audit and accounting	120,302	62,243
Capital taxes	36,762	34,004
Consulting fees	376,961	183,116
Depreciation and amortization	231,121	262,524
Directors' and officers' fees	111,260	54,427
Finders' fees and loan guarantee and commitment fees	929,730	480,000
General expense	142,757	267,813
Legal	596,953	771,991
Insurance	34,487	76,362
Interest and foreign exchange	231,774	156,587
Investor relations and product representation costs	491,464	305,855
Telephone, fax and cellular	79,816	83,285
Office rent	78,000	48,000
Promotion and presentation	3,510	33,583
Property taxes	63,971	37,654
Repairs and maintenance	43,112	38,994
Travel and business promotion	200,912	401,229
Transfer agent and filing fees	17,458	45,420
Wages and benefits	414,941	390,072
	4,205,291	3,733,159
Loss Before The Following	(886,077)	(3,307,993)
Minority interest in (income) loss of subsidiary	(567,627)	17,120
Gain on issue of treasury shares by subsidiary company	-	95,150
	(1,453,704)	(3,195,723)
Loss For The Year	(1,453,704)	(3,195,723)
Deficit, Beginning Of Year	(9,113,101)	(5,917,378)
Deficit, End Of Year	\$ (10,566,805)	\$ (9,113,101)
Loss Per Share	\$ (0.03)	\$ (0.075)

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	YEARS ENDED DECEMBER 31	
	1998	1997
Operating activities		
Loss for the period	\$ (1,453,704)	\$ (3,195,723)
Add (deduct) non-cash items		
Depreciation and amortization	231,121	262,524
Minority interest in income (loss) of subsidiary	567,627	(17,120)
Gain on issue of treasury shares by Subsidiary company	-	(95,150)
	<u>(654,956)</u>	<u>(3,045,469)</u>
Change in non-cash working capital items	<u>(1,467,503)</u>	<u>1,918,922</u>
	<u>(2,122,459)</u>	<u>(1,126,547)</u>
Financing Activities		
Shares issued for cash	4,700,641	4,173,465
Shares issued for loan guarantees	829,730	400,000
Increase (decrease) in long term debt	(4,918)	(219,724)
Share subscriptions received (net)	698,800	180,000
Minority interest	-	560,000
	<u>6,224,253</u>	<u>5,093,741</u>
Investing Activities		
Capital assets	(187,587)	(209,529)
Project development costs	(276,933)	(179,800)
Real estate	(2,486,470)	(4,186,175)
	<u>(2,950,990)</u>	<u>(4,575,504)</u>
Increase (Decrease) In Cash	1,150,804	(608,310)
Cash, Beginning Of Year	264,460	872,770
Cash, End Of Year	\$ 1,415,264	\$ 264,460

INTERNATIONAL HI-TECH INDUSTRIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

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

DECEMBER 31, 1998 AND 1997

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Loss per Share

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

	1998	1997
Automotive	\$ 143,226	\$ 123,966
Office furniture and equipment	264,379	264,379
Computer equipment	70,707	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
	2,952,407	2,764,821
Accumulated depreciation and amortization	1,091,791	860,671
	\$ 1,860,616	\$ 1,904,150

4. REAL ESTATE

	1998	1997
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	6,873,859	4,387,389
Construction financing	857,206	857,206
Construction permits	135,810	135,810
Langley properties		
Land	141,400	141,400
Canadian National Railway properties	129,800	129,800
	\$ 11,736,135	\$ 9,249,665

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

DECEMBER 31, 1998 AND 1997

4. LOANS PAYABLE

	1998	1997
Repayable on demand with interest at 20% per annum	\$ -	\$ 10,000
Repayable on demand at various interest rates	95,500	95,500
Repayable November 5, 1999 with interest at 10% per annum	400,000	-
	\$ 495,500	\$ 105,500

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

	1998	1997
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	\$ 1,868,000	\$ -

4. LONG TERM DEBT

	1998	1997
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	\$ 221,381	\$ 226,183
Finance contract, repayable \$2,871 per month including interest, due October 1, 1998, secured by capital assets	-	19,505
	221,381	245,688
Less current portion	5,184	24,573
	\$ 216,197	\$ 221,115

INTERNATIONAL HI-TECH INDUSTRIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

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

December 31, 1998 and 1997

200,000,000 common shares without par value

December 31, 1998 and 1997

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

b) Issued and Outstanding

	Number of Shares	Consideration
Common Shares		
Balance December 31, 1997	46,246,138	\$ 19,528,086
Shares issued for cash	5,436,400	5,146,241
Shares issued for loan guarantees	1,261,095	829,730
	<u>52,943,633</u>	<u>25,504,057</u>
Finders' fees paid	-	(445,600)
	<u>52,943,633</u>	<u>25,058,457</u>
Voluntary cancellation by the Company's President of shares previously issued for a loan guarantee	<u>(152,500)</u>	<u>(305,000)</u>
Balance December 31, 1998	<u><u>52,791,133</u></u>	<u><u>\$ 24,753,457</u></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

DECEMBER 31, 1998 AND 1997

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 December 31, 1998 the Company had the following outstanding directors' and employees' stock options:

Number Of Shares	Exercise Price	Expiry Date
100,000	\$2.25	January 16, 1999
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 December 31, 1998 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
91,900	\$	2.00	March 3, 1999	
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

DECEMBER 31, 1998 AND 1997

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, 1999	January 1, 2000
150,000	\$ 0.65	\$ 0.75	January 1, 1999	January 1, 2000
450,000	\$ 0.65	\$ 0.75	January 1, 1999	January 1, 2000
150,000	\$ 0.65	\$ 0.75	January 1, 1999	January 1, 2000
300,000	\$ 0.84	\$ 0.97	January 1, 1999	January 1, 2000
125,000	\$ 0.92	\$ 1.06	January 8, 1999	January 8, 2000
125,000	\$ 0.92	\$ 1.06	January 31, 1999	January 31, 2000
108,000	\$ 0.90	\$ 1.04	February 5, 1999	February 5, 2000
156,250	\$ 0.64	\$ 0.74	March 6, 1999	March 6, 2000
234,375	\$ 0.64	\$ 0.74	March 7, 1999	March 7, 2000
277,800	\$ 0.90	\$ 1.035	February 20, 1999	February 20, 2000
108,000	\$ 0.90	\$ 1.035	March 28, 1999	March 28, 2000
108,000	\$ 0.90	\$ 1.035	March 10, 1999	March 10, 2000
108,000	\$ 0.90	\$ 1.035	March 20, 1999	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
DECEMBER 31, 1998 AND 1997

8. SHARE CAPITAL (Continued)

- f) The Company has arranged, subject to regulatory approval, private placements totalling 3,012,000 units for total consideration of \$3,463,800. 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 December 31, 1998, \$878,800 had been advanced in connection with these private placements.

- g) As at December 31, 1998 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 December 31, 1998, the Company and its subsidiaries had approximately \$12,750,000 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 1998 to 2004. Due to net losses the Company did not record a provision for income taxes in 1998 or 1997.

10. RELATED PARTY TRANSACTIONS

- a) During the year, a company controlled by a director was paid project management fees of \$72,000 (1997 - \$72,000). In addition, a second company controlled by the same director was paid rent of \$78,000 (1997 - \$78,000).

- b) During the year, the Company paid directors' and officers' fees of \$39,260 (1997 - \$54,427).

- 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.

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

10. RELATED PARTY TRANSACTIONS (Continued)

- 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 filed a builder's lien against the Company's Hopcott Road property for alleged non payment of amounts owing under his contract. The Company has commenced legal action against this contractor claiming damages related to breach this contractor's contractual obligations. 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.

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.

INTERNATIONAL HI-TECH INDUSTRIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

13. SUBSEQUENT EVENTS

- a) Subsequent to December 31, 1998, 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	
160,000	\$ 1.25	\$ 1.25	\$ 1.44	\$ 20,000
346,200	\$ 1.30	\$ 1.30	\$ 1.50	\$ 41,250
4,700,000	\$ 1.30	\$ 1.30	\$ 1.50	\$ 522,750

- b) Subsequent to December 31, 1998, the Company completed the following private placements:

Number of Units	Price Per Unit	Exercise Price of Warrants		Finders' Fees
		Year 1	Year 2	
280,000	\$ 1.15	\$ 1.15	\$ 1.32	\$ 32,200
232,000	\$ 1.15	\$ 1.15	\$ 1.32	\$ 26,680
160,000	\$ 1.25	\$ 1.25	\$ 1.44	\$ 20,000
346,200	\$ 1.30	\$ 1.30	\$ 1.50	\$ 41,250

INSTRUCTIONS

This report is to be filed by Exchange Issuers within 60 days of the end of their first, second and third fiscal quarters and within 140 days of the end of their fourth fiscal quarter. Three schedules (typed) are to be attached to this report as follows.

SCHEDULE A: FINANCIAL INFORMATION

Financial information prepared in accordance with generally accepted accounting principles for the fiscal year-to-year, with comparative information for the corresponding period of the preceding fiscal year. This financial information should consist of the following:

For the first, second and third quarters:

An interim financial report presented in accordance with Section 1750 of the C.I.C.A. Handbook. This should include a summary income statement (or a statement of deferred costs) and a statement of changes in financial position. A summary balance sheet is also to be provided.

For the fourth fiscal quarter (year end):

Annual audited financial statements.

SCHEDULE B: SUPPLEMENTAL INFORMATION

The supplementary information set out below is to be provided when not included in Schedule A.

1. *For the current fiscal year-to-date:*

Breakdown, by major category, of those expenditures and costs which are included in the deferred costs, exploration and development expenses, cost of sales or general and administrative expenses set out in Schedule A. State the aggregate amount of expenditures made to parties not at arm's length from the issuer.

2. *For the quarter under review:*

- (a) Summary of securities issued during the period, including date of issue, type of security (common shares, convertible debentures, etc.) number, price, total proceeds, type of consideration (cash, property, etc.) and commission paid.
- (b) Summary of options granted, including date, number, name of optionee, exercise price and expiry date.

3. *As at the end of the quarter:*

- (a) Particulars of authorized capital and summary of shares issued and outstanding.
- (b) Summary of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date.
- (c) Total number of shares in escrow or subject to a pooling agreement.
- (d) List of directors.

SCHEDULE C: MANAGEMENT DISCUSSION

Review of operations in the quarter under review and up to the date of this report, including brief details of any significant event or transaction which occurred during the period. The following list can be used as a guide but is not exhaustive:

Acquisition or abandonment of resource properties, acquisition of fixed assets, financings and use of proceeds, management changes, material contracts, material expenditures, transactions with related parties, legal proceedings, contingent liabilities, default under debt or other contractual obligations, special resolutions passed by shareholders.

Specifically, the management discussion must include:

- (a) disclosure of and reasons for any material differences in the *actual* use of proceeds from the previous disclosure by the issuer regarding its *intended* use of proceeds; and
- (b) a brief summary of the investor relations activities undertaken by or on behalf of the issuer during the quarter and disclosure of the material terms of any investor relation arrangements or contracts entered into by the issuer during the quarter.

Freedom of information and Protection of Privacy Act

The personal information requested on this form is collected under the authority of and used for the purposes of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Statutory filings (604-660-4890), 1100-865 Hornby Street, Vancouver, British Columbia V6Z 2H4. Toll Free in British Columbia 1-800-373-6393

Issuer Details Name of Issuer International Hi-Tech Industries Inc.		For Quarter Ended December 31, 1998		Date of Report Y M D 99 05 19	
Issuer's Address 1096 West 10 th Avenue					
City Province Vancouver B.C.		Postal Code V6H 1H8	Issuer Fax No. (604) 734-8300		Issuer Telephone No (604) 733-5400
Contact Person Roger Rached		Contact's Position President		Contact Telephone No. (604) 733-5400	

CERTIFICATE

The three schedules 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.

Director's Signature "Roger Rached"	Print Full Name Roger Rached	Date Signed Y M D 99 05 19
Director's Signature "Thomas Po"	Print Full Name Thomas Po	Date Signed Y M D 99 05 19

FORM 61

QUARTERLY REPORT

Incorporated as part of: X Schedules B & C

ISSUER DETAILS:

NAME OF ISSUER: International Hi-Tech Industries Inc.

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

CONTACT PERSON: Roger A. Rached

CONTACT'S POSITION: President

CONTACT TELEPHONE NUMBER: 733-5400

FOR QUARTER ENDED: December 31, 1998

DATE OF REPORT: May 19, 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.

<u>Roger A. Rached</u>	<u>"Roger A. Rached"</u>	<u>99/05/19</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

<u>Gerald Hamilton</u>	<u>"Thomas Po"</u>	<u>99/05/19</u>	
NAME OF DIRECTOR	SIGN	DATE	SIGNED

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

December 31, 1998

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
Nov. 30/98	Common	Private Placement	258,262	\$1.15	\$297,001	Cash	\$29,700
Oct. 2/98	Common	Bonus Shares	726,744	\$0.6888	\$500,582	Loan Guarantee	None
Dec. 31/98	Common	Bonus Shares	384,500	\$0.52	\$199,940	Loan Guarantee	None

-
- b) Stock options granted during the period:

2,600,000 @ \$0.88 expiring October 6, 2003.

-
-
3. a)

Class	Par Value	Authorized	Issued	
			Number	Amount
Common Class A	Without par value	200,000,000	52,791,133	\$24,753,457
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 Rached
Evelyn Becker
Ferdinand Rauer

Thomas Po
Gerald Hamilton

Schedule C: Management Discussion

See attached

INTERNATIONAL HI-TECH INDUSTRIES INC.
OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1998

1. Deferred Project Development Costs

Balance December 31, 1997	\$ 3,054,073
Additions during the period	
Research and development	<u>276,933</u>
Balance December 31, 1998	<u><u>\$ 3,331,006</u></u>

2. General Expense

Internet access and services	\$ 15,305
PST audit assessment	2,650
Printing	25,544
Courier	13,233
Postage	2,968
Office supplies	33,039
Equipment leasing	15,955
Auto expenses	4,227
Utilities	10,045
Bermuda Government fees	7,421
Dues, subscriptions, licence	<u>12,370</u>
	<u><u>\$ 142,757</u></u>

3. Investor Relations and Product Representation Costs

Euroasian Canamerican Enterprises Inc. (Vancouver)	
12 months x \$5,000	\$ 60,000
Veda S.A. Consult (Luxembourg) 12 months x U.S. \$6,000	108,144
Stock quotation and information decimation services, shareholder mailings and other corporate services	<u>323,320</u>
	<u><u>\$ 491,464</u></u>

4. Travel and Business Promotion

Meals and entertainment	\$ 33,777
Advertising	16,817
Airline tickets, meals, accommodation and entertainment (Canada, U.S.A. and Europe)	41,748
Veda S.A. Consult reimbursable expenses and other costs related to the Luxembourg Show Home	<u>108,570</u>
	<u><u>\$ 200,912</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.

During fiscal 1998, the Corporation continued to expand its base of strategic joint venture partners, ending the fiscal year with 17 interim agreements that call for the establishment of up to 23 *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 poor British Columbia economy, during fiscal 1998 the Corporation generated \$3,245,132 from its licensing activities (an

increase of over 800% from fiscal 1997) and generated over \$4.7 million from its financing activities.

Management is committed to enhancing the financial return on the Corporation's \$19.9 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.

Operations

The Corporation incurred a net loss of \$1,453,704 for the year ended December 31, 1998, as compared to a net loss of \$3,195,723 for the year ended December 31, 1997.

The Corporation has undertaken steps to reduce overhead and other expenses not essential for the completion of the Facility and the sale of its intended products. General expense decreased from \$267,813 to \$142,757, legal expense decreased from \$771,991 to \$596,953 and travel and business promotion decreased from \$401,229 to \$200,912.

Directors' and officers' fees, consulting fees, audit and accounting costs, property taxes and product representation 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 \$231,121 for the fiscal year end, compared to a charge of \$262,524 for the prior fiscal year end.

\$929,730 for finders' fees and loan guarantee fees appear as an expense; however, it should be noted that \$829,730 of this amount is the deemed value of 1,261,095 shares of Common Stock issued for personal guarantees in connection with certain financings and an advance made by Garmeco Canada pursuant to a line of credit. See "Recent Developments" below.

For the year ended December 31, 1998, interest and foreign exchange expense increased to \$231,774 from \$156,587, principally due to the inclusion of a full year's interest on the mortgage on the Hopcott Road Property, and as a result of higher interest costs associated with

mortgages on such property. Rent increased from \$48,000 for the year ended December 31, 1997 to \$78,000 for the year ended December 31, 1998, principally due to a change in accounting treatment away from capitalizing a portion of such rent.

Capital Requirements, Resources and Liquidity

As at December 31, 1998 the Corporation had a working capital deficit of \$325,751. Of such amount, \$1,868,000 is represented by the mortgage advance that is repayable to Highland Pacific Mortgage Corporation. (See "Recent Developments" below). Since December 31, 1998, the Corporation closed \$1,238,800 of private placements. As at December 31, 1998, the Facility, including the land on which the Facility is located, had a book value of approximately \$11 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. 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.

During fiscal 1998, 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. See "Recent Developments" below. 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 ("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

B.C. Home and Garden Show

The Corporation completed a two-storey 3,000 square foot "show home" for the 1999 B.C. Home and Garden Show. The show took place in B.C. Place Stadium in February, 1999. At the show, the Corporation received a recognition certificate from Lafarge Canada Inc., a special recognition award from Southex Exhibitions Inc. and a recognition award from The Greater Vancouver Home Builders' Association in appreciation of the

Corporation's outstanding contribution to the show.

Financing

The Corporation completed a conventional first mortgage financing for the Hopcott Road Property in Delta, British Columbia in the principal amount of \$2.5 million with Highland Pacific Mortgage Corporation. The term of the financing is 13 months and interest is payable at a rate equal to prime plus five percent. The mortgage is due on September 1, 1999. A portion of the proceeds from the financing were used to repay Columbia Kootenay Investment Inc. (which held a first mortgage over the property for approximately \$1.8 million). The remaining proceeds will be used to complete finishing work for the Facility.

In consideration of the financing provided, Mr. Rached delivered a personal guarantee. In consideration therefor, the Corporation agreed to allot and issue to Mr. Rached or his affiliates a total of 726,744 shares, with a deemed price of \$0.688. Of the 726,744 shares, 363,372 shares have been issued to Mr. Rached's affiliates, R.A.R. Consultants, as to 181,686 shares and R.A.R. Investments as to 181,686 shares. The remaining 363,372 shares are being held pursuant to an escrow agreement and will be released upon receipt of disinterested shareholder approval.

Line of Credit with Garmeco Canada

The Corporation entered into a line of credit agreement (the "Line of Credit Agreement") with Garmeco Canada dated November 5, 1998. Pursuant to the Line of Credit Agreement, Garmeco has made available to the Corporation a line of credit in the aggregate amount of \$1 million (the "Line of Credit"). The term of the Line of Credit is for one year with an interest rate of ten percent per annum, calculated and

compounded annually and payable monthly on the amount drawn, not in advance.

In consideration of the Line of Credit provided, the Corporation has agreed to allot and issue to Garmeco 384,500 shares of the Company, with a deemed price of \$0.52 per share. The shares are held pursuant to an escrow agreement dated November 5, 1998 among the Corporation, Montreal Trust Company of Canada and Garmeco. Pursuant to the escrow agreement the shares will be issued on a pro rata basis as monies are advanced from Garmeco to the Corporation. As of the date hereof, 153,800 shares have been released from escrow.

Speen Road Property Financing

The Corporation has secured a renewal of a conventional mortgage financing from a Canadian chartered bank over its Speen Road property in Surrey, British Columbia

In consideration of the financing provided, Mr. Rached delivered a personal guarantee. In consideration therefor, the Corporation has allotted and issued a total of 149,851 shares to Mr. Rached's affiliates, R.A.R. Consultants, as to 117,420 shares and R.A.R. Investments as to 32,431 shares.

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.

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. The private placement is subject to regulatory acceptance.

Renato Camporese P.Eng. appointed to Management Team

On February 3, 1999, the Corporation announced that Renato Camporese P.Eng. joined the Corporation's management team. Joining the Corporation from Read Jones Christofferson Ltd., one of the largest building engineering consulting firms in Canada, Mr. Camporese has over 20 years of experience in structural design for major Canadian commercial, residential and institutional building projects. Mr. Camporese also gained experience in the capacity of Deputy Director and other positions within the Permits & Licenses Departments of two major cities in British Columbia.

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 and to the disclosure contained herein.

Conclusion

The financial achievements through fiscal 1998 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.