FORM 61

QUARTERLY REPORT

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:	March 31, 1998
DATE OF REPORT:	May 25, 1998

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"**	**98/05/25**
NAME OF DIRECTOR	**SIGN**	**DATE SIGNED**
Gerald Hamilton	**"Gerald Hamilton"**	**98/05/25**
NAME OF DIRECTOR	**SIGN**	**DATE SIGNED**

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998
(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, 1998 and the consolidated statements of operations and deficit and changes in financial position 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.	Morgan & Company
May 20, 1998	Chartered Accountants

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED BALANCE SHEETS

(unaudited - see Notice to Reader)

	MARCH 31 1998	MARCH 31 1997
ASSETS		
Current		
Cash and short term deposits	**$ 354,119**	$ 234,194
Cash held in trust	**-**	300,000
Accounts receivable	**141,742**	195,355
Prepaid expense	**172,845**	107,942
	668,706	837,491
Capital Assets (Note 2)	**1,847,016**	1,927,583
Real Estate (Note 3)	**9,589,406**	5,846,606
Deferred Project Development Costs	**3,130,542**	2,904,953
	$ 15,235,670	$ 11,516,633
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 692,250**	$ 438,355
Accrued interest payable	**114,065**	150,146
Loans payable (Note 4)	**105,500**	105,500
Advances payable	**74,323**	52,371
Project advance payable (Note 5)	**2,000,000**	-
Construction mortgage loan payable	**-**	1,538,614
Current portion of long term debt (Note 6)	**16,237**	30,144
	3,002,375	2,315,130
Long Term Debt (Note 6)	**221,299**	440,839
Share Subscriptions Received (Notes 7(f) and 12(a))	**1,151,123**	186,651
Minority Interest	**424,177**	-
	4,798,974	2,942,620
Contingency (Note 10)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	**20,097,566**	15,098,536
Deficit	**(9,660,870)**	(6,524,523)
	10,436,696	8,574,013
	$ 15,235,670	$ 11,516,633

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited - see Notice to Reader)

	THREE MONTHS ENDED MARCH 31	
	1998	1997
Revenue		
License rights	**$ -**	$ 69,220
Interest and other income	**1,018**	6,164
	1,018	75,384
Expenses		
Audit and accounting	**43,219**	17,750
Capital taxes	**-**	3,637
Consulting fees	**28,081**	47,157
Depreciation and amortization	**57,134**	45,620
Directors' and officers' fees	**12,000**	12,000
General expense	**38,408**	60,662
Legal	**36,047**	141,790
Insurance	**11,494**	19,282
Interest and exchange	**52,558**	22,551
Investor relations and product representation costs	**74,687**	58,300
Telephone, fax and cellular	**18,751**	35,972
Office rent	**12,000**	12,000
Promotion and presentation	**-**	10,758
Repairs and maintenance	**9,105**	19,396
Travel and business promotion	**41,687**	97,513
Transfer agent and filing fees	**14,384**	3,102
Wages and benefits	**122,785**	75,039
	572,340	682,529
Loss Before The Following	**(571,322)**	(607,145)
Minority interest in loss of subsidiary	**23,553**	-
Loss For The Period	**(547,769)**	(607,145)
Deficit, Beginning Of Period	**(9,113,101)**	(5,917,378)
Deficit, End Of Period	**$ (9,660,870)**	$ (6,524,523)
Loss Per Share	**$ (0.01)**	$ (0.01)

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(unaudited - see Notice to Reader)

	THREE MONTHS ENDED MARCH 31	
	1998	1997
Operating Activities		
Loss for the period	**$ (547,769)**	$ (607,145)
Add (deduct) non-cash items		
Depreciation and amortization	**57,134**	45,620
Minority interest in loss of subsidiary	**(23,553)**	-
	(514,188)	(561,525)
Change in non-cash working capital items	**(520,730)**	422,237
	(1,034,918)	(139,288)
Financing Activities		
Shares issued for cash	**569,480**	143,915
Increase in long term debt	**184**	-
Share subscriptions received (net)	**971,123**	186,651
	1,540,787	330,566
Investing Activities		
Capital assets	**-**	(16,058)
Project development costs	**(76,469)**	(30,680)
Real estate	**(339,741)**	(783,116)
	(416,210)	(829,854)
Increase (Decrease) In Cash And Short Term Deposits	**89,659**	(638,576)
Cash And Short Term Deposits, Beginning Of Period	**264,460**	872,770
Cash And Short Term Deposits, End Of Period	**$ 354,119**	$ 234,194

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

(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 prosecution 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;

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

f) Loss per Share

Loss per share is based on the weighted average number of shares outstanding during the period.

2. CAPITAL ASSETS

	1998	1997
Automotive	**$ 123,966**	$ 123,966
Office furniture and equipment	**264,379**	243,020
Computer equipment	**66,300**	65,589
Other machinery and equipment	**835,735**	821,415
Patent prosecution costs	**1,274,441**	1,117,360
License rights	**200,000**	200,000
	2,764,821	2,571,350
Accumulated depreciation and amortization	**917,805**	643,767
	$ 1,847,016	$ 1,927,583

3. 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**	1,044,681
Construction costs	**4,727,130**	1,405,496
Construction financing	**857,206**	795,912
Construction permits	**135,810**	135,810
Langley properties		
Land	**141,400**	141,400
Canadian National Railway properties	**129,800**	129,800
	$ 9,589,406	$ 5,846,606

INTERNATIONAL HI-TECH INDUSTRIES INC.

4. LOANS PAYABLE

	1998	1997
Repayable on demand with interest at 20% per annum	**$ 10,000**	$ 10,000
Repayable on demand at various interest rates	**95,500**	95,500
	$ 105,500	$ 105,500

5. PROJECT ADVANCE PAYABLE

During the year ended December 31, 1997 the Company entered into a commitment letter, subject to the execution of a formal construction agreement by December 30, 1997, to construct for a third party, a commercial office complex in B.C. commencing no later than July 5, 1998. The Company received a $2,000,000 advance on the project with 9% interest per annum payable on the advance until construction commences. A formal construction agreement was not executed by December 30, 1997; therefore under the terms of the commitment letter, the Company must repay the advance plus interest at 9% by February 28, 1998. To date the Company has not received a demand for repayment. The advance is secured by, among other things, a fixed and floating charge over the Hopcott Road property and the assets of such property, assignments of receivables, and guarantees by the Company's president and another individual. The Company has issued 268,000 common shares to the Company's president and 132,000 common shares to the individual in consideration of their guarantees. In addition cash finders' fees totalling up to $140,000 are payable.

6. LONG TERM DEBT

	1998	1997
CIBC Mortgage Corporation Repayable $1,815 per month including interest at 7.6% per annum, due February 1, 2003, secured by Speen Road real estate	**$ 225,634**	$ 228,776
Note payable Repayable on July 5, 1998 with interest at 7% per annum	**-**	200,000
Finance contract, repayable $2,871 per month including interest, due October 1, 1998, secured by capital assets	**11,902**	42,207
	237,536	470,983
Less current portion	**16,237**	30,144
	$ 221,299	$ 440,839

6. LONG TERM DEBT (Continued)

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

1999	$ 16,237
2000	$ 5,151
2001	$ 5,509
2002	$ 5,990
2003	$ 6,462

7. SHARE CAPITAL

a) Authorized
March 31, 1998 and 1997
200,000,000 common shares without par value
March 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 – private placements	658,000	579,200
	46,904,138	20,107,286
Less: finder’s fees paid	-	(9,720)
Balance March 31, 1998	46,904,138	$ 20,097,566

c) 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.

7. SHARE CAPITAL (Continued)

d) As at March 31, 1998 the Company had the following outstanding directors' and employees' stock options:

Number of Shares	Exercise Price	Expiry Date
1,668,000	$2.25	June 22, 1998
50,000	$3.30	July 3, 1998
200,000	$2.83	August 12, 1998
50,000	$2.84	August 26, 1998
25,000	$2.28	November 3, 1998
50,000	$2.25	November 29, 1998
50,000	$2.25	December 20, 1998
50,000	$2.25	December 28, 1998
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
150,000	$2.25	July 26, 2001
100,000	$2.25	September 4, 2002
25,000	$2.25	October 21, 2002

e) As at March 31, 1998 the Company had outstanding non-transferable share purchase warrants for the purchase of additional shares as follows:

Number	Exercise Price		Expiry Date	
Of Shares	Year 1	Year 2	Year 1	Year 2
314,465		$ 1.83		April 30, 1998
206,612		$ 2.79		April 30, 1998
36,101		$ 3.19		April 30, 1998
85,470		$ 2.69		May 9, 1998
34,602		$ 3.32		May 21, 1998
129,032		$ 3.56		May 21, 1998
88,235		$ 3.91		May 21, 1998
108,108		$ 2.13		June 4, 1998
468,672		$ 2.25		June 17, 1998
115,830		$ 2.98		June 24, 1998
31,100		$ 3.70		July 18, 1998
43,000		$ 2.65		August 9, 1998

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

(unaudited - see Notice to Reader)

7. SHARE CAPITAL (Continued)

Number	Exercise Price		Expiry Date	
Of Shares	Year 1	Year 2	Year 1	Year 2
635,999		$ 2.59		August 16, 1998
41,300		$ 2.78		September 26, 1998
46,500		$ 2.47		November 27, 1998
46,500		$ 2.47		November 26, 1998
106,250		$ 1.84		December 19, 1998
130,000		$ 1.77		December 20, 1998
65,000		$ 1.77		December 20, 1998
63,500		$ 1.85		December 20, 1998
62,112		$ 1.85		December 20, 1998
62,112		$ 1.85		December 20, 1998
91,900	$ 1.74	$ 2.00	March 3, 1998	March 3, 1999
61,783	$ 1.57	$ 1.81	April 29, 1998	April 29, 1999
83,000	$ 1.33	$ 1.53	May 14, 1998	May 14, 1999
72,932	$ 1.33	$ 1.53	May 26, 1998	May 26, 1999
306,122	$ 0.98	$ 1.13	May 26, 1998	May 26, 1999
310,000	$ 0.98	$ 1.13	May 26, 1998	May 26, 1999
300,000	$ 0.85	$ 0.98	July 23, 1998	July 23, 1999
120,000	$ 0.85	$ 0.98	July 29, 1998	July 29, 1999
345,000	$ 0.85	$ 0.98	September 15, 1998	September 15, 1999
500,000	$ 0.90	$ 1.04	September 24, 1998	September 24, 1999
110,000	$ 0.90	$ 1.04	September 15, 1998	September 15, 1999
162,600	$ 1.23	$ 1.41	September 23, 1998	September 23, 1999
80,000	$ 1.34	$ 1.54	October 22, 1998	October 22, 1999
75,000	$ 1.34	$ 1.54	October 22, 1998	October 22, 1999
105,000	$ 1.34	$ 1.54	October 22, 1998	October 22, 1999
75,000	$ 1.34	$ 1.54	October 22, 1998	October 22, 1999
100,000	$ 1.00	$ 1.15	November 7, 1998	November 7, 1999
100,000	$ 1.00	$ 1.15	November 15, 1998	November 15, 1999
100,000	$ 1.00	$ 1.15	November 19, 1998	November 19, 1999
100,000	$ 1.00	$ 1.15	November 19, 1998	November 19, 1999
100,000	$ 1.00	$ 1.15	November 20, 1998	November 20, 1999
176,500	$ 0.85	$ 0.98	December 6, 1998	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

6. SHARE CAPITAL (Continued)

f) The Company has arranged, subject to regulatory approval, private placements totalling 1,846,225 units for total consideration of $1,570,040. 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, 1998, $1,151,123 had been advanced in connection with these private placements.

g) As at March 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 7(c) have been earned out of escrow.

8. INCOME TAXES

At March 31, 1998, the Company and its subsidiaries had approximately $9,700,000 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 1997, 1996 or 1995.

9. RELATED PARTY TRANSACTIONS

a) During the period, a related company has been paid project management fees of $18,000 (1997 - $18,000). In addition, a second related company has been paid rent of $19,500 (1997 - $19,500).

b) During the period, the Company paid directors' and officers' fees of $12,000 (1997 - $12,000).

c) The Company is party to a consulting fee agreement under which two related companies 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.

9. 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 note payable described in Note 6 is owing to a related company.

10. CONTINGENCY

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 and its council believe that the claim is without merit and intend to vigorously defend the action.

11. CORRECTION OF ERROR IN PRIOR PERIOD FINANCIAL STATEMENTS

The Company's accounts have been restated to record the acquisition of the worldwide licence rights, except for Canada, of the technology referred to in Note 1(b). The adjustment results in an increase in capital assets of $185,000, an increase in accrued interest payable of $11,056, and an increase in long term debt of $200,000 at March 31, 1997, an increase in the loss for the period ended March 31, 1997 of $8,500, and an increase in the deficit at December 31, 1996 of $17,556.

12. SUBSEQUENT EVENTS

a) Subsequent to March 31, 1998, of the private placements referred to in Note 7(f), the Company received regulatory approval for 986,425 units for total consideration of $796,220.

b) Subsequent to March 31, 1998, the Company arranged, subject to regulatory approval, the following private placements:

Number of Units	Price Per Unit	Exercise Price of Warrants Year 1	Exercise Price of Warrants Year 2	Finders' Fees
100,000	$ 1.00	$ 1.00	$ 1.15	$ 10,000
300,000	$ 1.00	$ 1.00	$ 1.15	$ 30,000
100,000	$ 1.00	$ 1.00	$ 1.15	$ 10,000

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

MARCH 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
Feb. 2/98	Common	Private Placement	300,000	$0.84	$ 252,000	Cash	None
Feb. 11/98	Common	Private placement	250,000	$0.92	$ 230,000	Cash	None
Feb. 24/98	Common	Private placement	108,000	$0.90	$ 97,200	Cash	$ 9,720

b) Stock options granted during the period:

None

3. a)

Class	Par Value	Authorized	Issued Number	Issued Amount
Common	Without par value	200,000,000	46,904,138	$20,097,566
Class A Preferred	Without par value	10,000,000		

b) See Notes 7(d) and 7(e) to the attached financial statements.

c) See Note 7(c) to the attached financial statements.

d) List of Directors:

Roger A. 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 THREE MONTHS ENDED MARCH 31, 1998

1. Deferred Project Development Costs

Balance December 31, 1997		$ 3,054,073
Additions during the period		
Research and development	$ 50,969	
Management fees	18,000	
Rent	7,500	76,469
Balance March 31, 1998		$ 3,130,542

2. General Expense

Printing	$ 1,500
Courier	3,185
Postage	2,715
Office supplies	8,561
Equipment leasing	7,001
Auto expenses	2,396
Utilities	2,636
Bermuda Government fees	7,421
Dues, subscriptions, licence	2,993
	$ 38,408

3. Investor Relations and Product Representation Costs

Eurosian Canamerican Enterprises Inc. (Vancouver) 3 months x $5,000	$ 15,000
Veda S.A. Consult (Luxembourg) 3 months x U.S. $6,000	25,789
Stock quotation and information decemination services, shareholder mailings and other corporate services	33,898
	$ 74,687

4. Travel and Business Promotion

Meals and entertainment	$ 8,500
Advertising	1,800
Airline tickets, meals, accommodation and entertainment (Canada, U.S.A. and Europe)	5,902
Veda S.A. Consult reimbursable expenses and other costs related to the Luxembourg Show Home	25,485
	$ 41,687

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.

Manufacturing Facility

The structure for the permanent manufacturing facility (the "Facility") (other than for office accommodations) was completed on April 21, 1998. Finishing work and installation of equipment for the production lines must still be completed. All of the panels for the Facility, which number approximately 1,300, were produced by the Corporation. The web site at **http:///www.ihiintl.com** is frequently updated with pictures detailing the Facility construction process.

Operations

The Corporation incurred a net loss of $547,769 for the three months ended March 31, 1998, as compared to a net loss of $607,145 for the three months ended March 31, 1997.

Expenses decreased for the three month period ended March 31, 1998, compared with the three month period ended March 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. Consulting fees to decreased from $47,157 to $28,081, general expense decreased from $60,662 to $38,408, legal expense decreased from $141,790 to $36,047, telephone fax and cellular decreased from $35,972 to $18,751 and travel and business promotion decreased from $97,513 to $41,687. Interest and exchange expense increased from $22,551 to $52,558 principally because of interest cost associated with the Columbia Kootenay Investment Inc. loan transaction.

Capital Requirements, Resources and Liquidity

As at March 31, 1998 the Corporation had a working capital deficit of $2,333,669. Of such amount, $2 million is represented by the project advance that is repayable to Columbia Kootenay Investment Inc. Since March 31, 1998, the Corporation has paid $200,000 to Columbia Kootenay Investment Inc. and closed $796,220 of private placements. The Corporation will require an equity financing of approximately $1.7 million in order to complete the Facility. Management of the Corporation believes that if the equity financing of $1.7 million can be obtained, then it should be in a position to arrange conventional mortgage financing to repay Columbia Kootenay Investment Inc. As at March 31, 1998, the Facility, including the land on which the Facility is located, had a book value of approximately $8 million. The Corporation expects that a portion of the required $1.7 million will be obtained pursuant to private placements being arranged by Reco Investment Consulting Inc., although there can be no assurance that any further private placements will be arranged.

The Corporation, based on its estimate of costs in connection with the completion of the Facility, will require approximately $1.7 million of equity to fund its completion. The Corporation will also require financing for, or will need to enter into leasing arrangements in respect of, manufacturing equipment in order to fully exploit its business in British Columbia, Canada. There is no assurance that a lease commitment will be issued by LW Lease West Financial Corporation ("Lease West") or that an equity financing of $1.7 million will be obtained. If the financing of $1.7 million is not obtained on or before June 30, 1998 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.

On October 14, 1997, the Corporation accepted a lease proposal (the "Proposal") from Lease West of Burnaby, British Columbia. Pursuant to the Proposal, the Corporation intends to lease the equipment required for the first production line at the Facility from Lease West. The cost of such equipment is expected to be $2.74 million. The Proposal contemplates that equipment with a cost of up to approximately $5.2 million may be acquired under the Proposal, subject to the receipt by the Corporation of credit approval from Lease West's credit committee. The Corporation expects that the cost of the equipment for the second and third production lines at the Facility will amount to approximately $4.9 million. The Proposal only applies to equipment delivered to the Corporation on or before December 31, 1998. The term of the proposed lease will vary for each piece of equipment, ranging from 58 to 66 months, and will be dictated by the expected life-span of the particular asset. Lease payments will be made on a monthly basis and will be calculated using implied annual interest rates ranging from 8% to 8.5%. Subject to the lessor's cost of funds not varying from its cost of funds as at September 24, 1997 by more than % (as at the date hereof Lease West has not advised the Corporation of any such variance), the implied interest rate for a 58 month term will be 8%, for a 66 month term will be 8.25% and for a 72 month term will be 8.5%. The Corporation has remitted a $52,000 deposit to Lease West (representing 1% of the $5.2 million lease Proposal). The deposit is refundable as to 70% thereof should Lease West not issue a legally binding commitment consistent with the Proposal on or before November 16, 1997. Although no legally binding commitment consistent with the Proposal has been issued, the Corporation understands that Lease West is continuing with its due diligence with respect to the affairs of the Corporation. The non-refundable portion will be retained by Lease West to cover all of its out-of-pocket expenses, fees and due diligence costs. The Proposal includes a non-utilization fee, whereby the Corporation would be required to pay a fee to Lease West if the Corporation does not lease equipment with a cumulative cost of at least $3 million. Such fee will be equal to 2% of the amount by which the cumulative cost of equipment leased falls below $3 million. Until a legally binding commitment issued, the Proposal does not represent a commitment of Lease West to undertake the lease transaction.

The Corporation, based on its estimate of the costs relating to planned development and demonstration programs, will require at least $12 million over the next two to three years to fund its development and commercialization activities, including the manufacture of further demonstration "show homes," the development of a manufacturing capability and processes and for its working capital requirements. Of this amount, the Corporation has budgeted approximately $1.4 million for the seven months ended December 31, 1998 (exclusive of the costs associated with establishing the Facility). The Corporation has budgeted approximately $4.44 million for the completion of the Facility, including for the acquisition of equipment for the first production line, budgeted at $2.74 million. The Corporation's estimated cash requirements over that period will be funded from its existing financial resources, those of its shareholders through private placements (although none of its shareholders has committed additional capital), conventional bank financing (although none is in place at this time), proceeds from deposits on MOUs, proceeds from the lease proposal received from Lease West (although no commitment is in place at this moment). If the Corporation experiences significant cost overruns on any of these programs for which additional funds cannot be obtained it will be required to curtail or delay certain of its activities.

In the future, the Corporation will require substantial additional financing and there can be no assurance that additional financing will be available on terms acceptable to the Corporation. The Corporation's building system derived from the Technology is initially capital-intensive compared to the requirements for traditional building processes.

Because of unanticipated delays in securing financing for the Facility and the failed preferred share offering, sales of finished housing on a commercial basis are not expected until at least later this year. The Corporation will require substantial funds to conduct the necessary development and testing of its products, to establish commercial scale manufacturing facilities and to market it products.

The Corporation's objective is to secure the $12,000,000 budgeted for its development activities through cash generated from joint venture and licensing agreements with strategic partners, conventional bank financing (although none is in place now), proceeds from the lease proposal received from Lease West (although no commitment is in place at this moment), cash flow from the sales of its products (once the Facility has been established) and the issuance of equity securities to purchasers.

The Corporation believes that, following the successful demonstration of its custom designed "show home" in Luxembourg that led to numerous inquiries regarding possible joint ventures, it is now in a position to seek further commitments to enter into development, joint venture and licensing agreements with other strategic partners.

The short term outlook for the Corporation's liquidity is satisfactory provided the Corporation can secure a financing of $1.7 million of equity on or before June 30, 1998. The longer term outlook for the Corporation's liquidity will depend on the Corporation's success in accessing external sources of financing and 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 MOUs.

New Interim Agreements

IHI-International has entered into an interim agreement dated April 14, 1998 with Hi- Tech American Development Corp. of Nassau, Bahamas ("HDC") to promote, develop and market the products of IHI International's construction technology and to operate and establish a factory in the Bahamas. US$50,000 of an irrevocable downpayment of US$500,000 has been paid on account of the licence fee. As well, on that date, HDC entered into a separate interim agreement with IHI-International pertaining to a portion of the State of Florida. HDC has paid IHI-International US$100,000 on account of a total licence fee of US$1 million. The foregoing interim agreements are subject to regulatory acceptance. Both agreements are with arm's length parties.

Personnel

Raventures Inc. of Toronto, Canada, Has been retained to provide investor relations, brokerage awareness and related promotional activities for the Corporation.

Related Party Transactions

Reference is made to the Management Proxy Circular for the annual meeting of the Corporation to be held on June 17, 1998.