

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 10th Avenue
Vancouver, BC
V6H 1H8

CONTACT PERSON: Roger A. Rached

CONTACT'S POSITION: President

CONTACT TELEPHONE NUMBER: 733-5400

FOR QUARTER ENDED: September 30, 1999

DATE OF REPORT: November 26, 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>99/11/26</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

<u>Thomas Po</u>	<u>"Thomas Po"</u>	<u>99/11/26</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

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		Date of Report	
Name of Issuer International Hi-Tech Industries Inc.		For Quarter Ended September 30, 1999	
Y M D 99 11 26			
Issuer's Address 1096 West 10 th Avenue			
City	Province	Postal Code	Issuer Fax No.
Vancouver	BC	V6H 1H8	(604) 734-8300
Contact Person Roger Rached		Contact's Position President	Issuer Telephone No. (604) 733-5400
		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	Print Full Name	Date Signed
"Roger Rached"	Roger Rached	Y M D 99 11 26
Director's Signature	Print Full Name	Date Signed
"Thomas Po"	Thomas Po	Y M D 99 11 26

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

SEPTEMBER 30, 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
Jul. 14/99	Common	Private placement	257,770	\$1.30	\$ 335,101	Cash	\$ 27,010
Jul. 23/99	Common	Exercise warrants	173,913	\$1.15	\$ 200,000	Cash	None
Aug. 6/99	Common	Exercise warrants	150,000	\$1.90	\$ 135,000	Cash	None
Sep. 8/99	Common	Exercise warrants	70,000	\$1.15	\$ 80,500	Cash	None
Sep. 10/99	Common	Exercise warrants	110,000	\$1.04	\$ 114,400	Cash	None
Sep. 15/99	Common	Exercise warrants	230,000	\$0.98	\$ 225,400	Cash	None

- b) Stock options granted during the period:

None

3. a)

Class	Par Value	Authorized	Issued	
			Number	Amount
Common Class A	Without par value	200,000,000	56,500,093	\$28,873,858
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	Thomas Po
Evelyn Becker	Lawry Trevor-Deutsch
Ferdinand Rauer	

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

SEPTEMBER 30, 1999

Schedule C: MANAGEMENT DISCUSSION

INTERNATIONAL HI-TECH INDUSTRIES INC.
OTHER FINANCIAL INFORMATION
NINE MONTHS ENDED SEPTEMBER 30, 1999

1. Deferred Project Development Costs

Balance, December 31, 1998	\$ 3,331,006
Additions during the period	
Show home	<u>460,801</u>
Balance, September 30, 1999	<u><u>\$ 3,791,807</u></u>

2. General Expense

Printing	\$ 15,683
Courier	9,508
Postage	6,754
Office supplies	56,695
Equipment leasing	60,826
Auto expenses	2,816
Utilities	10,381
Dues, subscriptions, licence	<u>2,710</u>
	<u><u>\$ 165,373</u></u>

3. Investor Relations and Product Representation Costs

Euroasian Canamerican Enterprises Inc. (Vancouver)	
9 months x \$5,000	\$ 45,000
Veda S.A. Consult (Luxembourg) 9 months x U.S. \$6,000	<u>80,087</u>
	<u><u>\$ 125,087</u></u>

4. Travel and Business Promotion

Meals and entertainment	\$ 45,945
Advertising	14,577
Travel	30,029
Veda S.A. Consult reimbursable expenses and other costs related to the Luxembourg Show Home	<u>92,299</u>
	<u><u>\$ 182,850</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 third quarter of the fiscal year with 23 interim agreements that call for the establishment of up to 30 *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 nine months of fiscal 1999 the Corporation generated \$1,187,820 from its licensing activities and generated \$3,611,601 from its financing activities.

Management is committed to enhancing the financial return on the Corporation's \$22.5 million of assets (as compared to \$18.8 million for September 30, 1998), 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. A state of the art concrete batching plant has been purchased. The equipment, which will be used at the Facility, was financed by *CIBC Equipment Finance*. The plant is fully computerized and will produce a high quality homogenized mixed concrete. The batching plant will be able to produce 60 cubic meters of concrete per hour. This will accommodate future expansion and will reduce the Corporation's cost of concrete by at least one-half.

All electrical and mechanical systems are now installed and commissioned. The final painting for the interior of the Facility is in progress and architectural detailing is also underway. An additional foundation pad is being added to the exterior of the Facility in

preparation for the installation of the batching plant in January.

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.

The following Patents have been issued for the first three quarters of 1999: Patent No. 2121044 for the Russian Federation, Patent No. 226650 for South Korea, Patent No. 22540 for Cuba, Patent No. 5720 for Lebanon, Patent No. 1979-94 for Venezuela, Patent No. 74899 for Panama, Patent No. 6937 for Kazakhstan and Patent No. 900466 for Macedonia.

Furthermore, in addition to the group Patent No. AP 534 that has been issued by ARIPO, individual patents have now been issued for the following countries: Gambia, Ghana, Kenya, Lesotho, Botswana, Swaziland, Uganda, Zambia and Zimbabwe. A decision to accept has been granted by Vietnam. Patents have also been allowed for Canada, Poland, Kyrgyzstan and Columbia.

Operations

The Corporation had a net loss of \$1,543,354 for the nine months ended September 30, 1999, as compared to a net loss of \$993,174 for the nine months ended September 30, 1998.

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 decreased from \$285,064 to \$112,647, finder's fee and loan guarantee and commitment fees decreased from \$729,208 to \$346,024, investor relations and product representation costs decreased from \$440,988 to \$125,087 and legal expenses and telephone, fax and cellular costs also decreased.

General expenses, insurance, promotion and presentation, travel and business promotion and repair and maintenance costs have increased, as the Corporation moves towards the commercial production of its products. The Corporation reported a non-cash charge for depreciation and amortization of \$151,584 for the nine months ended September 30, 1999, compared to a charge of \$171,401 for the prior nine month period.

For the nine months ended September 30, 1999, interest and foreign exchange expense increased to \$338,102 from \$122,969, principally due to the higher interest costs associated with mortgages on such property.

Capital Requirements, Resources and Liquidity

As at September 30, 1999 the Corporation had a working capital deficit of \$1,259,724. 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, \$1,000,000 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 September 30, 1999, the Corporation closed \$385,000 of private placements. As at September 30, 1999, the Facility, including the land on which the Facility is located, had a book value of approximately 13.1 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. There is no assurance that a financing of \$4 million will be obtained.

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. 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.

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 September 28, 1999, the Corporation announced a private placement of 296,154 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 private placement closed on November 12, 1999.

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

Credit Facility

The credit facility provided by Garmeco Canada to the Corporation has been

increased to CDN.\$1.5 million and has been extended to January 5, 2001. The other terms of the credit facility, which were established on November 5, 1998, remain the same. Subject to regulatory acceptance, Garmeco Canada will be issued 428,571 of the Corporation's Common shares with a hold period of four months. A portion of these shares will be held in escrow and will be released as additional funds are advanced to the Corporation. To date, CDN.\$1 million has been advanced under the credit facility. The proceeds from the credit facility have been, and will continue to be, used to purchase equipment for the Corporation's permanent manufacturing Facility. Newly advanced proceeds will be used to pay for equipment and the foundation for the Facility's batching plant.

Show Home Updates

The Corporation's show home at 846 West King Edward Avenue in Vancouver is currently on display. Open for viewing by appointment, the home is presently of greatest interest to visitors wishing to learn more about the technical aspects of the *Hi-Tech System* and others who would like to see a live renovation project demonstrating the flexibility of the *Hi-Tech System*. With the completion of finishing details, a reopening ceremony will be held after which the show home will be open for display on a regular basis for viewing and in conjunction with a sales centre.

Over 500,000 interested parties have now visited the show home in Luxembourg over a period of five years. It is worth noting that the IHI Luxembourg show home has been partially re-furbished by donation from major European firms to demonstrate their products and how they can be used in conjunction with the *Hi-Tech System*.

Personnel

Dr. Rene A. Rached, P.Eng. has been appointed as Executive Officer of the Corporation. Dr. Rached received his doctorate degree in engineering from Stanford University and was both a professor in the Engineering Faculty of the University of British Columbia and the American University of Beirut. Dr. Rached is also President of Garmeco Canada – International Consulting Engineers Ltd. Other officers of the Corporation are Mr. Roger A. Rached – President, Mr. Henri de La Tour – Vice-President, International Public Relations, Mr. Yoshi Miyake – Officer, International Development Committee, Mr. Stephen D. Wortley – Secretary and Ms. Chandra Woodhouse – Assistant Secretary.

Investor Relations and Consultants

Investor relations activities are conducted in-house, through Leslie Castellani and Chandra Woodhouse.

The Corporation has also retained The Bullen Group in Toronto, Canada to provide investor relations services to the Corporation.

In addition, two specialist consultants have been retained: Hawthorne Consulting brings expertise in government relations; product sales and marketing services are now provided by InMarketing Consulting.

Related Party Transactions

Reference is made to the Management Proxy Circular for the annual meeting of the Corporation held on September 9, 1999 for a description of any related party transactions.

Conclusion

The financial achievements through the third 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.

