

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: June 30, 1999

DATE OF REPORT: August 27, 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>99/08/27</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

<u>Thomas Po</u>	<u>"Thomas Po"</u>	<u>99/08/27</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

JUNE 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
Apr. 26/99	Common	Exercise warrants	110,000	\$0.90	\$ 99,000	Cash	None
May 5/99	Common	Exercise warrants	100,000	\$1.00	\$ 100,000	Cash	None
May 13/99	Common	Private placement	160,000	\$1.25	\$ 200,000	Cash	\$ 20,000
May 19/99	Common	Private placement	1,123,077	\$1.30	\$ 1,460,000	Cash	\$ 105,500
May 19/99	Common	Private placement	150,000	\$1.30	\$ 195,000	Cash	\$ 19,500

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	55,508,410	\$27,814,467
Preferred	Without par value	10,000,000		

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

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

d) List of Directors:

Roger A. Rached
Evelyn Becker
Ferdinand Rauer

Thomas Po
Lawry Trevor-Deutsch

Schedule C: Management Discussion

See attached

INTERNATIONAL HI-TECH INDUSTRIES INC.
OTHER FINANCIAL INFORMATION
SIX MONTHS ENDED JUNE 30, 1999

1. Deferred Project Development Costs

Balance, December 31, 1998	\$ 3,331,006
Additions during the period	
Show home	308,688
Balance, June 30, 1999	\$ 3,639,694

2. General Expense

Printing	\$ 9,347
Courier	7,874
Postage	4,930
Office supplies	42,115
Equipment leasing	49,200
Auto expenses	2,292
Utilities	8,320
Dues, subscriptions, licence	2,335
	\$ 126,413

3. Investor Relations and Product Representation Costs

Eurosian Canamerican Enterprises Inc. (Vancouver)	
6 months x \$5,000	\$ 30,000
Veda S.A. Consult (Luxembourg) 6 months x U.S. \$6,000	53,468
	\$ 83,468

4. Travel and Business Promotion

Meals and entertainment	\$ 27,497
Advertising	14,577
Travel	16,150
Veda S.A. Consult reimbursable expenses and other costs related to the Luxembourg Show Home	53,929
	\$ 112,153

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 second 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 second quarter of fiscal 1999 the Corporation generated \$1,187,820 from its licensing activities and generated over \$2,807,311 from its financing activities.

Management is committed to enhancing the financial return on the Corporation's \$22.2 million of assets (as compared to \$17.5 million for June 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. Mechanical and electrical work are over 95% completed. Automatic overhead doors and cranes have been installed and windows, a storm water drainage system and the infrastructure have been completed. All of the panels for the Facility, which number approximately 1,300, were produced by the Corporation.

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

Intellectual Property

The United States Patent and Trademark office has granted United States Patent No. 5,584,151 from the divisional application relating to foundation components of the Technology. The United States Patent and Trademark office has also granted United States Patent Nos. 5,862,639 and 5,785,904 relating to the panels and the method of securing architectural finish elements, respectively. Over 110 patent applications and applications for other forms of protection have been filed worldwide to attempt to establish exclusionary rights to the Technology in at least 180 countries or regions.

Patents have now been issued for the first half of 1999 for the Russian Federation, Macedonia and Venezuela. American Samoa, Guam, Puerto Rico and the US Virgin Islands are covered under the United States Patents. New Patents have been issued for Paraguay, Kazakhstan and Madagascar. Patent protection has also been obtained for Bahrain.

Operations

The Corporation had a net loss of \$548,175 for the six months ended June 30, 1999, as compared to a net loss of \$303,946 for the six months ended June 30, 1998.

Directors' and officers' fees, consulting fees, legal costs, general expenses, insurance, 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 \$101,055 for the six months ended June 30, 1999, compared to a charge of \$114,267 for the prior six month period.

For the six months ended June 30, 1999, interest and foreign exchange expense

increased to \$207,051 from \$95,245, principally due to the higher interest costs associated with mortgages on such property.

Capital Requirements, Resources and Liquidity

As at June 30, 1999 the Corporation had a working capital deficit of \$288,772. Of such amount, \$1,868,000 is represented by the mortgage advance that is repayable to Highland Pacific Mortgage Corporation, the holder of the first mortgage on the Hopcott Road Property. As well, \$400,000 of such amount is due to a company controlled by the family of a director. Of the current assets, a portion thereof represents two demand notes received by Veda Consult S.A. ("Veda Consult"). Veda Consult has entered into a memorandum of understanding to promote, develop and market the products of the Corporation's construction Technology and to establish and operate factory operations in Luxembourg and in the surrounding regions. IHI-International has accepted from Veda Consult two demand notes, dated June 30 and September 30, 1998 each in the amount of U.S.\$462,500 as payment for the balance of the license fee (U.S.\$925,000), due under the memorandum of understanding dated November 27, 1995 between Veda Consult and IHI-International respecting the establishment of potential factory operations.

Since June 30, 1999, the Corporation closed \$335,101 of private placements. As at June 30, 1999, the Facility, including the land on which the Facility is located, had a book value of approximately \$12.7 million.

The Corporation, based on its estimate of costs in connection with the completion of the Facility, will require approximately \$4 million of financing (whether equity, debt or a lease financing, or a combination of the

foregoing) to fund its completion. See “Recent Developments” below for a description of a proposed \$6.1 million private placement (\$1,655,000 of which closed on May 20, 1999 and \$335,101 of which closed on July 15, 1999). There is no assurance that a financing of \$4 million will be obtained. If the financing of \$4 million is not obtained on or before October 30, 1999 on terms reasonably acceptable to the Corporation, then the Corporation will be required to delay the completion of the Facility and the commercial production of its products until financing is obtained.

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

The Corporation has demonstrated its ability to generate revenue to cover a significant portion of its operating expenses. The Corporation has a proven ability to access private capital. The short term outlook for the Corporation’s liquidity is satisfactory provided that the Corporation can secure a financing of \$4 million on or before October 30, 1999, and that arrangements have been made to renew the first mortgage over the Hopcott Road Property which was due on September 1, 1999. The first mortgage is in favour of the Highland Pacific Mortgage Corporation. The longer term outlook for the Corporation’s liquidity will depend on the Corporation’s success in accessing external sources of financing, the speed with which the Corporation will be able to derive internally generated cash flow from the sales of its products and license fees generated from memoranda of understanding or interim agreements (“MOUs”).

The Corporation believes, following the successful demonstration of its custom designed “show home” in Luxembourg and Vancouver, British Columbia that led to

numerous inquiries regarding possible joint ventures, that it is now in a position, after having completed the building of the structure for its first *IHI Automated Facility*, to seek further commitments to enter into development, joint venture and licensing agreements with other strategic partners. The Facility incorporates the Corporation’s new state of the art building Technology.

Recent Developments

Equity Financing

On April 16, 1999, the Corporation announced a private placement of 4.7 million units at a price of \$1.30 per unit. The proceeds raised from the private placement will be used for the purchase of equipment for the Corporation’s Hopcott Road Property and for working capital purposes. The first tranche of the private placement (\$1,655,000) was closed on May 20, 1999. The second tranche of the private placement (\$335,101) was closed on July 15, 1999. The final tranche of the private placement (\$4,119,899) is subject to regulatory acceptance and receipt of funds. The Company expects to close on approximately 50% of the final tranche by September 30, 1999.

Vancouver Show Home

The Corporation’s Vancouver show home that was displayed at the *1999 B.C. Home and Garden Show*, will be remodeled and enlarged to 5,000 square feet (including *Hi-Tech* basement and garage). The opening demonstration will be on 9/9/99 for the Corporation’s Annual General Meeting. This demonstration will show the flexibility of the *Hi-Tech System* for accepting modifications and will highlight the flexible structural, mechanical and electrical connections. The show home will be open

to the public and international delegations from October 1999.

Joint Ventures

On June 12, 1999, IHI-International entered into a MOU that contemplates the establishment of a joint venture in the State of Pennsylvania. HAD 3000 Corp. ("HAD") will contribute U.S.\$11 million for a 49% interest in a factory for the region. An irrevocable down payment of U.S.\$100,000 on account of a license fee of U.S.\$1,250,000 has been paid. The MOU provides that HAD will pay to IHI-International the remainder of the license fee five months after the Facility begins production.

On June 12, 1999, IHI-International entered into a MOU that contemplates the establishment of a joint venture in the State of Indiana. HAD will contribute U.S.\$11 million for a 49% interest in a factory for the region. An irrevocable down payment of U.S.\$100,000 on account of a license fee of U.S.\$1,250,000 has been paid. The MOU provides that HAD will pay to IHI-International the remainder of the license fee five months after the Facility begins production.

On June 12, 1999, IHI-International entered into a MOU that contemplates the establishment of a joint venture in the State of Kentucky. HAD will contribute U.S.\$11 million for a 49% interest in a factory for the region. An irrevocable down payment of U.S.\$100,000 on account of a license fee of U.S.\$1,250,000 has been paid. The MOU provides that HAD will pay to IHI-International the remainder of the

license fee five months after the Facility begins production.

The above joint ventures are subject to regulatory acceptance.

Investor Relations

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

Related Party Transactions

Reference is made to the Management Proxy Circular for the annual meeting of the Corporation to be held on September 9, 1999, to the disclosure contained in the quarterly report of the Corporation for the year ended December 31, 1998 and to the notes contained in the year end financial statements.

Conclusion

The financial achievements through the second 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.