

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, 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.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited - see Notice to Reader)

NOTICE TO READER

We have compiled the consolidated balance sheet of International Hi-Tech Industries Inc. as at June 30, 1999 and the consolidated statements of operations and deficit, and cash flows for the six 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.

August 25, 1999

“Morgan & Company”

Chartered Accountants

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited - see Notice to Reader)

	JUNE 30	
	1999	1998
ASSETS		
Current		
Cash and short term deposits	\$ 1,335,451	\$ 1,508,285
Accounts receivable	238,104	78,221
Note receivable (Note 2)	1,353,275	678,765
Prepaid expense	72,923	114,569
	<u>2,999,753</u>	<u>2,379,840</u>
Capital Assets (Note 3)	1,765,369	1,794,290
Real Estate (Note 4)	13,809,937	10,296,637
Deferred Project Development Costs	3,639,694	3,110,331
	<u>\$ 22,214,753</u>	<u>\$ 17,581,098</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 798,166	\$ 475,074
Accrued interest payable	121,675	108,565
Loans payable (Note 5)	495,500	105,500
Advances payable	-	127,663
Project advance payable	-	1,700,000
Mortgage payable (Note 6)	1,868,000	-
Current portion of long term debt (Note 7)	5,184	16,237
	<u>3,288,525</u>	<u>2,533,039</u>
Long Term Debt (Note 7)	213,658	213,488
Share Subscriptions Received (Notes 8(f))	625,101	1,348,869
Minority Interest	1,082,982	684,455
	<u>5,210,266</u>	<u>4,779,851</u>
Contingency (Note 11)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	27,814,467	22,218,294
Contributed Surplus	305,000	-
Deficit	(11,114,980)	(9,417,047)
	<u>17,004,487</u>	<u>12,801,247</u>
	<u>\$ 22,214,753</u>	<u>\$ 17,581,098</u>

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited - see Notice to Reader)

	SIX MONTHS ENDED JUNE 30	
	1999	1998
Revenue		
License rights	\$ 1,187,820	\$ 1,354,705
Interest and other income	64,708	2,804
	<u>1,252,528</u>	<u>1,357,509</u>
Expenses		
Audit and accounting	68,353	60,509
Consulting fees	83,805	50,467
Depreciation and amortization	101,055	114,267
Directors' and officers' fees	46,000	69,260
Finders' fees and loan guarantee fees	217,503	129,208
General expense	126,413	71,152
Legal	195,232	243,875
Insurance	52,382	28,875
Interest and foreign exchange	207,051	95,245
Investor relations and product representation costs	83,468	155,967
Telephone, fax and cellular	18,235	33,154
Office rent	39,000	39,500
Promotion and presentation	33,809	-
Property taxes	4,365	816
Repairs and maintenance	50,291	20,212
Travel and business promotion	112,153	53,365
Transfer agent and filing fees	11,399	8,588
Wages and benefits	282,564	250,770
	<u>1,733,078</u>	<u>1,425,230</u>
Loss Before The Following	(480,550)	(67,221)
Minority interest in (income) loss of subsidiary	<u>(67,625)</u>	<u>(236,725)</u>
Loss For The Period	(548,175)	(303,946)
Deficit, Beginning Of Period	(10,566,805)	(9,113,101)
Deficit, End Of Period	\$ (11,114,980)	\$ (9,417,047)
Loss Per Share	\$ (0.01)	\$ (0.01)

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - see Notice to Reader)

	SIX MONTHS ENDED JUNE 30	
	1999	1998
Cash Flow From Operating Activities		
Net income (loss) for the period	\$ (548,175)	\$ (303,946)
Adjustments for:		
Depreciation and amortization	101,055	114,267
Minority income in income (loss) of subsidiary	67,625	236,725
	(379,495)	47,046
Changes in non-cash working capital		
(Increase) decrease in receivables	(168,336)	96,625
(Increase) Decrease in notes receivable	65,030	(678,765)
(Increase) decrease in prepaids	(3,864)	26,080
Increase (decrease) in accounts payable and accrued liabilities	247,516	(802,970)
Increase (decrease) in advances payable	(257,136)	120,332
Decrease in project advance payable	-	(300,000)
Decrease in long term debt	(2,539)	(15,963)
	(119,329)	(1,554,661)
)
Cash flows from operating activities	(498,824)	(1,507,615)
)
Cash Flows From Financing Activities		
Issue of share capital for cash	3,061,010	2,690,208
Increase (decrease) in share subscriptions	(253,699)	1,168,869
Cash flows from financing activities	2,807,311	3,859,077
Cash Flows From Investing Activities		
Capital assets	(5,810)	(4,407)
Real estate	(2,073,802)	(1,046,972)
)
Project development costs	(308,688)	(56,258)
Cash flows from investing activities	(2,388,300)	(1,107,637)
)
Net Increase (Decrease) In Cash And Cash Equivalents	(79,813)	1,243,825
Cash And Cash Equivalents, Beginning Of Period	1,415,264	264,460
Cash And Cash Equivalents, End Of Period	\$ 1,335,451	\$ 1,508,285
Cash And Cash Equivalents Are Comprised Of:		
Cash on hand and balances with banks	\$ 439,282	\$ 1,270,258

Short term investments

<u>896,169</u>	<u>238,027</u>
<u>\$ 1,335,451</u>	<u>\$ 1,508,285</u>

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

1. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

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

b) Project Development Costs

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

c) Depreciation and amortization of Capital Assets

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

d) Non-Monetary Transactions

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

e) Foreign Currency Translation

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

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

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

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Net Income (Loss) per Share

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

2. NOTES RECEIVABLE

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

3. CAPITAL ASSETS

	<u>1999</u>	<u>1998</u>
Automotive	\$ 143,226	\$ 123,966
Office furniture and equipment	264,379	264,379
Computer equipment	76,517	70,700
Other machinery and equipment	835,735	835,735
Patent application costs	1,438,360	1,274,441
License rights	200,000	200,000
	<u>2,958,217</u>	<u>2,769,228</u>
Accumulated depreciation and amortization	1,192,848	974,938
	<u>\$ 1,765,369</u>	<u>\$ 1,794,290</u>

4. REAL ESTATE

	<u>1999</u>	<u>1998</u>
Speen Road properties, Surrey		
Land and building	\$ 836,980	\$ 836,980
Hopcott Road property, Delta		
Land	1,356,527	1,356,527
Site preparation	1,404,553	1,404,553
Construction and design costs	8,947,661	5,434,361
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
	<u>\$ 13,809,937</u>	<u>\$ 10,296,637</u>

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

5. LOANS PAYABLE

	1999	1998
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.

6. MORTGAGE PAYABLE

	1999	1998
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	\$ -

7. LONG TERM DEBT

	1999	1998
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	\$ 220,078	\$ 225,634
Finance contract, repayable \$2,871 per month including interest, due October 1, 1998, secured by capital assets	-	4,091
Less current portion	5,184	16,237
	\$ 214,894	\$ 229,725

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

JUNE 30, 1999
(Unaudited – see Notice to Reader)

7. LONG TERM DEBT (Continued)

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

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

8. SHARE CAPITAL

a) Authorized

June 30, 1999 and 1998

200,000,000 common shares without par value

June 30, 1999 and 1998

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

b) Issued and Outstanding

	Number of Shares	Consideration
Common Shares		
Balance, December 31, 1998	52,791,133	\$ 24,753,457
Shares issued for cash	<u>2,717,277</u>	<u>3,287,260</u>
	55,508,410	28,040,717
Finders' fees paid	-	<u>(226,250)</u>
Balance, June 30, 1999	<u>55,508,410</u>	<u>\$ 27,814,467</u>

c) Escrow Shares

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

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

8. SHARE CAPITAL (Continued)

- ii) As a condition of the issuance of the 384,500 shares referred to in Note 5, 230,700 of the shares remain in escrow to be issued on a prorata basis as additional funds are advanced against the line of credit.
- iii) As a condition of the issuance of the 726,744 shares referred to in Note 6, 363,372 of the shares are to be held in escrow, subject to disinterested shareholder approval at the Company's next annual general meeting. These shares will be returned to treasury if disinterested shareholder approval is not received at the Company's next annual general meeting.
- d) As at June 30, 1999, the Company had the following outstanding directors' and employees' stock options:

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

- e) As at June 30, 1999, the Company had outstanding non-transferable share purchase warrants for the purchase of additional shares as follows:

Number Of Shares	Exercise Price		Expiry Date	
	Year 1	Year 2	Year 1	Year 2
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	
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	

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

8. SHARE CAPITAL (Continued)

Number Of Shares	Exercise Price		Expiry Date	
	Year 1	Year 2	Year 1	Year 2
100,000		\$ 1.15		November 15, 1999
100,000		\$ 1.15		November 19, 1999
100,000		\$ 1.15		November 19, 1999
100,000		\$ 1.15		November 20, 1999
176,500		\$ 0.98		December 6, 1999
176,500	\$ 0.85	\$ 0.98		January 1, 2000
150,000	\$ 0.65	\$ 0.75		January 1, 2000
450,000	\$ 0.65	\$ 0.75		January 1, 2000
150,000	\$ 0.65	\$ 0.75		January 1, 2000
300,000	\$ 0.84	\$ 0.97		January 1, 2000
125,000	\$ 0.92	\$ 1.06		January 8, 2000
125,000	\$ 0.92	\$ 1.06		January 31, 2000
108,000	\$ 0.90	\$ 1.04		February 5, 2000
277,800	\$ 0.90	\$ 1.035		February 20, 2000
156,250	\$ 0.64	\$ 0.74		March 6, 2000
234,375	\$ 0.64	\$ 0.74		March 7, 2000
108,000	\$ 0.90	\$ 1.035		March 28, 2000
108,000	\$ 0.90	\$ 1.035		March 10, 2000
108,000	\$ 0.90	\$ 1.035		March 20, 2000
108,000	\$ 0.90	\$ 1.035		April 8, 2000
300,000	\$ 1.00	\$ 1.15		April 16, 2000
100,000	\$ 1.00	\$ 1.15		May 6, 2000
200,000	\$ 1.00	\$ 1.15		May 21, 2000
300,000	\$ 1.00	\$ 1.15		June 6, 2000
100,000	\$ 1.00	\$ 1.15		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
100,000	\$ 1.15	\$ 1.32	December 9, 1999	December 9, 2000
90,000	\$ 1.15	\$ 1.32	December 16, 1999	December 16, 2000
90,000	\$ 1.15	\$ 1.32	December 16, 1999	December 16, 2000
90,000	\$ 1.15	\$ 1.132	December 12, 1999	December 12, 2000
142,000	\$ 1.15	\$ 1.132	December 19, 1999	December 19, 2000

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

8. SHARE CAPITAL (Continued)

Number Of Shares	Exercise Price		Expiry Date	
	Year 1	Year 2	Year 1	Year 2
346,200	\$ 1.30	\$ 1.50	March 24, 2000	March 24, 2001
80,000	\$ 1.25	\$ 1.44	March 10, 2000	March 10, 2001
80,000	\$ 1.30	\$ 1.44	March 10, 2000	March 10, 2001
1,123,077	\$ 1.30	\$ 1.50	May 19, 2000	May 19, 2001
75,000	\$ 1.30	\$ 1.50	April 3, 2000	April 3, 2001
75,000	\$ 1.30	\$ 1.50	April 3, 2000	April 3, 2001

- f) The Company has arranged, subject to regulatory approval, private placements totalling 5,926,923 units for total consideration of \$7,330,000. Each unit consists of one share and one non-transferable share purchase warrant for the purchase of an additional share for a period of two years. As at June 30, 1999, \$625,101 had been advanced in connection with these private placements.
- g) As at June 30, 1999, the Company's 65% owned subsidiary, Canadian Hi-Tech Manufacturing Ltd. (Canadian Hi-Tech), has 11,000 class B preferred shares outstanding which are redeemable at \$100 per share at the option of Canadian Hi-Tech or after March 1, 1996 at the option of the preferred shareholder who has agreed not to request Canadian Hi-Tech to redeem its shares until all of the performance and escrow shares referred to in Note 8(c) have been earned out of escrow.

9. INCOME TAXES

At June 30, 1999, the Company and its subsidiaries had approximately \$13,375,000 in net operating loss carryforwards available to offset future taxable income. The changes in ownership of the Company during 1993 and future changes in ownership will significantly restrict the utilization of these carryforwards. These carryforwards, if available and unused, will expire from 1999 to 2005. Due to net losses the Company did not record a provision for income taxes in 1998 or 1997.

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

10. RELATED PARTY TRANSACTIONS

- a) During the period, a company controlled by a director was paid project management fees of \$36,000 (1998 - \$36,000). In addition, a second company controlled by the same director was paid rent of \$39,000 (1998 - \$39,000).
- b) During the year, the Company paid directors' and officers' fees of \$10,000 (1998 - \$33,260).
- c) The Company is party to a consulting fee agreement under which a company controlled by a director and a second company controlled by this same director's family will provide all building engineering designs for the Company's projects for an initial fee of 4% of the factory cost of the initial design and 1% of the factory cost for subsequent use of the same design.
- d) IHI International Holdings Ltd. ("IHI-International"), a Bermuda company and a 72% owned subsidiary of the Company, holds the right to use the building technology in all countries in the world other than Canada. The Company has agreed to use its best efforts to offer to its shareholders shares of IHI-International. As a result, shareholders of the Company will have an opportunity to acquire a direct interest in IHI-International which will hold the right to use the technology in all parts of the world other than Canada.
- e) The \$400,000 loan payable described in Note 5 is owing to a company controlled by the family of a director.

11. CONTINGENCIES

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

In addition, a number of builders' liens have been registered against the Company's Hopcott Road property by the sub-contractors of a contractor engaged by the Company during construction of the Hopcott Road facility. In order to discharge these liens, the

Company may need to pay approximately \$82,000 into court.

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999

(Unaudited – see Notice to Reader)

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

13. SUBSEQUENT EVENTS

- a) Subsequent to June 30, 1999, the Company completed the following private placements:

Number of Units	Price Per Unit	Exercise Price of Warrants		Finders' Fees
		Year 1	Year 2	
257,770	\$ 1.30	\$ 1.30	\$ 1.50	\$ 25,770

- b) Subsequent to June 30, 1999, the Company issued an additional 323,913 common shares for cash consideration of \$335,000 on the exercise of share purchase warrants.
- c) Subsequent to June 30, 1999, the Company has received an offer to extend the maturity date of the mortgage payable described in Note 6 until September 1, 2000 with interest continuing at the rate of prime plus 5%.