

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: June 30, 1998

DATE OF REPORT: August 28, 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.

<u>Roger A. Rached</u>	<u>"Roger A. Rached"</u>	<u>98/08/28</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

<u>Gerald Hamilton</u>	<u>"Gerald Hamilton"</u>	<u>98/08/28</u>
NAME OF DIRECTOR	SIGN	DATE SIGNED

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(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, 1998 and the consolidated statements of operations and deficit and changes in financial position 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 20, 1998

Morgan & Company

Chartered Accountants

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED BALANCE SHEETS

(unaudited - see Notice to Reader)

	JUNE 30	
	1998	1997
ASSETS		
Current		
Cash and short term deposits	\$ 1,508,285	\$ 354,696
Accounts receivable	78,221	102,231
Note receivable (Note 2)	678,765	-
Prepaid expense	114,569	191,968
	<u>2,379,840</u>	<u>648,895</u>
Capital Assets (Note 3)	1,794,290	1,931,934
Real Estate (Note 4)	10,296,637	6,801,500
Deferred Project Development Costs	3,110,331	2,942,002
	<u>\$ 17,581,098</u>	<u>\$ 12,324,331</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 475,074	\$ 873,311
Accrued interest payable	108,565	200,659
Loans payable (Note 5)	105,500	105,500
Advances payable	127,663	52,371
Project advance payable (Note 6)	1,700,000	-
Construction mortgage loan payable	-	1,237,160
Current portion of long term debt (Note 7)	16,237	22,257
	<u>2,533,039</u>	<u>2,491,258</u>
Long Term Debt (Note 7)	213,488	440,839
Share Subscriptions Received (Notes 8(f))	1,348,869	255,000
Minority Interest	684,455	458,885
	<u>4,779,851</u>	<u>3,645,982</u>
Contingency (Note 11)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	22,218,294	15,915,907
Deficit	(9,417,047)	(7,237,558)
	<u>12,801,247</u>	<u>8,678,349</u>
	<u>\$ 17,581,098</u>	<u>\$ 12,324,331</u>

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited - see Notice to Reader)

	SIX MONTHS ENDED	
	JUNE 30	
	1998	1997
Revenue		
License rights	\$ 1,354,705	\$ 207,620
Interest and other income	2,804	13,040
	1,357,509	220,660
Expenses		
Audit and accounting	60,509	26,375
Consulting fees	50,467	87,126
Depreciation and amortization	114,267	131,935
Directors' and officers' fees	69,260	28,212
Finders' fees and loan guarantee fees	129,208	140,000
General expense	71,152	134,397
Legal	243,875	354,737
Insurance	28,875	58,421
Interest and foreign exchange	95,245	46,195
Investor relations and product representation costs	155,967	115,969
Telephone, fax and cellular	33,154	56,941
Office rent	39,500	24,000
Promotion and presentation	-	40,945
Property taxes	816	28,437
Repairs and maintenance	20,212	24,791
Travel and business promotion	53,365	173,200
Transfer agent and filing fees	8,588	11,590
Wages and benefits	250,770	158,686
	1,425,230	1,641,957
Loss Before The Following	(67,221)	(1,421,297)
Gain on issue of treasury shares by subsidiary company	-	95,150
Minority interest in (income) loss of subsidiary	(236,725)	5,965
	(303,946)	(1,320,182)
Loss For The Period	(303,946)	(1,320,182)
Deficit, Beginning Of Period	(9,113,101)	(5,917,376)
Deficit, End Of Period	\$ (9,417,047)	\$ (7,237,558)
Loss Per Share	\$(0.01)	\$(0.03)

INTERNATIONAL HI-TECH INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(unaudited - see Notice to Reader)

	SIX MONTHS ENDED	
	JUNE 30	
	1998	1997
Operating Activities		
Loss for the period	\$ (303,946)	\$ (1,320,182)
Add (deduct) non-cash items		
Depreciation and amortization	114,267	131,935
Minority interest in income (loss) of subsidiary	236,725	(5,965)
Gain on issue of treasury shares by subsidiary company	-	(95,150)
	47,046	(1,289,362)
Change in non-cash working capital items	(1,547,034)	907,465
	(1,499,988)	(381,897)
Financing Activities		
Shares issued for cash	2,561,000	961,286
Shares issued for loan guarantees	129,208	-
Increase (decrease) in long term debt	(7,627)	-
Share subscriptions received (net)	1,168,869	255,000
Minority interest	-	560,000
	3,851,450	1,776,286
Investing Activities		
Capital assets	(4,407)	(106,724)
Project development costs	(56,258)	(67,729)
Real estate	(1,046,972)	(1,738,010)
	(1,107,637)	(1,912,463)
Increase (Decrease) In Cash And Short Term Deposits	1,243,825	(518,074)
Cash And Short Term Deposits, Beginning Of Period	264,460	872,770
Cash And Short Term Deposits, End Of Period	\$ 1,508,285	\$ 354,696

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 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;
- 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, 1998

(unaudited - see Notice to Reader)

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. NOTE RECEIVABLE

The note receivable is payable on demand with interest at 6.5% per annum.

3. CAPITAL ASSETS

	<u>1998</u>	<u>1997</u>
Automotive	\$ 123,966	\$ 123,966
Office furniture and equipment	264,379	249,366
Computer equipment	70,707	65,589
Other machinery and equipment	835,735	835,735
Patent prosecution costs	1,274,441	1,187,360
License rights	200,000	200,000
	<u>2,769,228</u>	<u>2,662,016</u>
Accumulated depreciation and amortization	974,938	730,082
	<u>\$ 1,794,290</u>	<u>\$ 1,931,934</u>

4. REAL ESTATE

	<u>1998</u>	<u>1997</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 costs	5,434,361	1,939,224
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>\$ 10,296,637</u>	<u>\$ 6,801,500</u>

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(unaudited - see Notice to Reader)

5. LOANS PAYABLE

	<u>1998</u>	<u>1997</u>
Repayable on demand with interest at 20% per annum	\$ 10,000	\$ 10,000
Repayable on demand at various interest rates	95,500	95,500
	<u>\$ 105,500</u>	<u>\$ 105,500</u>

6. 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.

7. LONG TERM DEBT

	<u>1998</u>	<u>1997</u>
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	\$ 227,933
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	4,091	35,163
	<u>229,725</u>	<u>463,096</u>
Less current portion	16,237	22,257
	<u>\$ 213,488</u>	<u>\$ 440,839</u>

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

JUNE 30, 1998
(unaudited - see Notice to Reader)

7. 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

8. SHARE CAPITAL

a) Authorized

June 30, 1998 and 1997

200,000,000 common shares without par value

June 30, 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	3,076,425	2,764,220
Shares issued for loan guarantees	149,851	129,208
	<u>49,472,414</u>	<u>22,421,514</u>
Finders' fees paid	-	(203,220)
	<u>49,472,414</u>	<u>\$ 22,218,294</u>

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.

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(unaudited - see Notice to Reader)

8. SHARE CAPITAL (Continued)

- d) As at June 30, 1998 the Company had the following outstanding directors' and employees' stock options:

Number Of Shares	Exercise Price	Expiry Date
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 June 30, 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
31,100	\$	3.70		July 18, 1998
43,000	\$	2.65		August 9, 1998
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

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(unaudited - see Notice to Reader)

8. SHARE CAPITAL (Continued)

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

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(unaudited - see Notice to Reader)

7. SHARE CAPITAL (Continued)

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

- f) The Company has arranged, subject to regulatory approval, private placements totalling 3,927,800 units for total consideration of \$4,260,020. 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, 1998, \$1,349,000 had been advanced in connection with these private placements.
- g) As at June 30, 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 June 30, 1998, the Company and its subsidiaries had approximately \$10,600,000 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.

10. RELATED PARTY TRANSACTIONS

- a) During the period, a company controlled by a director was paid project management fees of \$36,000 (1997 - \$36,000). In addition, a second company controlled by the same director was paid rent of \$39,000 (1997 - \$39,000).

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(unaudited - see Notice to Reader)

10. RELATED PARTY TRANSACTIONS (Continued)

- b) During the period, the Company paid directors' and officers' fees of \$33,260 (1997 - \$28,212).
- 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 note payable described in Note 7 is owing to a company controlled by a director.

11. 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 believes that the claim is without merit and intends to vigorously defend the action.

12. 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 \$180,000, an increase in accrued interest payable of \$14,556, and an increase in long term debt of \$200,000 at June 30, 1997, an increase in the loss for the period ended June 30, 1997 of \$17,000, and an increase in the deficit at December 31, 1996 of \$17,556.

INTERNATIONAL HI-TECH INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998

(unaudited - see Notice to Reader)

13. SUBSEQUENT EVENTS

Subsequent to June 30, 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	
500,000	\$ 1.00	\$ 1.00	\$ 1.15	\$ 50,000
173,913	\$ 1.15	\$ 1.15	\$ 1.3225	\$ 20,000

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: June 30, 1998

DATE OF REPORT: August 28, 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"	98/08/28
NAME OF DIRECTOR	SIGN	DATE SIGNED

Gerald Hamilton	"Gerald Hamilton"	98/08/28
NAME OF DIRECTOR	SIGN	DATE SIGNED

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

JUNE 30, 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
Apr.7/98	Common	Private Placement	390,625	\$0.64	\$250,000	Cash	None
Apr.16/98	Common	Private Placement	385,800	\$0.90	\$347,220	Cash	\$34,720
May 11/98	Common	Private Placement	110,000	\$0.90	\$99,000	Cash	\$9,900
May 13/98	Common	Private Placement	100,000	\$1.00	\$100,000	Cash	\$10,000
June 11/98	Common	Private Placement	432,000	\$0.90	\$388,800	Cash	\$38,880
June 18/98	Common	Bonus Shares	117,420	\$0.78	\$91,588	Credit Guarantees	None
June 18/98	Common	Bonus Shares	32,431	\$1.16	\$37,620	Credit Guarantees	None
June 30/98	Common	Private Placement	1,000,000	\$1.00	\$1,000,000	Cash	\$100,000

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	49,472,414	\$22,218,294
Preferred	Without par value	10,000,000		

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

INTERNATIONAL HI-TECH INDUSTRIES INC.

QUARTERLY REPORT

JUNE 30, 1998

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

d) List of Directors:

Roger Rached
Evelyne Becker
Ferdinand Rauer

Thomas Po
Gerald Hamilton

Schedule C: Management Discussion

See attached

INTERNATIONAL HI-TECH INDUSTRIES INC.
OTHER FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. Deferred Project Development Costs

Balance December 31, 1997	\$ 3,054,073
Additions during the period	
Research and development	56,258
Balance June 30, 1998	\$ 3,110,331

2. General Expense

PST audit assessment	\$ 2,650
Printing	10,268
Courier	5,585
Postage	3,516
Office supplies	19,825
Equipment leasing	9,765
Auto expenses	3,003
Utilities	5,582
Bermuda Government fees	7,421
Dues, subscriptions, licence	3,537
	\$ 71,152

3. Investor Relations and Product Representation Costs

Euroasian Canamerican Enterprises Inc. (Vancouver)	
6 months x \$5,000	\$ 30,000
Veda S.A. Consult (Luxembourg) 6 months x U.S. \$6,000	51,766
Stock quotation and information decimation services, shareholder mailings and other corporate services	74,201
	\$ 155,967

4. Travel and Business Promotion

Meals and entertainment	\$ 8,361
Advertising	2,800
Airline tickets, meals, accommodation and entertainment (Canada, U.S.A. and Europe)	7,275
Veda S.A. Consult reimbursable expenses and other costs related to the Luxembourg Show Home	34,929
	\$ 53,365

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.

In the first half of fiscal 1998, the Corporation continued to expand its base of strategic joint venture partners, ending the first half of the fiscal year with 11 interim agreements that call for the establishment of up to 16 *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.

During the first half of fiscal 1998, consolidated revenues grew by over 650%. The Company either directly or through IHI International entered into four interim agreements which provided for the payment of US \$465,000 on account of licence fees.

In the first half of fiscal 1998, the Corporation once again demonstrated the attractiveness of its Technology and its expert-oriented business. Despite the poor British Columbia economy, the Corporation generated \$1,354,705 from its licensing activities and generated over \$3.7 million from its financing activities. Notwithstanding increases in the Corporation's licensing and marketing endeavours, the Corporation's total expenses decreased to \$1,425,233 for the six months ended June 30, 1998, compared to expenses of \$1,641,957 for the six months ended June 30, 1997. The six month financial results reflect managements' efforts to maintain cost efficiencies and to adhere to financial disciplines with respect to the Corporation's ongoing commercialization program.

Management is committed to enhancing the financial return on the Corporation's \$17 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"), including office accommodations, was completed in mid-August. 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.ihintl.com> is frequently updated with pictures detailing the construction process at the Facility.

Operations

The Corporation incurred a net loss of \$303,946 for the six months ended June 30, 1998, as compared to a net loss of \$1,320,812 for the six months ended June 30, 1997.

Expenses decreased for the six month period ended June 30, 1998, compared with the six month period ended June 30, 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 decreased from \$87,126 to \$50,467, general expense decreased from \$134,397 to \$71,152, legal expense decreased from \$354,737 to \$243,875, telephone fax and cellular decreased from \$56,941 to \$33,154 and travel and business promotion decreased from \$173,200 to \$53,365. Interest and foreign exchange expense increased from \$46,195 to \$95,245 principally because of interest cost associated with the Columbia Kootenay Investment Inc. loan transaction.

Capital Requirements, Resources and Liquidity

As at June 30, 1998 the Corporation had a working capital deficit of \$153,199. Of such amount, \$2 million is represented by the project advance that has now been repaid to Columbia Kootenay Investment Inc. Since June 30, 1998, the Corporation arranged a conventional first mortgage financing over the Hopcott Road property in the principal amount of \$2.5 million. The financing comes with the term of 13 months and interest is payable at a rate equal to prime plus 5%. A portion of the proceeds from the financing were used to repay Columbia Kootenay Investment Inc. The remaining proceeds will be used to complete the finishing work and office accommodations for the permanent manufacturing facility and to pay for brokerage and commitment fees. Mr. Rached has delivered a personal guarantee in favour of the lenders. In consideration therefor, subject to regulatory acceptance, Mr. Rached or his affiliates will receive 817,280 IHI common shares with a hold period.

As well, since June 30, 1998 the Corporation has arranged, subject to regulatory acceptance, \$700,000 of private placements.

The Corporation will 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. On October 14, 1997, the Corporation accepted a lease proposal from LW Lease West Financial Corporation ("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. Until a legally binding commitment is issued, the proposal does not represent a commitment of Lease West to undertake the lease transaction. The Corporation is working with Lease West as it completes its due diligence activities with respect to the proposed transaction.

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

For the first half of fiscal 1998, the Corporation has demonstrated its ability to generate cash flow to cover a significant portion of its operating expenses. This source of internally generated funds, coupled with the Corporation's proven ability to access private capital, provides the Corporation with satisfactory liquidity. The Corporation continues to monitor its capital requirements, with a view to ensuring that sufficient capital to fully exploit its business in British Columbia, Canada.

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 six months ended December 31, 1998 (exclusive of the costs associated with establishing the Facility). The Corporation has budgeted approximately \$3.74 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 potential private placements and the potential exercise of 8,811,135 warrants with exercise prices ranging from \$0.64 to \$3.70, proceeds from deposits on new MOUs and significant proceeds

due under existing MOUs and licenses, and proceeds from the lease proposal received from Lease West (although no commitment is in place at this moment).

The Corporation believes, following the successful demonstration of its custom designed "show home" in Luxembourg 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.

The short term outlook for the Corporation's liquidity is acceptable and consistent with management's objectives. The longer term outlook for the Corporation's liquidity is expected to be enhanced, given the historical track record of management in privately raising funds for its state of the art building Technology and given the significant proceeds that are due under existing MOUs and licenses.

Investor Relations

It has been determined that Raventures Inc. of Toronto, Canada, will not be retained to provide investor relations, brokerage awareness and related promotional activities for the Corporation. Instead, such activities will be conducted in-house.

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.

Conclusion

The financial achievements of the first half of 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.