

**HIT TECHNOLOGIES INC. (TSXV: HIT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017
DATED: May 30, 2017**

This management's discussion and analysis ("MD&A") provides a review of the Company and should be read in conjunction with the unaudited interim consolidated financial statements and related notes of HIT Technologies Inc. ("HIT" or the "Company") for the quarter and nine months ended March 31, 2017, as well as the annual audited consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements along with additional information relating to the Company, including the Filing Statement dated May 27, 2015 (the "Filing Statement"), are available at www.sedar.com.

This MD&A contains "forward-looking information" that are based on expectations, estimates and projections as of the date of this MD&A. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information in this MD&A. Many of such risks and uncertainties are beyond the control of the Company. Please refer to the non-exhaustive list of risks and uncertainties included in this MD&A and the Company's Filing Statement.

While the Company anticipates that subsequent events and developments may cause its views to change, it will not update this forward looking information, except as required by law. This forward-looking information should not be relied upon as representing the views of the Company as of any date subsequent to the date of this MD&A. The Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

All amounts are presented in Canadian dollars unless otherwise indicated.

The words "we", "our", "us", "Company", and "HIT" refer to HIT Technologies, Inc., together with its predecessors, subsidiaries, and/or the management and employees of the Company.

Selected Quarter and Nine-month Information

	Q3- Fiscal 2017	Q3-Fiscal 2016	9mo to Mar 31, 2017	9mo to Mar 31, 2016
Revenue	\$147,459	\$365,749	\$599,510	\$1,457,231
% Increase (decrease) over Prior Year	-60%		-59%	
Gross Margin	30%	37%	34%	31%
Gross Margin %				
Operating Expenses (excluding non-cash and cost of sales)	\$447,826	\$716,731	\$1,371,202	\$2,803,600
% change over Prior Year	-38%		-51%	
Adjusted EBITDA (Loss) ¹	\$(426,830)	\$(562,747)	\$(1,211,661)	\$(2,344,409)
% change over Prior Year	-24%		-48%	
Net (Loss)	\$(0.01)	\$(0.02)	\$(0.02)	\$0.06)
Per share, Basic				
			Mar 31, 2017	June 30, 2016
Cash and Cash Equivalents			\$268,661	\$368,018
Inventory			\$412,339	\$471,436
Net Working Capital (deficiency)			\$64,980	\$328,939
Total Assets			\$1,356,109	\$1,663,854
Accounts payable and accrued liabilities			\$775,169	\$760,730
Total Liabilities			\$1,686,000	\$861,156

¹ Adjusted EBITDA (Loss) is not a generally accepted measure of performance under IFRS. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income (loss) attributable to shareholders determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating this performance measure may differ from other companies and they may not be comparable to measures used by other companies. A quantitative reconciliation of this non-IFRS measure is included in the section entitled "Reconciliation of net loss to Adjusted EBITDA (Loss)" in this MD&A.

Business Update:

Over the course of the past year, due to insufficient financial resources to maintain its marketing push, HITCASE curtailed its spending levels to the minimum required for continued product development and on-line sales. This has meant reducing its retail presence and eliminating its merchandising efforts with the remaining retailers. One of the few retailers retained is Best Buy Canada which, despite the Company not spending on merchandising and positioning, continues to perform at levels consistent with the prior year.

Management believes that there is an exciting marketing opportunity for HITCASE, but that in order to address the market, a more robust product line is required, along with a large distribution channel into the U.S. market.

Accordingly, focus has been on creating a range of HITCASE products to make it viable for big-box retailers, on maintaining a base level of on-line and social media marketing in order to provide on-line user validation of the product line, and on continuing with Best Buy Canada on a limited basis to underscore the continuing opportunity.

While this has resulted in a decline in both sales and expenses, the Company believes it has accomplished its goal of updating its product line and generating big-box retail opportunities in the U.S.

The new and completely redesigned HITCASE PRO 7 which is the Company's flagship product begins shipping on a limited basis in June 2017 following a successful "crowdfunding" campaign. It has already been touted as the best waterproof case on the market by numerous industry experts.

As a result, the product line is now complete with PRO, SHIELD, and SNAP. All products are currently shipping on a limited basis via limited channels given the Company's curtailed spending levels.

With this, management believes it has positioned itself for a successful re-launch and will do so upon attaining the support of a big-box retailer through its recently launched relationship with Crowd & Company.

Business Overview

HIT's principal business is the design, manufacture and distribution of the Company's suite of premium HITCASE™ cases for Apple Inc.'s iPhone. The HITCASE offerings are elegantly designed, protective phone cases that include everyday protective offerings through to special purpose adventure cases. HITCASES are force-multipliers for the iPhone, bringing the promise of protection and makes using iPhones creatively much easier and more fun. The HITCASE brand has been developed around this concept. The Company's mission is to build a premium brand and products that are synonymous with adventure and creativity.

The Company believes that it has created a unique brand and line of HITCASE products which include the following:

- HITCASE PRO – the Company's flagship ruggedized offering which includes a mountable, waterproof, shockproof and dustproof casing. Currently available for iPhone 5, 6, 6s, and SE. Following a successful "crowd-funding" campaign, the PRO 7 is launching on a limited basis in June 2017;
- HITCASE SNAP – an everyday smaller profile and non-waterproof version of the PRO that is mountable and shockproof. Currently available for iPhone 6, 6s.
- HITCASE SHIELD – The Company's newest offering designed to be an elegant low-profile waterproof and shockproof casing for everyday use.
- TrueLux Lenses – a line of detachable lenses for PRO and SNAP that add clarity and alter the iPhone's field of view with wide-angle, super wide-angle and macro camera features.
- Mounts – a full line of mounting systems for PRO and SNAP that add essential camera features of view-point versatility and hands-free use.

The HITCASE SHIELD for iPhone 6 was launched on a limited basis in Q1 Fiscal 2017, and the iPhone 7 version was launched on a limited basis in Q2 Fiscal 2017. SHIELD is the thinnest waterproof case available today, and we believe its elegant aluminum casing with a newly designed waterproof Shockseal make it differentiated in the market. A small production run of the SHIELD shipped to a limited number of retailers in December 2016, and was well received by our retailers and their customers. As a result, with the pending launch of the new HITCASE PRO 7 the Company is currently seeking expanded retail opportunities for a broader launch.

The HITCASE PRO for iPhone 7 has been redesigned based on the unique design for SHIELD. The new PRO leverages the thin aluminum design and new waterproof Shockseal technology of SHIELD and has been touted as the best waterproof case on the market by industry experts.

Growth Strategy

1. Deliver a premium must-have HITCASE offering – design the HITCASE lineup of products with uncompromising focus on quality and complete with the peripherals required to bring the HITCASE brand promise to life.

2. Build a world-class brand – invest in branding, content, sponsorships and collaborative partnerships to build a loyal following of customers that are “Ready for AdventureTM”.
3. Execute on a multi-channel distribution strategy – leverage the brand to build momentum for sales through e-commerce and digital marketing, and grow this momentum with effective retail distribution channels at the appropriate time.
4. Expand the product suite – grow the addressable market by expanding it’s offering of cases and peripherals that leverage the HITCASE brand; such as the recently launched HITCASE SHIELD and soon to be launched PRO 7.

Competition

HIT competes in the multi-billion dollar iPhone peripheral and converging camera markets. These are highly competitive markets. HIT differentiates itself through its uncompromising design that does not impede the use of iPhone features, Railslide systems and mounts, patent portfolio, proprietary camera enhancing lenses, and brand and content. We believe HITCASE is one of the most rugged, versatile and easy to use cases available, and combined with our branding strategy, is well positioned to achieve a meaningful attach rate to iPhone shipments. In addition, HIT believes that HITCASE is a complementary offering to the GoPro®, the industry leading action camera. HITCASE mounts are compatible with GoPro® mounts, allowing users to use both products without having to reinvest in additional mounting systems.

Patents

HIT’s patents provide a level of protection for the Company’s investment in the HITCASE design. HIT has been granted two patents in the United States for its inventions and has one patent application in process.

Waterproof Case Patent

Granted on July 8, 2014 and provides protection in the United States for a term of 20 years commencing January 26, 2013, plus an adjustment period of 77 days. The patent secures the concept of a waterproof mobile device case in which the waterproof feature is created by a geometry seal between the lower section, the side walls and the upper section of the casing device. In the design, the lower section of the casing device includes a clear fixed position lens through which a camera lens may be inserted. The casing also includes waterproof plugs to seal openings that when exposed, allow it to connect to external devices such as headphones and chargers. The patent contains two independent claims, which include: (i) the waterproof mobile device casing; and (ii) the method of making the waterproof mobile case. In addition, the patent includes 18 dependent claims for variations of one or the other independent claims. This patent exists only in the United States.

Patent filed for a Mobile Device Case having an Integrated Wide Angle Lens

This patent application is in process, it claims a mobile device case which includes an integrated wide-angle lens for photography and/or videography. The mobile device case includes a protective casing with an opening that exposes a mobile device camera where the mobile device camera has a default angle of view. This patent application comprises two independent claims which include: (i) the mobile device case; and (ii) the method of using a mobile device with the case. It also includes 23 dependent claims for variations of the independent claims.

Patent for Providing a Rail Mounting System for a Mobile Device Case

Granted on September 8, 2015 and expiring January 25, 2034, the invention claimed is a mounting rail system that allows the mounting of the waterproof mobile device case disclosed in the Waterproof Case Patent to various accessories, such as a stand or other fixed position device. The rail mounting device employs a slot in the waterproof case that conjoins with a corresponding rail in the accessory. The patent application contains three independent claims which include: (i) the rail mounting system; (ii) the accessory for the rail mounting system that includes the claimed rail; and (iii) the method of securing the accessory to the mobile device case using the rail. In addition, the patent includes 15 dependent claims for variations of the independent claims.

FINANCIAL PERFORMANCE REVIEW AND ANALYSIS

Operational Summary for Q3 Fiscal 2017:

- Generated sales of \$147,459 in Q3 F2017, down 60% from \$365,749 in Q3 Fiscal 2016. The decline reflects the Company's reduced spending on sales, marketing and distribution, and to intentionally keeping production runs limited until the full product line for iPhone 7 is completed.
- Gross margin of \$43,679 in Q3 F2017 was down from \$136,299 generated in Q3 of last year due to decreased sales. The gross margin percent decreased to 30% compared to 37% last year.
- During the quarter, the Company reduced operating expenditures (excluding non-cash items and cost of sales) to \$447,829, a 38% reduction from Q3 F2016. The Company continues to look for additional opportunities to realize further reductions while maintaining its ability to continue its product development and to pursue the support of a large partner to re-launch the product-line;
- Reported an Adjusted EBITDA loss of \$426,830 for Q3 F2017, a 24% reduction from \$562,747 in Q3 F2016;
- Closed the quarter with working capital of \$64,980 including cash and cash equivalents of \$268,661 and inventory of \$412,339 at March 31, 2017.
- The Company completed private placements of secured convertible debentures and Units for gross proceeds of \$362,000 in the quarter. Subsequent to March 31, 2017, the Company closed an additional private placement of secured convertible debentures for gross proceeds of \$330,000.
- Subsequent to quarter end, completed the new HITCASE PRO design for iPhone 7 and 7+, and launched the product via a successful "crowdfunding" campaign with shipments beginning in June 2017. The Company's "crowdfunding" campaign exceeded its \$50,000 targeted funding.
- Announced a partnership with Crowd & Company for sales and marketing initiatives. Crowd & Company executives have extensive experience in marketing and selling protective iPhone cases to large US retailers, having successfully launched a protective iPhone case line by the name of Lifeproof in 2011. With completion of the HITCASE PRO-7, Crowd & Company has been successful at generating interest from large U.S. based retailers for the full HITCASE line-up.

Performance Overview

During the quarter ended March 31, 2017, we continued to operate on a reduced budget basis. Our main areas of focus continue to be HITCASE PRO, SNAP and SHIELD development, marketing and branding initiatives. However, these initiatives are being undertaken at a reduced level until the Company has secured additional external capital and a meaningful retail program with a major US retail chain. Accordingly, spending on current sales programs has been significantly curtailed, and as a result sales have declined from the prior year.

Revenues

	Q3-F2017	Q3-F2016	%+/-	YTD F2017	YTD F2016	%+/-
Revenues	\$147,459	\$ 365,749	-60%	\$599,510	\$1,457,231	-59%

Q3-Fiscal 2017 compared to Q3-Fiscal 2016

HIT generates revenue from (i) e-commerce and retail sales of HITCASE, mounts and lenses; and (ii) ancillary sales of HIT's legacy POV camera products.

Revenue for the quarter ended March 31, 2017 of \$147,459 decreased 60% from \$365,749 for the corresponding quarter in the prior year. The decline was due to lower sales across all distribution channels and products as the Company curtailed its sales and marketing spending while focusing on retail channel development and completion of the new HITCASE SHIELD and PRO-7.

YTD Fiscal 2017 compared to YTD Fiscal 2016

Revenue for the nine months ended March 31, 2017 of \$599,510 decreased 59% from \$1,457,231 for the corresponding period last year. The decrease was due to the same factors as the quarter.

Gross margin percent and Cost of Sales:

	Q3-F2017	Q3-F2016	%+/-	YTD 2017	YTD 2016	%+/-
Cost of Sales	\$103,780	\$229,450	-55%	\$394,462	\$1,004,218	-61%
Gross margin %	30%	37%	-21%	34%	31%	+10%

Q3-F2017 compared to Q3-F2016

The decrease in cost of sales over the corresponding period in the prior year is largely due to the decreased sales in the current quarter. Gross margin percent decreased for the quarter as the Company incurred a higher than expected rate of returns that could not be inventoried.

YTD-F2017 compared to YTD-F2016

The decrease in cost of sales over the corresponding period in the prior year is largely due to the decreased sales for six months ended December 31, 2016. Cost of sales for the period included an inventory write-down of \$35,753 and this was offset by an estimated recovery of \$28,600 from a vendor. Gross margin percent improved due to higher percentage of sales sold through direct to customer channel and the introduction of products with higher gross margin. In addition, the gross margin percent for the prior YTD included higher shipping, inventory and promotional pricing around product launches in the first half of F2016.

Operating Expenses (excluding non-cash items)

	Q3-F 2017	Q3-F 2016	+/-%	YTD 2017	YTD 2016	%+/-
General and administrative	\$311,666	\$414,852	-25%	\$893,569	\$1,396,854	-36%
Sales and marketing	\$118,319	\$245,299	-52%	\$413,736	\$1,182,117	-65%
Research and development	\$17,842	\$56,580	-68%	\$63,897	\$224,629	-72%
Total operating expenses	\$447,826	\$716,731	-38%	\$1,371,202	\$2,803,600	-51%

Q3-F2017 compared to Q3-F2016

Operating expenses (excluding non-cash items) for Q3 F2017 totaled \$447,826 compared to \$716,731 in Q3 F2016, a decrease of 38% as the Company completed initiatives to right-size spending towards current sales levels while still allowing for investment in growth initiatives aimed at broader retail distribution. Lower operating costs relate to lower general and administration, and selling and marketing costs. Operating costs were lower as the Company reduced personnel expenses through head count reduction and salary reductions.

General and administrative expenses in Q3 F2017 decreased compared to Q3 F2016 primarily due to decreased personnel and office costs offset by higher consulting expenses. Consulting expenses were higher due to several consulting contracts for business advisory services that were not in place in the prior year's quarter.

Q3 F2017 sales and marketing expense decreased 52% compared to Q3 F2016 as the Company reduced personnel costs and overall marketing spend. Sales and marketing activities include content production, digital advertising, athlete sponsorship and media relations, all of which declined compared to the corresponding quarter of the prior year. These expenditures have been reduced as the Company manages its cash resources. The reduced sales and marketing expense has directly impacted current period sales.

Research and development expenses decreased 68% compared to the prior year both due to efforts to right size spend, and as the prior investment in development has provided a sufficient line up of product innovation for the coming year. These efforts culminated in the release of the SHIELD which included many new innovations in design, materials and seal technology. At the same time, the SHIELD design features have been applied to the new HITCASE PRO for iPhone 7, which is expected to launch in 2H-F2017.

YTD-F2017 compared to YTD-F2016

Operating expenses (excluding non-cash items) for YTD F2017 totaled \$1,371,202 compared to \$2,803,000 for the YTD F2016, a decrease of 51%. Factors affecting the YTD expenses were similar to those discussed for the quarter.

In the corresponding nine months of the prior year the Company undertook marketing initiatives to build its brand, online Fan-Base and drive demand for its HITCASE offerings. With its brand initiatives taking hold and a strong following for HITCASE established during 2015 and early 2016, management has been able to reduce marketing spend and still maintain the brand. The Company intends to continue pursuing grass-roots opportunities to grow its brand and product awareness at minimal cost to the Company.

Net Loss

Net loss for Q3 F2017 compared to net loss for Q F2016

The Company recorded a net loss of \$495,692 (\$0.01 loss per share) compared to \$661,898 (\$0.02 loss per share) for Q3 F2016. The decreased loss is due to lower operating expenses offset by lower sales.

Net loss for YTD F2017 compared to net loss for YTD F2016

The Company recorded a net loss of \$1,461,813 (\$0.02 loss per share) compared to \$2,724,806 (\$0.06 loss per share) for the nine months ended March 31, 2017 & 2016 respectively. The decreased loss is due to lower operating expenses offset by lower sales.

Reconciliation of net loss to Adjusted EBITDA (Loss)

	Q3-F2017	Q3-F2016	YTD – F2017	YTD -F2016
Loss and comprehensive loss for the period	(495,692)	(661,898)	(1,461,813)	(2,724,806)
Add back:				
Share based compensation	31,693	49,804	111,304	222,003
Depreciation	37,170	49,347	138,848	158,394
Adjusted EBITDA (Loss)	(426,830)	(562,747)	(1,211,661)	(2,344,409)

Selected Quarter Information

The following summarizes HIT's historical financial results during the last eight most recently completed financial quarters.

	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	June 30, 2015
Revenue	147,459	239,015	\$213,036	262,897	365,749	684,731	406,751	134,115
Adjusted EBITDA Loss	(426,830)	(408,416)	(376,416)	(453,262)	(580,431)	(806,920)	(963,326)	(1,121,492)
Loss and comprehensive loss	(495,692)	(496,572)	(469,549)	(533,144)	(661,898)	(954,423)	(1,108,486)	(3,319,534)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.03)	(0.10)

Financial Condition

The following table identifies the balances as at March 31, 2017 and June 30, 2016.

	March 31, 2017 (\$)	June 30, 2016 (\$)
Cash	268,661	368,018
Other current assets	650,974	791,662
Long term assets	436,384	504,172
Total assets	1,356,019	1,663,854
Accounts payable and accrued liabilities	775,169	760,730
Total liabilities	1,686,000	861,155
Shareholder Equity/(Deficit)	(329,979)	802,697

Liquidity and Financial Position

At March 31, 2017, the Company had a cash balance of \$268,661 compared with \$368,018 at June 30, 2016. During the past year, to help manage its liquidity and capital, the Company significantly reduced its operating expenses and completed two private placements of secured convertible debentures and common shares during the quarter and an additional secured convertible debenture subsequent to the quarter end.

The Company had a net working capital 64,980 at March 31, 2017 compared to net working capital of \$328,937 at June 30, 2016. The decrease in net working capital primarily reflects the decline in the cash balance during the period to fund operations.

In addition to the Company's cash balance, other significant components of net working capital at March 31, 2017 include Inventory of \$412,339, prepaid expenses and deposits of \$205,966 and accounts payable and accrued liabilities of \$775,169. Accounts payable and accrued liabilities balance was up from \$760,730 at June 30, 2016. The Company had been slowing its payment of trade payables to manage its cash flow. Finally, deferred revenue which is included in net working capital was \$72,096 at March 31, 2017 compared to \$62,785 at June 30, 2016. Deferred revenue at March 31, 2017 and June 30, 2016 primarily represents returns for which the Company has provided credit on future orders.

Cash flow used in operations

The Company used cash of \$1,025,255 in operations for the nine months ended March 31, 2017 compared to \$2,646,806 for corresponding period of the prior year. The decreased use of cash primarily reflects lower operating expenses incurred during the nine months ended March 31, 2017.

Cash flow from financing activities

Cash flow from financing activities was \$996,959 for the nine months ended March 31, 2017 compared to cash used in financing activities of \$5,401 for the corresponding period of the prior year.

On October 31, 2016, the Company issued Debentures in the principal amount of \$375,000 (the “Debenture Sum”) for net proceeds to the Company of \$338,426. The Debentures expire on February 1, 2019 as amended (the “Maturity Date”). The Debenture Sum bears interest at a rate of 10% per annum with prepayment of the first year’s interest on closing. Interest is payable monthly after the first anniversary of the closing and the face amount is due at the Maturity Date. The Debenture is secured by a general security agreement covering the assets of the Company.

The Debenture may be converted, in whole or in part, at the sole discretion of the subscribers, at any time prior to the Maturity Date, into common shares in the capital of the Company (“Conversion Shares”). The conversion rate will be one Conversion Share for each \$0.05 of the Debenture Sum, if any portion of the Debenture Sum is converted within 12 months from the issue date, and one Conversion Share for each \$0.10 of the Debenture Sum, if any portion of the Debenture Sum is converted after 12 months from the issue date. The Debentures, as well as any Conversion Shares issued upon conversion of the Debenture Sum, will be subject to a four-month hold period which will expire on March 1, 2017.

On October 31, 2016, the Company also closed a non-brokered private placement (the “Common Share Offering”) of common shares in the capital of the Company (the “Common Shares”), raising aggregate gross proceeds to the Company of \$90,000. At the closing of the Common Share Offering, the Company issued an aggregate of 1,800,000 Common Shares at a subscription price of \$0.05 per Common Share. The Common Shares will be subject to a four-month hold period which will expire on March 1, 2017.

On February 1, 2017, the Company issued Debentures in the principal amount of \$300,000 (the “Debenture Sum”) for net proceeds to the Company of \$287,879. The Debentures expire on February 1, 2019 as amended (the “Maturity Date”). The Debenture Sum bears interest at a rate of 10% per annum with prepayment of the first year’s interest on closing. Interest is payable monthly after the first anniversary of the closing and the face amount is due at the Maturity Date. The Debenture is secured by a general security agreement covering the assets of the Company.

The Debenture may be converted, in whole or in part, at the sole discretion of the subscribers, at any time prior to the Maturity Date, into common shares in the capital of the Company (“Conversion Shares”). The conversion rate will be one Conversion Share for each \$0.05 of the Debenture Sum, if any portion of the Debenture Sum is converted within 12 months from the issue date, and one Conversion Share for each \$0.10 of the Debenture Sum, if any portion of the Debenture Sum is converted after 12 months from the issue date. The Debentures, as well as any Conversion Shares issued upon conversion of the Debenture Sum, will be subject to a four-month hold period which will expire on June 1, 2017.

On February 1, 2017, the Company also closed a non-brokered private placement (the “Units Offering”) of Units in the capital of the Company (the “Common Shares”), raising aggregate gross proceeds to the Company of \$62,000. Each Unit consists of one common share and one-half of one share purchase warrant, with a whole warrant entitling the holder to purchase one common share at a price of \$0.07 per share until February 1, 2019. At the closing of the Common Share Offering, the Company issued an aggregate of 1,240,000 Units at a subscription price of \$0.05 per Unit. The Units will be subject to a four-month hold period which will expire on June 1, 2017.

Cash flow used in investing activities

During the nine months ended March 31, 2017, the Company used cash flow of \$71,262 in investing activities compared to the prior year when the Company used cash in investing activities of \$34,195.

Total assets amounted to \$1,356,019 at March 31, 2017 compared to \$1,663,854 as at June 30, 2016. The decrease in total assets of \$307,835 was primarily due to the decrease in the Company’s current assets.

Total liabilities were \$1,686,000 at March 31, 2017 compared to \$861,155 at June 30, 2016. The increase in total liabilities is primarily due the secured convertible note balance at March 31, 2017.

The Company had shareholders' deficit of \$329,979 at March 31, 2017 compared to shareholders' equity of \$802,698 as at June 30, 2016. The decrease in shareholders' equity is primarily due to increase in the Company's deficit as a result of operating losses incurred for the period.

Going Concern Assumption

The Company's unaudited interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended March 31, 2017, the Company incurred a loss of \$1,461,813 (nine months ended March 31, 2016 - loss of \$2,724,806), negative cash flows from operating activities of \$1,025,255 (nine months ended March 31, 2016 - \$2,646,806), and an accumulated deficit of \$11,363,125 at March 31, 2017 (June 30, 2016 - accumulated deficit of \$9,901,312). These conditions indicate the existence of a material uncertainty that may cast substantial doubt regarding the Company's ability to continue as a going concern.

The continued operations of the Company are dependent on its ability to generate future cash flows from operations and to obtain external financing. Since the Company's Qualifying Transaction the Company has launched three new product lines, the Hitcase Pro for iPhone 6, the Hitcase Snap and the Hitcase Shield. These products helped the Company achieve cumulative revenues of \$2,319,639 for the 21 months since the Qualifying Transaction. Even with these revenues, the Company has not generated sufficient cash flow from operations. Revenues have declined on a year over year basis for the nine months ended March 31, 2017 but the Company continues to seek new distribution partners to increase revenues as well as increasing its direct sales through better conversion rates. The Company undertook a reduction in its operating expenditures in the prior fiscal year, reducing its loss from operations, on a year over year basis, by \$1,262,993 for the nine months ended March 31, 2017. The Company continues to look for ways to reduce its operating expenditures. In addition, the Company has slowed payments to its suppliers, in some cases negotiating extended payment terms with certain suppliers.

Through these measures, the Company has been managing its working capital and expects that these strategies will be an integral part of managing its working capital going forward, until it generates sufficient revenues or accesses additional external financing. The Company has obtained net proceeds from external financing of approximately \$7,176,895 over the past two fiscal years (for the year ended June 30, 2016 - \$942,181; for the year ended June 30, 2015 - \$6,234,714). During the nine months to March 31, 2017 the Company completed the two tranches of private placements of secured convertible debentures for net proceeds of \$507,879 and common shares and Units for gross proceeds of \$152,000. Subsequent to the quarter, the Company completed a third tranche of private placements of secured convertible debentures for gross proceeds of \$330,000.

Management is of the opinion that the combination of sales, lower operating costs, extended terms with suppliers and additional external financing, the Company will have the working capital to meet its liabilities and commitments as they become due. There is a risk that these measures will not be sufficient and that additional financing will not be available on a timely basis or on terms acceptable to the Company.

The unaudited interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

Transactions with Related Parties

Key management compensation for the nine months ended March 31, 2017 and 2016 is provided in the table below. Key management includes directors, the Chief Executive Officer and the Chief Financial Officer, who have the authority and responsibility for the planning, directing and controlling the activities of the Company.

	2017	2016
	\$	\$
Salaries and management fees	126,178	170,993
Stock based compensation	-	35,250
	<u>126,178</u>	<u>206,243</u>

As at March 31, 2017, accounts payable and accrued liabilities included \$60,076 (June 30, 2016 - \$56,948) relating to key management personnel compensation.

During the nine months ended March 31, 2017, a portion of the amounts owed to a director were settled by the issuance of shares pursuant to a settlement agreement. The Company issued 439,359 common shares at \$0.05 per share to settle outstanding amounts of \$21,968.

As at March 31, 2017, a director advanced \$220,000 to the Company (note 12) in anticipation of closing a third tranche of the convertible notes (note 18). The amount was treated as an advance at March 31, 2017 because the convertible note did not become effective until April 24, 2017. The advance was non-interest bearing.

Commitments

Contractual agreements

The Company's office space is leased on a month-to-month basis.

The Company has sponsorship agreements with several athletes to endorse the Company's HITCASE product line. At March 31, 2016, the Company had financial commitments under these agreements totalling approximately \$17,194 with remaining terms ranging from two to five months.

On April 15, 2016, the Company entered into a financial services advisory agreement, under which the Company agreed to pay a monthly retainer of \$3,500 (plus applicable taxes) payable in cash or shares of the Company, at the Company's option. At March 31, 2017, the remaining commitment under this agreement was \$7,000.

The Company has leased a truck to create brand awareness at events attended by its employees. The lease is for a period of four years and the Company has an option to purchase the truck for \$16,739 at the end of the lease. The lease contains a provision for an excess kilometre charge if the Company exceeds the number of contracted kilometres. The future minimum lease payments under the non-cancellable lease are as follows:

	Future minimum lease liability \$	Interest \$	Present value of minimum lease payments \$
Less than one year	8,282	891	7,391
Between one and five years	8,282	666	7,616
	16,564	1,557	15,007

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Subsequent Events

Private placement secured convertible Debentures

On April 24, 2017, the Company issued Debentures in the principal amount of \$330,000 (the “Debenture Sum”). The Debentures will expire on April 24, 2019 (the “Maturity Date”). The Debenture Sum will bear interest at a rate of 10% per annum with prepayment of the first year’s interest on closing. Interest is payable monthly after the first anniversary of the closing and the face amount is due at the Maturity Date. The Debenture is secured by a general security agreement covering the assets of the Company.

The Debenture may be converted, in whole or in part, at the sole discretion of the subscribers, at any time prior to the Maturity Date, into common shares in the capital of the Company (“Conversion Shares”). The conversion rate will be one Conversion Share for each \$0.05 of the Debenture Sum, if any portion of the Debenture Sum is converted within 12 months from the issue date, and one Conversion Share for each \$0.10 of the Debenture Sum, if any portion of the Debenture Sum is converted after 12 months from the issue date. The Debentures, as well as any Conversion Shares issued upon conversion of the Debenture Sum, will be subject to a four-month hold period which will expire on August 24, 2017.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles (GAAP), as used by publicly accountable enterprises, would be fully converged into IFRS, as issued by the International Accounting Standards Board (IASB), effective for fiscal years beginning on or after January 1, 2011. The Company implemented these standards for the years ended June 30, 2014 and 2013.

The Company is in the process of adapting its business processes, financial systems, accounting policies, disclosure controls and procedures and internal controls over financial reporting to IFRS. No material change in business processes, financial systems, disclosure controls and procedures and internal controls over financial reporting is expected to result from the adoption and implementation of IFRS.

Financial Risk Management

The Company has determined that the carrying value of its short-term financial assets and liabilities, including, accounts receivable, government assistance receivable, trade and other payables approximates their fair value because of the relatively short periods to maturity of these instruments. The Company may be exposed to certain financial risks, including credit risk, currency risk, interest rate risk and liquidity risk.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company's considers its credit risk with respect to accounts receivable to be limited, as the Company obtains accounts receivable insurance where possible. The carrying amount of financial assets represents the maximum credit exposure.

Foreign exchange rate risk

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is exposed to foreign exchange rate risk on its foreign currency denominated cash, accounts receivable, and accounts payable and accrued liabilities.

The Company does not have a formal policy to mitigate risks arising from changes in foreign currency exchange rates. Based on the balances at March 31, 2017, fluctuations in the Canadian dollar and US dollar exchange rates could have a potentially significant impact on the Company's results from operations. If the Canadian dollar were to weaken against the US dollar by 10% relative to the rate at March 31, 2017, the loss for the period would be approximately \$34,000 greater. If the Canadian dollar were to strengthen against the US dollar by 10% relative to the rate at March 31, 2017, the loss for the period would be approximately \$28,000 less.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no debt facilities other than credit cards and consider it has insignificant exposure to interest rate risk.

Liquidity and funding Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company generating cash from operations, raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. See discussion on the Going Concern Assumption above.

Critical Accounting Policies

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of

assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of accounts receivable, valuation of inventory, determination of warranty provision, the useful lives and recoverability of long-lived assets, and deferred income tax asset valuation allowances. Actual results could differ from those estimates.

The reported amounts and note disclosures reflect management's best estimates of the most probable set of economic conditions and planned course of action. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Information about such critical judgments in the application of accounting policies that have significant effect on the amounts recognized in the Company's audited financial statements is included in significant accounting policies Note 2 to the Company's audited financial statements for the year ended June 30, 2016. Changes in these estimates and assumptions could have a significant impact on the Company's financial statements.

There are no judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following years.

Future accounting changes

The following new accounting standards were not early adopted by the Company. The Company is currently evaluating the impact of these new standards on its financial statements.

Financial instruments

IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is available for application, with the mandatory effective date to be determined. The Company has not yet completed its evaluations of the effect of adopting the above standard and the impact it may have on its financial statements.

Outstanding share information

At May 30, 2017, the Company has 70,848,948 common shares outstanding, and 5,917,000 options granted.

The Company has warrants outstanding to acquire 11,800,000 Common Shares. Each Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.07 and expires on November 13, 2017, provided that in the event that the Common Shares trade at or above \$0.15 per Common Share for 10 consecutive trading days on the TSX Venture Exchange or exceed a volume weighted average price of \$0.15 during a consecutive 30-day period, the Company will have the right to accelerate the expiry of the Warrants by providing 30 days' prior written notice to the Warrant holders of such expiry.

The Company has warrant outstanding to acquire 620,000 common shares. Each warrant entitles holder to purchase one common share at a price of \$0.07 per share until February 1, 2019.

The Company has 1,728,000 Finder's Warrants outstanding. Each Finder's Warrant entitles the holder to acquire one Unit at an exercise price of \$0.05 per Unit and expires on November 13, 2017.

The Company has secured convertible notes with a face value of \$1,005,000 which can be converted by the holders into 20,100,000 common shares if converted on or before April 24, 2018 or 10,050,000 common shares if converted after April 24 2018 up until the maturity date for the debentures, April 24, 2019.

Risks and Uncertainties

An investment in the Company's Common Shares involves a high degree of risk. Investors should carefully consider the cautionary statement under the caption "Forward-Looking Statements" in the beginning of this MD&A and the other information included herein, before purchasing the Company's Common Shares. The risks described in these financial reports are not the only ones that the Company faces. Additional risks that are not yet known or considered immaterial at this time could also impair the Company's business, financial condition or results of operations in the future. In such case, the trading price of the Company's Common Shares could decline and cause investors to lose all or a portion of their investment. A more complete discussion of the risks and uncertainties facing the Company appears in the Filing Statement.

Ability to Predict and Manage Rate of Growth and Profitability – Due to the unpredictability of the Company's emerging category of action cameras, HIT may not be able to accurately forecast the rate of adoption of its products and hence its sales growth. HIT bases its current and future expense levels and its investment plans on estimates of future sales growth. HIT may not be able to adjust its spending quickly enough if the rate of product adoption by the marketplace falls short of its expectations. As a result, HIT's operating results may fluctuate significantly on a quarterly and annual basis. In addition, HIT has increased headcount and operational costs to generate and support the Company's new product launch, which has placed, and will continue to place, to the extent that HIT is able to sustain such growth, a significant strain on management, administrative, operational and financial infrastructure. HIT anticipates that further investment will be required to address increases in the customer base, further development of the offerings, as well as expansion into new geographic areas. Further growth will require HIT to continue to hire, train and manage new employees as needed. If new hires perform poorly, or if HIT is unsuccessful in hiring, training, managing and integrating these new employees, or if HIT is not successful in retaining existing employees, the Company's business may be harmed. In addition, HIT may build out its sales and marketing teams in an attempt to increase sales growth. Such growth may not match or exceed the increase of operations costs associated with such hiring, training, managing and integrating of such employees. In undertaking its growth strategy and to finance continued operations of the Company, HIT is dependent on its ability to generate future cash flows and obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

Competition – The existing and anticipated markets for HIT's products are highly competitive. Barriers to enter the market are generally low and additional companies may enter the market with competing products as the size and visibility of the market opportunity continues to increase. Existing industry participants may also develop or improve their own offerings to achieve cost efficiencies and deliver additional value. Many of HIT's competitors have longer operating histories, greater name recognition, greater financial, technical, marketing, management, service, support, and other resources than HIT currently does. They may be able to respond more quickly than HIT can to new or changing opportunities, technologies, standards, or customer requirements.

New products or technologies will likely increase competitive pressures and impact the acceptance of HIT's products. HIT's success and future growth will depend in part upon its ability to keep pace with technological and marketplace

change and to introduce, on a timely and cost-effective basis, new and enhanced products that satisfy changing customer requirements and demands, and that achieve market acceptance. A failure to introduce new and enhanced products or to respond to technological change or customer demands could have a material adverse effect on HIT's business, financial condition and results of operations. There can be no assurance that HIT will be able to respond effectively to changes in technology or customer demands. Moreover, there can be no assurance that HIT's competitors will not develop competitive products or that any such products will not have an adverse effect on HIT's business, financial condition or results of operations.

Reliance on Key Personnel – HIT's future performance depends in part upon attracting and retaining key technical, sales, marketing and management personnel. There can be no assurance that HIT can retain these personnel and continue to recruit required talent quickly enough and with the skills required to enable HIT to execute on its business plans. In addition, periodic changes to the organizational structure and compensation plans for HIT's sales organization may be disruptive and may impact on sales cycle or alter the average cost of sales. The inability to obtain key employees or the loss of the services of HIT's key employees could have a material adverse effect on the Company's business, operating results and financial condition.

Volatility in HIT's Share Price – The trading price of HIT's common shares will likely be subject to wide fluctuations in the future. This may make it more difficult for investors to resell their common shares when they want at prices that they find attractive. Increases in HIT's common share price may also increase the Company's compensation expense pursuant to its existing director, officer and employee compensation arrangements. Fluctuations in HIT's common share price may be caused by events unrelated to the Company's operating performance and beyond the Company's control. Factors that may contribute to fluctuations include, but are not limited to:

- Revenue or results of operations in any quarter and nine months failing to meet, or exceeding, the expectations, published or otherwise, of the investment community;
- Changes in recommendations or financial estimates by industry or investment analysts;
- Changes in management or the composition of the Company's board of directors;
- Outcomes of litigation or arbitration proceedings;
- Announcements of technological innovations or acquisitions by the Company or by its competitors;
- Introduction of new features or significant customer wins or losses by the Company or by its competitors;
- Developments with respect to the Company intellectual property rights or those of its competitors;
- Fluctuations in the share prices of other companies in the technology and emerging growth sectors;
- General market conditions;
- Foreign exchange rates; and
- Other risk factors as set out in this report.

If the market price of the Company's common shares drops significantly, shareholders could institute securities class action lawsuits against HIT, regardless of the merits of such claims. Such a lawsuit could cause the Company to incur substantial costs and could divert the time and attention of the Company's management and other resources from its business.

Foreign Exchange – The Company's reporting and functional currency is the Canadian dollar. HIT's revenue is expected to be denominated in US and Canadian dollars. However, HIT's manufacturing costs are in US Dollars. As a result, the Company is exposed to fluctuations in the Canadian dollar exchange rate for which it has not entered into foreign exchange hedges. A significant fluctuation of the Canadian dollar relative to the U.S. dollar could materially impact the profitability of the Company.

Reliance on the iPhone – The Company's offerings are built specifically for the iPhone market, and are dependent upon the iPhone continuing to advance its camera capability. While the iPhone is currently a premium product with

high volume and strong market demand, the Company cannot predict whether such success will continue into the future. In addition, new versions of the iPhone are generally released every two years and it is unknown by HIT as to whether the form factor will continue to lend itself to HIT's protective cases. Should the iPhone wane in demand, the form factor be changed to a format that HIT cannot protect, or Apple Inc. discontinue manufacture of the iPhone, it would jeopardize the viability of HIT.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com and at its corporate website, www.HITcase.com.