

**HIT TECHNOLOGIES INC. (TSXV: HIT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED JUNE 30, 2018
DATED: DECEMBER 17, 2018**

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 ended June 30, 2018, 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", "HITCASE" and "HIT" refer to HIT Technologies, Inc., together with its predecessors, subsidiaries, and/or the management and employees of the Company.

Selected Quarter and Year End Information

	Q4-Fiscal 2018	Q4-Fiscal 2017	YTD June 30, 2018	YTD June 30, 2017
Revenue	\$498,420	\$135,739	\$983,112	\$735,249
% Increase (decrease) over Prior Year	267%	-48%	34%	-57%
Gross Margin	\$122,545	\$32,601	\$224,396	\$237,649
Gross Margin %	25%	24%	23%	32%
Operating Expenses (excluding non-cash and cost of sales)	\$475,906	\$419,392	\$1,338,735	\$1,790,594
% change over Prior Year	13%	-23%	-25%	-47%
Adjusted EBITDA (Loss) ¹	(\$338,167)	(\$355,861)	(\$1,052,246)	(\$1,491,518)
% change over Prior Year	-5%	-86%	-29%	-39%
Net (Loss)				
Per share, Basic	(0.00)	(0.01)	(0.02)	(0.02)
			June 30, 2018	June 30, 2017
Cash and Cash Equivalents			\$286,106	\$72,762
Inventory			\$219,699	\$374,429
Net Working Capital (deficiency)			(\$474,405)	(\$273,138)
Total Assets			\$1,036,610	\$952,623
Accounts payable and accrued liabilities			\$1,199,915	\$767,198
Total Liabilities			\$1,985,555	\$1,791,851

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:

The Company's management believes that by building on its differentiated brand and product offering the Hit Technologies can seize on the opportunity in the 78 Billion dollar (2018) global smartphone accessories marketplace. Currently, many brands lack innovative products and many have very similar, vanilla product lines. Several large companies in the space have seen their flagship products lose market share and suffer from price compression due to over distribution and lack of innovation. In contrast, HITCASE continues to innovate and its designs are receiving widespread recognition which, helped HITCASE secure a 300 store test in June 2018 with Best Buy USA.

Although the Company operates in a fast moving and competitive space, it believes it has the right focus to succeed in this market. HITCASE relies on a lean product design to market strategy, brand loyalty (demonstrated by support from key suppliers) and hiring industry experts including two founders of highly successful accessory companies. HITCASE recently signed a distribution deal with Xentris, a large distributor in the US wireless accessories space. HITCASE also secured the retail opportunity previously mentioned with the world's largest consumer electronics company, Best Buy. The Company believes that working with Best Buy will help HITCASE secure retail arrangements with other large retailers and international distributors.

With Apple launching new more fragile devices this fall, the Company expects increased demand for its protective case offerings and products in general. With repair costs for damaged iPhones increasing, consumers want the best protective case available. This requirement makes HITCASE's new products compelling for all iPhone models including the recently launched iPhone X.

Management believes that to address the larger market, continuous innovation and development of robust product lines is required. In addition, using an established distribution channel is necessary to effectively penetrate the U.S. retail market. Accordingly, the Company has: created a robust line of HITCASE products, provided on-line user validation of the products via its on-line and social media marketing presence and hired retail distribution experts, Crowd & Company.

The Company has recently expanded its product portfolio, adding a new line of products under the ACTIVE SERIES name. These include the all new

1. ENDURO, a simple to use and dust resistant case for users requiring above average protection in a compact format, but who do not need a waterproof case.
2. SPLASH, a new affordable waterproof case with an easy to use design, making travel, weekend and short duration use possible for customers who need it.

The Company intends to launch a new product series in 2019, featuring innovative materials and fashionable designs. These cases will have lower price points and will launch the Company into the huge fashion and simple protective market segment.

In its current product lineup, the Shield LINK is the world's thinnest and easiest to use waterproof protective case. It features a completely aluminum construction, a built-in magnetic system for mounting the case as well as an innovative magnetic system to attach our TrueLUX® lenses.

The CRIO is a minimalist, slim form factor protective case. Like the LINK, the CRIO uses a magnetic system to mount the case and Hitcase's line of Lenses. It is designed for users that do not require the highest levels of protection (from the elements or drop protection) relative to the Shield LINK. With these new products, we have created a robust the product line (PRO, SHIELD LINK, CRIO) which supports Railslide and LINK mounting options and positioned HITCASE for a successful launch with retailers.

With the launch of the new products, the Company has phased out older products. These discontinued products were discounted but still resulted in higher returns and inventory write-downs than normal during the quarter.

Business Overview

HIT designs, manufactures and distributes a suite of premium HITCASE™ cases for Apple Inc.'s iPhone. The HITCASE offerings are elegantly designed, protective phone cases. They offer everyday protective cases through to special purpose adventure cases. HITCASES are force-multipliers for the iPhone, protecting and making iPhones creatively much easier and more fun to use. The HITCASE brand has been developed on these promises. The Company's mission is to build a premium brand and products that are synonymous with adventure and creativity.

The Company unique brand and line of HITCASE products includes:

1. HITCASE PRO – our flagship ruggedized offering which, includes a mountable, waterproof, shockproof and dustproof casing. Currently available for iPhone 6, 6s, 7, 8 and X.
2. HITCASE SHIELD LINK – The Company’s newest product designed to be an elegant low-profile waterproof and shockproof casing for everyday use with magnetic mount and camera lens options
3. HITCASE SPLASH – Tough Polycarbonate and TPU protection in a slim easy to use profile, at the right price.
4. HITCASE ENDURO – Simple two piece and minimalist profile dust and dirt resistant protection.
5. HITCASE CRIO – A Minimalist and slim form factor case for consumers looking for device protection in an even slimmer format.
6. TrueLux Lenses – a line of detachable lenses for the PRO and the SNAP that adds clarity and increases the iPhone’s field of view with wide-angle, super wide-angle and macro lenses.
7. Mounts – a full line of mounting accessories for the PRO and the SHIELD that add essential camera features including versatility and hands-free use.

The Company has discontinued and will not be replenishing stock for the following products:

1. HITCASE SNAP – a small profile, non-waterproof version of the PRO (for iPhone 6 phones).
2. HITCASE SHIELD /6 - a thin, aluminum case (for iPhone 6 phones).

Growth Strategy

1. Design and deliver a premium HITCASE lineup of products and accessories with uncompromising quality 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 HITCASE customers
3. Execute on a multi-channel distribution strategy – use digital marketing to leverage the brand and create demand for online sales and accelerate momentum using large, established retail distribution channels.
4. Expand the product line up – grow HITCASE’S addressable market by expanding into the everyday case segment by leveraging the HITCASE brand.

Competition

HIT competes in the global, 78 billion dollar (2018) smartphone accessory market. Due to the size and reach of HITCASE’s main competitors, this remains a competitive market. Recently, the number of brands competing in the iPhone protection space has shrunk and the amount of innovation being done in this segment has stagnated. HITCASE sees this as an opportunity and differentiates itself through its: i) uncompromising design that facilitates and enhances the use of iPhone features, ii) Railslide, LINK systems and magnetic mounts, iii) patent portfolio, iv) proprietary camera lenses, v) brand and content.

HITCASES are some of the most protective, stylish, versatile and easy to use cases available. This combined with our branding strategy, positions HITCASE to become a force in iPhone case market. With

the recently launched, CRIO and SHIELD LINK, the Company's product line is highly differentiated relative to its competitors, offering simple magnetic mounting system and a line of useful lenses that no other Company offers.

FINANCIAL PERFORMANCE REVIEW AND ANALYSIS

Operational Summary for Q4 Fiscal 2018:

- Generated sales of \$498,420 in Q4-F2018, an increase of \$362,681 (276%) compared with \$135,739 in Q4 Fiscal 2017. Q4 sales reflect first shipments to our recently announced US distributor.
- Improved direct business through Hitcase.com with increases in sales in Q4 of 60% vs Q4 2017 and 99% of Q4 2018 vs Q3 2018.
- Gross margin of \$122,545 in Q4-F2018 was up from \$32,601 in Q4 of last year, primarily due higher sales volumes. Gross margin for the quarter was 25% versus 24% for Q4-FY2017. Without inventory write-downs the gross margin would have been 31%.
- During the quarter, the Company increased operating expenditures (excluding non-cash items and cost of sales) to \$475,906 a 13% increase from Q4-F2017. The increase in operating expenses reflects primarily higher sales and marketing expenses.
- Reported an Adjusted EBITDA loss of \$338,167 for Q4-F2018, a 5% decrease from \$355,860 in Q4-F2017;
- Closed the quarter with working capital deficiency of \$474,405 including cash and cash equivalents of \$286,106 and inventory of \$219,699, at June 30, 2018.
- Debenture holders, holding Debentures with a face value of \$280,000 converted their debentures into 5,600,000 commons shares.
- During the quarter the Company issued secured convertible debentures with a face value of \$332,500 as well as 4,750,000 share purchase warrants.
- Subsequent to the year end, the Company completed: another tranche of secured convertible debentures for gross proceeds of \$460,000; term loans resulting in proceeds of \$277,869; and issued shares in settlement of \$151,637 accounts payable to certain vendors.

Performance Overview

Revenues

	Q4-F2018	Q4-F2017	%+/-	YTD FY 2018	YTD FY 2017	%+/-
Revenues	\$498,420	\$135,739	267%	\$983,112	\$735,249	34%

Q4-Fiscal 2018 compared to Q4-Fiscal 2017

HIT generates revenue from e-commerce and retail sales of HITCASE, mounts and lenses. Sales for the quarter were primarily through our distributor channel.

Revenue for the quarter ended June 30, 2018 of \$498,420 increased 267% from \$135,739 for the corresponding quarter in the prior year. The increase reflects primarily shipments to our new US distributor.

YTD-Fiscal 2018 compared to YTD-Fiscal 2017

Revenue for the year ended June 30, 2018 of \$983,112 increased 34% from \$735,249 for the corresponding period in the prior year. The increase reflects primarily shipments to our new US distributor.

Gross margin percent and Cost of Sales:

	Q4-F2018	Q4-F2017	%+/-	YTD FY 2018	YTD FY 2017	%+/-
Cost of Sales	\$375,875	\$32,601	276%	\$236,239	\$237,649	-1%
Gross margin %	25%	24%	2%	23%	32%	-29%

Q4-F2018 compared to Q4-F2017

Gross margin percent for the quarter increased over last year's quarter. The current quarter's gross margin was negatively affected by inventory write-down and returns from Best Buy Canada. Without returns and inventory write-downs the gross margin would have been 31%.

YTD-F2018 compared to YTD F2017

Gross margin percent decreased primarily for same reason as the quarter.

Operating Expenses (excluding non-cash items)

	Q4-FY 2018	Q4-FY 2017	+/-%	YTD 2018	YTD 2017	+/-%
General and administrative	\$257,356	\$349,561	--26%	\$815,679	\$1,243,130	-34%
Sales and marketing	\$204,709	\$104,453	96%	\$436,246	\$518,189	-16%
Research and development	\$13,841	(\$34,622)	-140%	\$86,810	\$29,275	197%
Total operating expenses	\$475,906	\$419,392	13%	\$1,338,735	\$1,790,594	-25%

Q4-F2018 compared to Q4-F2017

Operating expenses (excluding non-cash items) for Q4-F2018 totaled \$475,906 compared to \$419,392 in Q4-F2017, an increase of 13% as the Company increased its sales and marketing efforts.

General and administrative expenses in Q4-F2018 decreased compared to Q4-F2017 primarily due to lower advisory expenses.

Q4-F2018 sales and marketing expense increased 96% compared to Q4-F2017 as the Company increased its focus on sales activities. These activities include content production, digital advertising and social media content, all of which increased compared to the corresponding quarter of the prior year. Sales and marketing activity also increased to support sales to the Company's new US distributor.

YTD-F2018 compared to YTD-F2017

Operating expenses (excluding non-cash items) for YTD-F2018 totaled \$1,338,735 compared to \$1,790,594 in YTD-F2017, a decrease of 25% as the Company reduced its expenditure level year over year.

General and administrative expenses in F2018 decreased 34% compared to F2017 as the Company lowered headcount, and advisory expenses and incurred lower rental expenses.

F2018 sales and marketing expenses decreased 16% over F2017. This reflects primarily lower athlete sponsorship commitments as the Company looked to manage its expenses during the year.

Net Loss

Net loss for Q4-F2018 compared to net loss for Q4-F2017

The Company recorded a net loss of \$323,048 (\$0.00 loss per share) compared to \$549,774 (\$0.01 loss per share) for Q4-F2017.

Net loss for F2018 compared to net loss for F2017

The Company recorded a net loss of \$1,373,929 (\$0.02 loss per share) compared to \$2,011,586 (\$0.03 loss per share) for F2017.

Reconciliation of net loss to Adjusted EBITDA (Loss)

	Q4-F2018	Q4-F2017	YTD 2018	YTD 2017
Loss and comprehensive loss for the period	(\$323,048)	(\$549,774)	(\$1,448,275)	(\$2,011,586)
Add back:				
Share based compensation	\$3,045	\$18,384	\$120,054	\$129,688
Depreciation	\$12,917	\$18,605	\$57,048	\$157,453
Finance costs	\$33,990	\$39,400	\$159,653	\$79,651
Write down of inventory	\$21,117	\$28,443	\$71,117	\$64,195
Non-cash gains recognized in loss	(\$86,189)		\$(86,189)	
Loss on write down of equipment	-	\$89,081	-	\$89,081
Adjusted EBITDA (Loss)	(\$338,167)	(\$355,861)	(\$1,052,246)	(\$1,491,518)

Selected Quarter Information

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

	June 30, 2018	Mar 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016

Revenue	\$498,420	\$89,500	\$164,985	\$230,207	\$135,738	\$147,459	\$239,015	\$213,036	\$262,897
Adjusted EBITDA Loss	(338,167)	(\$289,143)	(\$309,853)	(\$183,883)	(\$355,861)	(\$426,830)	(\$408,416)	(\$376,416)	(\$453,262)
Loss and comprehensive loss	(\$323,048)	(\$370,511)	(\$347,670)	(\$282,827)	(\$549,774)	(\$495,692)	(\$496,572)	(\$469,549)	(\$533,144)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

Financial Condition

The following table identifies the balances as at June 30, 2018 and June 30, 2017.

	June 30, 2018 (\$)	June 30, 2017 (\$)
Cash	286,106	72,762
Other current assets	439,405	556,100
Long term assets	311,099	323,762
Total assets	1,036,610	952,623
Accounts payable and accrued liabilities	1,199,915	767,198
Total liabilities	1,985,555	1,791,851
Shareholder Equity/(Deficit)	(948,945)	(839,227)

Liquidity and Financial Position

At June 30, 2018, the Company had a cash balance of \$286,106 compared with \$72,762 at June 30, 2017. During the year ended June 30, 2018, to help manage its liquidity and capital, the Company continued to reduce its operating expenses. In addition, the Company completed two private placements of units for net proceeds of \$342,950 and two tranches of secured convertible notes for proceeds of \$611,009. Subsequent to the year end, the Company issued a seventh tranche of secured convertible debentures for gross proceeds of \$460,000, term loans resulting in proceeds of \$277,869 and issued shares in settlement of \$151,637 accounts payable to certain vendors.

The Company had a net working capital deficiency of \$474,405 at June 30, 2018 compared to net working capital deficiency of \$273,138 at June 30, 2017. The decrease in net working capital primarily reflects increase in accounts payable and accrued liabilities.

In addition to the Company's cash balance, other significant components of net working capital at June 30, 2018 include Inventory of \$219,699, prepaid expenses and deposits of \$109,249 and accounts payable and accrued liabilities of \$1,199,915. Accounts payable and accrued liabilities balance was up from \$767,198 at June 30, 2017, as the Company continues to slow payment of its trade payables to manage its cash flow. Subsequent to year end, the Company settled \$151,637 in accounts payable by issuing 3,032,735 common shares to vendors.

Cash flow used in operations

The Company used cash of \$696,229 in operations for the year ended June 30, 2018 compared to \$1,288,514 for corresponding period of the prior year. The decreased use of cash primarily reflects lower operating expenses incurred during the year ended June 30, 2018.

Cash flow from financing activities

Cash flow from financing activities was \$953,959 for the year ended June 30, 2018 compared to cash from financing activities of \$1,092,526 for the corresponding period of the prior year. Both periods reflect the net proceeds from the issuance of units and secured convertible notes during the period. The Company received less proceeds from secured convertible debentures during the current period partially offset by greater proceeds from the issuance of equity units.

Cash flow used in investing activities

During the year ended June 30, 2018, the Company used cash flow of \$44,483 in investing activities compared to the prior year when the Company used cash in investing activities of \$99,273.

Total assets amounted to \$1,036,610 at June 30, 2018 compared to \$952,624 as at June 30, 2017. The increase in total assets of \$83,987 was primarily due to an increase in the Company's cash balance at year end.

Total liabilities were \$1,985,555 at June 30, 2018 compared to \$1,791,850 at June 30, 2017. The increase in total liabilities is primarily due to increase in accounts payable and accrued liabilities offset by a net reduction in the carrying value of convertible notes following conversion into common shares. During the year, Debenture holders, holding Debentures with a face value of \$817,500, converted their debentures into 16,350,000 commons shares.

The Company had shareholders' deficit of \$948,945 at June 30, 2018 compared to shareholders' deficit of \$839,228 as at June 30, 2017. The increase in shareholders' deficit is primarily due to increase in the Company's deficit as a result of operating losses incurred for the period offset by the issuance of equity units and the conversion of convertible notes during the period.

Going Concern Assumption

The 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 year ended June 30, 2018, the Company has incurred a loss of \$1,373,929 (year ended June 30, 2017 - loss of \$2,011,586), negative cash flows from operating activities of \$696,229 (year ended June 30, 2017 - \$1,288,514), and an accumulated deficit of \$13,286,827 at June 30, 2018 (June 30, 2017 - accumulated deficit of \$11,912,898). These conditions indicate the existence of a material uncertainty that may cast significant 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 several product lines, the Hitcase Pro, the Hitcase Snap, the Hitcase Shield, Hitcase Shield Link and the Hitcase Crio. Even with these new product lines, the Company has not generated sufficient cash flow from operations. Up until the current year, revenues had declined on a year over year basis, but the Company continued to seek new distribution partners to increase revenues as well as increasing its direct sales through better conversion rates. In the last quarter of the current year the Company began shipping to a new distribution partner and continues to seek new ones.

The Company undertook a reduction in its operating expenditures in the prior fiscal year which continued into the current fiscal year, reducing its loss from operations, on a year over year basis, by \$637,727 for the year ended June 30, 2018. In addition, the Company has slowed payments to its suppliers, in some cases negotiating extended payment terms with certain suppliers or issuing equity in settlement of outstanding accounts payable. 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 obtains additional external financing.

The Company realized net proceeds from external financing during the year ended June 30, 2018 of \$953,959, completing three tranches of private placements of secured convertible debentures for net proceeds of \$611,009 and two equity issues of Units for net proceeds of \$342,950. Subsequent to the year-end, the Company completed a seventh tranche of private placements of secured convertible debentures for gross proceeds of \$460,000, term loans resulting in proceeds of \$277,869 and issued shares in settlement of \$151,637 accounts payable to certain vendors.

Management is of the opinion that the combination of higher 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 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 Company's audited consolidated financial statements. These adjustments could be material.

Transactions with Related Parties

Key management compensation for the year ended June 30, 2018 and 2017 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.

	2018 \$	2017 \$
Salaries and management fees	131,117	159,628
Stock based compensation	13,225	-
	<u>\$144,342</u>	<u>\$159,628</u>

As at June 30, 2018, accounts payable and accrued liabilities included \$109,881 (June 30, 2017 - \$56,859) relating to key management personnel compensation.

Commitments

Contractual agreements

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

Off-Balance Sheet Arrangements

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

Subsequent Events

Subsequent to the year end:

- the Company issued 3,032,735 shares to vendors in settlement of \$151,637 in outstanding payables;
- On October 4, 2018, the Company completed a \$460,000 secured convertible debenture (the "Debentures") offering on a private placement basis. The Debentures bear interest at the rate of 10% per annum with a two-year term and are convertible into common shares of the Company at \$0.05 per share in the first 12 months and at \$0.10 per share in the second 12 months. In connection with the Debentures the Company issued 9,200,000 share purchase warrants, with each warrant entitling the holder to purchase an additional common share at a price of \$0.05 per share until October 4, 2020.

- On October 18, 2018, the Company granted an aggregate of 2,220,000 options to an officer, an employee and a consultant with an exercise price of \$0.05 exercisable for a period of 48 months;
- On September 26, 2018, the Company received an advance of \$127,869 net of a 2% origination fee from a consultant in the form of a secured promissory note. The advance bears interest at 2.5% per month and is repayable on or before February 15, 2019.
- On November 27, 2018 the Company has entered into a loan transaction with an arm's length third party in a form of secured promissory note in the amount of \$150,000. The Loan bears interest at 2.5% per month and repayable on or before February 15, 2019. Additionally the Company amended its previously issued convertible debentures in the aggregate amount of \$187,500 with an interest rate of 10% per annum, so that (i) the maturity date (and the corresponding conversion period) of the existing debentures will be extended to the date that is 2 years from the original maturity date of October 31, 2018; and (ii) the conversion price will be \$0.05 per share for the first year from the date of the amendment and \$0.10 per share for the second year from the date of the amendment.

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 June 30, 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 June 30, 2017, the loss for the period would be approximately \$14,000 greater. If the Canadian dollar were to strengthen against the US dollar by 10% relative to the rate at June 30, 2017, the loss for the period would be approximately \$12,000 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 and issuance of equity. 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.

Revenue recognition

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 11, Construction Contracts; IAS 18, Revenue; Interpretations issued by the IFRS Interpretations Committee of the IASB (IFRIC) IFRIC 13, Customer Loyalty Programs; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and Interpretations issued by the Standing Interpretations Committee (SIC) SIC 31, Revenue - Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company has performed an assessment of the impact of the new standard and has determined that adoption of this standard will not have a significant impact on the Company's financial statements. The Company expects to apply this standard on a modified retrospective basis using certain practical expedients. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening balance of retained earnings will be recognized at the date of initial application.

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.

Leases

The IASB adopted IAS 16, Leases in January 2016, effective for financial years beginning on or after January 1, 2019. The new standard requires a lessee to recognize a "right-of-use" asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee recognizes depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and an interest portion. Assets and liabilities are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

Outstanding share information

At December 17, 2018, the Company has 97,191,207 common shares outstanding, and 9,147,394 options granted.

The Company has warrants outstanding to acquire 24,240,238 common shares. The warrants have exercise prices ranging from \$0.05 to \$0.10 and expiration dates ranging from February 1, 2019 to October 4, 2020.

The Company has secured convertible notes with a face value of \$1,339,000 outstanding. Convertible notes with a face value of \$187,500 can be converted by the holders into 3,750,000 common shares if converted on or before October 31, 2019 and subsequently 1,875,000 common shares up to the maturity date for the debentures on October 31, 2020. Convertible notes with a face value of \$57,000 can be converted by the holders into 1,140,000 common shares if converted on or before November 7, 2018 or 570,000 common shares if converted after November 7, 2018 until the maturity date for the debentures, November 7, 2019. Convertible notes with a face value of \$300,000 can be converted by the holders into 4,285,714 common shares if converted on or before February 16, 2019 or 3,000,000 common shares if converted after February 16, 2019 until the maturity date for the debentures, February 16, 2020. Convertible notes with a face value of \$332,500 can be converted by the holders into 6,650,000 common shares if converted on or before May 10, 2019 or 3,325,000 common shares if converted after May 10, 2019 up until the maturity date for the debentures, May 10, 2020. Convertible notes with a face value of \$460,000 can be converted by the holders into 9,200,000 common shares if converted on or before October 4, 2019 or 4,600,000 common shares if converted after October 4, 2019 up until the maturity date for the debentures, October 4, 2020. All conversion rights associated with all of these secured convertible debentures have an anti-dilutive provision which could result in the number of shares issued on conversion to be different from above.

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 twelve 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.