

**HIT TECHNOLOGIES INC. (TSXV: HIT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED JUNE 30, 2019
DATED: November 15, 2019**

This management's discussion and analysis ("MD&A") provides a review of the Company and should be read in conjunction with the annual audited consolidated financial statements for the year ended June 30, 2019, 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 is 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 2019	Q4-Fiscal 2018	YTD June 30, 2019	YTD June 30, 2018	YTD June 30, 2017
Revenue	\$751,860	\$498,420	\$2,638,689	\$983,112	\$735,249
% Increase (decrease) over Prior Year	51%	267%	168%	34%	
Gross Margin	\$287,946	\$122,545	\$1,271,236	\$224,396	\$237,649
Gross Margin %	38%	25%	48%	23%	
Operating Expenses (excluding non-cash and cost of sales)	\$359,848	\$475,906	\$1,671,131	\$1,338,735	\$1,790,594
% change over Prior Year	-24%	13%	25%	-25%	
Adjusted EBITDA (Loss) ¹	\$(78,743)	\$(338,167)	\$(421,283)	\$(1,052,247)	\$(1,580,599)
% change over Prior Year	-77%	-5%	-60%	-33%	
Net (Loss) Per share, Basic	(0.00)	(0.00)	(0.01)	(0.02)	(0.03)
			June 30, 2019	June 30, 2018	June 30, 2017
Cash and Cash Equivalents			\$114,696	\$273,594	\$60,346
Inventory			\$311,733	\$219,699	\$374,429
Net Working Capital (deficiency)			\$(404,998)	\$(474,404)	\$(273,137)
Total Assets			\$677,452	\$1,036,610	\$952,622
Accounts payable and accrued liabilities			\$660,055	\$1,199,915	\$767,198
Total Liabilities			\$2,424,420	\$1,985,555	\$1,791,850

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.

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

	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Revenue	\$751,860	\$597,165	\$989,052	\$300,612	\$498,420	\$89,500	\$164,985	\$230,207
Adjusted EBITDA Gain/(Loss)	\$(78,743)	\$(40,312)	\$48,125	\$(350,353)	\$(269,367)	\$(289,144)	\$(309,853)	\$(183,883)
Loss and comprehen sive loss	\$(496,638)	\$(120,443)	\$(96,791)	\$(413,220)	\$(372,921)	\$(370,511)	\$(347,670)	\$(282,827)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Business Update:

In fiscal Q4 despite the Company's wind down of its retail distributor sales channel and contract with Best Buy USA, recorded very solid sales levels during the quarter. The 51% sales growth generated in Q4-FY19, compared to Q4-FY18, is a result of significant growth on the Company's direct to consumer ("DTC") ecommerce channels, offset by decreases in the Company's retail distributor sales channel as the Company shifts the sales focus to the DTC market and winds down sales to retail distributors.

The Company's focus going forward will be DTC sales. The Company has seen 253% growth in DTC sales in the quarter compared to Q4 2018, and 132% growth in the fiscal year compared to fiscal 2018. Management has shifted focus from the retail distributor market to the DTC marketplace using sales platforms such as Amazon and the HITCASE website to drive the Company's goals of increasing sales margins and reaching profitability.

HITCASE continues to set new performance benchmarks with its strongest Q4 to date, including a 51% sales growth compared to Q4 2018. It continues to execute against its turnaround plan and direct to consumer sales stayed strong despite typically slower seasonal effects. Its continued focus on the DTC channel reflects consumer demand for its product lineup and execution of its marketing plan. Higher margins reflect a greater portion of sales mix coming from the DTC channel and less seasonal discounting. HITCASE is pleased to report a 253% increase in direct to consumer sales in Q4 FY19 compared to Q4 FY18, and 132% increases in sales in this channel year on year. HITCASE plans to continue to grow this channel in the coming quarters.

The Company's management believes that by building on its strong brand and updated product offerings HITCASE is well positioned to execute on the opportunity in the multi-billion dollar global iPhone accessories marketplace.

Although the Company operates in a fast moving and competitive space, it believes it has the right focus and strategy to succeed in this market. HITCASE relies on a lean product design to market strategy, brand loyalty (demonstrated by support from key suppliers), and partnering with industry experts from successful companies with similar consumer offerings.

Apple's latest iPhones are built primarily from glass components and are more fragile than older models, so the Company expects continued market growth and increased demand for its protective cases. New iPhones are also more expensive to repair than previous models, so HITCASE believes consumers will want the best protective case available. This requirement makes HITCASE's new products compelling for all iPhone models.

Business Overview

HITCASE designs, manufactures and distributes a suite of premium cases for Apple iPhones. HITCASE's offerings are elegantly designed, protective everyday iPhone cases. HITCASE is a force-multiplier for the iPhone, protecting and making iPhones creatively 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 high quality, beautiful design, adventure and creativity.

The Company unique brand and line of HITCASE products includes:

1. HITCASE PRO – The Company’s flagship ruggedized offering includes a mountable, waterproof, shockproof and dustproof casing. Currently available for iPhone 6, 6s, 7, 8 and X.
2. HITCASE SHIELD LINK – 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. HITCASE FERRA – A slim, ultralight case with premium leatherwork styling for day-to-day protection (first case in the HITCASE Design Series).
7. TrueLux Lenses – Detachable lenses for the PRO that add clarity and increase the iPhone’s field of view (wide-angle, super wide-angle and macro lenses) and the new OneClip lens mount product.
8. Mounts – a line of mounting accessories for PRO and SHIELD LINK cases that support camera features including versatility and hands-free use.

The Company has discontinued the following iPhone 6 products:

1. HITCASE SNAP – a small profile, non-waterproof version of the PRO.
2. HITCASE SHIELD - a thin, waterproof aluminum case

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 such as Amazon.
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 (2019) 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 innovation being done in this segment has stagnated. HITCASE views this as an opportunity and continues to differentiate itself through its:

- i) uncompromising design that facilitates and enhances iPhone features,
- ii) Railslide, LINK systems and magnetic mounts,
- iii) patent portfolio
- iv) proprietary camera lenses
- v) brand and content.

HITCASE makes some of the most protective, stylish, versatile and easy to use cases available. This combined with the Company's branding strategy, positions HITCASE to become a force in iPhone case market.

FINANCIAL PERFORMANCE REVIEW AND ANALYSIS

Operational Summary for Q4 Fiscal 2019:

- Generated sales of \$751,860 in Q4-FY19, an increase of \$253,440 (51%) compared with \$498,420 in Q4-FY18. Stronger sales through the quarter reflect significant increases in direct to consumer business, and one large order from US retailer Best Buy USA which will be non-recurring in future periods.
- Improved direct to consumer sales with \$385,385 in DTC sales in Q4-FY19, an increase of 253% vs \$109,156 in Q4-FY18 and a 132% increase year over year with \$1,356,447 in fiscal 2019 vs \$585,445 in fiscal 2018.
- Gross margin of \$287,946 in Q4-FY19 was up from \$122,545 in Q4 of last year, primarily due higher sales volumes. Gross margin for the quarter was 38% versus 25% for Q4-FY18. Increases in gross margins reflect continual focus on a high margin product mix and the phasing out lower margin products.
- During the quarter, the Company decreased operating expenditures (excluding non-cash items and cost of sales) to \$359,848, a 24% decrease from \$475,906 in Q4-FY18. The decrease reflects management's focus on reducing overhead cost and operational efficiency, leading to significant revenue and gross margin increases while decreasing operating costs.
- Reported an Adjusted EBITDA loss of \$78,743 for Q4-FY19, a 77% decrease from \$338,167 in Q4-FY18.
- Closed the quarter with working capital deficiency of \$404,998 including cash and cash equivalents of \$114,696, and inventory of \$311,733, at June 30, 2019.
- During the quarter the Company underwent a significant debt reorganization, issuing \$1,200,000 in convertible debentures to settle debt with a face value of \$778,500 and receiving cash proceeds totaling \$328,030 after transaction costs.
- Subsequent to the year end, the Company secured \$275,000 in financing in the form of two 15% promissory notes.

Performance Overview

Revenues

	Q4-FY19	Q4-FY18	%+/-	YTD FY 2019	YTD FY 2018	%+/-
Revenues	\$751,860	\$498,420	51%	\$2,638,689	\$983,112	168%

Q4-Fiscal 2019 compared to Q4-Fiscal 2018

HIT generates revenue from e-commerce and retail sales of HITCASE cases, mounts and lenses. Sales for the quarter were primarily through the Company's direct to consumer channel.

Revenue for Q4-FY19 ended June 30, 2019 of \$751,860 increased 51% from \$498,420 for the corresponding quarter in FY18. The increase reflects primarily shipments through the DTC revenue channel, which posted 253% increases over Q4 in 2018. This increase was offset by a 6% decrease in the

retail distribution sales channel as HITCASE winds down its contract with Best Buy USA to focus on DTC sales.

YTD-Fiscal 2019 compared to YTD-Fiscal 2018

Revenue for the year ended June 30, 2019 of \$2,638,689 increased 168% from \$983,112 for the corresponding period in the prior year. The increase reflects primarily strong sales in the DTC channel.

Gross margin percent and Cost of Sales:

	Q4-FY19	Q4-FY18	%+/-	YTD FY 2019	YTD FY 2018	%+/-
Cost of Sales	463,914	375,875	23%	1,367,453	758,716	80%
Gross margin %	38%	25%	56%	48%	23%	111%

Q4-FY19 compared to Q4-FY18

Gross margin for Q4-FY19 increased compared to the same period in FY18, however Q4-FY18 gross margin was negatively affected by inventory write-down and returns from Best Buy Canada. Without returns and inventory write-downs, Q4-FY18 gross margin would have been 31%. The Company realized these significant improvements in gross margin by shifting to a higher margin product mix.

YTD-FY19 compared to YTD FY18

YTD-FY19 gross margin increased primarily for the same reasons described for Q4-FY19 above

Operating Expenses (excluding non-cash items)

	Q4-FY 2019	Q4-FY 2018	+/-%	YTD 2019	YTD 2018	+/-%
General and administrative	44,492	257,356	-83%	685,701	815,679	-16%
Sales and marketing	297,460	204,709	45%	919,947	436,246	111%
Research and development	17,896	13,841	29%	65,483	86,810	-25%
Total operating expenses	359,848	475,906	-24%	1,671,131	1,338,735	25%

Q4-FY19 compared to Q4-FY18

Operating expenses (excluding non-cash items) for Q4-FY19 totaled \$359,848 compared to \$475,906 in Q4-FY18, a decrease of 24% as the Company continues to focus on lean operations and cost-management efforts. Additionally, a one-time recovery of \$92,000 in previously accrued professional fees that were determined to no longer be owed resulted in a significant reduction in operating expenses for the quarter.

General and administrative expenses in Q4-FY19 decreased compared to Q4-FY18 primarily due to lower wage expenses.

Q4-FY19 sales and marketing expense increased 45% compared to Q4-FY18 as the Company continues to scale its marketing activities with sales to meet growth and market share goals. These activities include content production, digital advertising and social media content, all of which increased compared to the corresponding quarter of the prior year.

YTD-FY19 compared to YTD-FY18

Operating expenses (excluding non-cash items) for YTD-FY19 totaled \$1,671,131 compared to \$1,338,735 in YTD-FY18, an increase of 25% driven primarily by increased marketing expenditures used to drive the significant revenue growth experienced during the fiscal year.

General and administrative expenses in FY19 decreased 16% compared to FY18 as the Company lowered headcount, and advisory and legal expenses, as well as a \$92,000 recovery in previously accrued professional services fees.

FY19 sales and marketing expenses increased 111% over FY18. Increases in marketing activities during the period have helped drive significant revenue growth and support goals of domestic and international sales expansion as the Company continues to capture market share.

Net Loss

Net loss for Q4-FY19 compared to net loss for Q4-FY18

The Company recorded a net loss of \$496,638 (\$0.00 loss per share) compared to \$323,047 (\$0.01 loss per share) for Q4-FY18. Increase in losses during Q4 were primarily driven by extraordinary items, including a loss for accounting purposes of \$104,476 for a significant debt reorganization, and losses of \$193,889 in patent write-offs after management performed a review on the Company's intangible asset base and determined a number of patents no longer had future economic benefit.

Net loss for FY19 compared to net loss for FY18

The Company recorded a net loss of \$1,127,092 (\$0.01 loss per share) compared to \$1,373,929 (\$0.02 loss per share) for FY18.

Reconciliation of net loss to Adjusted EBITDA (Loss)

	Q4-FY19	Q4-FY18	YTD 2019	YTD 2018	YTD 2017
Loss and comprehensive loss for the period	(496,638)	(323,047)	(1,127,092)	(1,373,929)	(2,011,586)
Add back:					
Share based compensation	3,847	3,045	89,304	120,054	129,688
Depreciation	22,147	12,917	75,766	57,047	157,453
Finance costs	93,536	33,990	258,274	159,653	79,651
Write down of inventory	-	21,117	-	71,117	64,195
Non-cash gains and losses	104,476	(86,189)	88,576	(86,189)	-
Loss on intangible asset impairment	193,889	-	193,889	-	-
Adjusted EBITDA (Loss)	(78,743)	(338,167)	(421,283)	(1,052,247)	(1,580,599)

Financial Condition

The following table identifies balances as at June 30, 2019 and June 30, 2018.

	June 30, 2019 (\$)	June 30, 2018 (\$)
Cash	114,696	273,594
Other current assets	311,733	219,699
Net working capital	(404,998)	(474,404)
Total assets	677,452	1,036,610
Accounts payable and accrued liabilities	660,055	1,199,915
Total liabilities	2,424,420	1,985,555
Shareholder Equity/(Deficit)	(1,746,968)	(948,945)

Liquidity and Financial Position

At June 30, 2019, the Company had a cash balance of \$114,696 compared with \$273,594 at June 30, 2018. During the year ended June 30, 2019, to help manage its liquidity and capital, the Company continued to reduce its operating expenses. In addition, the Company issued two tranches of secured convertible notes for cash proceeds totaling \$328,030 after transaction costs, and extinguishing existing debt with a face value of \$778,500. An additional standalone convertible debenture was issued during the period for net proceeds of \$386,159.

The Company had a net working capital deficiency of \$404,998 at June 30, 2019 compared to net working capital deficiency of \$474,404 at June 30, 2018. The decrease in net working capital primarily reflects decreased AR and cash on hand around year-end.

In addition to the Company's cash balance, other significant components of net working capital at June 30, 2019 include inventory of \$311,733, prepaid expenses and deposits of \$7,444, and accounts payable and accrued liabilities of \$660,055. Accounts payable and accrued liabilities balance was down from \$1,199,915 at June 30, 2018.

Cash flow used in operations

The Company used cash of \$957,716 in operations for the year ended June 30, 2019 compared to \$696,231 for corresponding period of the prior year. The increased use of cash primarily reflects cash used to pay down accounts payable, and increases in inventory during the year ended June 30, 2019.

Cash flow from financing activities

Cash flow from financing activities was \$946,000 for the year ended June 30, 2019 compared to cash from financing activities of \$943,959 for the corresponding period of the prior year. The prior year reflects proceeds from a mix of convertible debentures and issuance of equity units. During the current year no equity placements occurred, and all proceeds from financing are a result of the issuance of new tranches of convertible debentures and notes payable.

Cash flow used in investing activities

During the year ended June 30, 2019, the Company used cash flow of \$147,182 in investing activities compared to the prior year when the Company used cash in investing activities of \$44,482.

Total assets amounted to \$677,452 at June 30, 2019 compared to \$1,036,610 as at June 30, 2018. The decrease in total assets of \$359,158 was primarily due to a write-off of patent assets with a carrying value of \$193,889, as well as depreciation of the existing asset base of \$75,766

Total liabilities were \$2,424,420 at June 30, 2019 compared to \$1,985,555 at June 30, 2018. The increase in total liabilities is primarily due to increases in convertible debentures of \$966,298 offset by decreases in accounts payable of \$539,860. Significant variance from convertible debt levels year on year are largely driven by conversion activity during the year ended June 30, 2018 where Debenture holders, holding Debentures with a face value of \$817,500, converted their debentures into 16,350,000 common shares.

The Company had a shareholders' deficit of \$1,746,968 at June 30, 2019 compared to shareholders' deficit of \$948,945 as at June 30, 2018. 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, 2019, the Company has incurred a loss of \$1,127,092 compared to \$1,373,929 during the year ended June 30, 2018. The Company incurred negative cash flows from operating activities of \$957,716 (year ended June 30, 2018 - \$696,231), and an accumulated deficit of \$14,413,919 at June 30, 2019 (June 30, 2018 - accumulated deficit of \$13,286,827). 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, HITCASE Crio, and the HITCASE Ferra. Even with these new product lines, the Company has not generated sufficient cash flow from operations.

The Company saw a 168% increase in revenue in the current fiscal year, and through continued focus on overhead cost control and focus on a high margin product mix reduced its loss from operations, on a year over year basis, by \$726,475 for the year ended June 30, 2019. In addition, during the current and prior fiscal years 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 completed three tranches of private placements of secured convertible debentures during the year ended June 30, 2019, and one short-term loan issuance for net cashflow of \$946,000. The remaining net proceeds of \$864,000 was used to extinguish existing debt, allowing a debt reorganization which extended maturities to fiscal 2021.

Management is of the opinion that the combination of higher sales, gross margin improvements, 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, 2019 and 2018 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.

	2019	2018
	\$	\$
Salaries and management fees	116,926	131,117
Stock based compensation	43,782	13,225
	<u>160,708</u>	<u>144,342</u>

As at June 30, 2019, accounts payable and accrued liabilities included \$4,978 (June 30, 2018 - \$109,881) relating to CFO compensation.

On September 20, 2018 pursuant to a debt settlement executed June 29, 2018, 1,000,000 shares were issued to OGEE Finance Solutions corp., an entity controlled by the Company's CFO.

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:

- On July 29, 2019, the Company entered into a loan transaction with an arm's length third party in a form of secured demand promissory note in the amount of \$125,000. The loan bears interest at 15% per annum and is payable on demand.
- On September 9, 2019, the Company entered into a loan transaction with an arm's length third party in a form of secured demand promissory note in the amount of \$150,000. The loan bears interest at 15% per annum and is payable on demand.

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, 2019, 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, 2019, the loss for the period would be approximately \$19,900 greater. If the Canadian dollar were to strengthen against the US dollar by 10% relative to the rate at June 30, 2019, the loss for the fiscal year ended June 30, 2019 would be approximately \$16,300 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 observable impacts on the fair value and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and potential changes in value of financial instruments whose cash flows are fixed in nature. The Company does not have any financial liabilities with floating interest rates and accordingly is not exposed to cash flow 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 through 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 consolidated 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.

The Company's core operations are subject to a number of critical estimates, such as collectability of accounts receivables, valuation of inventory including provisions for obsolete or impaired inventory, and provisions for returned product which include regular judgment by management based on historical experience and assumptions on current facts. Deviations from management estimates could have adverse and material effects on sales and cost of goods sold, and asset valuations reported in these financial statements.

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, 2019. Changes in these estimates and assumptions could have a significant impact on the Company's financial statements.

Future accounting changes

The following new accounting standards were not early adopted by the Company. The Company has determined adoption of this standard will not have a material impact on the Company's consolidated 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 November 15, 2019, the Company has 97,191,207 common shares outstanding, and 9,147,394 options granted.

The Company has warrants outstanding to acquire 34,638,546 common shares. The warrants have exercise prices of \$0.05 per share and expiration dates ranging from November 7, 2019 to April 17, 2021.

At November 1, 2019 Company has secured convertible notes with a face value of \$1,908,500 outstanding. Convertible notes with a face value of \$216,000 can be converted by the holders into 2,376,000 common shares if converted on or before November 07, 2019. Convertible notes with a face value of \$32,500 can be converted by the holders into 357,485 common shares if converted on or before May 11, 2020. Convertible notes with a face value of \$460,000 can be converted by the holders into

5,060,000 common shares if converted on or before October 04, 2020. Convertible notes with a face value of \$1,032,631 can be converted by the holders into 21,042,148 common shares if converted on or before April 11, 2020 or 10,751,998 common shares if converted after April 11, 2020 up until the maturity date for the debentures, April 11, 2021. Convertible notes with a face value of \$167,369 can be converted by the holders into 3,479,628 common shares if converted on or before April 1, 2020 or 1,841,055 common shares if converted after April 17, 2020 up until the maturity date for the debentures, April 17, 2021. All conversion rights associated with all of these secured convertible debentures contain standard antidilutive provisions.

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 Information" 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 should 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.