

**HIT TECHNOLOGIES INC. (TSXV: HIT)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019  
DATED: November 29, 2019**

*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 September 30, 2019, 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](http://www.sedar.com).*

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

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

*All amounts are presented in Canadian dollars unless otherwise indicated.*

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

## Selected Quarter Information

	Q1- Fiscal 2020	Q1-Fiscal 2019		
Revenue	\$357,215	\$300,612		
% Increase (decrease) over Prior Year	19%	31%		
Gross Margin	199,970	\$100,742		
Gross Margin %	98%	34%		
Operating Expenses (excluding non-cash and cost of sales)	387,399	\$454,848		
% change over Prior Year	(15%)	78%		
Adjusted EBITDA (Loss) <sup>1</sup>	(\$363,483)	(\$419,448)		
% change over Prior Year	(13%)	153%		
Net (Loss)				
Per share, Basic	(0.00)	(0.00)		
			<b>September 30, 2019</b>	<b>June 30, 2019</b>
Cash and Cash Equivalents			\$112,773	\$114,696
Inventory			\$250,060	\$311,733
Net Working Capital (deficiency)			(\$662,316)	(\$404,998)
Total Assets			\$615,943	\$677,452
Accounts payable and accrued liabilities			\$584,204	\$660,055
Total Liabilities			\$2,657,606	\$2,424,420

<sup>1</sup> 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.

	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
<b>Revenue</b>	\$357,215	\$751,860	\$597,165	\$989,052	\$300,612	\$498,420	\$89,500	\$164,985
<b>Adjusted EBITDA Gain/(Loss)</b>	(\$363,483)	(\$78,743)	(\$40,312)	\$48,125	(\$419,448)	(\$269,367)	(\$289,144)	(\$309,853)
<b>Loss and comprehensive loss</b>	(\$298,542)	(\$496,638)	(\$120,443)	(\$96,791)	(\$417,382)	(\$372,921)	(\$370,511)	(\$347,670)
<b>Basic and diluted loss per share</b>	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

## **Business Update:**

In the Company's first quarter of fiscal 2020 the Company continued the wind down of its Best Buy contract as the Company pursues a shift from the retail distributor market to its Direct to Consumer (DTC) business, which continued to grow despite headwinds from Apples new iPhone launches in the first quarter. The company also continued to search for sources of capital to support its Amazon SMPL private label business and to support its growing DTC business. The company continues to be happy with the growth of its direct business although it is constrained by available growth capital.

## **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:

HITCASE SNAP – a small profile, non-waterproof version of the PRO.  
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 Q1 Fiscal 2020:

- Generated sales of \$357,215 in Q1-F2020, compared to \$300,612 in Q1 Fiscal 2019, an increase of 19%. This is mainly due to the Best Buy USA contract and increases in direct sales.
- Gross margin of \$199,970 in Q1-F2020, over \$100,742 generated in Q1 of last year. The gross margin percent increased to 127% compared to 50% in the prior period. This is primarily due to shift to DTC sales and shift in sales mix to high margin products during the interim period between the comparable quarters.
- During the quarter, the Company increased its operating expenditures (excluding non-cash items and cost of sales) to \$387,399, a 15% decrease from Q1-F2019. This is mainly due to the increase in personnel related expenses in anticipation of higher sales in Q2-FY 2020.
- Reported an Adjusted EBITDA loss of \$363,483 for Q1-F2020, a 13% decrease from \$419,448 in Q1-F2019.
- Closed the quarter with working capital deficiency of \$662,316 including cash and cash equivalents of \$112,773 and inventory of \$250,060, at September 30, 2019.

## Performance Overview

During the quarter ended September 30, 2019, our main areas of focus continue to be redesign and expansion of our HITCASE offerings, marketing and branding initiatives. During the quarter, marketing initiatives were undertaken to support the Company’s growing sales opportunity with US retailers ahead of the Christmas season. Accordingly, spending on sales programs and support was increased during the quarter.

**Revenue**

	Q1-F2020	Q1-F2019	%+/-
Revenues	\$357,215	\$300,612	19%

**Q1-Fiscal 2019 compared to Q1-Fiscal 2019**

HIT generates revenue from direct to consumer sales using the HITCASE website and amazon sales platforms.

Revenue for the quarter ended September 30, 2019 of \$357,215 increased 19% from \$300,612 for the corresponding quarter in the prior year. The increase in revenue primarily relates to increased sales momentum from marketing efforts during the year between comparable periods.

**Gross margin percent and Cost of Sales:**

	Q1-F2020	Q1-F2019	%+/-
Cost of Sales	\$157,245	\$199,870	(21%)
Gross margin %	127%	50%	152%

**Q1-F2020 compared to Q1-F2019**

Gross margin of \$199,970 in Q1-F2020, consistent to \$100,742 generated in Q1 of last year. The gross margin percent increased to 127% compared to 50% last year. This is primarily due to changes in the sales channel mix between the periods. Direct sales were responsible for almost all revenue in the current year versus just over 50% in the prior period. Sales to retailers carry lower gross margins, and the Company looks to maintain high gross margins with continued improvements to the product mix and focus on high margin sales channels.

**Operating Expenses (excluding non-cash items)**

	Q1-F2020	Q1-F2019	+/-%
General and administrative	\$170,162	\$248,474	(32%)
Sales and marketing	\$195,385	\$193,756	1%
Research and development	\$21,852	\$12,618	73%
<b>Total operating expenses</b>	<b>\$387,399</b>	<b>\$454,848</b>	<b>(15%)</b>

**Q1-F2020 compared to Q1-F2019**

Operating expenses (excluding non-cash items) for Q1-F2020 totaled \$387,399 compared to \$454,848 in Q1-F2019, a decrease of 15% as the Company has reduced headcount and concentrated on lean operations with significant reductions in general and administrative expenses in Q1-F2020 compared to Q1-F2019.

Q1-F2020 sales and marketing expense increased 1% compared to Q1-F2019. The Company maintained its expenditure on sales and marketing compared to the same period in the prior year.

Minor increases to research and development expenses from the corresponding quarter in the prior year were related to investment in the development of future products.

### **Net Loss**

#### **Net loss for Q1-F2020 compared to net loss for Q1-F2019**

The Company recorded a net loss of \$298,542 (\$0.00 loss per share) compared to \$417,382 (\$0.00 loss per share) for Q1-F2019.

#### **Reconciliation of net loss to Adjusted EBITDA (Loss)**

	<b>Q1-FY19</b>	<b>Q1-FY19</b>
Loss and comprehensive loss for the period	(\$298,542)	(\$417,382)
Add back:		
Share based compensation	\$3,847	\$11,456
Depreciation	\$19,239	\$19,149
Finance costs	(\$85,950)	(\$36,308)
Non-cash gains and losses	(\$2,077)	\$3,637
Adjusted EBITDA (Loss)	(\$363,483)	(\$419,448)

### **Financial Condition**

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

	<b>September 30, 2019</b>	<b>June 30, 2019</b>
<b>Cash</b>	\$112,773	\$114,696
<b>Other current assets</b>	\$325,702	\$374,354
<b>Long term assets</b>	\$177,468	\$188,402
<b>Total assets</b>	\$615,943	\$677,452
<b>Accounts payable and accrued liabilities</b>	\$584,204	\$660,055
<b>Total liabilities</b>	\$2,657,606	\$2,424,420
<b>Shareholder Equity/(Deficit)</b>	(\$14,712,461)	(\$14,413,919)

### **Liquidity and Financial Position**

At September 30, 2019, the Company had a cash balance of \$112,773 compared with \$114,696 at June 30, 2019.

The Company had a net working capital deficiency of \$662,316 at September 30, 2019 compared to net working capital deficiency of \$404,998 at June 30, 2019. The increase in net working capital primarily reflects the decline in inventory held across period end.

In addition to the Company's cash balance, other significant components of net working capital at September 30, 2019 include Inventory of \$250,060 prepaid expenses and deposits of \$8,626 and accounts payable and accrued liabilities of \$584,204. Accounts payable and accrued liabilities balance was down from \$660,055 at June 30, 2019. The Company continues to slow its payment of trade payables to manage its cash flow.

#### *Cash flow used in operations*

The Company used cash of \$268,509 in operations for the three months ended September 30, 2019 compared to \$239,495 for corresponding period of the prior year. The increased use of cash primarily reflects material reductions in deferred revenue due to termination of the contract with Xentris at the end of the previous fiscal year.

#### *Cash flow from financing activities*

Cash flow from financing activities was \$275,000 for the three months ended September 30, 2019 compared to cash from financing activities of \$127,869 for the corresponding period of the prior year.

During the quarter ended September 30, 2019, the Company entered into two loan transactions with an arm's length third party in the form of secured promissory notes in the amount of \$125,000 and \$150,000, issued July 29, 2019, and September 9, 2019, respectively. The secured promissory notes bear interest at 15% per annum and are payable on demand.

Total liabilities were \$2,657,606 at September 30, 2019 compared to \$2,424,420 at June 30, 2019. The increase in total liabilities is primarily due to the issuance of \$275,000 in notes payable during the quarter.

#### *Cash flow used in investing activities*

During the three months ended September 30, 2019, the Company used cash flow of \$8,414 in investing activities compared to the prior year when the Company used cash in investing activities of \$87,368. The decrease relates to significant reductions in cash spent acquiring fixed assets during the quarter ended September 30, 2019 when compared to the comparable period in the previous year.

Total assets amounted to \$615,943 at September 30, 2019 compared to \$677,452 as at June 30, 2019. The decrease in total assets of \$61,509 was primarily due to a reduction in inventory on-hand across the period-end, and depreciation of the Company's fixed asset base.

The Company had shareholders' deficit of \$14,712,461 at September 30, 2019 compared to shareholders' deficit of \$14,413,919 as at June 30, 2019. The increase in shareholders' deficit is due to operating losses incurred during the quarter.

#### ***Going Concern Assumption***

The condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the quarter ended September 30, 2019, the Company has incurred a loss of \$298,542, negative cash flows from operating activities of \$268,509, and has accumulated deficit of

\$14,712,461 at September 30, 2019. 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.

Management is of the opinion that through a combination of increased sales, improved margins, 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 condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

### **Transactions with Related Parties**

Key management compensation for the three months ended September 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.

<b>Quarters ended September 30</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Salaries and management fees	25,000	73,750
Stock based compensation	-	-
	25,000	73,750

As at September 30, 2019, accounts payable and accrued liabilities included \$9,651 (June 30, 2019 - \$4,978) relating to CFO and CEO 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**

The Company had no significant subsequent events during the period from September 30, 2019 to issuance of this Management's Discussion & Analysis, November 29, 2019.

## 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

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

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 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 following table summarizes the Company's foreign denominated financial instruments:

	<b>September 30, 2019 USD\$</b>	<b>June 30, 2019 USD\$</b>
Cash	674	74,782
Restricted cash	5,504	5,496
Accounts receivable	14,919	49,790
Accounts payable and accrued liabilities	(140,109)	(279,903)
Net position	<u>(119,012)</u>	<u>(149,835)</u>

The Company does not have a formal policy to mitigate risks arising from changes in foreign currency exchange rates. Based on the balances at September 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 \$17,500 greater. If the Canadian dollar were to strengthen against the US dollar by 10% relative to the rate at September 30, 2019, the loss for the period would be approximately \$14,000 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 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 profit or loss 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.

### **Other price risk**

Equity price risk is the potential adverse impacts on the Company's earnings due to movements in individual equities or the general movements in market prices. The Company does not hold investments in equity, commodity, or similar market-traded instruments that give rise to price risk, however adverse movements in the Company's own publicly traded shares could affect the Company's ability to generate favourable financing arrangements and impact future earnings through increased financing costs.

### **Liquidity and funding risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs (note 1).

On November 07, 2019, subsequent to year-end secured convertible debentures with a face value of \$216,000 matured. The Company currently has insufficient available funding to repay principal and accrued interest on these debentures, and is in remediation with the secured convertible debenture holders to arrange refinancing of the outstanding balance.

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.

### **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.

## **New accounting standards adopted**

The following new accounting standards were adopted by the Company during the quarter.

### *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.

Effective for its financial year ending June 30, 2020, the Company is required to reflect an asset and related liability for any relevant lease. Adoption of this standard has not resulted in material impact to these financial statements.

## **Outstanding share information**

At November 29, 2019, the Company has 97,191,207 common shares outstanding, and 9,147,394 options granted.

The Company has warrants outstanding to acquire 34,068,546 common shares. The warrants have exercise prices of \$0.05 per share and expiration dates ranging from February 16, 2020 to April 17, 2021.

At November 29, 2019 Company has secured convertible notes with a face value of \$1,908,500 outstanding. Convertible notes with a face value of \$216,000 matured on 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 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](http://www.sedar.com) and at its corporate website, [www.hitcase.com](http://www.hitcase.com).