

HIT Technologies Inc.

Condensed Interim Consolidated Financial Statements
Three months ended September 30, 2020 and 2019
(expressed in Canadian dollars)
(Unaudited)

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

HIT Technologies Inc.

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2020 and June 30, 2020

(expressed in Canadian dollars)

	September 30, 2020	June 30, 2020
	\$	\$
	(Unaudited)	
Assets		
Current assets		
Cash	35,417	8,999
Restricted cash (note 3)	12,846	13,042
Trade accounts receivable	118,101	121,312
Government assistance and other receivables	4,306	6,509
Inventory (note 4)	63,572	61,060
Prepaid expenses and deposits	-	35,118
	<u>234,242</u>	<u>246,039</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 5 and 8)	786,474	979,648
Deferred revenue	7,653	2,460
Provision for sales returns	1,130	8,345
Promissory notes and loans payable (note 8)	552,000	513,500
Convertible notes (note 9)	1,918,354	1,889,278
	<u>3,265,611</u>	<u>3,393,231</u>
Shareholders' (Deficiency) Equity		
Share capital (note 10)	11,112,326	11,112,236
Contributed surplus	1,559,883	1,559,833
Deficit	<u>(15,703,578)</u>	<u>(15,819,401)</u>
	<u>(3,031,369)</u>	<u>(3,147,192)</u>
	<u>234,242</u>	<u>246,039</u>
Nature of operations and going concern (note 1)		
Subsequent events (note 15)		

Approved and authorized for issue by the Board of Directors

_____ "*Brooks Bergreen*" _____ Director _____ "*Alex McAulay*" _____ Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIT Technologies Inc.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

	2020	2019
	\$	\$
Revenue	164,712	357,215
Cost of sales (notes 4 and 7)	70,570	157,245
	<u>94,142</u>	<u>199,970</u>
Expenses		
Selling and marketing (note 7)	16,851	195,385
General and administrative (notes 6 and 7)	76,829	170,162
Stock-based compensation (note 11)	-	3,847
Depreciation	-	19,239
Research and development	2,413	21,852
	<u>96,093</u>	<u>410,485</u>
Loss before other income (expense)	<u>(1,951)</u>	<u>(210,515)</u>
Other income (expense)		
Finance costs	(97,225)	(85,950)
Gain on assignment of debt (note 5)	111,612	-
Gain on recovery of equipment	7,226	-
Gain on reversal of impairment of inventory (note 4)	88,531	-
Foreign exchange (loss) gain	7,630	(2,077)
	<u>117,774</u>	<u>(88,027)</u>
Income (Loss) and comprehensive income (loss) for the year	<u>115,823</u>	<u>(298,542)</u>
Basic earnings (loss) per share	0.02	(0.06)
Diluted earnings (loss) per share	0.01	(0.06)
Weighted average number of shares outstanding - basic	4,859,560	4,859,560
Weighted average number of shares outstanding - diluted	14,971,751	14,971,751

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIT Technologies Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

For the three monthths ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

	Number of shares	Share capital \$	Contributed surplus \$	Deficit \$	Total shareholders' equity (deficiency) \$
Balance - June 30, 2019	97,191,207	11,112,326	1,554,625	(14,413,919)	(1,746,968)
Stock-based compensation expense	-	-	3,847	-	3,847
Loss and comprehensive loss for the year	-	-	-	(298,542)	(298,542)
Balance - September 30, 2019	97,191,207	11,112,326	1,558,472	(14,712,461)	(2,041,663)
Balance – June 30, 2020	4,859,560	11,112,326	1,559,883	(15,819,401)	(3,147,192)
Income and comprehensive income for the year	-	-	-	115,823	115,823
Balance - September 30, 2020	4,859,560	11,112,326	1,559,883	(15,703,578)	(3,031,369)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIT Technologies Inc.

Consolidated Statements of Cash Flows

For the quarters ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

	2020 \$	2019 \$
Cash flows from operating activities		
Income (loss) for the year	115,823	(298,542)
Items not involving cash		
Interest accretion	29,076	31,279
Stock-based compensation	-	3,847
Depreciation	-	19,239
Gain on reversal of asset impairment	(7,226)	-
Gain on debt reorganization	(111,612)	-
Gain on reversal of inventory write down	(88,531)	-
	<u>(62,470)</u>	<u>(244,177)</u>
Changes in non-cash working capital items		
Accounts receivable	3,407	12,785
Government assistance and other receivable	2,202	1,302
Inventory	86,019	61,673
Prepaid expenses and deposits	401	(1,182)
Accounts payable and accrued liabilities	(81,562)	(75,851)
Provision for sales returns	(692)	-
Deposits on inventory	34,717	(25,817)
Deferred revenue	(1,330)	2,758
	<u>(19,308)</u>	<u>(636,031)</u>
Cash flows from investing activities		
Restricted Cash	-	(109)
Disposal (acquisition) of property and equipment	7,226	(8,305)
	<u>7,226</u>	<u>(8,414)</u>
Cash flows from financing activities		
Repayment of promissory notes and loans	(26,500)	-
Proceeds from promissory notes and loans issued	65,000	275,000
	<u>38,500</u>	<u>275,000</u>
Increase (Decrease) in Cash	26,418	(1,923)
Cash - Beginning	8,999	114,696
Cash - End	<u>35,417</u>	<u>112,773</u>

Supplemental cash flow disclosures:

Interest paid	\$	1,325	\$	-
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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

1 Nature of operations and going concern

HIT Technologies Inc. (the "Company"), formerly known as Friday Capital Inc., was incorporated on February 3, 2012 under the Business Corporations Act (Ontario). 1039219 B.C. Ltd ("HIT"), a wholly owned subsidiary of the Company is in the business of developing, manufacturing and selling accessories for mobile devices. The Company's registered and records office is located at #105 - 2050 Scotia Street, Vancouver, BC, V5T 4T1.

The Company began trading on the TSX Venture Exchange (the "TSXV") under the symbol "HIT" on June 16, 2015. HIT Technologies Inc. ("HIT Tech") was incorporated under the *Business Corporations Act (British Columbia)* on July 8, 2008, under the name Iceberg Commerce Inc. ("Iceberg"). Iceberg's name was changed to Hit Technologies Inc. on April 15, 2014.

These 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, 2020, the Company has incurred a profit of \$115,823, negative cash flows from operating activities of \$19,308, and has accumulated deficit of \$15,703,578 at September 30, 2020. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

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.

These 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 interim consolidated financial statements. These adjustments could be material.

On June 24, 2020, the Company entered into a binding letter of intent (the "LOI") pursuant to which the Company has agreed to acquire all of the issued and outstanding securities of Carbeeza Ltd. ("Carbeeza"). The LOI contemplates a share exchange, a three-way amalgamation or other similar form of transaction, pursuant to which Carbeeza will become a wholly-owned subsidiary of HIT Tech on closing (the "Acquisition"). Upon completion of the Acquisition, the resulting issuer will carry on the business of Carbeeza. Prior to completion of the proposed Acquisition, the Company intends to complete a loan or equity financing (the "Financing") of up to \$4,000,000 in gross proceeds. All or a portion of the Financing may be further loaned to Carbeeza as a secured loan for Carbeeza's continuing operations on terms to be agreed by the parties. Furthermore, it is a condition of the Acquisition that, the Company will settle certain of its outstanding debt of not more than \$3,000,000 into 11,000,000 common shares of the resulting issuer. The Acquisition is subject to approval from the TSX Venture Exchange.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

2 Significant accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company for issue on November 27, 2020.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, the condensed interim consolidated financial statements are prepared on an accrual basis, except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Principles of Consolidation

The interim consolidated financial statements include the accounts of HIT Technologies Inc., and its wholly owned subsidiary, 1039219 BC Ltd., collectively referred to as the Company. Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

These interim consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the Company's subsidiary are included in these interim consolidated financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, following the same accounting principles and methods of computation as outlined in the Company’s consolidated financial statements for the year ended June 30, 2020. A description of accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual consolidated financial statements for the year ended June 30, 2020. These unaudited condensed interim consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2020.

Use of estimates and judgments

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 interim consolidated financial statements.

The Company’s policies for property, plant, and equipment, and intangible assets require a number of significant estimates which have material impact on the carrying value of the Company’s long-term assets. Management estimates such as the useful life of assets and whether future economic value exceeds carrying value are subject to significant management judgment.

The accounting for stock-based compensation and convertible notes, a complex compound financial instrument, require a choice of valuation methodology and a number of judgmental inputs which can materially affect the carrying value and the recognition of expense across the life of the instrument. Actual results could differ materially from forward looking estimates used in valuation inputs at the time of recognition.

New accounting standards adopted

The Company has not adopted any new accounting standards as of September 30, 2020.

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are expected to have a material impact to the Company.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

3 Credit facilities

During the quarter ended September 30, 2020, the Company has credit card facilities of \$5,000 (June 30, 2020 - \$5,000) and US\$5,000 (June 30, 2020 - US\$5,000). Guaranteed Investment Certificates of \$12,846 (June 30, 2020 - \$13,042) are pledged as security for the credit card facilities.

4 Inventory

	September 30, 2020	June 30, 2020
	\$	\$
Finished goods	63,572	61,060
	<u>63,572</u>	<u>61,060</u>

Cost of inventory recognized as expense in cost of sales for the quarter ended September 30, 2020 totalled \$46,967 (2019 - \$250,060). During the quarter ended September 30, 2020, the Company recorded a reversal of impairment on inventory of \$88,531 (2019 - \$Nil).

5 Accounts payable and accrued liabilities

	September 30, 2020	June 30, 2020
	\$	\$
Trade accounts payable	191,178	523,910
Accrued liabilities	595,296	455,738
	<u>786,474</u>	<u>979,648</u>

During the three months ended September 30, 2020, the Company entered into several agreements to assign total accounts payable of \$132,109 for a payment of \$36,925. The Company recorded a gain of \$111,612 (2019: \$Nil) related to the assignment of debt.

6 Related party transactions

Key management personnel include Directors, the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), who have the authority and responsibility for the planning, directing and controlling the activities of the Company. The compensation paid to these key management personnel for the quarters ended September 30, 2020 and 2019 is outlined below:

	2020	2019
	\$	\$
Salaries and management fees	<u>45,000</u>	<u>25,000</u>

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

As at September 30, 2020, accounts payable and accrued liabilities included \$218,312 (June 30, 2020 - \$163,542) relating to key management personnel compensation.

7 Expenses

	2020	2019
	\$	\$
Cost of sales		
Cost of goods	46,967	49,917
Courier and Shipping	23,603	87,328
	<hr/>	<hr/>
	70,570	137,245
	<hr/>	<hr/>
Selling and marketing expenses		
Personnel	22,547	11,679
Marketing and content	(5,696)	183,706
	<hr/>	<hr/>
	16,851	195,385
	<hr/>	<hr/>
General and administrative		
Personnel	45,000	113,505
Professional fees	19,914	31,675
Office	11,915	24,982
	<hr/>	<hr/>
	76,829	170,162
	<hr/>	<hr/>

8 Promissory notes and loan payable

During the quarter ended September 30, 2020, the Company had four secured promissory notes, totalling \$450,000. The secured promissory notes are secured by the assets of the Company, bear interest at 15% per annum and are payable on demand. As at September 30, 2020, \$450,000 in principal and \$75,524 in accrued interest included in accrued liabilities was outstanding.

On April 30, 2020, the Company issued a promissory note for \$26,500. The note is interest bearing at 15%, unsecured and due on July 29, 2020. On September 8, 2020, the Company repaid its promissory note for \$26,500 and total interest of \$1,325.

On July 15, 2020, the Company issued a promissory note for \$65,000. The note is interest bearing at 3.5% plus 1% per month up to four months. As at September 30, 2020, \$65,000 in principal and \$726 in accrued interest included in accrued liabilities was outstanding.

The Company received \$37,000 from the federal government of Canada through the Canada Emergency Business Account ("CEBA") which provides up to \$40,000 in interest free loans to eligible businesses until December 31, 2022. Repayment of \$30,000 out of a possible total loan of \$40,000 by December 31, 2022, results in a \$10,000 loan forgiveness. If the balance is not paid prior to December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly. The full balance must be repaid no later than December 31, 2025.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

9 Convertible notes

Activity during the three months ended September 30, 2020

There were no issuance, extinguishments, or modifications of secured convertible notes during the three months ended September 30, 2020. The following table summarizes the convertible note activity during the three months ended September 30, 2020:

	Carrying value
Balance, June 30, 2019	\$ 1,751,938
Coupon interest	195,101
Accretion	137,340
Interest disbursements and change in payables and prepaids	<u>(195,101)</u>
Balance, June 30, 2020	1,889,278
Coupon interest	49,467
Accretion	29,076
Interest disbursements and change in payables and prepaids	<u>(49,467)</u>
Balance, September 30, 2020	1,918,354
Current portion	<u>(1,918,354)</u>
Long-term	\$ <u>-</u>

10 Share capital

Authorized

Unlimited number of voting common shares without par value

Share issuances for the three months ended September 30, 2020

There were no share issuances during the three months ended September 30, 2020.

Share issuances for the three months ended September 30, 2019

There were no share issuances during the three months ended September 30, 2020.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

Warrants

		September 30, 2020		June 30, 2020
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance - Beginning of period	1,584,975	1.00	1,731,927	1.00
Expired	-	-	(146,952)	1.00
Balance - End of period	1,584,975	1.00	1,584,975	1.00

At September 30, 2020, the Company had 1,584,975 warrants outstanding with expiry dates ranging from October 4, 2020 to April 17, 2021 with exercise prices of \$1.00. The weighted average remaining contractual life on outstanding warrants is 0.37 years.

11 Stock options

In 2015, the Company adopted a stock option plan. A summary of the Company's stock options outstanding for the quarter ended September 30, 2020 and year ended June 30, 2020 is presented below.

		September 30, 2020		June 30, 2020
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance - Beginning of period	97,895	3.28	457,370	2.52
Granted	-	-	-	-
Expired	-	-	(110,000)	1.00
Forfeited	-	-	(249,475)	2.89
Balance - End of period	97,895	3.28	97,895	3.28

The following table summarizes information about stock options outstanding as at September 30, 2020:

Exercise price	Number of options	Weighted average remaining contractual life in years
\$5.00	55,895	4.70
\$1.00	42,000	2.11

At September 30, 2020, 97,895 (June 30, 2019 – 97,895) options were exercisable.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

During the quarter ended September 30, 2020, the Company granted \$Nil options to employees, officers and directors.

12 Segmented information

Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Company's other operations, and for which discrete financial information is available. Segment operating results are reviewed regularly by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources allocated to the segment and to assess the segment's performance.

The Company has one operating segment and the CODM is the CEO.

Segment information

The Company operates in Canada and generates sales revenue from various countries internationally. The Company's property and equipment are located in both British Columbia, Canada and in the People's Republic of China. The geographic information below analyses the Company's revenue and property and equipment by the Company's country of domicile and other countries. In presenting the following information, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

The Company's revenues were generated from the following geographic regions:

	Quarters ended September 30	2020	2019
		\$	\$
United States		153,921	125,260
Canada		10,791	231,955
		<u>164,712</u>	<u>357,215</u>

13 Financial instruments

The following table summarizes the carrying and fair value of the Company's financial instruments:

	September	June 30,
	30, 2020	2020
	\$	\$
Cash	35,417	8,999
Accounts receivable	118,101	121,312
Restricted cash	12,846	13,042
Other receivables	4,306	6,508
Accounts payable and accrued liabilities	786,474	979,648
Convertible notes	1,918,354	1,889,278

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

Interest income, expense, and gains and losses from financial assets and financial liabilities classified at amortized cost are recognized in the consolidated profit or loss.

a) Credit risk

Credit risk is the risk of 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.

b) 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, restricted cash, accounts receivable, and accounts payable and accrued liabilities.

The following table summarizes these Company's foreign denominated financial instruments:

	September 30, 2020 USD\$	June 30, 2020 USD\$
Cash	28,729	5,259
Restricted cash	5,500	5,500
Accounts receivable	87,127	87,537
Accounts payable and accrued liabilities	(88,891)	(311,708)
Net position	<u>32,465</u>	<u>(213,412)</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, 2020, 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 September 30, 2020, the loss for the year would be approximately \$4,900 greater. If the Canadian dollar were to strengthen against the US dollar by 10% relative to the rate at September 30, 2020, the loss for the year would be approximately \$4,000 less.

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

c) 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.

d) 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.

e) 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).

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.

14 Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders (note 1). The capital structure of the Company consists of equity comprising issued share capital, contributed surplus, and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2020.

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).

HIT Technologies Inc.

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited)

(expressed in Canadian dollars)

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.

15 Subsequent events

- a) On October 4, 2020, 460,000 warrants expired unexercised.
- b) On October 20, 2020, the Company closed a non-brokered private placement for 591,875 units for gross proceeds of \$95,700. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share at \$0.40 per share for a period of 24 months.