HIT TECHNOLOGIES INC. (TSXV: HIT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED March 31, 2019
DATED: May 30, 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 December 31, 2018, as well as the annual audited consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements along with additional information relating to the Company, including the Filing Statement dated May 27, 2015 (the "Filing Statement"), are available at www.sedar.com.

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

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

All amounts are presented in Canadian dollars unless otherwise indicated.

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

Selected Quarterly and Year-to-Date Information

	Q3- Fiscal 2019	Q3-Fiscal 2018	YTD Fiscal 2019	YTD Fiscal 2018
Revenue	$597,165	$89,500	$1,886,828	$484,693
+ % Increase over Prior Year	*567%*		*289%*	
Gross Margin	$339,731	($15,108)	$983,289	$101,852
Gross Margin %	*57%*	*(17%)*	*48%*	21%
Operating Expenses (excluding non-cash and cost of sales)	$378,746	$304,980	$1,396,740	$1,023,969
% change over Prior Year	*24%*		*36%*	
Adjusted EBITDA (Loss)	($40,312)	($274,143)	($332,740)	($680,079)
% change over Prior Year	*-85%*		*-51%*	
Net (Loss)				
Per share, Basic	$0.00	$0.00	($0.01)	($0.01)
			March 31, 2019	**June 30, 2018**
Cash and Cash Equivalents			$50,172	$286,106
Inventory			$384,219	$219,699
Net Working Capital (Deficiency)			($953,042)	($474,404)
Total Assets			$933,904	$1,036,610
Accounts payable and accrued liabilities			$624,156	$1,199,915
Total liabilities			$2,247,096	$1,985,555

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

Business Update:

In our third fiscal quarter, we continue to supply new products into retail including the new SPLASH waterproof product, which is now available at a thousand Best Buy stores across the USA, showing increased traction and sales at our biggest retailer.

Our new products and expanded retail presence continue to gain traction, recording a very solid sales level in a traditional slow quarter, post-Christmas holidays. The 567% sales growth generated in Q3-F2019, compared to Q3-F2018, is a result of continued growth on our direct to consumer ecommerce channels of 127% year over year as well as retail channel sales to wholesale distributors. Gross Margin increased from 54% in Q2 to 57% in Q3, which indicates a consistent sales mix of distributers and resellers to direct sales.

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

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

As Apple's latest iPhones are more fragile devices built primarily from glass components, the Company expects continued market growth and increased demand for its protective case offerings and products in general. These new iPhones also have higher repair costs for damaged iPhones, so we believe consumers will want the best protective case available. This requirement makes HITCASE's new products compelling for all iPhone models.

"We very proud to announce our strongest Q3 in company history with 567% revenue growth YoY. We continue to execute against our turnaround plan and direct to consumer sales stayed strong despite typically slower seasonal effects. Our continued focus on our DTC channel (Direct to Consumer) reflects consumer demand for our product lineup and execution of our marketing plan. Higher margins reflect a greater portion of sales mix coming from our DTC channel and less seasonal discounting. We will look to continue to grow this channel in the quarters to come."

Business Overview

HIT designs, manufactures and distributes a suite of premium HITCASE™ cases for Apple Inc.'s iPhone. The HITCASE offerings are elegantly designed, protective phone cases. They offer everyday protective case products through to special purpose adventure cases. HITCASES are force-multipliers 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 adventure and creativity.

The Company unique brand and line of HITCASE products includes:

1. HITCASE PRO – our flagship ruggedized offering which, includes a mountable, waterproof, shockproof and dustproof casing. Currently available for iPhone 6, 6s, 7, 8 and X.
2. HITCASE SHIELD LINK – The Company's newest product designed to be an elegant low-profile waterproof and shockproof casing for everyday use with magnetic mount and camera lens options
3. HITCASE SPLASH – Tough Polycarbonate and TPU protection in a slim easy to use profile, at the right price.
4. HITCASE ENDURO – Simple two piece and minimalist profile dust and dirt resistant protection.
5. HITCASE CRIO – A Minimalist and slim form factor case for consumers looking for device protection in an even slimmer format.

6. TrueLUX Lenses – a line of detachable lenses for the PRO, Shield and Splash lines that adds clarity and increases the iPhone's field of view with wide-angle, super wide-angle and macro lenses.
7. Mounts – a full line of mounting accessories for the PRO and the SHIELD that add essential camera features including versatility and hands-free use.

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

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

Growth Strategy

1. Design and deliver a premium HITCASE lineup of products with uncompromising quality and complete with the necessary accessories to bring the HITCASE brand promise to life.

2. Build a world-class brand – invest in branding, content, sponsorships and collaborative partnerships to build a loyal following of customers.

3. Execute on a multi-channel distribution strategy – use digital marketing to leverage the brand and create demand for online sales and accelerate momentum using large, established retail distribution channels.

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

HITCASES are some of the most protective, stylish, versatile and easy to use cases available. This combined with our branding strategy, positions HITCASE to become a force in iPhone case market. With the recently launched, CRIO and SHIELD LINK, the Company's product line is highly differentiated relative to its competitors, offering simple magnetic mounting system and a line of useful lenses that no other Company offers.

FINANCIAL PERFORMANCE REVIEW AND ANALYSIS

Operational Summary for Q3 and YTD Q3 Fiscal 2019:

- Generated sales of $597,165 in Q3-F2019, compared to $89,500 in Q3 Fiscal 2018, an increase of 567%, and compared to $989,052 in Q2-2019, a decrease of 40%. YTD 2019 sales are $1,886,828, compared to $484,693 YTD 2018. This is an increase of 289%. This is mainly due to the benefits of improved sales channels, such as Best Buy USA, and increases in direct sales from its new product-line.

- Gross Margin was recorded at $339,731, or 57%, in Q3-F2019, compared to ($15,108), or (17%) in Q3 of last year, and $536,638, or 54% in Q2-F2019. YTD 2019 Gross Margin is $983,289 vs YTD 2018 of 101,852, an increase of 865%. The increase of the Gross Margin %, year over year, is due to a higher proportion of direct sales, which have a higher margin profile. It also benefited from the introduction of higher margin products.
- Increased its operating expenditures (excluding non-cash items and cost of sales) to $378,746, a 24% increase from Q2-F2018 and a decrease of 21% Q2-F2019. YTD 2019 operating expenses is $1,396,740, an increase from YTD 2018 of $1,023,969. This is mainly due to the increase in administrative and marketing variable expenses necessary to support and drive continued growth.
- Reported an Adjusted EBITDA of ($40,312) for Q3-F2019, compared to an Adjusted EBITDA of ($274,143) in Q3-F2018 and of 55,425 in Q2-F2019. YTD Adjusted EBITDA is ($332,740) vs an Adjusted EBITDA for YTD 2018 of ($680,079), and improvement of 51%. Q3 closed with a working capital deficiency of $953,042 including cash and cash equivalents of $50,172 and inventory of $384,219, at March 31, 2019.

Performance Overview

During the quarter ended March 31, 2019, the Company's 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 post-Christmas season.

Revenues

	Q2-F2019	Q2-F2018	%+/-	YTD FY 2019	YTD FY 2018	%+/-
Revenues	$597,165	$89,500	567%	$1,886,828	$484,693	289%

Q3-Fiscal 2019 compared to Q2-Fiscal 2018
HIT generates revenue from e-commerce and retail sales of HITCASE, mounts and lenses. Sales for the quarter were approximately split as 55% for e-commerce and 45% for reseller/distributers.

Revenue for the quarter ended March 31, 2019 of $597,165 increased 567% from $89,500 for the corresponding quarter in the prior year. The increase in revenue primarily relates to increased sales to a US retailer and an increase of direct sales following launch of the Company's new additions to its product-line.

YTD-Fiscal 2019 compared to YTD-Fiscal 2018

Revenue for the nine months ended March 31, 2019 of $1,886,828, which is an increase of 289% from the YTD of the prior year. Sales are increasing from both direct and resellers/distributers sales channels.

Gross margin percent and Cost of Sales:

	Q3-F2019	Q3-F2018	%+/-	YTD FY 2019	YTD FY 2018	%+/-
Cost of Sales	$257,434	$104,608	146%	$903,539	$382,841	136%
Cost of Sales %	43%	117%		48%	79%	
Gross margin	$339,731	($15,108)	2349%	$983,289	$101,852	865%
Gross margin %	57%	(17%)		52%	21%	

Q2-F2019 compared to Q2-F2018
Gross margin of $339,731 in Q3-F2019, increased from ($15,108) generated in Q3 of last year. The gross margin percent increased to 57% compared to (17%) last year. These changes are revenue driven. This is primarily due to improvement in products, both in quality and in demand, in addition to the addition and improvements of sales channels. Although, direct sales were responsible for almost all revenue in the prior year versus approximately 40% in the current period, the sales driven though all sales channels has increased.

YTD-F2019 compared to YTD-F2018
Gross margin of 983,289 YTD-F2019 increased by $881,437 (865%) from YTD-2018 of $101,852. As stated above this increase was driven by revenue increases.

Operating Expenses (excluding non-cash items)

	Q3-F2019	Q3-F2018	+/-%	YTD FY 2019	YTD FY 2018	+/-%
General and administrative	$211,632	$187,241	13%	$673,019	$558,324	21%
Sales and marketing	$140,574	$81,378	73%	$590,677	$231,536	155%
Research and development	$22,694	$23,786	-5%	$47,587	$72,969	-35%
Total operating expenses	**$374,900**	**$292,405**	**28%**	**$1,311,283**	**$862,829**	**52%**

Q3-F2019 compared to Q3-F2018
Operating expenses (excluding non-cash items) for Q3-F2019 totaled $374,900 compared to $292,405 in Q3-F2018, an increase of 28%.

General and administrative expenses in Q3-F2019 increased by 13% compared to Q3-F2018, primarily due salary and legal costs.

Q3-F2019 sales and marketing expense increased by 73% compared to Q3-F2018. With the Company switching from a product development stage into a product sales, stage, the Company is focused on marketing to continue its sales growth year over year. The Company is also incurring an additional marketing cost from its contract with Best Buy USA, which did not exist in the previous year.

Research and development expenses were consistent from the corresponding quarter in the prior year. 2019 YTD costs are 35% lower than 2018 YTD costs for R&D. This is a result of the Company's satisfaction with the current product base and is now focused on the sale of these products.

Net Loss

Net loss for Q3-F2019 compared to net loss for Q3-F2018

The Company recorded a net loss of $120,443 ($0.00 loss per share) compared to $370,511 ($0.00) loss per share) for Q3-F2018.

Reconciliation of net loss to Adjusted EBITDA (Loss)

	Q3-F2019	Q3-F2018	YTD 2019	YTD 2018
Loss and comprehensive loss for the period	**($120,443)**	**($370,511)**	**($636,628)**	**($1,050,881)**
Add Back:				
Share based compensation	$3,847	$12,575	$85,457	$117,009
Depreciation	$16,960	$11,804	$53,618	$44,131
Finance costs	$59,324	$37,989	$164,813	$125,662
Inventory write down		$34,000		$84,000
Adjusted EBITDA (Loss)	**($40,312)**	**($274,143)**	**($332,740)**	**($680,079)**

Selected Quarter Information

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

	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Revenue	$597,165	$989,052	$300,612	$498,420	$89,500	$164,985	$230,207	$135,738	$147,459
Adjusted EBITDA Gain/(**Loss)**	($40,312)	$39,525	($352,607)	($338,167)	($289,143)	($309,853)	($183,883)	($423,704)	($426,830)
Loss and comprehensive loss	($120,443)	($135,589)	($417,382)	($323,048)	($370,511)	($347,670)	($282,827)	($549,774)	($495,692)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)

Financial Condition

The following table identifies the balances as at March 31, 2018 and June 30, 2018.

	March 31, 2109 ($)	**June 30, 2018 ($)**
Cash	50,172	286,106
Other current assets	505,782	439,405
Long term assets	377,949	311,099
Total assets	933,904	1,036,611
Accounts payable and accrued liabilities	624,156	1,199,915
Total liabilities	2,247,096	1,985,555
Shareholder Equity/(Deficit)	(1,313,192)	(948,945)

Liquidity and Financial Position

At March 31, 2019, the Company had a cash balance of $50,172, a decrease from $286,106 at June 30, 2018. During the last nine months, to help manage its liquidity and capital, the Company settled vendor payables of $151,637 by issuing 3,032,735 common shares and continued to delay payments to other vendors.

The Company had a net working capital deficiency of $953,042 at March 31, 2019 compared to net working capital deficiency of $474,405 at June 30, 2018. The decrease in net working capital is primarily due to an increase in deferred revenue, an introduction of a short-term loan in FY2019, and $496,501 of convertible debentures were reclassed to current liabilities.

In addition to the Company's cash balance, other significant components of net working capital at March 31, 2019 include inventory of $384,219, prepaid expenses and deposits of $43,220 and accounts payable and accrued liabilities of $624,156. Accounts payable and accrued liabilities balance was a decrease of $575,759 from $1,199,915 at June 30, 2018, which partially explains the decrease in the cash balance. The Company continues to slow its payment of trade payables to manage its cash flow. Finally, deferred revenue which is included in net working capital was $238,340 at March 31, 2019 compared to $nil at June 30, 2018. Deferred revenue includes an allowance for returns and cash received for products not yet shipped to customers.

Cash flow used in operations

The Company used cash of $651,894 in operations for the nine months ended March 31, 2019 compared to $623,214 for corresponding period of the prior year.

Cash flow from financing activities

Cash flow from financing activities was $536,428 for the nine months ended March 31, 2019 compared to cash from financing activities of $684,793 for the corresponding period of the prior year. The current year reflects the net proceeds from a short-term loan advanced to the Company and proceeds from convertible notes received during the quarter.

Cash flow used in investing activities

During the nine months ended March 31, 2019, the Company used cash flow of $120,581 in investing activities compared to the prior year when the Company used cash in investing activities of $26,372. This is mainly due to the acquisition of P&E and intangible assets.

Total assets amounted to $933,904 at March 31, 2019 comparable to $1,036,610 as at June 30, 2018.

Total liabilities were $2,247,096 at March 31, 2019 compared to $1,985,555 at June 30, 2018. The increase in total liabilities is primarily due to the increase in deferred revenue and convertible notes.

The Company had shareholders' deficit of $13,923,457 at March 31, 2019 compared to shareholders' deficit of $13,286,827 as at June 30, 2018. The increase in shareholders' deficit is due to increase in the Company's deficit as a result of operating losses incurred for the period.

Going Concern Assumption

These unaudited interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the 9 months ended March 31, 2019, the Company has incurred a loss of $636,628 (year ended March 31, 2018 - loss of $1,050,881), negative cash flows from operating activities of $651,894 (year ended December 31, 2017 - $623,214), and an accumulated deficit of $13,923,457 at March 31, 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. Even with these new product lines, the Company has not generated sufficient cash flow from operations. The Company continues to seek new distribution partners to increase revenues as well as increasing its direct sales through better conversion rates.

The Company has slowed payments to its suppliers, in some cases negotiating extended payment terms and debt conversion to equity, with certain suppliers. Through these measures, the Company has been managing its working capital and expects that these strategies will be an integral part of managing its working capital going forward, until it generates sufficient revenues or obtains additional external financing.

The Company realized net proceeds from external financing during the year ended June 30, 2018 of $953,959, completing the three tranches of private placements of secured convertible debentures for net proceeds of $611,009 and two equity issues of common shares and Units for net proceeds of $342,950. During Quarter 1 of 2019, the Company issued shares in settlement of $151,637 of accounts payable to certain vendors and completed a term loan for net proceeds of $127,869. During Quarter 2 2019, the Company completed a fourth tranche of private placements of secured convertible debentures for gross proceeds of $460,000.

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

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

Transactions with Related Parties

Key management compensation for the nine months ended March 31, 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.

	FY2019 **$**	**FY2018** **$**
Salaries and management fees	162,532	92,562
Stock based compensation	0	13,225
	162,532	105,787

As at March 31, 2019, accounts payable and accrued liabilities included $15,000 (June 30, 2018 - $109,881) relating to key management personnel compensation.

Commitments

Contractual agreements

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

Off-Balance Sheet Arrangements

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

Subsequent Events

Subsequent to the year end:

In April 2019, the Company completed two tranches of secured convertible debentures (the "Debentures") offerings, on a private placement basis for an aggregate amount of $1,200,270. The Debentures will bear interest at the rate of 10% per annum with a two-year term and are convertible into common shares of the Company at $0.05 per share in the first 12 months and at $0.10 per share in the second 12 months.

Part of the proceeds was used to retire secured convertible notes, with a face value of $778,500 plus accrued interest, outstanding at March 31, 2019.

In connection with the Debentures, the Company issued an aggregate of 22,499,499 share purchase warrants. Each Warrant will be exercisable to acquire one common share of the Company at a price of $0.05 per share and expire two years from date of issuance. All securities issued in connection with the above transactions will be subject to a four-month statutory hold period.

International Financial Reporting Standards

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

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

Financial Risk Management

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

Credit risk

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

Foreign exchange rate risk

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

The Company does not have a formal policy to mitigate risks arising from changes in foreign currency exchange rates. Based on the balances at December 31, 2018, fluctuations in the Canadian dollar and US dollar exchange rates could have a minimal 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 December 31, 2018, the loss for the period would be approximately $33,200 greater. If the Canadian dollar were to strengthen against the US dollar by 10% relative to the rate at December 31, 2018, the loss for the period would be approximately $27,100 less.

Interest rate risk

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

Liquidity and funding Risk

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

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

Critical Accounting Policies

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

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

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

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

Future accounting changes

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

Financial instruments

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

Outstanding share information

At May 30, 2019, the Company has 97,191,207 common shares outstanding, and 9,147,394 options granted.
The Company has warrants outstanding to acquire 46,119,737 common shares. The warrants have exercise prices ranging from $0.05 to $0.10 and expiration dates ranging from September 20, 2019 to April 17, 2021.
The Company has secured convertible notes with a face value of $1,758,770 outstanding. The convertible notes can be converted into up to 35,175,400 common share. All conversion rights associated with all of these secured convertible debentures have an anti-dilutive provision which could result in the number of shares issued on conversion to be different from above.

Risks and Uncertainties

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

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

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

New products or technologies will likely increase competitive pressures and impact the acceptance of HIT's products. HIT's success and future growth will depend in part upon its ability to keep pace with technological and marketplace change and to introduce, on a timely and cost-effective basis, new and enhanced products that satisfy changing customer requirements and demands, and that achieve market acceptance. A failure to introduce new and enhanced products or to respond to technological change or customer demands could have a material adverse effect HIT's business, financial condition and results of operations. There can be no assurance that HIT will be able to respond effectively to changes in technology or customer demands. Moreover, there can be no assurance that HIT's competitors will not develop competitive products or that any such products will not have an adverse effect on HIT's business, financial condition or results of operations.

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

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

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

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

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

Reliance on the iPhone – The Company's offerings are built specifically for the iPhone market, and are dependent upon the iPhone continuing to advance its camera capability. While the iPhone is currently a premium product with high volume and strong market demand, the Company cannot predict whether such success will continue into the future. In addition, new versions of the iPhone are generally released every two years and it is unknown by HIT as to whether the form factor will continue to lend itself to HIT's protective cases. Should the iPhone wane in demand, the form factor be changed to a format that HIT cannot protect, or Apple Inc. discontinue manufacture of the iPhone, it would jeopardize the viability of HIT.

Additional Information

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