

FAB-FORM INDUSTRIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2003

**UNAUDITED
PREPARED BY MANAGEMENT**

Fab-Form Industries Ltd.**Consolidated Balance Sheet****As at 31 March***Canadian Funds*

ASSETS	2003	2002
Current		
Cash	1,367	-
GST receivable	2,604	10,736
Accounts receivable	16,644	29,274
Prepaid expenses and advances	13,778	10,088
Inventory	15,291	10,642
	49,683	60,740
Property, plant and equipment <i>(Note 5)</i>	69,011	35,893
Deferred development costs <i>(Note 6)</i>	229,706	237,635
Patents <i>(Note 7)</i>	96,581	102,263
Trademarks <i>(Note 8)</i>	12,316	12,862
	457,297	449,393
LIABILITIES		
Current		
Bank overdraft <i>(Note 9)</i>	-	3,437
Accounts payable and accrued liabilities	94,049	214,155
Accounts payable - related <i>(Note 14)</i>	27,798	169,067
Loans from related parties <i>(Notes 10 and 14)</i>	5,153	16,706
Current portion of long-term debt <i>(Note 11)</i>	12,056	7,488
	139,056	410,852
Long-Term Debt <i>(Note 11)</i>	58,350	7,715
Obligation to Issue Shares <i>(Note 12)</i>	63,500	63,500
SHAREHOLDERS' EQUITY		
Share Capital <i>(Note 13)</i>	613,674	440,682
Deficit	(417,282)	(473,356)
	196,392	(32,674)
	457,297	449,393

ON BEHALF OF THE BOARD:

"Richard Fearn"

_____, Director

"Herb Bentz"

_____, Director

- See Accompanying Notes -

Fab-Form Industries Ltd.

Consolidated Statement of Operations and Deficit

For the Quarter Ending 31 March

Canadian Funds

	2003	2002
Sales	28,081	65,550
Cost of Sales	12,227	33,228
Gross Profit	15,854	32,321
(Percent Gross Profit)	56%	49%
Expenses		
Administrative expenses	2,519	2,863
Amortization and depreciation	8,090	6,215
Bad debt expense (recovery)	-	-
Bank charges and interest	1,224	1,281
Foreign exchange loss (gain)	69	(174)
Investor relations	-	1,210
Management fees	700	-
Marketing and advertising	12,120	1,569
Occupancy	2,757	2,705
Patent maintenance	240	486
Production	262	1,087
Professional fees	2,000	1,392
Public company expenses	2,754	5,169
Telecommunications	1,210	1,090
Wages and benefits	4	11,238
	33,947	36,131
Net income (loss) before other item	(18,093)	(3,810)
Net Income (Loss) for the Period	(18,093)	(3,810)
Deficit - Beginning of Period	(399,189)	(469,547)
Deficit - End of Period	(417,282)	(473,357)
Asset shares outstanding		
Basic	2,898,809	1,937,751
Diluted	6,433,116	5,472,058
Earnings per share (loss)		
Basic	(0.006)	(0.002)
Diluted	(0.003)	(0.001)

- See Accompanying Notes -

Fab-Form Industries Ltd.

Consolidated Statement of Cash Flows

For the Quarter Ended 31 March

Canadian Funds

Cash Resources Provided By (Used In)	2003	2002
Operating Activities		
Cash receipts from customers	22,712	41,187
Direct costs	(10,813)	(33,211)
Cash paid to suppliers and employees	(35,686)	8,970
	(23,787)	16,946
Investing Activities		
Purchases of capital assets	(17,169)	(1,050)
Purchases of R&D	(152)	(4,682)
Purchases of patents	(2,295)	(3,594)
Purchases of trademarks	(0)	(1,337)
	(19,617)	(10,663)
Financing Activities		
Long term debt	56,369	(1,872)
Loans from related parties	0	(43)
	56,369	(1,915)
Net Increase (Decrease) in Cash		
	12,965	4,368
Cash position, opening	(11,599)	(7,805)
Cash position, ending	1,367	(3,437)

- See Accompanying Notes -

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

1. Future operations

These financial statements have been prepared on a going concern basis which presumes the recovery of assets and settlement of liabilities at their carrying values in the normal course of business for the foreseeable future. The company has a working capital deficiency and an accumulated deficit. Continued operations and the recovery of deferred development, patent and trademark costs are dependent on the company's ability to continue product development, generate net income and positive cash flows on a commercial scale.

If the going concern assumption was not appropriate for these financial statements the adjustments would be necessary to the carrying values of assets and liabilities.

2. Incorporation and nature of business

Fab-Form Industries Ltd. (the "company" or "Fab-Form") was incorporated 13 June 1995 under the Company Act of British Columbia as 498620 BC Ltd. On 11 October 1995 the company changed its name to Capital Gold Corporation. On 16 November 1995 the company changed its name to First Gold Corporation. On 25 October 1999 the company changed its name to Fastfoot Industries Ltd. On 14 December 2001 the company changed its name to Fab-Form Industries Ltd.

Initially, the company was involved in exploration and development of mineral properties. On 28 October 1999 the company acquired 100% of the issued and outstanding shares of Maxito Industries Ltd. ("Maxito"). Maxito develops proprietary technology to construct concrete footings, foundations, and walls for residential and commercial building structures. Maxito's wholly owned subsidiary, Fastfoot Industries (1986) Ltd. ("Fastfoot (1986)") is the operating company for the technology.

3. Significant accounting policies

a) Basis of consolidation

These consolidated financial statements include the accounts of the company, its wholly owned subsidiary Maxito, and the wholly owned subsidiary of Maxito, Fastfoot (1986). Maxito was incorporated under the Company Act of British Columbia on 28 May 1990. Fastfoot (1986) was incorporated under the Company Act of British Columbia on 18 November 1986.

b) Inventory

Inventory is valued at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

c) Amortization

The company provides for amortization of property, plant and equipment on the declining balance basis using the following annual rates:

- Manufacturing equipment - 20%
- Office furniture and equipment - 20%
- Computer equipment - 30%
- Vehicle - 30%
- Software - 100%

One-half of the above rate is taken in the year of acquisition.

d) Patents

Expenditures relating to patents are recorded at cost and are amortized on a straight-line basis over 17 years, commencing in the year in which the patent certificate is received.

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

3. Significant accounting policies (continued)

e) Deferred development costs

New product research and development costs are deferred to future periods when the product or process is clearly defined, the costs can be identified, the technical feasibility has been established, management intends to market the product or process, a market exists for the product or process, and adequate resources exist to complete the project. Research, as well as development costs that do not meet the preceding criteria are expensed in the period incurred.

The company provides for amortization using the reversed sum-of-the-years'-digits method, over the estimated useful life of the product or process from the date of completion.

Research and development investment tax credits and government grants are applied against the deferred costs or expense, as applicable, in the period in which the investment tax credits and government grants are received.

Deferred development costs include:

- i) direct costs of materials and services consumed during the development stage,
- ii) remuneration of personnel directly engaged in the development activities,
- iii) a reasonable portion of overhead costs,
- iv) amortization of capital assets used in the development activities.

f) Trademarks

Trademarks are recorded at cost and are amortized on a straight-line basis over 10 years, commencing in the year in which the trademark certificate is received.

g) Foreign currency translation

The company's foreign denominated transactions have been translated into Canadian dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and research and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

h) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on temporary differences between the financial statement carrying amount and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities from a change in tax rates is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated periodically and if realization is not considered more likely than not, a valuation allowance is provided.

i) Stock-based compensation

The company has adopted the recommendations of the Canadian Institute of Chartered Accountants for stock-based compensation. The new recommendations are applicable only to awards granted by the company after the date of adoption. No compensation expense relating to options was recorded during the year. Any consideration paid on the exercise of stock options is credited to share capital.

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

3. Significant accounting policies (continued)

j) Revenue recognition

Revenue is recorded and related costs are recognized at the time the product is shipped.

k) Earnings per share

Basic earnings and loss per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method and reflects the potential dilution of securities by including stock options in the weighted average number of shares outstanding, if dilutive.

l) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

4. Financial instruments

The company's financial instruments consist of accounts receivable, bank overdraft, accounts payable, amounts due to related parties, loans from related parties and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. As a significant portion of the company's sales is made in U.S. funds, there is significant exposure to the foreign currency fluctuation risk.

5. Property, plant and equipment

	<i>2003</i>			<i>2002</i>	
	<i>Cost</i>	<i>Accum. Amort.</i>	<i>Net Book Value</i>	<i>Net Book Value</i>	
Manufacturing Equipment	\$ 68,999	-\$ 17,823	\$ 51,176		10,641
Office furniture	\$ 6,273	-\$ 5,016	\$ 1,256		1,572
Computers	\$ 26,198	-\$ 20,943	\$ 5,256		7,506
Vehicle	\$ 29,391	-\$ 18,068	\$ 11,323		16,175
Software	\$ 1,678	-\$ 1,678	\$ 0		0
	<u>\$ 132,539</u>	<u>-\$ 63,528</u>	<u>\$ 69,011</u>		<u>35,894</u>

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

6. Deferred development costs

Fabwall	Opening	Current	Closing
Prototype Dev	7,902.66	-	7,902.66
Design	40,974.69	-	40,974.69
Testing	-	-	-
Consulting	58,510.11	-	58,510.11
Overhead costs	25,125.50	-	25,125.50
Wages	24,354.00	-	24,354.00
Gov't grant	(20,825.00)	-	(20,825.00)
SR&D ITC refund	(1,673.72)	-	(1,673.72)
	<u>134,368.24</u>	<u>-</u>	<u>134,368.24</u>
Acum Amort	-	-	-
Net Book Value	134,368.24	-	134,368.24

Fastfoot®	Opening	Current	Closing
Prototype Dev	20,834.56	-	20,834.56
Design	24,020.61	-	24,020.61
Testing	17,090.08	-	17,090.08
Consulting	33,898.80	-	33,898.80
Overhead costs	20,339.15	-	20,339.15
Wages	10,306.00	-	10,306.00
Gov't grant	-	-	-
SR&D ITC refund	(1,673.73)	-	(1,673.73)
	<u>124,815.47</u>	<u>-</u>	<u>124,815.47</u>
Acum Amort	(26,366.00)	(4,457.75)	(30,823.75)
Net Book Value	151,181.47	4,457.75	155,639.22

Fast-Tube	Opening	Current	Closing
Prototype Dev	46.31	152.18	198.49
Design	-	-	-
Testing	-	-	-
Consulting	-	-	-
Overhead costs	1,147.77	-	1,147.77
Wages	-	-	-
Gov't grant	-	-	-
SR&D ITC refund	-	-	-
	<u>1,194.08</u>	<u>152.18</u>	<u>1,346.26</u>
Acum Amort	-	-	-
Net Book Value	1,194.08	152.18	1,346.26

TOTAL	Opening	Current	Closing
Prototype Dev	28,783.53	152.18	28,935.71
Design	64,995.30	-	64,995.30
Testing	17,090.08	-	17,090.08
Consulting	92,408.91	-	92,408.91
Overhead costs	46,612.42	-	46,612.42
Wages	34,660.00	-	34,660.00
Gov't grant	(20,825.00)	-	(20,825.00)
SR&D ITC refund	(3,347.45)	-	(3,347.45)
	<u>260,377.79</u>	<u>152.18</u>	<u>260,529.97</u>
Acum Amort	(26,366.00)	(4,457.75)	(30,823.75)
Net Book Value	234,011.79	(4,305.57)	229,706.22

- (i) The company amortizes the Fastfoot® technology using a reversed sum-of-the-years'-digits method over seven years commencing in fiscal 2000.
- (ii) No amortization of Fabwall™ or Fast-Tube™ has been recorded as these projects are still under development. No material revenue has resulted from this technology.
- (iii) During the current year, the company received a grant of \$11,089 from the provincial government to support development of Fabwall™ technology.

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

7. Patents

The company has an exclusive license agreement with its majority shareholder for use of proprietary technology protected by a number of current and pending patents for the life of the patents. No license fees are payable under the agreement except for the costs to register and maintain the patents.

Pending patents are for (1) Reusable Building Foundation Form and Method; (2) Fabric Wall Form and Method, (3) Fast-Tube™ and (4) Fast-Ring™.

Costs and amortization of held patents are as follows:

		Opening	Quarter	Closing
Foundation & Floor System	<i>Cost</i>	\$ 976.97	\$ -	\$ 976.97
	<i>Cost</i>	\$ 10,128.51	\$ -	\$ 10,128.51
	<i>Total Cost</i>	\$ 11,105.48	\$ -	\$ 11,105.48
	<i>Acum Amortization</i>	\$ (6,532.52)	\$ (163.32)	\$ (6,695.84)
	<i>Net Book Value</i>	\$ 4,572.96	\$ (163.32)	\$ 4,409.64
Concrete Foundation Wall	<i>Cost</i>	\$ 6,957.15	\$ -	\$ 6,957.15
	<i>Acum Amortization</i>	\$ (2,045.48)	\$ (102.31)	\$ (2,147.79)
	<i>Net Book Value</i>	\$ 4,911.67	\$ (102.31)	\$ 4,809.36
Reusable Building Foundation	<i>PCT Application</i>	\$ 2,000.00	\$ -	\$ 2,000.00
	<i>Canada</i>	\$ 777.00	\$ -	\$ 777.00
	<i>Japan</i>	\$ 20,976.32	\$ -	\$ 20,976.32
	<i>Europe</i>	\$ 13,915.19	\$ -	\$ 13,915.19
	<i>USA</i>	\$ 39,237.99	\$ -	\$ 39,237.99
	<i>Fast-Float</i>	\$ 144.16	\$ -	\$ 144.16
	<i>Total Cost</i>	\$ 77,050.66	\$ -	\$ 77,050.66
	<i>Acum Amortization</i>	\$ (4,532.00)	\$ (1,133.00)	\$ (5,665.00)
<i>Net Book Value</i>	\$ 72,518.66	\$ (1,133.00)	\$ 71,385.66	
Fabwall™	<i>Cost</i>	\$ 13,554.05	\$ -	\$ 13,554.05
	<i>Cost</i>	\$ -	\$ 2,295.00	\$ 2,295.00
	<i>Acum Amortization</i>	\$ -	\$ -	\$ -
	<i>Net Book Value</i>	\$ 13,554.05	\$ 2,295.00	\$ 15,849.05
Fast-Tube™	<i>Cost</i>	\$ 127.77	\$ -	\$ 127.77
	<i>Acum Amortization</i>	\$ -	\$ -	\$ -
	<i>Net Book Value</i>	\$ 127.77	\$ -	\$ 127.77
TOTAL	<i>Cost</i>	\$ 138,471.24	\$ -	\$ 138,471.24
	<i>Acum Amortization</i>	\$ (42,786.13)	\$ (1,398.63)	\$ (44,184.76)
	<i>Net Book Value</i>	\$ 95,685.11	\$ (1,398.63)	\$ 94,286.48

8. Trademarks

The company has three registered trademarks (Fastfoot®, Fastfabric® and Fastbag®).

	Opening	Current	Closing
Fastfoot®			
Costs	\$ 6,212.45	\$ -	\$ 6,212.45
Accumulated Amortization	\$ (1,740.00)	\$ (145.00)	\$ (1,885.00)
Net Book Value	\$ 7,952.45	\$ 145.00	\$ 8,097.45
Fastfabric®			
Costs	\$ 3,882.86	\$ -	\$ 3,882.86
Accumulated Amortization	\$ (388.29)	\$ (97.07)	\$ (485.36)
Net Book Value	\$ 4,271.15	\$ 97.07	\$ 4,368.22
Fastbag®			
Costs	\$ 4,708.43	\$ -	\$ 4,708.43
Accumulated Amortization	\$ -	\$ (117.71)	\$ (117.71)
Net Book Value	\$ 4,708.43	\$ 117.71	\$ 4,826.14
TOTAL			
Costs	\$ 14,803.74	\$ -	\$ 14,803.74
Accumulated Amortization	\$ (2,128.29)	\$ (359.78)	\$ (2,488.07)
Net Book Value	\$ 16,932.03	\$ 359.78	\$ 17,291.81

Fab-Form Industries Ltd.**Notes to Consolidated Financial Statements****31 March 2003***Canadian Funds***9. Bank overdraft**

The company has two bank overdraft positions: one to a maximum of \$10,000 with an interest rate of prime plus 5% per annum, secured by a general security agreement; the second to a maximum of \$30,000 with an interest rate of prime plus 4% per annum, secured by a general security agreement.

10. Loans from related parties

The loans are due from a director and officer, are due on demand and bear interest at prime compounded monthly.

11. Long-term debt

<i>Description</i>	<i>2003</i>	<i>2002</i>
1 General Motors Acceptance Corporation of Canada, vehicle loan bearing interest at 1.9% per annum, repayable in blended monthly principal and interest payments of \$644, maturing 6 March 2004, secured by vehicle	\$ 7,698	\$ 15,203
	Less current portion -\$ 7,656	-\$ 7,488
	Long-term portion \$ 42	\$ 7,715
2 Loan from the Program for Export Market Development. This money has been advanced to the company for allowable marketing expenditures, up to a maximum of \$39,854. No interest is charged on this loan. The loan is paid back on the basis of 4% of the incremental sales each year.	\$ 12,707	\$ -
	Less current portion \$ -	\$ -
	Long-term portion \$ 12,707	\$ -
3 Loan for Machinery Development from the Business Development Bank for \$50,000 at a floating rate of 7% plus 1.75%. Interest is payable monthly, with principal repaid monthly (beginning June 2003) in instalments of \$440, with the final payment on May 18 th , 2008.	\$ 50,000	\$ -
	Less current portion -\$ 4,400	\$ -
	Long-term portion \$ 45,600	\$ -
	Total Long Term Loans \$ 70,405	\$ 15,203
	Less current portion -\$ 12,056	-\$ 7,488
	Long-term portion \$ 58,349	\$ 7,715

Principal repayments required in the next two years are as follows:

	<i>2003</i>	<i>2004</i>	<i>2005</i>
1 GMAC Vehicle Loan	\$ 5,732	\$ 1,335	\$ -
2 PEMD	\$ -	\$ -	\$ -
3 BDC Loan	\$ 4,400	\$ 5,280	\$ 5,280
TOTAL	<u>\$10,132</u>	<u>\$ 6,615</u>	<u>\$ 5,280</u>

12. Obligation to issue shares / contingent liability

During the 2000 fiscal year, a former director and officer of the parent company ("the plaintiff") initiated legal action against the company. The plaintiff alleges that during the 2000 fiscal year he made \$64,500 in loans to the company, and that the company owes him this money plus accrued interest. The company's current management believes that only \$63,500 was advanced to the company and that these funds were advanced for the exercise of warrants. No further legal action has been undertaken by the plaintiff or the company since fiscal 2000. The outcome of the dispute is still unknown.

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

13. Share capital

a) Basis of presentation

These consolidated financial statements are prepared using reverse takeover accounting, under which the capital structure of the consolidated entity is that of the legal parent (the company), but the dollar amount at the date of the reverse takeover of the issued share capital is that of the legal subsidiary (Maxito).

b) Details of share capital

i) Authorized: 100,000,000 common shares without par value and 100,000,000 class A preferred shares without par value

ii) Issued:

	<i>Common shares</i>	<i>\$ Amount</i>
Issued and outstanding:		
Balance - 31 December 1999	15,971,200	\$ 401,182
Exercise of warrants	100,000	39,500
Balance - 31 December 2000 and 14 December 2001 - pre-consolidated	16,071,200	440,682
Balance - 14 December 2001 and 31 December 2001 - post-consolidated	5,357,058	440,682
Debt settlement – 2 April 2002	961,058	172,992
Balance – 31 March 2003	6,318,116	\$613,674

As at 31 March 2003, 56.0% (2002 – 50.2%) of the issued and outstanding voting common shares of the company were owned by a director and officer of the company and a relative of the director and officer.

c) Escrow shares

As at 31 March 2003, 3,419,307 (2002 - 3,419,307) shares were held in escrow to be released with the consent of the governing regulatory bodies. One escrow share will be released for every \$1.014 of cumulative positive cash flow before tax.

d) Options and warrants

Details of stock options outstanding at 31 March 2003 are as follows:

	<i>Number</i>	<i>Price per Share</i>	<i>Expiry Date</i>
Options	631,812	\$ 0.10	1 February 2006

There were no warrants outstanding at 31 December 2002. See also note 18.

14. Related party transactions

The following accounts were affected by related party transactions during 2003 and 2002.

<i>Category</i>	<i>Description</i>	<i>Year</i>	<i>Director & Officer</i>	<i>Relative of a Director & Officer</i>	<i>Director or Company Controlled by Director</i>	<i>Officer of the Company</i>	<i>Former Director of the Company</i>
Asset	Deferred development costs	2003	\$ -	\$ -	\$ -	\$ -	-
		2002	4,250	4,250	-	-	-
Asset	Capital assets	2003	4,500	3,800	-	-	-
		2002	-	-	-	-	-
Liability	Amounts due to related parties incurred in ordinary business	2003	9,025	4,625	5,153	3,302	9,153
		2002	76,349	48,246	30,319	-	9,153
Expenses	Management fees	2003	-	-	-	-	-
		2002	4,250	-	-	-	-
Expenses	Administrative fees	2003	-	700	-	-	-
		2002	-	4,250	-	-	-
Expenses	Marketing fees	2003	-	-	-	5,200	-
		2002	-	-	-	-	-

Notes to Consolidated Financial Statements

31 March 2003

Canadian Funds

15. Income taxes

There are no income taxes payable on the current year's income as a result of the application of prior years losses. The company and its subsidiaries have available non-capital losses for tax purposes of approximately \$376,000 which may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

2006	\$	167,000
2007		130,000
2008		76,000
2009		3,000
Total	\$	<u>376,000</u>

Timing differences between accounting and tax values of property and intangible assets of \$78,000 will be offset against these losses in future years.

The company claims tax credits under the Scientific Research and Experimental Development investment tax credit program ("SR&D ITC"). SR&D ITC credits of \$36,000 are available to offset future income taxes.

Due to the uncertainty of future recovery, the potential tax benefit of these items has not been recognized in these consolidated financial statements.

16. Concentration of customers

In 2003, 24.0% (2002 - 59%) of the company's sales were made to one customer.

17. Segmental information

Details are as follows:

		<i>2003</i>		<i>2002</i>	
		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>
Gross sales	Canada	\$11,263	40.3%	\$0	0.0%
	U.S.	\$16,675	59.7%	\$65,550	100.0%
	Total	\$27,938	100.0%	\$65,550	100.0%
Total assets	Canada	\$457,297	100.0%	\$449,393	100.0%
	U.S.	\$0	0.0%	\$0	0.0%
	Total	\$457,297	100.0%	\$449,393	100.0%
Capital expenditures	Canada	\$17,170	100.0%	\$10,663	100.0%
	U.S.	\$0	0.0%	\$0	0.0%
	Total	\$17,170	100.0%	\$10,663	100.0%

18. Subsequent events

None.