

Fab-Form Industries Ltd.

Schedule B – ANALYSIS OF EXPENSES & DEFERRED COSTS
QUARTER ENDING 30 September 2003

ANALYSIS OF EXPENSES AND DEFERRED COSTS

See consolidated financial statements for details.

1. RELATED PARTY TRANSACTIONS

See consolidated financial statements for details.

2. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD

a) Securities issued:

NONE

b) Options granted:

NONE

3. SUMMARY OF SECURITIES AS AT THE END OF THE REPORTING PERIOD

a) Authorized share capital:

See consolidated financial statements for details.

b) Shares issued and outstanding:

See consolidated financial statements for details.

c) Options, warrants and convertible securities outstanding:

See consolidated financial statements for details.

d) Shares subject to escrow or pooling agreements.

See consolidated financial statements for details.

4. NAMES OF DIRECTORS AND OFFICERS AS AT THE DATE THIS REPORT IS SIGNED AND FILED

Richard Fearn - President, Director, CEO, CFO

Herb Bentz - Director, Corporate secretary

Chris Mattock - Director

Fab-Form Industries Ltd.

Schedule C – MANAGEMENT DISCUSSION

QUARTER ENDING 30 September 2003

DESCRIPTION OF BUSINESS

Fab-Form Industries Ltd. is a developer, manufacturer and marketer of forming products using poly membranes in place of lumber to form and damp proof concrete for the building industry (see www.fab-form.com for details of products, distribution structure and public company background). Fab-Form is the only company commercializing this technology.

Since going public in October of 1999, the Company has been severely constrained with a shortage of working capital. In 2002, the Company achieved profitable operations for the first time.

The Company's long-term business goal is to take fabric-forming technology to mainstream distributors, and earn significant profits for its shareholders.

The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol 'FBF'.

DISCUSSION OF OPERATIONS & FINANCIAL CONDITIONS

Sales

Sales for the third quarter were \$39,597, an 8% decrease over the second quarter's sales of \$43,109, and below breakeven levels of approximately \$75,000 per quarter. Repeat sales amounted to 72% of sales, as shown in the following table:

	<i>Repeat</i>	<i>New</i>	<i>Total</i>
Sales	\$29,255	\$11,416	\$40,715
Percentage	72%	28%	100%

Sales of Fastfoot® fabric for the first three quarters were up 16% over 2002, while sales of steel Fast-Yokes™ (no longer in production) dropped 99% and Fastbags® dropped 85%, due to a reduction to a single US customer.

	<u>Jan - Sep 03</u>	<u>Jan - Sep 02</u>	<u>\$ Change</u>	<u>% Change</u>
Fastfoot® Footing Fabric	70,248.94	60,337.70	9,911.24	16%
Fastbag®	33,302.76	129,445.25	-96,142.49	-74%
Fast-Yoke™ & Accessories	317.78	21,993.40	-21,675.62	-99%
	<u>103,869.48</u>	<u>211,776.35</u>	<u>-107,906.87</u>	<u>-50.95%</u>

Cost of Goods Sold

Gross margins for the quarter were 63%, an increase over the previous quarter's 44%. This was due to a July US price increase to compensate for the change in the Canadian dollar. The Cost of Goods Sold components remained unchanged with material costs 61%, labour 25% and transportation 14%.

Expenses

Operating expenses of \$28,154 fell 28% from the previous year's quarter of \$39,349. Management fees dropped to \$2100 from \$11,000 in the previous year's quarter, thereby conserving liquidity. Marketing and advertising was also reduced from \$6,017 the previous year's quarter to \$3,651 this quarter.

Statement of Operations & Deficit

The Company's loss for the third quarter was \$3,089, a reduction to the second quarter's loss of \$16,087, compared with a profit of \$6,777 for the third quarter in 2002. These losses are attributable to sales levels below breakeven.

Working Capital Position

The Company's working capital position at the end of the third quarter was (\$123,672) an increase from the second quarter's (\$117,556), but an improvement over (\$175,638) of the previous year. This increase was due to sales levels continuing below breakeven.

Fab-Form Industries Ltd.

Schedule C – MANAGEMENT DISCUSSION

QUARTER ENDING 30 September 2003

Finance & Cash Flow

Operating activities for the quarter provided cash of \$8,384, compared with \$274 in 2002. Investing activities totalled \$6,333, compared with \$8,658 in 2002. The investment was machinery for the production of the Fast-Tube™, which totalled \$66,471 for the first three quarters.

Liquidity is clearly a major issue for the Company, and has been since going public in 1999. The Fast-Tube™ product is expected to generate significant cash flow in 2004, with many distributors wanting to carry the product.

Fast-Tube™ Production

The new welding machine has been completed and fully tested. The alignment guide to feed the fabric into the welder has been prototyped and tested. It is expected that the production machinery will be functioning in December, with full-scale production in the New Year.

Distribution Strategy

As unit sales of footing fabric amount to about \$220 per house; it is clearly not possible or profitable to spend large marketing and selling dollars on each sale. As a result, the marketing strategy is two fold: first, use the cost effective Internet to find early adopters; and second, find distributors with the ability to sell innovative technology into the construction marketplace. Both these strategies are being implemented.

MATERIAL CONTRACTS

There were no material contracts in 2003.

INVESTOR RELATIONS

There are no agreements for investor relations.

SUBSEQUENT EVENTS

None