



***FAB-FORM
INDUSTRIES LTD.***

2004 Annual Report

REPORT TO OUR SHAREHOLDERS

We are very pleased to report solid profits and sales for 2004. Production facilities, marketing strategy, and distribution structure are now firmly in place to expand fabric formwork's share of the concrete forming market in North America.

Production

Our machinery now produces 6", 8", 10" and 12" diameters of Fast-Tube™ as well as 37", 50", 62" and 74" widths of Fastfoot®. All products are UPC coded for electronic identification. We manufacture a complete product range for North American lumberyards and ICF dealers.

Marketing & Communications

We have produced videos showing the installation of Fastfoot® and Fast-Tube™, which can be viewed on our website. As our products have low unit values, web videos are a cost effective means of communication.

In addition, we have excellent point of purchase displays and brochures for our dealers and distributors. But the backbone of our communications strategy is our website, updated daily, informing contractors, dealers, distributors, architects, engineers, government agencies and investors of our latest developments and progress. Emails are sent bi-weekly to all our contacts (9,600 across North America) providing additional information on fabric formwork, and linking directly to our website.

Distribution

In August 2004 we entered into an exclusive agreement with Can-Cell Industries of Edmonton, AB, to distribute to 1,500 lumberyards across western Canada. In March of this year, Can-Save, a master distributor servicing 1,600 lumberyards in eastern Canada, began carrying our product lines. Can-Cell and Can-Save provide broad distribution to lumberyards across Canada. We are currently pursuing similar distribution into the USA.

Intellectual Property

In April of this year, we entered the 'national phase' of the Fast-Tube™ patent into 46 countries around the globe. Intellectual property is a key component of our balance sheet.

Private Placement

Due to an extremely high demand for large diameter Fast-Tubes, the Company announced in March a private placement of \$100,000 for manufacturing machinery.

Sincerely



Richard Fearn
President
April 27 2005

YEAR END REPORT

MANAGEMENT DISCUSSION & ANALYSIS

(Canadian funds)

The following Management Discussion and Analysis ("MD&A") was prepared on April 27th to accompany the 2004 year end audited financial statements.

QUARTERLY FINANCIAL SUMMARY

The following is a summary of selected financial information:

	2004				2003				2002	
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr
Revenues	\$ 36,071	\$112,454	\$63,852	\$45,896	\$40,837	\$39,597	\$43,109	\$28,081	\$42,531	\$77,372
Net Income before ext. items	\$-21,499	\$22,587	\$5,077	\$1,314	\$-7,930	\$-3,089	\$-16,087	\$-18,093	\$3,250	\$6,777
Shares outstanding (diluted)	6,794,928	6,794,928	6,794,928	6,794,928	6,613,772	6,872,178	6,872,178	6,433,116	5,952,587	5,952,587
Income (loss) per diluted share	\$0.003	\$0.003	\$0.001	\$0.000	\$-0.001	\$0.000	\$-0.002	\$-0.003	\$0.001	R0.001

2004 FINANCIAL RESULTS

Sales

Sales for the year were \$258,273, a 70.3% increase over the previous year's \$151,624. Sales of Fastfoot® increased 4% over 2003, while Fastbags® increased 12% in the same period. Fast-Tube™ sales are very high, given their introduction in May 2004.

	2004	2003	\$ Change	% Change
Fastfoot®	\$ 100,135	\$ 96,618	\$ 3,517	4%
Fastbag®	49,680	44,298	5,382	12%
Fast-Tube™	82,298	-	82,298	100%
Other	26,160	10,708	15,452	144%
Total	\$ 258,273	\$ 151,624	\$ 106,649	70%

Cost of Goods Sold

Gross margins for the year were 55%, in line with expectations.

Expenses

Operating expenses of \$133,711 increased only 5.4% from the previous year of \$126,902. Higher levels of amortization, management fees and long term interest costs were offset by reduced marketing costs.

Statement of Operations & Deficit

Due to increased sales, the Company's net income for the year was \$7,479, compared with the previous year's loss of \$45,199.

Finance & Cash Flow

Operating activities for the year generated cash of \$772, compared with (\$9,697) in 2003. Investing activities totalled \$37,906, compared with \$57,634 in 2003. Investment was for machinery for the Fast-Tube™. Financing activities were long term debt at \$42,088 in 2004, compared with \$48,333 in 2003. In both years financing was used to develop Fast-Tube™ machinery.

Liquidity

The Company's working capital position at the end of the year was (\$98,350), an improvement over the previous year of (\$151,186).

YEAR END REPORT

MANAGEMENT DISCUSSION & ANALYSIS

(Canadian funds)

DISCUSSION OF NON FINANCIAL ITEMS

Distribution Strategy

The Company is distributing through three separate channels: lumberyards, ICF manufacturers, and concrete accessories.

- **Lumberyards:** master distributors Can-Cell Industries Inc. (www.can-cell.com) and Can-Save (www.can-save.com) distribute Fab-Form products into 3100 lumberyards across Canada;
- **ICF manufactures:** Logix® (www.logixicf.com) and BuildBlock® (www.buildblock.com) distribute Fab-Form products throughout their distribution channel, with many other ICF dealers and distributors carrying our products;
- **Concrete accessories dealers:** numerous dealers and distributors are carrying our products across North America.

The Company is pursuing lumberyard distribution in the USA.

Off Balance Sheet Arrangements

None

Material Contracts

The Company has entered into an exclusive distribution agreement with Can-Cell Industries Inc. to distribute products to lumberyards in western Canada.

Changes in Accounting Policy

There have been no changes in accounting policies.

Internal Control over Financial Reporting

Fab-Form has worked closely with the auditors to ensure adequate internal controls to provide correct financial reporting.

Effectiveness of Disclosure Controls

Our board has discussed proper disclosure, and has placed controls in place to ensure all relevant information is properly disclosed to the market.

Subsequent Events

On March 16th of this year, the company announced a private placement of \$100,000 for the development of machinery capable of manufacturing large diameter Fast-Tubes™. As of this date, the placement has been substantially completed. The concrete accessories channel has been demanding larger diameter (greater than 12") column forms for their customers.

SELECTED ANNUAL INFORMATION

	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
Revenues	\$ 258,273	\$ 151,624	\$ 260,926	\$ 188,366
Cost of Sales	\$ 117,083	\$ 69,921	\$ 117,248	\$ 108,317
Gross Profit	\$ 141,190	\$ 81,703	\$ 143,678	\$ 80,049
% Gross Profit	55%	54%	55%	42%
Expenses	\$ 133,711	\$ 126,902	\$ 130,029	\$ 179,153
Net Income (loss)	\$ 7,479	\$ (45,199)	\$ 70,358	\$ (99,104)
Shares outstanding (diluted)	6,794,928	6,794,928	6,433,116	5,472,058
Income (loss) per diluted share	\$ 0.000	\$ (0.007)	\$ 0.011	\$ (0.018)
Total Assets	\$ 463,380	\$ 454,322	\$ 435,008	\$ 405,389
Total Long Term Financial Liabilities	\$ 79,227	\$ 37,360	\$ 1,980	\$ 9,587
Cash Dividends Declared	None	None	None	None

Approved
"Board of Directors"
April 27th 2005

YEAR END REPORT
AUDITORS REPORT

To the Shareholders of Fab-Form Industries Ltd.

We have audited the consolidated balance sheets of Fab-Form Industries Ltd. as at 31 December 2003 and 2004 and the consolidated statements of operations and deficit and cash flows for both years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2003 and 2004 and the results of its operations and its cash flows for the years 2003 and 2004 then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

CULVER & CO.
Chartered Accountants
Vancouver, BC
27 April 2005

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

(Canadian funds, audited)

ASSETS	2004	2003
Current		
Cash	\$ -	\$ -
GST receivable	1,472	1,224
Accounts receivable	12,619	13,095
Prepaid expenses and advances	5,757	4,246
Inventory	26,690	14,425
	46,538	32,990
Property, Plant and Equipment (Note 5)	106,916	96,670
Deferred Development costs (Note 6)	208,870	216,391
Patents (Note 7)	91,934	96,673
Trademarks (Note 8)	10,122	11,598
	\$ 463,380	\$ 454,322
LIABILITIES		
Current		
Bank overdraft (Note 9)	\$ 25,643	\$ 30,597
Accounts payable and accrued liabilities	85,585	108,864
Accounts payable - related (Note 14)	9,159	14,552
Loans from related parties (Notes 10 and 14)	5,621	5,400
Current portion of long-term debt (Note 11)	17,880	24,763
	143,888	184,176
Long-Term Debt (Note 11)	79,227	37,360
Obligation to Issue Shares (Note 12)	63,500	63,500
SHAREHOLDERS' EQUITY		
Share Capital (Note 13)	613,674	613,674
Deficit	(436,909)	(444,388)
	176,765	169,286
	\$ 463,380	\$ 454,322

ON BEHALF OF THE BOARD:

"Richard Fearn"

_____, Director

"Herb Bentz"

_____, Director

See accompanying notes to the consolidated financial statements

YEAR END CONSOLIDATED FINANCIAL STATEMENTS
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Canadian funds, audited)

	2004	2003
Sales	\$ 258,273	\$ 151,624
Cost of Sales	117,083	69,921
Gross Profit	141,190	81,703
(Percent Gross Profit)	55%	54%
Expenses		
Administrative expenses	16,073	16,607
Amortization and depreciation	41,394	32,371
Interest, bank charges, short term debt	5,857	6,373
Interest, long term debt	6,105	3,208
Foreign exchange loss	778	1,525
Management fees	17,161	5,369
Marketing and advertising	14,125	26,805
Occupancy	12,384	10,159
Patent maintenance	815	961
Production	714	547
Professional fees	9,371	8,500
Public company expenses	4,505	9,752
Telecommunications	3,707	4,294
Wages and benefits	722	411
	133,711	126,902
Net Income (Loss) for the Period	7,479	(45,199)
Deficit - Beginning of Period	(444,388)	(399,189)
Deficit - End of Period	\$ (436,909)	\$ (444,388)
Asset shares outstanding		
Basic	2,898,809	2,898,809
Diluted	6,794,428	6,794,428
Earnings per share (loss)		
Basic	\$ (0.00)	\$ (0.02)
Diluted	\$ (0.00)	\$ (0.02)

See accompanying notes to the consolidated financial statements

YEAR END CONSOLIDATED FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOW

(Canadian funds, audited)

Cash Resources Provided By (Used In)	2004	2003
Operating Activities		
Cash receipts from customers	\$ 258,752	\$ 149,804
Direct costs	(128,349)	(67,642)
Cash paid to suppliers and employees	(129,631)	(91,859)
	772	(9,697)
Investing Activities		
Capital assets	(21,657)	(50,456)
Research & development	(15,374)	(216)
Patents	(875)	(6,601)
Trademarks	-	(361)
	(37,906)	(57,634)
Financing Activities		
Long-term debt	41,867	48,087
Due to related parties	221	246
	42,088	48,333
Net Increase (Decrease) in Cash	4,954	(18,998)
Cash position, opening	(30,597)	(11,599)
Cash position, ending	\$ (25,643)	\$ (30,597)

See accompanying notes to the consolidated financial statements

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, audited)

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 carrying value of property, plant and equipment, 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, Fab-Form Industries (1986) Ltd. ("Fab-Form (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 rates are taken in the year of acquisition. No amortization is taken on equipment under development.

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 FINANCIAL STATEMENTS

(Canadian funds, audited)

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, or expected to be available, 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.

As at 31 December 2004, the Company has recorded a valuation allowance to reduce the future income tax asset to \$nil, as the Company has not met the "more likely than not" criteria in respect of recovery of future income taxes.

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. See note 12 (d).

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.

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, audited)

1) 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

	2004			2003
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Manufacturing equipment	\$ 123,942	\$ (26,653)	\$ 97,289	\$ 7,435
Equipment under development	-	-	-	75,632
Office furniture	6,273	(5,427)	846	1,057
Computers	26,198	(23,415)	2,783	3,977
Vehicle	29,391	(23,393)	5,998	8,569
Software	1,678	(1,678)	-	-
Total	\$ 187,482	\$ (80,566)	\$ 106,916	\$ 96,670

6. Deferred development costs

	2004			2003
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fabwall™	\$ 134,368	\$ -	\$ 134,368	\$ 134,368
Fastfoot®	124,858	(66,499)	58,359	80,655
Fast-Tube™	16,741	(598)	16,143	1,368
Total	\$ 275,967	\$ (67,097)	\$ 208,870	\$ 216,391

i) The company amortizes the Fastfoot® (started in 2000) and Fast-Tube™ (started in 2004) technology using a reversed sum-of-the-years'-digits method over seven years.

ii) No amortization of Fabwall™ has been recorded as this project is still under development. No material revenue has resulted from this technology.

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. Costs and amortization of held patents are as follows:

	2004			2003
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fabwall™	\$ 16,866	\$ -	\$ 16,866	\$ 16,306
Fastfoot®	77,384	(13,634)	63,750	68,301
Foundation & Floor System	11,105	(7,839)	3,266	3,920
Concrete Foundation Wall	6,957	(2,864)	4,093	4,502
Fast-Tube™	3,959	-	3,959	3,644
Total	\$ 116,271	\$ (24,337)	\$ 91,934	\$ 96,673

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, audited)

8. Trademarks

The company has three registered trademarks:

	2004			2003	
	Cost	Accum. Amort.	Net Book Value	Net Book Value	
Fastfoot®	\$ 6,212	\$ (2,900)	\$ 3,312	\$	3,892
Fastfabric®	3,883	(1,165)	2,718		3,107
Fastbag®	5,070	(978)	4,092		4,599
Total	\$ 15,165	\$ (5,043)	\$ 10,122	\$	11,598

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

Description	2004	2003
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. The loan is repayable if sales target is exceeded.	\$ 22,907	\$ 12,707
Less current portion	-	(12,707)
Long-term portion	22,907	-
Machinery loan from the Business Development Bank for \$50,000. Secured by guarantee payable \$840 per month with interest presently at 8.00%, maturing May 18 th , 2008	37,800	47,440
Less current portion	(10,080)	(10,080)
Long-term portion	27,720	37,360
Working capital loan from the Business Development Bank for \$40,000. Secured by guarantee payable \$650 per month with interest presently at 8.25%, maturing Aug 23 2009. First principal payment is in July 2004.	36,400	-
Less current portion	(7,800)	-
Long-term portion	28,600	-
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	-	1,976
Less current portion	-	(1,976)
Long-term portion	-	-
Total long term loans	97,107	62,123
Less current portion	(17,880)	(24,763)
Long-term portion	\$ 79,227	\$ 37,360

Future payments on long-term debt are:

2005	\$	17,880
2006		17,880
2007		17,880
2008		15,360
2009		5,200
Future		22,907
Total	\$	97,107

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, audited)

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.

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>Quantity</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 Dec 2004	6,318,116	\$ 613,674

As at 31 Dec 2004, 55.9% (2003 – 55.9%) 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 Dec 2004, 3,419,307 (2003 - 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. The release of escrow shares must be made before June 30 2009.

d) Options and warrants

Details of stock options are as follows:

<i>Date</i>	<i>Description</i>	<i>Expiry</i>	<i>Value</i>	<i>Quantity</i>	<i>Balance</i>
01-Feb-03	New options	01-Feb-06	\$ 0.10	631,312	631,312
30-Apr-03	Cancellation of options	01-Feb-06	\$ 0.10	(155,000)	476,312
30-Dec-04	Ending balance	01-Feb-06	\$ 0.10		476,312

There were no warrants outstanding.

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, audited)

e) Stock based compensation (continued)

The company accounts for its grants of share options under the fair value method. Under this method, options granted to non-employees are charged against income at the time of granting while no compensation expense is recorded for options granted to employees when the exercise price of the company's employee stock awards is not less than the fair value of the options at the date of grant.

The options are exercisable at \$0.10 per share until February 1, 2006. The exercise price of all options granted was not less than the fair value of the options at the date of the grant.

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.5%, dividend yield of 0%, volatility of 80% and an expected life of 2.5 years.

Had compensation cost for the stock based employee compensation been recorded, based on the fair value of share options, compensation expense for the year ended December 31, 2004 would have been \$17,037. The pro forma loss per share, assuming this additional compensation expense, would be as follows:

Pro forma loss for the year	\$	(62,235)
Pro forma loss per share	\$	(0.02)

Pro forma results may be materially different from actual results realized.

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options, which are fully transferable and highly traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

14. Related party transactions

<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>Former Director</i>
Asset	Deferred Development Costs	2004	\$ -	\$ -	\$ -	\$ -
		2003	17,330	17,330	-	-
Asset	Capital Asset	2004	9,358	10,023	-	-
		2003	16,407	16,407	-	-
Liability	Balance due to Related Parties incurred in the ordinary course of business	2004	-	419	-	9,159
		2003	-	399	-	14,153
Expenses	Management Fees	2004	9,240	7,921	-	-
		2003	2,685	2,685	-	-

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, audited)

15. Income taxes

There is no income tax payable on the current year's income as a result of the application of prior year's losses. The company and its subsidiaries have available non-capital losses for tax purposes of approximately \$411,000, which may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

2006	\$	133,000
2007		130,000
2008		76,000
2009		3,000
2010		57,000
2011		12,000
Total	\$	411,000

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 \$40,000 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 2004, 19.9% (2003, 17.1%) of the company's sales were made to one customer.

17. Segmented information

		2004		2003	
		\$	%	\$	%
<i>Gross sales</i>	Canada	119,481	46.3%	49,076	32.4%
	U.S.	138,792	53.7%	102,548	67.6%
	Total	258,273	100.0%	151,624	100.0%
<i>Total assets</i>	Canada	463,380	100.0%	454,322	100.0%
	U.S.	0	0.0%	0	0.0%
	Total	463,380	100.0%	454,322	100.0%
<i>Capital expenditures</i>	Canada	37,906	100.0%	57,634	100.0%
	U.S.	0	0.0%	0	0.0%
	Total	37,906	100.0%	57,634	100.0%

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FURTHER INFORMATION

(Canadian funds, audited)

FAB-FORM INDUSTRIES LTD. is a manufacturer and marketer of forming products using poly membranes to form and damp-proof concrete for the building industry. Fab-Form is the only company in the world commercializing this technology, and is headquartered in Surrey, BC. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".

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