



FAB-FORM INDUSTRIES LTD.

2005 First Quarter Report

REPORT TO OUR SHAREHOLDERS

Strong North American Sales

We are pleased to report record sales in the first quarter of 2005, a period that is typically slow due to winter conditions (see the quarterly financial summary on page three). This trend continues today with year to date sales (April 30th) 144% higher than in 2004.

International Sales

As the Company has entered into the national phase for the Fast-Tube™ patent in 45 countries around the globe, the Board of Directors wishes to add an additional member, Hayssam Atassi, Vice President of Enterprise Nader & Khaldoun Atassi, a large construction and distribution company the Middle East. Mr. Atassi received his Bachelor of Science in Civil Engineering from the University of Toledo in 1985, and his Masters of Science in Engineering Management from the University of Southern California in 1985. He spent the next ten years in project management in California, returning to Syria in 1997. Mr. Atassi's broad background and experience will prove invaluable as Fab-Form enters the world markets.

Annual General Meeting

On June 17 we will hold our Annual General Meeting at Unit 212, 6333 148th Street, Surrey, V3S 3C3. Our information circular, annual report and proxy sheet are all available on the corporate sector of our website at www.fab-form.com.

The Board and I would like to thank our shareholders, suppliers and customers for the belief they have shown in the revolutionary and paradigm shifting technology of fabric forms for concrete.

Sincerely



Richard Fearn
President
May 12 2005

FIRST QUARTER REPORT

MANAGEMENT DISCUSSION & ANALYSIS

(Canadian funds, unaudited)

QUARTERLY FINANCIAL SUMMARY

	2005		2004				2003				2002
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	
Revenues	76,491	36,071	112,454	63,852	45,896	40,837	39,597	43,109	28,081	42,531	
Net Income (loss) before ext. items	-7,019	-21,499	22,587	5,077	1,314	-7,930	-3,089	-16,087	-18,093	3,250	
Shares outstanding (diluted)	6,794,928	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	
Income (loss) per diluted share	-0.001	-0.003	0.003	0.001	0.000	-0.001	0.000	-0.002	-0.003	0.001	

FINANCIAL RESULTS

Sales

Sales for the first quarter were \$76,491, a 67% increase over the previous year's \$45,837. Sales of Fastfoot® increased 189% over 2004, while Fastbags® dropped 44% in the same period. Fast-Tube™ sales increased 191% over the previous year.

	Jan - Mar 05	Jan - Mar 04	\$ Change	% Change
Fastfoot®	44,514	15,362	29,152	189.8%
Fastbag®	13,448	24,131	-10,683	-44.3%
Fast-Tube™	11,940	4,100	7,840	191.2%
Other	6,589	2,303	4,286	186.1%
Total Sales	<u>76,491</u>	<u>45,896</u>	<u>30,595</u>	<u>66.7%</u>

Cost of Goods Sold

Gross margins for the quarter were 51%, compared with 55% in the previous year. This reduction was due to the increased value of the Canadian dollar.

Expenses

Operating expenses increased to \$46,238 from \$24,096 the previous quarter. This was primarily due to the expensing of management fees instead of capitalizing under production equipment. Marketing expense increased \$4,650 from the previous quarter as a result of providing point of sale displays to dealers and distributors. Higher levels of amortization of \$14,317 in 2005, compared with \$8,711 in 2004, is a result of the use of "sum-of-the-digits" amortization method.

Statement of Operations & Deficit

The Company's net loss for the quarter was \$7,019, compared with the previous year's income of \$1,314 as a result of higher operating expenses.

Finance & Cash Flow

Operating activities for the quarter used up cash of \$1,204, compared with a receipt of \$2,741 in 2004. Investing activities totalled \$2,416, compared with \$12,372 in 2004. Financing activities were the pay down of long term debt at \$4,470 in 2005, compared with an increase in debt of \$35,120 in 2004.

Liquidity

The Company's working capital position at the end of the quarter improved to (\$94,938) over the previous year's (\$118,411).

FIRST QUARTER REPORT

MANAGEMENT DISCUSSION & ANALYSIS

(Canadian funds, unaudited)

DISCUSSION OF NON FINANCIAL ITEMS

Distribution Strategy

The Company distributes 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 to 3100 lumberyards across Canada;
- **ICF manufactures:** Logix® (www.logixicf.com) and BuildBlock® (www.buildblock.com) distribute throughout their distribution channel, along with many other ICF dealers and distributors;
- **Concrete accessories dealers:** numerous dealers and distributors carry our products across North America.

The Company is pursuing lumberyard distribution in the USA.

Off Balance Sheet Arrangements

None

Material Contracts

The Company has an exclusive distribution agreement with Can-Cell Industries Inc. 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

None

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"
May 12 2005

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

(Canadian funds, unaudited)

ASSETS	2005	2004
Current		
Cash	\$ -	\$ -
GST receivable	2,525	3,371
Accounts receivable	29,322	12,020
Prepaid expenses and advances	5,562	7,016
Inventory	29,059	20,791
	66,468	43,198
Property, Plant and Equipment (Note 5)	103,774	97,820
Deferred Development costs (Note 6)	201,883	220,672
Patents (Note 7)	90,531	95,270
Trademarks (Note 8)	9,753	11,229
	\$ 472,409	\$ 468,189
LIABILITIES		
Current		
Bank overdraft (Note 9)	\$ 30,677	\$ 5,158
Accounts payable and accrued liabilities	100,758	100,522
Accounts payable - related (Note 14)	6,416	14,742
Loans from related parties (Notes 10 and 14)	5,676	5,400
Current portion of long-term debt (Note 11)	17,880	35,787
	161,407	161,609
Long-Term Debt (Note 11)	74,757	72,480
Obligation to Issue Shares (Note 12)	66,500	63,500
SHAREHOLDERS' EQUITY		
Share Capital (Note 13)	613,674	613,674
Deficit	(443,928)	(443,074)
	169,745	170,600
	\$ 472,409	\$ 468,189

ON BEHALF OF THE BOARD:

"Richard Fearn"

_____, Director

"Herb Bentz"

_____, Director

See accompanying notes to the consolidated financial statements

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Canadian funds, unaudited)

	2005	2004
Sales	\$ 76,491	\$ 45,896
Cost of Sales	37,272	20,487
Gross Profit	39,219	25,410
(Percent Gross Profit)	51%	55%
Expenses		
Administrative expenses	4,311	3,929
Amortization and depreciation	14,317	8,711
Interest, bank charges, short term debt	1,372	1,514
Interest, long term debt	1,557	1,092
Foreign exchange loss	55	(135)
Management fees	10,030	1,450
Marketing and advertising	4,650	(124)
Occupancy	4,468	2,842
Patent maintenance	94	240
Production	193	(2)
Professional fees	2,923	2,250
Public company expenses	1,330	1,124
Telecommunications	938	889
Wages and benefits	-	316
	46,238	24,096
Net Income (Loss) for the Period	(7,479)	1,314
Deficit - Beginning of Period	(436,909)	(444,388)
Deficit - End of Period	\$ (443,928)	\$ (443,074)
Asset shares outstanding		
Basic	2,898,809	2,898,809
Diluted	6,794,428	6,794,428
Earnings per share (loss)		
Basic	\$ (0.00)	\$ 0.00
Diluted	\$ (0.00)	\$ 0.00

See accompanying notes to the consolidated financial statements

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW

(Canadian funds, unaudited)

Cash Resources Provided By (Used In)	2005	2004
Operating Activities		
Cash receipts from customers	\$ 59,789	\$ 46,972
Direct costs	(40,641)	(26,852)
Cash paid to suppliers and employees	(20,351)	(17,379)
	(1,203)	2,741
Investing Activities		
Capital assets	(2,416)	(2,517)
Research & development	-	(9,855)
Patents	-	-
Trademarks	-	-
	(2,416)	(12,372)
Financing Activities		
Long-term debt	(4,470)	35,120
Due to related parties	55	-
Obligation to issue shares	3,000	-
	(1,415)	35,120
Net Increase (Decrease) in Cash	(5,034)	25,439
Cash position, opening	(25,643)	(30,597)
Cash position, ending	\$ (30,677)	\$ (5,158)

See accompanying notes to the consolidated financial statements

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

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, unaudited)

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.

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

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

	2005			2004
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Manufacturing equipment	\$ 126,358	\$ (31,510)	\$ 94,848	\$ 7,063
Equipment under development	-	-	-	78,148
Office furniture	6,272	(5,469)	803	1,005
Computers	26,199	(23,624)	2,575	3,678
Vehicle	29,391	(23,843)	5,548	7,926
Software	1,678	(1,678)	-	-
Total	\$ 192,898	\$ (86,124)	\$ 103,774	\$ 97,820

6. Deferred development costs

	2005			2004
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fabwall™	\$ 134,368	\$ -	\$ 134,368	\$ 134,368
Fastfoot®	124,858	(73,188)	51,670	75,081
Fast-Tube™	16,742	(897)	15,845	11,223
Total	\$ 275,968	\$ (74,085)	\$ 201,883	\$ 220,672

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:

	2005			2004
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fabwall™	\$ 16,865	\$ -	\$ 16,865	\$ 16,306
Fastfoot®	77,384	(14,771)	62,613	67,164
Foundation & Floor System	11,105	(8,002)	3,103	3,756
Concrete Foundation Wall	6,957	(2,966)	3,991	4,400
Fast-Tube™	3,959	-	3,959	3,644
Total	\$ 116,270	\$ (25,739)	\$ 90,531	\$ 95,270

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

8. Trademarks

The company has three registered trademarks:

	2005			2004	
	Cost	Accum. Amort.	Net Book Value	Net Book Value	
Fastfoot®	\$ 6,212	\$ (3,045)	\$ 3,167	\$ 3,748	
Fastfabric®	3,883	(1,262)	2,621	3,009	
Fastbag®	5,070	(1,105)	3,965	4,472	
Total	\$ 15,165	\$ (5,412)	\$ 9,753	\$ 11,229	

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	2005	2004
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	\$ 22,907
Less current portion	-	(22,907)
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	35,280	45,360
Less current portion	(10,080)	(10,080)
Long-term portion	25,200	35,280
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.	34,450	40,000
Less current portion	(7,800)	(2800)
Long-term portion	26,650	37,200
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	-	-
Less current portion	-	-
Long-term portion	-	-
Total long term loans	92,637	108,267
Less current portion	(17,880)	(35,787)
Long-term portion	\$ 74,757	\$ 72,480

Future payments on long-term debt are:

2005	\$	13,410
2006		17,880
2007		17,880
2008		15,360
2009		5,200
Future		22,907
Total	\$	92,637

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

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 Mar 2005	6,318,116	\$ 613,674

As at 31 Mar 2005, 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 Mar 2005, 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
31-Mar-05	Ending balance	01-Feb-06	\$ 0.10		476,312

There were no warrants outstanding.

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

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	2005	\$ 22,170	\$ 22,170	\$ -	-
		2004	17,330	17,330	-	-
Asset	Capital Asset	2005	21,857	21,857	-	-
		2004	16,407	16,407	-	-
Liability	Balance due to Related Parties incurred in the ordinary course of business	2005	-	419	5,676	6,416
		2004	-	589	5,400	14,153
Expenses	Management Fees	2005	5,015	5,015	-	-
		2004	725	725	-	-

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

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 2005, 23.2% (2004, 51.9%) of the company's sales were made to one customer.

17. Segmented information

		2005		2004	
		\$	%	\$	%
<i>Gross sales</i>	Canada	28,340	37.2%	4,314	9.4%
	U.S.	47,851	62.8%	41,582	90.6%
	Total	76,191	100.0%	45,896	100.0%
<i>Total assets</i>	Canada	472,409	100.0%	468,189	100.0%
	U.S.	0	0.0%	0	0.0%
	Total	472,409	100.0%	468,189	100.0%
<i>Capital expenditures</i>	Canada	2,416	100.0%	12,372	100.0%
	U.S.	0	0.0%	0	0.0%
	Total	2,416	100.0%	12,372	100.0%

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

(Canadian funds, unaudited)

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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Shareholders and interested investors should visit our website:

www.fab-form.com