



Giusti Group achieves significant savings with Fastfoot® on large Kelowna, BC project.

FAB-FORM INDUSTRIES LTD.

2005 Third Quarter Report

REPORT TO OUR SHAREHOLDERS

Continued Strong North American Sales

We are pleased to report continuing strong sales in the first three quarters of 2005, up 44.5% over 2004. In the fourth quarter to date, very strong sales continue, up 138% over the previous year. Our repurchase rate is extremely high, close to 100%. Our challenge is to find new customers.

Distribution Strategy

Having lumberyards stock our product will not in itself generate sales. Our products represent a true paradigm shift to the concrete forming industry, and contractors will adopt our products only if they are given hands-on product demonstrations.

With this in mind, Fab-Form has recently hired an Agent, Keith Sanschagrin in Eastern Canada to promote contractor sales, and assist lumberyards with demos. Keith has significant experience with concrete forms, lumberyards and master distributors.

New Product Developments

Ensuring the base of the Fast-Tube™ is perfectly aligned and without wrinkles is a concern when pouring exposed columns, such as on slabs. We have recently developed an inexpensive sheet metal collar which is placed inside the base of the Fast-Tube™, leading to a perfectly aligned and formed column base.

This sheet metal collar, the 'Russell-Ring', due to a simplifying suggestion by Dave Russell of Quest Metal works, will be introduced into the market over the next quarter.

Excellent progress continues to be made on the large diameter Fast-Tube™, with an expected introduction at this year's World of Concrete in Las Vegas, Nevada, January 17 – 20 2006.

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

Sincerely



Richard Fearn
President
November 15th 2005

THIRD QUARTER REPORT
 MANAGEMENT DISCUSSION & ANALYSIS

(Canadian funds, unaudited)

QUARTERLY FINANCIAL SUMMARY

	2005			2004			2003			
	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr
Revenues	77,735	166,781	76,491	36,071	112,454	63,852	45,896	40,837	39,597	43,109
Net Income (loss) before ext. items	-3,173	48,190	-7,019	-21,499	22,587	5,077	1,314	-7,930	-3,089	-16,087
Shares outstanding (diluted)	7,283,604	7,283,604	6,794,928	6,794,928	6,794,928	6,794,928	6,794,928	6,613,772	6,872,178	6,872,178
Income (loss) per diluted share	0.000	0.007	-0.001	-0.003	0.003	0.001	0.000	-0.001	0.000	-0.002

FINANCIAL RESULTS

Sales

Sales for the first three quarters were \$321,007, a 44.5% increase over 2004.

Sales for the third quarter were \$77,735, a drop of \$34,719 over the previous year's \$112,454. If master distributor sales of \$52,362 made in September 2004 are removed from 2004, there was a 29.4% increase this quarter over 2004.

Sales of Fastfoot® increased 29.7%, Fastbags® 47.0%, and Fast-Tube™ 13.4% over the previous year, exclusive of the master distributor purchase, as detailed below.

	<u>Jul - Sep 05</u>	<u>Jul - Sep 04</u>	<u>\$ Change</u>	<u>% Change</u>
Fastfoot®	43,666	33,660	10,006	29.7%
Fastbag®	11,225	7,634	3,591	47.0%
Fast-Tube™	36,659	14,782	1,984	13.4%
Other	6,078	4,016	2,062	51.3%
Total Sales	<u>77,735</u>	<u>60,092</u>	<u>17,643</u>	<u>29.4%</u>

Cost of Goods Sold

Gross margins for the quarter were 53%, compared with 55% in the previous year. This decrease was due to a decrease in the USA/Canada exchange rate.

Expenses

Operating expenses increased to \$44,295 from \$38,926 the previous year's quarter. This was due to higher marketing and management expenses, and higher levels of amortization (\$13,119 in 2005, compared with \$8,713 in 2004).

Statement of Operations & Profit

The Company's net profit for the first three quarters was \$37,998, a 31.1% increase over 2004. Company's net loss for the third quarter was \$3,173, compared with the previous year's profit of \$22,587. This was due to sales levels at less than breakeven.

Investing Activities

Investments were minimal for the quarter at \$1772, compared with \$8,050 the previous year.

Financing Activities

The company reduced long term debt and debt to related parties by \$7,343, compared with \$4,137 the previous year.

Cash Flow

Operating activities for the quarter generated cash of \$1,055, compared with \$13,979 in 2004. The net reduction in cash during the third quarter was \$7,343.

Liquidity

The Company achieved a positive working capital of \$22,753 at the end of the quarter, a dramatic improvement over the previous year's (\$106,806).

THIRD QUARTER REPORT
MANAGEMENT DISCUSSION & ANALYSIS

(Canadian funds, unaudited)

DISCUSSION OF NON FINANCIAL ITEMS

Off Balance Sheet Arrangements

None

Material Contracts

The Company has not renewed an exclusive distribution agreement with Can-Cell Industries Inc. in western Canada. The non renewal was initiated by Can-Cell as a result of slow sales. Master distributors, with thousands of SKUs in their product line, have difficulty in introducing innovative products to lumberyards.

Fab-Form entered into an Agency Agreement with Keith Sanschagrin, Keegee Sales, Barrie, Ontario to represent our products across Eastern 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

In October, Can-Save, a master distributor to lumberyards in Eastern Canada indicated their desire for exclusivity into the concrete accessories and ICF channels. As these channels are better serviced through other distributors, Fab-Form has discontinued distributing through Can-Save.

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"
October 15th 2005

THIRD QUARTER CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

(Canadian funds, unaudited)

ASSETS	2005	2004
Current		
Cash	\$ 29,323	\$ -
GST receivable	3,274	13
Accounts receivable	42,590	61,802
Prepaid expenses and advances	13,206	5,493
Inventory	40,768	30,118
	129,161	97,426
Property, Plant and Equipment (Note 5)	97,381	110,545
Deferred Development costs (Note 6)	188,128	214,986
Patents (Note 7)	105,070	93,337
Trademarks (Note 8)	9,016	10,491
	\$ 528,756	\$ 526,785
LIABILITIES		
Current		
Bank overdraft (Note 9)	\$ -	\$ 20,811
Accounts payable and accrued liabilities	84,760	121,019
Accounts payable - related (Note 14)	-	16,054
Loans from related parties (Notes 10 and 14)	3,768	5,561
Current portion of long-term debt (Note 11)	17,880	40,787
	106,408	204,232
Long-Term Debt (Note 11)	65,817	60,790
Obligation to Issue Shares (Note 12)	63,500	63,500
SHAREHOLDERS' EQUITY		
Share Capital (Note 13)	691,942	613,674
Deficit	(398,911)	(415,410)
	293,031	198,264
	\$ 528,756	\$ 526,785

ON BEHALF OF THE BOARD:

"Richard Fearn"

_____, Director

"Herb Bentz"

_____, Director

See accompanying notes to the consolidated financial statements

THIRD QUARTER CONSOLIDATED FINANCIAL STATEMENTS
 STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Canadian funds, unaudited)

	THREE MONTHS		NINE MONTHS	
	2005	2004	2005	2004
Sales	\$ 77,735	\$ 112,454	\$ 321,007	\$ 222,202
Cost of Sales	36,613	50,941	144,087	98,826
Gross Profit	41,122	61,512	176,920	123,376
(Percent Gross Profit)	53%	55%	55%	56%
Expenses				
Administrative expenses	3,164	5,532	9,886	14,147
Amortization and depreciation	13,119	8,713	43,349	26,137
Interest, bank charges, short term debt	831	1,257	3,297	4,040
Interest, long term debt	1,392	1,780	4,689	4,722
Foreign exchange loss (gain)	1,676	452	934	273
Management fees	8,505	6,907	29,002	10,515
Marketing and advertising	10,023	5,048	25,279	8,196
Occupancy	4,585	3,428	12,993	8,704
Patent maintenance	208	240	475	721
Production	107	195	669	687
Professional fees	838	2,933	5,669	8,367
Public company expenses	(1,385)	2,075	(575)	5,411
Telecommunications	1,126	890	3,067	2,689
Wages and benefits	106	(526)	188	(210)
	44,295	38,926	138,922	94,398
Net income (loss)	(3,173)	22,587	37,998	28,978
Deficit - Beginning of Period	(395,738)	(437,997)	(436,909)	(444,388)
Deficit - End of Period	(398,911)	(415,410)	(398,911)	(415,410)
Asset shares outstanding				
Basic	2,898,809	2,898,809	2,898,809	2,898,809
Diluted	7,283,604	6,794,428	7,283,604	6,794,428
Earnings per share (loss)				
Basic	0.017	0.002	0.013	0.010
Diluted	0.007	0.001	0.005	0.004

See accompanying notes to the consolidated financial statements

THIRD QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW

(Canadian funds, unaudited)

Cash Resources Provided By (Used In)	THREE MONTHS		NINE MONTHS	
	2005	2004	2005	2004
Operating Activities				
Cash receipts from customers	\$ 96,781	\$ 67,025	\$ 291,036	\$ 173,495
Direct costs	(37,869)	(47,250)	(159,166)	(114,519)
Cash paid to suppliers and employees	(57,857)	(5,796)	(105,649)	(40,118)
	1,055	13,979	26,221	18,858
Investing Activities				
Capital assets	(317)	(3,312)	(7,521)	(17,976)
Research & Development	(234)	(4,423)	(234)	(15,315)
Patents	(1,221)	(315)	(17,346)	(875)
	(1,772)	(8,050)	(25,101)	(34,166)
Financing Activities				
Long term debt	(4,470)	(4,170)	(13,410)	23,430
Due to related parties	(2,914)	(129)	(9,159)	1,502
Shares issued for cash	-	-	78,268	-
Directors loan	41	162	(1,853)	162
	(7,343)	(4,137)	53,846	25,094
Net Increase (Decrease) in Cash	(8,060)	1,792	54,966	9,786
Cash position, opening	37,383	(22,603)	(25,643)	(30,597)
Cash position, ending	29,323	(20,811)	29,323	(20,811)

See accompanying notes to the consolidated financial statements

THIRD 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. 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.

THIRD QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

(Canadian funds, unaudited)

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 US 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	\$ 131,464	\$ (41,608)	\$ 89,856	\$	6,361
Equipment under development	-	-	-		93,562
Office furniture	6,272	(5,553)	719		899
Computers	26,198	(24,040)	2,158		3,082
Vehicle	29,391	(24,743)	4,648		6,641
Software	1,678	(1,678)	-		-
Total	\$ 195,003	\$ (97,622)	\$ 97,381	\$	110,545

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	(86,566)	38,292		63,933
Fast-Tube™	16,976	(1,508)	15,468		16,685
Total	\$ 276,202	\$ (88,074)	\$ 188,128	\$	214,685

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	\$	16,865
Fastfoot®	77,384	(17,047)	60,337		64,888
Foundation & Floor System	11,105	(8,329)	2,776		3,430
Concrete Foundation Wall	6,957	(3,171)	3,786		4,196
Fast-Tube™	21,306	-	21,306		3,959
Total	\$ 133,617	\$ (28,547)	\$ 105,070	\$	93,338

THIRD 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	\$ (3,335)	\$ 2,877	\$ 4,037	
Fastfabric®	3,883	(1,456)	2,427	3,203	
Fastbag®	5,070	(1,358)	3,714	4,717	
Total	\$ 15,165	\$ (6,149)	\$ 9,016	\$ 11,957	

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	30,240	40,320
Less current portion	(10,080)	(10,080)
Long-term portion	20,160	30,240
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.	30,550	38,350
Less current portion	(7,800)	(7800)
Long-term portion	22,750	30,550
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	83,697	101,577
Less current portion	(17,880)	(40,787)
Long-term portion	\$ 65,817	\$ 60,790

Future payments on long-term debt are:

2005	\$ 4,470
2006	17,880
2007	17,880
2008	15,360
2009	5,200
Future	22,907
Total	\$ 83,697

THIRD 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
Private placement – 2 June 2005	489,176	72,268
Balance – 30 September 2005	6,807,292	\$ 685,942

As at 30 September 2005, 51.9% (2004 – 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 30 September 2005:

- i) As a result of the 1999 reverse takeover, 3,419,307 (2004 - 3,419,307) shares were held in escrow to 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.
- ii) As a result of the June 2005 private placement, 489,176 shares are held in escrow for a period of four months, until October 2nd 2005.

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-Sep-05	Ending balance	01-Feb-06	\$ 0.10		476,312

There were no warrants outstanding.

THIRD 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	22,457	22,457	-	-
		2004	19,741	19,741	-	-
Liability	Balance due to Related Parties incurred in the ordinary course of business	2005	-	-	3,768	-
		2004	-	1,901	-	14,153
Expenses	Management Fees	2005	14,501	14,501	-	-
		2004	5,258	5,258	-	-

THIRD 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, **9.5%** (2004, 23.7%) of the company's sales were made to one customer.

17. Segmented information

		2005		2004	
		\$	%	\$	%
<i>Gross sales</i>	Canada	132,897	41.4%	113,381	51.0%
	U.S.	188,110	58.6%	108,821	49.9%
	Total	321,007	100.0%	222,202	100.0%
<i>Total assets</i>	Canada	528,756	100.0%	526,785	100.0%
	U.S.	0	0.0%	0	0.0%
	Total	528,756	100.0%	526,785	100.0%
<i>Capital expenditures</i>	Canada	25,101	100.0%	34,166	100.0%
	U.S.	0	0.0%	0	0.0%
	Total	25,101	100.0%	34,166	100.0%

THIRD 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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