



FAB-FORM
2nd QUARTER
2006

REPORT TO SHAREHOLDERS

GREENING OF CONSTRUCTION

Our products are receiving more and more acceptance in the market as environmentally **green**. The Greenspec® Canada directory issued recently featured all our products as environmentally excellent for cast-in-place concrete (page 16).

Morningstar Homes Ltd. in their Yorkson Village project in Surrey, BC, designed and constructed to Built Green™ Gold standards, used Fast-Tube™ for all their column forms.

MONOPOURING WITH FASTFOOT®

We are pleased to show on the cover Paul Menzel, President ICF Builders, Star Idaho and his exciting and innovative use of Fastfoot® where the footing and wall are poured at the same time – the 'mono-pour' method.

This method has significant advantages:

- prevents concrete leaking out the footing forms;
- eliminates labor cost of screeding the footing;
- guarantees 100% accuracy of the block layout;
- eliminates the cost of the concrete pump and concrete returned in the ready mix truck.

Thank you Board Members, Shareholders, Dealers and Contractors for your continued enthusiasm and commitment to our revolutionary concrete forming technology.

Sincerely



Richard Fearn
President
Aug 29 2006

2006 SECOND QUARTER REPORT

MANAGEMENT DISCUSSION & ANALYSIS

Unaudited

This management discussion and analysis (MD&A) provides a detailed analysis of the business of Fab-Form Industries Ltd. and compares the Company's three most recently completed financial years. This should be read in conjunction with the Company's financial statements and related notes for the period ended 30 June 2006.

QUARTERLY FINANCIAL SUMMARY

	<i>2nd Qtr</i>	<i>1st Qtr</i>	<i>4th Qtr</i>	<i>3rd Qtr</i>	<i>2nd Qtr</i>	<i>1st Qtr</i>	<i>4th Qtr</i>	<i>3rd Qtr</i>	<i>2nd Qtr</i>
Revenues	113,972	87,658	69,030	77,735	166,781	76,491	36,071	112,454	63,852
Net Income (loss)	6,951	(8,156)	(1,382)	(3,173)	48,190	(7,019)	(21,499)	22,587	5,077
Shares outstanding (diluted)	7,283,604	7,283,604	7,283,604	7,283,604	7,283,604	6,794,928	6,794,928	6,794,928	6,794,928
Income (loss) per diluted share	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00

FINANCIAL RESULTS

Sales

Sales for the second quarter of 2006 were \$113,972, a 31.6% decrease over 2005. The table below shows sales of Fastfoot® decreased 13%, Fastbags® 39%, and Fast-Tube™ 75% over 2005.

	<u>Apr - Jun 06</u>	<u>Apr - Jun 05</u>	<u>\$ Change</u>	<u>% Change</u>
Fastfoot®	79,458.51	91,613.36	(12,154.85)	-13%
Fastbag®	18,009.80	29,502.13	(11,492.33)	-39%
Fast-Tube™	9,037.02	36,648.27	(27,611.25)	-75%
Other	7,466.66	9,017.30	(1,550.64)	-17%
Total Sales	113,971.99	166,781.06	(52,809.07)	-32%

The decline in US housing starts has had a very negative effect on the sales of ICF blocks, and as a result ICF dealer purchases of our products are down significantly. In 2005, 12 of our top 20 customers were ICF dealers and manufacturers. So far this year their combined purchases from Fab-Form have decreased \$144,000. ICF dealers are focusing on their core products rather than accessories such as Fab-Form products.

In 2005, two Canadian master distributors bought \$50,000 of our products which did not continue in 2006. Had our ICF and Master Distributors performed at 2005 levels, our sales for the first two quarters would have exceeded \$400,000 rather than the current \$201,630.

Cost of Goods Sold

Gross margins for the quarter were 55%, compared with 58% in 2005, in line with expectations.

Expenses

Operating expenses increased to \$56,058 from \$48,389 the previous year, an increase of 15.8% due to increased administrative, management and public company expenses.

Statement of Operations & Income

The Company's profit for the second quarter was \$6,951, a significant reduction from the profit of \$48,190 achieved in 2005.

Investing Activities

New racking was installed in the warehouse along with continuing investments in the Fast-Tube™ patent.

Financing Activities

No financing took place in the quarter.

Cash Flow

Operating activities for the quarter provided cash of \$30,822, compared with \$23,628 in 2005. The net increase in cash for the quarter was \$20,095, compared with \$68,060 the previous year.

Liquidity

The Company's working capital at the end of the second quarter was \$88,020, an improvement over the previous year's \$19,049).

2006 SECOND QUARTER REPORT
MANAGEMENT DISCUSSION & ANALYSIS

Unaudited

DISCUSSION OF NON FINANCIAL ITEMS

Improving Fab-Form's Distribution Strategy

Initiating change in the contractor's mind has always been, and continues to be our biggest challenge. As a result of the drop in sales through ICF and master distributors, Fab-Form is aggressively seeking agents throughout Canada and the USA to promote sales to contractors, dealers and distributors. Fab-Form recently hired Rod Hoffmeister of Vancouver BC, to find, motivate and monitor these agents. Mr. Hoffmeister has 26 years of excellence in introducing new products into lumberyards.

Adding Higher Margin Growth Products - *Fast-Tube™ Lite*

Fab-Form will soon be introducing *Fast-Tube™ Lite* a column form for below grade columns less than 10' high. This product will compete directly with economy grade cardboard column forms sold into lumberyards. Our existing product will be continued under the name **Fast-Tube™ Premium** and will be sold for exposed columns. The Lite product will be priced at 30% less than cardboard yet provide Fab-Form with higher margins.

Greening of Construction Materials

Fab-Form's products have always been recognized as very green as they are 300 times lighter than lumber and take up only 1% of the space. As well, Fastfoot® prevents dampness rising up through the footing, producing a drier indoor environment. Recent articles in "Solplan Review" have created a great deal of interest in rising damp and the benefits of Fastfoot®.

Recently the first directory of Canadian green building products was produced by "Greenspec® Canada", and listed our products as environmentally excellent for cast-in-place concrete formwork.

One of the largest local developers, Morningstar Homes Ltd. in their project Yorkson Village in Surrey, BC was designed and constructed to Built Green™ Gold standards – to make the homes healthier and more comfortable to live in, less expensive to operate, and more sensitive to the local environment. Go to <http://www.morningstarhomes.bc.ca> for more information. Morningstar uses the Fast-Tube™ to form all their concrete columns.

As our industry becomes more conscious of environmental issues, we will continue to stress the environmental benefits of our products.



Off Balance Sheet Arrangements

None

Material Contracts

None

Changes in Accounting Policy

There have been no changes in accounting policies.

Internal Control over Financial Reporting

Fab-Form management has provided adequate internal controls to ensure correct financial information is stated.

Effectiveness of Disclosure Controls

The Fab-Form board has placed the required controls to ensure all relevant information is properly disclosed to the market.

Subsequent Events

None

2006 SECOND QUARTER REPORT
MANAGEMENT DISCUSSION & ANALYSIS

Unaudited

SELECTED ANNUAL INFORMATION

<i>Year ended</i>	<i>31-Dec-05</i>	<i>31-Dec-04</i>	<i>31-Dec-03</i>	<i>31-Dec-02</i>
Revenues	\$ 390,037	\$ 258,273	\$ 151,624	\$ 260,926
Cost of sales	\$ 175,358	\$ 117,083	\$ 69,921	\$ 117,248
Gross profit	\$ 214,679	\$ 141,190	\$ 81,703	\$ 143,678
% gross profit	55%	55%	54%	55%
Expenses	\$ 178,063	\$ 133,711	\$ 126,902	\$ 130,029
Net income (loss)	\$ 36,616	\$ 7,479	\$ (45,199)	\$ (70,358)
Shares outstanding (diluted)	7,283,604	6,794,928	6,794,928	6,433,116
Income (loss) per diluted share	\$ 0.01	\$ 0.00	\$ (0.01)	\$ (0.01)
Total assets	\$ 501,714	\$ 463,380	\$ 454,322	\$ 435,008
Long term debt (excluding current portion)	\$ 61,347	\$ 79,227	\$ 37,360	\$ 1,980
Cash Dividends Declared	\$ None	\$ None	\$ None	\$ None

Approved
"Board of Directors"
August 29 2006

Unaudited

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safe guarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management. Culver & Co., an independent firm of chartered accountants, appointed as external auditors by the shareholders, have not audited the consolidated financial statements.

Richard N. Fearn
President, CEO & CFO
FAB-FORM INDUSTRIES LTD.
29 August 2006

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

30 June (Unaudited)

ASSETS	2006	2005
Current		
Cash	\$ 13,824	\$ 37,383
GST receivable	2,862	2,734
Accounts receivable	58,184	61,636
Prepaid expenses and advances	13,786	7,967
Inventory	41,036	39,513
Total current assets	129,692	149,233
Property, plant and equipment (Note 5)	84,402	101,410
Deferred development (Note 6)	164,620	194,895
Patents (Note 7)	107,748	105,252
Trademarks (Note 8)	7,909	9,385
	364,679	410,942
	\$ 494,371	\$ 560,175
LIABILITIES		
Current		
Bank overdraft (Note 9)	\$ -	\$ -
Accounts payable and accrued liabilities	66,460	105,664
Accounts payable - related (Note 14)	(242)	2,913
Loan from related party (Notes 10 and 14)	3,922	3,727
Current portion of long-term debt (Note 11)	17,880	17,880
Total current liabilities	88,020	130,184
Long-term debt (Note 11)	52,407	70,287
Obligation to issue shares (Note 12)	63,500	66,500
	115,907	136,787
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	691,942	691,942
Deficit	(401,498)	(395,738)
	290,444	296,204
	\$ 494,371	\$ 560,175

ON BEHALF OF THE BOARD:

"Richard Fearn"

_____, Director

"Herb Bentz"

_____, Director

See accompanying notes to the consolidated financial statements

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS AND DEFICIT

30 June

	THREE MONTHS		SIX MONTHS	
	2006	2005	2006	2005
Sales	\$ 113,972	\$ 166,781	\$ 201,630	\$ 243,272
Cost of Sales	50,963	70,202	92,166	107,474
Gross Profit	63,009	96,579	109,464	135,798
(Percent Gross Profit)	55%	58%	54%	56%
Expenses				
Administrative expenses	5,936	2,411	11,099	6,723
Amortization and depreciation	14,881	15,913	29,597	30,230
Interest on short-term debt, bank charges	1,119	1,093	1,618	2,466
Interest on long-term debt	1,559	1,741	2,870	3,297
Foreign exchange loss (gain)	1,269	(797)	1,509	(743)
Management fees	14,497	10,467	25,969	20,497
Marketing	5,273	10,606	13,627	15,256
Occupancy	4,522	3,940	9,376	8,408
Patent maintenance	199	173	756	267
Production	232	368	365	562
Professional fees	2,119	1,908	4,285	4,831
Public company expenses	2,980	(520)	5,726	810
Telecommunications	1,103	1,004	2,388	1,941
Wages and benefits	369	82	1,484	82
	56,058	48,389	110,669	94,627
Net income	6,951	48,190	(1,205)	41,171
Deficit – beginning of period	(408,449)	(443,928)	(400,293)	(436,909)
Deficit – end of period	\$ (401,498)	\$ (395,738)	\$ (401,498)	\$ (395,738)
Average shares outstanding				
Basic	2,898,809	2,898,809	2,898,809	2,898,809
Diluted	7,283,604	7,283,604	7,283,604	7,283,604
Earnings per share				
Basic	0.00	0.02	0.00	0.01
Diluted	0.00	0.01	0.00	0.01

See accompanying notes to the consolidated financial statements

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW

30 June

Cash resources provided by (used in)	THREE MONTHS		SIX MONTHS	
	2006	2005	2006	2005
Operating activities				
Cash receipts from customers	\$ 112,937	\$ 134,466	\$ 178,472	\$ 194,255
Direct costs	(53,280)	(80,655)	(93,174)	(121,296)
Cash paid to suppliers and employees	(28,835)	(30,183)	(80,053)	(47,792)
	30,822	23,628	5,244	25,167
Investing activities				
Property, plant and equipment	(3,274)	(4,789)	(3,274)	(7,205)
Research and development	-	-	-	-
Patents	(2,798)	(16,125)	(2,911)	(16,125)
	(6,072)	(20,914)	(6,186)	(23,330)
Financing activities				
Long term debt	(4,470)	(4,470)	(8,940)	(8,939)
Due to related parties	(242)	(3,503)	(1,260)	(6,246)
Shares issued for cash	-	78,268	-	78,268
Obligation to issue shares	-	(3,000)	-	-
Directors loan	57	(1,949)	109	(1,894)
	(4,655)	65,346	(10,091)	61,189
Net increase in cash	20,095	68,060	(11,032)	63,026
Cash position, opening	(6,271)	(30,677)	24,856	(25,643)
Cash position, ending	\$ 13,824	\$ 37,383	\$ 13,824	\$ 37,383
Supplementary cash flow information				
Cash paid for interest	\$ 2,627	\$ 2,784	\$ 4,388	\$ 5,663
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the consolidated financial statements

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2006

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 adjustments would be necessary to the carrying values of assets and liabilities. At 30 June 2006 the Company had working capital of \$41,675 (2005 -\$19,049) and a deficit of \$401,498 (2005 - \$395,738).

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.

In 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) Consolidation

These consolidated financial statements include the accounts of the company, its wholly owned subsidiary Maxito, and the wholly owned subsidiary of Maxito, Fab-Form Industries (1986) Ltd.

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

30 June 2006

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 are 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 the product is sold commercially.

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 2005, 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 adopted prospectively in 2003 the recommendations of the Canadian Institute of Chartered Accountants for stock-based compensation. The 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 13 (d).

j) Revenue recognition

Revenue is recorded and related costs are recognized at the time the product is shipped, the title to the goods has passed, and collection is reasonably assured.

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.

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2006

l) Use of estimates

The preparation of financial statements 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, 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

	2006			2005
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Manufacturing equipment	\$ 135,097	\$ (56,528)	\$ 78,569	\$ 93,186
Office furniture	6,272	(5,664)	608	760
Computers	26,198	(24,542)	1,656	2,366
Vehicle	29,391	(25,822)	3,569	5,098
Software	1,678	(1,678)	-	-
Total	\$ 198,636	\$ (114,234)	\$ 84,402	\$ 101,410

6. Deferred development costs

	2006			2005
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fabwall™	\$ 134,368	\$ -	\$ 134,368	\$ 134,368
Fastfoot®	124,858	(108,860)	15,998	44,982
Fast-Tube™	16,975	(2,721)	14,254	15,545
Total	\$ 276,201	\$ (111,581)	\$ 164,620	\$ 194,895

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:

	2006			2005
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fabwall™	\$ 16,865	\$ -	\$ 16,865	\$ 16,865
Fastfoot®	77,384	(20,460)	56,924	61,475
Foundation & Floor System	11,105	(8,819)	2,286	2,939
Concrete Foundation Wall	6,957	(3,478)	3,479	3,888
Fast-Tube™	28,194	-	28,194	20,085
Total	\$ 140,505	\$ (32,757)	\$ 107,748	\$ 105,252

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2006

8. Trademarks

The company has three registered trademarks:

	2006			2005	
	Cost	Accum. Amort.	Net Book Value	Net Book Value	
Fastfoot®	\$ 6,212	\$ (3,770)	\$ 2,442	\$	3,022
Fastfabric®	3,883	(1,748)	2,137		2,523
Fastbag®	5,070	(1,738)	3,332		3,830
Total	\$ 15,165	\$ (7,256)	\$ 7,909	\$	9,385

9. Bank overdraft

The company has one bank overdraft provision to a maximum of \$30,000 with an interest rate of prime plus 4% per annum, secured by a general security agreement.

10. Loan 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	2006	2005
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	-	-
Long-term portion	22,907	22,907
Machinery loan from the Business Development Bank for \$50,000. Secured by guarantee payable \$840 per month, plus current interest rate of 8.75%, maturing May 18 th , 2008	22,680	32,760
Less current portion	(10,080)	(10,080)
Long-term portion	12,600	22,680
Working capital loan from the Business Development Bank for \$40,000. Secured by guarantee payable \$650 per month, plus current interest of 9.5%, maturing Aug 23 2009.	24,700	32,500
Less current portion	(7,800)	(7,800)
Long-term portion	16,900	24,700
Total long-term debt	70,287	88,167
Less current portion	(17,880)	(17,880)
Long-term portion	\$ 52,407	\$ 70,287

Future principal payments on long-term debt are:

2006	\$ 8,940
2007	17,880
2008	15,360
2009	5,200
Future	22,907
Total	\$ 70,287

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2006

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>Common shares</i>	<i>Quantity</i>	<i>Amount</i>
Balance – 31 December 2003 and 2004	6,318,116	\$ 613,674
Private placement – 2 June 2005	489,176	78,268
Balance – 30 June 2006	6,807,292	\$ 691,942

As at 31 March 2006, 55.9% (2005 – 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 June 2006:

- 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 30 June 2009.

d) Options and warrants

There are no warrants or options outstanding.

14. Related party transactions

The following related party transactions occurred during the fiscal quarter:

<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>
Asset	Deferred Development Costs	2006	\$ -	\$ -	\$ -
		2005	-	-	-
Asset	Capital Asset	2006	-	-	-
		2005	-	-	-
Liability	Balance due to Related Parties incurred in the ordinary course of business	2006	-	-	57
		2005	-	242	-
Expenses	Management Fees	2006	7,249	7,248	-
		2005	5,234	5,233	-

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2006

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 \$342,000, which may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

2007	130,000
2008	76,000
2009	3,000
2010	57,000
2011	12,000
2012	3,000
Total	\$ 342,000

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 2006, **13.5%** (2005, 12.6%) of the company's sales were made to one customer.

17. Segmented information

		2006		2005	
<i>Gross sales</i>	Canada	\$ 81,055	40.2%	\$ 101,068	41.5%
	USA	120,575	59.8%	142,204	58.5%
	Total	\$ 201,630	100.0%	\$ 243,272	100.0%
<i>Total assets</i>	Canada	\$ 494,371	100.0%	\$ 560,175	100.0%
	USA	0	0.0%	0	0.0%
	Total	\$ 494,371	100.0%	\$ 560,175	100.0%
<i>Capital expenditures</i>	Canada	\$ 6,186	100.0%	\$ 20,914	100.0%
	USA	0	0.0%	0	0.0%
	Total	\$ 6,186	100.0%	\$ 20,914	100.0%

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FURTHER INFORMATION

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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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