

# ***FAB-FORM INDUSTRIES***



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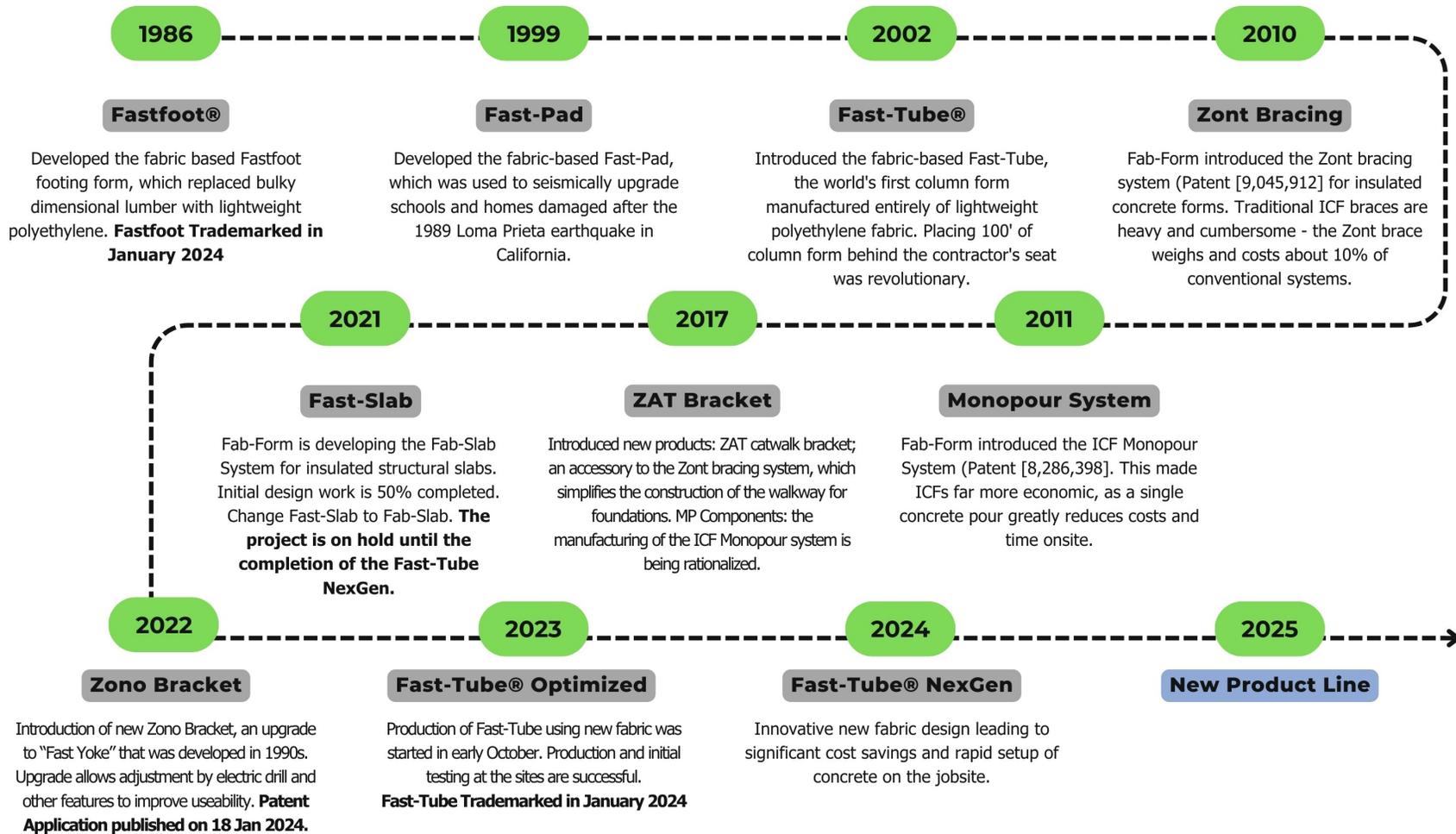
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***SECOND QUARTER MD&A 2023/24***

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31 December 2023

FAB-FORM KEY MILESTONES



## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2023*

Fab-Form Industries Ltd ("Fab-Form") is a leading environmentally conscious concrete formwork manufacturer located in Vancouver, BC Canada. Since its inception in 1986, the company has invented, developed, and commercialized foundation products that are more sustainable for the building industry.

The history of the company shows a continuous effort to develop new products that enable organic growth of the company. Fab-Form focuses on innovative solutions that have the lowest cost to the customer. Refer to key milestones shown on the above page achieved by Fab-Form since its inception.

### Q2 UPDATES

#### Profitability

Quarterly revenue increased by 1.5% compared to the quarter ended on December 31, 2022, primarily driven by the ICF sales and related accessories. The quarter concluded on December 31, 2023, resulted in a reduction in profitability by \$28,481, a 21% decrease compared to the quarter ended on December 31, 2022.

#### Operations

Fast-Tube production reaches the expected level of quantities to start supplying broader market segments. The first test pour was completed successfully, followed by multiple pours by two local contractors in lower mainland BC.

#### Liquidity

In the quarter that ended on December 31, 2023, net operational cash flow amounted to \$165,088 Total liquid funds rose from \$1,012,026 at the end of June 2023 to \$2,247,178 by the end of 31 December 2023. The short-term investment at the end of 31 December 2023 was valued at \$1,509,708 maturing in 12 months.

### SUMMARY

Base interest rates remained unchanged during the quarter to control inflationary concerns and construction activities were limited due to the winter season.

ICF and Helix sales increased during the second quarter as compared to the quarter ended on December 31, 2022. ICF sales increase are mainly attributable to ICF NetZero Development in Squamish BC

During the second quarter of the financial year ending 30 June 2024, production of Fast-Tube commenced and progressed smoothly without any interruption. Fast-Tube with 8", 10", 12", 14", and 16" diameters were produced under the first batch of production. Based on the results production requirements are doubled and procurement of required materials was confirmed in December 2023. The second shipment of material will arrive at the Delta warehouse at the end of February 2024.

During the quarter, exposure to USD currency fluctuation was reduced and management continues to monitor the impact arising from USD/CAD fluctuation, limiting the exposure to a controlled level. Excess funds were invested in high-interest-bearing GICs for 12 months.

The company remains committed to enhancing the usability and quality of existing products. Ongoing research and development activities for new product development continue to progress well.

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2023*

### **Year-End Change**

The Company changed its financial year end from December 31 to June 30 to better align Fab-Form's reporting calendar. This is the second quarter reporting under the new financial year ending 30 June 2024. There is no change to the comparative information presented in this report as a result of the above change.

Subsequent to the period ended on 31 December 2023, the Company's auditor, Culver & Co resigned effective from 01 January 2024. The audit committee and the Board have taken the necessary action for the appointment of a successor auditor which is currently in progress.

We look forward to working with all our stakeholders to reach our growth objectives. As always, thank you, board members, shareholders, and progressive dealers and contractors for your continued support and commitment.

Sincerely

**Sgd**

Joseph Fearn  
President and CEO  
28 February 2024

**Sgd**

Vishwanath Kumar  
Chief Financial Officer  
28 February 2024

## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2023*

This discussion and analysis of the financial results of Fab-Form Industries Ltd. ("Fab-Form" or the "Company") should be read in conjunction with the condensed interim financial statements for the quarter ended 31 December 2023, and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on the SEDAR (System for Electronic Document Analysis and Retrieval) website at [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS

Some statements contained in this MD&A constitute "forward-looking statements" as is defined in applicable securities laws. These statements include, without limitation, the success of developing, manufacturing, and distributing new products and other similar statements concerning anticipated future events, conditions, or results that are not historical in nature, and reflect management's current estimates, beliefs, intentions, and expectations. These statements are not guaranteeing future performance. The Company cautions that all forward-looking information is inherently uncertain, and that actual performance may be affected by several material factors, many of which are beyond the Company's control. Such factors include, among others, risks and uncertainties relating to product development; the ability of the Company to obtain additional financing; the Company's limited operating history; the need to comply with environmental and governmental regulations; potential defects in product performance; fluctuations in currency exchange rates; fluctuating prices of commodities; operating hazards and risks; competition; the uncertainty of capturing market share and other risks and uncertainties. Accordingly, actual future events, conditions, and results may differ materially from the estimates, beliefs, intentions, and expectations expressed or implied in the forward-looking information. These statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

### COMPANY DESCRIPTION

Fab-Form is a company domiciled in Canada and incorporated under the Company Act of British Columbia. The address of the Company's head office is Unit 19, 1610 Derwent Way, Delta BC V3M 6W1. The Company develops, manufactures, and distributes proprietary technology to form concrete footings, columns, foundations, and walls for building structures. The Company also exclusively distributes Helix® micro rebar into the BC market and Nudura® insulating concrete form into the Lower Mainland market. The Company has traded on the TSX Venture Exchange ("TSXV" under the symbol FBF) since 1999.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

For the year ended 31 December 2023

## OPERATING RESULTS

|                                   | For the Quarter ended 31 December |                  |                 |                | For the six-month ended 31 December |                  |                  |                |
|-----------------------------------|-----------------------------------|------------------|-----------------|----------------|-------------------------------------|------------------|------------------|----------------|
|                                   | 2023                              | 2022             | Change          | %              | 2023                                | 2022             | Change           | %              |
|                                   | \$                                | \$               | \$              |                | \$                                  | \$               | \$               |                |
| Revenue                           | 1,020,614                         | 1,004,813        | 15,801          | 1.57           | 2,561,290                           | 3,119,899        | (558,609)        | (17.90)        |
| Cost of sales                     | (677,243)                         | (631,055)        | (46,188)        | 7.32           | (1,620,845)                         | (1,961,007)      | 340,162          | (17.35)        |
| <b>Gross profit</b>               | <b>343,371</b>                    | <b>373,758</b>   | <b>(30,387)</b> | <b>(8.13)</b>  | <b>940,445</b>                      | <b>1,158,892</b> | <b>(218,447)</b> | <b>(18.85)</b> |
| Other income/(expenses)           | 9,066                             | (8,458)          | 17,524          | (207.19)       | 77,698                              | 78,967           | (1,269)          | (1.61)         |
| <b>Expenses</b>                   |                                   |                  |                 |                |                                     |                  |                  |                |
| General and administration        | (156,644)                         | (124,769)        | (31,875)        | 25.55          | (288,421)                           | (292,837)        | 4,416            | (1.51)         |
| Selling and marketing             | (46,865)                          | (52,208)         | 5,343           | (10.23)        | (94,763)                            | (95,612)         | 849              | (0.89)         |
| <b>Total expenses</b>             | <b>(203,509)</b>                  | <b>(176,978)</b> | <b>(26,530)</b> | <b>14.99</b>   | <b>(383,184)</b>                    | <b>(388,449)</b> | <b>5,265</b>     | <b>(1.36)</b>  |
| <b>Earnings from operations</b>   | <b>148,928</b>                    | <b>188,322</b>   | <b>(39,394)</b> | <b>(20.92)</b> | <b>634,959</b>                      | <b>849,410</b>   | <b>(214,451)</b> | <b>(25.25)</b> |
| Finance cost                      | (2,087)                           | (2,789)          | 702             | (25.17)        | (4,350)                             | (5,751)          | 1,401            | (24.36)        |
| <b>Earnings before taxation</b>   | <b>146,841</b>                    | <b>185,533</b>   | <b>(38,692)</b> | <b>(20.85)</b> | <b>630,609</b>                      | <b>843,659</b>   | <b>(213,050)</b> | <b>(25.25)</b> |
| <b>Income tax expense</b>         | <b>(39,469)</b>                   | <b>(49,680)</b>  | <b>10,211</b>   | <b>(20.55)</b> | <b>(166,239)</b>                    | <b>(239,507)</b> | <b>73,268</b>    | <b>(30.59)</b> |
| <b>Earnings after taxes</b>       | <b>107,372</b>                    | <b>135,853</b>   | <b>(28,481)</b> | <b>(20.96)</b> | <b>464,370</b>                      | <b>604,152</b>   | <b>(139,782)</b> | <b>(23.14)</b> |
| Other comprehensive income        | -                                 | -                | -               | -              | -                                   | -                | -                | -              |
| <b>Total comprehensive income</b> | <b>107,372</b>                    | <b>135,853</b>   | <b>(28,481)</b> | <b>(20.96)</b> | <b>464,370</b>                      | <b>604,152</b>   | <b>(139,782)</b> | <b>(23.14)</b> |

The company recorded a net profit of \$107,372 for the quarter ended on December 31, 2023, compared to \$135,853 in the preceding year. This decline is attributed to additional professional fees accrued, and a lowering margin due to a reduction in volumes of high-margin products. Total administration and selling expenses increased by 25.5% compared to the prior year primarily due to additional provisioning for professional fees. Sales for the quarter ended on December 31, 2023, increased by 1.5% compared to 2022. This is primarily attributed to an increase in ICF sales as compared to the previous quarter.

Total revenue for the six months ended December 31, 2023, stood at \$2.56Mn as compared to \$3.11Mn in 2022. Overall administration and marketing expenses for the period ended December 31, 2023, remain flat over the preceding year. Net profits for the period ended December 31 decreased by \$139,782, a 23% reduction as compared to the previous year.

FAB-FORM INDUSTRIES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31 December 2023

1. Product performance

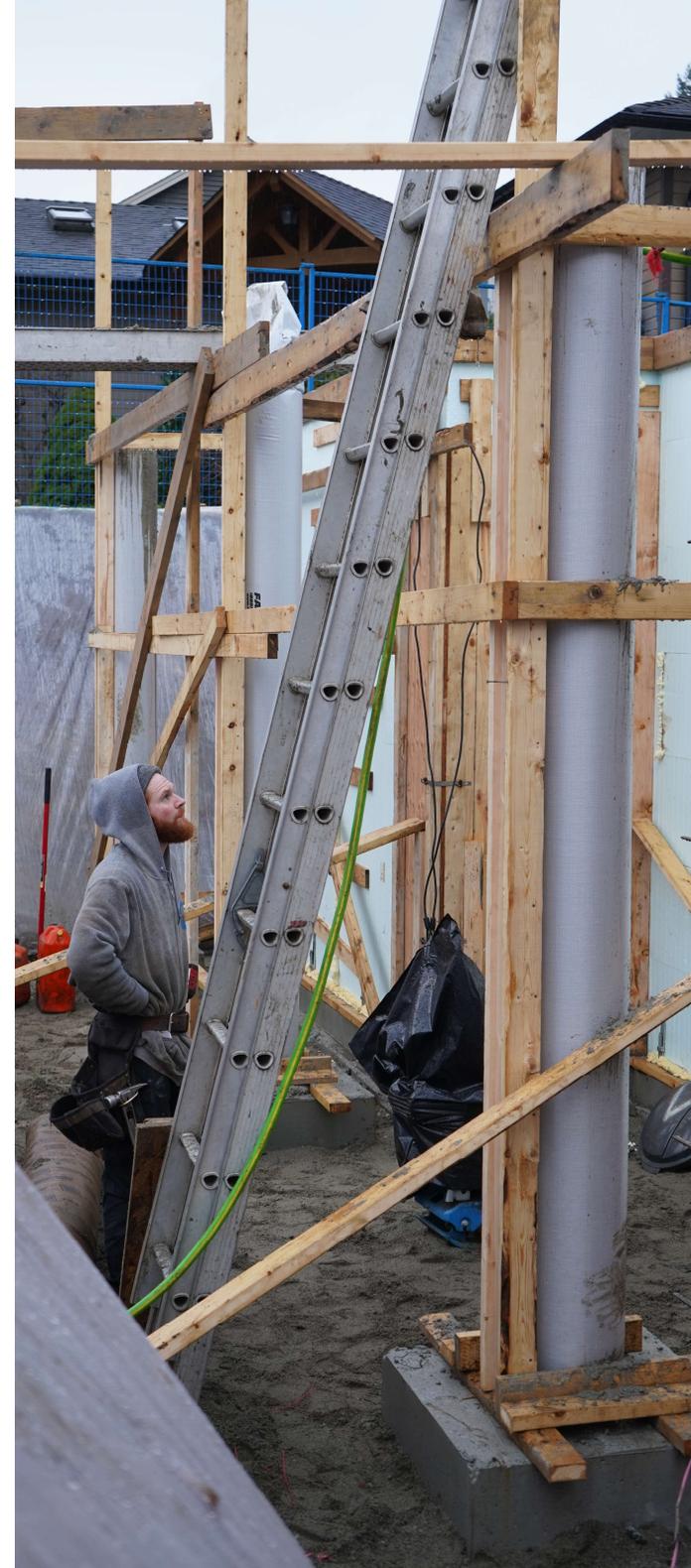
|                            | For the Quarter ended 31 December |                  |               |             |
|----------------------------|-----------------------------------|------------------|---------------|-------------|
|                            | 2023                              | 2022             | Change        |             |
|                            | \$                                | \$               | \$            | %           |
| Bracing                    | 236,951                           | 278,840          | (41,889)      | (15.02)     |
| Fastfoot                   | 67,823                            | 83,681           | (15,858)      | (18.95)     |
| Fast-Pad                   | 2,636                             | 3,156            | (520)         | (16.48)     |
| Fast-Tube                  | 703                               | 2,137            | (1,434)       | (67.10)     |
| Helix                      | 45,195                            | 17,018           | 28,177        | 165.57      |
| ICF accessories            | 40,484                            | 31,878           | 8,606         | 27.00       |
| Monopour                   | 33,326                            | 41,837           | (8,511)       | (20.34)     |
| Nudura ICF                 | 561,675                           | 507,058          | 54,617        | 10.77       |
| Rentals                    | 30,571                            | 31,161           | (590)         | (1.89)      |
| Used bracing & accessories | 1,250                             | 8,047            | (6,797)       | (84.47)     |
|                            | <b>1,020,614</b>                  | <b>1,004,813</b> | <b>15,801</b> | <b>1.57</b> |

Sales for the quarter increased by 1.5% as compared prior year, mainly resulting from an increase in Nudura ICF and Helix by 10.7% and 165.5% respectively.

2. Analysis of cost of sales

|                                    | For the Quarter ended 31 December |                |               |              |
|------------------------------------|-----------------------------------|----------------|---------------|--------------|
|                                    | 2023                              | 2022           | Change        |              |
|                                    | \$                                | \$             | \$            | %            |
| <b>Total direct product COGS</b>   | 655,521                           | 614,307        | 41,214        | 6.71         |
| <b>Indirect product COGS</b>       |                                   |                |               |              |
| Waste disposal                     | 394                               | 415            | (21)          | (5.06)       |
| Packing materials                  | 180                               | 597            | (417)         | (69.85)      |
| Depreciation and amortization      | 846                               | 680            | 166           | 24.41        |
| Warehouse lease rental             | 10,413                            | 10,816         | (403)         | (3.73)       |
| Variable overhead                  | 9,889                             | 4,240          | 5,649         | 133.23       |
| <b>Total indirect product COGS</b> | <b>21,722</b>                     | <b>16,748</b>  | <b>4,974</b>  | <b>29.70</b> |
| <b>Total Cost of sales</b>         | <b>677,243</b>                    | <b>631,055</b> | <b>46,188</b> | <b>7.32</b>  |

The cost of sales for the quarter ended increased by 7% compared to the previous year, aligning with the 10.7% increase in Nudura ICF sales over the same period.



FAB-FORM INDUSTRIES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31 December 2023

**3. Analysis of Administration Expenses**

|   | For the Quarter ended 31 December |                |               |              |
|---|-----------------------------------|----------------|---------------|--------------|
|   | 2023                              | 2022           | Change        | %            |
|   | \$                                | \$             | \$            |              |
| Amortization & Depreciation                     | 7,438                             | 2,007          | 5,431         | 270.60       |
| Impairment                                      | -                                 | 21,824         | (21,824)      | (100.00)     |
| Office rental amortisation                      | 6,168                             | 7,281          | (1,113)       | (15.29)      |
| Patent & TM maintenance fees                    | 3,220                             | 3,851          | (631)         | (16.39)      |
| Professional Fees                               | 25,500                            | 6,429          | 19,071        | 296.64       |
| Pubco expenses                                  | 18,254                            | 9,398          | 8,856         | 94.23        |
| General expenses                                | 8,864                             | 4,979          | 3,885         | 78.03        |
| Wages and benefits                              | 68,297                            | 51,713         | 16,584        | 32.07        |
| Telecommunications & computers                  | 7,721                             | 7,800          | (79)          | (1.01)       |
| Credit Card Processing fees                     | 9,766                             | 9,479          | 287           | 3.03         |
| Provision/(reversal) for expected credit losses | 1,416                             | 8              | 1,408         | 17,600.00    |
| <b>Total administrative expenses</b>            | <b>156,644</b>                    | <b>124,769</b> | <b>31,875</b> | <b>25.55</b> |

Total administrative expenses increased by 25% compared to the same quarter last year, primarily due to an increase in provision for pubco professional fees and expenses.

**4. Analysis of Selling and Marketing Expenses**

|                                      | For the Quarter ended 31 December |               |                |                |
|--------------------------------------|-----------------------------------|---------------|----------------|----------------|
|                                      | 2023                              | 2022          | Change         | %              |
|                                      | \$                                | \$            | \$             |                |
| Bracing                              | 12,114                            | 14,468        | (2,354)        | (16.27)        |
| Fastfoot                             | 4,419                             | 6,974         | (2,555)        | (36.64)        |
| Fast-Pad                             | -                                 | 1,404         | (1,404)        | 100.00         |
| Fast-Tube                            | 9,395                             | 265           | 9,130          | 3,445.28       |
| Helix                                | 225                               | -             | 225            | 100.00         |
| Monopour                             | 3,754                             | 5,670         | (1,916)        | (33.79)        |
| Nudura                               | 16,958                            | 23,427        | (6,469)        | (27.61)        |
| <b>Total selling &amp; marketing</b> | <b>46,865</b>                     | <b>52,208</b> | <b>(5,343)</b> | <b>(10.23)</b> |

The selling and marketing expenses decreased by 10% during the quarter compared to 2022. The marketing spending on Fast-Tube increased significantly due to the new product release.



## MANAGEMENT DISCUSSION & ANALYSIS

*For the year ended 31 December 2023*

### 5. Liquidity, Cash Flow Position and Going Concern

The company generated \$165,088 from operating activities in the quarter ended on December 31, 2023, compared to \$106,040 in 2022.

Year-end cash and cash equivalents increased by \$1,235,152, with total cash and cash equivalents reaching \$2,247,178 as of December 31, 2023, compared to \$1,012,026 at the end of June 2023, primarily as a result of maturity of short-term investment guaranteed investment certificates.

A total of \$78,987 was used in other investing activities, comprising \$60,200 for new machinery and \$18,038 for intangible assets.

Cash used in financing activities amounted to \$30,609, involving lease payments for offices and warehouses located in Delta BC.

The company is debt-free except for lease liability, demonstrating financial liquidity and flexibility.

The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business of the Company.



***BUILDING GREEN from the ground up***

Additional financial information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Approved: "Board of Directors"

28 February 2024

FAB-FORM INDUSTRIES LTD.  
OTHER INFORMATION

*FAB-FORM INDUSTRIES LTD., headquartered in Delta BC, is a manufacturer and distributor of green and cost-effective concrete forming products for the building industry. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".*

For additional information, please contact:

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