

FAB-FORM
Sustainable Foundations



INVESTOR



HELIX



FAB-FORM
MD&A
2016

MD&A TO OUR SHAREHOLDERS

The cover is a screenprint of our current home page, showing the attendees of our recent ICF-Exposition held in Delta, BC on the 9th of March of this year. With over two hundred people in attendance and with several world renown speakers presenting, the exposition was an outstanding success. The theme of the exposition was to evaluate whether the ICF industry is undergoing a paradigm shift. Fab-Form donated \$1,000 as a prize for the attendee that could estimate the level of ICF growth in 2017. The archives of the expo can be seen at www.icf-expo.org and the contestant estimates at: www.icf-expo.org/contestants.

As always, thank you Board Members, Shareholders, and progressive Dealers and Contractors for your continued support and commitment.

Sincerely



Richard Fearn
President and CEO
30 April 2017



Herb Bentz
Chief Financial Officer
30 April 2017

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

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 consolidated audited financial statements for the year 2016 and accompanying notes. The results reported therein 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.

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; they are not guarantees of 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. All 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 Industries Ltd. (the "Company" or "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 ("TSX-V" under the symbol FBF) since 2000.

FAB-FORM INDUSTRIES LTD.
MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

OPERATING RESULTS

1. Fourth Quarter Profit and Loss Analysis

	Oct - Dec 16	Oct - Dec 15	Change	% Change
Sales	331,970	321,531	10,439	3.3%
Cost of Goods Sold	224,928	245,741	-21,172	-8.5%
Gross income	107,042	75,790	31,611	41.2%
<i>(Percent gross margin)</i>	<i>32.2%</i>	<i>23.6%</i>		
Expenses				
Admin Expenses	41,829	51,783	-9,954	-19.2%
Selling & Marketing	40,345	27,281	13,064	156.3%
	82,174	79,064	3,110	3.9%
Operating income	24,868	-3,274	28,500	100.0%
Foreign exchange & interest				
Forex (gain) loss	-2,485	-2,167	-318	-14.7%
Interest Expense	3,996	7,247	-6,400	-88.3%
	1,511	5,080	-6,718	-132.2%
Other Items				
Development Cost Write-down	-	-300	300	100.0%
Bad Debt Expense	2,689	-	-4,020	100.0%
Write off of capital assets	-	11,951	-11,951	-100.0%
	2,689	11,651	-15,671	-168.6%
Comprehensive income for qtr.	20,668	-20,005	40,673	203.3%

Comprehensive income for the final quarter was \$20,668, a 203.3% increase over 2015's loss of \$20,005. The increase was a result of improved gross margins.

i) Product Sales (4th Quarter)

Products	Oct - Dec 16	Oct - Dec 15	Change	% Change
Fastbag	3,160	980	2,180	222.5%
Fastfoot	27,939	20,801	7,138	34.3%
Fast-Tube	3,687	3,233	455	14.1%
Helix	21,139	31,665	-10,525	-33.2%
Sundry Income	40	-251	291	116.0%
Monopour	3,660	5,011	-1,351	-27.0%
Nadura	190,356	205,846	-15,490	-7.5%
Bracing	59,199	54,246	4,953	9.1%
ICF Accessories	22,790	-	22,790	100.0%
Total Sales	331,970	321,531	10,439	3.2%

Sales for the final quarter were \$331,970, a 3.2% increase over 2015's \$321,531. The increase in ICF Accessories was due to reclassification, in 2015 they were included in Nadura sales. Fourth quarter sales can be strongly influenced by weather conditions in most of our markets.

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

ii) Cost of goods sold (4th Quarter)

	Oct - Dec 16	Oct - Dec 15	Change	% Change
Total Direct Product COGS	206,616	222,145	-15,529	-7.0%
<i>Gross margin</i>	<i>37.9%</i>	<i>30.9%</i>		
Indirect Product COGS				
Packing Materials	798	122	676	554.3%
Customer Delivery VanICF	3,629	-	3,629	100.0%
Brokerage	1,560	-	1,560	100.0%
Amortization production equip.	1,827	4,588	-2,761	-60.2%
Production tools	142	80	62	76.9%
Production rental	7,298	7,298	-	0.0%
Variable Overhead	828	9,659	-8,831	-91.4%
Wages not allocated	458	320	138	43.0%
Customer Delivery FBF	1,773	1,529	244	16.0%
Total Indirect Product COGS	18,312	23,596	-5,284	-22.4%
Total Cost of Goods Sold	224,928	245,741	-20,812	-8.5%
<i>Gross margin</i>	<i>32.4%</i>	<i>23.6%</i>		

Gross margins of direct product sales were 37.9%, a substantial improvement over 2015's 30.9%. This was due to higher margins of Fastfoot, ICF accessories and Zont Bracing. Gross margins after indirect costs of goods sold were 32.4% and 23.6%.

iii) General and administrative expenses (4th Quarter)

	Oct - Dec 16	Oct - Dec 15	Change	% Change
Admin Expenses				
Amortization & Depreciation	2,445	2,147	298	13.9%
Occupancy	3,020	2,968	52	1.8%
Patent & TM Maintenance Fees	205	205	-	0.0%
Professional Fees	4,996	10,368	-5,372	-51.8%
Pubco	9,284	5,234	4,049	77.4%
General expenses	15,785	19,848	-4,063	-20.5%
Management Fees	2,000	7,820	-5,820	-74.4%
Telecommunications	1,653	1,327	326	24.6%
Total Admin Expenses	39,387	49,917	-10,530	-21.1%

In 2016 Management Fees were allocated to each product to determine net profit by product line. In 2015 management fees were shown as a separate line item. Overall administration expenses were held below 2015 levels.

iv) Marketing and selling expenses (4th Quarter)

	Oct - Dec 16	Oct - Dec 15	Change	% Change
Marketing Expenses				
Advertising	7,297	4,922	-4,922	-100.0%
Promo Materials	5,926	4,007	-4,007	-100.0%
Commissions & fees	2,632	1,780	-1,780	-100.0%
Trade shows	1,229	831	-831	-100.0%
Selling expenses	23,279	15,741	24,604	156.3%
Total Marketing & Selling Expenses	40,345	27,281	13,064	47.9%

Marketing and selling expenses increased 47.9% in 2016 over 2015.

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

v) Period Profit and Loss

The company's net profit for the fourth quarter in 2016 was \$20,668 from a loss of \$20,005 in the fourth quarter of 2015. This can be attributed to higher sales of products with higher gross margins and lower operating expenses.

2. Profit and Loss Analysis (full year)

	Jan - Dec 16	Jan - Dec 15	Change	% Change
Sales	1,697,029	1,108,644	588,385	53.1%
Cost of Goods Sold	1,211,366	761,054	449,953	59.1%
Gross Profit	485,663	347,590	138,432	39.8%
Expenses				
Admin Expenses	144,295	142,450	1,845	1.3%
Selling & Marketing	115,790	82,107	33,672	41.0%
	260,084	224,558	26,975	15.8%
Operating Income	225,579	123,032	111,457	83.6%
Forex & Interest Expense				
Interest Expense	19,652	25,045	-8,542	-34.1%
Forex (gain) loss	2,913	-13,058	15,971	122.3%
	22,565	11,986	7,429	62.0%
Other Items				
Bad Debt Expense (recovery)	2,689	-	-4,020	-100.0%
Development Cost Write-down	-	-300	300	100.0%
Inventory Write-off (back)	-30	1,372	-1,402	-100.0%
Write off of capital assets	0	11,951	-11,951	-100.0%
	2,659	13,023	-17,073	-131.1%
Comprehensive Income	200,355	98,023	112,558.83	114.8%

Profits in 2016 more than doubled those of the previous year due to an increase in sales of 53.1% while general expenses increased by 15.8%. Other items decreased by \$17,073 to contribute to income growth.

i) Product Sales (full year)

	Jan - Dec 16	Jan - Dec 15	Change	% Change
Fastbag	11,325	7,787	3,538	45.4%
Fastfoot	163,812	122,432	41,381	33.8%
Fast-Tube	14,072	10,889	3,183	29.2%
Helix	160,646	111,032	49,614	44.7%
Sundry Income	7,681	1,550	6,131	395.5%
Monopour	40,915	52,081	-11,166	-21.4%
Nudura	900,184	478,940	421,244	88.0%
Bracing	333,835	323,933	9,902	3.1%
ICF Accessories	64,560	-	64,560	100.0%
Total Sales	1,697,029	1,108,644	588,385	53.1%

Sales for the year increased 53.1% over 2015, with Nudura increasing 88%. All fabric based products showed growth of from 29.2% to 45.4%. Helix® increased 44.7% over 2015. Bracing sales remained relatively flat over 2015.

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

ii) Cost of sales (full year)

	Jan - Dec 16	Jan - Dec 15	Change	% Change
Total Direct Product COGS	1,145,635	684,861	460,774	67.3%
<i>Gross margin of direct product</i>	32.5%	38.2%		
Indirect Product COGS				
Packing Materials	1,866	1,624	242	14.9%
Customer Delivery VanICF	4,522	0	4,522	100.0%
Brokerage	3,658	0	3,658	100.0%
Amortization production equip.	9,002	15,471	-6,470	-41.8%
Production tools	260	1,455	-1,195	-82.1%
Production rental	29,083	29,192	-108	-0.4%
Variable Overhead	3,673	21,480	-17,800	-82.9%
Wages not allocated	4,516	320	4,196	1,311.3%
Customer Delivery FBF	8,786	6,652	2,134	32.1%
Total Indirect Product COGS	65,366	76,194	-10,821	-14.2%
Total Cost of Goods Sold	1,211,336	761,054	449,953	59.12%
<i>Gross margin of product</i>	28.6%	31.4%		

Gross margins after direct product COGS decreased to 32.5% from 38.2% in 2015 due to lower margins of Nudura®. Gross margins after indirect costs of sales were reduced to 28.6% compared with 31.4% in 2015. Higher sales volumes meant that indirect product COGS had a smaller impact on gross margin of product in 2016 than in 2015.

iii) General and administrative expenses

	Jan - Dec 16	Jan - Dec 15	Change	% Change
Amortization & Depreciation	8,723	11,473	-2,750	-24.0%
Occupancy	11,672	10,804	867	8.0%
Patent & TM Maintenance Fees	821	821	-	0.0%
Professional Fees	22,803	20,602	2,200	10.7%
Pubco	17,140	13,863	3,277	23.6%
General expenses	62,980	58,786	4,194	7.1%
Management Fees	12,961	19,274	-6,313	-32.8%
Telecommunications	7,195	6,827	368	5.4%
Total Admin Expenses	144,295	142,450	1,845	1.3%

General and administrative expenses for 2016 remained flat in over 2015.

iv) Selling and marketing expenses

	Jan - Dec 16	Jan - Dec 15	Change	% Change
Advertising	20,275	14,761	5,514	37.4%
Commissions & fees	57,447	40,881	16,566	40.5%
Trade shows	21,270	15,084	6,186	41.0%
Associations	2,069	1,475	594	40.3%
Promo Materials	14,509	9,906	4,603	46.5%
Total Selling & Marketing	115,780	82,107	33,683	41.0%

Selling and marketing expenses increased 41.0% to \$115,780 from \$82,107 in 2015, in line with increased level of sales.

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

v) Other items

None

vi) Comprehensive Income

The company's comprehensive income for 2016 was \$200,335, a 114.5% increase over the prior year's income of \$98,023.

DISCUSSION OF OTHER ITEMS

1. Investing activities

None

2. Financing activities

The three loans with the Business Development Bank and a auto collateral mortgage were replaced with a single loan from a director (see Note 12 of the financial statements).

OPERATING RISK AND UNCERTAINTIES

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business.

Production and distribution operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of developing and producing of products, there are risks that the products being produced do not meet specifications. Risk of product failure on the jobsite must be considered. Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

The operating risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to, and other risks may apply.

1. Product Development

Product development is a speculative business, characterized by significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover operating problems with a product, but also from poor acceptance in the market.

Upon discovery of a patentable product, several stages of development and assessment are required before its economic viability can be determined. Development of the product will follow only if favourable results are determined at each stage of assessment.

There is no assurance that the Company's current product development activities will result in commercially viable products. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its new product development programs.

The development of new products carries the risk of non-acceptance by the forming contractor and the distribution channel. High marketing costs of innovative products risk reducing profit levels even though gross margins for the product may exceed industry standards.

2. Commodity price risk

The manufacturing industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of products produced even if a viable market for the product is discovered. Factors beyond the control of the Company may affect the marketability of products. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns for concrete formwork. There is no assurance that the selling price of a product will have sufficient margin to contribute to the operating viability of the Company.

3. Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

4. Conflict of Interest

The Directors and Officers of the Company are not in conflict of interest with any other companies. While the Company is engaged in the business of product development, such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to uphold the best interest of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict must disclose his interest and abstain from voting on such matter. In determining whether the Company will participate in any product or opportunity, the directors, will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

5. Economic conditions risk

Current and future unfavourable economic conditions could negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets, and negatively impact any of the availability of credit facilities to the Company.

6. Currency risks

As the Company sells to the USA and purchases raw materials from other countries that price their goods in US dollars, the Company is exposed to considerable currency risk. The Company does not hedge any of this foreign currency exposure.

7. Environmental Regulations, Safety, Permits and Licenses

The Company's products are subject to various laws and building codes governing the protection of the environment, safety in construction, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation may provide restrictions and prohibitions on concrete spills which would result in environmental pollution. Fab-Form has taken out liability insurance which is normal for a manufacturer. The Company intends to fully comply with all environmental regulations.

CONTROLS AND PROCEDURES CERTIFICATION

1. Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be known to them, and by others, within those entities.

The Company has a Disclosure Policy in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information. The Disclosure Policy sets out accountabilities, authorized spokespersons, and the Company's approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.

2. Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal control over financial reporting during the year ended 31 December 2016 that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they are aware that these controls and procedures may not prevent all errors and fraud.

MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

3. Evaluation of Effectiveness

As required by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109) issued by the Canadian Securities regulatory authorities, an evaluation of the design and testing of the effectiveness of the operation of the Company's disclosure controls and procedures and internal control over financial reporting were conducted as of 31 December 2016, by and under the supervision of management, including the CEO and CFO. In making the assessment of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. The evaluation included documentation review, enquiries, testing, and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures and internal control over financial reporting were effective as of 31 December 2016.

DISCUSSION OF NON-FINANCIAL ITEMS

1. Off balance sheet arrangements

None

2. Subsequent events

None

SELECTED QUARTERLY FINANCIAL SUMMARY

The following table sets out selected quarterly financial information derived from the Company's financial statements, for each of the eight recently completed quarters.

	2016				2015			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Revenues	331,970	528,475	462,199	374,385	322,619	364,883	297,723	124,133
Net Income (loss)	20,668	80,453	61,285	41,772	(18,917)	61,238	35,920	20,536
Shares outstanding	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988
Income (loss) per share	0.003	0.010	0.008	0.005	(0.002)	0.008	0.005	0.003

SELECTED ANNUAL FINANCIAL SUMMARY

The following table sets out selected annual financial information of Fab-Form. The Company's annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars.

Year ended	2016	2015	2014	2013
Revenues	\$ 1,697,029	\$ 1,108,644	\$ 1,100,315	\$ 462,052
Cost of sales	\$ 1,211,366	\$ 761,054	\$ 833,293	\$ 292,049
Gross profit	\$ 485,663	\$ 347,590	\$ 267,021	\$ 170,003
% gross profit	28.6%	31.4%	24.3%	36.8%
Expenses	\$ 260,084	\$ 224,558	\$ 198,349	\$ 139,871
Net income after other items	\$ 200,355	\$ 98,023	\$ 36,902	\$ 1,548
Shares outstanding	7,797,988	7,797,988	7,797,988	7,797,988
Income per diluted share	\$ 0.026	\$ 0.01	\$ 0.01	\$ 0.00
Total assets	\$ 696,133	\$ 409,480	\$ 385,184	\$ 298,958
Long term debt (excluding current portion)	\$ -	\$ 87,713	\$ 107,807	\$ 105,511
Cash dividends declared	\$ None	\$ None	\$ None	\$ None

Additional financial information on the Company can be found on SEDAR at www.sedar.com.

Approved

"Board of Directors"

30 April 2017

FAB-FORM INDUSTRIES LTD.
FURTHER 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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Shareholders and interested investors should visit:

www.fab-form.com/investor/overview.php
www.vancouvericf.com
www.helixwest.com
www.icf-expo.com