



FOREMOST INCOME FUND
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024



QUARTER FOUR
Management's Discussion
and Analysis

20
25



FOREMOST INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

MESSAGE TO THE UNITHOLDERS

Summary of 2024

Foremost Income Fund (Foremost or the Fund) closed 2024 with revenue of \$220.5 million - a \$32.5 million (17%) increase over the previous year. Both Foremost Mobile Equipment (FME) and Foremost Energy Equipment (FEE) saw revenue growth during the year. The Fund's gross margin improved to 21% compared to 17% in the previous year, and product margins strengthened in both FEE and FME. Earnings before income tax, depreciation, and amortization (EBITDA) for the year were \$35.9 million, which included \$4.5 million in insurance proceeds from claims related to incidents in 2022 and 2024, and a legal recovery of \$1.6 million.

When normalized for non-operating items, adjusted EBITDA increased to \$30.1 million, a substantial increase of \$10.7 million (55%) over the \$19.4 million result in 2023.

Foremost Mobile Equipment

Revenue: \$153.6 million in 2024, a 9% increase from \$141.0 million in 2023.

Gross Margin: \$34.4 million, representing 22% of revenue, up from \$27.4 million (19% of revenue) in 2023.

FME increased revenue in the hydrovacs product category and established new annual records for revenue and EBITDA since the inception of this business division in 2015. This robust financial performance has been driven by healthy sales backlogs at the FME plants in Calgary and Stettler. Activity in the infrastructure, industrial, and mining sectors remains strong across North and South America and Foremost's product market share in these sectors is stable.

Notably, in 2024, the Stettler plant set a new Foremost record for annual hydrovac production by producing 241 trucks destined for customers in Canada and the United States.

Foremost Energy Equipment

Revenue: \$67.4 million in 2024, a 42% increase from \$47.4 million in 2023.

Gross Margin: Improved to \$12.0 million, representing 18% of revenue, up from \$4.6 million (10% of revenue) in 2023.

FEE recorded strong yearly revenue and margin growth in both plants as demand for a significant number of its product lines increased over previous years. This growth was supported by strong energy infrastructure construction activity in the Peace River region (Montney formation), which is driving orders for production and process tanks in the Hythe plant. Additionally, the Lloydminster plant is generating higher revenues than in past years due to increased pressure vessel and shop tank orders coupled with higher production throughput. Backlogs in this business unit are healthy as it enters 2025, supported by continued drilling and energy infrastructure builds in Western Canada.

Summary of Key Fund Metrics for 2024 compared to 2023

- **Revenue** Increased to \$220.5 million, a 17% increase from \$188.0 million in 2023.
- **Gross Margin:** \$46.4 million, representing 21% of revenue, compared to \$32 million (17% of revenue) in 2023.
- **SG&A Expenses:** Accounted for 9% of revenue, at \$20.3 million compared to 9% and \$17.4 million in 2023.
- **EBITDA:** Increased to \$35.9 million, representing 16% of revenue, compared to \$19.5 million (10% of revenue) in 2023.
- **Adjusted EBITDA** (*refer to page 21*): After removing non-operating items, increased from \$19.4 million in 2023 to \$30.1 million in 2024, a 55% increase.

2025 Outlook

Most of the factors that caused instability in business operations over the past few years—such as supply chain disruptions and input cost uncertainties—have now stabilized. However, significant new challenges in the key U.S. market, including trade re-negotiations and uncertainties regarding export tariffs, have emerged and are being closely monitored. Management is focused on adjusting to evolving market conditions to maintain and enhance the Fund's balance sheet and to improve revenue and profit performance.

Kevin Johnson

President, Foremost Income Fund

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INTRODUCTION

Read the Management’s Discussion and Analysis (MD&A) of the Fund dated March 11, 2025, with:

- the caution about forward-looking statements on page 20
- the Fund’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2024
- other materials in this report

You can find more information about the Fund under the Foremost Income Fund profile at <https://www.sedarplus.ca>.

The Fund is an unincorporated, open-ended unit trust formed under the laws of Alberta and governed by the Deed of Trust (amended and restated as at March 11, 2022). Foremost Industries Ltd. is the Fund’s administrator.

The Fund conducts its business mainly through three limited partnerships: Foremost Universal LP, Foremost Industries LP, and Foremost Equipment LP.

Headquartered in Calgary, Alberta, with sales and manufacturing activities based predominantly in Western Canada, the Fund’s combined operations employed 571 people as of December 31, 2024, up from the 555 employed on December 31, 2023. On the date of this MD&A, the Fund employed 571 people.

Consistent with the Fund’s focus on customer and market responsiveness, the operating segments clearly reflect its two distinct business divisions: Foremost Mobile Equipment and Foremost Energy Equipment.



FOREMOST MOBILE EQUIPMENT (FME)

FME manufactures and services vacuum trucks (hydrovacs) and equipment; off-highway, large-wheeled and tracked vehicles; and equipment for the custom drilling, construction, water-well, and mining sectors. FME focuses on custom-built equipment for its global clientele, whom it serves through two manufacturing and service locations in Calgary and Stettler, Alberta.

FOREMOST ENERGY EQUIPMENT (FEE)

FEE, with its focus on the oil and gas industry in Western Canada, consists of three active manufacturing and service locations, two in Lloydminster and the other in Grande Prairie. The locations manufacture and service oil-treating systems, shop tanks, field tanks, oil and gas process-treating equipment, fuel storage tanks, protective coatings, agriculture products, and gas separators.



RESULTS OF OPERATIONS

2024 VS 2023 HIGHLIGHTS

- Revenue for 2024 was \$220.5 million, compared to \$188.0 million for the same period in the previous year. More information is in the Segmented Results of Operations section.
- Gross profit for 2024 was \$46.4 million and 21% of revenue, compared to \$32.0 million and 17% of revenue in 2023. More information is in the Segmented Results of Operations section.
- Administration costs represented 9% of revenue in both 2024 and 2023. These costs were \$20.3 million in 2024, rising from \$17.4 million incurred in the previous year. Most of this increase was due to personnel expenses, with additional increases in consulting and legal services.
- Adjusted EBITDA (defined on page 21) was \$30.1 million for 2024 compared to \$19.4 million in 2023. Note that one-time items have been removed for purposes of adjusted EBITDA.



ANNUAL SELECTED FINANCIAL INFORMATION

(000's except per Trust Unit amounts)

For the year ended	December 31, 2024	December 31, 2023	December 31, 2022
Revenue	\$ 220,513	\$ 187,993	\$ 152,751
Gross Profit (\$)	46,418	32,032	20,173
Gross Profit (%)	21%	17%	13%
Comprehensive income	\$ 28,847	\$ 16,072	\$ 4,580
Adjusted EBITDA *	30,077	19,370	8,238
Total assets	\$ 203,195	\$ 200,870	\$ 172,024
Total non-current liabilities	-	-	-
Distribution per Trust Unit	\$ 1.20	\$ 0.50	\$ 0.30

* Adjusted EBITDA defined on page 21

SUMMARY OF QUARTERLY INFORMATION

(000's except per Trust Unit amounts)

2024	Q1	Q2	Q3	Q4	Total
Revenue	\$ 47,478	\$ 54,639	\$ 59,143	\$ 59,253	\$ 220,513
Gross profit (\$)	\$ 7,983	\$ 10,518	\$ 12,878	\$ 15,039	\$ 46,418
Gross profit (%)	17%	19%	22%	25%	21%
Administrative expenses (\$)	\$ 5,015	\$ 4,876	\$ 4,805	\$ 5,593	\$ 20,289
Administrative expenses (% of total revenue)	11%	9%	8%	9%	9%
Exchange rate (loss) gain	\$ (206)	\$ (112)	\$ 100	\$ (590)	\$ (808)
Earnings from operations	\$ 2,968	\$ 5,642	\$ 8,073	\$ 9,446	\$ 26,129
Other non-operating income	\$ 3,492	\$ 621	\$ 2,140	\$ 510	\$ 6,763
Tax expense	\$ (773)	\$ (756)	\$ (1,392)	\$ (1,124)	\$ (4,045)
Comprehensive income	\$ 5,687	\$ 5,507	\$ 8,821	\$ 8,832	\$ 28,847
EBITDA	\$ 6,968	\$ 7,088	\$ 11,039	\$ 10,812	\$ 35,907
Insurance proceeds	\$ 1,903	\$ 341	\$ 1,623	\$ 647	\$ 4,514
Legal recovery	\$ 1,559	\$ -	\$ -	\$ -	\$ 1,559
(Loss) Gain on sale of property, plant and equipment	\$ (255)	\$ (7)	\$ -	\$ 19	\$ (243)
Adjusted EBITDA *	\$ 3,761	\$ 6,754	\$ 9,416	\$ 10,146	\$ 30,077
Trust Units redeemed	2,144,374	48,000	319	-	2,192,693
Redemptions	\$ 14,046	\$ 353	\$ 1	\$ -	\$ 14,400
Basic and diluted earnings per Trust Unit	\$ 0.35	\$ 0.36	\$ 0.56	\$ 0.58	\$ 1.85
* Adjusted EBITDA defined on page 21					
2023	Q1	Q2	Q3	Q4	Total
Revenue	\$ 45,259	\$ 50,492	\$ 44,930	\$ 47,312	\$ 187,993
Gross profit (\$)	\$ 7,184	\$ 9,803	\$ 7,847	\$ 7,198	\$ 32,032
Gross profit (%)	16%	19%	17%	15%	17%
Administrative expenses (\$)	\$ 4,262	\$ 4,269	\$ 4,433	\$ 4,460	\$ 17,424
Administrative expenses (% of total revenue)	9%	8%	10%	9%	9%
Exchange rate gain (loss)	\$ 174	\$ (23)	\$ (117)	\$ 142	\$ 176
Earnings from operations	\$ 2,922	\$ 5,534	\$ 3,414	\$ 2,738	\$ 14,608
Other non-operating income	\$ 619	\$ 547	\$ 456	\$ 1,285	\$ 2,907
Tax expense	\$ (422)	\$ (508)	\$ (227)	\$ (286)	\$ (1,443)
Comprehensive income	\$ 3,119	\$ 5,573	\$ 3,643	\$ 3,737	\$ 16,072
EBITDA	\$ 4,084	\$ 6,599	\$ 4,304	\$ 4,489	\$ 19,476
(Loss) Gain on sale of property, plant and equipment	\$ (3)	\$ 34	\$ (20)	\$ 95	\$ 106
Adjusted EBITDA *	\$ 4,087	\$ 6,565	\$ 4,324	\$ 4,394	\$ 19,370
Trust Units redeemed	18,299	3,252	4,605	10,324	36,480
Redemptions	\$ 116	\$ 23	\$ 30	\$ 72	\$ 241
Basic and diluted earnings per Trust Unit	\$ 0.18	\$ 0.32	\$ 0.21	\$ 0.21	\$ 0.92

SEGMENTED RESULTS OF OPERATIONS

FOREMOST MOBILE EQUIPMENT (FME)

FME's revenues are classified into three main product categories: trucks, parts and services, and drills. The vehicle product line is specialized and has sporadic demand. These products and services are used worldwide in the construction, utility, forestry, oil and gas, mineral, and water-well drilling industries. The FME segment has manufacturing facilities in Calgary and Stettler.

SUMMARY OF QUARTER TO DATE INFORMATION - FOREMOST MOBILE EQUIPMENT

(000's, except per Trust Unit amount)

	2024	2023
Revenue	\$ 153,572	\$ 141,052
Gross profit (\$)	\$ 34,430	\$ 27,429
Gross profit (%)	22%	19%
Administrative expense (\$)	\$ 11,629	\$ 10,152
Administrative expense (%)	8%	7%

FME 2024 HIGHLIGHTS

- Revenue increased by \$12.5 million over 2023, or 9%.
- Gross profit increased by \$7.0 million and increased to 22% of revenue compared to 19% of revenue in 2023.
- Other income related to the insurance proceeds mentioned above of \$2.0 million are included in the FME segment and relates to the fire at the Calgary facility that occurred in 2022. The facility has been fully repaired and is back in operation.
- Administrative expenses increased from \$10.2 million in 2023 to \$11.6 million in 2024. As a percentage of revenue, administrative expenses represent 8%. This increase is related to personnel and consulting expenses.

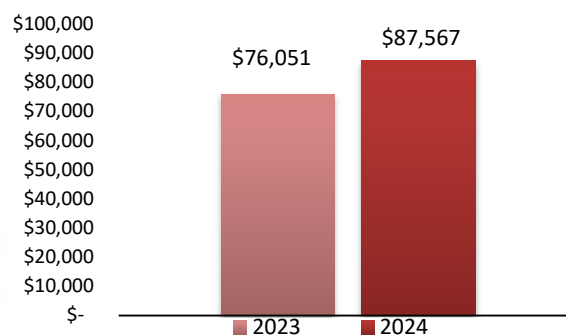
SUMMARY OF QUARTERLY INFORMATION - FOREMOST MOBILE EQUIPMENT

(000's except per Trust Unit amounts)

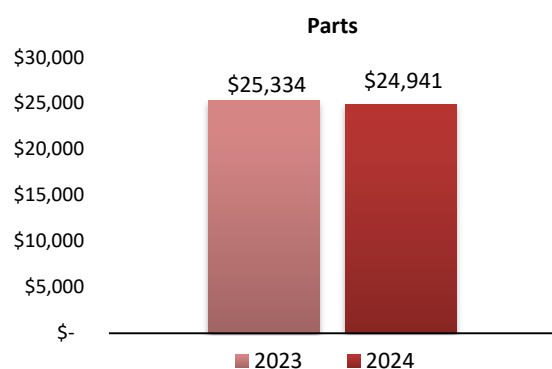
2024	Q1	Q2	Q3	Q4	Total
Revenue	\$ 34,673	\$ 39,463	\$ 38,639	\$ 40,797	\$ 153,572
Gross profit (\$)	\$ 6,722	\$ 8,479	\$ 8,904	\$ 10,325	\$ 34,430
Gross profit (%)	19%	21%	23%	25%	22%
Administrative expenses (\$)	\$ 2,852	\$ 2,871	\$ 2,787	\$ 3,119	\$ 11,629
Administrative expenses (% of total revenue)	8%	7%	7%	8%	8%
Net income before tax	\$ 5,899	\$ 6,087	\$ 6,225	\$ 7,580	\$ 25,791
2023	Q1	Q2	Q3	Q4	Total
Revenue	\$ 33,704	\$ 37,547	\$ 33,440	\$ 36,361	\$ 141,052
Gross profit (\$)	\$ 6,519	\$ 7,817	\$ 6,600	\$ 6,493	\$ 27,429
Gross profit (%)	19%	21%	20%	18%	19%
Administrative expenses (\$)	\$ 2,546	\$ 2,566	\$ 2,512	\$ 2,528	\$ 10,152
Administrative expenses (% of total revenue)	8%	7%	8%	7%	7%
Net income before tax	\$ 4,258	\$ 5,385	\$ 4,445	\$ 4,163	\$ 18,251



Truck revenue includes vacuum trucks (hydrovacs) and associated part sales in Stettler. The hydrovac market remains strong with US and Canadian infrastructure projects supporting demand. Revenue increased by \$11.5 million when comparing 2024 to 2023. These increases are a result of continued growth and greater market penetration with our two distributors.

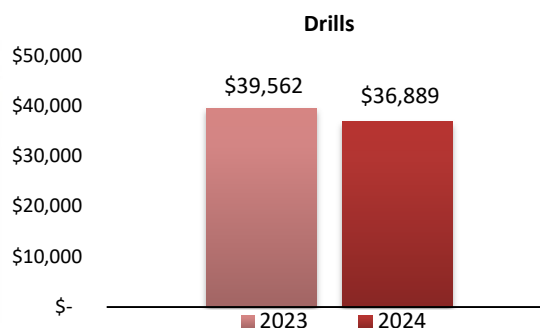


Parts sales decreased by \$0.4 million from 2024 to 2023. Demand for tools and spare parts used in the mining, water well, and construction markets remains strong. 2023 remains a record sales year for this product line.





The drill category includes dual rotary, pipe handlers, top drives, and injectors. Drill revenue decreased by \$2.7 million when comparing 2024 to 2023. The decline is a result of production floor space being allocated for the construction of other product lines, specifically vehicles.



The vehicle category includes a wide variety of specialized auxiliary equipment and has sporadic demand. The Fund recognized \$4.2 million in revenue for the category in 2024 compared to \$0.1 million in 2023.



FOREMOST ENERGY EQUIPMENT (FEE)

FEE's revenues are classified into six product categories: shop tanks, field tanks, vessel and gas separation, agriculture, ULC tanks, and others. The FEE segment has manufacturing and service shops at three Alberta locations: one site in Hythe and another two locations in Lloydminster.

SUMMARY OF YEAR TO DATE INFORMATION - FOREMOST ENERGY EQUIPMENT

(000's, except per Trust Unit amount)

	2024	2023
Revenue	\$ 67,427	\$ 47,427
Gross profit (\$)	\$ 11,988	\$ 4,603
Gross profit (%)	18%	10%
Administrative expense (\$)	\$ 7,409	\$ 6,312
Administrative expense (%)	11%	13%

FEE 2024 HIGHLIGHTS

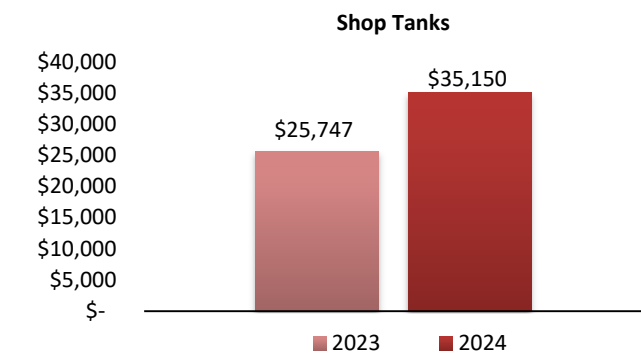
- Revenue increased by \$20.0 million, or 42% over 2023. Revenue increased for all FEE product lines, except for agriculture bins, ULC tanks and others. Recognition of \$2.7 million of revenue for a terminated field project is included in the field product revenue for FEE in 2024.
- Gross profit as a percentage of revenue increased from 10% in 2023 to 18% in 2024. A portion of this increase is attributed to the \$2.7 million termination revenue, which was recognized at a 100% margin.
- Administrative expenses increased from \$6.3 million to \$7.4 million, decreasing from 13% to 11% as a percentage of revenue. The increase in expense is due to personnel expenditures, consulting fees, and legal charges.
- Other income related to the insurance proceeds of \$2.5 million are included in the FEE segment. This relates to the 2024 fire at the facility located in Lloydminster. The shop that was lost in the fire is currently being repaired and remains non-operational.
- The operating costs of an idle FEE property continue to impact the gross profit of this division. The second property that was idle in the previous year was put back into use in 2024 to account for manufacturing space lost in the Lloydminster facility fire.

SUMMARY OF QUARTERLY INFORMATION - FOREMOST ENERGY EQUIPMENT

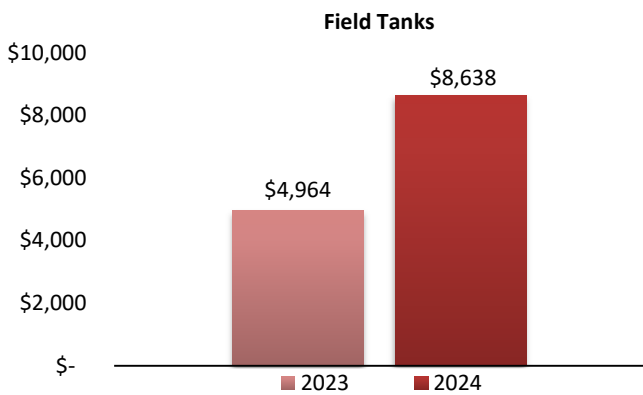
(000's except per Trust Unit amounts)

2024	Q1	Q2	Q3	Q4	Total
Revenue	\$ 12,927	\$ 15,297	\$ 20,625	\$ 18,578	\$ 67,427
Gross profit (\$)	\$ 1,261	\$ 2,040	\$ 3,972	\$ 4,715	\$ 11,988
Gross profit (%)	10%	13%	19%	25%	18%
Administrative expenses (\$)	\$ 1,796	\$ 1,736	\$ 1,727	\$ 2,150	\$ 7,409
Administrative expenses (% of total revenue)	14%	11%	8%	12%	11%
Net (loss) income before tax	\$ (370)	\$ 710	\$ 3,929	\$ 3,252	\$ 7,521
2023	Q1	Q2	Q3	Q4	Total
Revenue	\$ 11,677	\$ 13,066	\$ 11,612	\$ 11,072	\$ 47,427
Gross profit (\$)	\$ 665	\$ 1,986	\$ 1,247	\$ 705	\$ 4,603
Gross profit (%)	6%	15%	11%	6%	10%
Administrative expenses (\$)	\$ 1,509	\$ 1,514	\$ 1,526	\$ 1,763	\$ 6,312
Administrative expenses (% of total revenue)	13%	12%	13%	16%	13%
Net (loss) income before tax	\$ (631)	\$ 767	\$ (107)	\$ (269)	\$ (240)

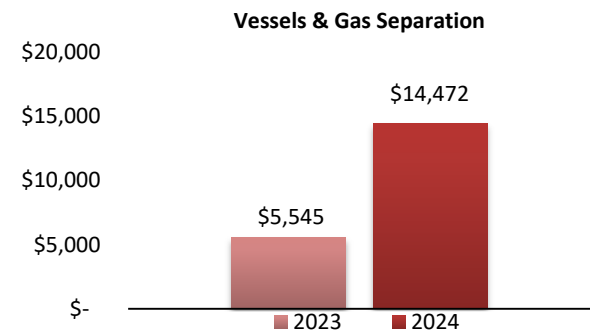
Shop tank revenue increased \$9.4 million when comparing 2024 and 2023. Demand increased due to more well completions in Western Canada in 2024. This product line continues to be the strongest revenue source for FEE.



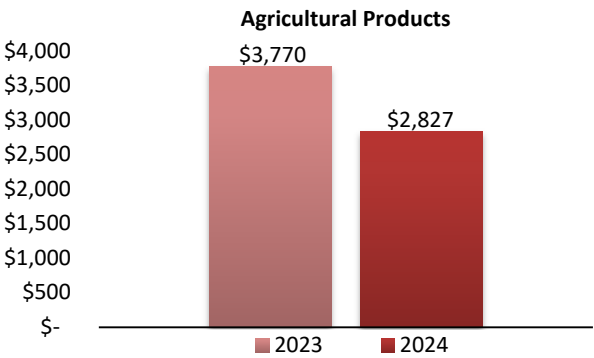
Field tank revenue of \$8.6 million was recognized during 2024, an increase of \$3.7 million over 2023. This reflects increased repair work demand in this product line as well as includes termination revenue of \$2.7 million.



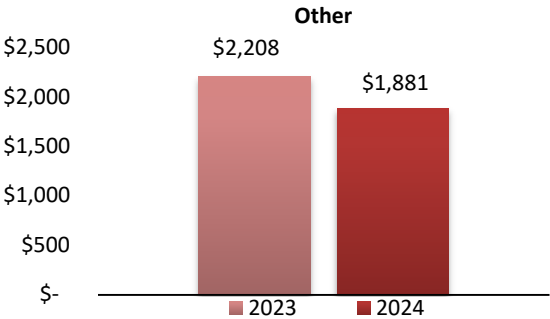
The vessel and gas separation revenue increased by \$8.9 million in 2024 over 2023. Based on secured contracts, Foremost expects this product line revenue to continue increasing into 2025. This is a result of a major project that started in late 2023 and is expected to be completed by late 2025.



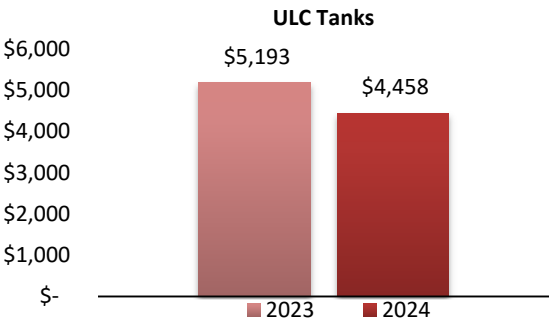
Shipments of agricultural bins slowed down throughout late 2023 and into 2024 due to high interest rates, drought concerns and lower volatility in the fertilizer markets. This resulted in a decrease of revenues when comparing 2024 and 2023 of \$0.9 million.



The other income includes revenue not associated with the above product lines; for example, heat treating services, various parts, freight services, rent, etc.



The ULC product line has shown a slight decline in demand. Revenue of \$4.5 million was recognized in 2024.



LIQUIDITY AND KEY FINANCIAL RATIOS

While the current operating environment presents challenges, Foremost remains well-positioned and continues to maintain liquidity. Liquidity mostly comes from operational cash flow but also includes proceeds from asset sales and the availability of a credit facility. The Fund has no long-term debt and continues to rely on cash flow from operations to support its working capital and investing requirements. During 2024, the cash balance decreased by \$9.6 million, resulting in an ending cash balance of \$35.8 million at December 31, 2024 (\$45.4 million at December 31, 2023).

The categories affecting cash include:

- *Operating activities*—provided \$25.5 million (provided \$24.1 million in 2023).
- *Investing activities*—used \$12.0 million to purchase assets (\$9.0 million in 2023).
- *Financing activities*—used \$23.1 million to pay the 2023 distribution and redemption of Trust Units (\$5.5 million in 2023 for redemption of Trust Units and the 2022 distribution).

Cash Flow Summary

(unaudited - in thousands of Canadian dollars)

	December 31, 2024	December 31, 2023	December 31, 2022
Cash Flow			
Operating activities	\$ 25,494	\$ 24,092	\$ (8,138)
Investing activities	\$ (11,962)	\$ (8,955)	\$ (3,446)
Financing activities	\$ (23,130)	\$ (5,489)	\$ (5,838)

CREDIT FACILITIES

The Fund currently maintains a credit facility with a major Canadian chartered bank. On October 2, 2024, the Fund transitioned this credit facility over from another Canadian bank. The borrowing base of the new facility is based on a percentage of inventory and eligible accounts receivable, less certain trade payables, to a maximum of \$20.0 million. This facility bears interest at prime plus 0.25%, is secured by a general security agreement, and allows the Fund to manage interest and exchange risks with financial instruments. As of December 31, 2024, the Fund had utilized \$2.4 million of this facility for letters of credit required to fulfill customer contracts, with no cash drawn under this facility. Under its credit facility agreement, the Fund is subject to a financial covenant requiring the maintenance of a tangible net worth exceeding \$80 million. As of December 31, 2024, the Fund is in compliance with this covenant.

The Fund's previous bank based the available facility on a percentage of specific inventory and eligible accounts receivable, net of certain trade payables, to a maximum of \$30.0 million. Depending on specific operating ratios, the operating credit facility bore interest at prime plus 0.25% or prime plus 0.125%. The credit facility was secured by a general security agreement and floating charge debenture of \$40.0 million.

As it is not possible to predict the potential impact of current and expected market conditions on the Fund's performance, liquidity indicators, and debt covenants, the Trustees continue to monitor the Fund's working capital and debt levels closely. In an effort to preserve cash, the Trustees exercised their discretion to reduce the monthly limit for cash redemptions of Trust Units during 2018 to 2024. In 2024, the trustees made a one-time redemption of \$14.4 million.

KEY FINANCIAL RATIOS – refer to page 21 for Non-GAAP measures

<i>(unaudited - in thousands of Canadian dollars)</i>			
For the year ended	December 31, 2024	December 31, 2023	December 31, 2022
Current ratio			
Current assets	\$ 142,735	\$ 145,017	\$ 119,941
Current liabilities	\$ 58,997	\$ 52,801	\$ 31,057
Working capital	\$ 83,738	\$ 92,216	\$ 88,884
Working capital ratio	2.42	2.75	3.86
Debt-to-equity ratio			
Total debt	\$ 58,997	\$ 52,801	\$ 31,057
Unitholders' equity	\$ 144,198	\$ 148,069	\$ 140,967
Debt-to-equity ratio	0.41	0.36	0.22
EBITDA			
Net income and comprehensive income	\$ 28,847	\$ 16,072	\$ 4,580
Interest income	\$ (1,370)	\$ (1,887)	\$ (842)
Depreciation and amortization	\$ 4,385	\$ 3,848	\$ 3,861
Tax expense	\$ 4,045	\$ 1,443	\$ 944
EBITDA	\$ 35,907	\$ 19,476	\$ 8,543
(Loss) Gain on sale of property, plant and equipment	\$ (243)	\$ 106	\$ 304
Insurance proceeds	\$ 4,514	\$ -	\$ -
Legal recovery	\$ 1,559	\$ -	\$ -
Adjusted EBITDA	\$ 30,077	\$ 19,370	\$ 8,239

Working capital on December 31, 2024, was \$83.7 million, a decrease from the December 31, 2023, balance of \$92.2 million. The working capital ratio decreased from 2.75:1 on December 31, 2023, to 2.42:1 on December 31, 2024.

The debt-to-equity ratio increased from 0.36:1 on December 31, 2023, to 0.41:1 on December 31, 2024.

The Fund uses EBITDA to evaluate operating performance and determine cash available for distribution. Adjusted EBITDA starts with the EBITDA calculation above and removes impairment adjustments, gains or losses on the sale of property, plant, and equipment, and any one-time or non-reoccurring items, such as government subsidies, legal judgments and insurance proceeds.

LIQUIDITY RISK

Liquidity risk is when the Fund may find it difficult to meet financial liabilities settled in cash or with another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that under both normal and stressed conditions, it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund manages its liquidity risk by monitoring its capital structure, financial leverage, and actual and projected cash flows. The Fund believes that the current cash balance and forecasted cash flows from operating activities, along with amounts available under its credit facility, will provide enough cash to cover the Fund's forecasted normal operating and budgeted capital expenditures. In addition, the Fund minimizes reliance on any single source of credit, maintains sufficient undrawn committed credit facilities, and manages the maturity profiles of financial assets and financial liabilities to minimize refinancing risk.

MARKET RISK

Fluctuations in foreign currency arise when dealing with foreign customers. To manage this risk, the Fund reviews its exposure, specifically the size and jurisdiction (including political and economic factors) of all foreign contracts. Where market risk is deemed unacceptably high, the Fund will enter into forward exchange contracts to reduce exposure. However, the currency and term of the forward exchange contracts will impact future cash flows as exchange rates change over the contract terms.

STRATEGIC PLAN

The Fund seeks to maximize Unitholder value. It continues to develop new product lines and improve processes and is receptive to well-targeted, accretive acquisitions. The Fund also strengthens its financial position through increased operational efficiency and controlled asset management. The management group's vision statement is below.



“Foremost will be a strong, dynamic, and growing company that is the preferred supplier of a diverse line of quality industrial, mobile, and energy-related equipment, products, and services.”

OUTLOOK FOR THE FUND

Most of the factors that caused instability in business operations over the past few years—such as supply chain disruptions and input cost uncertainties—have now stabilized. However, new challenges in the Fund's key U.S. market, including trade re-negotiations and uncertainties regarding export tariffs, have emerged and are being closely monitored. Management is focused on adjusting to evolving market conditions to maintain and enhance the Fund's balance sheet and to improve revenue and profit performance.

The Fund plans to:

- continue to manage working capital
- minimize debt or external financing
- aggressively search for domestic and international revenue opportunities
- maintain tight control over operational expenditures and workforce levels
- expend capital as necessary to optimize productive capacity and increase operational efficiencies
- determine Trust Unit distributions commensurate with annual business performance

The Fund believes this will create a strong position to capitalize on current and future business opportunities as market conditions stabilize and improve.

UNITHOLDERS' CAPITAL

The Fund is authorized to issue an unlimited number of Trust Units. These units entitle the Unitholder to:

- one vote per Trust Unit
- *pro rata* interest in the net assets of the Fund
- *pro rata* participation in all Trust Unit distributions

Upon trustee resolution, the Fund may issue special voting units. These units:

- entitle the Unitholder to the number of votes the resolution prescribes
- do not entitle the Unitholder to participate in any distributions from the Fund
- do not entitle the Unitholder to any beneficial interest in any of the Fund's assets

No special voting units were issued as of December 31, 2024, or for the period up to the date of this MD&A.

A Unitholder may redeem Trust Units in whole or in part, on demand. When the Fund receives an executed redemption notice and related Trust Unit certificate, the Unitholder ceases to have any rights with respect to those Trust Units. On November 26, 2010, the Fund amended its Deed of Trust to change the value a Unitholder is entitled to receive on redemption. For each unit tendered for redemption, a Unitholder will receive an amount equal to plus or minus 10% of the tangible book value per Trust Unit of the Fund. The Deed of Trust provides that up to \$1,500,000 per month (the Monthly Limit) of Trust Units may be redeemed in cash at the Trustees' discretion, above which the Fund will redeem Trust Units by unsecured promissory notes.

The Trustees have exercised their discretion within the terms of the Deed of Trust to reduce the Monthly Limit to \$350,000.

This is a summary only and is subject in all respects to the Deed of Trust. The income and other tax consequences of holding, redeeming, or disposing of units and acquiring promissory notes will vary depending on:

- the Unitholder's particular circumstances, including the jurisdiction in which the Unitholder resides or carries on business
- whether the Unitholder is an RRSP, RESP, RRIF, DPSP, or TFSA

All Unitholders should consult their own legal and tax advisors before redeeming Trust Units.

The Board of Trustees reviews the stated redemption price quarterly; the stated redemption price was \$7.25 at January 1, 2025 and updated to \$7.10 as of February 21, 2025 when the final distribution value was set.

<i>(000's except per Trust Unit amounts)</i>			
For the year ended	December 31, 2024	December 31, 2023	December 31, 2022
Tangible book value per Trust Unit			
Unitholders' equity	\$ 144,198	\$ 148,069	\$ 140,967
Less: Deferred tax assets	\$ (10,817)	\$ (14,862)	\$ (16,305)
Less: Intangible assets	\$ (1,246)	\$ (1,105)	\$ (1,400)
Tangible equity	\$ 132,135	\$ 132,102	\$ 123,262
Trust Units outstanding, period ending	15,264,876	17,457,569	17,494,049
Tangible book value per Trust Unit	\$ 8.66	\$ 7.57	\$ 7.05

The Deed of Trust also limits a Unitholder's ability to sell, transfer, consign, mortgage, pledge, or dispose of any Trust Units in any way without the Board of Trustee's prior written consent unless the Unitholder is transferring the Trust Units to a similar beneficiary. Any attempt to do any of the above without the Board of Trustees' consent will be void.

At the date of this MD&A, 1,643,013 of unit options remain available under the unit-option plan.

<i>(000's except per Trust Unit amounts)</i>	Number of Trust	Unitholders'
Trust Unit Amounts	Units	Capital
December 31, 2022	17,494,049	\$ 60,646
Redemption of Trust Units	(36,480)	(127)
December 31, 2023	17,457,569	\$ 60,519
Redemption of Trust Units	(2,192,693)	(7,618)
December 31, 2024	15,264,876	\$ 52,901

TRUST UNIT DISTRIBUTIONS

The table below sets out the Standardized Distributable Cash calculation for the periods ended December 31, 2024, December 31, 2023, and December 31, 2022. The Fund intends to use the annual distribution process. The annual Trust Unit distribution amount is generally determined by taking cash flows from operating activities and adjusting for the costs of upgrading and expanding property, plant, and equipment; business acquisitions; debt obligation repayments; and the effect of changes in general business conditions on working capital. The Trustees exercise discretion based on current market conditions and capital and operating requirements when setting the annual distribution amount. On December 1, 2024, the Fund announced an estimated \$16.0 million distribution, or \$1.05 per unit, for the 2024 fiscal year. On February 21, 2025, the Fund announced an increase to the estimated annual distribution for 2024. The new distribution announced was \$1.20 per unit which represents a payment of \$18.3 million. This distribution is to be paid on or before March 31, 2025.

Selected Information

<i>(000's except per Trust Unit amounts)</i>	December 31, 2024	December 31, 2023	December 31, 2022
For the year ended			
Net income for the year	\$ 28,847	\$ 16,072	\$ 4,580
Items not involving the use of cash	\$ 8,740	\$ 4,520	\$ 4,722
Change in non-cash working capital	\$ (12,093)	\$ 3,500	\$ (17,441)
Cash flows from operating activities	\$ 25,494	\$ 24,092	\$ (8,139)
Less: capital expenditures	\$ (12,052)	\$ (9,367)	\$ (3,798)
Standardized distributable cash	\$ 13,442	\$ 14,725	\$ (11,937)
Basic and diluted standardized distributable cash per unit	\$ 0.88	\$ 0.84	\$ (0.68)
Trust Unit distributions paid per Trust Unit	\$ 1.20	\$ 0.50	\$ 0.30

UNITHOLDERS' EQUITY

Unitholders' equity is comprised of Unitholders capital and accumulated earnings. Unitholders' equity at December 31, 2024, was \$144.2 million, compared with \$148.1 million at December 31, 2023. In 2024, the Board of Trustees approved a one-time significant redemption of \$14.4 million, exceeding the stated monthly limit of \$0.35 million. Redemptions for cash in 2024 totalled \$14.4 million compared to \$0.2 million in 2023.

RELATED PARTY TRANSACTIONS

The Fund uses the consulting services of TOM Capital Management Inc. (TOM Capital), a company that is partially owned by a Trustee of the Fund. The services consist of professional, M&A advisory and investor relations advice at market rates confirmed from time to time and agreed to by all parties. For the year ended December 31, 2024, the total amount invoiced for consulting services through TOM Capital was \$0.4 million. During the same period of 2023, consulting fees of \$0.3 million were paid to TOM Capital.

RISKS AND UNCERTAINTIES

The Fund is exposed to market risks and various operational risks.

ECONOMIC RISK

The Fund's products are primarily used in the global energy and mining sectors, which have historically experienced rapid and severe shifts in economic activity. These shifts can arise from factors such as significant changes in global market conditions, acceleration or delays in the timing of customer expenditures, and changes in government regulations. As most of the Fund's revenues are derived from these sectors, these large economic fluctuations will continue to impact its overall results. Two specific areas are total revenues (and related gross profits) and bad debts associated with customer accounts receivable.

FOREIGN EXCHANGE RISK

A portion of the Fund's operational business is conducted in foreign markets in either Canadian or US dollars. This includes not only product sales but also the purchase of a portion of the components needed to manufacture those products. The dependence on US currency for both sales and purchasing exposes the Fund to exchange-rate risk. Gross profit and the value of net monetary assets, consisting of cash, receivables, and payables, will fluctuate significantly if there are rapid or significant changes in exchange rates.



POLITICAL AND ECONOMIC RISK

A portion of revenue is earned from foreign customers susceptible to political and economic risks. For larger contracts, we mitigate these risks with contractual credit terms that require a considerable cash deposit and/or letter of credit to guarantee payment of contract amounts. Also, in some cases, we use Export Development Canada (EDC) to insure foreign contracts and receivables. However, if we need to call on EDC coverage, collection can be postponed significantly and may be less than the total contract price. We incur additional risk with international customers, as economic or political restrictions may delay the shipping and delivery of products. The current risk of potential tariffs on exporting and importing goods from the United States brings the risk of impacting contracts with our US customers and reducing the availability of certain materials for our supply chain.

PRODUCT RISK

Modifications to existing products, product customization, and new product development have inherent risks that include:

- *Technical risk*—the product either does not perform as desired or has unacceptable reliability issues that could make it un-merchantable.
- *Competitive risk*—the Fund’s competitors develop and produce an alternative product that may render the Fund’s product obsolete.
- *Supplier risk*—components, engines, and other modules purchased from third-party vendors to assemble products do not perform acceptably, thereby increasing product liability risk.
- *Commercial risk*—product-development cost overruns cause a significant financial drain. The Fund insists on reviewing proposed product initiatives to ensure the risk/reward trade-off is acceptable.
- *Environmental risk*—environmental issues may materially affect the Fund’s financial condition or its performance. The Fund regularly assesses environmental risk.
- *International operation risk*—delivering, collecting, and completing contracts for products may not occur as expected. The Fund assesses international operation risk contract-by-contract to ensure these issues do not materially impact the Fund’s financial performance.
- *Tariff risk* – the potential imposition of tariffs could result in increased costs for procuring raw materials, leading to significant cost escalations and potential margin erosion. Additionally, there is a revenue risk, as tariffs could decrease in demand for our products in the US market.

REVENUE RISK

The amount of Trust Unit distributions to Unitholders is affected by events that directly impact the Fund’s net income, cash flows generated from operating activities, and cash flows used for investing activities. Accordingly, a decline in revenue or gross profit from any of the following could impact the timing and amount of Trust Unit distributions to Unitholders:

- changing economic cycles
- a material bad-debt loss
- contract cancellation
- product failure
- a significant acquisition or investment in property, plant, or equipment



FINANCING RISK

The Fund may need additional debt or equity financing to support ongoing operations, undertake capital expenditures, or complete business acquisitions. Additional financing may not be available to the Fund when needed or may not be on acceptable terms. The Fund's inability to raise the necessary financing could limit the Fund's growth and adversely affect the Fund.



REGULATORY RISK

Changing government regulations impact the Fund, particularly in the area of safety. The Fund has established programs to comply with current safety and regulatory standards. However, the Fund's operations are subject to risks inherent in the manufacturing industry. These risks could expose the Fund to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution, and other environmental damage. The Fund's insurance against some of these risks is subject to coverage limits. The insurance may not cover the Fund's liabilities, may not be generally available in the future, or premiums may not remain commercially justifiable. The Fund's financial condition or operations could be materially affected if a substantial liability arose that was not covered by insurance or exceeded policy limits.

The Fund's overall financial results may continue to be affected by government-initiated changes and customer reactions to new environmental legislation. These reactions include possible project cancellation, delay, revision, or relocation, which in turn impact opportunities for the Fund to generate revenue.





NEW ACCOUNTING STANDARDS

On April 9, 2024, the International Accounting Standards Board (IASB) issued IFRS 18, “Presentation and Disclosure in Financial Statements” (IFRS 18), which will replace International Accounting Standard 1, “Presentation of Financial Statements”. IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions.

On May 30, 2024, the IASB issued amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated at fair value through other comprehensive income were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may constitute forward-looking statements involving known and unknown risks, uncertainties, and other factors that may cause the Fund's actual results, performance, or achievements to materially differ from future results, performance, or achievements expressed or implied by these forward-looking statements. In this MD&A, these statements use words like “anticipate”, “could”, “expect”, “seek”, “may”, “intend”, “will”, “believe”, “estimate”, “plan”, and similar expressions. Forward-looking statements include:

- all statements under the heading **Message to the Unitholders**
- all statements under the heading **Strategic Plan**
- all statements under the heading **Outlook for the Fund**
- statements about the impact of current conditions on operations under the headings **Liquidity and Key Financial Ratios** and **Unitholders’ Capital** and other commentary on market conditions throughout this document
- statements made under the **FME and FEE Highlights** section

These statements reflect management's current expectations about future events and operating performance and are valid only up to the date of this MD&A. These forward-looking statements involve several assumptions, risks, and uncertainties, including the impact of general economic conditions, market and industry conditions, changes in laws and regulations, increased competition, fluctuations in commodity prices and foreign exchange, and interest rates. This is not an exhaustive list. Do not rely unduly on these forward-looking statements. The Fund is not obligated to update or revise any of the forward-looking statements except as applicable securities laws may require.

NON-GAAP MEASURES

The measures defined below are not defined under IFRS, but management believes they are useful. None of these terms are intended to represent cash flow from operating activities, net income, or comprehensive income, nor should you view them as an alternative to those or other measures of financial performance calculated in accordance with generally accepted accounting principles (GAAP). As well, the Fund's method of calculating these supplemental measures may not be comparable to similarly titled amounts reported by other issuers.

Tangible book value per Trust Unit: Determined as Unitholders' equity (as defined by GAAP) less intangibles and other assets, less deferred tax assets, then divided by the number of Trust Units outstanding at the end of the period. The Fund uses this to indicate the growth or decline in Unitholders' equity on a per-unit basis for comparative periods. Refer to page 15 for the calculation.

EBITDA: Calculated as earnings from operations (as defined by GAAP) before interest, taxes, depreciation, and amortization. The Fund uses this to evaluate operating performance and determine cash available for distribution. Refer to page 13 for the calculation.

Adjusted EBITDA: Calculated as EBITDA, defined above, and removing the impact of impairment, gain or loss on the sale of property, plant and equipment, government subsidies, and other non-operating income. The Fund uses this to evaluate operating performance. Refer to page 13 for the calculation.

Standardized distributable cash: Calculated as cash from operating activities (as defined by GAAP) less capital expenditures (as defined by GAAP). The Fund uses this to indicate cash flow per unit available for distribution. Refer to page 16 for the calculation.

Working capital: Calculated as current assets (as defined by GAAP) minus current liabilities (as defined by GAAP). The Fund uses this to assess its ability to pay its obligations as they fall due. Refer to page 13 for the calculation.

Working capital ratio: Calculated as current assets (as defined by GAAP) divided by current liabilities (as defined by GAAP). The Fund uses this to assess its ability to pay its obligations as they fall due. Refer to page 13 for the calculation.

Debt-to-equity ratio: Calculated as total debt, equal to the Fund's liabilities, divided by equity. The Fund uses this to measure its financial leverage. Refer to page 13 for the calculation.



FOREMOST INCOME FUND

Consolidated Financial Statements
For the years ended December 31, 2024, and 2023

To the Unitholders of Foremost Income Fund:

Opinion

We have audited the consolidated financial statements of Foremost Income Fund and its subsidiaries (the "Fund"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of net income and comprehensive income, changes in unitholders' equity and cashflows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Craig Bloom.

Calgary, Alberta

March 12, 2025

MNP LLP

Chartered Professional Accountants

FOREMOST INCOME FUND

Consolidated Statements of Financial Position

For the years ended December 31, 2024, and 2023

(\$ thousands of Canadian dollars, except per Trust Unit amounts)

	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	11	\$ 35,824	\$ 45,422
Trade and other receivables	12	20,318	23,127
Derivatives	26(c)	-	445
Inventories	13	71,896	59,172
Contract assets	14	11,414	11,302
Prepaid expenses		3,283	5,549
		142,735	145,017
Property, plant and equipment	15	46,562	36,013
Investment property	16	1,835	3,873
Deferred tax assets	9	10,817	14,862
Intangibles and other assets	17	1,246	1,105
		\$ 203,195	\$ 200,870
Liabilities and Unitholders' Equity			
Current liabilities			
Trade and other payables	22	\$ 14,977	\$ 16,691
Distribution payable	18(c)	18,318	8,729
Derivatives	26(c)	939	-
Provisions	23	1,341	1,321
Contract liabilities	14	23,422	26,060
		58,997	52,801
Unitholders' equity			
Unitholders' capital	18	52,901	60,519
Retained earnings		91,297	87,550
		144,198	148,069
		\$ 203,195	\$ 200,870

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Trustees

(Signed – Bevan May)
Bevan May
Trustee

(Signed – Gord Wiebe)
Gord M. Wiebe
Trustee

FOREMOST INCOME FUND

Consolidated Statements of Net Income and Comprehensive Income

For the years ended December 31, 2024, and 2023

(\$ thousands of Canadian dollars, except per Trust Unit amounts)

	Notes	December 31, 2024	December 31, 2023
Revenue	4	\$ 220,513	\$ 187,993
Cost of sales	5,6	174,095	155,961
Gross profit		46,418	32,032
Administrative expenses	5,6	20,289	17,424
Income from operating activities		26,129	14,608
Interest income	7	1,370	1,887
Other income	8	1,930	738
Insurance proceeds	29	4,514	-
(Loss) gain on disposal of property, plant and equipment	15	(243)	106
Foreign exchange (loss) gain	26(c)	(808)	176
Net non-operating income		6,763	2,907
Income before income tax		32,892	17,515
Tax expense	9	4,045	1,443
Net and comprehensive income		\$ 28,847	\$ 16,072

Basic earnings per Trust Unit 19 \$ 1.85 \$ 0.92

The accompanying notes are an integral part of these consolidated financial statements.

FOREMOST INCOME FUND

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2024, and 2023

(\$ thousands of Canadian dollars, except per Trust Unit amounts)

	Note	Number of Trust Units	Unitholders' Capital	Retained Earnings	Total Equity
December 31, 2022		17,494,049	\$ 60,646	\$ 80,321	\$ 140,967
Redemption of Trust Units	18(b)	(36,480)	(127)	(114)	(241)
Distribution payable to Unitholders	18(c)	-	-	(8,729)	(8,729)
Net income and comprehensive income		-	-	16,072	16,072
December 31, 2023		17,457,569	\$ 60,519	\$ 87,550	\$ 148,069
Redemption of Trust Units	18(b)	(2,192,693)	(7,618)	(6,782)	(14,400)
Distribution payable to Unitholders	18(c)	-	-	(18,318)	(18,318)
Net income and comprehensive income		-	-	28,847	28,847
December 31, 2024		15,264,876	\$ 52,901	\$ 91,297	\$ 144,198

The accompanying notes are an integral part of these consolidated financial statements.

FOREMOST INCOME FUND

Consolidated Statements of Cash Flows

For the years ended December 31, 2024, and 2023

(\$ thousands of Canadian dollars)

	Notes	For the year ended December 31,	
		2024	2023
Cash flows provided by (used in):			
Operations:			
Net income and comprehensive income		\$ 28,847	\$ 16,072
Items not involving the use of cash:			
Depreciation and amortization	15,17	4,385	3,848
Insurance non-cash benefit	15,29	(1,316)	-
Loss (gain) on disposal of property, plant and equipment	15	243	(106)
Tax expense	9	4,045	1,443
Unrecognized foreign exchange loss (gain) on forward contract	26(c)	1,384	(665)
Change in non-cash working capital:			
Trade and other receivables		2,809	(6,991)
Inventories		(12,724)	(129)
Contract assets		(112)	(4,275)
Prepaid expenses		2,266	(3,588)
Trade and other payables		(1,714)	5,186
Provisions		20	98
Contract liabilities		(2,638)	13,199
Net cash provided by operating activities		25,495	24,092
Investments:			
Purchase of property, plant and equipment	15	(12,016)	(9,349)
Purchase of intangibles	17	(38)	(18)
Net proceeds from disposal of property, plant and equipment		90	412
Net cash used in investing activities		(11,964)	(8,955)
Financing:			
Distribution payment	18(c)	(8,729)	(5,248)
Redemption of Trust Units	18(b)	(14,400)	(241)
Net cash used in financing activities		(23,129)	(5,489)
Net (decrease) increase in cash and cash equivalents		(9,598)	9,648
Cash and cash equivalents, beginning of the year		45,422	35,774
Cash and cash equivalents, end of year		\$ 35,824	\$ 45,422
Supplemental disclosure of operating cash flows			
Cash interest received	7	1,370	1,887

The accompanying notes are an integral part of these consolidated financial statements.

FOREMOST INCOME FUND

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024, and 2023

All amounts in thousands of Canadian dollars unless otherwise stated

1. Reporting Entity

Foremost Income Fund (the Fund) is an unincorporated, open-ended unit trust established by a deed of trust under the laws of Alberta dated November 12, 2005, and amended and restated March 11, 2022 (Deed of Trust). The Deed of Trust limits the Unitholders' ability to sell, transfer, consign, mortgage, pledge, or dispose of any Trust Units in any manner other than a transfer to a similar beneficiary without the prior written consent of the Board of Trustees. The Board of Trustees will evidence its consent by written approval, and any attempt to do any of the above without that consent will be void.

The Fund intends, as described within the Deed of Trust, to distribute all its taxable income and realized capital gains to the common trust unitholders (Unitholders). As distributions are paid annually, any remaining undistributed taxable income and realized capital gains will be distributed to the Unitholders of record as at the distribution record date in December of each fiscal year. Distribution of this taxable income can be in the form of cash or additional common trust units (Trust Units). Under the Deed of Trust terms, if taxable income is distributed in the form of additional Trust Units, there will be an immediate reconsolidation of the number of Trust Units outstanding. After the consolidation, each Unitholder will hold the same number of Trust Units as held before the distribution of additional Trust Units.

The Fund conducts its business through three limited partnerships: Foremost Universal LP, Foremost Equipment LP, and Foremost Industries LP. Consistent with the Fund's focus on customer and market responsiveness, the Fund's operating segments clearly reflect the two distinct product lines, Foremost Energy Equipment (FEE) and Foremost Mobile Equipment (FME). FEE consists of three active manufacturing and service locations across Alberta. The locations manufacture shop tanks, gas separation units, pressure vessels, field tanks, oil treating units, gas processing units, fuel tanks, agricultural products, and steam generators. FME manufactures hydrovac trucks and equipment, off-highway large wheeled and tracked vehicles, and equipment for custom drilling, construction, water wells, and mining sectors. FME focuses on custom-built vehicles for its clientele and serves them through two manufacturing and service locations in Alberta.

2. Basis of Preparation

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee.

These consolidated financial statements were authorized for issue by the Board of Trustees on March 11, 2025.

b. Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for the liabilities relating to cash-settled-Trust Unit-based payment arrangements and derivatives, which are measured at fair value.

c. Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Fund's and all its subsidiaries' functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except where otherwise stated.

FOREMOST INCOME FUND

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024, and 2023

All amounts in thousands of Canadian dollars unless otherwise stated

d. Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires that management make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates

Significant estimates used in the preparation of these consolidated financial statements include:

Revenue recognition – revenue is recognized either over time or at a point in time. When recognized over time, it is based on the percentage completion of lower of labour costs or total costs (which includes materials, labour and service costs) on cost-plus and fixed-fee contracts. This requires management to estimate costs and the overall percentage completed, contract-by-contract.

Net realizable value of inventory – the net realizable value of inventory is estimated on a product-by-product basis. Determining this value uses a combination of historical analysis of each product's usage, age of inventory, and management's judgment as to the probability of future product use. Based on this assessment, management then estimates the net realizable value for those products not expected to be used in the foreseeable future. Net realizable value is the estimated selling price of that product in the ordinary course of business less any estimated costs of completion and estimated selling costs.

Expected Credit Losses – financial assets measured at amortized cost are stated after evaluating their collectability and allowing appropriately for expected credit losses where considered necessary. Expected credit losses are based on the Fund's historical losses.

Impairment test – impairment tests include management's estimates of future cash flows, discount rates, and third-party appraisals.

Depreciation and amortization – estimated useful lives of property, plant, and equipment are based on management's assumptions and estimates of the useful lives of the assets, along with residual value.

Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is below:

Revenue recognition – revenue is recognized either over time or at a point in time. When recognized over time, it is based on the percentage completion of lower of labour costs or total costs (which includes materials, labour and service costs) on cost-plus and fixed-fee contracts. This requires management to estimate costs and the overall percentage completed, contract-by-contract.

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Property, plant and equipment, intangible assets, and other assets – indicators of impairment on property, plant and equipment, intangible assets, and other assets are assessed at least annually. They are based on management's estimates and judgments on the impairment indicators, along with the useful lives of the assets, including residual values. Management also applies judgment in determining the cash-generating units for which the property, plant and equipment, intangible assets, and other assets reside.

Deferred tax asset – the deferred tax asset is based on management's judgment of the probability of using future tax pools.

3. Material Accounting Policies

The accounting policies below have been applied consistently to all periods presented in these consolidated financial statements.

a. Basis of Consolidation

In preparing the consolidated financial statements, Intra-Fund balances and transactions and any unrealized income and expenses arising from Intra-Fund transactions are eliminated.

Subsidiaries are entities controlled by the Fund, including unincorporated entities such as partnerships. The subsidiaries' financial results are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Fund. Subsidiaries of the Fund as at December 31, 2024, include:

Subsidiaries & Partnerships	Percentage Owned	Jurisdiction of Incorporation, Continuance, or Formation
Air & Gas GP Ltd.	100	Alberta
Foremost (Cyprus) Limited	100	Cyprus
Foremost Commercial Trust	100	Alberta
Foremost Financial Ltd.	100	Alberta
Foremost Industries LP	100	Alberta
Foremost Industries Ltd.	100	Alberta
Foremost Resources Ltd.	100	Alberta
Foremost Track Vehicles Limited	100	Alberta
Foremost Universal LP	100	Alberta
Maloney Industries (Cyprus) Limited	100	Cyprus
Universal Technical Ltd.	100	Alberta
958499 Alberta Ltd.	100	Alberta
Foremost Industries Inc.	100	Alberta
Universal Industries (Foremost) Corp.	100	Alberta
Universal Industries Corp.	100	Alberta
Foremost Equipment LP	100	Alberta
Foremost Equipment G.P. Ltd.	100	Alberta

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b. Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Canadian dollars at the exchange rate at that date. Any resulting gain or loss is recognized in net income. Non-monetary assets and liabilities arising from transactions denominated in foreign currencies are translated into Canadian dollars based on the exchange rates at the date of the transaction.

c. Financial Instruments

The Fund's financial assets and liabilities are classified into the following categories:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	Assets at amortized cost	Amortized cost
Trade and other receivables	Assets at amortized cost	Amortized cost
Financial liabilities:		
Trade and other payables	Liabilities at amortized cost	Amortized cost
Distribution payable	Liabilities at amortized cost	Amortized cost
Derivatives	Fair value through profit or loss	Fair value

Financial Assets

Recognition and initial measurement

The Fund recognizes financial assets when it becomes a party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets, which are subsequently measured at fair value through profit or loss, are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The Fund determines the classification of its financial assets and any embedded derivatives based on the business model for managing the financial assets and their contractual cash-flow characteristics.

Financial assets are classified as follows:

- *Amortized cost*—assets held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method adjusted for gains/losses arising from impairment. Foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost comprise cash and cash equivalents, trade, and other receivables.

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- *Fair value through other comprehensive income*—assets held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income is calculated using the effective interest method, and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Fund holds no financial assets measured at fair value through other comprehensive income.
- *Mandatorily at fair value through profit or loss*—assets that do not meet the criteria to be measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets, including derivatives, are mandatorily measured at fair value through profit or loss.
- *Designated at fair value through profit or loss*—on initial recognition, the Fund may irrevocably designate a financial asset to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Fund does not hold any financial assets designated to be measured at fair value through profit or loss.

Contractual cash-flow assessment

The Fund assesses whether cash flows of financial assets are solely payments of principal and interest based on their contractual terms. For this purpose, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Fund considers factors that would alter the timing and amount of cash flows, such as prepayment and extension features, terms that might limit the Fund's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Fund recognizes a loss allowance for the expected credit losses associated with its financial assets other than those measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

The Fund applies the simplified approach for trade receivables. Using the simplified approach, the Fund records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

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The Fund assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts, such as default events or breaches of borrowing covenants. The Fund continues to recognize a loss allowance equal to lifetime-expected credit losses for financial assets assessed as credit-impaired at the reporting date.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset. Financial assets are written off when the Fund has no reasonable expectation of recovering all or any portion thereof.

Derecognition of financial assets

The Fund derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

Recognition and initial measurement

The Fund recognizes a financial liability when it becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, except for financial liabilities subsequently measured at fair value through profit or loss, for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

After initial recognition, the effective interest rate method measures all financial liabilities at amortized cost. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Fund derecognizes a financial liability only when its contractual obligations are discharged, cancelled, or expired.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with an original maturity of less than 3 months.

e. Inventories

Raw materials for manufacturing purposes and repair parts are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs necessary to make the sale.

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Work in progress related to capital equipment contract sales is determined using the percentage-of-completion method and includes material, labour, and manufacturing overhead and is recorded net of related deferred revenue on a contract-by-contract basis. Finished goods are also valued at the lower of cost or net realizable value.

f. Property, Plant, and Equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures directly attributable to the acquisition of the asset. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of property, plant, and equipment and are recognized in profit or loss.

Depreciation is calculated using the depreciable amount, which is the cost of an asset less its residual value, on a straight-line basis. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Fund will obtain ownership by the end of the lease term. Land and land improvements are not depreciated.

The estimated useful life, residual values, and depreciation method for each property, plant, and equipment class are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives of the various assets are as follows:

Buildings and improvements	25 years
Equipment	3 - 25 years

g. Investment Property

Investment property consists of idle manufacturing property in Alberta and is held for long-term capital appreciation or future lease. This property is carried at cost less accumulated depreciation and impairment.

h. Intangible Assets (other than goodwill)

Intangible assets include costs relating to non-compete agreements, patents, rights, licenses, and other assets. These assets are carried at cost less accumulated amortization and are amortized on a straight-line basis over their three to fifteen years of useful lives. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset it relates to. All other expenditures are recognized in profit or loss as incurred. The estimated useful life and amortization methods are reviewed annually.

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i. Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Current tax payable is reduced for any tax reduction associated with the declaration of distributions.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for:

- temporary differences in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future,
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority:

- on the same taxable entity, or
- on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j. Trust Unit Based Compensation

The fair value of the amount payable to employees in respect of the Trust Unit Option Plan, which is classified as a liability, is recognized as an expense with a corresponding increase in liabilities over the period that the recipients unconditionally become entitled to payments. The liability is re-measured at each reporting date and at the settlement date based on the amount of the Trust Unit Options. Any changes in the fair value of the liability are recognized in profit or loss.

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k. Provisions

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that the Fund will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Fund provides for future warranty costs on a product-by-product basis when the products are sold.

l. Revenue Recognition

The Fund records revenue from contracts with customers in accordance with the five-step model as follows:

- 1) Identify the contract with a customer.
- 2) Identify the performance obligations in the contract.
- 3) Determine the transaction price, which is the total consideration provided by the customer.
- 4) Allocate the transaction price among the performance obligations in the contract based on their relative fair values.
- 5) Recognize revenue when the criteria are met for each performance obligation.

Most of the Fund's contracts are considered single-performance obligations, as the products and services provided (drafting, engineering, manufacturing, painting, etc.) together form the basis of the contract. Contracts are regularly modified upon customer request, and the revenue applicable to the modifications is allocated to the original performance obligation. Revenue is recognized for each contract or performance obligation either over time or at a point in time.

Revenue is recognized using the cost-based input method for performance obligations satisfied over time. The percentage complete is based on the lower of labour costs or total costs. The level of completion is based on management's judgment about how close the work is to satisfying the performance obligation. This requires management to estimate total costs and labour and overall percentage completion on a contract-by-contract basis. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Expected losses on a contract are immediately recognized in profit or loss.

When performance obligations are satisfied at a point in time, the Fund recognizes revenue when the customer has possession of the goods or services. The table below outlines the revenue recognition method by product line.

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Product Line Revenue	Revenue Segment	Recognition over time or at a point in time
Vessels & Gas Separation	FEE	Recognized over time. Contracts include cancellation clauses that represent an enforceable right to payment. Products are custom-built.
Shop Tanks	FEE	Either over time or at a point in time depending on contract terms. Contracts may include customer customization and an enforceable right to payment.
Field Tanks	FEE	Over time based on a cost-based input method. Most manufacturing is completed on the customer's site, and customer controls the work in progress. Payment and cancellation terms are usually based on work performed over the duration of the project.
Agricultural Products	FEE	Recognized at a point in time. Contracts may include customer customization and an enforceable right to payment.
ULC Tanks	FEE	Either over time or at a point in time depending on contract terms. Contracts may include customer customization and an enforceable right to payment.
Parts and Service	FME	Recognized at a point in time. The Fund recognizes revenue when the customer takes possession of the parts.
Vehicles	FME	Recognized over time. Contracts include an enforceable right to payment. Products are custom-built.
Drills	FME	Recognized over time. Contracts include an enforceable right to payment. Products are custom-built.
Trucks	FME	Recognized at a point in time. The Fund recognizes revenue when the customer takes possession of the truck, as this is when the customer obtains control of the asset. This usually occurs shortly after build is complete and when full payment is received.

Nature of goods and services

The Fund carries on business in two segments: FEE and FME. Revenue for FEE is generated from the following product categories: vessels & gas separation (including pressure vessels, gas separation units, oil treating units and gas processing units), shop tanks, field tanks, agricultural products, and ULC tanks. FEE also offers supporting parts sales and service programs and specific equipment rentals. While a Calgary sales office coordinates product sales, the products are currently manufactured at sites throughout Alberta, including Lloydminster and Hythe. Manufacturing is assigned to the location that best fits the product specifications, labour skills, customer site proximity, and delivery times.

In the FME segment, revenues are classified into four product categories: hydrovac and vacuum trucks, drills, vehicles, and parts & service. These products and services are used worldwide in the infrastructure, oil, mineral, and water-well drilling industries. All of these products are currently manufactured, serviced, or distributed from facilities in Calgary and Stettler. Each category is subject to significant fluctuations in activity and revenue. These fluctuations often require significant reallocation of manufacturing resources, skilled labour force, and multi-functional facilities. Refer to Note 10 for more information on the segmented operations.

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Contract costs

Management expects that incremental commission fees paid as a result of obtaining contracts are recoverable, and therefore, we will capitalize them as part of the contract costs when material. For the year ended December 31, 2024, these values were immaterial and remained in administrative costs, consistent with prior years.

Contract balances

Contract assets primarily relate to the Fund's rights to payment for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities relate to the advance payments received from customers. Contract assets and liabilities are accounted for on a contract-by-contract basis, with each contract presented as either a net contract asset or net contract liability, accordingly.

m. Earnings per Trust Unit

The Fund presents basic and diluted earnings per Trust Unit (EPTU). Basic EPTU is calculated by dividing the profit or loss attributable to Unitholders by the weighted average number of Trust Units outstanding during the year. Diluted EPTU is determined by adjusting the weighted average number of ordinary units outstanding and for the effects of all dilutive potential Trust Units comprised of Trust Unit options granted to recipients.

n. Segment Reporting

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Fund's other components. The President reviews all operating segment results regularly to assess the segment's performance and decide what resources should be allocated to it. Segment results reported to the President include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

o. Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Fund has a present legal or constructive obligation to pay it and the obligation can be estimated reliably.

p. Impairment

The Fund's non-financial assets, specifically intangibles and property, plant, and equipment, are assessed at each reporting date to determine whether there is objective evidence of impairment. If evidence indicates that impairment may have occurred, the assets are tested for recoverability. For goodwill, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use (VIU) and

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its fair value less costs of disposal (FVLCD). In assessing value in use (VIU), the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of asset's CGU.

q. Insurance

The Fund has received proceeds from insurance related to recent property damage and resulting business interruption. Insurance proceeds are recognized when it is virtually certain that the inflow of economic benefits will occur. This happens when the insurance claim is approved, and there is reasonable assurance of receiving the funds.

The insurance proceeds are measured at the fair value of the asset received or receivable. This fair value is typically the cash equivalent amount the Fund would have received if it had sold the asset.

Insurance proceeds are generally presented as income in the income statement when the gain or recovery of the loss is realized or virtually certain rather than as a reduction of the related expense.

r. New Standards and Interpretations

On April 9, 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" (IFRS 18), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the consolidated statements of net income and comprehensive income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions.

On May 30, 2024, the IASB issued amendments to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures". The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively.

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4. Revenue

For the year ended December 31,	Primary Geographical Markets							
	Canada		United States		International		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Major Product Lines								
Shop Tanks	\$ 34,089	\$ 24,575	\$ 1,061	\$ 1,172	\$ -	\$ -	\$ 35,150	\$ 25,747
Vessels & Gas Separation	14,472	5,524	-	21	-	-	14,472	5,545
Field Tanks	8,638	4,964	-	-	-	-	8,638	4,964
ULC Tanks	4,458	5,193	-	-	-	-	4,458	5,193
Agricultural Products	2,828	3,770	-	-	-	-	2,828	3,770
Other	1,881	2,198	-	10	-	-	1,881	2,208
Total FEE	66,366	46,224	1,061	1,203	-	-	67,427	47,427
Trucks	64,912	37,948	22,655	38,103	-	-	87,567	76,051
Drills	15,662	11,015	15,856	21,394	5,371	7,153	36,889	39,562
Parts	12,136	5,936	8,691	11,266	4,114	8,132	24,941	25,334
Vehicles	288	-	3,887	105	-	-	4,175	105
Total FME	92,998	54,899	51,089	70,868	9,485	15,285	153,572	141,052
Corporate and Eliminations	(486)	(486)	-	-	-	-	(486)	(486)
Total	\$158,878	\$100,637	\$ 52,150	\$ 72,071	\$ 9,485	\$ 15,285	\$220,513	\$187,993
Timing of Revenue Recognition								
For the year ended December 31,	Products transferred at a point in time		Products and services transferred over time		Total			
	2024	2023	2024	2023	2024	2023		
Major Product Lines								
Shop Tanks	\$ 696	\$ 702	\$ 34,454	\$ 25,045	\$ 35,150	\$ 25,747		
Vessels & Gas Separation	-	-	14,472	5,545	14,472	5,545		
Field Tanks	-	-	8,638	4,964	8,638	4,964		
ULC Tanks	1,331	1,582	3,127	3,611	4,458	5,193		
Agricultural Products	2,828	3,770	-	-	2,828	3,770		
Other	861	883	1,020	1,325	1,881	2,208		
Total FEE	5,716	6,937	61,711	40,490	67,427	47,427		
Trucks	87,567	76,051	-	-	87,567	76,051		
Drills	-	-	36,889	39,562	36,889	39,562		
Parts	24,941	25,334	-	-	24,941	25,334		
Vehicles	-	-	4,175	105	4,175	105		
Total FME	112,508	101,385	41,064	39,667	153,572	141,052		
Corporate and Eliminations	(486)	(486)	-		(486)	(486)		
Total	\$117,738	\$107,836	\$102,775	\$ 80,157	\$220,513	\$187,993		

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(000's) Revenue for the year ended December 31,	2024	2023
Manufacturing and Construction	\$ 192,560	\$ 159,194
Parts	26,928	28,151
Rendering of Services	975	604
Rental	50	44
Total	\$ 220,513	\$ 187,993

5. Operating Costs

The Fund's operating costs, by nature of expense, are:

For the year ended December 31,	2024	2023
Raw material, finished goods, and consumables used	\$ 109,842	\$ 100,967
Personnel	62,709	53,388
General and administrative	7,749	6,503
Occupancy	7,244	6,595
Depreciation and amortization	4,383	3,848
Equipment	2,457	2,084
	\$ 194,384	\$ 173,385

Operating costs included by function in:

For the year ended December 31,	2024	2023
Cost of sales	\$ 174,095	\$ 155,961
Administrative expenses	20,289	17,424
	\$ 194,384	\$ 173,385

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6. Personnel Expense

The Fund's personnel expense, by nature of expense, are:

For the year ended December 31,	2024	2023
Wages and salaries	\$ 47,458	\$ 41,713
Bonuses	4,644	3,773
Canada Pension Plan (CPP) and Employment Insurance (EI) remittances	3,359	2,819
Contractor costs	2,058	1,188
Group benefit plans	1,887	1,791
Contributions to defined contribution plans	1,301	1,001
Workers Compensation	788	661
Long-term retention	634	72
Trust unit option compensation	580	370
	\$ 62,709	\$ 53,388

Personnel costs included by function in:

For the year ended December 31,	2024	2023
Cost of sales	\$ 50,928	\$ 43,345
Administrative expenses	11,781	10,043
	\$ 62,709	\$ 53,388

7. Interest Income

Interest income in 2024 was \$1.4 million in 2024 (\$1.9 million in 2023). Interest income is derived from the Fund's cash and cash equivalents.

8. Other Income

Other income includes proceeds from scrap steel, WCB refunds, rental income, and other miscellaneous income not in the normal course of operations.

Within this category, the Fund recognized \$1.6 million from a lawsuit settlement during the year ended December 31, 2024 (2023 – nil). The associated costs of this lawsuit, mainly legal fees, were accounted for in SG&A in previous periods.

9. Tax Expense

The Fund is an open-ended unit trust subject to tax on any Canadian taxable income not allocated to Unitholders.

As a result of the voluntary delisting by the Fund effective December 15, 2010, the Fund is no longer a Specified Investment Flow-Through (SIFT) Trust and is therefore no longer subject to the SIFT tax legislation that passed in Bill C-52 in June 2007. The SIFT legislation provided that the Fund would be subject to a tax on distributions. Under the new status for the non-listed Fund, distributions remain deductible, and the SIFT distribution tax does not apply. Management intends that the Fund will distribute taxable income to the Unitholders to eliminate any taxable income in the Fund.

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All amounts in thousands of Canadian dollars unless otherwise stated

The following is a reconciliation of income taxes, calculated at the combined federal and provincial income tax rate, to the income tax provision included in the consolidated statements of net income and comprehensive income.

(000's)	December 31, 2024	December 31, 2023
Income from operations before taxes	\$ 32,892	\$ 17,515
Statutory rate	48.0%	48.0%
Expected income tax provision	15,788	8,407
Add (deduct):		
Income distributed to Unitholders	(8,793)	(4,190)
Changes in deferred tax assets not recognized	(4,811)	(1,495)
Expenses not deductible for tax	1,199	(79)
Other	662	(1,200)
Tax expense	4,045	\$ 1,443

Unrecognized temporary differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

(000's)	December 31, 2024	December 31, 2023
Intangible	\$ 31,410	\$ 31,360
Property, plant and equipment	21,882	30,034
Provisions	497	
Losses carried forward	5,143	8,340
	\$ 58,932	\$ 69,734

The tax losses expire as per the table below:

Year of tax loss expiry	(000's)
2027	\$ 214
2028	167
2029	9
2030	1,037
2032	37
2033	1,565
2034	1,402
2035	1,447
2036	1,294
	\$ 7,171

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Movement in deferred tax assets during the year

(000's)	December 31, 2023	Recognized in Net Income	December 31, 2024
Intangible	\$ 9,214	(1,699)	\$ 7,515
Property, plant and equipment	3,702	(1,984)	1,718
Provisions	1,381	(273)	1,108
Losses carried forward	565	(89)	476
Tax assets	\$ 14,862	(4,045)	\$ 10,817

10. Operating Segments

The Fund has three reportable business segments, each of which are the Fund's strategic business units. The strategic business units offer different products and services within the oil and natural gas industry. For each strategic business unit, the President and CFO review internal management reports monthly. The following summary describes the operations in each of the Fund's reportable segments:

- Foremost Mobile Equipment – FME designs, manufactures, sells, and services drilling equipment, heavy all-terrain vehicles, hydrovac trucks, and related parts and tooling.
- Foremost Energy Equipment – FEE designs, manufactures, sells, and services oil-treating systems, pressure vessels, fluid storage tanks, gas separators, fuel tanks, agricultural products, and steam generators.
- Corporate – Corporate handles administrative expenses incurred at the Fund level, and elimination entries and transactions within Foremost Financial Ltd.

The accounting policies of the reportable segments are the same as described in Notes 2 and 3. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax and earnings before interest, tax, depreciation, and amortization (EBITDA), as included in the internal management reports reviewed by the Fund's President and CFO. Segment profit is used to measure performance, as management believes that is the most relevant measure to compare against other entities that operate within these industries. Transfer pricing is based on third-party rates.

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Consolidated Statements of Financial Position

For the years ended December 31, 2024, and 2023

(\$ thousands of Canadian dollars)

Reportable Segments – Foremost Energy Equipment, Foremost Mobile Equipment, and Corporate

For the year ended December 31,	Foremost Energy Equipment		Foremost Mobile Equipment		Corporate		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	\$ 67,427	\$ 47,427	\$ 153,572	\$ 141,052	\$ (486)	\$ (486)	\$ 220,513	\$ 187,993
Cost of sales	55,439	42,824	119,142	113,623	(486)	(486)	174,095	155,961
Gross profit	11,988	4,603	34,430	27,429	-	-	46,418	32,032
Administrative expenses	7,409	6,312	11,629	10,152	1,251	960	20,289	17,424
Net income (loss) from operating activities	4,579	(1,709)	22,801	17,277	(1,251)	(960)	26,129	14,608
Interest income	246	655	611	947	513	285	1,370	1,887
Other income	286	649	85	89	1,559	-	1,930	738
Insurance proceeds	2,470	-	2,044	-	-	-	4,514	-
Loss (gain) on disposal of property, plant and equipment	(82)	164	(161)	(58)	-	-	(243)	106
Foreign exchange gain (loss)	22	1	411	(4)	(1,241)	179	(808)	176
Net non-operating income	2,942	1,469	2,990	974	831	464	6,763	2,907
Income (loss) before tax	7,521	(240)	25,791	18,251	(420)	(496)	32,892	17,515
Income tax expense	2,518	699	1,455	717	72	27	4,045	1,443
Net income (loss) and comprehensive income (loss)	\$ 5,003	\$ (939)	\$ 24,336	\$ 17,534	\$ (492)	\$ (523)	\$ 28,847	\$ 16,072
Reportable segment assets	\$ 78,557	\$ 78,597	\$ 90,843	\$ 76,900	\$ 33,795	\$ 45,373	\$ 203,195	\$ 200,870
Capital expenditures	\$ 9,353	\$ 7,829	\$ 2,661	\$ 1,520	\$ -	\$ -	\$ 12,014	\$ 9,349
Reportable segment liabilities	\$ 13,747	\$ 20,430	\$ 24,802	\$ 22,995	\$ 20,449	\$ 9,376	\$ 58,998	\$ 52,801

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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Geographic Segments

For the year ended December 31, the Fund had non-current assets in the following jurisdiction:

(000's) Non-current assets as at December 31,	2024	2023
Canada	\$ 60,460	\$ 55,853
Total	\$ 60,460	\$ 55,853

Major Customers

For the year ended December 31, 2024, the Fund had two customers who accounted for 29.6% of revenue. During 2023, two customers represented 40.3% of revenue.

Within the FEE segment, no one customer accounted for more than 10% of revenue in 2024 or 2023.

Within the FME segment, two customers accounted for 42.6% of revenues in 2024. This is a result of two distributor agreements within the truck product line. During 2023, the same two customers accounted for 53.8% of revenue.

11. Cash and Cash Equivalents

As at	December 31, 2024	December 31, 2023
Bank balances	\$ 33,674	\$ 20,422
Short-term investments	2,150	25,000
	\$ 35,824	\$ 45,422

At December 31, 2024, the Fund held two short-term deposits totalling \$2.1 million (December 31, 2023 – \$25.0 million) bearing interest at a rate of 4.22% and 5.12% (December 31, 2023 – 5.96% and 5.78%).

12. Trade and Other Receivables

As at	December 31, 2024	December 31, 2023
Trade receivables	\$ 19,109	\$ 22,622
Other receivable	1,209	505
	\$ 20,318	\$ 23,127

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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13. Inventories

Inventory, net of allowance

	December 31, 2024	December 31, 2023
Raw materials and consumables	\$ 47,125	\$ 43,068
Work in progress related to capital equipment	16,033	10,663
Finished goods	8,738	5,441
	\$ 71,896	\$ 59,172

Valuation Allowances

	December 31, 2024	December 31, 2023
Raw materials and consumables	\$ (5,211)	\$ (5,075)
Finished goods	(1,000)	(987)
	\$ (6,211)	\$ (6,062)

14. Contract Balances

	Contract Assets	
For the year ended December 31,	2024	2023
Balance, beginning of year	\$ 11,302	\$ 7,027
Additions from new contracts with customers	41,854	39,448
Contract assets invoiced during the year	(41,742)	(35,173)
Balance, end of year	\$ 11,414	\$ 11,302

	Contract Liabilities	
For the year ended December 31,	2024	2023
Balance, beginning of year	\$ 26,060	\$ 12,861
Additions from new contracts with customers	67,663	65,116
Contract liabilities recognized in revenue during the year	(70,301)	(51,917)
Balance, end of year	\$ 23,422	\$ 26,060

	Contract Assets & Liabilities	
For the year ended December 31,	2024	2023
Balance, beginning of year (net)	\$ (14,758)	\$ (5,834)
Revenue recognized	102,775	80,157
Amounts invoiced during the year	(100,025)	(89,081)
Balance, end of year (net)	\$ (12,008)	\$ (14,758)

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15. Property, Plant and Equipment

Cost				
	Land and Buildings	Assets Under Construction	Equipment	Total
Balance at December 31, 2022	\$ 47,333	\$ 2,162	\$ 40,779	90,274
Additions	1,872	4,361	3,116	9,349
Transfer	64	(781)	717	-
Disposals	(101)	(20)	(1,140)	(1,261)
Balance at December 31, 2023	49,168	5,722	43,472	98,362
Additions	1,878	4,062	6,076	12,016
Additions from non-cash insurance benefit	1,316	-	-	1,316
Transfer	90	(5,188)	5,098	-
Transfer to intangibles	-	(374)	(2)	(376)
Transfer from investment property	3,577	-	-	3,577
Disposals	(856)	(10)	(5,443)	(6,309)
Balance at December 31, 2024	\$ 55,173	\$ 4,212	\$ 49,201	108,586
Accumulated Depreciation				
	Land and Buildings	Assets Under Construction	Equipment	Total
Balance at December 31, 2022	\$ 29,089	\$ -	\$ 30,680	59,769
Depreciation for the year	1,315	-	2,220	3,535
Disposals	(49)	-	(906)	(955)
Balance at December 31, 2023	\$ 30,355	\$ -	\$ 31,994	62,349
Depreciation for the year	1,462	-	2,650	4,112
Transfer from investment property	1,538	-	-	1,538
Disposals	(564)	-	(5,411)	(5,975)
Balance at December 31, 2024	\$ 32,791	\$ -	\$ 29,233	62,024
Carrying Amount				
	Land and Buildings	Assets Under Construction	Equipment	Total
Balance at December 31, 2023	\$ 18,813	\$ 5,722	\$ 11,478	36,013
Balance at December 31, 2024	\$ 22,381	\$ 4,212	\$ 19,969	46,562

Land and buildings in FEE increased in 2024 due to the purchase of a new building and land in Hythe for \$1.1 million, and the transfer of Lloydminster West property from investment property for a net value of \$2.0 million. In FME, the increase was due to the compressor room addition in Calgary following a fire of \$1.4 million, including \$1.3 million of non-cash insurance benefit, and the purchase of residential housing in Calgary for temporary foreign workers for \$0.5 million, partially offset by depreciation of \$1.5 million.

Equipment in FEE increased in 2024 due to IMCAR tank production systems for Grand Prairie and Lloydminster North totalling \$4.3 million, gantry crane system of \$1.3 million, lifting dollies for \$0.9 million, and other welding equipment for Lloydminster North of \$0.8 million. Equipment in FME increased in 2024 due to the purchase of a horizontal boring mill and machine center in Calgary for \$1.2 million.

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Assets under construction in FEE decreased in 2024 due to transfer of IMCAR tank production systems for Grande Prairie and Lloydminster North totalling (\$4.3 million), and a gantry crane totalling (\$0.3) million to equipment, partially offset by additions of PWHT oven \$1.0 million, and Nordweld system \$2.4 million in Lloydminster. Assets under construction in FME decreased due to the transfer of the Apex 100 design (\$0.3 million) to intangibles. Assets under construction increased in 2023 due to the purchase and install of a tank welding unit \$1.9 million, gantry crane system for a pressure shop, and tank production system including decoiler and semi-automatic seam welder \$1.4 million in Lloydminster.

Impairment Analysis

The Fund assesses whether there is an indication of impairment at each reporting date. This is based on economic conditions, such as commodity pricing, specifically oil and gas, and recent and forecasted financial performance of the CGU. Foremost determined that there were no negative payback indicators in the FEE CGU, (in Lloydminster and Bonnyville), during 2024.

There have been limited market transactions with assets of this nature, so internal estimates combined with appraisals were relied upon to determine fair market value. This calculation of recoverable amount relies on subjective key assumptions but represent reasonable estimates with respect to factors affecting operations, including economic, operational, and market conditions. These conditions are sensitive to change and could affect fair value.

16. Investment Property

	December 31, 2024	December 31, 2023
Cost		
Balance at December 31, 2023	\$ 8,949	\$ 8,949
Transfer out	(3,577)	-
Balance at December 31, 2024	\$ 5,372	\$ 8,949
Accumulated Depreciation		
Balance at December 31, 2023	\$ 5,076	\$ 5,076
Depreciation	27	-
Transfer out to property, plant, & equipment	(1,565)	-
Balance at December 31, 2024	\$ 3,538	\$ 5,076
Balance at December 31, 2023	\$ 3,873	\$ 3,873
Balance at December 31, 2024	\$ 1,834	\$ 3,873

Investment property consists of one idle manufacturing facility in Alberta. This property is carried at cost less accumulated depreciation and impairment. During the second quarter of 2024, the Lloydminster West shop was transferred to property, plant and equipment and was temporarily in use for operations while the Lloydminster North shop, damaged from a March 2024 fire, was repaired.

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17. Intangible and Other Assets

Cost	Other Assets	Patents, rights and licenses	Total
Balance at December 31, 2022	\$ 1,801	\$ 3,211	\$ 5,012
Additions	12	6	18
Balance at December 31, 2023	\$ 1,813	\$ 3,217	5,030
Additions	27	11	38
Transfer from property, plant and equipment	376	-	376
Balance at December 31, 2024	\$ 2,216	\$ 3,228	\$ 5,444

Amortization	Other Assets	Patents, rights and licenses	Total
Balance at December 31, 2022	\$ 1,567	\$ 2,045	\$ 3,612
Amortization for the year	245	68	313
Balance at December 31, 2023	\$ 1,812	\$ 2,113	\$ 3,925
Amortization for the year	206	67	273
Balance at December 31, 2024	\$ 2,018	\$ 2,180	\$ 4,198

Carrying Amount	Other Assets	Patents, rights and licenses	Total
December 31, 2023	\$ 1	\$ 1,104	\$ 1,105
December 31, 2024	\$ 198	\$ 1,048	\$ 1,246

18. Unitholders' Equity

a. Unitholders' Capital

The Fund is authorized to issue an unlimited number of Trust Units and an unlimited number of special voting units. Special voting units may be issued by Trustee resolution. These special voting units entitle the holders thereof to the number of votes prescribed by the resolution. These special voting units do not entitle the holder to participate in any distributions from the Fund or to beneficial interest in any assets of the Fund.

b. Redemption of Trust Units

Trust Units are redeemable in whole or in part at any time on demand by the Unitholder. Upon receipt of an executed redemption notice and related Trust Unit certificate, the Unitholder ceases to have any rights with respect to those Trust Units. The Unitholder is entitled to receive a redemption price equal to the tangible book value, plus or minus 10%. The redemption price is set at the discretion of the Board of Trustees. The Trustees exercised their discretion and set the monthly limit for cash distributions at \$0.35 million for October 2018 to December 2024. In 2024, the

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trustees approved an exception for a one-time redemption of \$14.4 million.

Unitholders are limited in their ability to sell, transfer, consign, mortgage, pledge, or dispose of any Trust Units in any way without the Board of Trustee's prior written consent unless the Unitholder is transferring the Trust Units to a similar beneficiary. The Board of Trustees will evidence its consent by written approval, and any attempt to do any of the above without the Board of Trustees' consent will be void.

During the year ended December 31, 2024, 2,192,693 (2023 – 36,480) Trust Units were redeemed for cash of \$14.4 million (2023 – \$0.2 million). As of December 31, 2024, the stated redemption price was \$8.30 per unit (2023 – \$7.05 per unit). Effective January 1, 2025, as a result of a proposed cash distribution of \$1.20 per unit, the stated redemption price was reduced to \$7.25 per unit. As of February 21, 2025, the redemption price was reduced to \$7.10 per unit.

c. Trust Unit Distributions

The Fund intends to distribute taxable income on an annual basis via a special or cash distribution at the discretion of the Trustees. On December 1, 2024, the Fund announced an estimated \$16.0 million distribution, or \$1.05 per unit, for the 2024 fiscal year. On February 21, 2025, the Fund announced an increase to the estimated annual distribution for 2024. The new distribution announced was \$1.20 per unit which represents a payment of \$18.3 million. This distribution is to be paid on or before March 31, 2025. The \$8.7 million distribution for the year ended December 31, 2023, was paid in the first quarter of 2024.

19. Earnings per Trust Unit

Earnings per Trust Unit are calculated using the weighted average number of Trust Units outstanding. The reconciliation of the denominators used to determine the basic earnings per Trust Unit and diluted earnings per Trust Unit is below:

For the year ended December 31,	2024	2023
Basic weighted-average Trust Units	15,624,455	17,474,870
Diluted weighted-average Trust Units	15,912,455	17,666,870
Net income for the year (in thousands of Canadian dollars)	\$ 28,847	\$ 16,072
Basic earnings per share	\$ 1.85	\$ 0.92
Diluted earnings per share	\$ 1.81	\$ 0.91

20. Trust Unit-Based Compensation Plan

In March 2022, the requisite majority of Unitholders approved an amended and restated unit option plan. The Fund has reserved 2,123,013 unit options under the amended and restated unit option plan. During 2021, 480,000 options were granted at an exercise price of \$6.00 per unit. These options vest annually over five years, on each of the five anniversaries of the date of the grant, and expire one year after the fifth anniversary.

No additional options were granted during 2023 or 2024. As at December 31, 2024, 288,000 trust units had vested.

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A summary of the status of the plan and changes during the years that ended is presented below:

	December 31, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Unit Option Plan				
Unit options, beginning of year	480,000	\$ 6.00	480,000	\$ 6.00
Unit options, end of year	480,000	6.00	480,000	\$ 6.00
Unit options exercisable, end of year	288,000	\$ 6.00	192,000	\$ 6.00

Trust Units-Based Compensation Expense

The fair value of these unit options is \$1.1 million at December 31, 2024 (2023 – \$0.5). For the year ended December 31, 2024, an expense of \$0.5 (2023 – \$0.3) was recorded in administrative expenses with an equal amount offset to other payables.

The 2021 weighted average fair value per option with an exercise price of \$6.00 was \$0.73. This was calculated using the Black-Scholes model, with the assumptions being a risk-free rate of 5.45%, a forfeiture rate of nil, an expected option life of five years, a volatility of 7.77%, and a quarterly dividend rate of 12.65%.

21. Credit Facilities

The Fund maintains a credit facility with a major Canadian chartered bank. On October 2, 2024, the Fund transitioned this credit facility over to another Canadian bank. The borrowing base of the new facility is based on a percentage of inventory and eligible accounts receivable, less certain trade payables, to a maximum of \$20.0 million. This facility bears interest at prime plus 0.25%, is secured by a general security agreement, and allows the Fund to manage interest and exchange risks with financial instruments. As of December 31, 2024, the Fund had utilized \$2.4 million of this facility for letters of credit required to fulfill customer contracts, with no cash drawn under this facility. Under its credit facility agreement, the Fund is subject to a financial covenant requiring the maintenance of a tangible net worth exceeding \$80 million. As of December 31, 2024, the Fund is in compliance with this covenant.

The Fund's previous bank based the available facility on a percentage of specific inventory and eligible accounts receivable, net of certain trade payables, to a maximum of \$30.0 million. Depending on specific operating ratios, the operating credit facility bore interest at prime plus 0.25% or prime plus 0.125%. The credit facility was secured by a general security agreement and floating charge debenture of \$40.0 million.

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22. Trade and Other Payables

	December 31, 2024	December 31, 2023
Due to related parties	\$ 648	\$ 50
Trade payables	5,738	11,006
Non-trade and accrued payables	8,591	5,635
	\$ 14,977	\$ 16,691

The Fund's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26(b).

23. Provisions

Warranty Provision

	December 31, 2024	December 31, 2023
Provisions, beginning of the year	\$ 1,321	\$ 1,223
Provisions made during the year	854	809
Provisions used during the year	(834)	(711)
Provision, end of the year	\$ 1,341	\$ 1,321

The provision for warranties relates mainly to goods sold during the years ended December 31, 2024 and December 31, 2023. The provision is based on estimates made from historical warranty data associated with similar products and services. In accordance with its contractual obligations, the Fund expects to incur most of the liability over the next year.

24. Contingent Liability

The Fund has recently been named in several personal injury lawsuits, collectively claiming \$2.5 million in general damages and an undetermined amount of special damages. The lawsuits arose from an accident on the Columbia Ice Field in 2020, and the Fund is one of numerous defendants. The Fund's insurer has appointed defence counsel and any liability is undeterminable at this time.

The Fund is currently and maybe, from time to time, involved in various employment and other related legal proceedings. No liability has been recorded in the consolidated statement of financial position for the year ended December 31, 2024 (2023 – nil), as the result of these actions is unknown and is expected to be immaterial.

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25. Fair Values of Financial Instruments

Fair Values versus Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at cost				
Cash and cash equivalents	\$ 35,824	\$ 35,824	\$ 45,422	\$ 45,422
Trade and other receivables	20,318	20,318	23,127	23,127
Assets carried at fair value through profit and loss				
Derivatives	-	-	445	445
	\$ 56,142	\$ 56,142	\$ 68,994	\$ 68,994
	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at cost				
Trade and other payables	\$ 14,977	\$ 14,977	\$ 16,691	\$ 16,691
Distribution payable	18,318	18,318	8,729	8,729
Liabilities carried at fair value through profit and loss				
Derivatives	939	939	-	-
	\$ 34,234	\$ 34,234	\$ 25,420	\$ 25,420

Fair Value Hierarchy

The Fund has segregated all financial assets and liabilities measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Financial instruments measured at fair value on the consolidated statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

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26. Financial Risk Management Overview

The Fund is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information about the Fund's exposure to each of the above risks and the Fund's objectives, policies, and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

a. Credit Risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Fund's receivables from customers.

Trade and Other Receivables

In the normal course of business, the Fund is exposed to credit risk through its accounts receivable and construction work in progress from its customers, which operate primarily in the oil and natural gas industry in Canada and the United States. At December 31, 2024, four customers represented over 42.8% of trade receivables and three customers combined to represent 50.8% of work in progress (2023 – one customer represented over 21.4% of trade receivables and three customers combined to represent 49% of work in progress).

The Fund has established credit policies and limits, which are applied in the selection of counterparties, by which they are analyzed individually for creditworthiness before being offered the Fund's standard delivery terms. Management also reviews all receivable balances past due to identify at an early stage matters that could potentially delay the collection of funds.

The aging of trade and other receivables is as follows:

As at:	December 31, 2024		December 31, 2023	
	Gross	Impairment	Gross	Impairment
Current	\$ 8,537	\$ -	\$ 5,096	\$ -
Past due 1 - 30 days	7,010	-	8,901	-
Past due 31 - 60 days	3,319	-	6,574	-
Past due 60 days	534	288	2,264	213
Total trade receivables	19,400	288	22,835	213
Other receivables	1,206	-	505	-
Total trade and other receivables	\$ 20,606	\$ 288	\$ 23,340	\$ 213

The Fund reviews its trade and other receivables regularly and determines estimates of impairments on a customer-

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by-customer evaluation of collectability at each reporting date, taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition, and historical payment behaviour. The impairment allowance is used to record impairment losses unless the Fund is satisfied that no recovery of the amount owing is possible; at that point, the amounts are considered irrecoverable and are written off against the financial asset directly. The movement in the impairment allowance accounts specific to trade receivables during the year is as follows:

As at:	December 31, 2024	December 31, 2023
Impairment allowance, beginning of year	\$ 213	\$ 186
Provisions made during the year	132	89
Provisions used during the year	(57)	(62)
Impairment allowance, end of year	\$ 288	\$ 213

b. Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund manages its liquidity risk through monitoring its capital structure and financial leverage. The Fund believes that the current cash balance, forecasted cash flows from operating activities, along with amounts available under the credit facility will provide sufficient cash requirements to cover the Fund's forecasted normal operating and budgeted capital expenditures. In addition, the Fund manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities, and managing the maturity profiles of financial assets and financial liabilities to minimize refinancing risk.

The following are the undiscounted contractual maturities of non-derivative financial liabilities, excluding the impact of netting agreements:

As at December 31, 2024	Carrying amount	Contractual cash flows	1 years or less	1-5 years	More than 5 years
Trade and other payables	14,977	14,977	14,977	-	-
Distribution payable	18,318	18,318	18,318	-	-
	\$ 33,295	\$ 33,295	\$ 33,295	\$ -	\$ -

As at December 31, 2023	Carrying amount	Contractual cash flows	1 years or less	1-5 years	More than 5 years
Trade and other payables	16,691	16,691	16,691	-	-
Distribution payable	8,729	8,729	8,729	-	-
	\$ 25,420	\$ 25,420	\$ 25,420	\$ -	\$ -

FOREMOST INCOME FUND

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For the years ended December 31, 2024 and 2023

All amounts in thousands of Canadian dollars unless otherwise stated

c. Market Risk

Fluctuations in foreign currency are a source of market risk and arise when dealing with foreign customers. As part of managing this risk, the Fund reviews its exposure, specifically the size and jurisdiction (including political and economic factors) of all foreign contracts. Where market risk is deemed unacceptably high, the Fund will enter into forward exchange contracts to reduce exposure. Future cash flows will be impacted by derivative instruments as foreign exchange rates change over the contract terms. Both contract currency and term will have an impact on this outcome.

The \$0.8 million foreign exchange loss recognized in 2024 (2023 – \$0.2 million gain) is attributable to changes in the value of the Fund's U.S. dollar (USD) denominated net monetary assets and liabilities and foreign exchange on forward contracts. The USD-denominated monetary assets consist of cash and accounts receivable. The \$0.8 million foreign exchange loss was made up of a \$1.4 million unrecognized loss on derivatives and a \$0.6 million recognized gain on cash and accounts receivable. A 5% change in the foreign exchange rate would result in an immaterial impact on the consolidated financial statements.

The Fund enters into currency exchange contracts to mitigate a portion of the foreign currency exposure risk on funds to be received for existing contracts denominated in US Dollars. The fair value of the forward contracts is measured based on the difference between the contracted rate and the current forward rate. At December 31, 2024, the Fund had seven outstanding forward contracts denominated in USD.

	Notational Amount	Fair Value	Fixed Rate to Sell	Forward Rate	Term
Forward contract	2,000 USD	\$ (161)	1.356500	1.437200	January 31, 2025
Forward contract	2,000 USD	\$ (125)	1.374500	1.437200	March 31, 2025
Forward contract	1,500 USD	\$ (122)	1.356000	1.437200	April 30, 2025
Forward contract	1,500 USD	\$ (133)	1.341000	1.429410	June 30, 2025
Forward contract	2,000 USD	\$ (173)	1.341000	1.427620	July 31, 2025
Forward contract	1,000 USD	\$ (85)	1.341000	1.425930	August 29, 2025
Forward contract	2,000 USD	\$ (140)	1.367500	1.437200	September 29, 2025
	12,000 USD	\$ (939)			

d. Interest Rate Risk

At the reporting date, the risk related to interest rate is limited to the Fund's interest-bearing credit facility, which was unused at December 31, 2024.

27. Management of Capital

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern to provide returns to Unitholders and benefits for other stakeholders, maintain financial liquidity and flexibility to fulfill existing financial obligations, support capital requirements of current operations, pay Trust Unit distributions in cash, and provide capital for accretive acquisitions.

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In the definition of capital, the Fund includes Unitholders' capital, retained earnings, cash and cash equivalents, and undrawn credit facilities.

The Fund's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to growth opportunities or changes in economic conditions. To maintain or adjust its capital structure, the Fund may issue new Trust Units, redeem Trust Units, issue new debt, acquire or dispose of assets, adjust Trust Unit distribution amounts or the form of payment, or adjust the amount of cash and short-term investment balances.

The objectives and strategies concerning capital risk management are established on an annual basis and are monitored on a quarterly basis. They have been revised to align with the capital requirements stipulated within the credit facility.

The Fund is not subject to any externally imposed capital requirements. The Fund is subject to certain covenants under its credit facility and is compliant as at December 31, 2024, and 2023.

28. Related Parties

Transactions with Key Management Personnel

The Fund defines key management as being the Trustees, executive officers of the Fund, and senior management. Certain executive officers have management contracts. Trustees also participated in the Fund's unit option plan (see Note 20).

Key management personnel compensation comprised:

	December 31, 2024	December 31, 2023
Salaries and benefits	\$ 1,689	\$ 1,432
Long-term retention	219	72
	\$ 1,908	\$ 1,504

Key Management Personnel and Director Transactions

The Fund uses the consulting services of TOM Capital Management Inc. (TOM Capital), a company that is partially owned by a Trustee of the Fund. The services consist of professional M&A, advisory, and investor relations advice at market rates confirmed from time to time and agreed to by all parties. For the year ended December 31, 2024, the total amount invoiced for consulting and management services through TOM Capital was \$0.4 million (2023 - \$0.3 million).

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29. Insurance Proceeds

\$2.1 million of insurance proceeds cover losses from the August 2022 fire at the Calgary property, with an additional \$2.4 million for the March 2024 fire in Lloydminster. Below is a summary of where insurance has been recorded.

In FME in 2024, the NBV of property disposed of was \$0.2 million (recorded a loss on disposal of \$0.2 million). Proceeds from insurance were a \$1.3 million non-cash benefit for the new building and \$1.1 million cash proceeds of which \$0.2 million is for business interruption (net of expenses). Of these proceeds, \$0.4 million cleared the insurance receivable from 2023. In 2023, cash proceeds of \$0.1 million were received in FME.

In FEE in 2024, the NBV of property disposed of was \$0.1 million (recorded a loss on disposal of \$0.1 million). Proceeds from insurance were \$2.1 million for the new building. Insurance receivable as at December 31, 2024 was \$0.3 million and was collected in January 2025.