



FOREMOST INCOME FUND

Condensed Consolidated Interim Financial Statements
For the three- and nine-month periods ended September 30, 2024

(Unaudited – Prepared by management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

National Instrument 51-102 *Continuous Disclosure Obligations* Part 4, subsection 4.3(3) (a) requires that, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Foremost Income Fund (the Fund) have been prepared by management and approved by the Audit Committee and the Board of Trustees of the Fund.

The Fund's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditors.

FOREMOST INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

For the period ended September 30, 2024

(Unaudited in \$ thousands of Canadian dollars)

	Notes	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	5	\$ 32,708	\$ 45,422
Trade and other receivables	6(b)	17,869	23,127
Derivatives	6(a)	89	445
Inventories	7	72,255	59,172
Contract assets		10,586	11,302
Prepaid expenses		4,499	5,549
		138,006	145,017
Property, plant and equipment			
	8	43,158	36,013
Investment property	9	1,835	3,873
Deferred tax assets		11,940	14,862
Intangibles and other assets		1,321	1,105
		\$ 196,260	\$ 200,870
Liabilities and Unitholders' Equity			
Current liabilities			
Trade and other payables		\$ 20,991	\$ 16,691
Distribution payable	10(c)	-	8,729
Provisions		1,339	1,321
Contract liabilities		20,246	26,060
		42,576	52,801
Unitholders' equity			
Unitholders' capital		52,901	60,519
Retained earnings		100,783	87,550
		153,684	148,069
		\$ 196,260	\$ 200,870

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

Approved by the Board of Trustees

(Signed – Bevan May)
Bevan May
Trustee

(Signed – Gord Wiebe)
Gord M. Wiebe
Trustee

FOREMOST INCOME FUND

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income

For the three and nine months ended September 30, 2024 and 2023

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

		Three-month period ended September 30,		Nine-month period ended September 30,	
	Notes	2024	2023	2024	2023
Revenue	4	\$ 59,143	\$ 44,930	\$ 161,260	\$ 140,681
Cost of sales		46,265	37,083	129,881	115,847
Gross profit		12,878	7,847	31,379	24,834
Administrative expenses		4,805	4,433	14,696	12,964
Income earnings from operating activities		8,073	3,414	16,683	11,870
Interest income		334	538	1,043	1,391
Other income	16	83	55	1,823	186
Insurance proceeds	17	1,623	-	3,867	-
(Loss) gain on disposal of property, plant and equipment		-	(20)	(262)	11
Foreign exchange gain (loss)	6(a)	100	(117)	(218)	34
Net non-operating income		2,140	456	6,253	1,622
Income before income tax		10,213	3,870	22,936	13,492
Income tax expense		1,392	227	2,921	1,157
Net and comprehensive income for the period		\$ 8,821	\$ 3,643	\$ 20,015	\$ 12,335
Basic and diluted earnings per Trust Unit	12	\$ 0.56	\$ 0.21	\$ 1.27	\$ 0.71

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

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Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the period ended September 30, 2024

(Unaudited in \$ 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	10(b)	(26,156)	(91)	(78)	(169)
Net income and comprehensive income		-	-	12,335	12,335
September 30, 2023		17,467,893	\$ 60,555	\$ 92,578	\$ 153,133
December 31, 2023		17,457,569	60,519	87,550	148,069
Redemption of Trust Units	10(b)	(2,192,693)	(7,618)	(6,782)	(14,400)
Net income and comprehensive income		-	-	20,015	20,015
September 30, 2024		15,264,876	\$ 52,901	\$ 100,783	\$ 153,684

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

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Condensed Consolidated Interim Statements of Cash Flows

For the period ended September 30, 2024

(Unaudited in \$ thousands of Canadian dollars)

		For the nine month period ended September 30,	
	Notes	2024	2023
Cash flows provided by (used in):			
Operations:			
Net income and comprehensive income for the period		\$ 20,015	\$ 12,335
Items not involving the use of cash:			
Depreciation and amortization	8	3,203	2,884
Loss (gain) on disposal of property, plant and equipment		262	(11)
Income tax expense		2,921	1,157
Unrecognized foreign exchange loss (gain) on forward contract	6(a)	356	(241)
Change in non-cash working capital:			
Trade and other receivables		5,258	(190)
Inventories		(13,083)	1,153
Contract assets		716	(5,301)
Prepaid expenses		1,050	(914)
Trade and other payables		4,300	4,072
Provisions		18	(24)
Contract liabilities		(5,814)	980
Net cash provided by operating activities		19,202	15,900
Investments:			
Purchase of property, plant and equipment	8	(8,793)	(5,669)
Purchase of intangibles		(38)	(351)
Net proceeds from disposal of property, plant and equipment		44	55
Net cash used in investing activities		(8,787)	(5,965)
Financing:			
Distribution payment	10(c)	(8,729)	(5,248)
Redemption of Trust Units	10(b)	(14,400)	(169)
Net cash used in financing activities		(23,129)	(5,417)
Net (decrease) increase in cash and cash equivalents		(12,714)	4,518
Cash and cash equivalents, beginning of the period		45,422	35,774
Cash and cash equivalents, end of period		\$ 32,708	\$ 40,292
Supplemental disclosure of operating cash flows			
Cash interest received		1,043	1,391

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024

All amounts in thousands of Canadian dollars unless otherwise stated (Unaudited)

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 on March 11, 2022 (the 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 resolution, 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 of 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 terms of the Deed of Trust, 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 two active manufacturing and service locations in Alberta. These 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 maintains a focus on custom-built vehicles for its clientele and serves them through two manufacturing and service locations across Alberta.

2. Basis of Preparation

a. Statement of Compliance

The condensed consolidated interim financial statements (statements) have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as issued by the International Accounting Standards Board.

These statements were authorized for issue by the Board of Trustees on November 25, 2024, and should be read with the Fund's 2023 annual audited consolidated financial statements.

b. Basis of Measurement

These 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.

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For the three and nine months ended September 30, 2024

All amounts in thousands of Canadian dollars unless otherwise stated (Unaudited)

c. Functional and Presentation Currency

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

d. Use of Estimates and Judgments

The preparation of the 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 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.

Significant estimates used in the preparation of these statements are consistent with those disclosed in the 2023 annual audited consolidated financial statements and include:

- the assessment of the percentage completion on cost-plus and fixed-fee contracts (including estimated total costs and provisions for estimated losses)
- the recognition of claims, variations in contract work (that is, change orders), and incentive payments on contracts
- assumptions used to value financial instruments
- estimates and assumptions used to determine the allowance for impairment of trade receivables; useful lives and impairment of property, plant and equipment; warranty provisions; and allowance relating to deferred tax assets

Management applies judgment to determine whether a contract is, or contains, a lease, from both a lessee and a lessor perspective. This assessment is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Key judgments include whether a contract identifies an asset, whether the lessee obtains substantially all of the economic benefits of the asset over the contract term, and whether the lessee has the right to direct the asset's use. Management also applies judgment to determine the rate used to discount the lease payments. Estimates are applied with respect to the incremental borrowing rate used.

3. Significant Accounting Policies

The Fund's accounting policies have not changed from those previously disclosed in note 3 of the 2023 annual audited consolidated financial statements.

4. Operating Segments

The Fund has three reportable operating segments, as described below, each of which are the Fund's strategic business units. The strategic business units offer different products and services in the oil and natural gas industry. For each strategic business unit, the Fund's President reviews 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 equipment, and related parts and tooling
- Foremost Energy Equipment—FEE designs, manufactures, sells, and services oil treating systems, shop tanks, field tanks, oil and gas process treating equipment, fuel storage tanks, protective coatings, agricultural products, and gas separators

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- Corporate and Eliminations—Corporate includes administrative operations with expenses incurred at the Fund level and within Foremost Financial Ltd. Eliminations include adjustments for internal rent agreements between segments

Below is information regarding the results of each reportable segment. Performance is measured based on segment profit before income tax, as included in the internal management reports that the President reviews. Segment profit is used to measure performance, as management believes it is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Transfer pricing is based on third-party rates.

For the three months ended September 30,	Foremost Energy Equipment		Foremost Mobile Equipment		Corporate		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	\$ 20,625	\$ 11,612	\$ 38,639	\$ 33,440	\$ (121)	\$ (122)	\$ 59,143	\$ 44,930
Cost of sales	16,653	10,365	29,735	26,840	(123)	(122)	46,265	37,083
Gross profit	3,972	1,247	8,904	6,600	2	-	12,878	7,847
Administrative expenses	1,727	1,526	2,787	2,512	291	395	4,805	4,433
Net income (loss) from operating activities	2,245	(279)	6,117	4,088	(289)	(395)	8,073	3,414
Interest income	1	157	103	251	230	130	334	538
Other income	60	37	29	18	(6)	-	83	55
Insurance proceeds	1,623	-	-	-	-	-	1,623	-
(Loss) gain on disposal of property, plant and equipment	-	(21)	-	1	-	-	-	(20)
Foreign exchange (loss) gain	-	(1)	(24)	87	124	(203)	100	(117)
Net non-operating income	1,684	172	108	357	348	(73)	2,140	456
Income/(loss) before tax	3,929	(107)	6,225	4,445	59	(468)	10,213	3,870
Income tax expense	1,146	112	235	103	11	12	1,392	227
Net income (loss) and comprehensive income (loss)	\$ 2,783	\$ (219)	\$ 5,990	\$ 4,342	\$ 48	\$ (480)	\$ 8,821	\$ 3,643

For the nine months ended September 30,	Foremost Energy Equipment		Foremost Mobile Equipment		Corporate		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	\$ 48,849	\$ 36,355	\$ 112,775	\$ 104,691	\$ (364)	\$ (365)	\$ 161,260	\$ 140,681
Cost of sales	41,576	32,457	88,670	83,755	(365)	(365)	129,881	115,847
Gross profit	7,273	3,898	24,105	20,936	1	-	31,379	24,834
Administrative expenses	5,259	4,549	8,510	7,624	927	791	14,696	12,964
Net (loss) income from operating activities	2,014	(651)	15,595	13,312	(926)	(791)	16,683	11,870
Interest income	320	522	665	661	58	208	1,043	1,391
Other income	211	145	53	41	1,559	-	1,823	186
Insurance proceeds	1,823	-	2,044	-	-	-	3,867	-
Loss (gain) on disposal of property, plant and equipment	(101)	13	(161)	(2)	-	-	(262)	11
Foreign exchange gain (loss)	2	(1)	15	77	(235)	(42)	(218)	34
Net non-operating income	2,255	679	2,616	777	1,382	166	6,253	1,622
Income/(loss) before tax	4,269	28	18,211	14,089	456	(625)	22,936	13,492
Income tax expense	1,784	448	1,073	653	64	56	2,921	1,157
Net income (loss) and comprehensive income (loss)	\$ 2,485	\$ (420)	\$ 17,138	\$ 13,436	\$ 392	\$ (681)	\$ 20,015	\$ 12,335

Reportable segment assets	\$ 79,005	\$ 67,951	\$ 85,330	\$ 75,910	\$ 31,925	\$ 39,889	\$ 196,260	\$ 183,750
Capital expenditures	\$ 5,017	\$ 4,686	\$ 3,776	\$ 983	\$ -	\$ -	\$ 8,793	\$ 5,669
Reportable segment liabilities	\$ 16,113	\$ 9,644	\$ 25,299	\$ 20,210	\$ 1,164	\$ 763	\$ 42,576	\$ 30,617

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All amounts in thousands of Canadian dollars unless otherwise stated (Unaudited)

Disaggregation of revenue

	Primary Geographical Markets							
	Canada		United States		International		Total	
For the three months ended September 30	2024	2023	2024	2023	2024	2023	2024	2023
Major Product Lines								
Vessels & Gas Separation	\$ 5,810	\$ 1,077	\$ -	\$ -	\$ -	\$ -	\$ 5,810	\$ 1,077
Agricultural Bins	1,417	1,857	-	-	-	-	1,417	1,857
Shop Tanks	9,716	5,980	-	172	-	-	9,716	6,152
Field Tanks	2,191	619	-	-	-	-	2,191	619
ULC Tanks	983	1,424	-	-	-	-	983	1,424
Other	508	483	-	-	-	-	508	483
Total FEE	20,625	11,440	-	172	-	-	20,625	11,612
Parts	1,626	1,167	3,329	3,116	1,300	1,550	6,255	5,833
Drills	1,736	2,065	4,421	4,864	1,987	1,371	8,144	8,300
Vehicles	-	-	1,004	28	-	-	1,004	28
Trucks	23,236	8,014	-	11,265	-	-	23,236	19,279
Total FME	26,598	11,246	8,754	19,273	3,287	2,921	38,639	33,440
Corporate and Eliminations	(121)	(122)	-	-	-	-	(121)	(122)
Total	\$ 47,102	\$ 22,564	\$ 8,754	\$ 19,445	\$ 3,287	\$ 2,921	\$ 59,143	\$ 44,930

	Primary Geographical Markets							
	Canada		United States		International		Total	
For the nine months ended September 30,	2024	2023	2024	2023	2024	2023	2024	2023
Major Product Lines								
Vessels & Gas Separation	\$ 10,148	\$ 4,433	\$ -	\$ -	\$ -	\$ -	\$ 10,148	\$ 4,433
Agricultural Products	2,127	2,695	-	-	-	-	2,127	2,695
Shop Tanks	24,955	18,520	1,061	801	-	-	26,016	19,321
Field Tanks	5,736	4,125	-	-	-	-	5,736	4,125
ULC Tanks	3,500	4,054	-	-	-	-	3,500	4,054
Other	1,321	1,727	-	-	-	-	1,321	1,727
Total FEE	47,788	35,554	1,061	801	-	-	48,849	36,355
Parts	5,094	4,578	8,691	8,156	4,114	6,187	17,899	18,921
Drills	4,271	8,767	15,856	15,603	5,371	5,037	25,498	29,407
Vehicles	(0)	-	3,887	28	-	-	3,887	28
Trucks	42,836	27,306	22,655	29,029	-	-	65,491	56,335
Total FME	52,201	40,650	51,089	52,816	9,485	11,224	112,775	104,691
Corporate and Eliminations	(364)	(365)	-	-	-	-	(364)	(365)
Total	\$ 99,625	\$ 75,839	\$ 52,150	\$ 53,617	\$ 9,485	\$ 11,224	\$161,260	\$140,681

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024

All amounts in thousands of Canadian dollars unless otherwise stated (Unaudited)

Major Customers

For the nine-month period ended September 30, 2024, the Fund had two customers who accounted for 40.5% of revenues. For the same period ended 2023, two customers accounted for 39.9% of revenues. Within the Energy Equipment segment, one customer accounted for 11.2% of segment revenues for the nine-month period ended September 30, 2024. For the same period ended September 30, 2023, no customer accounted for more than 10.0% of segment revenues. Within the Mobile Equipment segment, two customers accounted for 58.0% of revenues for the nine-month period ended September 30, 2024. For the same period ended September 30, 2023, two customers accounted for 53.7% of revenues.

5. Cash and Cash Equivalents

As at	September 30, 2024	December 31, 2023
Bank balances	\$ 32,708	\$ 20,422
Short-term investments	-	25,000
	\$ 32,708	\$ 45,422

At September 30, 2024, the Fund held no short-term deposits (December 31, 2023 – \$25.0 million).

Credit Facility

The Fund had a credit facility with a major Canadian chartered bank but, as of September 30, 2024, was not accessing any funds. In 2016, the credit facility was revised to base the available facility on a percentage of specific inventory, eligible accounts receivable, and a net of certain trade payables to a maximum of \$30.0 million. The operating credit facility bears interest at prime plus 0.25% or prime plus 0.125%, depending on specific operating ratios. The credit facility was secured by a general security agreement and floating charge debenture of \$40.0 million. The credit facility permitted the Fund to use bankers' acceptances to borrow at effective interest rates and to use certain financial instruments to manage interest and exchange risk. Based on the revised borrowing base calculations, \$21.6 million of the credit facility was available on September 30, 2024. The Fund's operating groups use various operating bank accounts in both Canadian and US dollars to transact business.

On October 2, 2024, a new facility was entered into with another major Canadian bank and the prior facility was terminated. The borrowing base of the new facility is based on a percentage of inventory and eligible accounts receivable, minus certain trade payables, to a maximum of \$20.0 million. The facility is secured by a general security agreement and allows the Fund to manage interest and exchange risks with financial instruments.

6. Risk Management

a. Market Risk

Fluctuations in foreign currency are a source of market risk for the Fund 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), under all foreign contracts. Where market risk is deemed unacceptably high, the Fund will enter forward exchange contracts to reduce exposure. Derivative instruments will impact future cash flows as foreign exchange rates change over the contract terms. Both contract currency and term will have an impact on this outcome.

The Fund enters 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 on the

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All amounts in thousands of Canadian dollars unless otherwise stated (Unaudited)

difference between the contracted rate and the current forward rate. On September 30, 2024, eight contracts were in place, which recorded an unrealized loss of \$0.4 million. Seven contracts were in place on September 30, 2023, which recorded an unrealized gain of \$0.2 million. The unrealized gain was recorded in the Foreign Exchange Gain (loss) section.

	Notational Amount	Fair Value	Fixed Rate to Sell	Forward Rate	Term
Forward contract	1,500 USD	\$ 11	1.359500	1.352420	October 4, 2024
Forward contract	2,000 USD	\$ 8	1.356500	1.352500	January 31, 2025
Forward contract	2,000 USD	\$ 44	1.374500	1.352500	March 31, 2025
Forward contract	1,500 USD	\$ 5	1.356000	1.352500	April 30, 2025
Forward contract	1,500 USD	\$ (4)	1.341000	1.343800	June 30, 2025
Forward contract	2,000 USD	\$ (4)	1.341000	1.342900	July 31, 2025
Forward contract	1,000 USD	\$ (1)	1.341000	1.342080	August 29, 2025
Forward contract	2,000 USD	\$ 30	1.367500	1.352500	September 29, 2025
	13,500 USD	\$ 89			

b. 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. Credit risk 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, primarily in the oil and natural gas industry in Canada and the United States. At September 30, 2024, two customers represented 33.6% of the Fund's accounts receivable balance, and at December 31, 2023, one customer represented over 21.4% of the total accounts receivable balance. Three customers represented 54.9% of work in progress at September 30, 2024, and three customers represented 49% of work in progress at December 31, 2023.

The Fund has established credit policies and limits, according to which counterparties are analyzed individually for creditworthiness before being offered the Fund's standard delivery terms. Management also reviews all past-due receivable balances to identify matters at an early stage that could potentially delay the collection of funds. For the nine months ended September 30, 2024, the Fund provided an allowance for doubtful accounts of \$0.3 million (December 2023 —\$0.2 million), calculated using an expected credit loss assessment for specifically identifiable customer balances assessed to have credit risk exposure. The aging of trade and other receivables is as follows:

As at:	September 30, 2024		December 31, 2023	
	Gross	Impairment	Gross	Impairment
Current	\$ 12,024	\$ -	\$ 5,096	\$ -
Past due 1 - 30 days	1,994	-	8,901	-
Past due 31 - 60 days	1,047	-	6,574	-
Past due 60 days	2,403	299	2,264	213
Total trade receivables	17,468	299	22,835	213
Other receivables	700	-	505	-
Total trade and other receivables	\$ 18,168	\$ 299	\$ 23,340	\$ 213

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For the three and nine months ended September 30, 2024

All amounts in thousands of Canadian dollars unless otherwise stated (Unaudited)

7. Inventories

Inventory

	September 30, 2024	December 31, 2023
Raw materials and consumables	\$ 46,204	\$ 43,068
Work in progress related to capital equipment	18,150	10,663
Finished goods	7,901	5,441
	<u>\$ 72,255</u>	<u>\$ 59,172</u>

Valuation Allowances

	September 30, 2024	December 31, 2023
Raw materials and consumables	\$ (5,049)	\$ (5,075)
Finished goods	(992)	(987)
	<u>\$ (6,041)</u>	<u>\$ (6,062)</u>

During the nine months that ended September 30, 2024, the Fund reviewed its inventory allowance calculation and, as a result, recorded an inventory recovery of \$0.1 million (2023 - \$0.3 million recovery). The recovery is due to both usage and fluctuations in the market value of raw materials on hand.

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8. Property, Plant and Equipment

Cost

	Land and Buildings	Assets Under Construction	Equipment	Rental Equipment	Total
Balance at December 31, 2023	\$ 49,168	\$ 5,722	\$ 43,472	\$ -	\$ 98,362
Additions	2,047	1,967	4,779	-	8,793
Transfer	99	(4,648)	4,528	-	(20)
Transfer to Intangibles	-	(347)	-	-	(347)
Transfer from investment property	3,577	-	-	-	3,577
Disposals	(833)	(10)	(5,002)	-	(5,845)
Balance at September 30, 2024	\$ 54,059	\$ 2,684	\$ 47,777	\$ -	\$ 104,519

Accumulated depreciation

	Land and Buildings	Assets Under Construction	Equipment	Rental Equipment	Total
Balance at December 31, 2023	\$ 30,355	\$ -	\$ 31,994	\$ -	\$ 62,349
Depreciation for the year	1,089	-	1,915	-	3,004
Transfer	(27)	-	(0)	-	(27)
Transfer from investment property	1,565	-	-	-	1,565
Disposals	(552)	-	(4,977)	-	(5,530)
Balance at September 30, 2024	\$ 32,430	\$ -	\$ 28,931	\$ -	\$ 61,362

Carrying Amount	Land and Buildings	Assets Under Construction	Equipment	Rental Equipment	Total
Balance at December 31, 2023	\$ 18,813	\$ 5,722	\$ 11,478	\$ -	\$ 36,013
Balance at September 30, 2024	\$ 21,628	\$ 2,684	\$ 18,845	\$ -	\$ 43,158

Depreciation included in the cost of sales category for the period is \$2.8 million, and \$0.4 million is included in administrative expenses.

FOREMOST INCOME FUND

Notes to the Condensed Consolidated Interim Financial Statements

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9. Investment Property

Cost	Total
Balance at December 31, 2023	\$ 8,949
Transfer out	\$ (3,577)
Balance at September 30, 2024	5,372

Accumulated Depreciation	Total
Balance at December 31, 2023	\$ 5,076
Current Year Depreciation	\$ 26
Transfer out	\$ (1,565)
Balance at September 30, 2024	3,537

Balance at December 31, 2023	\$ 3,873
Balance at September 30, 2024	\$ 1,835

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 moved out of this category as it is temporarily in use for operations while the Lloydminster North shop, damaged from a March 2024 fire, is repaired.

10. 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 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 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 transfer request, 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 cash redemption price equal to the tangible book value, plus or minus 10%. The cash redemption price is set at the discretion of the Board of Trustees. The monthly redemption limit is \$1.5 million per month, which can be paid in cash or, in certain circumstances, by the issuance of an unsecured promissory note.

As previously disclosed, under s. 6.4(ii)(B) of the Deed of Trust, the Trustees have exercised their discretion to reduce the monthly redemption limit to \$0.35 million for each month until otherwise notified. This means that if redemptions exceed the monthly limit, the excess will be paid by promissory notes, but Unitholders tendering notices of redemption will be allowed to withdraw notices. All promissory notes are subject to the terms and conditions of the Deed of Trust.

FOREMOST INCOME FUND

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The Deed of Trust also limits the Unitholders' ability to sell, transfer, consign, mortgage, pledge, or dispose of any Trust Units in any manner without the prior written consent of the Board of Trustees. The Board of Trustees will evidence its consent by resolution, and any attempt to do any of the above without consent will be void.

During the nine-month period ended September 30, 2024, there were 2,192,693 Trust Units redeemed (2023 – 26,156) and cash payments of \$14.4 million (2023 – \$0.2 million). As at September 30, 2024, the stated redemption price was \$7.70 per unit.

c. Trust Unit Distributions

The Fund intends to distribute taxable income annually via a cash distribution at the Trustees' discretion. For the year ended December 31, 2023, the Fund announced an \$8.7 million distribution, representing \$0.50 per unit. This was paid in the first quarter of 2024.

11. Related Parties

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 nine-month period ended September 30, 2024, the total amount invoiced for consulting services through TOM Capital was \$0.3 million (2023 – \$0.3 million).

12. Per Trust Unit Amounts

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

For the nine month period ended September 30,	2024	2023
Basic and diluted weighted-average Trust Units	15,745,190	17,476,345
Net income for the year (in thousands of Canadian dollars)	\$ 20,015	\$ 12,335
Basic and diluted earnings per share	\$ 1.27	\$ 0.71

13. 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 2017, the Trustees approved 116,000 options, at an exercise price of \$5.80 per unit. In the first quarter of 2021, an additional 440,000 options were approved at an exercise price of \$6.00 per unit.

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Trust Units-Based Compensation Expense

The 440,000 unit options granted in January 2021 vest over a five-year period and expire five years from the date of grant. They are exercisable on a one-to-one basis at the exercise price of \$6.00 per unit option. The fair value of these unit options is \$943 at September 30, 2024 (2023 – \$438). The 2024 weighted average fair value per option of \$1.52 was calculated using the Black-Scholes model, with the following assumptions: a risk-free rate of 6.70%, a forfeiture rate of nil, an expected option life of five years, a volatility of 6.02%, and a quarterly dividend rate of 7.14%.

For the nine months ended September 30, 2024, an expense of \$418 (2023 - \$297) was recorded in relation to the transactions above. The trust unit-based compensation expense is included in administrative expenses on the statement of income.

14. 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

The Fund is not subject to any externally imposed capital requirements.

In the definition of capital, the Fund includes Unitholders' capital, retained earnings, long-term debt (including any current portion), bank indebtedness, cash and cash equivalents, and undrawn credit facilities.

15. Other Income

Other income comprises earnings from scrap steel sales, WCB refunds, rental revenues, and additional miscellaneous income outside regular operations.

Within this category, the Fund recognized \$1.6 million from a lawsuit settlement. The associated costs of this lawsuit, mainly legal fees, were accounted for in SG&A in previous periods.

16. Insurance Proceeds

\$2.1 million insurance proceeds cover losses from the August 2022 fire at the Calgary property, with an additional \$1.8 million for the March 2024 fire in Lloydminster.

FOREMOST INCOME FUND

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17. 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 condensed consolidated interim statement of financial position, are as follows:

	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at cost				
Cash and cash equivalents	\$ 32,708	\$ 32,708	\$ 45,422	\$ 45,422
Trade and other receivables	17,869	17,869	23,127	23,127
Assets carried at fair value through profit and loss				
Derivatives	89	89	445	445
	\$ 50,666	\$ 50,666	\$ 68,994	\$ 68,994

	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at cost				
Trade and other payables	\$ 20,991	\$ 20,991	\$ 16,691	\$ 16,691
Distribution payable	-	-	8,729	8,729
	\$ 20,991	\$ 20,991	\$ 25,420	\$ 25,420

Fair Value Hierarchy

The Fund has segregated all financial assets and liabilities that are 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.

The fair value of the forward contract is measured based on the difference between the contracted rate and the current forward rate provided from the financial institution. The Fund continues to classify the forward contract as level 2, as the inputs used in the valuation are observable in the open market.