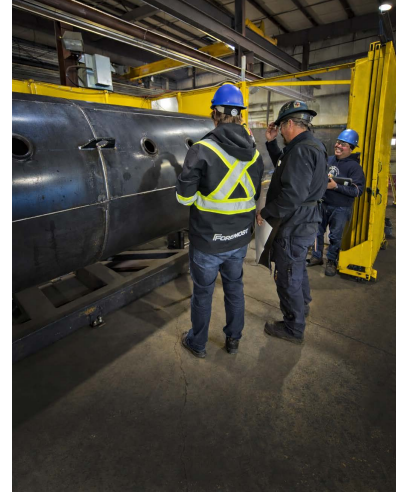
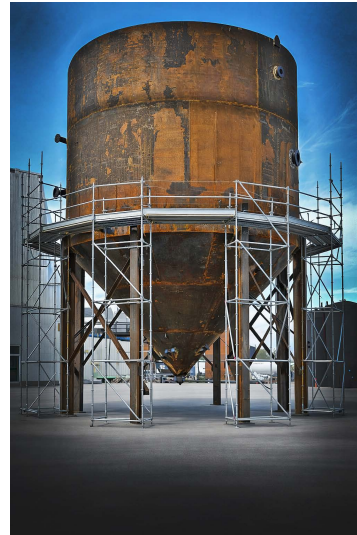


FOREMOST

INCOME FUND



QUARTER ONE

Management's Discussion
and Analysis

2026

FOREMOST INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2026

MESSAGE TO THE UNITHOLDERS

Summary of Q1 2026

Foremost delivered a solid first quarter in 2026, with revenue consistent with Q1 2025 and improved EBITDA despite a more challenging operating environment.

For the quarter, the Fund generated revenue of **\$60.0 million**, compared to **\$60.2 million** in Q1 2025. Gross margin remained consistent at **23%**, and EBITDA increased to **\$9.7 million** from **\$9.5 million** in Q1 2025. Adjusted EBITDA increased to **\$9.8 million**, compared to **\$9.5 million** in Q1 2025.

SG&A expenses accounted for **9% of revenue**, consistent with Q1 2025. This level of administrative expenses remains near the low end of the Fund's historical range and reflects continued discipline in managing overhead costs while supporting current activity levels. Foremost remains in a good financial position. During the quarter, the Fund paid the previously announced **\$24.4 million** distribution related to 2025 taxable income and ended Q1 with **\$46.9 million** of cash, no long-term debt, and working capital of **\$108.9 million**.

Foremost Mobile Equipment

Revenue: \$42.1 million in Q1 2026, compared to \$44.5 million in Q1 2025.

Gross Margin: \$11.6 million, representing 28% of revenue, compared to 25% in Q1 2025.

FME delivered strong margins in the quarter, supported by higher drill revenue, steady parts activity, improved production throughput, and favourable foreign exchange. Hydrovac truck revenue was lower than Q1 2025, primarily due to timing differences between production and deliveries. Production levels remained close to the prior year; however, fewer US units were delivered in the quarter due to constrained U.S. chassis availability and the impact of evolving tariff conditions.

FME derived about 40% of its revenue from the US in Q1, and trade conditions with the U.S. remain challenging. Tariffs are affecting several product categories, and we continue to work closely with customers, suppliers, and dealers to manage these impacts through pricing, sourcing, and production planning.

Foremost Energy Equipment

Revenue: \$18.0 million in Q1 2026, compared to \$15.8 million in Q1 2025.

Gross Margin: \$1.9 million, representing 11% of revenue, compared to 14% in Q1 2025.

FEE generated higher revenue compared to Q1 2025, driven mainly by shop tank, vessel and ULC activity. Gross margin was lower than the prior year due to increased pricing pressure on new work and softer activity levels in certain markets.

Lower energy prices during the quarter created a more competitive quoting environment, particularly for shorter-cycle work. The large multi-year vessel project continues to support revenue and backlog, with work expected to continue through 2026 and into 2027.

Summary of Key Fund Metrics for Q1 2026 Compared to Q4 2025

- **Revenue:** \$60.0 million, a 3% increase over the \$58.1 million in Q4 2025.
- **Gross Margin:** \$13.6 million, representing 23% of revenue, compared to \$12.8 million (22% of revenue) in the previous quarter.
- **SG&A Expenses:** Accounted for 9% of revenue, at \$5.3 million compared to 11% and \$6.3 million in Q4 2025.
- **EBITDA:** \$9.7 million, representing 16% of revenue, compared to \$8.3 million (14% of revenue) in the previous quarter.
- **Adjusted EBITDA:** (*refer to page 21*): After removing non-operating items, increased from \$7.8 million in Q4 2025 to \$9.8 million in Q1 2026.

2026 Outlook

As we move through 2026, our focus remains on maintaining execution, protecting margins, and managing working capital through a more uncertain trade and commodity price environment. Tariffs and chassis availability continue to affect the timing of hydrovac deliveries and cost structures, particularly for U.S.-bound units. At the same time, Calgary drilling and parts activity remains strong, and FEE continues to benefit from contracted vessel work despite increased pricing pressure on new opportunities. Foremost remains well positioned with a strong balance sheet providing flexibility to manage through near-term volatility while continuing to pursue opportunities for growth.

Kevin Johnson

President, Foremost Income Fund

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INTRODUCTION

Read the Management's Discussion and Analysis (MD&A) of the Fund dated May 21, 2026, together with:

- the caution about forward-looking statements on page 20
- the Fund's condensed consolidated financial statements for the three months ended March 31, 2026
- the Fund's audited consolidated financial statements and accompanying notes for the year ended December 31, 2025
- 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 of 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 572 people as of March 31, 2026, up from the 567 employed on December 31, 2025. On the date of this MD&A, the Fund employed 566 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.

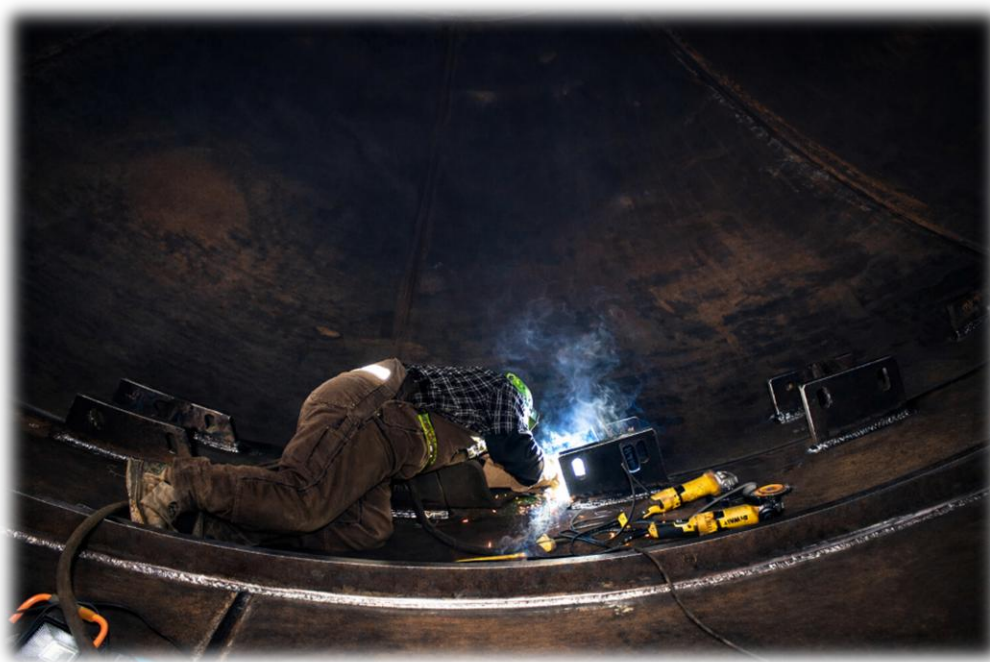


FOREMOST MOBILE EQUIPMENT (FME)

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 two active manufacturing and service locations, one 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

Q1 2026 VS Q1 2025 HIGHLIGHTS

- Revenue for the first quarter of 2026 was \$60.0 million, compared to \$60.2 million for the same period of the previous year. More information is in the Segmented Results of Operations section.
- Gross profit for Q1 2026 was \$13.6 million and 23% of revenue, consistent with Q1 2025 gross profit of \$13.6 million and 23% of revenue. More information is in the Segmented Results of Operations section.
- Administrative expenses accounted for 9% of revenue in Q1 2026 and Q1 2025. In absolute terms, these costs increased \$0.04 million from the previous year. The increase was primarily driven by finance and IT costs with an offsetting decrease in personnel expenses.
- Adjusted EBITDA (defined on page 21) was \$9.8 million for Q1 2026 compared to \$9.5 million in Q1 2025. Note that one-time non-operating items have been removed for purposes of adjusted EBITDA.
- During the first quarter of 2026, the Fund paid an annual distribution of \$24.4 million related to the Fund's 2025 taxable income.



SUMMARY OF QUARTERLY INFORMATION

(000's except per Trust Unit amounts)

2026	Q1	Q2	Q3	Q4	Total
Revenue	\$ 60,049	\$ -	\$ -	\$ -	\$ 60,049
Gross profit (\$)	\$ 13,564	\$ -	\$ -	\$ -	\$ 13,564
Gross profit (%)	23%				23%
Administrative expenses (\$)	\$ 5,289	\$ -	\$ -	\$ -	\$ 5,289
Administrative expenses (% of total revenue)	9%				9%
Exchange rate gain	\$ 71	\$ -	\$ -	\$ -	\$ 71
Earnings from operations	\$ 8,275	\$ -	\$ -	\$ -	\$ 8,275
Other non-operating income	\$ 586	\$ -	\$ -	\$ -	\$ 586
Tax expense	\$ (763)	\$ -	\$ -	\$ -	\$ (763)
Comprehensive income	\$ 8,098	\$ -	\$ -	\$ -	\$ 8,098
EBITDA	\$ 9,746	\$ -	\$ -	\$ -	\$ 9,746
(Loss) on sale of property, plant and equipment	\$ (15)	\$ -	\$ -	\$ -	\$ (15)
Adjusted EBITDA *	\$ 9,761	\$ -	\$ -	\$ -	\$ 9,761
Trust Units redeemed	4,984	-	-	-	4,984
Redemptions	\$ 40	\$ -	\$ -	\$ -	\$ 40
Basic earnings per Trust Unit	\$ 0.53	\$ -	\$ -	\$ -	\$ 0.53
* Adjusted EBITDA defined on page 21					
2025	Q1	Q2	Q3	Q4	Total
Revenue	\$ 60,193	\$ 60,201	\$ 70,331	\$ 58,112	\$ 248,837
Gross profit (\$)	\$ 13,580	\$ 14,526	\$ 17,045	\$ 12,790	\$ 57,941
Gross profit (%)	23%	24%	24%	22%	23%
Administrative expenses (\$)	\$ 5,245	\$ 4,844	\$ 5,159	\$ 6,306	\$ 21,554
Administrative expenses (% of total revenue)	9%	8%	7%	11%	9%
Exchange rate (loss) gain	\$ (177)	\$ 202	\$ (119)	\$ 178	\$ (272)
Earnings from operations	\$ 8,335	\$ 9,682	\$ 11,886	\$ 6,484	\$ 36,387
Other non-operating income	\$ 202	\$ 618	\$ 675	\$ 840	\$ 2,335
Tax expense	\$ (1,012)	\$ (938)	\$ (1,422)	\$ (1,384)	\$ (4,756)
Comprehensive income	\$ 7,525	\$ 9,362	\$ 11,139	\$ 5,940	\$ 33,966
EBITDA	\$ 9,451	\$ 11,443	\$ 13,567	\$ 8,346	\$ 42,807
Other - insurance proceeds	\$ -	\$ -	\$ 455	\$ 535	\$ 990
(Loss) Gain on sale of property, plant and equipment	\$ (5)	\$ 211	\$ 17	\$ 23	\$ 246
Adjusted EBITDA *	\$ 9,456	\$ 11,232	\$ 13,095	\$ 7,788	\$ 41,571
Trust Units redeemed	18,369	-	2,892	2,476	23,737
Redemptions	\$ 133	\$ -	\$ 26	\$ 24	\$ 183
Basic earnings per Trust Unit	\$ 0.50	\$ 0.61	\$ 0.73	\$ 0.39	\$ 2.23

SEGMENTED RESULTS OF OPERATIONS

FOREMOST MOBILE EQUIPMENT (FME)

FME's revenues are classified into four main product categories: trucks, parts and services, vehicles 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

(unaudited - in thousands of Canadian dollars, except per Trust Unit amount)

	Q1 2026	Q1 2025
Revenue	\$ 42,129	\$ 44,535
Gross profit (\$)	\$ 11,640	\$ 11,351
Gross profit (%)	28%	25%
Administrative expense (\$)	\$ 3,109	\$ 2,964
Administrative expense (%)	7%	7%

FME Q1 2026 HIGHLIGHTS

- Revenue decreased \$2.4 million over Q1 2025. Drill sales and parts sales both increased, while truck sales had a decrease over Q1 2025.
- Gross profit increased by \$0.3 million and rose to 28% of revenue compared to 25% of revenue in Q1 2025.
- Administrative expenses increased \$0.1 million to \$3.1 million in Q1 2026. As a percentage of revenue, administrative expenses represent 7%, consistent with Q1 2025.

SUMMARY OF QUARTERLY INFORMATION - FOREMOST MOBILE EQUIPMENT

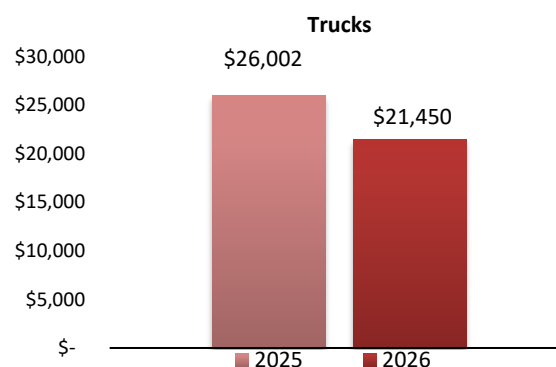
(000's except per Trust Unit amounts)

2026	Q1	Q2	Q3	Q4	Total
Revenue	\$ 42,129	\$ -	\$ -	\$ -	\$ 42,129
Gross profit (\$)	\$ 11,640	\$ -	\$ -	\$ -	\$ 11,640
Gross profit (%)	28%				28%
Administrative expenses (\$)	\$ 3,109	\$ -	\$ -	\$ -	\$ 3,109
Administrative expenses (% of total revenue)	7%				7%
Net income before tax	\$ 8,598	\$ -	\$ -	\$ -	\$ 8,598

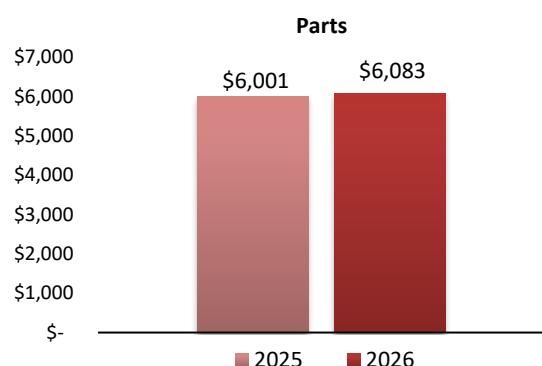
2025	Q1	Q2	Q3	Q4	Total
Revenue	\$ 44,535	\$ 39,485	\$ 48,937	\$ 40,432	\$ 173,389
Gross profit (\$)	\$ 11,351	\$ 10,594	\$ 13,147	\$ 10,879	\$ 45,971
Gross profit (%)	25%	27%	27%	27%	27%
Administrative expenses (\$)	\$ 2,964	\$ 2,854	\$ 2,842	\$ 3,577	\$ 12,237
Administrative expenses (% of total revenue)	7%	7%	6%	9%	7%
Net income before tax	\$ 7,959	\$ 7,496	\$ 10,339	\$ 7,317	\$ 33,111



Hydrovac truck revenue decreased to \$21.5 million in Q1 2026 from \$26.0 million in Q1 2025, primarily due to timing differences between production and deliveries. In Q1 2025, deliveries (69 units) exceeded production (63 units) as shipments were accelerated ahead of anticipated tariff changes. In Q1 2026, despite similar production (60 units), only 56 units were delivered, reflecting a buildup of inventory driven by strong Canadian production and constrained U.S. chassis availability, which delayed deliveries and revenue recognition into future periods.

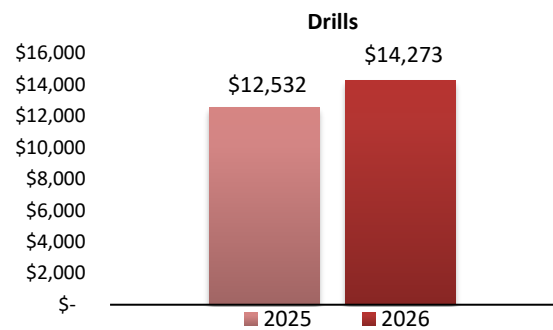


Parts sales increased by \$0.08 million from Q1 2025 to Q1 2026. Demand for tools and spare parts used in the mining, water well, and construction markets remains strong but have been impacted by tariffs.

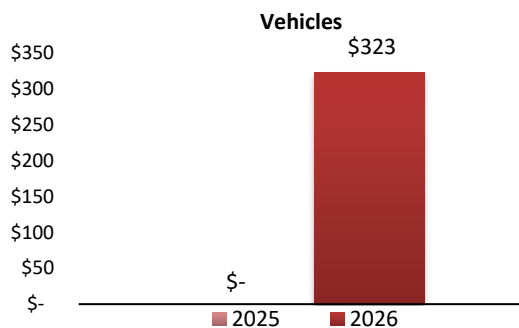




The drill category includes dual rotary, pipe handlers, top drives, and injectors. Drill revenue increased by \$1.7 million when comparing Q1 2026 to Q1 2025. The growth was driven by continued operational efficiencies that increased throughput, as well as the Company's ability to maintain pricing on capital equipment amid tariff uncertainty.



The vehicle category includes a wide variety of specialized auxiliary equipment and has sporadic demand. The Fund recognized \$0.3 million in revenue for the category in Q1 2026, with no sales recorded for 2025.



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 other. The FEE segment has manufacturing and service shops at two Alberta locations: one site in Hythe and one in Lloydminster. Investment properties are also owned in Bonnyville and Lloydminster, Alberta.

SUMMARY OF QUARTER TO DATE INFORMATION - FOREMOST ENERGY EQUIPMENT

(unaudited - in thousands of Canadian dollars)

	Q1 2026	Q1 2025
Revenue	\$ 18,042	\$ 15,780
Gross profit (\$)	\$ 1,924	\$ 2,229
Gross profit (%)	11%	14%
Administrative expense (\$)	\$ 1,805	\$ 1,855
Administrative expense (%)	10%	12%

FEE Q1 2026 HIGHLIGHTS

- Revenue increased by \$2.3 million, or 14%, over Q1 2025. Revenue increased for all product lines except for agriculture products and field tanks.
- Gross profit as a percentage of revenue decreased from 14% in Q1 2025 to 11% in Q1 2026.
- Administrative expenses decreased slightly from \$1.9 million in Q1 2025 to \$1.8 million in Q1 2026, decreasing from 12% to 10% as a percentage of revenue.
- During the first quarter of 2026, the Fund received an offer to sell its Lloydminster West property, which had previously been classified as investment property. Accordingly, the property was reclassified to assets held for sale, as Management believes the sale is highly probable and expected to occur within the next twelve months.

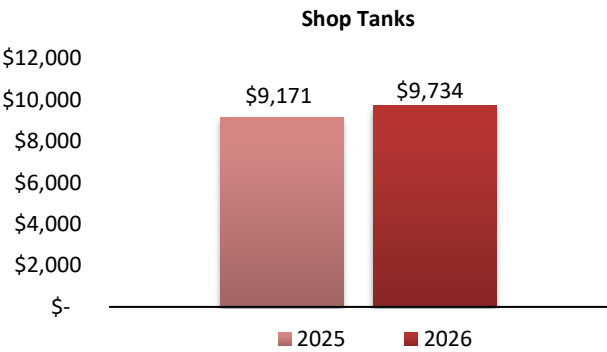
SUMMARY OF QUARTERLY INFORMATION - FOREMOST ENERGY EQUIPMENT

(000's except per Trust Unit amounts)

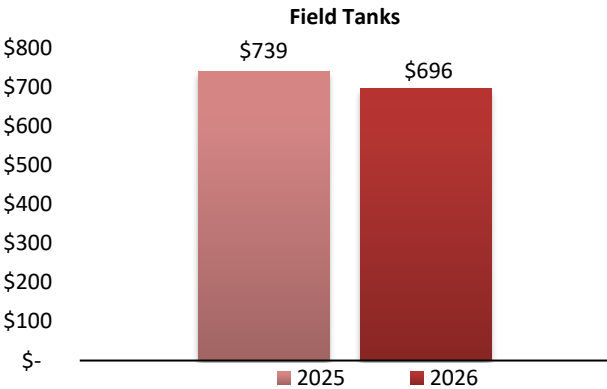
2026	Q1	Q2	Q3	Q4	Total
Revenue	\$ 18,042	\$ -	\$ -	\$ -	\$ 18,042
Gross profit (\$)	\$ 1,924	\$ -	\$ -	\$ -	\$ 1,924
Gross profit (%)	11%				11%
Administrative expenses (\$)	\$ 1,805	\$ -	\$ -	\$ -	\$ 1,805
Administrative expenses (% of total revenue)	10%				10%
Net income before tax	\$ 168	\$ -	\$ -	\$ -	\$ 168

2025	Q1	Q2	Q3	Q4	Total
Revenue	\$ 15,780	\$ 20,837	\$ 21,516	\$ 17,801	\$ 75,934
Gross profit (\$)	\$ 2,229	\$ 3,932	\$ 3,898	\$ 1,911	\$ 11,970
Gross profit (%)	14%	19%	18%	11%	16%
Administrative expenses (\$)	\$ 1,855	\$ 1,657	\$ 1,883	\$ 1,789	\$ 7,184
Administrative expenses (% of total revenue)	12%	8%	9%	10%	9%
Net income before tax	\$ 345	\$ 2,351	\$ 2,442	\$ 746	\$ 5,884

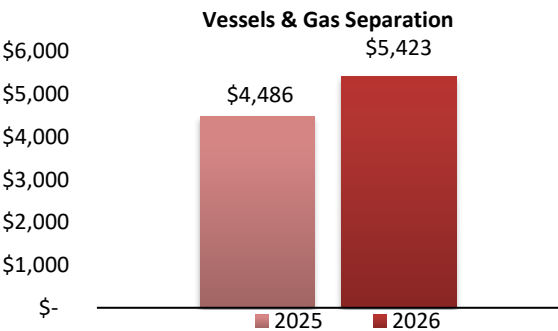
Shop tank revenue increased \$0.6 million when comparing Q1 2025 to Q1 2026. Demand remained relatively consistent throughout 2025 and into Q1 2026. This product line continues to be the strongest revenue source for FEE.



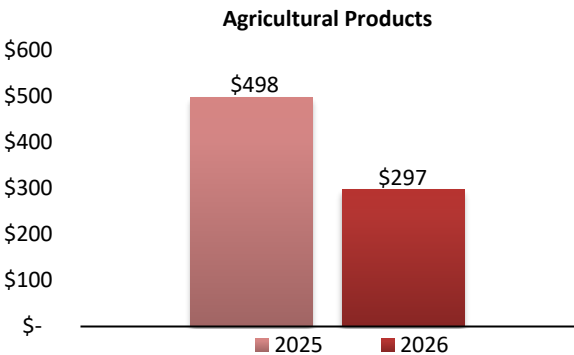
Field tank revenue of remained steady at \$0.7 million, constant with Q1 2025. A significant field project was started at the end of Q1 2026 that will continue into late 2026.



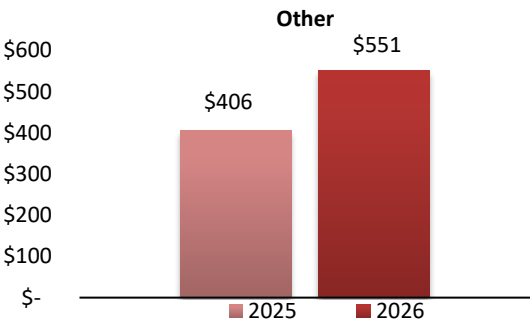
The vessel and gas separation revenue increased by \$0.9 million in Q1 2026 over Q1 2025. Based on secured contracts, Foremost expects this product line revenue to continue increasing throughout 2026. This is a result of a major project that started in late 2023 and is expected to be completed by late 2027.



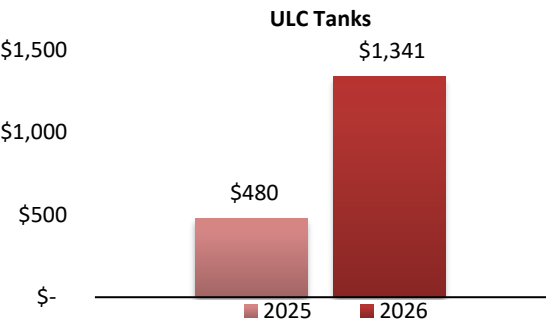
Shipments of agricultural bins have been slow in both 2025 and 2026 due to high interest rates, drought concerns and lower volatility in the fertilizer markets.



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 increase in demand after a drop in 2025. Revenue of \$1.3 million has been recognized in Q1 2026.



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 the first quarter of 2026, the cash balance decreased by \$17.9 million, resulting in an ending cash balance of \$46.9 million at March 31, 2026 (\$64.8 million as at December 31, 2025).

The categories affecting cash include:

- *Operating activities*—provided \$7.3 million (provided \$52.4 million for the year ended December 31, 2025).
- *Investing activities*—used \$0.8 million to purchase assets (\$5.0 million for the year ended December 31, 2025).
- *Financing activities*—used \$24.4 million to pay the 2025 distribution and redemption of Trust Units (\$18.5 million for the year ended December 31, 2025, for redemption of Trust Units and the 2024 distribution).

Cash Flow Summary (unaudited - in thousands of Canadian dollars)	March 31, 2026	December 31, 2025	March 31, 2025
Cash Flow			
Operating activities	\$ 7,288	\$ 52,388	\$ 12,248
Financing activities	\$ (24,435)	\$ (18,465)	\$ (18,450)
Investing activities	\$ (778)	\$ (4,953)	\$ (1,764)

CREDIT FACILITIES

The Fund currently maintains a credit facility with a major Canadian chartered bank. The borrowing base of the facility is based on a percentage of inventory and eligible accounts receivable, less certain trade payables, up 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 March 31, 2026, the Fund had utilized \$2.2 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 \$80.0 million. As of March 31, 2026, the Fund is in compliance with this covenant.

During 2025 the Fund entered into a second credit facility for \$10.0 million for the purpose of securing letters of credit and guarantees. This facility is secured by Export Development Canada.

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 closely monitor the Fund's working capital and debt levels. In an effort to preserve cash, the Trustees exercised their discretion to reduce the monthly limit for cash redemptions of Trust Units during 2025 and into 2026.

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

<i>(unaudited - in thousands of Canadian dollars)</i>				
For the period ended	March 31, 2026	December 31, 2025	March 31, 2025	
Current ratio				
Current assets	\$ 155,902	\$ 161,310	\$	134,193
Current liabilities	\$ 46,942	\$ 63,528	\$	42,614
Working capital	\$ 108,960	\$ 97,782	\$	91,579
Working capital ratio	3.32	2.54		3.15
Debt-to-equity ratio				
Total debt	\$ 46,942	\$ 63,528	\$	42,614
Unitholders' equity	\$ 161,716	\$ 153,658	\$	151,591
Debt-to-equity ratio	0.29	0.41		0.28
EBITDA				
Net income and comprehensive income	\$ 8,098	\$ 33,966	\$	7,525
Interest income	\$ (438)	\$ (942)	\$	(281)
Depreciation and amortization	\$ 1,323	\$ 5,027	\$	1,195
Tax expense	\$ 763	\$ 4,756	\$	1,012
EBITDA	\$ 9,746	\$ 42,807	\$	9,451
Loss on sale of property, plant and equipment	\$ (15)	\$ 246	\$	(5)
Other - insurance proceeds	\$ -	\$ 990	\$	-
Adjusted EBITDA	\$ 9,761	\$ 41,571	\$	9,456

As of March 31, 2026, the fund's working capital was \$108.9 million, representing a significant increase from the \$97.7 million reported at December 31, 2025. This improvement reflects stronger liquidity and a more robust financial position during 2026. Correspondingly, the working capital ratio rose from 2.54:1 at year-end 2025, to 3.32:1 at the end of the first quarter of 2026, indicating an improved ability to cover current liabilities with available current assets.

The debt-to-equity ratio decreased from 0.41:1 on December 31, 2025, to 0.29:1 on March 31, 2026. The Fund continues to operate with no long-term debt obligations, only short-term liabilities.

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-recurring 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 March 31, 2026, 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 \$8.65 as of March 31, 2026.

<i>(000's except per Trust Unit amounts)</i>			
For the period ended	March 31, 2026	December 31, 2025	March 31, 2025
Tangible book value per Trust Unit			
Unitholders' equity	\$ 161,716	\$ 153,658	\$ 151,591
Less: Deferred tax assets	\$ (5,297)	\$ (6,061)	\$ (9,805)
Less: Intangible assets	\$ (1,071)	\$ (1,094)	\$ (1,176)
Tangible equity	\$ 155,348	\$ 146,503	\$ 140,610
Trust Units outstanding, period ending	15,242,155	15,247,139	15,246,507
Tangible book value per Trust Unit	\$ 10.19	\$ 9.61	\$ 9.22

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, 1,050,216 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, 2024	15,264,876	\$ 52,918
Redemption of Trust Units	(23,737)	(82)
Exercise of Unit Options	6,000	72
December 31, 2025	15,247,139	\$ 52,908
Redemption of Trust Units	(4,984)	(18)
March 31, 2026	15,242,155	\$ 52,890

TRUST UNIT DISTRIBUTIONS

The table below sets out the Standardized Distributable Cash calculation for the periods ended March 31, 2026, December 31, 2025, and March 31, 2025. 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 5, 2025, the Fund announced an annual distribution for 2025. The distribution announced was \$1.60 per unit, which represents a payment of \$24.4 million. This distribution was paid during the first quarter of 2026.

Selected Information

<i>(000's except per Trust Unit amounts)</i>	March 31, 2026	December 31, 2025	March 31, 2025
For the period ended			
Net income for the period	\$ 8,098	\$ 33,966	\$ 7,525
Items not involving the use of cash	\$ 2,221	\$ 10,168	\$ 1,940
Change in non-cash working capital	\$ (3,295)	\$ 8,254	\$ 2,783
Cash flows from operating activities	\$ 7,024	\$ 52,388	\$ 12,248
Less: capital expenditures	\$ (781)	\$ (5,331)	\$ (1,764)
Standardized distributable cash	\$ 6,243	\$ 47,057	\$ 10,484
Special non-cash distributions			
Special trust unit distributions per unit			
Trust unit distributions paid	-	-	-
Basic and diluted standardized distributable cash per unit	\$ 0.41	\$ 3.09	\$ 0.69
Trust Unit distributions paid per Trust Unit	\$ -	\$ 1.60	\$ -

UNITHOLDERS' EQUITY

Unitholders' equity is comprised of Unitholders' capital and accumulated earnings. Unitholders' equity at March 31, 2026, was \$162.1 million, compared with \$153.7 million at December 31, 2025. Redemptions for cash in the first quarter of 2026 totalled \$0.1 million, compared to \$0.1 million in the same quarter of 2025.

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, shared services support and investor relations advice at market rates confirmed from time to time and agreed to by all parties. For the period ended March 31, 2026, the total amount invoiced for consulting services through TOM Capital was \$0.1 million. During the same period of 2025, consulting fees of \$0.1 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 U.S. 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 U.S. 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, potentially subject 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 could impact contracts with our U.S. customers and reduce 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 unmerchantable.
- *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 operational risk contract by contract to ensure these issues do not materially affect the Fund’s financial performance.
- *Tariff risk* – The potential imposition of new or higher tariffs poses both cost and revenue risks for the Fund. On the cost side, tariffs could significantly increase the expense of procuring critical raw materials and components from international suppliers, resulting in higher overall production costs and potential margin compression. On the revenue side, tariffs may adversely affect the competitiveness of our products in the U.S. market, potentially reducing customer demand, limiting sales volumes, and constraining growth opportunities. Prolonged or unpredictable tariff regimes could also create supply chain uncertainty, disrupt strategic sourcing arrangements, and negatively impact long-term financial performance. To mitigate this risk, we are pursuing supplier diversification, evaluating alternative sourcing strategies, and exploring pricing and efficiency measures designed to offset potential cost pressures while maintaining competitiveness in key markets

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
- 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 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. The Fund is in the process of reviewing the impact of the future changes on its consolidated financial statements.

Effective January 1, 2026, the Fund adopted the amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. These amendments did not have a material impact on the Fund’s interim consolidated financial statements.

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.