



Earnings Release

Foremost Income Fund - FMO.UN

..... For Immediate Release

Foremost Income Fund Reports Second Quarter Revenues and Earnings

August 11, 2010 – Calgary, Alberta – Foremost Income Fund announces the financial results for the three and six months ended June 30, 2010.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND ACCUMULATED EARNINGS

(000's, except per trust unit amounts) (Unaudited)

	for the THREE months ended June 30,		for the SIX months ended June 30,	
	2010	2009	2010	2009
Revenue	\$ 39,258	\$ 31,038	\$ 82,142	\$ 69,960
Cost of sales	28,903	21,849	63,403	51,266
	10,355	9,189	18,739	18,694
Selling, general and administrative	4,427	5,483	8,503	10,089
Interest expense (income)	(25)	-	(45)	5
Amortization	1,041	1,152	2,092	2,277
Foreign exchange loss (gain)	(148)	234	9	154
Realized gain on forward exchange contracts	-	(818)	-	(614)
Gain on disposal of property, plant and equipment	(10)	(89)	(11)	(146)
	5,285	5,962	10,548	11,765
Net income and comprehensive income	5,070	3,227	8,191	6,929
Accumulated earnings, beginning of period	78,965	91,983	77,985	90,422
Distributions to unitholders	(2,143)	(2,141)	(4,284)	(4,282)
Accumulated earnings, end of period	\$ 81,892	\$ 93,069	\$ 81,892	\$ 93,069
Earnings per trust unit				
Basic	\$ 0.23	\$ 0.15	\$ 0.38	\$ 0.32
Diluted	\$ 0.24	\$ 0.15	\$ 0.38	\$ 0.32

CONSOLIDATED BALANCE SHEETS

(000's) (Unaudited)

As at:	June 30, 2010	December 31, 2009	June 30, 2009
Assets			
Current assets			
Cash	\$ 33,759	\$ 37,035	\$ 33,323
Accounts receivable	22,907	19,444	17,498
Inventories	41,847	34,563	40,467
Prepaid expenses	586	353	651
	99,099	91,395	91,939
Property, plant and equipment	47,323	49,555	51,497
Future income taxes	19,485	19,485	19,485
Goodwill and intangibles	1,329	1,431	15,074
	\$ 167,236	\$ 161,866	\$ 177,995
Liabilities and Unitholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 15,921	\$ 13,871	\$ 14,208
Deferred revenue	5,746	6,467	7,318
	21,667	20,338	21,526
Unitholders' equity			
Unitholders' capital	62,195	62,115	62,115
Contributed surplus	1,482	1,428	1,285
Accumulated earnings	81,892	77,985	93,069
	145,569	141,528	156,469
	\$ 167,236	\$ 161,866	\$ 177,995



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Q2-2010 operating results reflect stronger than anticipated revenues, lower gross profit margins due to competitive pressures and the fluctuating Canadian dollar and reduced selling, general and administrative expenses. Compared with Q2-2009, revenues for Q2-2010 increased 26.8% and the gross profit percentage declined 3.2%. Selling, general and administrative expenses decreased 19.2% reflecting the ongoing benefits of 2009 cost cutting initiatives. As a result, the Q2-2010 net income was \$5.1 million versus \$3.2 million for Q2-2009.

Q2-2010 consolidated revenues were \$39.3 million compared with \$31.0 million in Q2-2009. Consolidated Q2-2010 gross profit was \$10.4 million (26.4%) versus \$9.2 million (29.6%) for Q2-2009. The Q2-2010 \$5.1 million net income resulted in basic earnings per trust unit of \$0.23 as compared with \$3.2 million and \$0.15 per trust unit for Q2-2009. Funds flow from operations was \$6.1 million for Q2-2010 versus \$4.4 million for Q2-2009 due to the higher net income. Changes in Q2-2010 non-cash working capital items used \$4.4 million of cash versus the generation of \$21.8 million in cash during Q2-2009. Q2-2010 and Q2-2009 capital expenditures to maintain productive capacity were \$0.1 million. Q2-2010 and Q2-2009 trust unit distributions were \$2.1 million or \$0.10 per trust unit. The combination of operating, investing and financing activities resulted in virtually no increase in cash for Q2-2010 versus a \$24.1 million increase in Q2-2009.

YTD-2010 consolidated revenues were \$82.1 million compared with \$70.0 million in YTD-2009. Consolidated YTD-2010 gross profit was \$18.7 million (22.8%) versus \$18.7 million (26.7%) for YTD-2009. The YTD-2010 \$8.2 million net income resulted in basic earnings per trust unit of \$0.38 as compared with \$6.9 million and \$0.32 per trust unit for YTD-2009. Funds flow from operations was \$10.3 million for YTD-2010 versus \$9.2 million for YTD-2009 due to the higher net income. Changes in YTD-2010 non-cash working capital items used \$9.7 million of cash versus the generation of \$27.7 million in cash during YTD-2009. YTD-2010 and YTD-2009 capital expenditures to maintain productive capacity were \$0.2 million. YTD-2010 and YTD-2009 trust unit distributions were \$4.3 million or \$0.20 per trust unit. The combination of operating, investing and financing activities resulted in a YTD-2010 decrease in cash of \$3.2 million versus a \$32.5 million increase in YTD-2009. The Fund had \$33.8 million in cash at June 30, 2010 as compared with \$37.0 million at December 31, 2009 and \$33.3 million at June 30, 2009. The Fund had no short-term borrowings or long-term debt at any of these points in time.

As discussed in the 2009 annual report, Q2-2010 financial results reflect the Fund's expectations for challenging market conditions and its response to them. The Fund believes these conditions will continue to impact operating margins throughout the remainder of fiscal 2010. Accordingly, the Fund will maintain its focus on cost control, operational efficiency, critical capital expenditures and trust unit distributions to maintain its balance sheet strength and cash position. The Fund continues to closely manage discretionary operating costs and manpower levels. These efforts are necessary to ensure the Fund can respond to any improvement in its core markets and continue the pursuit of additional accretive acquisitions.

Subsequent to the end of Q2-2010, the Fund completed the acquisition of Brahma. The Fund expects a modest increase in revenues and net income from this acquisition for fiscal 2010 as it undertakes to integrate the acquired operations.

The Fund is an unincorporated open end mutual fund trust conducting its business through Foremost Universal LP ("Universal") and Foremost Industries LP ("Foremost"). The Fund derives its operational income from both Universal and Foremost. Universal's overall business is focused on the oil and gas industry and contains the business units of: Universal Industries, a manufacturer of oil treating systems, shop and field storage tanks; Maloney Industries, a manufacturer of medium- to large-scale oil and gas process treating equipment; Stettler Universal Limited Partnership, a gas separator manufacturer; Corlac Industries; Peace Land Fabricating and Supply Ltd. and De-In Industries Ltd., all shop tank manufacturers. Foremost is comprised of the business unit of Foremost Industries, a manufacturer of custom equipment used for the oil and gas, construction, water-well and mining industries.

On behalf of the Trustees
Foremost Income Fund

[signed: J.T. Grenon]

James T. Grenon, Trustee



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FORWARD-LOOKING STATEMENT

Certain statements in this news release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this news release, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this news release. These forward-looking statements involve a number of risks and uncertainties, including: the impact of general economic conditions, industry conditions, changes in laws and regulations, increased competition, fluctuations in commodity prices and foreign exchange, and interest rates and stock market volatility.

For further Investor Relations information please contact:

Glen E. Swail

Tel: (403) 571-4453 or toll free 1-800-661-9190 (Canada/US) - Fax: (403) 571-4444

E-mail: investorrelations@foremost.ca - Website: www.foremost.ca