



Earnings Release

Foremost Income Fund - FMO.UN

..... for Immediate Release

Foremost Income Fund Reports First Quarter Revenues and Earnings

May 12, 2010 – Calgary, Alberta – Foremost Income Fund announces the financial results for the three months ended March 31, 2010.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND ACCUMULATED EARNINGS

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

	for the THREE months ended March 31,	
	2010	2009
Revenue	\$ 42,884	\$ 38,922
Cost of sales	34,500	29,417
	8,384	9,505
Selling, general and administrative	4,076	4,606
Interest expense (income)	(20)	5
Amortization	1,051	1,125
Foreign exchange loss (gain)	157	(80)
Unrealized loss on forward exchange contracts	-	204
Gain on disposal of property, plant and equipment	(1)	(57)
	5,263	5,803
Net income and comprehensive income	3,121	3,702
Accumulated earnings, beginning of period	77,985	90,422
Distributions to unitholders	(2,141)	(2,141)
Accumulated earnings, end of period	\$ 78,965	\$ 91,983
Earnings per trust unit		
Basic	\$ 0.15	\$ 0.17
Diluted	\$ 0.15	\$ 0.17

CONSOLIDATED BALANCE SHEETS

(000's) (Unaudited)

As at:	March 31, 2010	December 31, 2009	March 31, 2009
Assets			
Current assets			
Cash	\$ 33,758	\$ 37,035	\$ 9,198
Accounts receivable	20,942	19,444	30,738
Inventories	39,481	34,563	51,884
Prepaid expenses	660	353	1,235
	94,841	91,395	93,055
Property, plant and equipment	48,652	49,555	52,571
Future income taxes	19,485	19,485	19,485
Goodwill and intangibles	1,379	1,431	15,125
	\$ 164,357	\$ 161,866	\$ 180,236
Liabilities and Unitholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 16,032	\$ 13,871	\$ 14,862
Deferred revenue	5,781	6,467	10,070
	21,813	20,338	24,932
Unitholders' equity			
Unitholders' capital	62,115	62,115	62,115
Contributed surplus	1,464	1,428	1,206
Accumulated earnings	78,965	77,985	91,983
	142,544	141,528	155,304
	\$ 164,357	\$ 161,866	\$ 180,236



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Q1-2010 operating results reflect stronger than anticipated revenues, lower gross profit margins due to competitive pressures and the stronger Canadian dollar and reduced selling, general and administrative expenses. Compared with Q1-2009, revenues for Q1-2010 increased 10.1% and the gross profit percentage declined 4.8%. Selling, general and administrative expenses decreased 11.5% reflecting the ongoing benefits of 2009 cost cutting initiatives. As a result, the Q1-2010 net income was \$3.1 million versus \$3.7 million for Q1-2009.

Q1-2010 consolidated revenues were \$42.9 million compared with \$38.9 million in Q1-2009. Consolidated Q1-2010 gross profit was \$8.4 million (19.6%) versus \$9.5 million (24.4%) for Q1-2009. The Q1-2010 \$3.1 million net income resulted in basic earnings per trust unit of \$0.15 as compared with \$3.7 million and \$0.17 per trust unit for Q1-2009. Funds flow from operations was \$4.2 million for Q1-2010 versus \$5.1 million for Q1-2009 due to the lower net income. Changes in Q1-2010 non-cash working capital items used \$5.2 million of cash versus the generation of \$5.7 million in cash during Q1-2009. Q1-2010 and Q1-2009 capital expenditures to maintain productive capacity were \$0.1 million. Q1-2010 and Q1-2009 trust unit distributions were \$2.1 million or \$0.10 per trust unit. The combination of operating, investing and financing activities resulted in a Q1-2010 decrease in cash of \$3.3 million versus an \$8.4 million increase in Q1-2009.

The Fund had \$33.8 million in cash and no long-term debt as at March 31, 2010 as compared with \$37.0 million at December 31, 2009 and \$9.2 million at March 31, 2009.

As discussed in the 2009 annual report, Q1-2010 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 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. As part of this focus, the Fund has maintained steps to control 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 accretive acquisitions.

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

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.

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