Consolidated Financial Statements of

CARGOJET INCOME FUND

For the three-month periods ended March 31, 2008 and 2007

(unaudited)

CARGOJET INCOME FUND
Consolidated Balance Sheets
(unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
CURRENT		
Cash	$ -	$ 3,197,946
Accounts receivable	10,383,385	9,819,581
Spare parts, materials and supplies	1,453,965	1,444,422
Prepaid expenses and deposits	2,327,029	2,626,794
Derivatives contracts	751,835	66,009
	14,916,214	17,154,752
CAPITAL ASSETS (Note 5)	30,668,506	29,448,937
INTANGIBLE ASSETS (Note 6)	14,263,921	16,893,709
DEPOSITS	1,615,629	913,201
DEFERRED HEAVY MAINTENANCE (Note 7)	1,973,520	2,187,232
GOODWILL	46,169,976	46,169,976
	$ 109,607,766	$ 112,767,807
LIABILITIES		
CURRENT		
Overdraft	$ 1,092,682	$ -
Accounts payable and accrued charges (Note 8)	12,545,049	13,640,682
Income taxes payable	333,389	1,790,000
Distributions payable (Note 17)	861,028	861,028
Current portion of long-term debt (Note 9)	111,563	130,132
Future income taxes (Note 10)	248,564	-
	15,192,275	16,421,842
LONG-TERM DEBT (Note 9)	17,541,409	17,000,000
FUTURE INCOME TAXES (Note 10)	4,919,097	5,345,796
	37,652,781	38,767,638
NON-CONTROLLING INTEREST (Note 11(b))	19,048,145	19,688,291
UNITHOLDERS' EQUITY		
ACCUMULATED OTHER COMPREHENSIVE INCOME	515,406	-
DEFICIT	(9,844,220)	(7,923,776)
	(9,328,814)	(7,923,776)
UNITHOLDERS' CAPITAL (Note 11(a))	62,235,654	62,235,654
	52,906,840	54,311,878
	$ 109,607,766	$ 112,767,807

CARGOJET INCOME FUND
Consolidated Statements of Operations and Deficit
(unaudited)

	Three months ended March 31, 2008	Three months ended March 31, 2007 (Restated - Note 4)
REVENUES	$ 46,798,619	$ 33,824,953
DIRECT EXPENSES	39,530,534	25,199,767
	7,268,085	8,625,186
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Sales and marketing	190,910	198,971
General and administrative	4,362,850	4,319,033
Interest, net	351,742	154,664
Amortization of capital assets (Note 5)	116,503	106,903
Amortization of intangible assets	2,629,788	2,517,288
	7,651,793	7,296,859
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	(383,708)	1,328,327
PROVISION FOR (RECOVERY OF) INCOME TAXES (Note 10)		
Current	20,500	-
Future	(426,699)	(195,266)
	(406,199)	(195,266)
EARNINGS BEFORE NON-CONTROLLING INTEREST	22,491	1,523,593
NON-CONTROLLING INTEREST (Note 11(b))	5,623	380,898
NET INCOME	16,868	1,142,695
DEFICIT, BEGINNING OF PERIOD	(7,923,776)	(5,493,768)
DISTRIBUTIONS DECLARED IN THE PERIOD (Note 17)	(1,937,312)	(1,924,584)
DEFICIT, END OF PERIOD	$ (9,844,220)	$ (6,275,657)
EARNINGS PER TRUST UNIT - BASIC	$ 0.00	$ 0.17
EARNINGS PER TRUST UNIT - DILUTED (Note 11(c))	$ 0.00	$ 0.17

CARGOJET INCOME FUND
Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended March 31, 2008	Three months ended March 31, 2007 (Restated - Note 4)
NET INCOME	$ 16,868	$ 1,142,695
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency gains from hedging activities net of income taxes of $248,564 (Note 15)	515,406	-
Reclassification of gains on interest rate swap designated as a cash flow hedge, net of income taxes of $nil	-	(114,030)
COMPREHENSIVE INCOME	$ 532,274	$ 1,028,665
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	$ -	$ 114,030
Other comprehensive income for the period	515,406	(114,030)
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF PERIOD	$ 515,406	$ -

CARGOJET INCOME FUND
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended March 31, 2008	Three months ended March 31, 2007 (Restated - Note 4)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	$ 16,868	$ 1,142,695
Items not affecting cash		
Amortization of capital assets	925,200	817,081
Amortization of intangible assets	2,629,788	2,517,288
Future income taxes	(426,699)	(195,266)
Change in fair value on non-hedge derivatives	78,144	(114,535)
Non-controlling interest	5,623	380,898
Aircraft heavy maintenance amortization	628,421	410,603
Aircraft heavy maintenance expenditures	(414,709)	(1,082,868)
	3,442,636	3,875,896
Changes in non-cash working capital items		
Accounts receivable	(563,804)	(1,915,195)
Spare parts, materials and supplies	(9,543)	38,343
Prepaid expenses and deposits	(402,663)	(295,247)
Accounts payable and accrued charges	(1,095,633)	(570,848)
Income taxes payable	(1,456,611)	-
	(85,618)	1,132,949
FINANCING		
Increase in long-term debt	500,000	-
Repayment of long-term debt	(34,837)	(4,036,736)
Distributions paid to unitholders and non-controlling interest	(2,583,081)	(2,544,899)
	(2,117,918)	(6,581,635)
INVESTING		
Additions to capital assets	(2,087,092)	(719,272)
NET CHANGE IN CASH	(4,290,628)	(6,167,958)
CASH POSITION, BEGINNING OF PERIOD	3,197,946	7,093,311
CASH (OVERDRAFT) POSITION, END OF PERIOD	$ (1,092,682)	$ 925,353
SUPPLEMENTARY FINANCIAL INFORMATION		
Interest paid	$ 283,103	$ 309,279
Income taxes paid	$ 1,477,236	$ -
Equipment purchased under capital lease	$ 57,677	$ -

1. NATURE OF THE BUSINESS

Cargojet Income Fund (the "Fund") is an unincorporated opened-ended limited purpose trust established under the laws of Ontario pursuant to a Declaration of Trust dated April 25, 2005. The Fund was created to invest in Cargojet Holdings Ltd. (the "Company" or "Cargojet"). The Fund acquired all of the shares of Cargojet on June 9, 2005.

The Fund provides domestic and transborder air cargo services in addition to aircraft handling and aircraft and airport equipment fueling services through its Fixed Base Operations ("FBO") business at the Hamilton International Airport.

2. BASIS OF PRESENTATION

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial information included herein reflects all adjustments which in the opinion of management are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three month periods ended March 31, 2008 and 2007 are not necessarily indicative of the results to be expected for the full year. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those described in the audited financial statements of the Fund for the year ended December 31, 2007, except as discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements reflect the following significant accounting policies:

Basis of presentation

These consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiary, Cargojet Operating Trust, and its 75% owned subsidiary Cargojet Holdings Limited Partnership ("CHLP"), and CHLP's wholly-owned subsidiaries, Cargojet Holdings Ltd. and Cargojet Partnership.

Spare parts, materials and supplies

Spare parts, materials and supplies are valued at average cost less provision for obsolescence.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost and are amortized using the declining-balance basis, except for leasehold improvements and engines which are amortized on the straight-line basis, at the following rates per annum:

Aircraft	-	7-½%
Engines	-	engine cycles
Ground equipment	-	20%
Rotable spares	-	7-½%
Computer hardware and software	-	30%
Furniture and fixtures	-	20%
Leasehold improvements	-	Lease term
Vehicles	-	30%
Hangar facility	-	10%

Goodwill and intangible assets

Goodwill is created when the Fund acquires a business. It represents the excess, at the date of acquisition, of the cost of the acquired business over the fair value of the net identifiable assets acquired.

Goodwill and intangible assets with indefinite useful lives are not amortized.

Goodwill is tested for impairment annually on April 1 or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate item in the consolidated statement of operations and deficit before income taxes and non-controlling interest.

Intangible assets, such as licenses, that have an indefinite useful life, are also tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in the consolidated statement of operations and deficit for the excess, if any.

Intangible assets that have a finite life, such as customer relationships and non-compete agreements, are capitalized and are amortized on a straight-line basis over a three or four-year period or the term of the non-compete agreement, respectively, and are further tested for impairment if events or circumstances indicate that the assets might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

An impairment loss is recognized when events or circumstances indicate that the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

Income taxes

The Fund is taxed as a "mutual fund trust" for Canadian income tax purposes. Pursuant to the Declaration of Trust, the trustees intend to distribute or designate all taxable income earned by the Fund to unitholders of the Fund and to deduct such distributions and designations for income tax purposes. Therefore, no provision for current income taxes payable is required at the trust level. However, certain of the Fund's subsidiaries are taxable.

The Fund accounts for future income taxes under the asset and liability method, whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets would be recorded in the consolidated financial statements to the extent that realization of such benefit is more likely than not.

Non-controlling interest

Non-controlling interest represents a direct non-controlling equity interest through exchangeable limited partnership units in CHLP. Exchangeable unitholders are entitled to earnings that are economically equivalent to distributions of the Fund. The exchangeable units were recorded at the value at which the Fund's Trust Units were issued to the public through the initial public offering. Exchanges of exchangeable units are recorded at the carrying value of the exchangeable units at issuance net of net earnings and distributions attributable to participating exchangeable units to the date of exchange.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized when delivery occurs and the transportation services are complete. Revenue from overnight cargo services is recorded based on actual volume of cargo at agreed upon rates when the cargo services have been provided. Minimum guaranteed contract revenue is billed in the event that the actual volumes do not exceed the guaranteed minimum volumes. Amounts billed include surcharges. Ad hoc revenue for non-contract customers is recorded at the time the cargo services have been provided.

Revenue from ACMI (aircraft, crew, maintenance and insurance) cargo services is recorded when the cargo service has been provided at a fixed daily rate to operate a specific route. The customer is otherwise responsible for all commercial activities and any costs incurred in excess of the ACMI services are invoiced to the customer at cost.

Revenue from ACMI passenger services is billed on the basis of a contracted ACMI rate and recorded when the services have been provided. Any costs incurred in excess of ACMI service are invoiced to the customer at cost.

Revenue from the lease of aircraft is billed on the basis of a contracted rate and recorded when the lease rental becomes due.

Revenue from fuelling services is billed on the basis of prevailing rates at the time of sale and recorded when the sale is completed.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at rates of exchange prevailing at period end. Gains or losses resulting from such translations are included in income.

Transactions in foreign currencies throughout the period have been converted at the exchange rate prevailing at the date of the transaction.

Financial instruments

All financial assets are classified as either held for trading, held to maturity investments, loans and receivables or available-for-sale. Also, all financial liabilities are classified as either held for trading or other financial liabilities. All financial instruments are initially recorded on the balance sheet at fair value. After initial recognition, financial instruments are measured at their fair values, except for held to maturity investments, loans and receivables, and other liabilities, which are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Fund's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable and deposits	Loans and receivables	Amortized cost
Accounts payable and accrued charges, distributions payable and long-term debt	Other financial liabilities	Amortized cost
Derivative contracts	Held for trading	Fair value

Transaction costs incurred with issuing non-revolving debt are included in the carrying value of the debt to which they relate and are amortized to interest expense using the effective interest rate method.

Unrealized gains or losses on financial instruments classified as held for trading are recognized in net income based on the change in the fair market value of the financial instrument in the period.

Derivative financial instruments and hedges

Derivative financial instruments are utilized by the Fund in the management of its interest rate and foreign currency exposure. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. All derivative financial instruments are recorded at their fair value.

The Fund enters into interest rate swaps in order to manage its exposure to fluctuations in interest rates on its floating rate debt. These swaps require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

The Fund periodically enters into foreign exchange forward contracts to manage its exposure to fluctuations in the Canadian/U.S. exchange rate on its purchase transactions denominated in U.S. dollars. These contracts require the exchange of currencies on maturity of the contracts.

Derivatives designated as hedges are measured at fair value. Changes in the fair value of a derivative which hedges the Fund's exposure to changes in the fair value of an asset or liability (a fair value hedge) are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Fund's exposure to changing cash flows (a cash flow hedge) are accumulated in other comprehensive income until the transactions being hedged affect net income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant items requiring the use of management estimates are the allowance for doubtful accounts, the obsolescence of spare parts, materials, supplies and rotables and the valuation of capital and intangible assets and their related amortization.

4. CHANGES IN ACCOUNTING

Changes to accounting policies

At year end 2007, the Fund changed its accounting policy in relation to the treatment of airframe heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Under the deferral method, the actual cost of each overhaul is capitalized and amortized on a straight-line basis to the next overhaul (24 months). The previous accrual (accrue-in-advance) method involved estimating the cost of the overhaul and accruing that cost to the overhaul. At that time, the actual cost of the overhaul was charged to the accrual, with any deficiency or excess charged or credited to expense.

Management believes the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices.

This change in accounting policy was accounted for retrospectively, and the comparative figures for 2007 have been restated. The effect of adopting the deferral method on the statement of operations for the three month period ended March 31, 2007 was to decrease direct expenses by $569,000, increase future income tax expense by $205,522 and increase non-controlling interest expense by $90,869. The overall net impact of the change was an increase in net income of $272,609 or $0.04 per Unit.

4. CHANGES IN ACCOUNTING (continued)

Adoption of new and revised accounting standards

On January 1, 2008, the Fund adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, *Financial Instruments - Disclosures*; Section 3863, *Financial Instruments - Presentation*; Section 1535, *Capital Disclosure*s; and amended Section 1400, *General Standards of Financial Statement Presentation.* The standards require prospective application and are effective for the Fund from January 1, 2008. These standards relate to presentation and disclosure only and do not have an impact on the Fund's financial results. Refer to Notes 12 and 15 for additional disclosures.

Also effective January 1, 2008, the Fund adopted the recommendations of CICA Handbook Section 3031, *Inventories*, which establishes standards for measuring and disclosing information related to inventories and provides specific guidance as to conversion costs to be included and excluded in inventories and accounting for impairment adjustments. The adoption of this new standard had no impact on the Fund's financial results.

Future accounting changes

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with this new standard. The new and amended standards are effective for the Fund beginning January 1, 2009. The Fund is currently assessing the impact of these standards on its financial statements.

Also in February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory International Financial Reporting Standards ("IFRS") changeover date for Canadian profit-oriented publicly accountable entities. The Fund will be required to prepare IFRS financial statements for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Fund for the year ended December 31, 2010. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. CAPITAL ASSETS

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Aircraft and engines	$ 19,447,187	$ 3,879,481	$ 15,567,706
Ground equipment	3,792,732	1,044,593	2,748,139
Rotable spares	7,712,599	1,163,612	6,548,987
Computer hardware and software	1,811,403	798,582	1,012,821
Furniture and fixtures	687,356	228,102	459,254
Leasehold improvements	2,914,840	1,282,154	1,632,686
Vehicles	370,182	160,706	209,476
Hangar facility	3,340,121	850,684	2,489,437
	$ 40,076,420	$ 9,407,914	$ 30,668,506

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Aircraft and engines	$ 19,004,241	$ 3,500,575	$ 15,503,666
Ground equipment	2,896,411	923,891	1,972,520
Rotable spares	7,337,138	1,042,398	6,294,740
Computer hardware and software	1,738,460	719,652	1,018,808
Furniture and fixtures	604,168	206,183	397,985
Leasehold improvements	2,696,455	1,154,722	1,541,733
Vehicles	312,505	146,109	166,396
Hangar facility	3,340,121	787,032	2,553,089
	$ 37,929,499	$ 8,480,562	$ 29,448,937

As at March 31, 2008, $403,461 (December 31, 2007 - $403,461) of the computer hardware and software and $131,370 (December 31, 2007 - $73,693) of the vehicles shown above less accumulated amortization of $181,357 (December 31, 2007 - $163,402) and $48,454 (December 31, 2007 - $43,698), respectively, were subject to capital lease.

5. CAPITAL ASSETS (continued)

Amortization expense consists of amounts charged under the following classification:

	Three months ended March 31, 2008	Three months ended March 31, 2007
Direct expenses	$ 808,697	$ 710,178
Selling, general and administrative expenses	116,503	106,903
	$ 925,200	$ 817,081

6. INTANGIBLE ASSETS

March 31, 2008	Rate	Cost	Accumulated Amortization	Net Book Value
Licences		$ 1,000,000	$ -	$ 1,000,000
Lease benefits	3 years	384,000	64,000	320,000
Customer relationships	3-4 years	38,687,600	26,879,608	11,807,992
Non-compete agreements	3-4 years	3,114,400	1,978,471	1,135,929
		$ 43,186,000	$ 28,922,079	$ 14,263,921

December 31, 2007	Rate	Cost	Accumulated Amortization	Net Book Value
Licences		$ 1,000,000	$ -	$ 1,000,000
Lease benefits	3 years	384,000	32,000	352,000
Customer relationships	3-4 years	38,687,600	24,482,305	14,205,295
Non-compete agreements	3-4 years	3,114,400	1,777,986	1,336,414
		$ 43,186,000	$ 26,292,291	$ 16,893,709

7. DEFERRED HEAVY MAINTENANCE

	March 31, 2008	December 31, 2007
Cost	$ 6,080,788	$ 5,666,079
Accumulated amortization	4,107,268	3,478,847
	$ 1,973,520	$ 2,187,232

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	March 31, 2008	December 31, 2007
Trade payables and accrued charges	$ 10,657,569	$ 10,429,527
Payroll and benefits	1,887,480	3,211,155
	$ 12,545,049	$ 13,640,682

9. LONG-TERM DEBT

The Fund maintains a revolving credit facility with a Canadian chartered bank. The facility is to a maximum of $26.0 million, reducing to $25.0 million as at July 1, 2008. The facility bears interest at bank prime plus 1.3% and is repayable on maturity, April 1, 2009. The Fund has entered into an interest rate swap with a major Canadian financial institution to manage most of the interest rate exposure with respect to the floating rate debt (Note 15).

The credit facility is subject to customary terms and conditions for borrowers of this nature, including, for example, limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of certain financial covenants.

The credit facility is secured by the following:

- general security agreement over all assets of the Fund;
- guarantee and postponement of claim to a maximum of $35.0 million in favour of Cargojet Partnership and certain other entities of the Fund; and
- assignment of insurance proceeds, payable to the bank.

Long-term debt consists of the following:

	March 31, 2008	December 31, 2007
Revolving credit facility	$ 17,500,000	$ 17,000,000
Obligation under capital lease	152,972	130,132
	17,652,972	17,130,132
Less current portion of long-term debt	111,563	130,132
	$ 17,541,409	$ 17,000,000

9. LONG-TERM DEBT (continued)

The following is a schedule of future minimum annual lease payments for obligations under capital lease together with the balances of the obligations:

2008 - remainder of fiscal year	$	113,770
2009		16,654
2010		16,654
2011		16,654
		163,732
Less interest @ 6.89% and 7.25%		10,760
Obligation under capital lease		152,972
Less current portion		111,563
Balance of obligation	$	41,409

Interest on long-term debt for the three month period ended March 31, 2008 totaled $289,301 (three month period ended March 31, 2007 - $317,968).

10. INCOME TAXES

The tax effect of significant temporary differences is as follows:

	March 31, 2008	December 31, 2007
Capital assets	$ 3,233,895	$ 3,166,578
Intangible assets	2,249,438	2,811,161
Financing costs	(1,074,099)	(1,197,020)
Derivative contracts	248,564	-
Deferred heavy maintenance	509,863	565,077
Future income tax liability	5,167,661	5,345,796
Less current portion	248,564	-
Future income tax liability - long-term	$ 4,919,097	$ 5,345,796

10. INCOME TAXES (continued)

A reconciliation between the Fund's statutory and effective tax rates is as follows:

	Three months ended March 31, 2008	Three months ended March 31, 2007
Earnings (loss) before income taxes and non-controlling interest	$ (383,708)	$ 1,328,325
Income tax provision (recovery) at the combined basic rate	$ (138,595)	$ 479,791
Income attributable to Trust Unitholders and Exchangeable LP Unitholders	(751,544)	(958,472)
Non-deductible portion of amortization of intangible assets	241,272	241,272
Permanent and other differences	242,668	42,143
Income tax recovery	$ (406,199)	$ (195,266)

11. UNITHOLDERS' EQUITY

The beneficial interests in the Fund are divided into interests of two classes, described and designated as "Trust Units" and "Special Voting Units", respectively. An unlimited number of Trust Units and Special Voting Units may be authorized and issued pursuant to the Declaration of Trust.

Each Trust Unit represents an equal voting, fractional, and undivided beneficial interest in the Fund. All Trust Units are transferable and share equally in all distributions from the Fund whether of net earnings, return of capital, return of principal, interest, dividends or net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund. The Trust Units are redeemable at any time on demand by the holders at fair value as determined by and subject to the conditions of the Declaration of Trust to a maximum of $50,000 per calendar quarter.

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net earnings, net realized gains or other amounts, or in the net assets of the Fund in the event of a termination or winding-up of the Fund. The Special Voting Units will only be issued to the holders of Class A limited partnership units of the CHLP ("Exchangeable LP Units"), for the purpose of providing voting rights to these Special Voting Unit holders, with respect to the Fund. Each Special Voting Unit will entitle the holder to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange of the Exchangeable LP Unit to which it is attached. Upon the exchange or conversion of an Exchangeable LP Unit for Units, the related Special Voting Unit will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any further rights.

11. UNITHOLDERS' EQUITY (continued)

(a) Trust Units

	Number	Amount
Unitholders' capital as at March 31, 2008 and December 31, 2007	6,698,863	$ 62,235,654

(b) Non-controlling interest

	Number	Amount
Non-controlling interest, December 31, 2007	2,232,955	$ 19,688,291
Share of earnings of the CHLP	-	5,623
Distributions declared in the period (Note 17)	-	(645,769)
Non-controlling interest, March 31, 2008	2,232,955	$ 19,048,145

(c) Earnings per Trust Unit

Basic earnings per Trust Unit has been calculated based on the average number of Trust Units outstanding of 6,698,863 for the three month periods ended March 31, 2008 and 2007. For the purpose of determining diluted earnings per Trust Unit, the weighted average number of Trust Units and Exchangeable LP Units, totaling 8,831,818 in 2008 and 2007, have been combined.

12. CAPITAL MANAGEMENT

The Fund's objectives when managing capital are: (i) to maintain flexibility when managing the short-term cash needs of the business and the funding of future growth; and (ii) to manage capital in a manner that balances the interests of the Unitholders and debt holders.

The Fund defines capital as the sum of Unitholders' equity, non-controlling interest, long-term debt, including the current portion, obligations under capital lease, net bank overdraft positions, cash and cash equivalents, and the present value of future operating lease payments.

The Fund manages its capital structure and will make adjustments to it in ways that support the broader corporate strategy or in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Fund may adjust the amount of distributions paid to Unitholders, purchase units for cancellation pursuant to normal course issuer bids, issue new Trust Units, issue new debt, issue new debt to replace existing debt (with different characteristics) or reduce the amount of existing debt. There were no changes in the Fund's approach to capital management during the period.

The Fund is subject to financial covenants related to its credit facility (Note 9). As at March 31, 2008 the Fund is in compliance with all financial covenants.

13. RELATED PARTY TRANSACTIONS

The Fund had the following transactions with two related companies, Flagship International Aviation Ltd. ("FIAL") and Flagship Aviation Holdings Ltd. ("Flagship Aviation"), each of these companies is controlled by one of the Fund's executive officers.

	Three months ended March 31, 2008	Three months ended March 31, 2007
Prepaid expenses and deposits		
Property tax	$ 1,758	$ -
Cost of sales		
Fuel - ground equipment	-	22,883
Warehouse rent	79,885	-
Selling, general and administrative expense	6,031	-

The cost of sales transactions for fuel related to the aircraft and airport ground equipment-fuelling services supplied to the Fund. The cost of sales transactions with Flagship Aviation is related to a warehouse lease agreement. The accounts payable balance owing to Flagship Aviation as at March 31, 2008 was $390 (December 31, 2007 - nil) and with FIAL was $159 (December 31, 2007 - $3,046) and is included in the balance sheet under accounts payable and accrued charges. These transactions were in the normal course of operations and measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

14. COMMITMENTS AND CONTINGENCIES

Commitments

The Fund is committed to the following annual minimum lease payments under operating leases for its fleet of aircraft, office premises and certain equipment:

2008 - remainder of fiscal year	$ 6,337,637
2009	4,589,867
2010	1,628,877
2011	707,358
2012	315,900
Thereafter	1,395,225
	$ 14,974,864

14. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Fund has provided irrevocable standby letters of credit totaling approximately $343,000 to a financial institution and two suppliers as security for its corporate credit cards and ongoing services to be provided. The letters of credit expire as follows:

July 6, 2008	$ 123,000
December 31, 2008	200,000
March 20, 2009	20,000
	$ 343,000

15. FINANCIAL INSTRUMENTS

Risk management policies

Through its financial assets and liabilities, the Fund is exposed to various risks. The following analysis provides an overview of these risks as well as a measurement of these risks as at March 31, 2008.

Fair value

The fair value of long-term debt approximates its carrying value as the long-term debt bears interest at current market rates. The fair values of all other financial assets and liabilities approximate their carrying values given the short-term nature of these items.

Credit risk

The Fund's principal financial assets that expose it to credit risk are cash and cash equivalents, accounts receivable and interest rate derivative instruments.

The Fund is subject to risk of non-payment of accounts receivable. The amounts disclosed in the balance sheet represent the maximum credit risk and are net of allowances for bad debts, based on management estimates taking into account the Fund's prior experience and its assessment of the current economic environment. The Fund's receivables are concentrated among several of its largest customers with approximately 66% of total receivables on account of the Fund's 10 largest customers. However, the Fund believes that the credit risk associated with these receivables is limited for the following reasons:

(a) Only a small portion (3%) of trade receivables are outstanding for more than 60 days and are considered past due. The Fund considers that all of these amounts are fully collectible. Trade receivables that are not past due are also considered by the Fund to be fully collectible. Consistent with its past collection history, the Fund has not recognized any significant provisions for bad debts.

(b) The Fund mitigates credit risk by monitoring the creditworthiness of its customers.

15. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(c) All of the Fund's major customers are large public corporations with positive credit ratings and history.

The credit risk on cash and cash equivalents and interest rate derivative instruments is limited. All of the Fund's counterparties are with Canadian chartered banks.

Liquidity risk

The Fund monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. Management of the Fund believes that future cash flows from operations, the availability of credit under existing bank arrangements, and current debt market financing is adequate to support the Fund's financial liquidity needs. Available sources of liquidity include:

(a) The Fund maintains a revolving credit facility with a Canadian chartered bank. The facility is to a maximum of $26.0 million, reducing to $25.0 million as at July 1, 2008.

(b) In April 2008, the Fund issued $35.7 million of subordinated unsecured convertible debentures bearing a fixed interest rate of 7.5% due April 30, 2013.

Foreign exchange risk

The Fund earns revenue and undertakes purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. The Fund manages its exposure to changes in the Canadian/U.S. exchange rate on anticipated purchases by buying forward U.S. dollars ("USD") at fixed rates in future periods. As at March 31, 2008, the Fund held twenty-one foreign exchange forward purchase agreements maturing on a monthly basis to December 2009 for a total of USD 20.3 million. These agreements fix the amount of Canadian dollars that the Fund will pay to buy USD to offset its purchases in USD.

These forward exchange purchase contracts have been designated as cash flow hedges. As at March 31, 2008, the contracts had a positive fair value of $763,970 that is recorded in the derivatives contracts on the balance sheet. For the three months ended March 31, 2008, the change in the unrealized fair value of these contracts was $515,406, net of tax of $248,564 and was recorded in other comprehensive income during the period.

The foreign exchange gain during the three month period ended March 31, 2008 was approximately $17,260 (three month period ended March 31, 2007 – foreign exchange gain of $4,700).

15. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Fund has long-term floating rate debt that creates an exposure to fluctuations in interest rates (Note 9).

The Fund uses interest rate swaps to manage its exposure to interest rate fluctuations. At March 31, 2008, the Fund had one swap contract in place with a major Canadian financial institution to manage most of the interest rate exposure in respect of the floating rate debt. The swap has a notional amount of $17.0 million. The Fund receives floating rate interest at BA-CDOR and pays fixed rate interest at 3.69% plus a stamping fee of 2.8 % per annum. The swap matures on June 15, 2008. At March 31, 2008, the Fund's interest rate swap had not been designated as a hedge and had a negative fair value of $12,135 that is recorded in derivative contracts on the balance sheet. For the three months ended March 31, 2008, the change in fair value of the interest rate swap was negative

The Fund repaid its indebtedness under its credit facility on April 15, 2008 and unwound the related interest rate swap.

Commodity risk

The Fund is exposed to commodity risk for fluctuations in fuel costs that it cannot pass on to its customers. The Fund does not use derivative instruments to mitigate this risk. As at March 31, 2008, Fund has been successful in recovering substantially all increases in fuel costs from its customers.

Market risk

In the normal course of business, the financial position of the Fund is routinely subject to a variety of risks. In addition to the market risk associated with interest rate and currency movements on outstanding debt and non-Canadian dollar denominated assets and liabilities, other examples of risk include collectibility of accounts receivable.

The Fund regularly assesses these risks and has established policies and business practices to protect against the adverse effects of these and other potential exposures. As a result, the Fund does not anticipate any material losses from these risks.

To meet disclosure requirements, the Fund performs a sensitivity analysis to determine the effects that market risk exposures may have on the fair values of the Fund's debt and other financial instruments. The financial instruments that are included in the sensitivity analysis comprise all of the Fund's cash and cash equivalents, long-term and short-term debt, and all derivative financial instruments. To perform the sensitivity analysis, the Fund assesses the risk of loss in fair values from the effect of hypothetical changes in interest rates and foreign currency exchange rates on market-sensitive instruments.

15. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

At March 31, 2008, movements in interest rates would not have any significant impact on the value of the Fund's financial assets and liabilities.

At March 31, 2008, a weakening of the Canadian dollar that results in a 10 percent decrease in the exchange rate for the purchase of US dollars would decrease the mark to market value of forward contracts by approximately $2.0 million. An increase in the exchange rate for the purchase of US dollars of 10 percent would increase the mark to market value of forward contracts by the same amount.

At March 31, 2008, a weakening of the Canadian dollar that results in a 10 percent decrease in the exchange rate for the purchase of US dollars would increase the value of the Fund's other net financial assets and liabilities denominated in US dollars by approximately $0.07 million. An increase in the exchange rate for the purchase of US dollars of 10 percent would decrease the value of these net financial assets and liabilities by the same amount.

16. GUARANTEES

In the normal course of business, the Fund enters into agreements that meet the definition of a guarantee. The Fund's primary guarantees are as follows:

(a) The Fund has provided indemnities under lease agreements for the use of various operating facilities and leased aircraft. Under the terms of these agreements, the Fund agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnity has been provided to all trustees, directors and officers of the Fund for various items including, but not limited to, all costs to settle suits or actions due to association with the Fund, subject to certain restrictions. The Fund has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Fund. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the Fund has entered into agreements that include indemnities in favor of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Fund to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

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(unaudited)

16. GUARANTEES (continued)

The nature of these indemnification agreements prevents the Fund from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability that stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Fund has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

17. DISTRIBUTIONS

The Fund makes regular distributions to unitholders of record as of the last business day of each month. Distributions to unitholders and Exchangeable LP unitholders are calculated and recorded on an accrual basis. Distributions declared during the three month period ended March 31, 2008 were $1,937,212 to unitholders and $645,769 to Exchangeable LP unitholders (three month period ended March 31, 2007 - $1,924,584 to unitholders and $641,528 to Exchangeable LP unitholders).

The Fund reviews its historical and expected results on regular basis including consideration of economic conditions to assess the appropriateness of its distribution policy. The following table summarizes the cash distributions for the three months ended March 31, 2008.

	Date	Unitholders		Exchangeable LP Unitholders		Total		
Record Date	Distribution Paid/Payable	Declared $	Paid $	Declared $	Paid $	Declared $	Per Unit $	Paid $
December 31, 2007	January 15, 2008	-	645,771	-	215,257	-	-	861,028
January 31, 2008	February 15, 2008	645,771	645,771	215,256	215,256	861,027	0.0964	861,027
February 28, 2008	March 15, 2008	645,770	645,770	215,256	215,256	861,026	0.0964	861,026
March 31, 2008	April 13, 2008	645,771	-	215,257	-	861,028	0.0964	-
		1,937,312	1,937,312	645,769	645,769	2,583,081	0.2892	2,583,081

Distributions payable at March 31, 2008 were as follows:

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
Income Fund Trust Units	March 1 to March 31, 2008	March 31, 2008	April 13, 2008	$ 0.0964	$ 645,771
Exchangeable LP Units	March 1 to March 31, 2008	March 31, 2008	April 13, 2008	$ 0.0964	215,257
					$ 861,028

17. DISTRIBUTIONS (continued)

Distributions payable at December 31, 2007 were as follows:

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
Income Fund Trust Units	December 1 to December 31, 2007	December 31, 2007	January 15, 2008	$ 0.0964	$ 645,771
Exchangeable LP Units	December 1 to December 31, 2007	December 31, 2007	January 15, 2008	$ 0.0964	215,257
					$ 861,028

18. SEGMENTED INFORMATION

The Fund manages its operations in one business segment, which is providing domestic and trans-border air cargo services. Operations are conducted primarily in Canada.

During the three month period ended March 31, 2008, the Fund had sales to three customers that represented 44% of the total revenues (three month period ended March 31, 2007 - 54% to three customers). These sales are provided under service agreements that expire over various periods to June 2010. Each of these customers had sales in excess of 10% of total revenues during all periods.

19. SUBSEQUENT EVENTS

On March 19, 2008, the Fund announced it had entered into an agreement with a syndicate of underwriters under which the underwriters agreed to purchase $31.0 million aggregate principal amount of subordinated unsecured convertible debentures bearing interest at a rate of 7.5% due April 30, 2013. The Fund closed the offering on April 9, 2008.

The Fund also granted an option to the syndicate to purchase an additional $4.7 million aggregate principal amount of debentures that was exercised in full on April 16, 2008.

The Fund repaid its indebtedness under its credit facility from the proceeds of the offering and unwound its interest rate swap on April 15, 2008.

In March 2008, the Fund announced its intention to acquire a majority interest in Prince Edward Air Ltd. The Fund completed this transaction on May 1, 2008 and acquired 51% of Prince Edward Air Ltd. The Fund received shares in Prince Edward Air Ltd. in exchange for customer contracts and assets valued at $4.2 million, and cash consideration of $1.0 million.