CARGOJET INCOME FUND

Management Discussion and
Analysis of Financial Condition and Results of Operations

For the Three Month Period Ended March 31, 2008

The following is a discussion of the consolidated financial condition and results of operations of Cargojet Income Fund (the "Fund") for the three month period ended March 31, 2008. The following also includes a discussion of and comparative operating results for the three month period ended March 31, 2007.

The Fund was created on April 25, 2005 and remained inactive until it acquired all of the shares of Cargojet Holdings Ltd. on June 9, 2005. Reference should be made to the prospectus of the Fund dated June 1, 2005 relating to the initial public offering for a complete description of the transactions effected concurrently with the closing of such offering.

The effective date of the MD&A is May 7, 2008. The Fund reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles ("GAAP"). References herein to "Cargojet", the "Fund", "we" and "our" mean Cargojet Income Fund. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Fund as at and for the three month periods ended March 31, 2008 and 2007, and the MD&A for the year ended December 31, 2007.

References to "EBITDA" [(A)] are to earnings before interest, income taxes, depreciation, amortization, non-controlling interest, gain or loss on disposal of capital assets and after adjusting aircraft heavy maintenance amounts to actual expenditures. Non-GAAP measures, EBITDA [(A)] and Distributable Cash [(B)], are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA [(A)] and Distributable Cash [(B)] may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA [(A)] and Distributable Cash [(B)] should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicators of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The calculations of Distributable Cash [(B)] and EBITDA[(A)] are shown on pages 4 and 7, respectively.

Key Factors Affecting the Business

The results of operations, business prospects and financial condition of the Fund are subject to a number of risks and uncertainties and are affected by a number of factors outside of the control of management of the Fund. For a more complete discussion of the risks affecting the Fund's business, reference should be made to the Annual Information Form ("AIF"), filed March 17, 2008 with the regulatory authorities.

Forward Looking Statements

This discussion includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Fund or its management. The forward-looking statements are not historical facts, but reflect Cargojet's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, as detailed in our AIF, filed March 17, 2008 with the regulatory authorities.

Corporate Overview

The Fund is Canada's leading provider of time sensitive overnight air cargo services. Its main air cargo business is comprised of the following:

- Operating a domestic overnight air cargo co-load network between thirteen major Canadian cities
- Providing dedicated aircraft to various customers on an Aircraft, Crew, Maintenance & Insurance ("ACMI") basis, operating between points in Canada and the USA
- Operating a scheduled international route for multiple cargo customers between the USA and Bermuda
- Operating a regional air cargo network servicing nineteen smaller cities in Ontario, Quebec and the Maritimes

The Fund currently operates twelve Boeing 727-200 series cargo aircraft, seven of which are leased and five owned. In addition, the Fund periodically contracts other airlines on an ACMI basis to temporarily operate aircraft on the Fund's behalf. This provides added capacity to its overall network to meet new business and/or peak period demands. Currently four aircraft are operated on this basis, two of which are B727-200F and two of which are Beechcraft B1900. The Fund operates its business across North America transporting over 840,000 pounds (381 metric tonnes) of time sensitive air cargo each business night utilizing its fleet of all-cargo aircraft. The Fund's domestic overnight air cargo co-load network consolidates cargo received from customers and transports such cargo to the appropriate destination in a timely and safe manner. The Fund continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

Cash distributions to unit holders of the Fund are based on all amounts received by the Fund, including interest, dividends, redemption proceeds, purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the Trustees, and amounts related to the redemption of units payable in cash. The declaration of Trust provides that monthly cash distributions are to be paid on or about the 15th day of the succeeding month.

Recent Events

In January 2008, the Fund announced plans to add two Boeing 767-200 Extended Range Freighter Aircraft to its fleet. These aircraft will be introduced into revenue service during the third quarter of 2008 along with the previously announced addition of one Boeing 757-200 Extended Range Freighter aircraft. The addition of these aircraft types is a major step in Cargojet's ongoing aircraft fleet renewal and cargo growth plans that are supported by additional revenue commitments from its existing customers.

In April 2008, the Fund closed a $35.7 million offering of Subordinated Unsecured Convertible Debentures, including the $4.7 million over-allotment option. The Fund intends to use the net proceeds of the offering to finance a portion of the estimated $21 million in start-up costs for the addition of the Boeing 767 and 757 aircraft and the related new hangar, finance the acquisition of Prince Edward Air Ltd., temporarily repay current indebtedness under the credit facility, and for general corporate purposes.

Recent Events (continued)

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. As a result of this acquisition, all of the Fund's existing regional business, which was originally purchased from Georgian Express Ltd. in 2007, will be transferred to Prince Edward Air Ltd. The transaction is part of Cargojet's strategic plan to expand its regional air cargo business. Total annual revenues of Cargojet and Prince Edward Air Ltd.'s regional air cargo businesses are expected to be approximately $22.0 million.

Revenues

The Fund's revenues are primarily generated from its overnight air cargo service between thirteen major Canadian cities each business night. Customers pre-purchase a guaranteed space and weight allocation on the Fund's network and a corresponding guaranteed daily revenue amount is paid to the Fund for this space and weight allocation. Remaining capacity is sold on an ad hoc basis to contract and non-contract customers. The Fund also provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This revenue helps to support lower demand legs and provides a revenue opportunity with little or no incremental cost, as the flights are operating on regular schedules. To enhance its revenues, the Fund offers a specialty charter service, typically, in the daytime and on weekends. The charter business targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America and the Caribbean.

The Fund operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain minimum daily revenue guarantees and the ability to pass through increases in fuel costs.

The Fund provides and operates dedicated aircraft on an ACMI basis for major contract customers. Under these arrangements the customers are responsible for all commercial activities and the Fund is paid a fixed amount to operate the route.

The Fund also generates revenues from its Cargojet Regional operations operating dedicated cargo aircraft to several smaller communities across Ontario, Quebec and the Maritimes.

With the addition of the Fixed Base Operations ("FBO") at the Hamilton International Airport, the Fund derives revenue from the sale of aviation related fuel products and provision of related aircraft and ground handling services.

Expenses

Direct expenses consist of fixed and variable expenses including aircraft and ground support, vehicle leases, fuel, ground handling services, aircraft de-icing, sub-charter and ground transportation costs, landing fees, navigation fees, insurance, salaries and benefits, office equipment and building leases.

Administrative expenses are primarily costs associated with executive and corporate management and the overhead of the Fund's business. These expenses include costs associated with load scheduling, flight operations coordination, client relations, information systems, salaries and benefits (including incentive plan expenses), occupancy costs and professional fees (such as legal and audit fees). The Fund's administrative staffing and associated costs are maintained at a level that the Fund deems appropriate to manage and support the size and nature of its current business activities.

Reconciliation of Cash from Operating Activities to Distributable Cash[(B)]

	Three Month Period Ended March 31	
(in thousands of dollars, except per unit amounts)	**2008**	2007[(4)]
	(unaudited)	(unaudited)
Cash inflow from operations before changes in non-cash working capital items[(1)]	**$ 3,443**	$ 3,876
Changes in non-cash working capital items[(1)]		
Accounts receivable	**(564)**	(1,915)
Spare parts, materials and supplies	**(9)**	38
Prepaid expenses and deposits	**(403)**	(295)
Income taxes payable	**(1,457)**	-
Accounts payable and accrued charges	**(1,096)**	(571)
	(86)	1,133
Less:		
Maintenance capital expenditures[(2)]	**1,063**	719
Repayment of long-term debt obligation under capital lease	**35**	37
Total changes in non-cash working capital items	**(3,529)**	(2,743)
Distributable cash[(B)]	**$ 2,345**	$ 3,120
Average number of trust units outstanding - basic (in thousands of units)	**6,699**	6,699
Average number of trust units outstanding - diluted (in thousands of units)	**8,932**	8,932
Distributable cash per unit - diluted[(3)]	**$ 0.263**	$ 0.349
Cash distributions	**$ 2,583**	$ 2,566
Cash distributions as a percentage of distributable cash	**110%**	82%

(1) Please refer to Statement of Cash Flows for the Fund.
(2) Maintenance capital expenditures for the three month period ended March 31, 2008 excludes the $0.06 million for equipment that was financed under a capital lease.
(3) For the purpose of calculating diluted distributable cash per unit, the weighted average number of Trust units and Exchangeable LP units have been combined.
(4) The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. 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 has been accounted for retrospectively, and the comparative financial statements for 2007 have been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.
(B) Please refer to End Note (B) included at the end of this MD & A.

Results of Operations and Supplementary Financial Information

(in thousands of dollars, except per unit amounts)	March 31 2008 (unaudited)	March 31 2007 [1] (unaudited)
Revenue	$ **46,799**	$ 33,825
Direct expense	**39,531**	25,200
	7,268	8,625
Selling, general and administrative expenses		
Sales and marketing	**191**	199
General and administrative	**4,363**	4,319
Interest, net	**352**	155
Amortization of capital assets	**116**	107
Amortization of intangible assets	**2,630**	2,517
	7,652	7,297
Earnings (loss) before income taxes and non-controlling interest	**(384)**	1,328
Provision for (recovery of) income taxes		
Current	**21**	-
Future	**(427)**	(195)
	(406)	(195)
Earnings before non-controlling interest	**22**	1,524
Non-controlling interest	**6**	381
Net income	$ **17**	$ 1,143
Earnings per trust unit - basic	$ **0.00**	$ 0.17
Earnings per trust unit - diluted	$ **0.00**	$ 0.17
Average number of trust units - basic (in thousands of units)	**6,699**	6,699
Average number of trust units - diluted (in thousands of units)	**8,932**	8,932
Total assets	$ **109,608**	$ 112,689
Total long-term liabilities	$ **22,461**	$ 22,346

[1] The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. 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 has been accounted for retrospectively, and the comparative financial statements for 2007 have been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.

Selected Financial Information

Summary of Most Recently Completed Consolidated Quarterly Results

(in thousands of dollars, except per unit amounts)

	Three Month Periods Ended							
	March 31 2008	December 31 2007	September 30 2007 (1)	June 30 2007 (1)	March 31 2007 (1)	December 31 2006 (1)	September 30 2006 (1)	June 30 2006 (1)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	**$ 46,799**	$ 48,439	$ 35,002	$ 33,839	$ 33,825	$ 35,102	$ 33,983	$ 33,593
Net income	**$ 17**	$ 1,502	$ 1,193	$ 1,469	$ 1,143	$ 1,650	$ 1,252	$ 1,538
Earnings per trust unit - basic	**$ 0.00**	$ 0.22	$ 0.18	$ 0.22	$ 0.17	$ 0.25	$ 0.19	$ 0.23
Earnings per trust unit - diluted	**$ 0.00**	$ 0.22	$ 0.18	$ 0.22	$ 0.17	$ 0.25	$ 0.19	$ 0.23
Average number of trust units - basic (in thousands of units)	**6,699**	6,699	6,699	6,699	6,699	6,699	6,699	6,699
Average number of trust units - diluted (in thousands of units)	**8,932**	8,932	8,932	8,932	8,932	8,932	8,932	8,932

(1) The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. 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 has been accounted for retrospectively, and the comparative financial statements for the noted periods have been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.

Calculation of EBITDA[(A)] and Reconciliation of EBITDA[(A)] to Distributable Cash[(B)]
(in thousands of dollars)

	Three Month Period Ended March 31	
	2008	2007[(3)]
	(unaudited)	(unaudited)
Calculation of EBITDA[(A)]:		
Net income	**$ 17**	$ 1,143
Add:		
Interest	**352**	155
Non-controlling interest	**6**	381
Recovery of future income taxes	**(427)**	(195)
Provision for current income taxes	**21**	-
Amortization of capital assets	**925**	817
Amortization of intangible assets	**2,630**	2,517
Aircraft heavy maintenance amortization	**629**	410
Less: Aircraft heavy maintenance expenditures	**(415)**	(1,083)
EBITDA[(A)]	**$ 3,738**	$ 4,145
Reconciliation of EBITDA[(A)] to Distributable Cash[(B)]:		
EBITDA[(A)]	**$ 3,738**	$ 4,145
Less:		
Maintenance capital expenditures[(1)]	**1,063**	719
Interest[(2)]	**274**	269
Provision for current income taxes	**21**	-
Repayment of long-term debt obligation under capital lease	**35**	37
Distributable cash[(B)]	**$ 2,345**	$ 3,120

(1) Maintenance capital expenditures for the three month periods ended March 31, 2008 excludes the $0.06 million, for equipment that was financed under a capital lease.
(2) For the purpose of calculating Distributable Cash[(B)] interest excludes the unrealized loss on derivatives amounting to $78,144 for the three month period ended March 31, 2008 and the net unrealized gain on derivatives amounting to $114,535 for the three month period ended March 31, 2007.
(3) The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. 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 has been accounted for retrospectively, and the comparative financial statements for 2007 have been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.
(A) Please refer to End Note (A) included at the end of this MD & A.
(B) Please refer to End Note (B) included at the end of this MD & A.

Highlights for the Three Month Periods Ended March 31, 2008 and 2007

- Total revenue for the three month period ended March 31, 2008 was $46.8 million as compared to $33.8 million for the same period in 2007, representing an increase of $13.0 million or 38.5%.
- Average overnight daily cargo revenue for the three month period ended March 31, 2008 was $0.79 million per operating day as compared to $0.58 million per operating day for same period in 2007, representing an increase of 36.2% .
- EBITDA [(A)] for the three month period ended March 31, 2008 was $3.7 million as compared to $4.1 million for the same period in 2007.

Review of Operations (For the Three Month Periods Ended March 31, 2008 and 2007)

Revenue

Total revenue for the three month period ended March 31, 2008 was $46.8 million as compared to $33.8 million for the same period in 2007. The $13.0 million increase in revenues was primarily due to continued growth of the core overnight air cargo network revenues, the launch of Cargojet Regional, the new FBO fueling business, and higher fuel and other pass-through costs that were passed on to customers.

Revenue related to overnight air cargo business and ACMI cargo revenue, excluding fuel surcharges and other cost pass-through revenues for the three month period ended March 31, 2008 was $34.5 million compared to $29.0 million for the same period in 2007. This increase of $5.5 million or 19.0% indicates continued strong demand of the Fund’s core overnight and ACMI cargo services.

Revenues from the Cargojet Regional business were $2.1 million for the three months ended March 31, 2008. These revenues resulted from the acquisition of the assets of Georgian Express Ltd. in October 2007. Comparable revenues did not exist in the first quarter of 2007.

Revenues from the Fund’s Fixed Base Operations (FBO) fueling business were $0.5 million for the three months ended March 31, 2008. These operations started in September 2007. Comparable revenues did not exist in the first quarter of 2007.

Aircraft lease revenue from the passenger aircraft was nil for the three month period ended March 31, 2008 compared to $0.2 million for the same period in 2007.

Fuel surcharges and other cost pass-through revenues were $5.1 million higher in the first quarter of 2008 as compared to 2007. Most of the increase was due to the increase in year over year fuel costs that were passed on to the Fund’s customers. Other pass-through costs such as navigation and landing fees were higher due to the growth in the Fund’s ACMI cargo business.

Review of Operations (For the Three Month Periods Ended March 31, 2008 and 2007) (continued)

Direct Expenses

Direct expenses were $39.5 million for the first quarter of 2008 as compared to $25.2 million for the same period in 2007, representing an increase of $14.3 million or 56.7%. As a percentage of revenue, direct expenses increased from 74.5% in the first quarter of 2007 to 84.5% for the same period in 2008.

$5.1 million of the increase in direct expenses was due to higher fuel surcharges and other costs that were passed on to customers. Fuel surcharges were higher in the first quarter of 2008 than for the same period in 2007 due to higher fuel prices and an increase in overall cargo volume and number of block hours. Increased costs incurred by the Fund due to higher fuel prices were billed to customers on a cost recovery basis as fuel surcharges. Other pass-through costs were higher in the first quarter of 2008 than for the same period in 2007 due to the increase in overall cargo volume and number of block hours.

$8.1 million of the increase in direct expenses was due to the continued growth of the core overnight air cargo network revenues, the launch of Cargojet Regional, and the costs of operating the new FBO fueling business.

Startup and transition costs associated with the introduction of the new aircraft were $1.2 million during the first quarter of 2008. These expenses include the cost of hiring new staff, training and travel expenses, and the temporary lease of aircraft.

Direct expenses were impacted by one fewer operating day in the first quarter of 2008 as compared to 2007 and the introduction of a new statutory holiday in Ontario in February 2008. As a result, direct expenses were reduced by approximately $0.6 million in the first quarter of 2008 as compared to the same period in 2007.

The direct expenses in the first quarter of 2008 also include unscheduled repairs and an increase in non-revenue flight hours related to maintenance. These costs are $0.5 million higher in 2008 than for the same three month period ended March 31, 2007.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $4.6 million, representing 9.8% of revenue for the three month period ended March 31, 2008, compared to $4.5 million or 13.3% of revenue for the three month period ended March 31, 2007. The increase is due to higher consulting and professional fees, higher administrative support costs related to the new Boeing 767 and 757 aircraft, and a decrease in management incentive expenses.

EBITDA [(A)]

EBITDA [(A)] for the three month period ended March 31, 2008 was $3.7 million or 7.9% of revenue, compared to $4.1 million or 12.1% of revenue for the three month period ended March 31, 2007. The decrease in the percentage of EBITDA [(A)] of revenue was due primarily to the increase in fuel and pass-through costs, lower margins on the new route to Western Canada, and the launch of Cargojet Regional. The new route to Western Canada is still in the startup phase and management anticipates that margins will improve over the next several quarters. Cargojet Regional margins were impacted by additional sub service costs incurred in the initial startup period. Management believes that additional synergies will be realized as a result of the acquisition of Prince Edward Air Ltd. on May 1, 2008, having a positive impact on margins over the balance of fiscal 2008.

Review of Operations (For the Three Month Periods Ended March 31, 2008 and 2007) (continued)

EBITDA (A) (continued)

EBITDA (A) in the first quarter of 2008 as compared to the same period in 2007 was further reduced by planned costs related to the startup and transition of the new aircraft of $1.2 million and unscheduled maintenance of aircraft of $0.5 million.

For the purpose of calculating EBITDA (A) for the three month period ended March 31, 2008, the aircraft heavy maintenance amortization of $0.6 million charged to earnings was added back to earnings and the actual heavy maintenance expenditures incurred of $0.4 million were deducted from earnings. For the purpose of calculating EBITDA (A) for the three month period ended March 31, 2007, the aircraft heavy maintenance amortization of $0.4 million charged to earnings was added back to earnings and the actual heavy maintenance expenditures incurred of $1.1 million were deducted from earnings. Heavy maintenance on aircraft occurs at regular and predetermined intervals and the costs related to these events are deferred by the Fund and amortized over a period of 24 months until the next scheduled heavy maintenance.

Amortization

Amortization expense of the Fund includes amortization of the identified intangible assets (excluding goodwill and licenses), arising primarily as a result of the acquisition of the Cargojet Group of Companies immediately after the filing of the Fund's initial public offering. Collectively, the amortization of intangible assets recorded for the three month period ended March 31, 2008 was $2.6 million and for the three month period ended March 31, 2007, it was $2.5 million. Amortization of capital assets for the three month period ended March 31, 2008 totaled $0.9 million, out of which $0.8 million was included in direct expenses and for the three month period ended March 31, 2007 totaled $0.8 million, out of which $0.7 million was included in direct expenses.

Interest

Interest expense was $0.4 million for the three month period ended March 31, 2008, as compared to interest expense of $0.2 million for the three month period ended March 31, 2007. Included in the interest expense for the three month period ended March 31, 2008 was the unrealized loss of $0.1 million arising from the Fund's interest rate swap on its loan, recorded at fair value, in accordance with the Fund's policy on derivative financial instruments. The interest expense for the three month period ended March 31, 2007 included an unrealized gain of $0.1 million on this interest rate swap. The Fund has entered into a derivative financial instrument that hedges the Fund's interest expense for the period June 15, 2005 to June 15, 2008.

Future Income Tax Recovery

The future income tax recovery was $0.4 million for the three month period ended March 31, 2008 and represents the reversal of temporary differences between the financial reporting and tax bases of the balance sheet items.

Review of Operations (For the Three Month Periods Ended March 31, 2008 and 2007) (continued)

Income Tax Provision

The provision for current income tax payable for the three month period ended March 31, 2008 was $0.02 million, compared to nil for the three month period ended March 31, 2007.

Non-controlling Interest

Non-controlling interest was $0.01 million for the three month period ended March 31, 2008 as compared to $0.4 million for the three month period ended March 31, 2007 and represents the share of earnings for these periods related to the Exchangeable LP units held by the retained interest holders relative to the total public units held.

Distributable Cash

Distributable cash was $2.3 million for the three month period ended March 31, 2008, compared to $3.1 million for the three month period ended March 31, 2007. The decrease in distributable cash for the three month period ended March 31, 2008 compared to the three month period ended March 31, 2007 was primarily attributable to an increase in maintenance capital expenditures and the decrease in EBITDA [A].

Distributions

Total distributions declared for the three month period ended March 31, 2008 were $2.6 million, or $0.2892 per trust unit. A distribution of $0.0964 per trust unit, equal to $0.6 million, for the period March 1, 2008 to March 31, 2008 was declared to unit holders of record on March 31, 2008, payable on or before April 15, 2008. Also, a distribution of $0.0964 per Exchangeable LP unit, equal to $0.2 million, for the period March 1, 2008 to March 31, 2008 was declared to Exchangeable LP unitholders of record on March 31, 2008, payable on or before April 15, 2008. The total distributions declared for the three month period ended March 31, 2007 were $2.6 million, or $0.2873 per trust unit. The payout ratio for the three month period ended March 31, 2008 was 110% compared to 82% for the three month period ended March 31, 2007.

On March 8, 2007, the board of Trustees of the Fund approved the release of the subordination provisions as they relate to the Exchangeable LP units as all conditions pertaining to the subordination had been satisfied (please refer to the Prospectus filed June 1, 2005 with the regulatory authorities for more information).

Review of Operations (For the Three Month Periods Ended March 31, 2008 and 2007) (continued)

Distributions (continued)

The Fund reviews its historical and expected results on a 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 month period ended March 31, 2008:

		Unitholders		Exchangeable LP Unitholders		Total		
Record Date	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 29, 2008	March 15, 2008	645,770	645,770	215,256	215,256	861,026	0.0964	861,026
March 31, 2008	April 15, 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

Liquidity and Capital Resources

Cash used for operating activities after net changes in non-cash working capital balances for the three month period ended March 31, 2008 was $0.1 million. Cash from operating activities after net changes in non-cash working capital balances was $1.2 million less in the first quarter of 2008 as compared to the same period in 2007.

Cash used in financing activities during the three month period ended March 31, 2008 was $2.1 million, comprised primarily of cash used for distributions paid to unitholders.

Cash used in investing activities during the three month period ended March 31, 2008 was $2.1 million, all represented by capital asset spending.

There are no provisions within existing debt or lease agreements that will trigger additional funding requirements or early payments based on current or expected results. The Fund's revolving credit facility will mature on April 1, 2009.

Review of Operations (For the Three Month Periods Ended March 31, 2008 and 2007) (continued)

Capital Expenditures

Capital asset additions totaled $2.1 million for the three month period ended March 31, 2008, of which $1.1 million represented maintenance capital expenditures and $1.0 million represented growth capital expenditures.

Financial Condition

The following is a comparison of the financial position of the Fund as at March 31, 2008 to the financial position of the Fund as at December 31, 2007.

Accounts Receivable

Accounts receivable as at March 31, 2008 amounted to $10.4 million, an increase of $0.6 million compared to the balance of $9.8 million as at December 31, 2007. The fluctuation in the accounts receivable balance is primarily due to timing differences for payments received from customers. The quality of the Fund's receivable balances and its current collections, in management's opinion, remains excellent.

Capital Assets

Capital assets increased by $1.2 million during three month period ended March 31, 2008 to $30.7 million. This increase in capital assets was comprised of $1.1 million for maintenance capital expenditures and $1.0 million for growth capital expenditures, offset by the amortization of capital assets recorded during the three month period ended March 31, 2008 of $0.9 million.

Intangible Assets

Intangible assets including goodwill decreased by $2.6 million from December 31, 2007 to $60.4 million as at March 31, 2008. The decrease is entirely attributable to the amortization of intangible assets recorded for the three month period ended March 31, 2008 of $2.6 million.

Deferred Heavy Maintenance

Deferred heavy maintenance decreased by $0.2 million from December 31, 2007 to $2.0 million as at March 31, 2008. The decrease from the balance as at December 31, 2007 is as a result of additional aircraft heavy maintenance expenditures during the three month period ended March 31, 2008 of $0.4 million and the heavy maintenance amortization during this period of $0.6 million.

Financial Condition (continued)

Accounts Payable and Accrued Charges

Accounts payable and accrued charges decreased by $1.1 million compared to the balance as at December 31, 2007 to $12.6 million as at March 31, 2008. The decrease is primarily a result of the timing of supplier payments, and the timing of the payroll disbursement.

Working Capital Position

The Fund had a working capital deficit as at March 31, 2008, representing the difference between total current assets and current liabilities, of $0.3 million, compared to a working capital surplus of $0.7 million as at December 31, 2007. The decrease in working capital during the three month period ended March 31, 2008 was due primarily to additions to capital assets, the increase in foreign exchange derivatives contracts, and an increase in accounts receivable.

Long-Term Debt

The Fund has a long-term revolving credit facility to a maximum of $26.0 million. As at March 31, 2008, the Fund had utilized $17.5 million of this credit facility, compared to $17.0 million as at December 31, 2007. The maturity date of this revolving credit facility is April 1, 2009.

Liquidity

The Fund continues to maintain debt levels at a very manageable level. The available credit on the Fund's long-term revolving credit facility gives the Fund a high level of flexibility to manage capital expenditures and working capital requirements going forward. In April 2008, the Fund closed a $35.7 million offering of Subordinated Unsecured Convertible Debentures, including the $4.7 million over-allotment proceeds. The Fund intends to use the net proceeds of the $35.7 million Subordinated Unsecured Convertible Debenture offering to finance the start-up costs for its previously announced wide body aircrafts program, finance the acquisition of Prince Edward Air Ltd., temporarily repay current indebtedness under the credit facility and for general corporate purposes. There are no provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment. There are no circumstances that management is aware of that would impair the Fund's ability to undertake any transaction which is essential to the Fund's operations.

Contingencies

As of March 31, 2008, the Fund has provided irrevocable standby letters of credit totaling $0.34 million to a financial institution and two suppliers as security for its corporate credit cards and ongoing services to be provided. One of the letters of credit for $0.12 million expires on July 6, 2008, one for $0.2 million expires December 31, 2008 and the third for $0.02 million, expires on March 20, 2009.

Financial Condition (continued)

Summary of Contractual Obligations

	Payments due by Period						
As at March 31, 2008 ($ thousands)	Total	2008	2009	2010	2011	2012	Thereafter
Long-term debt	$ 17,500	$ -	$ 17,500	$ -	$ -	$ -	$ -
Capital lease obligations	153	108	14	15	16	-	-
Operating leases	14,975	6,338	4,590	1,629	707	316	1,395
Total contractual obligations	$ 32,628	$ 6,446	$ 22,104	$ 1,644	$ 723	$ 316	$ 1,395

Capital Resources

The Fund expects to make capital expenditures of approximately $18.0 million over the course of the next four quarters in connection with the deployment of the new aircraft required to meet the Funds increase in capacity demand. The new aircraft are scheduled to enter service in the third quarter of 2008. These capital expenditures will consist of the addition of new aircraft tooling and ground handling equipment, aircraft spare parts inventories, new airfreight containers, aircrew training and aircraft operations manuals. In April 2008, the Fund closed a $35.7 million offering of Subordinated Unsecured Convertible Debentures, including the $4.7 million over-allotment proceeds. The Fund intends to use some of the proceeds of this offering for these capital expenditures.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements other than those disclosed under "Summary of Contractual Obligations".

Segmented Information and Economic Dependence

The Fund manages its operations in one primary business segment, which is providing air cargo services on both a scheduled and ACMI basis. Primary operations are conducted in Canada with some USA and International operations. For the three month period ended March 31, 2008 the Fund had sales to three customers of $20.4 million or 43.5% of total revenue compared to $18.2 million or 53.8% of total revenue for the three month period ended March 31, 2007. Each of these customers are under long-term contract with the Fund and the revenue from each of these three customers represented more than 10% of the total revenue in these comparative periods.

Transactions with Related Parties

During the three month period ended March 31, 2008 the Fund had transactions with two related companies, Flagship International Aviation Ltd. ("FIAL") and Flagship Aviation Holdings Ltd. ("Flagship Aviation"). Each company was controlled by one of the Fund's executive officers. Over 90% of all related party transactions were due to cost of sales transactions with Flagship Aviation. These transactions amounted to $0.1 million and were in the normal course of operations. They were related to a warehouse lease agreement that the Fund had entered into with Flagship Aviation for a new warehouse and office building at the Hamilton International Airport.

Financial Instruments

The Fund is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange and the degree of volatility that these rates present. The Fund is exposed to interest rate risk on its credit facility and gains or losses on its foreign exchange risk on U.S. dollar transactions.

The Fund entered into a hedging transaction with a major Canadian financial institution to manage most of its interest rate exposure in respect of its floating rate debt. This hedging transaction matures on June 15, 2008. The hedge was effective until the January 15, 2007 repayment of $4.0 million of the loan balance, after which the hedge no longer met the accounting requirements for hedge accounting and accordingly, hedge accounting was discontinued. Changes in unrealized gains and losses that arise as a result of the revaluation of the swap at fair value at the end of each period are now recognized in earnings during the period. As at March 31, 2008, the swap had a negative fair value, or value unfavourable to the Fund, of approximately $0.01 million.

During February 2008, the Fund entered into a series of U.S. dollar forward purchase contracts for an aggregate total of U.S. $21.0 million. These U.S. dollar forward contracts began in March 2008 and expire in December 2009, and are consistent with the Fund's foreign exchange risk management policy. As part of this policy, the Fund has entered into U.S. dollar forward purchase contracts to reduce uncertainty surrounding Canadian dollar value of anticipated cash flows where it has significant foreign exchange exposure to U.S. currency fluctuations. As at March 31, 2008, the net unrealized gain of $0.5 million resulting from the revaluation of these contracts was recognized in other comprehensive earnings during the period.

Subsequent Events

The Fund acquired 51% of Prince Edward Air Ltd. on May 1, 2008. 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. As a result of this acquisition, all of the Funds's existing regional business, which was originally purchased from Georgian Express Ltd. in 2007, will be transferred to Prince Edward Air Ltd. The transaction is part of the Cargojet's strategic plan to expand its regional air cargo business. Total annual revenues of Cargojet and Prince Edward Air Ltd.'s regional air cargo businesses are expected to be approximately $22.0 million.

In April 2008, the Fund closed a $35.7 million offering of Subordinated Unsecured Convertible Debentures, including the $4.7 million over-allotment proceeds. The Fund intends to use the net proceeds of the offering to finance the start-up costs for its previously announced wide body aircrafts program and the related new hangar, finance the acquisition of Prince Edward Air Ltd., temporarily repay current indebtedness under the credit facility and for general corporate purposes.

The Fund also unwound its interest rate swap on April 15, 2008.

Outlook

The Fund continues to experience increased commitments for its premium and time-definite air cargo services on the overnight network, especially from contract customers. Economic slowdown in the USA and Canada may impact future demand as we move further into 2008, although historically air cargo carriers have benefited when manufacturers and distributors maintain lower inventory levels and ship on a more “just-in-time” basis.

Management believes that volume increases from its core customer base will also continue to grow as cargo capacity on scheduled passenger aircraft continues to decrease and with the possible implementation of enhanced security regulations for air cargo carried in the belly of passenger aircraft. Management also expects to achieve continued organic growth within its existing customer base and to obtain new customers for both its domestic and international routes as the Fund continues to build on its competitive market position. Management will also continue to explore opportunities to acquire complementary or competing businesses within the limits set by the proposed tax legislation. These opportunities include those within the regional air cargo markets both in Eastern and Western Canada as well as trans-border route operations.

Fuel prices continue to escalate and remain at historically high levels. The Fund fixes the price it pays for jet fuel on a monthly basis with all its fuel suppliers. Any fuel cost increases on a month over month basis are passed on to customers as an increase in fuel surcharge and billed to customers on a cost recovery basis only. Management is confident that the Fund will continue to fully recover any future increases in fuel costs but cautions that recent high fuel surcharge costs could have a negative affect on volumes, as shippers may look towards cheaper modes of transportation.

Aircraft fleet renewal plans are well underway with the planned introduction of the B757-200F and B767-200F Extended Range Freighter aircrafts beginning in July 2008. Initial employee training, indoctrination and capital expenses associated with the introduction of these new aircraft type began in January 2008 and will continue until aircraft introduction.

Management’s principal objective is to increase free cash flow available for distribution by continuing to provide quality air cargo services, increasing the range of these services, focusing on improving efficiencies and cost controls, and growing the business organically and through strategic and accretive acquisitions. Management continuously reviews and evaluates all of the foregoing initiatives especially those that can increase cash flow. Future strategic initiatives may be financed from working capital, cash flow from operations, borrowing or the issuance of additional units. Any decisions regarding the above, including further increases in distributions, will be considered and determined as appropriate by the Board of Trustees of the Fund.

Critical 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 more significant items requiring the use of management estimates are the determinations of the allowance for doubtful accounts, the obsolescence of spare parts, materials, supplies and rotables and the valuation of intangible assets. The table below discloses the methodology used by management in the assessment of these accounting estimates.

Critical Accounting Estimate	**Methodology, Assumptions**
Accounts receivable: allowance for doubtful accounts	The allowance is based on specific analysis of the accounts receivable aging reports, and review of past efforts to collect the overdue invoices. The allowance is specific to the invoices not certain to be collected.
Obsolescence of spare parts, materials, supplies and rotables	The reserve for obsolescence of spare parts, materials and supplies is based on examination of the spare parts, materials and supplies by tracking repair and usage history. Provision is made based on these estimates.
Valuation of intangible assets	The valuation is based on expected future cash flows, with factors that may affect future cash flows taken into account. Intangible assets with an indefinite life are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Any resulting impairment loss is recorded in the period in which the impairment occurs, as dictated by Canadian generally accepted accounting principles. Intangible assets that have a finite life are capitalized and are amortized over their estimated useful lives and are further tested for impairment if events or circumstances indicate that the asset might be impaired.

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 financial statements to the extent that realization of such benefit is more likely than not.

Financial Reporting Update

Changes To Existing Accounting Policies

In 2007, the Fund changed its accounting policy in relation to the treatment of aircraft 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. 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 financial statements for 2007 were restated.

Changes in Accounting: Adoption of New and Revised Accounting Standards

On January 1, 2008, the Fund adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, Capital Disclosures (Section 1535), Financial Instruments – Disclosures (Section 3862), and Financial Instruments – Presentation (Section 3863). These new standards became effective for the Fund on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements.

These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Financial Reporting Update (continued)

The CICA also amended Section 1400, General Standards of Financial Statement Presentation, to include a requirement that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. This change came into effect on January 1, 2008.

Information Disclosure Controls and Procedures

Disclosure controls and procedures within the Fund and the General Partner ("GP") are designed to provide reasonable assurance that appropriate and timely decisions are made regarding public disclosure. This is accomplished through the establishment of systems that identify and communicate relevant information to persons responsible for preparing public disclosure items, in accordance with the Disclosure Policy adopted jointly by the Trustees of the Fund and the Directors of the GP. An evaluation of the effectiveness of the Fund's and the GP's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administrators, was conducted at March 31, 2008 by management, including the Chief Executive Officer of the GP and the Chief Financial Officer of the GP. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures of the Fund and the GP are effective. This Management Discussion and Analysis was reviewed by the Disclosure Officers of the Fund (individuals authorized to communicate with the public about information concerning the Fund), the Audit Committee, the Board of Directors of the GP and the Board of Trustee of the Fund, all of whom approved it prior to its publication.

Internal Controls over Financial Reporting

During 2007, the Fund completed its documentation and assessment of internal controls over financial reporting, leading to the regulatory certification of its annual filings. The Fund has documented and is assessing the operating effectiveness of the internal controls in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. This undertaking enabled the Chief Executive Officer and Chief Financial Officer to attest that internal controls over financial reporting are designed to provide reasonable assurance that its financial reporting is reliable and that the Fund's consolidated financial statements were prepared in accordance with GAAP.

End Notes

(A) All references to "EBITDA" in the Management's Discussion and Analysis exclude some or all of the following: "amortization, interest on long-term debt, future income tax recovery, provision for current income taxes, non-controlling interest, gain or loss on disposal of capital assets and amortization of aircraft heavy maintenance expenditures". EBITDA is a term used by the Fund that does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and is therefore unlikely to be comparable to similar measures used by other issuers. EBITDA is a measure of the Fund's operating profitability and by definition, excludes certain items as detailed above. These items are viewed by management as non-cash (in the case of amortization, gain or loss on disposal of capital assets, amortization of aircraft heavy maintenance expenditures and future income tax recovery), or non-operating (in the case of interest on long-term debt, provision for current income taxes and non-controlling interest). The underlying reasons for exclusion of each item are as follows:

Amortization - as a non-cash item, amortization has no impact on the determination of EBITDA and distributable cash.

Interest on long-term debt - interest on long-term debt is a function of the Fund's treasury/financing activities and represents a different class of expense than those included in EBITDA.

Future income tax recovery - the calculation of future income tax recoveries is a function of temporary differences between the financial reporting and the tax basis of balance sheet items for calculating tax expense and are separate from the daily operations of the Fund.

Provision for current income taxes – the provision for current income taxes is a non-operating item and represents a different class of expense than those included in EBITDA.

Non-controlling Interest - non-controlling interest represents a direct non-controlling interest in Cargojet Holdings Limited Partnership through exchangeable LP units. Accordingly, non-controlling interest represents a different class of expense than those included in EBITDA.

Gain or loss on disposal of capital assets - the gain or loss arising from the disposal of capital assets. As a non-cash item, the gain or loss on disposal of capital assets has no impact on the determination of EBITDA and distributable cash.

Amortization of aircraft heavy maintenance expenditures - amortization of aircraft heavy maintenance expenditures represents a non-cash item. EBITDA is however reduced by the actual aircraft heavy maintenance expenditures incurred in the period; accordingly, this expense represents a different class of expense than those included in EBITDA.

End Notes (continued)

(B) The Fund has adopted a measurement called distributable cash to supplement net earnings as a measure of operating performance. Distributable cash is a term, which does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures used by other Funds. The objective of presenting this non-GAAP measure is to calculate the amount, which is available for distribution to trust unitholders and exchangeable LP unitholders. Exchangeable LP unitholders are presented as non-controlling interest in the consolidated financial statements of the Fund, however, management of the Fund has elected to include the holdings of the exchangeable LP unitholders in the calculation of distributable cash as exchangeable LP unitholders' distributions are economically equivalent to those received by trust unitholders and exchangeable LP unitholders are exchangeable on a one-to-one basis for trust units of the Fund. Distributable cash is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. All references in the Management's Discussion and Analysis to "distributable cash" have the meaning set out in this note.