

Consolidated financial statements of

CARGOJET INCOME FUND

For the three-month periods ended March 31, 2010 and 2009

(unaudited)

CARGOJET INCOME FUND

Consolidated Balance Sheets

(unaudited)

	March 31, 2010	December 31, 2009
	\$	\$
ASSETS		
CURRENT		
Cash	735,208	3,031,764
Accounts receivable	9,967,872	10,217,959
Materials and supplies	627,553	808,907
Prepaid expenses and deposits	3,150,853	3,558,439
Note receivable	800,000	800,000
Future income taxes (Note 5)	150,550	177,118
	15,432,036	18,594,187
CAPITAL ASSETS		
NOTE RECEIVABLE	55,927,231	56,790,848
INTANGIBLE ASSETS	1,866,667	2,066,667
DEPOSITS	4,259,261	4,503,704
DEFERRED HEAVY MAINTENANCE	4,097,684	3,859,283
GOODWILL	2,368,278	2,132,212
	46,865,907	46,865,907
	130,817,064	134,812,808
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	12,477,365	12,517,157
Income taxes payable	2,228,137	1,946,834
Derivatives contracts	1,013,654	538,713
Distributions payable (Note 7)	335,724	335,723
Current portion of long-term debt (Note 3)	595,100	666,150
	16,649,980	16,004,577
LONG-TERM DEBT (NOTE 3)	19,993,401	16,470,022
CONVERTIBLE DEBENTURES (NOTE 4)	22,944,088	29,723,081
FUTURE INCOME TAXES (NOTE 5)	4,500,876	4,643,958
	64,088,345	66,841,638
NON-CONTROLLING INTERESTS (NOTE 6(b))	15,279,993	21,270,060
UNITHOLDERS' EQUITY		
ACCUMULATED OTHER COMPREHENSIVE LOSS	(306,445)	(360,691)
DEFICIT	(10,407,851)	(9,991,256)
	(10,714,296)	(10,351,947)
UNITHOLDERS' CAPITAL (NOTE 6(a))	59,106,288	53,517,349
CONTRIBUTED SURPLUS (NOTE 4)	1,487,759	1,490,981
CONVERSION OPTION (NOTE 4)	1,568,975	2,044,727
	51,448,726	46,701,110
	130,817,064	134,812,808

The accompanying notes are an integral component of the consolidated financial statements.

CARGOJET INCOME FUND
Consolidated Statements of Operations and Deficit
Three months ended March 31, 2010 and 2009
(unaudited)

	2010	2009
	\$	\$
REVENUES	42,646,699	42,204,178
DIRECT EXPENSES	35,142,494	32,178,620
	7,504,205	10,025,558
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Sales and marketing	198,588	170,495
General and administrative	4,987,694	4,550,707
Loss on debenture repurchase (Note 4)	273,265	-
Interest, net	828,535	1,026,997
Fair value loss on derivative contracts	474,941	-
Amortization of capital assets	144,404	155,547
Amortization of intangible assets	244,444	2,959,421
	7,151,871	8,863,167
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	352,334	1,162,391
PROVISION FOR (RECOVERY OF) INCOME TAXES (NOTE 5)		
Current	279,401	(293,740)
Future	(116,514)	408,049
	162,887	114,309
EARNINGS BEFORE NON-CONTROLLING INTERESTS	189,447	1,048,082
NON-CONTROLLING INTERESTS (NOTE 6(b))	148,195	170,582
NET INCOME	337,642	1,218,664
DEFICIT, BEGINNING OF PERIOD	(9,991,256)	(14,751,848)
REPURCHASE OF CARGOJET INCOME FUND UNITS (NOTE 6(e))	-	208,415
DISTRIBUTIONS DECLARED IN THE PERIOD (NOTE 7)	(754,237)	(1,345,563)
DEFICIT, END OF PERIOD	(10,407,851)	(14,670,332)
EARNINGS PER TRUST UNIT		
- BASIC (Note 6(c))	0.06	0.18
EARNINGS PER TRUST UNIT		
- DILUTED (Note 6(c))	0.05	0.18

The accompanying notes are an integral component of the consolidated financial statements.

CARGOJET INCOME FUND
Consolidated Statements of Comprehensive Income and
Accumulated Other Comprehensive Income (Loss)
Three months ended March 31, 2010 and 2009
(unaudited)

	<u>2010</u>	<u>2009</u>
	\$	\$
NET INCOME	337,642	1,218,664
OTHER COMPREHENSIVE INCOME		
Foreign currency gains from hedging activities net of income taxes	-	423,885
Transfer of (gain) loss on foreign exchange contracts, net of income taxes, to net income	54,246	(451,360)
COMPREHENSIVE INCOME	<u>391,888</u>	<u>1,191,189</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	(360,691)	1,442,112
Other comprehensive income (loss) for the period	54,246	(27,475)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), END OF PERIOD	<u>(306,445)</u>	<u>1,414,637</u>

The accompanying notes are an integral component of the consolidated financial statements.

CARGOJET INCOME FUND
Consolidated Statements of Cash Flows
Three months ended March 31, 2010 and 2009
(unaudited)

	2010	2009
	\$	\$
NET INFLOW (OUTFLOW) OF CASH		
RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	337,642	1,218,664
Items not affecting cash		
Amortization of capital assets	1,550,052	1,338,143
Amortization of intangible assets	244,444	2,959,421
Non-cash lease expense	200,000	-
Accretion of convertible debentures	136,302	169,108
Loss on repurchase of debentures	273,265	-
Loss on disposal of capital assets	-	3,225
Future income taxes	(116,514)	408,049
Transfer of (gains) losses on derivatives from other comprehensive income	54,246	(472,725)
Change in fair value on non-hedge derivatives	474,941	-
Non-controlling interests	(148,195)	(170,582)
Aircraft heavy maintenance amortization	664,197	487,692
Aircraft heavy maintenance expenditures	(900,263)	(586,604)
	2,770,117	5,354,390
Changes in non-cash working capital items and deposits		
Accounts receivable	250,087	814,528
Materials and supplies	181,354	318,522
Prepaid expenses and deposits	169,185	800,913
Accounts payable and accrued charges	(39,792)	(1,204,224)
Income taxes payable/recoverable	281,303	(293,740)
	3,612,254	5,790,388
FINANCING		
Repayment of long-term debt	(179,640)	(125,881)
Increase in long-term debt	3,631,969	1,065,875
Proceeds from disposition of derivatives	-	2,600,000
Proceeds from disposal of assets	176,970	-
Purchase of Trust Units (Note 6(e))	-	(243,126)
Purchase of convertible debentures (Note 4)	(7,667,535)	-
Distributions paid to unitholders and non-controlling interest (Note 7)	(1,007,169)	(1,804,107)
	(5,045,405)	1,492,761
INVESTING		
Additions to capital assets	(863,405)	(2,607,291)
NET CHANGE IN CASH	(2,296,556)	4,675,858
CASH POSITION, BEGINNING OF PERIOD	3,031,764	569,194
CASH POSITION, END OF PERIOD	735,208	5,245,052
Supplementary financial information		
Interest paid	261,191	211,948

The accompanying notes are an integral component of the consolidated financial statements.

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

March 31, 2010 and 2009

(unaudited)

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 trans-border 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 for interim financial statements. These financial statements should be read in conjunction with the annual financial statements and notes thereto. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in Canada for annual financial statements. 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, 2010 and 2009 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 consolidated financial statements of the Fund for the year ended December 31, 2009. The business of the Fund is not affected by any significant seasonal or cyclical factors.

3. LONG-TERM DEBT

The Fund maintains a revolving credit facility with a Canadian chartered bank that is to a maximum of \$30.0 million. The facility bears interest at bank prime plus 1.3% and is repayable on maturity, July 27, 2011. The credit facility is subject to customary terms and conditions for borrowers of this nature, including, for example, limits on incurring additional indebtedness and 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 (wholly owned-subsiary of the Fund) and certain other entities of the Fund; and
- assignment of insurance proceeds, payable to the bank.

The Fund also maintains fixed loans with another Canadian chartered bank through its subsidiary Prince Edward Air Ltd. (“PEAL”). The fixed loans bear interest at rates ranging from 8.1% to 8.2%. They are secured by the aircraft of PEAL and guarantees provided by Cargojet Airways Ltd. (“CJA”) for 10% of the outstanding amounts. CJA is a wholly-owned subsidiary of the Fund and the sole shareholder of PEAL. The loans are repayable in monthly installments plus interest and will mature by January 2022. The Fund also maintains cash deposits with the chartered bank related to heavy maintenance reserve requirements of the aircraft assets secured by the loans. These cash

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

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3. LONG-TERM DEBT (CONTINUED)

deposits in the amount of \$639,940 as at March 31, 2010 and \$454,144 as at December 31, 2009 are included in cash in the consolidated balance sheets.

Long-term debt consists of the following:

	March 31, 2010	December 31, 2009
	\$	\$
Revolving credit facility	14,762,558	11,130,589
Fixed loans - Prince Edward Air Ltd.	5,471,129	5,577,496
Financing loan	7,333	29,043
Obligations under capital leases	347,481	399,044
	<u>20,588,501</u>	<u>17,136,172</u>
Less current portion	595,100	666,150
	<u>19,993,401</u>	<u>16,470,022</u>

The financing loan is repayable in 2010.

The following is a schedule of future minimum repayment schedule for the fixed loans related to PEAL:

	\$
2010 (remainder of the year)	358,513
2011	438,719
2012	448,742
2013	459,617
>2013	3,765,538
	<u>5,471,129</u>
Less current portion	430,971
	<u>5,040,158</u>

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

	\$
2010 (remainder of the year)	164,218
2011	160,445
2012	35,876
	<u>360,539</u>
Less interest	13,058
Obligations under capital leases	347,481
Less current portion	156,796
	<u>190,685</u>

Interest on long-term debt for the three-months ended March 31, 2010 and 2009 totaled \$261,191 and \$211,882, respectively.

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

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4. CONVERTIBLE DEBENTURES

In April 2008, \$35.7 million of unsecured subordinated debentures were issued with a term of five years. These debentures bear a fixed interest rate of 7.5% per annum, payable semi-annually in arrears on April 30 and October 31 of each year.

The debentures may not be redeemed by the Fund prior to April 30, 2011. On or after May 1, 2011, but prior to April 30, 2012, the debentures are redeemable, in whole at any time or in part from time to time, at the option of the Fund at a price equal to at least \$1,000 per debenture provided that the current market price (as defined below) of the Trust Units of the Fund on the date on which the notice of redemption is given is at least 125% of the conversion price of \$16.00 per Trust Unit. After May 1, 2012, but prior to the maturity date of April 30, 2013, the debentures are redeemable at a price equal to \$1,000 per debenture plus accrued and unpaid interest. The term "current market price" is defined in the indenture to mean the weighted average trading price of the Trust Units on the Toronto Stock Exchange for the twenty (20) consecutive days ending on the fifth trading day preceding the date of redemption or maturity.

On redemption or at maturity on April 30, 2013, the Fund has the option to repay the debentures in either cash or equivalent Trust Units of the Fund. The number of Trust Units to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the Trust Units.

Based on certain conditions, the debentures are convertible, at the holders' discretion, at \$16.00 per Trust Unit at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date specified by the Fund for redemption of the debentures. The Fund also has the right at any time to purchase debentures in the market, by tender or by private contract subject to regulatory requirements, provided, however, that if an event of default has occurred and is continuing, the Fund or any of its affiliates will not have the right to purchase the debentures by private contract.

The principal amount of the debentures has been allocated between its liability and equity elements and classified separately on the balance sheet. Factoring in the value of the conversion option and transaction costs, the convertible debenture bear interest at an effective rate of 10.04%.

Substantial issuer bid

In January 2010, the Fund repurchased \$7,476,000 principal amount of the debentures (\$6,625,018 net of the related unamortized issuance costs and the \$475,752 portion allocated to the conversion option) at a cost of \$1,010 per debenture plus a payment in respect of all accrued interest and unpaid interest on these debentures for an aggregate purchase price of \$7,667,535; representing \$7,550,760 on account of principal (allocated \$7,071,785 to the liability component repurchased and \$478,975 to the equity component) and \$116,775 on account of accrued interest. The repurchase of the debentures resulted in a loss of \$273,265 relating to the debt component and a reduction of \$3,223 in contributed surplus relating to the equity component.

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4. CONVERTIBLE DEBENTURES

The balance of the Fund's convertible debentures at March 31, 2010 and December 31, 2009 consisted of the following amounts:

	March 31, 2010	December 31, 2009
	\$	\$
Principal balance	24,655,000	32,131,000
Less:		
Issuance costs	(1,237,467)	(1,612,696)
Conversion option to Unitholders' equity	(1,568,975)	(2,044,727)
Accretion	1,095,530	1,249,504
Balance	22,944,088	29,723,081

Interest expense on the debentures for the three-month periods ended March 31, 2010 and 2009 totaled \$615,742 and \$832,051, respectively.

5. INCOME TAXES

The tax effect of significant temporary differences and loss carry forwards is as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Capital assets	5,138,931	5,362,917
Intangible assets	17,755	36,892
Operating loss carryforward	(1,681,204)	(1,537,755)
Financing costs	(254,602)	(478,832)
Derivative contracts	(302,550)	(177,118)
Deferred heavy maintenance	1,431,996	1,260,736
Future income tax liability	4,350,326	4,466,840
Less current portion	(150,550)	(177,118)
Future income tax liability - long-term	4,500,876	4,643,958

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5. INCOME TAXES (CONTINUED)

Reconciliation between the Fund's statutory and effective tax rate is as follows:

	Three months ended March	
	2010	2009
	\$	\$
Earnings before income taxes and non-controlling interest	235,587	1,162,391
Income tax provision at the combined basic rate of 33.5% (2009-33.5%)	78,922	389,401
Tax on income attributable to Trust Unitholders and Exchangeable LP Unitholders	-	(835,969)
Non-deductible portion of amortization of intangible assets	-	241,272
Settlement on dispute with tax authorities	-	(378,740)
Permanent and other differences	83,965	698,345
Income tax provision	162,887	114,309

6. UNITHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS

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 Cargojet Holdings Limited Partnership ("CHLP") ("Exchangeable LP Units"), for the purpose of providing voting rights to these Special Voting Unitholders, 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.

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

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(unaudited)

6. UNITHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS (CONTINUED)

(a) Trust Units

	Units	Amount \$
Unitholders' capital as at December 31, 2008	6,679,345	62,054,322
Units purchased and cancelled	(918,884)	(8,536,973)
Unitholders' capital as at December 31, 2009	5,760,461	53,517,349
Units converted (Note 6(d))	676,648	5,588,939
Unitholders' capital as at March 31, 2010	6,437,109	59,106,288

(b) Non-controlling interests

The non-controlling interests represent a 19.5% (December 31, 2009 – 27.9%) non-controlling equity interest through exchangeable limited partnership units in CHLP (March 31, 2010 – 1,556,307; December 31, 2009 - 2,232,955) and a 45% non-controlling equity interest in the Cargojet Regional Partnership (December 31, 2009 – 45%). The following provides details of the changes in the non-controlling interests during the period for each of these components:

Non-controlling interests – CHLP

	Three months ended March 31,	
	2010	2009
	\$	\$
Non-controlling interests, beginning of period	18,443,275	17,396,507
Share of income of CHLP	81,633	406,222
Distributions declared in the period (Note 8)	(252,933)	(452,174)
Units converted (Note 6(d))	(5,588,939)	-
Non-controlling interests, end of period	12,683,036	17,350,555

Non-controlling interests – Cargojet Regional Partnership

	Three months ended March 31,	
	2010	2009
	\$	\$
Non-controlling interests, beginning of period	2,826,785	-
Formation of partnership on August 1, 2009	-	-
Share of loss of Cargojet Regional Partnership	(229,828)	-
Non-controlling interests, end of period	2,596,957	-

Non-controlling interests – PEAL

	Three months ended March 31,	
	2010	2009
	\$	\$
Non-controlling interests, beginning of period	-	2,387,009
Share of loss of PEAL	-	(576,804)
Non-controlling interests, end of period	-	1,810,205

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6. UNITHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS (CONTINUED)

(c) Earnings per Trust Unit

Basic earnings per Trust Unit have been calculated based on the average number of Trust Units outstanding of 5,850,681 for the three month period ended March 31, 2010 (2009 – 6,664,850). For the purpose of determining diluted earnings per Trust Unit, the weighted average number of Trust Units and Exchangeable LP Units have been combined totaling 7,993,416 (2009 - 8,897,805) and net income has been increased by the share of income allocated to CHLP (Note 6(b)). The Fund's convertible debentures have not been factored into the calculation since conversion of these debentures would be anti-dilutive.

(d) Exchange of LP Units

In March 2010, 676,648 Exchangeable LP units were exchanged for 676,648 Trust Units of the Fund. The exchange was accounted for on a rollover basis since the Exchangeable LP units were originally recorded at their exchange amount. This resulted in a decrease in non-controlling interest of \$5,589,939 with corresponding increase in Unitholders' capital.

(e) Normal course issuer bid

Under the terms of a normal course issuer bid that expires on December 7, 2010, the Fund may repurchase up to 573,620 of its Trust Units. Daily purchases are limited to 3,311 other than block purchase exemptions. No Trust Units were repurchased in the period ended March 31, 2010.

Under the terms of a normal course issuer bid that expired on November 25, 2009, in the three-month period ended March 31, 2009, the Fund repurchased 94,336 Trust Units at a cost of \$243,126 or \$2.57 per Trust Unit. The difference of \$425,167 between the stated capital of Trust Units repurchased (allocated \$876,708 as a reduction in Unitholders' capital and \$208,415 as a reduction of the deficit) and the cost of redemption was debited to contributed surplus.

7. 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 ended March 31, 2010 were \$754,237 (2009 – \$1,345,563) to unitholders and \$252,933 (2009 – \$452,174) to Exchangeable LP unitholders.

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. Effective November 1, 2009, the Fund increased the monthly distribution rates for the unitholders and Exchangeable LP unitholders by 56% from \$0.0270 to \$0.0420. The following table summarizes the cash distributions for the three months ended March 31, 2010.

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7. DISTRIBUTIONS (CONTINUED)

Record Date	Date Distribution Paid/Payable	Unitholders		Exchangeable LP Unitholders		Total		
		Declared	Paid	Declared	Paid	Declared	Per Unit	Paid
		\$	\$	\$	\$	\$	\$	\$
December 31, 2009	January 15, 2010	-	241,939	-	93,784	-	-	335,723
January 31, 2010	February 15, 2010	241,939	241,939	93,784	93,784	335,723	0.0420	335,723
February 28, 2010	March 15, 2010	241,939	241,939	93,784	93,784	335,723	0.0420	335,723
March 31, 2010	April 15, 2010	270,359	-	65,365	-	335,724	0.0420	-
		754,237	725,817	252,933	281,352	1,007,170	0.1260	1,007,169

Distributions payable at March 31, 2010 and December 31, 2009 were as follows:

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
					\$
Income Fund Trust Units	March 1, 2010 to March 31, 2010	March 31, 2010	April 15, 2010	\$ 0.0420	270,359
Exchangeable LP Units	March 1, 2010 to March 31, 2010	March 31, 2010	April 15, 2010	\$ 0.0420	65,365
					335,724

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
					\$
Income Fund Trust Units	December 1, 2009 to December 31, 2009	December 31, 2009	January 15, 2010	\$ 0.0420	241,939
Exchangeable LP Units	December 1, 2009 to December 31, 2009	December 31, 2009	January 15, 2010	\$ 0.0420	93,784
					335,723

8. SEGMENTED INFORMATION

The Fund's business falls under one dominant industry segment, the air cargo transportation industry in Canada. The Fund operates its business as two distinct operating segments: the National Overnight Air Cargo ("National") segment that provides service to 13 major cities across Canada utilizing a fleet of large jet engine aircraft, and the Regional Overnight Air Cargo ("Regional") segment that provides service to thirty-three smaller cities in Ontario, Quebec and the Maritime provinces utilizing a fleet of twenty-seven turboprop aircraft. The Fund's regional air cargo business started in October 2007.

The Regional segment includes the operations of Prince Edward Air Ltd., wholly owned subsidiary of the Fund.

The performance of each operating segment is regularly evaluated by the chief operating decision maker and chief decision making group who assess performance and decide on the allocation of resources. The performance of the Fund's operating segments is measured on earnings before income taxes and non-controlling interest. Inter-segment transactions are reflected at market value.

The following is a breakdown by reporting segment for the three months ended March 31, 2010 and 2009:

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8. SEGMENTED INFORMATION (CONTINUED)

	Three months ended March 31, 2010			
	National	Regional	Inter-segment	Total
	\$	\$	\$	\$
REVENUES	36,859,369	6,233,822	(446,492)	42,646,699
DIRECT EXPENSES	29,499,805	6,089,181	(446,492)	35,142,494
	7,359,564	144,641	-	7,504,205
SELLING AND ADMINISTRATIVE				
Sales and marketing	197,995	593	-	198,588
General and administrative	4,485,999	501,695	-	4,987,694
Loss on debenture repurchase	273,265	-	-	273,265
Interest, net	758,073	70,462	-	828,535
Fair value loss on derivative contracts	474,941	-	-	474,941
Amortization of capital assets	139,746	4,658	-	144,404
Amortization of intangible assets	-	244,444	-	244,444
	6,330,019	821,852	-	7,151,871
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	1,029,545	(677,211)	-	352,334
	As at March 31, 2010			
TOTAL NET CAPITAL ASSETS	45,455,367	10,471,864	-	55,927,231
TOTAL CAPITAL EXPENDITURES	829,745	33,660	-	863,405
	Three months ended March 31, 2009			
	National	Regional	Inter-segment	Total
	\$	\$	\$	\$
REVENUES	37,118,200	5,472,490	(386,512)	42,204,178
DIRECT EXPENSES	26,875,287	5,689,845	(386,512)	32,178,620
	10,242,913	(217,355)	-	10,025,558
SELLING AND ADMINISTRATIVE				
Sales and marketing	159,304	11,191	-	170,495
General and administrative	4,214,238	336,469	-	4,550,707
Interest, net	856,994	170,003	-	1,026,997
Amortization of capital assets	155,547	-	-	155,547
Amortization of intangible assets	2,624,226	335,195	-	2,959,421
	8,010,309	852,858	-	8,863,167
EARNINGS (LOSS) BEFORE INCOME TAXES AND AND NON-CONTROLLING INTEREST	2,232,604	(1,070,213)	-	1,162,391
	As at March 31, 2009			
TOTAL NET CAPITAL ASSETS	49,160,870	9,419,922	-	58,580,792
TOTAL CAPITAL EXPENDITURES	2,553,569	53,722	-	2,607,291

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

March 31, 2010 and 2009

(unaudited)

9. ECONOMIC DEPENDENCE

During the three months ended March 31, 2010, the Fund had sales to three customers that represented 49% of the total revenues (March 31, 2009 – 50%). These sales are provided under service agreements that expire over various periods to September 2014. Two of these customers had sales in excess of 10% of total revenues in the first quarter of 2010 (two in 2009). The sales to individual customers represented 31.0% and 13.4% of the total revenue (March 31, 2009 – 27.4% and 12.9%). These customers are reported under the National segment in Note 8.

10. PROPOSED PLAN OF ARRANGEMENT

On February 26, 2010, the Fund announced its intention to seek Unitholders' approval for the reorganization of the Fund into a corporate structure that is expected to occur on or about December 31, 2010. It is anticipated that the current Unitholders of the Fund and Class B limited partnership units of Cargojet Holdings Limited Partnership will exchange their units for shares in the proposed corporate entity on a one-for-one, tax-free basis. The conversion is subject to approval of more than two-thirds (66.67%) of the votes cast by Voting Unitholders' on May 18, 2010 and the approval of the Ontario Superior Court of Justice.