Condensed consolidated interim financial statements of

CARGOJET INC.
(Formerly Cargojet Income Fund)

For the three-month periods ended March 31, 2011 and 2010

(unaudited)

CARGOJET INC.
Condensed Consolidated Interim Balance Sheets
(unaudited, in Canadian dollars)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
			(Note 2)	(Note 2)
ASSETS				
CURRENT ASSETS				
Cash		745,917	621,522	3,031,764
Trade and other receivables		11,818,205	11,290,717	10,559,767
Inventories	5	1,368,412	1,074,658	808,907
Prepaid expenses and deposits		2,582,328	3,142,979	3,216,631
Current portion of notes receivable	18	820,582	820,582	800,000
Assets classified as held for sale	18	-	455,489	-
		17,335,444	17,405,947	18,417,069
NON-CURRENT ASSETS				
Property, plant and equipment	7	46,341,017	46,004,484	57,170,597
Notes receivable	18	2,699,193	2,883,636	2,066,667
Goodwill		46,169,976	46,169,976	46,169,976
Intangible assets	6	1,000,000	1,000,000	4,503,705
Deposits		5,086,254	4,826,513	3,859,283
Assets classified as held for sale	18	-	290,000	-
		118,631,884	118,580,556	132,187,297
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		12,396,572	11,086,280	12,517,158
Current tax liabilities		349,970	1,652,117	1,946,834
Other financial libilities		1,443,332	801,422	874,436
Borrowings	8	773,951	1,460,290	428,748
Finance leases	9	118,686	155,550	237,402
Trust Units		-	600,000	600,000
		15,082,511	15,755,659	16,604,578
NON-CURRENT LIABILITIES				
Borrowings	8	12,598,468	12,203,447	16,279,337
Finance leases	9	19,015	35,135	190,685
Trust Units		-	53,986,684	51,993,009
Exchangeable LP Units		-	13,197,483	20,386,879
Conversion option on convertible debentures	10	-	1,778,326	1,374,768
Convertible debentures	10	23,498,691	23,361,940	29,723,081
Deferred income taxes	11	3,389,336	3,116,706	4,270,598
Deferred income taxes on assets classified as held for sale	18	-	112,620	-
		54,588,021	123,548,000	140,822,935
SHAREHOLDERS' EQUITY		64,043,863	(4,967,444)	(8,635,638)
		118,631,884	118,580,556	132,187,297

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

CARGOJET INC.

Condensed Consolidated Interim Statements of Income

Three months ended March 31, 2011 and 2010

(unaudited, in Canadian dollars)

	Note	2011	2010
		$	$
			(Note 2)
REVENUES		41,107,506	36,766,066
DIRECT EXPENSES		33,856,565	29,512,995
		7,250,941	7,253,071
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
General and administrative	7	4,496,744	4,638,138
Sales and marketing		172,145	198,195
Finance costs		799,094	871,096
Finance income		(68,347)	(1,883)
Loss on derivative contracts		641,910	474,941
Distributions to Trust and Exchangeable LP Unitholders		-	1,007,169
Unrealized gain on Trust Units		-	(4,459,327)
Unrealized gain on Exchangeable LP Units		-	(1,775,537)
Unrealized gain on conversion option		-	(226,259)
Loss on debenture redemption	10	-	321,415
		6,041,546	1,047,948
EARNINGS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS		1,209,395	6,205,123
PROVISION FOR (RECOVERY OF) INCOME TAXES			
Current		300,029	279,401
Deferred		(373,517)	(145,740)
		(73,488)	133,661
PROFIT FROM CONTINUING OPERATIONS		1,282,883	6,071,462
LOSS FROM DISCONTINUED OPERATIONS		-	(510,729)
NET PROFIT		1,282,883	5,560,733
Net profit (loss) attributable to:			
Owners of the Company		1,282,883	5,790,561
Non-controlling interests		-	(229,828)
		1,282,883	5,560,733
EARNINGS PER SHARE / PER TRUST UNIT	12		
From continuing and discontinued operations			
- Basic		0.16	0.72
- Diluted		0.16	0.65
From continuing operations			
- Basic		0.16	0.76
- Diluted		0.16	0.69

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

CARGOJET INC.

Condensed Consolidated Interim Statements of Comprehensive Income

Three months ended March 31, 2011 and 2010
(unaudited, in Canadian dollars)

	Note	2011	2010
		$	$
			(Note 2)
NET PROFIT		1,282,883	5,560,733
OTHER COMPREHENSIVE INCOME			
Transfer of losses on foreign exchange contracts,			
net of income taxes, to net income		54,104	54,246
TOTAL COMPREHENSIVE INCOME		1,336,987	5,614,979
Total comprehensive income (loss) attributable to:			
Owners of the Company		1,336,987	5,844,807
Non-controlling interests		-	(229,828)
		1,336,987	5,614,979

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

CARGOJET INC.

Condensed Consolidated Interim Statements of Changes in Equity

Three months ended March 31, 2011 and 2010
(unaudited, in Canadian dollars)

	Note	Shareholders' Capital	Non-controlling interests	Reserves	Conversion option	Other comprehensive income	Deficit	Shareholders' equity
Balance, December 31, 2010	2	-	-	-	-	(144,274)	(4,823,170)	(4,967,444)
Net profit		-	-	-	-	-	1,282,883	1,282,883
Other comprehensive income		-	-	-	-	54,104	-	54,104
Total comprehensive income		-	-	-	-	54,104	1,282,883	1,336,987
Income trust conversion	1	67,784,167	-	-	1,778,326	-	-	69,562,493
Conversion Option		-	-	-	(506,823)	-	-	(506,823)
Treasury shares	14	(443,090)	-	-	-	-	-	(443,090)
Share-based compensation	14	-	-	68,910	-	-	-	68,910
Dividends	15	-	-	-		-	(1,007,170)	(1,007,170)
Balance, March 31, 2011		67,341,077	-	68,910	1,271,503	(90,170)	(4,547,457)	64,043,863
Balance, January 1, 2010	2	-	2,826,785	-	-	(360,691)	(11,101,732)	(8,635,638)
Net profit		-	(229,828)	-	-	-	5,790,561	5,560,733
Other comprehensive income		-	-	-	-	54,246	-	54,246
Balance, March 31, 2010	2	-	2,596,957	-	-	(306,445)	(5,311,171)	(3,020,659)

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

CARGOJET INC.
Condensed Consolidated Interim Statements of Cash Flows
Three months ended March 31, 2011 and 2010
(unaudited, in Canadian dollars)

	Note	2011	2010
		$	$
			(Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations		1,282,883	6,071,462
Items not affecting cash			
Depreciation of property, plant and equipment	7	1,545,355	1,613,795
Share-based compensation	14	190,645	-
Accretion of convertible debentures		136,751	136,302
Loss on purchase of debentures	10	-	321,415
Loss on disposal of property, plant and equipment		46,402	-
Non-cash interest on notes receivable		(68,316)	-
Deferred income taxes		(346,813)	(145,740)
Transfer of losses on derivatives from other comprehensive income		54,104	54,246
Change in fair value on non-hedge derivatives		641,910	474,941
Unrealized gain on Trust Units		-	(4,459,327)
Unrealized gain on Exchangeable LP Units		-	(1,775,537)
Unrealized gain on conversion option		-	(226,259)
Aircraft heavy maintenance depreciation	7	956,359	664,197
Aircraft heavy maintenance expenditures	7	(1,579,029)	(900,263)
		2,860,251	1,829,232
Changes in non-cash working capital items and deposits			
Trade and other receivables		(527,488)	376,013
Inventories		(293,754)	181,354
Prepaid expenses and deposits		300,910	169,185
Trade and other payables		1,310,292	34,380
Current tax liabilities		(1,302,147)	281,303
Net inflow of cash from continuing operations		2,348,064	2,871,467
Net inflow of cash from discontinued operations		-	(266,382)
NET CASH GENERATED BY OPERATING ACTIVITIES		2,348,064	2,605,085
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(882,394)	(106,369)
Proceeds from borrowings		591,076	3,631,971
Repayment of finance lease		(52,984)	(73,273)
Purchase of treasury shares	14	(564,825)	-
Repurchase of convertible debentures	10	-	(7,667,535)
Dividends paid to shareholders	15	(1,007,170)	-
NET CASH USED IN FINANCING ACTIVITIES		(1,916,297)	(4,215,206)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,306,881)	(863,405)
Proceeds from disposal of property, plant and equipment		746,750	176,970
Proceeds from note receivable	18	252,759	-
NET CASH USED IN INVESTING ACTIVITIES		(307,372)	(686,435)
NET CHANGE IN CASH		124,395	(2,296,556)
CASH POSITION, BEGINNING OF PERIOD		621,522	3,031,764
CASH, END OF PERIOD		745,917	735,208

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

1. NATURE OF THE BUSINESS

Cargojet Inc. ("Cargojet" or "the Company") operates a domestic overnight air cargo co-load network between thirteen major Canadian cities. The company also provides dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada and the USA. As well, the company operates scheduled international routes for multiple cargo customers between the USA and Bermuda, and between Canada and Poland.

Cargojet is publicly listed with shares and convertible debentures traded on the Toronto Stock Exchange ("TSX"). The Company is incorporated and domiciled in Canada and the registered office is located at 350 Britannia Road East, Units 5 and 6, Mississauga, Ontario.

Prior to January 1, 2011, the operations of the Company were carried out by Cargojet Income Fund ("the Fund"). Effective January 1, 2011, the Fund was converted from an income trust to a corporation structure whereby all Unitholders of the Fund had their Trust Units automatically converted into common shares of the Company on a one-for-one basis. The Trust Units and convertible debentures of the Fund were delisted from the TSX and the common voting shares and variable voting shares of the Company began trading on the TSX under the symbols "CJT" and "CJT.A", respectively, on January 6, 2011 (Note 13). Convertible debentures of the Fund were converted into convertible debentures of the Company with no changes in their rights or terms.

The conversion has been accounted for using the continuity of interest basis, recognizing the Company as the successor in interest to the Fund. Accordingly, all assets and liabilities of the Company have been recorded in Cargojet at their previous carrying amounts at the date of conversion in the Fund and the condensed consolidated interim financial statements for the three month period ended March 31, 2011 and comparatives for the three month period ended March 31, 2010 and as at December 31, 2010 reflect the financial position, operating results and cash flows as if the Company had always carried on the business formerly carried on by the Fund.

On conversion, the carrying values of the Trust Units of the Fund were transferred to the common shares of the Company. As the interest in the puttable Trust Units of the Fund were converted into common shares of the Company, the common shares, including the conversion option attached to the convertible debentures, have been classified as equity.

These condensed consolidated interim financial statements ("the financial statements") were approved and authorized for issuance by the Board of Directors on May 4, 2011.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company has adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. The Company's transition date is January 1, 2010 (the "transition date") and the Company has prepared its opening IFRS balance sheet at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 3. The Company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from those presented in these financial statements.

a) Elected exemptions from full retrospective application

In preparing these financial statements in accordance with IFRS, the Company has applied certain of the optional exemptions from the full retrospective application of IFRS. The optional exemptions applied are as described below:

(i) Business Combinations
The Company has applied the business combinations exemption in *IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1")* by selecting to adopt *IFRS 3, Business Combinations* ("*IFRS 3*") from August 1, 2009. Accordingly, the Company has restated all business combinations that took place on or after August 1, 2009 to comply with *IFRS 3*.

(ii) Borrowing Costs
The Company has applied the borrowing costs exemption in IFRS 1 to not apply *International Accounting Standard ("IAS") 23, Borrowing Costs* retrospectively to capitalize borrowing costs arising from acquisitions of qualifying assets. Accordingly, the Company has not capitalized borrowing costs for acquisitions of qualifying assets that took place prior to the transition date.

(iii) Leases
The Company elected to apply the transitional provisions in *IFRIC 4, Determining Whether an Arrangement Contains a Lease* ("*IFRIC 4*"). This election allows the Company to determine whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at that date. This election resulted in no additional arrangements being identified as a lease.

b) Mandatory exceptions to retrospective application

In preparing these financial statements in accordance with IFRS, the Company has applied certain mandatory exemptions from the full retrospective application of IFRS. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

c) Reconciliation of equity reported under Canadian GAAP to IFRS

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity reported in accordance with IFRS at the transition date of January 1, 2010:

	Note	Unitholders' Equity	Non-controlling Interest	Total Equity
		$	$	$
As reported under Canadian GAAP - December 31, 2009		46,701,110	-	46,701,110
Reclassification of non-controlling interests to Unitholder's equity	(i)	-	2,826,785	2,826,785
Reclassification of Unitholders' capital from Unitholders' equity to liabilities	(ii)	(53,517,349)	-	(53,517,349)
Reclassification of conversion option on convertible debentures from Unitholders' equity to liabilities	(iii)	(2,044,727)	-	(2,044,727)
Deferred income taxes on convertible debentures	(iv)	(294,448)	-	(294,448)
Componentization of property, plant and equipment	(v)	(1,752,463)	-	(1,752,463)
Deferred income taxes on property, plant and equipment	(vi)	490,690	-	490,690
Changes in fair value of Trust Units, Exchangeable LP Units, and conversion option on convertible debentures	(vii)	(349,305)	-	(349,305)
Transaction costs relating to acquisition of Cargojet Regional Partnership ("CJR")	(viii)	(695,931)	-	(695,931)
As reported under IFRS - January 1, 2010		(11,462,423)	2,826,785	(8,635,638)

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity reported in accordance with IFRS at March 31, 2010:

	Note	Unitholders' Equity	Non-controlling Interests	Total Equity
		$	$	$
As reported under Canadian GAAP - March 31, 2010		51,448,726	-	51,448,726
Reclassification of non-controlling Interests to Unitholder's equity	(i)	-	2,596,957	2,596,957
Reclassification of Unitholders' capital from Unitholders' equity to liabilities	(ii)	(59,106,288)	-	(59,106,288)
Reclassification of conversion option on convertible debentures from Unitholders' equity to liabilities	(iii)	(1,568,975)	-	(1,568,975)
Deferred income taxes on convertible debentures	(iv)	(283,070)	-	(283,070)
Componentization of property, plant and equipment	(v)	(1,816,206)	-	(1,816,206)
Deferred income taxes on property, plant and equipment	(vi)	508,537	-	508,537
Changes in fair value of Trust Units, Exchangeable LP Units, and conversion option on convertible debentures	(vii)	5,895,591	-	5,895,591
Transaction costs relating to acquisition of CJR	(viii)	(695,931)	-	(695,931)
As reported under IFRS - March 31, 2010		(5,617,616)	2,596,957	(3,020,659)

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

c) Reconciliation of equity reported under Canadian GAAP to IFRS (Continued)

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity reported in accordance with IFRS at December 31, 2010:

	Note	Unitholders' Equity	Non-controlling Interest	Total Equity
		$	$	$
As reported under Canadian GAAP - December 31, 2010		52,879,781	-	52,879,781
Reclassification of non-controlling interests to Unitholder's equity	(i)	-	-	-
Reclassification of Unitholders' capital from Unitholders' equity to liabilities	(ii)	(59,106,288)	-	(59,106,288)
Reclassification of conversion option on convertible debentures from Unitholders' equity to liabilities	(iii)	(1,568,975)	-	(1,568,975)
Deferred income taxes on convertible debentures	(iv)	138,301	-	138,301
Componentization of property, plant and equipment	(v)	(2,015,366)	-	(2,015,366)
Deferred income taxes on property, plant and equipment	(vi)	564,302	-	564,302
Changes in fair value of Trust Units, Exchangeable LP Units, and conversion options on convertible debentures	(vii)	4,140,801	-	4,140,801
Transaction costs relating to acquisition of CJR	(viii)	(695,931)	-	(695,931)
As reported under IFRS - December 31, 2010		(4,967,444)	-	(4,967,444)

Discussion of key reconciliation items:

i. Reclassification of non-controlling interests to Unitholders' equity
Canadian GAAP states that non-controlling interests are not a financial liability or an equity instrument of an entity, and should be presented in the consolidated balance sheet separately from equity. However, under IFRS non-controlling interests are presented as a part of equity.

ii. Reclassification of Unitholders' capital from equity to liabilities
Under Canadian GAAP, the Trust Units are recorded as Unitholders' equity. However, the Trust Units are considered a financial liability under IFRS as they are puttable to the entity at any time by the Unitholders to a maximum of $50,000 per month.

iii. Reclassification of conversion option on convertible debentures from equity to liability
As the conversion options are convertible into Trust Units at the debenture holder's option, they are classified as a liability under IFRS consistent with the classification of the Trust Units.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Discussion of key reconciliation items (continued):

iv. Deferred income taxes on convertible debentures

Canadian GAAP states that if the entity is able to settle the convertible debt instrument in accordance with its terms without the incidence of tax, then there is deemed to be no temporary difference. However, IFRS does not have the same exemption and, accordingly, the Company has now accounted for deferred taxes on the temporary difference.

v. Componentization of property, plant and equipment

IFRS requires property, plant and equipment to be depreciated based on significant identifiable components, whereas Canadian GAAP does not have the same explicit requirements. Under IFRS, the Company's aircraft have been componentized into two significant components of hulls and engines. This resulted in additional depreciation expense being recorded by the Company.

vi. Deferred income taxes on property, plant and equipment

Deferred income taxes are impacted by the change in temporary differences resulting from the effect of the componentization of property, plant and equipment described in adjustment (v) above.

vii. Changes in fair value of Trust Units, Exchangeable LP Units, and conversion option

Under IFRS, the Trust Units, the Exchangeable LP Units, and the conversion option on the convertible debentures are classified as liabilities and recorded at fair value through profit and loss ("FVTPL"). At each reporting date, these liabilities are remeasured to fair value with a corresponding charge or credit to income. Under Canadian GAAP, these items are recorded at cost.

viii. Transaction costs related to the acquisition of CJR

Under Canadian GAAP, the transaction costs related to the regional business were capitalized and recognized as goodwill. IFRS does not allow the capitalization of transaction costs relating to business combinations and these have therefore been expensed as incurred.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Reconciliation of net profit as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Company's net profit reported in accordance with Canadian GAAP to its net profit in accordance with IFRS for the three month period ended March 31, 2010 and for the year ended December 31, 2010.

	Note	Three months ended March 31, 2010	Year ended December 31, 2010
		$	$
Net profit as reported under Canadian GAAP		337,642	4,039,754
Reclassification of non-controlling interests under IFRS	(i)	(148,195)	722,556
Deferred income taxes on convertible debentures	(ii)	11,378	432,749
Componentization of property, plant and equipment	(iii)	(63,743)	(262,902)
Deferred income taxes on property, plant and equipment	(iv)	17,847	73,613
Changes in fair value of Trust Units, Exchangeable LP Units, and conversion option on convertible debentures	(v)	6,461,123	4,361,338
Reclassification of distributions to Trust Units and Exchangeable LP Units from retained earnings to income	(vi)	(1,007,169)	(4,028,684)
Loss on the repurchase of convertible debentures	(vii)	(48,150)	(48,150)
Transaction costs related to the acquisition of CJR	(viii)	-	695,931
As reported under IFRS		5,560,733	5,986,205
Attributable to:			
Owners of the Company		5,790,561	6,278,561
Non-controlling interests		(229,828)	(292,356)

Discussion of key reconciliation items:

i. Reclassification of non-controlling interests
Non-controlling interests are included in the determination of net profit under IFRS. This adjustment adds back non-controlling interests as determined under Canadian GAAP.

ii. Deferred income taxes on convertible debentures
The difference relates to changes in temporary differences resulting from the effect of recognition of deferred taxes on convertible debentures.

iii. Componentization of property, plant and equipment
IFRS requires property, plant and equipment to be depreciated based on significant identifiable components, whereas Canadian GAAP does not have such a requirement. Under IFRS, the Company's aircraft have been componentized into two significant components, hulls and engines. This resulted in additional depreciation expense being recorded by the Company.

iv. Deferred income taxes on property, plant and equipment
Deferred income taxes are impacted by the change in temporary differences resulting from the effect of the IFRS reconciling item described per (iii) above.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Discussion of key reconciliation items (continued):

v. Changes in fair value of Trust Units, Exchangeable LP Units, and Conversion Option
Under IFRS, the Trust Units, the Exchangeable LP Units, and the conversion option on convertible debentures are classified as liabilities and recorded at FVTPL. Under Canadian GAAP, these items are recorded at cost.

vi. Reclassification of distributions to Trust Unitholders and Exchangeable LP Unitholders
Under Canadian GAAP, distributions to Trust Unitholders and Exchangeable LP Unitholders are recorded as a reduction in retained earnings and non-controlling interests, respectively. Under IFRS, they are recorded as an expense as the Trust Units and the Exchangeable LP Units are classified as liabilities.

vii. Loss from the repurchase of convertible debentures
Under Canadian GAAP, the conversion option is recorded at cost. Under IFRS, the conversion option is recorded at FVTPL. A difference in the loss on repurchase of convertible debentures arose when the debentures were repurchased as a result of this valuation difference.

viii. Transaction costs related to the acquisition of CJR
Under Canadian GAAP, the transaction costs related to the regional business were capitalized and recognized as goodwill. IFRS does not allow the capitalization of transaction costs relating to business combinations and these have therefore been expensed as incurred.

Reconciliation of comprehensive income as reported under Canadian GAAP to IFRS

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the three month period ended March 31, 2010 and for the year ended December 31, 2010.

	Note	Three months ended March 31, 2010	Year ended December 31, 2010
		$	$
Comprehensive income as reported under Canadian GAAP		391,888	4,256,171
Reclassification of non-controlling interests under IFRS	(i)	(148,195)	722,556
Difference in net profit	(ii)	5,371,286	1,223,893
As reported under IFRS		5,614,979	6,202,620

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Discussion of key reconciliation items (continued):

i. Non-controlling interests
Non-controlling interests are included in the determination of comprehensive income under IFRS. This adjustment adds back non-controlling interests expense as determined under Canadian GAAP.

ii. Differences in net income
This reflects the differences in net income between Canadian GAAP and IFRS as described above.

d) Standards and Interpretations affecting amounts reported in the current and prior periods

March 31, 2011 is the Company's first reporting period under IFRS. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

e) Standards and Interpretations in issue not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending December 31, 2011, and accordingly, have not been applied in preparing these financial statements:

(i) Financial Instruments – Disclosures

The International Accounting Standards Board ("IASB") has issued an amendment to *IFRS 7, Financial Instruments: Disclosures*, requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company will apply the amendment at the beginning of its 2012 financial year and does not expect the implementation to have a significant impact on the Company's disclosures.

(ii) Financial Instruments

The IASB has issued a new standard, *IFRS 9, Financial Instruments* ("*IFRS 9*"), which will ultimately replace *IAS 39, Financial Instruments: Recognition and Measurement* ("*IAS 39*").

The replacement of *IAS 39* is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2013. The Company has yet to assess the impact of the new standard on its results of operations, financial position and disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

In conjunction with the Company's consolidated financial statements to be issued under IFRS for the year ended December 31, 2011, these financial statements present the Company's first reporting under IFRS as at and for the three months ended March 31, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with *IFRS 1* and *IAS 34, Interim Financial Reporting* ("*IAS 34*"), as issued by the IASB.

As these financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in the annual consolidated financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements.

These financial statements should be read in conjunction with the Company's annual financial statements for the year ending December 31, 2010 and in consideration of the IFRS transition disclosures included in Note 2 to these financial statements and the additional annual disclosures included herein.

Basis of preparation

These financial statements are presented in Canadian dollars and have been prepared on the historical cost basis except for financial instruments measured at fair value through profit and loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements include the accounts of the Company and all entities that are controlled by the Company (its subsidiaries). A subsidiary is an entity controlled by the Company, where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

All intra-company balances and transactions are eliminated in full upon consolidation.

These financial statements include the accounts of the Company and its wholly-owned subsidiary, Cargojet Holdings Limited Partnership ("CHLP"), CHLP's wholly-owned subsidiaries, Cargojet Holdings Ltd. ("CJH"), Cargojet Airways Ltd. ("CJA"), Cargojet Partnership ("CJP") and Prince Edward Air Ltd. ("PEAL") and up to the date of disposal on July 14, 2010, PEAL's 55% interest in Cargojet Regional Partnership ("CJR") (Note 18).

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Cash

Cash balance consists of cash on hand and demand deposits. The Company also maintains cash deposits with a chartered bank related to heavy maintenance reserve requirements of its aircraft assets and include these deposits as part of cash balance.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Company's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Company's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment annually on April 1. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale (continued)

should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 agreed 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 agreed ACMI services 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.

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Fuel inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimates of costs of completion and costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. Purchased software that is integral to the functionality of related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets is capitalized to the cost of the item until the asset is ready for use.

When a significant part of an asset has a different useful life from the overall asset's useful life, it is identified as a separate component and depreciated accordingly.

Major spare parts are treated as property, plant and equipment, and depreciated on actual usage.

The Company recognizes airframe heavy maintenance expenditures for owned and certain leased aircraft using the deferral method. Under the deferral method, the actual cost of each overhaul is capitalized under property, plant and equipment and amortized on a straight-line basis to the next overhaul.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits will flow to the Company and can be reliably measured. The carrying amount of the replaced part is derecognized. Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds on disposal to the carrying amount of the property, plant and equipment, and are recognized in earnings. The costs of day-to-day servicing of the property, plant and equipment is expensed as incurred in earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives using the straight-line method. The Company reviews the depreciation methods, useful lives and residual values at each reporting date with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Asset	Estimated useful life
Aircraft hull	40 years from the date of manufacture
Leased hardware and software	Lesser of useful life or term of lease
Engines	Engine cycles
Leased vehicles	Lesser of useful life or term of lease
Rotable spares	10 years
Spare parts	Actual usage
Ground equipment	10 years
Hanger facility	30 years
Vehicles	8 years
Computer hardware and software	5 years
Furniture and fixtures	10 years
Leasehold improvements	Lesser of useful life or term of lease
Deferred heavy maintenance	Up to the date of the next scheduled heavy maintenance

Leases

The Company uses assets made available under lease contracts. Lease contracts are recognized based on the substance of the agreement rather than the legal form to determine their classification as finance leases or operating leases.

Finance leases
Lease agreements that effectively transfer substantially all the risks and rewards of ownership of the leased assets to the Company are classified as finance leases. Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Finance leased assets are reported under the relevant asset categories, with recognition of a corresponding financial liability. They are depreciated on a straight-line basis over the shorter of their estimated useful life or the term of the agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Operating leases
Lease agreements that do not meet the recognition criteria of a finance lease are classified and recognized as operating leases. Payments made under operating leases are charged to income on a straight-line basis over the term of the related lease agreement. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Arrangements containing a lease
In compliance with interpretation *IFRIC 4*, the Company identifies agreements that convey the right to use an asset or group of specific assets to the purchaser although they do not have the legal form of a lease contract, as the purchaser in the arrangement benefits from a substantial share of the asset's production and payment is not dependent on production or market price. Such arrangements are treated as leases, and analyzed with reference to *IAS 17, Leases* ("*IAS 17*") for classification as either finance or operating leases.

Intangible assets

Definite life intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. Indefinite life intangible assets, such as licenses, have no foreseeable limit to the period over which they are expected to generate net cash inflows and are carried at cost less accumulated impairment losses and are not amortized.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets excluding goodwill (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. However, the increased carrying amount can not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currencies

The functional currency of each subsidiary is Canadian dollars which is the currency of the primary economic environment in which each subsidiary and the Company operates. For the purpose of the financial statements, the results and financial position of each subsidiary are expressed in Canadian dollars.

In preparing the financial statements of each subsidiary, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Income taxes

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets are classified into the following specified categories: financial assets at FVTPL, held to maturity investments, available for sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial liabilities are classified as either FVTPL or other financial liabilities.

All financial instruments are initially measured at their fair value plus in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities at FVTPL.

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

Asset/Liability	Classification	Measurement
Trades and other receivables, note receivable, and deposits	Loans and receivables	Amortized cost
Trade and other payables, distributions payable, convertible debentures and borrowings	Other financial liabilities	Amortized cost
Foreign exchange forward contracts	Fair value through profit or loss	Fair value
Exchangeable LP Units, Trust Units and conversion option on convertible debentures	Fair value through profit or loss	Fair value

Loans and receivables and other financial liabilities
Trade and other receivables, note receivable, deposits, trade and other payables, distributions payable, convertible debentures and borrowings are initially recognized at fair value and subsequently at amortized cost using the effective interest method less any impairment. Interest is recognized by applying the effective interest rate.

Exchangeable LP Units, Trust Units, and the conversion option on convertible debentures
As the Trust Units are puttable financial instruments that give the Unitholders the right to put the Trust Units back to the Company, the Trust Units have been classified as a liability on the balance sheet for periods prior to the Company's conversion from an income trust to a corporation on January 1, 2011. The Trust Units are classified as FVTPL and remeasured to the quoted market value of the Fund's Trust Units as at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Exchangeable LP Units, Trust Units, and the conversion option on convertible debentures (continued)

The Exchangeable LP Units may be converted to Trust Units on a one-for-one basis. Since the Trust Units are classified as a liability, the Exchangeable LP Units have also been classified as a liability on the balance sheet for periods prior to the Company's conversion from an income trust to a corporation on January 1, 2011. The Exchangeable LP Units are classified as FVTPL and remeasured to the quoted market value of the Fund's Trust Units as at each reporting date.

Based on certain conditions, the convertible 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 Company for redemption of the debentures.

The debenture holder's option to convert the debenture units into Trust Units (the "conversion option") has been classified as a separate component from the liability component of the debenture. Since the Trust Units are classified as a liability, the conversion options have also been classified as a liability and are classified as FVTPL and remeasured to fair value determined using the Black-Scholes model as at each reporting date.

Impairment of financial assets
Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is effective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investments have been affected.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or economic conditions that correlate with default on global receivables.

De-recognition of financial assets and liabilities
De-recognition is applied for all or part of a financial asset, when the contractual rights making up the asset expire, or the Company substantially transfers most of the significant risks and benefits associated with ownership of the asset. De-recognition is applied for all or part of a financial liability, when the liability is extinguished due to cancellation or expiry of the obligation. When a debt is renegotiated with a lender giving rise to substantially different terms, a new liability is recognized.

Derivative financial instruments and hedges

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. All derivative financial instruments are recorded at their fair values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedges (continued)

The Company 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 are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability.

Convertible debentures

The component parts of compound instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured.

Accounting judgments and use of estimates

In preparing the financial statements, the Company’s management is required to make judgments, estimates and assumptions that may affect the reported amount of the assets and liabilities and revenues and expenses. Although these estimates are based on management’s best knowledge of the current events and actions that the Company may undertake in the future, actual results may differ from these estimates. Reported amounts which require management to make significant estimates and assumptions include inventories, property, plant and equipment, goodwill and intangible assets, and deferred taxes. These items are discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of property, plant and equipment, indefinite life intangibles and goodwill
Impairment tests on property, plant and equipment, indefinite life intangibles and goodwill are sensitive to the macro-economic and other assumptions used, and long-term financial forecasts. The Company therefore revises the underlying estimates and assumptions based on regularly updated information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgments and use of estimates (Continued)

Deferred taxes
Deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period which are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Inventories
Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Company reviews the estimated selling price and the estimated costs necessary to make the sale at each reporting period to determine the net realizable value of the inventories.

4. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management personnel during the period was as follows:

3 month period ended	March 31, 2011	March 31, 2010
	$	$
Short-term benefits	715,344	702,839
Post-employment benefits	2,596	2,596
Other long-term benefits	-	-
Share-based payments	290,321	-
Total remuneration	1,008,261	705,435

5. INVENTORIES

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Fuel inventory	1,368,412	1,074,658	808,907

During the three months ended March 31, 2011, cost of inventory of $12,892,608 was recognized in profit and loss as an expense (three months ended March 31, 2010 - $9,671,889).

6. INTANGIBLE ASSETS

Intangible assets at December 31, 2010 and March 31, 2011 consist of licenses with indefinite lives carried at $1,000,000. Intangible assets at January 1, 2010 consist of licenses with indefinite lives carried at $1,000,000 and customer relationships related to the regional operations with a carrying value of $3,503,705. The customer relationships were sold to Skylink Express on July 14, 2010 (see note 18 for details).

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Balance as at January 1, 2010	Additions	Disposals	Balance as at December 31, 2010
	$	$	$	$
Aircraft hull	16,715,458	-	(1,273,407)	15,442,051
Engines	13,985,425	-	(2,677,559)	11,307,866
Spare parts	2,830,263	-	(1,691,913)	1,138,350
Ground equipment	7,026,970	646,186	(418,823)	7,254,333
Rotable spares	11,255,714	422,084	(2,114,174)	9,563,624
Computer hardware and software	2,207,207	510,930	(44,805)	2,673,332
Leased hardware and software	830,156	-	-	830,156
Furniture and fixtures	847,363	117,969	(26,362)	938,970
Leasehold improvements	4,371,957	78,770	(125,408)	4,325,319
Vehicles	344,942	32,430	(23,878)	353,494
Leased vehicles	230,309	-	-	230,309
Hangar facility	14,878,351	2,051	-	14,880,402
Deferred heavy maintenance	7,024,017	3,210,540	-	10,234,557
	82,548,132	5,020,960	(8,396,329)	79,172,763

Accumulated Depreciation	Balance as at January 1, 2010	Depreciation	Disposals	Balance as at, December 31, 2010	Net Book Value, as at December 31, 2010
	$	$	$	$	
Aircraft hull	4,254,266	1,800,709	(1,202,141)	4,852,834	10,589,217
Engines	4,623,544	2,998,194	(1,991,024)	5,630,714	5,677,152
Spare parts	-	-	-	-	1,138,350
Ground equipment	2,706,760	931,849	(219,763)	3,418,846	3,835,487
Rotable spares	2,147,159	580,533	(173,641)	2,554,051	7,009,573
Computer hardware and software	1,176,252	365,513	(12,826)	1,528,939	1,144,393
Leased hardware and software	426,385	136,844	-	563,229	266,927
Furniture and fixtures	411,046	91,272	(18,130)	484,188	454,782
Leasehold improvements	2,472,527	555,122	(118,184)	2,909,465	1,415,854
Vehicles	215,324	41,705	(12,191)	244,838	108,656
Leased vehicles	125,030	25,009	-	150,039	80,270
Hangar facility	1,927,437	1,299,470	-	3,226,907	11,653,495
Deferred heavy maintenance	4,891,805	2,712,424	-	7,604,229	2,630,328
	25,377,535	11,538,644	(3,747,900)	33,168,279	46,004,484

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost	Balance as at January 1, 2011	Additions	Disposals	Balance as at March 31, 2011
	$	$	$	$
Aircraft hull	15,442,051	-	-	15,442,051
Engines	11,307,865	725,292	(433,814)	11,599,343
Spare parts	1,138,349	190,955	-	1,329,304
Ground equipment	7,254,333	-	(285,685)	6,968,648
Rotable spares	9,563,624	391,697	-	9,955,321
Computer hardware and software	2,673,332	10,732	-	2,684,064
Leased hardware and software	830,156	-	-	830,156
Furniture and fixtures	938,969	37,768	-	976,737
Leasehold improvements	4,325,318	-	-	4,325,318
Vehicles	353,494	21,010	-	374,504
Leased vehicles	230,309	-	-	230,309
Hangar facility	14,880,402	46,600	-	14,927,002
Deferred heavy maintenance	10,234,557	1,579,029	-	11,813,586
	79,172,759	3,003,083	(719,499)	81,456,343

Accumulated Depreciation	Balance as at January 1, 2011	Depreciation	Disposals	Balance as at March 31, 2011	Net Book Value, March 31, 2010
	$	$	$	$	
Aircraft hull	4,852,832	282,564	-	5,135,396	10,306,655
Engines	5,630,714	226,870	(433,819)	5,423,765	6,175,578
Spare parts	-	-	-	-	1,329,304
Ground equipment	3,418,845	152,417	(120,849)	3,450,413	3,518,235
Rotable spares	2,554,052	359,289	-	2,913,341	7,041,980
Computer hardware and software	1,528,940	198,722	-	1,727,662	956,401
Leased hardware and software	563,229	99,089	-	662,318	167,838
Furniture and fixtures	484,188	26,735	-	510,923	465,814
Leasehold improvements	2,909,465	79,237	-	2,988,702	1,336,616
Vehicles	244,838	9,916	-	254,754	119,750
Leased vehicles	150,039	3,776	-	153,815	76,494
Hangar facility	3,226,907	106,741	-	3,333,648	11,593,354
Deferred heavy maintenance	7,604,229	956,359	-	8,560,588	3,252,998
	33,168,278	2,501,715	(554,668)	35,115,325	46,341,017

Included in general and administrative expenses for the three month period ended March 31, 2011 were depreciation expenses of $335,063 (2010 – $144,404).

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Change in useful life estimates (continued)

On January 1, 2011, the Company completed an assessment of the useful lives of all classes of property, plant and equipment, as well as a review of the period in which the expected pattern of economic benefits were expected to be consumed. From this review, it was determined that all asset classes should be depreciated on a straight-line basis from January 1, 2011 in order to better reflect the Company's expected pattern of benefit. Accordingly, the basis of depreciation and estimated useful lives were revised for aircraft hull, ground equipment, rotable spares and the hangar facility.

The effect of the change in estimate has been recognized prospectively from January 1, 2011 and did not have a material impact on depreciation expense for the three month period ending March 31, 2011.

8. BORROWINGS

Borrowings consist of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Revolving credit facility	9,106,065	8,514,989	11,130,589
Fixed loans - Prince Edward Air Ltd.	4,266,354	5,148,748	5,577,496
	13,372,419	13,663,737	16,708,085
Less current portion	773,951	1,460,290	428,748
	12,598,468	12,203,447	16,279,337

The Company renewed its revolving credit facility with a Canadian chartered bank on September 30, 2010. The credit facility is to a maximum of $25.0 million and bears interest at bank prime plus 1.75% and is repayable on maturity, December 31, 2013. 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 facility is subject to the maintenance of certain financial covenants. The Company was in compliance with all covenants as at March 31, 2011.

The credit facility is secured by the following:

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

The Company 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 assets of PEAL and a guarantee provided by Cargojet Airways Ltd. ("CJA") for 10% of the outstanding amounts. CJA is a wholly-owned subsidiary of the Company and the sole shareholder of PEAL. The loans are repayable in monthly installments plus interest and will mature by January 2022. The Company also maintains cash deposits with the chartered bank related to heavy maintenance reserve requirements of the aircraft assets secured by the loans. These cash deposits were in the amount of $630,930 as at March 31, 2011 and $629,930 as at December 31, 2010.

8. BORROWINGS

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

	$
2011 (remainder of the year)	577,895
2012	794,994
2013	825,136
2014	857,844
2015	550,661
>2015	659,824
	4,266,354
Less current portion	773,951
	3,492,403

Interest on borrowings for the three-month periods ended March 31, 2011 and 2010 totaled $222,512 and $257,577, respectively.

9. OBLIGATIONS UNDER FINANCE LEASES

The Company leases various service equipment and computer equipment which are classified as finance leases. As at March 31, 2011, future minimum base lease payments under the finance lease obligation are as follows:

	$
Not later than one year	105,705
Later than one year and not later than five years	35,877
Later than five years	-
	141,582
Less interest	3,881
Obligations under finance leases	137,701
Less current portion	118,686
	19,015

Interest on obligations under finance leases for the three-months ended March 31, 2011 and 2010 totaled $1,755 and $3,614, respectively.

10. 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, commencing October 31, 2008.

The debentures may not be redeemed by the Company 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 Company at a price equal to at least $1,000 per debenture provided that the current market price (as defined below) of the common shares of the Company on the date on which the notice of redemption is given is at least 125% of the conversion price of $16.00 per common share. After May 1, 2012, but prior to the maturity date of April 30, 2013, the debentures are redeemable at a price

10. CONVERTIBLE DEBENTURES (CONTINUED)

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 common shares 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 Company has the option to repay the debentures in either cash or equivalent common shares of the Company. The number of common shares 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 common shares.

Based on certain conditions, the debentures are convertible, at the holders' discretion, at $16.00 per common share 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 Company for redemption of the debentures. The Company 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 Company 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 debt component and the conversion option. The two components have been classified separately as liabilities on the balance sheet as at January 1, 2010 and December 31, 2010. Following conversion of the Fund to a corporation on January 1, 2011, the conversion option was reclassified to equity. Factoring in the value of the conversion option and transaction costs, the convertible debentures bear interest at an effective rate of 10.04%.

The debt component is measured at amortized cost. The balance of the debt component at March 31, 2011, December 31, 2010 and January 1, 2010 consisted of the following amounts:

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Principal balance	24,655,000	24,655,000	32,131,000
Less:			
Issuance costs	(1,237,467)	(1,237,467)	(1,612,696)
Conversion option at inception	(1,568,975)	(1,568,975)	(2,044,727)
Accretion	1,650,133	1,513,382	1,249,504
Balance	23,498,691	23,361,940	29,723,081

Interest expense on the debentures for the three month periods ended March 31, 2011 and 2010 totaled $592,700 and 615,742, respectively.

10. CONVERTIBLE DEBENTURES (CONTINUED)

The conversion option is measured at FVTPL and is valued using the Black-Scholes model. The valuation assumptions used to value the conversion option as at December 31, 2010, March 31, 2010 and January 1, 2010 are as follows:

	December 31, 2010	March 31, 2010	January 1, 2010
Stock price	$ 8.48	$ 8.35	$ 9.13
Exercise price	$ 16.00	$ 16.00	$ 16.00
Expected life in years	2.27	3.03	3.27
Annualized volatility	61%	39%	40%
Annual rate of quarterly dividends	5.94%	6.04%	5.85%
Risk-free discount rate	2.23%	2.90%	2.12%

The calculated fair values of the conversion option at January 1, 2010, March 31, 2010 and December 31, 2010 are $1,374,768, $717,685, and $1,778,326 respectively.

Substantial and normal course issuer bids

In January 2010, under the terms of a substantial issuer bid, the Company repurchased $7,476,000 principal amount of the debentures ($6,625,018 net of the related unamortized issuance costs and the $430,824 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 $430,824 to the conversion option component) and $116,775 on account of accrued interest. The repurchase of the debentures resulted in a loss of $321,415.

11. INCOME TAXES

A reconciliation between the Company's statutory and effective tax rate is as follows:

	Three months ended March 31, 2011	2010
	$	$
Earnings before income taxes and discontinued operations	1,209,395	6,205,123
Provision for income taxes at the combined basic rate of 33%	374,912	2,047,691
Permanent and other differences	(448,400)	(1,914,030)
Provisions for (recovery of) income taxes	(73,488)	133,661

11. INCOME TAXES (CONTINUED)

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

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Property, plant and equipment	3,582,147	3,890,273	4,872,227
Intangible assets	(626,837)	(653,632)	36,892
Operating loss carryforward	(1,588,725)	(1,541,289)	(1,537,755)
Note receivable	(134,756)	(153,749)	-
Financing costs	(2,516)	(2,516)	(478,832)
Derivative contracts	(357,179)	(212,513)	(177,118)
Conversion option on convertible debentures	717,999	(138,301)	294,448
Deferred heavy maintenance	1,799,203	1,928,433	1,260,736
Net deferred income tax liability	3,389,336	3,116,706	4,270,598

12. EARNINGS PER SHARE / TRUST UNIT

The following table reconciles the net earnings and weighted average shares outstanding used in computing basic and diluted earnings per share for the three month periods ended March 31, 2011 and 2010:

Basic Earnings per share / Trust Unit		2011		2010
Profit from continuing operations attributable to owners of the business	$	1,282,883	$	6,071,462
Loss from discontinued operations attributable to owners of the business		-		(280,901)
Net profit used in the calculation of basic earnings per share / Trust Unit	$	1,282,883	$	5,790,561
Weighted average number of shares / Trust Units		7,984,217		7,993,416
Basic earnings per share / Trust Unit - from continuing operations	$	0.16	$	0.76
Basic earnings per share / Trust Unit - from discontinued operations		-		(0.04)
Total basic earnings per share / Trust Unit	$	0.16	$	0.72

Diluted Earnings per share / Trust Unit				
Profit from continuing operations attributable to owners of the business	$	1,282,883	$	6,071,461
Loss from discontinued operations attributable to owners of the business		-		(280,901)
Effect of the conversion from the convertible debentures		-		466,806
Net profit used in the calculation of diluted earnings per share / Trust Unit	$	1,282,883	$	6,257,366
Weighted average number of shares / Trust Units		7,984,217		9,534,354
Diluted earnings per share / Trust Unit - from continuing operations	$	0.16	$	0.69
Diluted earnings per share / Trust Unit - from discontinued operations		-		(0.04)
Total diluted earnings per share / Trust Unit	$	0.16	$	0.65

The effect of the convertible debentures has been excluded from the calculation of earnings per share for the three month period ended March 31, 2011 as the impact would be anti-dilutive.

13. SHAREHOLDERS' CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common voting shares and variable voting shares. The common voting shares are held only by shareholders who are Canadian residents. The variable voting shares are held only by shareholders who are non-Canadian residents. Under the articles of incorporation and bylaws of the Company, any common voting share that is sold to a non-Canadian resident is automatically converted to a variable voting share. Similarly, a variable voting share that is sold to a Canadian resident is automatically converted to a common voting share.

Variable voting shares carry one vote per share held, except where (1) the number of outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding common and variable voting shares, or (ii) the total number of votes cast by or on behalf of the holders of variable voting shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes that may be cast at such meeting.

If either of the above noted thresholds is surpassed at any time, the vote attached to each variable voting share will decrease automatically without further act or formality. Under the circumstances described in (i) above, the variable voting shares as a class cannot carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding common and variable voting shares. Under the circumstances described in (ii) above, the variable voting shares as a class cannot, for a given shareholders' meeting, carry more than 25% of the total number of votes that may be cast at the meeting.

b) Issued and outstanding

On January 1, 2011, the Company was converted from an income trust structure to a corporation structure. All Unitholders of the Fund had their Trust Units automatically converted into shares in the new corporate entity on a one-for-one basis.

The outstanding 6,437,109 Trust Units and 1,556,307 Exchangeable LP Units as at January 1, 2011 were converted into 7,755,271 common voting shares and 238,145 variable voting shares.

The following table shows the change in shareholders' capital from January 1, 2011 to March 31, 2011:

	Number		Amount
			$
Variable voting shares	238,145	$	2,019,470
Common voting shares	7,755,271	$	65,764,697
Balances as at January 1, 2011	7,993,416		67,784,167
Treasury Stock Purchase	(65,984)		(564,825)
Share-based Compensation	14,238		121,735
Balances as at March 31, 2011	7,941,670		67,341,077
Variable voting shares	238,145		2,019,341
Common voting shares	7,703,525		65,321,736

14. LONG-TERM INCENTIVE PLAN

In 2010, the Company adopted a long-term incentive plan (the "Plan") to provide certain of the executive officers and senior management of the Company with compensation opportunities tied to the performance of the Company. Company incentive bonuses, in the form of shares, will be provided to eligible employees on an annual basis where the earnings of the Company exceed a pre-determined base (the "base target"). The base target is set annually by the Compensation Committee of the Company's Board of Directors in accordance with the terms of the Plan.

If the Company's earnings exceed the base target, a percentage of the excess is contributed by the Company into a long-term incentive pool. Shares are then purchased on the open market by the Company and held by the Company until they vest. Vesting of the shares will occur on the basis of one-third of the total grant at the time of granting, and one third on each of the first and second anniversary dates. .

On March 15, 2011, in accordance with the Plan, the Company purchased 65,984 shares from the open market at an average price of $8.55, plus commissions. As at March 31, 2011, 14,238 of these shares had vested, $121,735 being transferred from Reserves to Shareholders' Capital. Share-based compensation expense of $290,321 has been included in the Statement of Income for the three-month period ending March 31, 2011, which includes withholding taxes of $99,675 paid on behalf of the eligible employees.

The following table details the impact of the above transactions on the balance sheet as at March 31, 2011 and on the income statement for the three-month period ended March 31, 2011:

Shares purchased under the plan	Number	$
Balance, January 1, 2011	-	-
Shares acquired by Company for long term incentive plan	65,984	564,825
Shares distributed by Company to long-term incentive plan participants	(14,238)	(121,735)
Balance, March 31, 2011	51,746	443,090

Share-based compensation expense	$
Shares transferred to long-term incentive plan participants	121,735
Cost of shares, not yet allocated to plan participants	99,675
Share-based compensation, not yet vested	68,910
Share-based remuneration, three month period ended March 31, 2011	290,320

15. DIVIDENDS / DISTRIBUTIONS

The following table summarizes the cash dividends for the three months ended March 31, 2011.

Record Date	Dividends / Distribution Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		$	$
December 31, 2010	January 15, 2011	-	7,993,416	-	-
January 31, 2011	February 15, 2011	335,723	7,993,416	0.0420	335,723
February 28, 2011	March 15, 2011	335,723	7,993,416	0.0420	335,723
March 31, 2011	April 15, 2011	335,723	7,993,416	0.0420	-
		1,007,170		0.1260	671,447

15. DIVIDENDS / DISTRIBUTIONS (CONTINUED)

The following table summarizes the cash distributions for the three months ended March 31, 2010.

Record Date	Date Distribution Paid/Payable	Unitholders Declared	Unitholders Paid	Exchangeable LP Unitholders Declared	Exchangeable LP Unitholders Paid	Total Declared	Total Per Unit	Total 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		65,364		335,723	0.0420	-
		754,237	725,817	252,932	281,352	1,007,169	0.1260	1,007,169

As at March 31, 2011, $335,723 of dividends were declared but not yet paid to shareholders.

As at March 31, 2010, $270,359 of distributions to Trust Unitholders and $65,364 of distributions to Exchangeable LP Unitholders were declared but not yet paid.

16. COMMITMENTS AND CONTINGENCIES

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

	$
Not later than one year	10,552,441
Later than one year and not later than five years	35,677,390
Later than five years	284,004
	46,513,835

Contingencies
The Company has provided irrevocable standby letters of credit totalling $1,564,100 to a financial institution as security for its corporate credit cards and to several vendors as security for the Company's ongoing purchases. The letters of credit expire as follows:

	$
July 6, 2011	119,400
July 28, 2011	344,700
December 31, 2011	200,000
January 13, 2012	250,000
March 3, 2012	630,000
March 20, 2012	20,000
	1,564,100

17. ECONOMIC DEPENDENCE

During the three month period ended March 31, 2011, the Company had sales to three customers that represented 54% of the total revenues (March 31, 2010 – 49%). These sales are provided under service agreements that expire over various periods to September 2018. Two of these customers had sales in excess of 10% of total revenues in the first quarter of 2011 (two in 2010).

18. DISPOSITION OF THE COMPANY'S REGIONAL BUSINESS

On July 14, 2010, the Company entered into an agreement with SL Express to sell its 55% interest in the Partnership. The Partnership operated the Company's regional air cargo business segment that provided service to thirty-three smaller cities in Ontario, Quebec and the Maritime provinces. SL Express held the other 45% interest in the Partnership. Proceeds for the sale included a $3.2 million non-interest bearing note receivable ("First Note Receivable") over five years, that was reduced by approximately $0.7 million to account for the difference between the amounts due to Cargojet and SL Express from the Partnership, net of the total cash losses of the Partnership since its inception relative to the proportionate ownership of the Company and SL Express.

The First Note Receivable due from SL Express is secured by a first charge on aircraft owned by SL Express.

The sale agreement also included the sale of the Company's aircraft spare parts and other operating assets that are required by SL Express in the operation of the Partnership, which were sold to SL Express on December 20, 2010 in exchange for a separate non-interest bearing note ("Second Note Receivable") of $1.8 million receivable payable over five years.

Both notes receivable due from SL Express are secured by a first charge on aircraft owned by SL Express. They are discounted at an annual rate of 6%.

The net loss from discontinued operations for the three month period ended March 31, 2011 is nil (2010 - $510,729).

The discounted balance of the notes receivable is comprised of the following as at March 31, 2011:

March 31, 2011	First Note Receivable	Second Note Receivable	Total
	$	$	$
Notes receivable	1,987,683	1,532,092	3,519,775
Less: notes receivable - current portion	483,646	336,936	820,582
Notes receivable - long-term portion	1,504,037	1,195,156	2,699,193

Interest revenue of $52,991 was recognized for the 3 month period ended March 31, 2011. (2010 – $nil).

Prior to the classification as a discontinued operation, the results of the Partnership represented the entire regional air cargo segment of the Company. As the operations of the Partnership comprised all of the results of the regional segment, the Company now has only one segment.