CARGOJET INCOME FUND

Management Discussion and Analysis of Financial Condition and Results of Operations

For the Three Month and Six Month Periods Ended June 30, 2009

The following is a discussion of the consolidated financial condition and results of operations of Cargojet Income Fund (the "Fund") for the three month and six month periods ended June 30, 2009. The following also includes a discussion of and comparative operating results for the three month period ended June 30, 2008.

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

The effective date of the MD&A is August 13, 2009. The Fund reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles ("GAAP"). References herein to "Cargojet", the "Fund", "we" and "our" mean Cargojet Income Fund. This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Fund as at and for the three month periods ended June 30, 2009 and 2008.

References to "EBITDA" [A] are to earnings before interest, income taxes, depreciation, amortization, non-controlling interest, gain or loss on disposal of capital assets and after adjusting aircraft heavy maintenance amounts to actual expenditures. Non-GAAP measures, EBITDA [A] and Distributable Cash [B], are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA [A] and Distributable Cash [B] may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA [A] and Distributable Cash [B] should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicators of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The calculations of Distributable Cash [B] and EBITDA[A] are shown on pages 5 and 8, respectively.

Key Factors Affecting the Business

The results of operations, business prospects and financial condition of the Fund are subject to a number of risks and uncertainties and are affected by a number of factors outside of the control of management of the Fund. For a more complete discussion of the risks affecting the Fund's business, reference should be made to the Annual Information Form ("AIF"), filed March 5, 2009 with the regulatory authorities.

Forward Looking Statements

This discussion includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements including those identified by the expressions "anticipate", "believe", "plan" "estimate", "expect", "intend" and similar expressions to the extent they relate to the Fund or its management. The forward-looking statements are not historical facts, but reflect Cargojet's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, as detailed in our AIF, filed March 5, 2009 with the regulatory authorities.

Corporate Overview

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

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

The Fund operates its business across North America transporting over 750,000 pounds of time sensitive air cargo each business night utilizing its fleet of forty-one all-cargo aircraft. The Fund's domestic overnight air cargo co-load network consolidates cargo received from customers and transports such cargo to the appropriate destination in a timely and safe manner. The Fund continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

The Fund currently operates ten Boeing 727-200 ("B727") series cargo aircraft, three of which are leased and seven owned. One 757-200ER ("B757") series and two 767-200ER ("B767") series aircraft were introduced into operations during the third quarter of fiscal 2008. The Fund also periodically contracts other airlines on an ACMI or sub-charter basis to temporarily operate aircraft on the Fund's behalf. This provides added capacity to its overall network to meet new business and/or peak period demands. Currently none of Cargojet's aircraft are operated on this basis.

The Fund acquired a 51% interest in Prince Edward Air Ltd. ("PEAL") on May 1, 2008 to extend the reach and coverage of its national air cargo network. The operations of PEAL were combined with the existing Cargojet Regional business that was launched in October 2007.

Recent Events

In July 2009 the Fund completed the acquisition of the remaining 49% of PEAL for cash consideration of $1.0 million. Immediately following this transaction, PEAL entered into a partnership agreement with SkyLink Express Inc. ("SL") to consolidate their regional cargo businesses. The new partnership began operations under the name Cargojet Regional ("CJR") on August 1, 2009. PEAL acquired 55% of the partnership for $3.9 million by contributing all of its customer contracts to CJR. SL's contribution for the remaining 45% of CJR included all of its customer contracts, the lease of its aircraft to CJR, and an interest bearing promissory note. With 28 turboprop aircraft, CJR operates a regional air cargo network that services twenty-one smaller cities in Ontario, Quebec, Atlantic Canada and Western Canada. CJR's annual revenues are approximately $26 million and it currently employs over 160 people.

Recent Events (continued)

In May 2009 the Fund entered into a series of U.S. dollar forward purchase contracts for an aggregate total of U.S. $12.0 million. These U.S. dollar forward contracts began in July 2009 and expire in June 2011, and are consistent with the Fund's foreign exchange risk management policy. As part of this policy, the Fund has entered into U.S. dollar forward purchase contracts to reduce uncertainty surrounding Canadian dollar value of anticipated cash flows where it has significant foreign exchange exposure to U.S. currency fluctuations. As at June 30, 2009 the net unrealized gain of $0.4 million resulting from the revaluation of these contracts was recognized in other comprehensive earnings during the period.

In January 2009 the Fund realized gains of approximately $2.8 million from the settlement and sale of all of the Fund's U.S. dollar forward purchase contracts held as at December 31, 2008. These gains will be recognized throughout 2009 in net income in the same periods that the anticipated transactions to which the hedges related would have affected net income.

In March 2009 the Fund received approval for a normal course issuer bid to purchase certain of its outstanding 7.5% convertible unsecured subordinated debentures (the "Debentures") through the facilities of the Toronto Stock Exchange ("TSX"). The principal amount of the Debentures to be purchased through the facilities of the TSX during the period of the normal course issuer bid (the "Bid") from March 17, 2009 to March 16, 2010 will not exceed $3,530,400, or approximately 10% of the public float outstanding on March 11, 2009. Daily purchases are limited to $4,310 principal amount of the Debentures until June 30, 2009 and $2,155 principal amount of the Debentures thereafter, other than block purchase exemptions. Debentures purchased pursuant to the Bid are cancelled.

As at June 30, 2009, the Fund has purchased $49,000 in face value of the Debentures for $31,850 at an average price of $650 per Debenture. The Fund acquired $3,470,000 principal amount of Debentures in June 2009 at an average price of $800 per Debenture. This purchase did not settle until after June 30, 2009. No other purchases of Debentures have been made as of the date of this MD&A.

In November 2008 the Fund received approval for a normal course issuer bid to purchase up to 599,402 trust units ("Units"), representing approximately 10% of the public float outstanding on November 19, 2008 through open market purchases on the TSX. The Bid commenced on November 25, 2008 and will expire on November 24, 2009. Daily purchases were limited to 6,506 Units up to and including June 30, 2009 and 3,253 Units thereafter, other than block purchase exemptions. Units purchased pursuant to the Bid are cancelled.

During the three month period ended June 30, 2009, the Fund purchased 86,407 Units for $0.32 million at an average price of $3.717 per Unit. On June 30, 2009 the Fund acquired 290,300 Units for $1.15 million at a price of $3.960 per Unit. This purchase did not settle until after June 30, 2009. As of the date of this MD&A, the Fund has purchased a total of 493,791 Units for $1.78 million at an average price of $3.600 per Unit since the bid commenced on November 25, 2008.

Revenues

The Fund's revenues are primarily generated from its overnight air cargo service between thirteen major Canadian cities each business night. Customers pre-purchase a guaranteed space and weight allocation on the Fund's network and a corresponding guaranteed daily revenue amount is paid to the Fund for this space and weight allocation. Remaining capacity is sold on an *ad hoc* basis to contract and non-contract customers.

The Fund also provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This revenue helps to support lower demand legs and provides a revenue opportunity with little or no incremental cost, as the flights are operating on regular schedules.

To further enhance its revenues, the Fund offers a specialty charter service, typically, in the daytime and on weekends. The charter business targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America and the Caribbean. The Fund also operates an international route operating between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain minimum daily revenue guarantees and the ability to pass through increases in fuel costs.

The Fund also provides and operates dedicated aircraft on an ACMI basis. On these contracts, the customer is responsible for all commercial activities and the Fund is paid a fixed amount to operate the routes.

Through its subsidiary PEAL, the Fund generates revenue from its regional air cargo business that services twenty-one smaller cities in Ontario, Quebec, Atlantic Canada, and Western Canada.

Expenses

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

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

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

	Three Month Period Ended June 30		Six Month Period Ended June 30	
	2009	2008	**2009**	2008
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			$	$
Cash inflow from operations before changes in non-cash working capital items [1]	**3,391**	543	**8,745**	3,985
Changes in non-cash working capital items [1]				
Accounts receivable	**981**	486	**1,796**	(78)
Materials and supplies	**(93)**	18	**226**	9
Prepaid expenses and deposits	**(453)**	(4,410)	**348**	(4,812)
Due from related party	**-**	-	**-**	15
Accounts payable and accrued charges	**(2,097)**	(778)	**(3,301)**	(2,234)
Income taxes (payable) recoverable	**45**	2,771	**(249)**	1,675
	1,774	(1,370)	**7,565**	(1,440)
Less:				
Maintenance capital expenditures [2]	**685**	1,567	**1,392**	2,630
Income taxes recoverable	**(45)**	-	**249**	-
Transfer of gains on derivatives from other comprehensive income	**(709)**		**(1,181)**	-
Heavy maintenance deposits	**495**	-	**628**	-
Repayment of long-term debt obligation under capital lease	**50**	51	**96**	86
Minority interest in cash inflow from operations before changes in working capital items of PEAL	**(579)**	198	**(786)**	198
Total changes in non-cash working capital items	**(1,617)**	(1,913)	**(1,180)**	(5,425)
Purchase of Cargojet Income Fund debentures	**33**		**33**	
Purchase of Cargojet Income Fund units	**322**	-	**565**	-
Distributable cash [B]	**3,139**	(1,273)	**7,749**	1,071
Average number of trust units outstanding - basic (in thousands of units)	**6,547**	6,699	**6,606**	6,699
Average number of trust units outstanding - diluted (in thousands of units)	**11,005**	8,932	**11,065**	8,932
Distributable cash per unit - diluted [3]	**$ 0.34**	$ (0.14)	**$ 0.81**	$ 0.12
Cash distributions	**710**	2,583	**2,508**	5,166
Cash distributions as a percentage of distributable cash	**23%**	NM [4]	**32%**	482%

(1) Please refer to Statement of Cash Flows for the Fund.
(2) Maintenance capital expenditures for the three month period ended June 30, 2009 exclude capital expenditures attributed to the minority interest in PEAL. Maintenance capital expenditures for the three month period ended June 30, 2009 exclude the $0.04 million for equipment that was financed under a capital lease. Maintenance capital expenditures for the three month period ended June 30, 2008 exclude the $0.06 million for equipment that was financed under a capital lease.
(3) For the purpose of calculating distributable cash per unit – diluted for the three month period ended June 30, 2009 and for the six month period ended June 30, 2009, the weighted average number of Units, the weighted average number of Exchangeable LP units, and the effect of the Fund's Debentures have been combined. For the purpose of calculating distributable cash per unit – diluted for the three month period ended June 30, 2008 and for the six month period ended June 30, 2008, the weighted average number of Units and the weighted average number of Exchangeable LP units have been combined. The Fund's Debentures are not factored into the calculation of distributable cash per unit – diluted when conversion of these debentures would be anti-dilutive.
(4) Cash distributions as a percentage of distributable cash is not meaningful ("NM") when distributable cash is a deficit for the period.

(B) Please refer to End Note (B) included at the end of this MD & A.

Results of Operations and Supplementary Financial Information
(in thousands)

	Three Month Period Ended June 30		Six Month Period Ended June 30	
	2009	2008	**2009**	2008
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		$		
Revenue	**39,114**	52,080	**81,318**	98,879
Direct expenses	**29,809**	46,318	**61,988**	85,849
	9,305	5,762	**19,330**	13,030
Selling, general and administrative expenses				
Sales and marketing	**121**	287	**291**	477
General and administrative	**4,663**	4,810	**9,214**	9,173
Interest	**971**	813	**1,998**	1,165
Amortization of capital assets	**172**	136	**328**	252
Amortization of intangible assets	**2,372**	2,904	**5,331**	5,534
	8,299	8,950	**17,162**	16,601
Earnings (loss) before income taxes and non-controlling interest	**1,006**	(3,188)	**2,168**	(3,571)
Provision for (recovery of) income taxes				
Current	**(4)**	-	**(298)**	21
Future	**(1,202)**	(1,086)	**(794)**	(1,513)
Earnings before non-controlling interests	**2,212**	(2,102)	**3,260**	(2,079)
Non-controlling interests	**(2)**	589	**169**	583
Net earnings	**2,210**	(1,513)	**3,429**	(1,496)
Earnings per trust unit - basic	**$ 0.34**	$ (0.23)	**$ 0.52**	$ (0.22)
Earnings per trust unit - diluted [(1)]	**$ 0.32**	$ (0.23)	**$ 0.52**	$ (0.22)
Average number of trust units - basic (in thousands of units)	**6,547**	6,699	**6,606**	6,699
Average number of trust units - diluted (in thousands of units)	**11,005**	8,932	**8,839**	8,932
Total assets	**130,608**	135,719	**130,608**	135,719
Total long-term liabilities	**44,281**	44,617	**44,281**	44,617

(1) For the purpose of calculating earnings per trust unit – diluted for the three month period ended June 30, 2009 and for the six month period ended June 30, 2009, the weighted average number of Units, the weighted average number of Exchangeable LP units, and the effect of the Fund's convertible debentures have been combined. For the purpose of calculating earnings per trust unit – diluted for the three month period ended June 30, 2008 and for the six month period ended June 30, 2008, the weighted average number of Units and the weighted average number of Exchangeable LP units have been combined. The Fund's convertible debentures are not factored into the calculation of earnings per trust unit – diluted when conversion of these debentures would be anti-dilutive.

Selected Financial Information

Summary of Most Recently Completed Consolidated Quarterly Results

	Three Month Periods Ended							
	June 30 2009	March 31 2009	December 31 2008	September 30 2008	June 30 2008	March 31 2008	December 31 2007	September 30 2007 (1)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue (in thousands)	**$ 39,114**	$ 42,204	$ 53,659	$ 53,137	$ 52,080	$ 46,799	$ 48,439	$ 35,002
Net income (loss) (in thousands)	**$ 2,210**	$ 1,219	$ 2,398	$ (1,191)	$ (1,512)	$ 17	$ 1,502	$ 1,193
Earnings (loss) per trust unit - basic	**$ 0.34**	$ 0.18	$ 0.36	$ (0.18)	$ (0.23)	$ 0.00	$ 0.22	$ 0.18
Earnings (loss) per trust unit - diluted	**$ 0.32**	$ 0.18	$ 0.18	$ (0.18)	$ (0.23)	$ 0.00	$ 0.22	$ 0.18
Average number of trust units - basic (in thousands of units)	**6,547**	6,665	6,693	6,699	6,699	6,699	6,699	6,699
Average number of trust units - diluted [(2)] (in thousands of units)	**11,005**	8,898	8,926	8,932	8,932	8,932	8,932	8,932

(1) At the end of 2007 the Fund changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Management believes the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices. This change in accounting policy has been accounted for retrospectively, and the comparative financial information for the noted periods has been restated.

(2) For the purpose of calculating earnings (loss) per trust unit – diluted for the three month period ended June 30, 2009, the weighted average number of Units and the weighted average number of Exchangeable LP units have been combined. The Fund's convertible debentures are not factored into the calculation of earnings per trust unit – diluted when conversion of these debentures would be anti-dilutive.

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

	Three Month Period Ended June 30		Six Month Period Ended June 30	
	2009	2008	**2009**	2008
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$	$	**$**	$
Calculation of EBITDA [(A)]:				
Net earnings	**2,210**	(1,513)	**3,429**	(1,496)
Add:				
Interest	**971**	813	**1,998**	1,165
Non-controlling interests	**2**	(589)	**(169)**	(583)
Provision for (recovery of) current income taxes	**(4)**	-	**(298)**	21
Provision for (recovery of) future income taxes	**(1,202)**	(1,086)	**(794)**	(1,513)
Loss on disposal of capital assets	**-**	960	**3**	960
Gain on disposal of intangible assets	**-**	(1,149)	**-**	(1,149)
Amortization of capital assets	**1,393**	1,069	**2,732**	1,993
Amortization of intangible assets	**2,372**	2,904	**5,331**	5,534
Aircraft heavy maintenance amortization	**596**	1,063	**1,084**	1,692
Aircraft heavy maintenance expenditures	**(1,433)**	(1,277)	**(2,020)**	(1,692)
Heavy maintenance deposits [(2)]	**(495)**	-	**(628)**	-
PEAL EBITDA - minority interest	**516**	(80)	**639**	(80)
EBITDA [(A)]	**4,926**	1,115	**11,307**	4,852
Reconciliation of EBITDA [(A)] to Distributable Cash [(B)]:				
EBITDA [(A)]	**4,926**	1,115	**11,307**	4,852
Less:				
Maintenance capital expenditures [(1)]	**685**	1,567	**1,392**	2,630
Interest [(3)]	**746**	770	**1,521**	1,044
Provision (recovery) for current income taxes	**(49)**	-	**(49)**	21
Repayment of long-term debt obligation under capital lease	**50**	51	**96**	86
Purchase of Cargojet Income Fund debentures	**33**		**33**	
Purchase of Cargojet Income Fund units	**322**	-	**565**	-
Distributable cash [(B)]	**3,139**	(1,273)	**7,749**	1,071

(1) Maintenance capital expenditures for the three month period ended June 30, 2009 exclude capital expenditures attributed to the minority interest in PEAL. Maintenance capital expenditures for the three and six month periods ended June 30, 2009 exclude the $0.3 and $0.6 million respectively for equipment that was financed under a capital lease. Maintenance capital expenditures for the six month period ended June 30, 2008 exclude the $0.06 million for equipment that was financed under a capital lease.

(2) Heavy maintenance deposits are paid to the aircraft lessors on a monthly basis. Cargojet receives a refund of these payments when it incurs actual heavy maintenance expenditures.

(3) For the purpose of calculating Distributable Cash [(B)] for the three and six month periods ended June 30, 2009, interest excludes the accretion interest expense due to the Fund's convertible debentures and the portion of interest expense attributable to the minority interest in PEAL. For the purpose of calculating Distributable Cash [(B)] for the three and six month periods ended June 30, 2008, interest excludes the unrealized loss (gain) on non-hedge derivatives of ($0.01) million and $0.07 million respectively.

(A) Please refer to End Note (A) included at the end of this MD & A.
(B) Please refer to End Note (B) included at the end of this MD & A.

Highlights for the Three month period Ended June 30, 2009 and 2008

- Total revenue for the three month period ended June 30, 2009 was $39.1 million as compared to $52.1 million for the same period in 2008, representing a decrease of $13.0 million or 25.0%.

- Average core overnight daily cargo revenue excluding fuel surcharges, other cost pass-through revenues and revenues from the regional business operated by PEAL for the three month period ended June 30, 2009 was $0.61 million per operating day as compared to $0.69 million per operating day for same period in 2008, representing a decrease of 11.6%.

- EBITDA for the three month period ended June 30, 2009 was $4.9 million as compared to $1.1 million for the same period in 2008, an increase of $3.8 million or 345.5%

- Distributable Cash was $3.0 million for the three month period ended June 30, 2009 as compared to a deficit of ($1.3) million for the same period in 2008, an increase of $4.3 million.

Review of Operations For the Three month period Ended June 30, 2009 and 2008

Revenue

Total revenue for the three month period ended June 30, 2009 was $39.1 million as compared to $52.1 million for the same period in 2008, representing a decrease of $13.0 million or 25.0%. The decrease in revenues was due primarily to lower fuel surcharges, the loss of an ACMI contract, and the cancellation of a route to Western Canada.

Revenue related to the core overnight and ACMI cargo businesses excluding regional revenues, fuel surcharges and other cost pass-through revenues for the three month period ended June 30, 2009 was $29.8 million compared to $34.6 million for the same period in 2008, a decrease of $4.8 million or 13.9%. The decrease was due primarily to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008, partially offset by an increase in all other core revenues. Revenues from these two flights were approximately $5.0 million in the second quarter of 2008 and nil for the same period in 2009. Cargojet continues to provide services to these same customers on other existing ACMI and overnight contracts.

All other core revenues were higher by $1.1 million. The increase was due primarily to the migration of customers from the cancelled Western Route to Cargojet's other flights on its overnight network. Charter revenues for the three month period ending June 30, 2009 were $0.1 million, representing a decrease of $0.8 million as compared to the same period in 2008.

Fuel surcharges and other cost pass-through revenues were $4.4 million for the three month period ended June 30, 2009 as compared to $12.1 million for the same period in 2008, a decrease of $7.7 million or 63.6%. Most of the $7.7 million decrease was due to lower fuel prices that resulted in a reduction of fuel surcharges billed to customers. Other pass-through costs such as navigation and landing fees were lower due to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008.

Review of Operations For the Three month period Ended June 30, 2009 and 2008 (continued)

Revenue (continued)

Total regional revenues were $4.7 million for the three month period ended June 30, 2009 as compared to $5.0 million for the same period in 2008, a decrease of $0.3 million or 6.0%. The decline in regional revenue was due primarily to lower fuel surcharges.

Revenues from the Fund's FBO fueling business were $0.2 million for the three month period ended June 30, 2009 as compared to $0.4 million for the same period in 2008, a decrease of $0.2 million or 50.0%. The decline in revenues was due primarily to the decrease in fuel prices and lower sales volumes.

Direct Expenses

Total direct expenses were $29.8 million for the three month period ended June 30, 2009 as compared to $46.3 million for the same period in 2008, representing a decrease of $16.5 million or 35.6%. As a percentage of revenue, direct expenses decreased from 88.9% in 2008 to 76.2% for the same period in 2009. The overall decline in direct expenses was due primarily to lower fuel prices, fewer block hours flown, foreign exchange gains, and the absence of one-time costs incurred in the second quarter of 2008.

Fuel costs were $7.2 million for the three month period ended June 30, 2009 as compared to $19.0 million for the same period in 2008. The $11.8 million or 62.1% decrease in fuel costs was due to lower fuel prices and a decrease in block hours. The cost savings realized by the Fund due to lower fuel prices were credited to customers as a decrease in their fuel surcharges.

Other pass-through costs including handling, navigation, landing and parking were $4.1 million for the three month period ended June 30, 2009 as compared to $5.1 million for the same period in 2008. The $1.0 million or 19.6% decrease in costs was due to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008.

Maintenance costs were $2.0 million for the three month period ended June 30, 2009 as compared to $2.5 million for the same period in 2008, a decrease of $0.5 million or 20.0%. The decrease in maintenance costs was due primarily to the overall improvement in fleet performance attributable to the condition of the B767 and B757 aircraft, and a reduction in the number of B727 aircraft in operation compared to the same period in 2008.

Heavy maintenance amortization costs were $0.7 million for the three month period ended June 30, 2009 as compared to $1.1 million for the same period in 2008, a decrease of $0.4 million or 36.4%. The variance was due to the timing of service required by each aircraft in Cargojet's fleet. Heavy maintenance on aircraft occurs at regular and predetermined intervals and the costs related to these events are deferred by the Fund and amortized over a period of 18 to 24 months until the next scheduled heavy maintenance.

Review of Operations For the Three month period Ended June 30, 2009 and 2008 (continued)

Direct Expenses (continued)

Aircraft lease costs including engine reserves, airframe reserves and sub-charter lease costs were $4.1 million for the three month period ended June 30, 2009 as compared to $4.4 million for the same period in 2008. The decrease of $0.3 million or 6.8% was due to the higher lease and engine reserve costs for the new B767 and B757 aircraft offset by a decrease in sub-charter costs of $1.6 million.

Total crew costs including salaries, training and positioning were $2.1 million for the three month period ended June 30, 2009 as compared to $4.4 million for the same period in 2008, a decrease of $2.3 million or 52.3%. The decrease in costs was due to the one-time startup and transition costs associated with the introduction of new aircraft in 2008, and the reduction in crews due to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008.

Total direct costs of the regional business including the operations of PEAL for the three month period ending June 30, 2009 were $5.3 million as compared to $4.7 million in the same period in 2008, an increase of $0.6 million or $12.8%. These direct costs reflect the operating costs of the regional business acquired by the Fund in October 2007 that was subsequently combined with the operations of PEAL in May 2008. The increase in regional operating costs were due to higher maintenance costs related to a general upgrade of the condition of PEAL's aircraft.

Total direct costs of the FBO business were $0.1 million for the three month period ended June 30, 2009 as compared to $0.3 million for the same period in 2008. FBO costs were lower due to the decrease in fuel prices and lower customer volume.

In January 2009 the Fund ended its foreign exchange hedging program and realized a gain of $2.6 million from the sale of all of the Fund's remaining U.S. dollar forward purchase contracts. This gain will be recognized throughout 2009 in net income in the same periods that the hedged anticipated transactions to which the hedges related affect net income. Total foreign exchange gains recognized as credits to direct expenses in the second quarter of 2009 was $0.7 million.

All other direct operating costs including ground operations and equipment, warehouse expenses, linehaul costs and aircraft insurance were $3.7 million for the three month period ended June 30, 2009 as compared to $4.0 million for the same period in 2008. The decrease of $0.3 million or 7.5% was due to lower linehaul costs, the effect of staff reductions, and decreases in de-icing, ground handling, and ground equipment repair costs, offset by higher insurance costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $4.8 million for the three month period ended June 30, 2009 compared to $5.1 million for the same period in 2008, a decrease of $0.3 million or 5.9%. Part of the decrease was due to the reversal of an allowance for doubtful accounts of $0.2 million made in the first quarter of 2009 against some of Cargojet's receivables that were related to the automotive industry. The remainder of the decrease represents cost savings achieved through staff reductions and a program of reduced discretionary spending implemented in the latter half of 2008 and early 2009.

Review of Operations For the Three month period Ended June 30, 2009 and 2008 (continued)

EBITDA

EBITDA for the three month period ended June 30, 2009 was $4.9 million or 12.5% of revenue, compared to $1.1 million or 2.1% of revenue for the same period in 2008. The improvement in EBITDA of $3.8 million or 345.5% was due primarily to one-time costs incurred in 2008, the reversal of the allowance for doubtful accounts of $0.2 million, and foreign exchange gains of $0.7 million recognized in the second quarter of 2009. One-time costs incurred in 2008 include $2.7 million of crew, sub-charter and other expenses related to the introduction of the new B767 and B757 aircraft.

The remainder of the positive variance in EBITDA is due to the improved profitability of Cargojet's core business. Despite the decline in core revenues of $4.8 million, EBITDA increased by $0.2 million due primarily to staff reductions and other cost saving measures that were implemented in the latter half of 2008 and in early 2009.

Amortization

Amortization expense of the Fund includes amortization of the identified intangible assets (excluding goodwill and licenses), arising as a result of the acquisition of the Cargojet Group of Companies immediately after the filing of the Fund's initial public offering as well as a result of the acquisition of PEAL on May 1, 2008. Amortization of intangible assets for the three month period ended June 30, 2009 was $2.4 million as compared to $2.9 million for the same period in 2008, a decrease of $0.5 million or 17.2%. Amortization of capital assets including the amount included in direct expenses for the three month period ended June 30, 2009 was $1.4 million as compared to $1.1 million for the same period in 2008, an increase of $0.3 million or 27.3%. Amortization of capital assets that was included in direct expenses for the three month period ended June 30, 2009 was $1.2 million as compared to $0.9 million for the same period in 2008, an increase of $0.3 million or 33.3%.

Interest

Interest expense was $1.0 million for the three month period ended June 30, 2009, compared to interest expense of $0.8 million for the three month period ended June 30, 2008. The increase in interest expense of $0.2 million or 25.0% was due to the issuance of long-term debt in April 2008 and the long-term debt acquired through the purchase of a controlling interest in PEAL on May 1, 2008.

Future Income Taxes

The future income tax recovery of $1.2 million for the three month period ended June 30, 2009 represents the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period. The Fund recorded a future income tax recovery of $1.1 million in the same period in 2008.

Review of Operations For the Three month period Ended June 30, 2009 and 2008 (continued)

Current Income Taxes

Current income taxes for the three month periods ended June 30, 2009 and June 30, 2008 were not significant. The payment and recovery of income taxes are due to certain subsidiaries of the Fund that are taxable.

Non-controlling Interests

Net non-controlling interests were not significant for the three month period ended June 30, 2009, as compared to a credit to earnings of $0.6 million for the three month period ended June 30, 2008. Non-controlling interests represent the share of earnings or losses for these periods related to the Exchangeable LP units held by the retained interest holders and the non-controlling shareholders of PEAL.

Distributable Cash

Distributable cash was $3.0 million for the three month period ended June 30, 2009, compared to a deficit of ($1.3) million for the three month period ended June 30, 2008. The increase in distributable cash of $4.3 million was due primarily to the $3.8 increase in EBITDA [(A)], the timing of maintenance capital expenditures, partially offset by the increase in interest expense and the purchase of Cargojet Income Fund Units in the first quarter of 2009.

Distributions

Total distributions declared for the three month period ended June 30, 2009 were $0.7 million resulting in a payout ration of 23%. In comparison, total distributions declared for the three month period ended June 30, 2008 were $2.6 million resulting in a payout ratio that was not meaningful due to a distributable cash deficit in the quarter.

On March 5, 2009 the Fund announced a reduction in its monthly distribution rate from $0.0675 per unit to $0.0270 per unit effective April 1, 2009. The reduction in distributions is expected to provide Cargojet with sufficient cash to purchase Units and Debentures of the Fund through its normal course issuer bids. 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.

Liquidity and Capital Resources

Cash provided by operating activities after net changes in non-cash working capital balances for the three month period ended June 30, 2009 was $1.8 million. Cash used by operating activities after net changes in non-cash working capital balances for the same period in 2008 was $1.4 million. The $3.2 million improvement in cash for the second quarter of 2009 as compared to the same period in 2008 was due primarily to the improvement in EBITDA.

Review of Operations For the Three month period Ended June 30, 2009 and 2008 (continued)

Liquidity and Capital Resources (continued)

Cash used in financing activities during the three month period ended June 30, 2009 of $4.7 million was due primarily to the distributions paid to unitholders of $1.1 million, the purchase of Cargojet Income Fund Units of $0.3 million, the purchase of the Fund's Debentures of $0.05 million, and a $3.2 million reduction in long-term debt related to the Fund's revolving credit facility.

Cash used in investing activities during the three month period ended June 30, 2009 was $1.2 million and was comprised of net capital asset spending.

The Fund maintains a long-term credit facility that is to a maximum of $30.0 million. As at June 30, 2009 the Fund had drawn $0.02 million of its long-term credit facility. The renewed credit facility will mature in July 2011. Through its subsidiary PEAL, the Fund also maintains fixed loans with another Canadian chartered bank. PEAL's fixed loans bear interest at rates ranging from 8.1% to 8.2%. In June 2009 PEAL cancelled its credit facility with a Canadian chartered bank that was to a maximum of $1.5 million and payable on demand.

In July 2009, the Fund re-negotiated terms and conditions of PEAL's fixed loans that total $5.8 million as at June 30, 2009. The amortization period of the loans have been extended by 5 years and will mature by January 2022. The loans are secured by the aircraft of PEAL and guaranteed by Cargojet Airways Ltd. for 10% of the outstanding amounts. Cargojet Airways Ltd. is a wholly owned subsidiary of the Fund and the sole shareholder of PEAL. The guarantees provided by Cargojet Airways Ltd. replace the guarantees provided by the previous minority shareholder of PEAL.

Management anticipates that the funds available under the revolving credit facility and cash flow from operations will be adequate to fund anticipated capital expenditures, working capital and cash distributions. There are no provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment based on current or expected results. There are no circumstances that management is aware of that would impair the Fund's ability to undertake any transaction which is essential to the Fund's operations.

Capital Expenditures

Capital asset additions were $1.3 million for the three month period ended June 30, 2009 as compared to $2.9 million for the same period in 2008. Capital additions for the three month period ended June 30, 2009 were comprised of $0.8 million of maintenance capital expenditures and $0.5 million of growth capital expenditures due primarily to the new hangar.

Highlights for the Six month period Ended June 30, 2009 and 2008

- Total revenue for the six month period ended June 30, 2009 was $81.3 million as compared to $98.9 million for the same period in 2008, representing a decrease of $17.6 million or 17.8%.
- Average core overnight daily cargo revenue excluding fuel surcharges, other cost pass-through revenues and revenues from the regional business operated by PEAL for the six month period ended June 30, 2009 was $0.62 million per operating day as compared to $0.69 million per operating day for same period in 2008, representing a decrease of 10.1%.
- EBITDA (A) for the six month period ended June 30, 2009 was $11.3 million as compared to $4.9 million for the same period in 2008, an increase of $6.4 million or 130.6%
- Distributable Cash (B) was $7.6 million for the six month period ended June 30, 2009 as compared to $1.1 million for the same period in 2008, an increase of $6.5 million or 591.0%

Review of Operations For the Six month period Ended June 30, 2009 and 2008

Revenue

Total revenue for the six month period ended June 30, 2009 was $81.3 million as compared to $98.9 million for the same period in 2008, representing a decrease of $17.6 million or 17.8%. The decrease in revenues was due primarily to lower fuel surcharges, the loss of an ACMI contract, the discontinuation of a route to Western Canada and the effect of higher regional revenues due to the acquisition of PEAL in May 2008.

Revenue related to the core overnight and ACMI cargo businesses excluding regional revenues, fuel surcharges and other cost pass-through revenues for the six month period ended June 30, 2009 was $61.4 million compared to $69.0 million for the same period in 2008, a decrease of $7.6 million or 11.0%. This decrease in core overnight revenues was due primarily to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008, offset by an increase in all other core revenues. Revenues from these two flights were approximately $9.7 million lower in the first six months of 2009 as compared to the same period in 2008. Cargojet continues to provide service to these same customers on other existing contracts.

All other core revenues were $2.1 million higher in the second quarter of 2009 as compared to the same period in 2008, due primarily to the migration of customers from the cancelled Western Route to Cargojet's other flights on its overnight network, partially offset by a $0.7 million decrease in charter revenue.

Fuel surcharges and other cost pass-through revenues were $9.6 million for the six month period ended June 30, 2009 as compared to $21.6 million for the same period in 2008, a decrease of $12.0 million or 55.6%. Most of the decrease was due to lower fuel prices that resulted in a reduction of fuel surcharges billed to customers. Other pass-through costs such as navigation and landing fees were lower due to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008.

Review of Operations For the Six month period Ended June 30, 2009 and 2008 (continued)

Direct Expenses

Total regional revenues were $9.8 million for the six month period ended June 30, 2009 as compared to $7.4 million for the same period in 2008, an increase of $2.4 million or 32.4%. Regional revenues were higher due to the acquisition of PEAL in May 2008.

Revenues from the Fund's FBO fueling business were $0.5 million for the six month period ended June 30, 2009 as compared to $0.9 million for the same period in 2008, a decrease of $0.4 million or 44.4%. The decline in revenues was due primarily to the decrease in fuel prices and lower sales volumes.

Total direct expenses were $62.0 million for the six month period ended June 30, 2009 as compared to $85.8 million for the same period in 2008, representing a decrease of $23.8 million or 27.7%. As a percentage of revenue, direct expenses decreased from 86.8% in 2008 to 76.3% for the same period in 2009. The overall decline in direct expenses was due primarily to lower fuel prices, fewer block hours flown, foreign exchange gains, and the absence of one-time costs incurred in the first half of 2008.

Fuel costs were $14.6 million for the six month period ended June 30, 2009 as compared to $34.7 million for the same period in 2008. The $20.1 million or 57.9% decrease in fuel costs was due to lower fuel prices and a decrease in block hours. The cost savings realized by the Fund due to lower fuel prices were credited to customers as a decrease in their fuel surcharges.

Other pass-through costs including handling, navigation, landing and parking were $8.4 million for the six month period ended June 30, 2009 as compared to $9.9 million for the same period in 2008. The $1.5 million or 15.2% decrease in costs was due to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008.

Maintenance costs were $4.3 million for the six month period ended June 30, 2009 as compared to $5.0 million for the same period in 2008, a decrease of $0.7 million or 14.0%. The decrease in maintenance costs was due primarily to the $0.5 million in one-time costs incurred in 2008 due to unexpected aircraft repair expenditure. All other aircraft maintenance costs have decreased by $0.2 million in the first six months of 2009 as compared to the same period in 2008. The decrease in maintenance costs was due primarily to the overall improvement in fleet performance attributable to the condition of the B767 and B757 aircraft, and a reduction in the number of B727 aircraft in operation compared to the same period in 2008.

Heavy maintenance amortization costs were $1.1 million for the six month period ended June 30, 2009 as compared to $1.7 million for the same period in 2008, a decrease of $0.6 million or 35.3%. The variance was due to the timing of service required by each aircraft in Cargojet's fleet. Heavy maintenance on aircraft occurs at regular and predetermined intervals and the costs related to these events are deferred by the Fund and amortized over a period of 18 to 24 months until the next scheduled heavy maintenance.

Aircraft lease costs including engine reserves, airframe reserves and sub-charter lease costs were $9.0 million for the six month period ended June 30, 2009 as compared to $8.5 million for the same period in 2008. The increase of $0.5 million or 5.9% was due to the higher lease and engine reserve costs for the new B767 and B757 aircraft partially offset by a decrease in sub-charter costs of $3.0 million.

Review of Operations For the Six month period Ended June 30, 2009 and 2008 (continued)

Direct Expenses (continued)

Total crew costs including salaries, training and positioning were $4.2 million for the six month period ended June 30, 2009 as compared to $7.5 million for the same period in 2008, a decrease of $3.3 million or 44.0%. The decrease in costs was due to the one-time startup and transition costs associated with the introduction of new aircraft in 2008 and the decrease in crews due to the cancellation of one of the routes to Western Canada and the cancellation of an ACMI contract at the end of 2008.

Total direct costs of the regional business including the operations of PEAL for the six month period ending June 30, 2009 were $10.7 million as compared to $7.3 million in the same period in 2008, an increase of $3.4 million or 46.6%. The increase is due primarily to the acquisition of PEAL in May 2008.

Total direct costs of the FBO business were $0.3 million for the six month period ended June 30, 2009 as compared to $0.7 million for the same period in 2008. FBO costs were lower due to the decrease in fuel prices and lower customer volume.

In January 2009 the Fund ended its foreign exchange hedging program and realized a gain of $2.6 million from the sale of all of the Fund's remaining U.S. dollar forward purchase contracts. This gain will be recognized throughout 2009 in net income in the same periods that the hedged anticipated transactions to which the hedges related affect net income. Also in January 2009, prior to the sale of its remaining U.S. dollar forward purchase contracts, the Fund realized a gain of approximately $0.2 million from the settlement of a foreign exchange contract. Total foreign exchange gains recognized as credits to direct expenses in the first six months of 2009 was $1.4 million.

All other direct operating costs including ground operations and equipment, warehouse expenses, linehaul costs and aircraft insurance were $8.4 million for the six month period ended June 30, 2009 as compared to $8.8 million for the same period in 2008. The decrease of $0.4 million or 4.5% was due primarily to a reduction in linehaul costs and the effect of staff reductions made at the beginning of 2009 offset by higher insurance and de-icing costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $9.5 million for the six month period ended June 30, 2009 compared to $9.7 million for the same period in 2008, an decrease of $0.2 million or 2.1%. The decrease in SG&A expenses are primarily due to the effect of staff reductions and cost savings measures that were in implemented in the latter half of 2008 and early 2009.

EBITDA

EBITDA for the six month period ended June 30, 2009 was $11.3 million or 13.9% of revenue, compared to $4.9 million or 5.0% of revenue for the same period in 2008. The improvement in EBITDA of $6.4 million or 130.6% was due primarily to one-time costs incurred in 2008 and foreign exchange gains of $1.4 million recognized in the first six months of 2009. One-time costs incurred in 2008 include $4.1 million of crew, sub-charter and other expenses related to the introduction of the new B767 and B757 aircraft and $0.5 million of maintenance costs related to an unexpected aircraft repair expenditure.

Review of Operations For the Six month period Ended June 30, 2009 and 2008 (continued)

EBITDA (continued)

The remainder of the positive variance in EBITDA is due to the improved profitability of Cargojet's core business. Despite the decline in core revenues of $7.6 million, EBITDA increased by $0.4 million due primarily to the staff reductions and other cost saving measures that were implemented in the latter half of 2008 and in early 2009.

Amortization expense of the Fund includes amortization of the identified intangible assets (excluding goodwill and licenses), arising as a result of the acquisition of the Cargojet Group of Companies immediately after the filing of the Fund's initial public offering as well as a result of the acquisition of PEAL on May 1, 2008. Amortization of intangible assets for the six month period ended June 30, 2009 was $5.3 million as compared to $5.5 million for the same period in 2008, a decrease of $0.2 million or 3.6%. Amortization of capital assets including the amount included in direct expenses for the six month period ended June 30, 2009 was $2.7 million as compared to $2.0 million for the same period in 2008, an increase of $0.7 million or 35.0%. Amortization of capital assets that was included in direct expenses for the six month period ended June 30, 2009 was $2.4 million as compared to $1.7 million for the same period in 2008, an increase of $0.7 million or 41.2%.

Interest

Interest expense was $2.0 million for the six month period ended June 30, 2009, compared to interest expense of $1.2 million for the six month period ended June 30, 2008. The increase in interest expense of $0.8 million or 66.7% was due to the issuance of convertible debentures in April 2008 and the long-term debt acquired through the purchase of a controlling interest in PEAL on May 1, 2008.

Future Income Taxes

The future income tax recovery of $0.8 million for the six month period ended June 30, 2009 represents the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period. The Fund recorded a future income tax recovery of $1.5 million in the same period in 2008.

Current Income Taxes

Current income taxes for the six month period ended June 30, 2009 was a net recovery of $0.3 million as compared to a provision of $0.02 million for the six month period ended June 30, 2008. The net recovery of income taxes in the first six months of 2009 was due to the settlement of a tax issue with tax authorities resulting in a recovery of approximately $0.4 million. The payment and recovery of income taxes are due to certain subsidiaries of the Fund that are taxable.

Review of Operations For the Six month period Ended June 30, 2009 and 2008 (continued)

Non-controlling Interests

Non-controlling interests were a credit to earnings of $0.2 million for the six month period ended June 30, 2009, as compared to a credit to earnings of $0.6 million for the six month period ended June 30, 2008. Non-controlling interests represent the share of earnings or losses for these periods related to the Exchangeable LP units held by the retained interest holders and the non-controlling shareholders of PEAL.

Distributable Cash

Distributable cash was $7.6 million for the six month period ended June 30, 2009, compared to $1.1 million for the six month period ended June 30, 2008. The increase in distributable cash of $6.5 million or 591% was due primarily to the $6.4 million increase in EBITDA.

Distributions

Total distributions declared for the six month period ended June 30, 2009 were $2.5 million resulting in a payout ratio of 33%. In comparison, total distributions declared for the six month period ended June 30, 2008 were $5.2 million resulting in a payout ratio of 482%.

A distribution of $0.027 per trust unit, equal to $0.18 million, for the period June 1, 2009 to June 30, 2009 was declared to unitholders of record on June 30, 2009, payable on or before July 15, 2009. Also, a distribution of $0.027 per Exchangeable LP unit, equal to $0.06 million, for the period June 1, 2009 to June 30, 2009 was declared to Exchangeable LP unitholders of record on June 30, 2009, payable on or before July 15, 2009.

The following table summarizes the cash distributions for the six month period ended June 30, 2009:

		Unitholders		Exchangeable LP Unitholders		Total		
Record Date	Date Distribution Paid/Payable	Declared $	Paid $	Declared $	Paid $	Declared $	Per Unit $	Paid $
December 31, 2008	January 15, 2009	-	450,856	-	150,725	-	-	601,581
January 31, 2009	February 13, 2009	450,856	450,856	150,725	150,725	601,581	0.0675	601,581
February 28, 2009	March 13, 2009	450,221	450,221	150,724	150,724	600,945	0.0675	600,945
March 31, 2009	April 15, 2009	444,486	444,486	150,725	150,725	595,211	0.0675	595,211
April 30, 2009	May 15, 2009	177,268	177,268	60,290	60,290	237,557	0.0270	237,557
May 31, 2009	June 15, 2009	176,638	176,638	60,289	60,289	236,927	0.0270	236,927
June 30, 2009	July 15, 2009	175,461	-	60,290	-	235,751	0.0270	-
		1,874,930	2,150,325	633,043	723,478	2,507,973	0.2835	2,873,803

Review of Operations For the Six month period Ended June 30, 2009 and 2008 (continued)

Liquidity and Capital Resources

Cash provided by operating activities after net changes in non-cash working capital balances for the six month period ended June 30, 2009 was $7.6 million. Cash used by operating activities after net changes in non-cash working capital balances for the same period in 2008 was $1.4 million. The $9.0 million improvement in cash for the first six months of 2009 as compared to the same period in 2008 was due to improved profitability in the core overnight business, $0.2 million on the settlement of a foreign exchange contract in January 2009, the $4.6 million of one-time aircraft introduction and maintenance costs in 2008, income taxes paid in 2008 and other net changes in non-cash working capital.

Cash used by financing activities during the six month period ended June 30, 2009 of $3.2 million was due primarily to the settlement of a $2.6 million gain on the sale of foreign currency derivatives offset by distributions paid to unitholders of $2.9 million, the purchase of Cargojet Income Fund Units of $0.6 million, and the repayment of long-term debt related to the Fund's credit facilities.

Cash used in investing activities during the six month period ended June 30, 2009 was $3.8 million and was comprised of capital asset spending.

The Fund maintains a long-term credit facility with a Canadian chartered bank that is to a maximum of $30.0 million. As at June 30, 2009 the Fund had drawn $0.02 million of its long-term credit facility. The credit facility will mature in July 2011. Through its subsidiary PEAL, the Fund also maintains fixed loans with another Canadian chartered bank. PEAL's fixed loans bear interest at rates ranging from 8.1% to 8.2%. In June 2009 PEAL cancelled its credit facility with a Canadian chartered bank that was to a maximum of $1.5 million and payable on demand.

In July 2009, the Fund re-negotiated terms and conditions of PEAL's fixed loans that totalled $5.8 million as at June 30, 2009. The amortization period of the loans have been extended by 5 years and will mature by January 2022. The loans are secured by the aircraft of PEAL and guaranteed by Cargojet Airways Ltd. for 10% of the outstanding amounts. Cargojet Airways Ltd. is a wholly owned subsidiary of the Fund and the sole shareholder of PEAL. The guarantees provided by Cargojet Airways Ltd. replace the guarantees provided by the previous minority shareholder of PEAL.

Management anticipates that the funds available under the revolving credit facility and cash flow from operations will be adequate to fund anticipated capital expenditures, working capital and cash distributions. There are no provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment based on current or expected results. There are no circumstances that management is aware of that would impair the Fund's ability to undertake any transaction which is essential to the Fund's operations.

Review of Operations For the Six month period Ended June 30, 2009 and 2008 (continued)

Capital Expenditures

Capital asset additions were $3.9 million for the six month period ended June 30, 2009 as compared to $5.0 million for the same period in 2008. Capital additions for the six month period ended June 30, 2009 were comprised of $1.5 million of maintenance capital expenditures and $2.4 million of growth capital expenditures. Growth capital expenditures included $2.2 million for the new hangar.

Financial Condition

The following is a comparison of the financial position of the Fund as at June 30, 2009 to the financial position of the Fund as at December 31, 2008.

Accounts Receivable

Accounts receivable as at June 30, 2009 amounted to $8.3 million as compared to $10.1 million as at December 31, 2008. The decrease of $1.8 million was due to the difference in the timing of weekly customer billing and cash receipts at quarter and year end and a decrease in overall revenues including fuel surcharges. In the first quarter of 2009, Cargojet recorded a provision for bad debts of $0.2 against some of its receivables that are related to the automotive industry. This provision was reversed in the second quarter of 2009 as financial conditions of Cargojet's customers improved. The quality of the Fund's net receivable balances and its current collections, in management's opinion, remain excellent.

Capital Assets

As at June 30, 2009 net capital assets were $58.4 million as compared to $57.3 million as at December 31, 2008. The $1.1 million net increase in capital assets was due to $3.9 million of capital additions offset by the amortization of capital assets.

Intangible Assets

Intangible assets decreased by $5.3 million from December 31, 2008 to $4.2 million as at June 30, 2009 due to amortization.

Accounts Payable and Accrued Charges

Accounts payable and accrued charges decreased by $3.3 million from December 31, 2008 to $13.7 million as at June 30, 2009 due primarily to the timing of supplier payments, the payment of accrued construction costs for the new hangar, and the decrease in overall operating expenses including fuel and payroll.

Financial Condition (continued)

Deferred Heavy Maintenance and Heavy Maintenance Deposits

Total deferred heavy maintenance expenditures increased by $0.9 million from December 31, 2008 to $2.4 million as at June 30, 2009. Heavy maintenance expenditure additions for the six month period ended June 30, 2009 were $2.0 million offset by amortization of $1.1 million. In comparison, total heavy maintenance expenditure additions for the six month period ended June 30, 2008 were $1.7 million offset by amortization of $1.7 million.

Heavy maintenance deposits increased by $0.6 million from December 31, 2008 to $2.0 million as at June 30, 2009. Heavy maintenance deposits are paid to aircraft lessors on a monthly basis. Cargojet receives a refund of these payments when it incurs actual heavy maintenance expenditures. Cargojet has entered into an engine maintenance agreement with the lessor of its B767 aircraft that replaces engine reserve deposits with a monthly charge based on engine flight hours. As a result, during the six month period ended June 30, 2009, Cargojet expensed $0.9 million of heavy maintenance deposits related engine reserves for its B767 aircraft.

Working Capital Position

The Fund had a working capital deficit as at June 30, 2009, representing the difference between total current assets and current liabilities, of $0.5 million, compared to a working capital deficit of $0.8 million as at December 31, 2008. The slight increase in net working capital was due primarily to the timing of customer receipts and vendor payments.

Long-Term Debt

Total long-term debt excluding the current portion was $5.7 million as at June 30, 2009 as compared to $6.8 million as at December 31, 2008. The long-term debt consists of Cargojet's revolving credit facility and fixed loans related to PEAL.

Convertible Debentures

In April 2008, the Fund issued $35.7 million of subordinated unsecured convertible debentures. The 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.

In March 2009 the Fund received approval for a normal course issuer bid to purchase certain of its outstanding Debentures through the facilities of the TSX. The principal amount of the Debentures to be purchased through the facilities of the TSX during the period of the Bid from March 17, 2009 to March 16, 2010 will not exceed $3,530,400, or approximately 10% of the public float outstanding on March 11, 2009. Daily purchases are limited to $4,310 principal amount of the Debentures until June 30, 2009 and $2,155 principal amount of the Debentures thereafter, other than block purchase exemptions. Debentures purchased pursuant to the Bid are cancelled.

Financial Condition (continued)

Convertible Debentures (continued)

As at June 30, 2009, the Fund has purchased $49,000 in face value of the Debentures for $31,850 at an average price of $650 per Debenture. The Fund acquired $3,470,000 principal amount of Debentures in June 2009 at an average price of $800 per Debenture. This purchase did not settle until after June 30, 2009. No other purchases of Debentures have been made as of the date of this MD&A.

Summary of Contractual Obligations

	Payments due by Period						
As at June 30, 2009	Total	2009	2010	2011	2012	2013	Thereafter
(in thousands)	$	$	$	$	$	$	$
Long-term debt	5,754	176	429	438	448	459	3,804
Credit facility	23	-	-	-	-	23	-
Financing loan	71	42	29	-	-	-	-
Capital lease obligations	488	100	204	151	33	-	-
Operating leases	74,314	6,560	12,211	11,907	11,171	11,101	21,364
Total contractual obligations	80,650	6,878	12,873	12,496	11,652	11,583	25,168

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three month period ended June 30, 2009 the Fund had no transactions with any related companies.

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 19 smaller cities in Ontario, Quebec and the Maritime provinces utilizing a fleet of smaller turboprop aircraft.

Segmented Information (continued)

The Regional segment includes the operations of PEAL that were acquired by the Fund on May 1, 2008 and the Fund's own regional air cargo business that was transferred to PEAL on May 1, 2008. The Fund's regional air cargo business started in October 2007.

The performance of each operating segment is regularly evaluated by the Management of the Fund who assesses performance and decides 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 and six month periods ended June 30, 2008 and June 30, 2009:

Results of Operation and Total Net Capital Assets by Reporting Segment
For the Three Month Periods Ended June 30, 2009 and 2008
(in thousands)

	Three Month Period Ended June 30, 2009			
	National	Regional	Inter-segment	Total
	$	$	$	$
Revenues	34,392	5,116	(394)	39,114
Direct expenses	24,765	5,438	(394)	29,809
	9,627	(322)	-	9,305
Selling, general and administrative expenses				
Sales and marketing	116	5	-	121
General and administrative	4,013	650	-	4,663
Interest, net	842	129	-	971
Amortization of capital assets	172	-	-	172
Amortization of intangible assets	1,823	549	-	2,372
	6,966	1,333	-	8,299
Income (loss) before income taxes and non-controlling interest	2,661	(1,655)	-	1,006

	Three Month Period Ended June 30, 2008			
	National	Regional	Inter-segment	Total
	$	$	$	$
Revenues	47,336	4,974	(229)	52,081
Direct expenses	41,868	4,680	(229)	46,319
	5,468	294	-	5,762
Selling, general and administrative expenses				
Sales and marketing	268	18	-	286
General and administrative	4,527	283	-	4,810
Interest, net	701	112	-	813
Amortization of capital assets	135	-	-	135
Amortization of intangible assets	2,546	359	-	2,905
	8,177	772	-	8,949
Income (loss) before income taxes and non-controlling interest	(2,709)	(478)	-	(3,187)

Segmented Information (continued)

Results of Operation and Total Net Capital Assets by Reporting Segment
For the Six Month Periods Ended June 30, 2009 and 2008
(in thousands)

	Six Month Period Ended June 30, 2009			
	National	Regional	Inter-segment	Total
	$	$	$	$
Revenues	71,510	10,588	(780)	81,318
Direct expenses	51,640	11,128	(780)	61,988
	19,870	(540)	-	19,330
Selling, general and administrative expenses				
Sales and marketing	275	16	-	291
General and administrative	8,228	986	-	9,214
Interest, net	1,699	299	-	1,998
Amortization of capital assets	328	-	-	328
Amortization of intangible assets	4,447	884	-	5,331
	14,977	2,185	-	17,162
Income (loss) before income taxes and non-controlling interest	4,893	(2,725)	-	2,168
	As at June 30, 2009			
	$	$	$	$
Total net capital assets	47,284	11,159	-	58,443

	Six Month Period Ended June 30, 2008			
	National	Regional	Inter-segment	Total
	$	$	$	$
Revenues	91,754	7,354	(229)	98,879
Direct expenses	78,760	7,318	(229)	85,849
	12,994	36	-	13,030
Selling, general and administrative expenses				
Sales and marketing	459	18	-	477
General and administrative	8,859	314	-	9,173
Interest, net	1,053	112	-	1,165
Amortization of capital assets	252	-	-	252
Amortization of intangible assets	5,063	471	-	5,534
	15,686	915	-	16,601
Income (loss) before income taxes and non-controlling interest	(2,692)	(879)	-	(3,571)
	As at June 30, 2008			
	$	$	$	$
Total net capital assets	31,878	11,756	-	43,634

In July 2009 the Fund completed the acquisition of the remaining 49% of PEAL. Immediately following this transaction, PEAL entered into a partnership agreement with SkyLink Express Inc. to consolidate their regional cargo businesses. The new partnership began operations under the name Cargojet Regional ("CJR") on August 1, 2009. CJR's annual revenues are approximately $26.0 million and it currently employs over 160 people.

Major Customers

During the three and six month periods ending June 30, 2009, the Fund had sales to three customers that represented 50% and 51% of the total revenues respectively. During the three and six month periods ending June 30, 2008, the Fund had sales to three customers that represented 48% and 45% of the total revenues respectively. These sales are provided under service agreements that expire over various periods to September 2013. Two of these customers each had sales in excess of 10% of total revenues during all periods and they are reported entirely in the National segment.

Contingencies

The Fund has provided irrevocable standby letters of credit totalling approximately $1.1 million to a financial institution as security for its corporate credit cards and to a number of vendors as security for the Fund's ongoing purchases.

Financial Instruments

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

In January 2009 the Fund realized a gain of approximately $2.8 million from the settlement and sale of all of the Fund's U.S. dollar forward purchase contracts held as at December 31, 2008. This gain will be recognized throughout 2009 in net income in the same periods that the hedged anticipated transactions to which the hedges related affect net income, and amounted to $1.4 million for the six month period ended on June 30, 2009.

In May 2009 the Fund entered into a series of U.S. dollar forward purchase contracts for an aggregate total of U.S. $12.0 million. These U.S. dollar forward contracts began in July 2009 and expire in June 2011, and are consistent with the Fund's foreign exchange risk management policy. As part of this policy, the Fund has entered into U.S. dollar forward purchase contracts to reduce uncertainty surrounding Canadian dollar value of anticipated cash flows where it has significant foreign exchange exposure to U.S. currency fluctuations. As at June 30, 2009 the unrealized gain of $0.7 million resulting from the revaluation of these contracts was recognized in other comprehensive earnings during the period net of income taxes.

Outlook

Although the current worldwide recession is expected to dampen customer demand for the foreseeable future, the Fund expects to maintain profitability on its core overnight network. Cargojet continues to mitigate the effects of lower revenues through pro-active management of its fleet capacity and cost structure. These measures combined with the positive performance of the new aircraft have resulted in strong earnings throughout the past three quarters ending June 30, 2009.

The Fund continues to recover fuel price increases through fuel surcharges. Any fuel cost increases due to higher fuel prices are passed on to customers as an increase in fuel surcharge and billed to customers on a cost recovery basis only. Similarly, any cost savings due to lower fuel prices are passed on to customers as a decrease in fuel surcharge. Management is confident that the Fund will continue to fully recover any future increases in fuel costs.

Management's principal objective is to maximize free cash flow available for distribution by continuing to provide quality air cargo services, increasing the range of these services, focusing on improving efficiencies and cost controls, and growing the business organically and through strategic and accretive acquisitions. Management continuously reviews and evaluates all of the foregoing initiatives especially those that can improve cash flow.

Future strategic initiatives may be financed from working capital, cash flow from operations, borrowing or the issuance of additional Units. Any decisions regarding the above, including further increases or decreases in distributions, will be considered and determined as appropriate by the Board of Trustees of the Fund.

Critical Estimates

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

Critical Accounting Estimate	**Methodology and Assumptions**
Financial instruments	All financial instruments are initially recorded on the balance sheet at fair value. After initial recognition, financial instruments are measured at their fair values, except for held to maturity investments, loans and receivables, and other liabilities, which are measured at amortized cost.
Capital assets	An impairment loss is recognized when events or circumstances indicate that the carrying amount of the capital asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.
Goodwill	Goodwill is tested for impairment annually on April 1 or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate item in the statement of operations and deficit before income taxes and non-controlling interest.
Valuation of intangible assets that have a finite life	Intangible assets that have a finite life, such as customer relationships and non-compete agreements, are capitalized and are amortized on a straight-line basis over a three or four-year period or the term of the non-compete agreement, respectively, and are further tested for impairment if events or circumstances indicate that the assets might be impaired.

Income Taxes

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

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

Information Disclosure Controls and Procedures

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

Financial Reporting Update

Changes in Accounting: Adoption of New and Revised Accounting Standards

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets,* which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill, intangible assets and deferred costs. CICA Handbook Section 1000, *Financial Statements Concepts*, was also amended to provide consistency with this new standard. The new and amended standards are effective for the Fund beginning January 1, 2009. Application of these standards had no impact on the Fund's financial statements.

Future Accounting Changes

In January 2009, the AcSB issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier applications permitted.

In January 2009, the AcSB issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier application permitted.

The Fund is currently assessing the impact of these standards on its financial reporting.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that use of International Financial Reporting Standards ("IFRSs") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for these enterprises. These new standards will be effective for the Fund on January 1, 2011 and has selected this date for the adoption of IFRS. The Fund expects that the transition to IFRS will impact its accounting and financial policies, processes and systems. The Fund has commenced its initial planning and analysis process to convert its consolidated financial statements to IFRS by January 1, 2011.

The Fund's IFRS implementation project consists of three phases. The objective of the first phase is to prepare an IFRS conversion plan based on a gap assessment between the current state and the required future state. To that end, the Fund has engaged its auditors to assist in completing the first phase by providing the following services:

- Completion of a diagnostic assessment, showing the differences between the Fund's current accounting policies under Canadian Generally Accepted Accounting Principles ("GAAP") and IFRS;
- Identification of the impact of IFRS on other business functions of the Fund;
- Preparation of the project plan.

Financial Reporting Update (continued)

Future Accounting Policy Changes and IFRS (continued)

The second phase of the Fund's IFRS implementation project is expected to begin immediately following the first phase and involves the execution of the project plan. During the second phase, Cargojet will:

- Make policy and disclosure choices required under IFRS
- Design and implement business and accounting processes that facilitate the collection of data required under IFRS in a timely and accurate manner
- Design and implement internal controls required by the new business and accounting processes
- Design and implement new financial reports and tax calculations

The second phase of the Fund's IFRS implementation project is expected to be completed in 2010 and will result in the comprehensive conversion of the Fund to IFRS and completion of IFRS financial statements for the 2010 fiscal year. The last phase of the Fund's IFRS implementation project begins with the adoption of IFRS on January 1, 2011. All new processes, controls and reports will be implemented and monitored to ensure that they are effective and sustainable.

During its initial planning and analysis process, the Fund identified potential significant differences between IFRS and GAAP as follows:

- First-time adoption of IFRS
- Business combinations
- Property, plant and equipment
- Impairment
- Financial presentation and disclosure

The Fund has not yet quantified the effects of the potential significant differences between IFRS and GAAP.

As part of the initial assessment to identify key areas that may be impacted by IFRS, Cargojet also identified the need to upgrade its existing financial system. The Fund plans on completing the financial system upgrade and the first phase of its IFRS implementation project by the end of the 3rd quarter of 2009.

Internal Controls over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and the Chief Financial Officer have evaluated the design and effectiveness of the Fund's internal controls over financial reporting based on the Internal Control – Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission.

Financial Reporting Update (continued)

Internal Controls over Financial Reporting (continued)

As at December 31, 2008, management assessed the effectiveness of the Fund's internal controls over financial reporting and concluded that the Fund's internal controls over financial reporting were effective. Management did not identify any material weaknesses in the Fund's internal controls over financial reporting.

There have been no changes in the Fund's internal controls over financial reporting during the six month period ended June 30, 2009 that have materially affected, or are likely to materially affect, the Fund's internal controls over financial reporting.

End Notes

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

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

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

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

End Notes (continued)

(A) (continued)

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

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

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

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

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