Consolidated financial statements of

CARGOJET INCOME FUND

For the three-month and nine-month periods ended September 30, 2008 and 2007

(unaudited)

CARGOJET INCOME FUND
Consolidated Balance Sheets
(unaudited)

	September 30, 2008	December 31, 2007
	$	$ (Restated - Note 4)
ASSETS		
CURRENT		
Cash	838,154	3,197,946
Accounts receivable	15,097,517	9,819,581
Materials and supplies	311,523	259,117
Prepaid expenses and deposits	5,106,117	2,626,794
Income taxes recoverable	371,761	-
Derivatives contracts (Note 17)	922,269	66,009
	22,647,341	15,969,447
CAPITAL ASSETS (NOTE 6)	46,604,378	30,634,242
INTANGIBLE ASSETS (NOTE 7)	12,566,959	16,893,709
DEPOSITS	2,539,941	913,201
DEFERRED HEAVY MAINTENANCE (NOTE 8)	1,892,683	2,187,232
GOODWILL	47,057,587	46,169,976
	133,308,889	112,767,807
LIABILITIES		
CURRENT		
Accounts payable and accrued charges (Note 9)	17,363,599	13,640,682
Income taxes payable	-	1,790,000
Distributions payable (Note 19)	602,898	861,028
Current portion of long-term debt (Note 10)	930,426	130,132
Future income taxes (Note 12)	305,271	-
	19,202,194	16,421,842
LONG-TERM DEBT (NOTE 10)	6,248,483	17,000,000
CONVERTIBLE DEBENTURES (NOTE 11)	32,115,962	-
FUTURE INCOME TAXES (NOTE 12)	6,547,532	5,345,796
	64,114,171	38,767,638
NON-CONTROLLING INTERESTS (NOTE 13(b))	19,903,740	19,688,291
UNITHOLDERS' EQUITY		
ACCUMULATED OTHER COMPREHENSIVE INCOME	619,027	-
DEFICIT	(15,841,109)	(7,923,776)
	(15,222,082)	(7,923,776)
UNITHOLDER'S CAPITAL (NOTE 13(a))	62,235,654	62,235,654
CONVERSION OPTION (NOTE 11)	2,277,406	-
	49,290,978	54,311,878
	133,308,889	112,767,807

CARGOJET INCOME FUND

Consolidated Statements of Operations and Deficit

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	$	$ (Restated - Note 4)	$	$ (Restated - Note 4)
REVENUES	53,136,586	35,001,730	152,015,667	102,665,622
DIRECT EXPENSES	45,574,890	26,310,282	131,423,493	76,656,396
	7,561,696	8,691,448	20,592,174	26,009,226
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
Sales and marketing	233,245	194,137	710,697	458,046
General and administrative (Notes 5 and 6)	5,247,343	3,953,090	14,420,665	12,057,143
Interest, net	987,867	354,774	2,152,727	726,861
Amortization of capital assets (Note 6)	191,463	135,722	443,557	364,278
Amortization of intangible assets	2,810,421	2,573,227	8,344,429	7,635,773
	9,470,339	7,210,950	26,072,075	21,242,101
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	(1,908,643)	1,480,498	(5,479,901)	4,767,125
PROVISION FOR (RECOVERY OF) INCOME TAXES (NOTE 12)				
Current	-	220,000	20,500	630,000
Future	(260,734)	(330,635)	(1,773,636)	(936,049)
	(260,734)	(110,635)	(1,753,136)	(306,049)
EARNINGS (LOSS) BEFORE NON-CONTROLLING INTERESTS	(1,647,909)	1,591,133	(3,726,765)	5,073,174
NON-CONTROLLING INTERESTS (NOTE 13(b))	(457,403)	397,783	(1,040,574)	1,268,293
NET INCOME (LOSS)	(1,190,506)	1,193,350	(2,686,191)	3,804,881
DEFICIT, BEGINNING OF PERIOD	(13,294,084)	(6,744,133)	(7,923,776)	(5,493,768)
DISTRIBUTIONS DECLARED IN THE PERIOD (NOTE 19)	(1,356,519)	(1,937,311)	(5,231,142)	(5,799,207)
DEFICIT, END OF PERIOD	(15,841,109)	(7,488,094)	(15,841,109)	(7,488,094)
EARNINGS (LOSS) PER TRUST UNIT - BASIC (Note 13(c))	(0.18)	0.18	(0.40)	0.57
EARNINGS (LOSS) PER TRUST UNIT - DILUTED (Note 13(c))	(0.18)	0.18	(0.40)	0.57

CARGOJET INCOME FUND

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	$	$ (Restated - Note 4)	$	$ (Restated - Note 4)
NET INCOME (LOSS)	(1,190,506)	1,193,350	(2,686,191)	3,804,881
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign curcency gains from hedging activities net of income taxes (Note 17)	364,287	-	745,904	-
Transfer of (gains) net of income taxes to net income (loss)	(62,464)	-	(126,877)	-
Reclassifications of gains on interest swap designated as a cash flow hedge, net of income taxes	-	-	-	(114,030)
COMPREHENSIVE INCOME (LOSS)	(888,683)	1,193,350	(2,067,164)	3,690,851
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Balance, beginning of period	317,204	-	-	114,030
Other comprehensive income (loss) for the period	301,823	-	619,027	(114,030)
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF PERIOD	619,027	-	619,027	-

CARGOJET INCOME FUND
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	$	$ (Restated - Note 4)	$	$ (Restated - Note 4)
NET INFLOW (OUTFLOW) OF CASH RELATED RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net income (loss)	(1,190,506)	1,193,350	(2,686,191)	3,804,881
Items not affecting cash				
Amortization of capital assets	1,307,049	915,222	3,300,738	2,581,187
Amortization of intangible assets	2,810,421	2,573,227	8,344,429	7,635,773
Accretion of convertible debentures	229,582	-	402,224	-
Loss on disposal and write-down of capital assets	-	-	960,306	21,937
Gain on disposal of intangible assets	-	-	(1,149,473)	-
Future income taxes	(260,734)	(330,635)	(1,773,636)	(936,049)
Change in fair value on non-hedge derivatives	-	56,942	66,009	(115,357)
Non-controlling interests	(457,403)	397,783	(1,040,574)	1,268,293
Aircraft heavy maintenance amortization	626,861	604,916	2,318,718	1,502,552
Aircraft heavy maintenance expenditures	(332,165)	(740,417)	(2,024,170)	(2,509,736)
	2,733,105	4,670,388	6,718,380	13,253,481
Changes in non-cash working capital items				
Accounts receivable	(3,956,315)	(990,871)	(4,033,860)	(1,637,096)
Materials and supplies	(25,106)	(548,580)	(16,402)	(459,869)
Prepaid expenses and deposits	1,039,388	(389,570)	(3,773,126)	(591,422)
Due from related party	-	-	15,351	-
Accounts payable and accrued charges	464,497	288,403	2,139,399	(1,525,790)
Income taxes payable/recoverable	72,505	220,000	(2,161,761)	630,000
	328,074	3,249,770	(1,112,019)	9,669,304
FINANCING				
Repayment of long-term debt	(111,119)	(30,629)	(18,235,292)	(4,097,472)
Distributions paid to unitholders and non-controlling interest	(2,066,822)	(2,583,081)	(7,232,986)	(8,137,334)
Net proceeds from convertible debentures	(8,234)	-	33,991,144	-
	(2,186,175)	(2,613,710)	8,522,866	(12,234,806)
INVESTING				
Additions to capital assets	(3,736,156)	(1,457,327)	(8,698,758)	(3,416,295)
Investment in PEAL (Note 5)	-	-	(1,071,881)	-
Proceeds on disposals of capital assets	-	29,844	-	31,738
	(3,736,156)	(1,427,483)	(9,770,639)	(3,384,557)
NET CHANGE IN CASH	(5,594,257)	(791,423)	(2,359,792)	(5,950,059)
CASH POSITION, BEGINNING OF PERIOD	6,432,411	1,934,675	3,197,946	7,093,311
CASH POSITION, END OF PERIOD	838,154	1,143,252	838,154	1,143,252
Supplementary financial information				
Interest paid	209,185	303,402	653,601	612,681
Income taxes paid (refunded)	(72,504)	-	2,182,136	-
Equipment purchased under capital lease	540,864	-	598,541	-

1. NATURE OF THE BUSINESS

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

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

2. BASIS OF PRESENTATION

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial information included herein reflects all adjustments which in the opinion of management are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those described in the audited financial statements of the Fund for the year ended December 31, 2007, except as discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation

These consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiary, Cargojet Operating Trust, and its 75% owned subsidiary Cargojet Holdings Limited Partnership ("CHLP"), CHLP's wholly-owned subsidiaries, Cargojet Holdings Ltd., Cargojet Partnership, Cargojet Airways Ltd. and its 51% owned subsidiary Prince Edward Air Ltd.

Materials and supplies

Materials and supplies are valued at average cost less provision for obsolescence.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

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

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

Goodwill and intangible assets

Goodwill represents the excess, at the dates of acquisition, of the cost of an acquired business over the fair value of the net identifiable assets acquired.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

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

Income taxes

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

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

Non-controlling interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

Revenue from ACMI passenger services is billed on the basis of a contracted ACMI rate and recorded when the services have been provided. Any costs incurred in excess of ACMI 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.

Translation of foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

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

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

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

Derivative financial instruments and hedges

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedges (continued)

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

Convertible debentures

The component parts of compound instruments issued by the Fund 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 and equity components are measured separately, and to the extent necessary, are adjusted on a pro rata basis so that the sum of the components equals the amount of the instrument as a whole. The liability component is subsequently recognized 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 recognized and included in equity, and is not subsequently remeasured.

Management's use of estimates

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

4. CHANGES IN ACCOUNTING

Changes to accounting policies

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

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

This change in accounting policy was accounted for retrospectively, and the comparative figures for 2007 have been restated. The effect of adopting the deferral method on the statement of operations for the three and nine month periods ended September 30, 2007 was to decrease direct expenses by $17,665 and $672,147, increase future income tax expense by $6,381 and $242,780, and increase non-controlling interest expense by $2,821 and $107,342, respectively. The overall net impact of the change was an increase in net income of $8,463, or $0.001 per Units for the three month period ended September 30, 2007 and an increase in net income of $322,025, or $0.048 per Units for the nine month period ended September 30, 2007.

Adoption of new and revised accounting standards

On January 1, 2008, the Fund adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, *Financial Instruments – Disclosures*; Section 3863, *Financial Instruments – Presentation*; Section 1535, *Capital Disclosures*; and amended Section 1400, *General Standards of Financial Presentation*. The standards require prospective application and are effective for the Fund from January 1, 2008. These standards relate to presentation and disclosure only and do not have an impact on the Fund's financial results. Refer to Notes 14 and 17 for additional disclosures.

Also effective January 1, 2008, the Fund adopted the recommendations of CICA Handbook Section 3031, *Inventories*, which establishes standards for measuring and disclosing information related to inventories and provides specific guidance as to conversion costs to be included and excluded in inventories and accounting for impairment adjustments. The adoption of this new standard resulted in the reclassification of $3,499,927 as at September 30, 2008 of spare parts inventories used in connection with capital assets. The comparative balance sheet as at December 31, 2007 was similarly adjusted resulting in a reclassification of $1,185,305 of inventories to capital assets.

Future accounting changes

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 and intangible assets. 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. The Fund is currently assessing the impact of these standards on its financial statements.

5. ACQUISITION

Effective May 1, 2008 the Fund acquired 51% of the outstanding common shares of Prince Edward Air Ltd. ("PEAL"), a privately-owned regional operator of cargo aircraft in Eastern Canada. The acquired operations have been included in the consolidated financial statements of the Fund from that date.

Consideration for the purchase was $5,271,881, comprised of a cash payment of $1,000,000, the transfer of the Fund's existing regional business and related assets valued at $4,200,000, and transaction costs of $71,881. The transfer of the Fund's assets resulted in a gain of $1,149,352 that has been recorded in the consolidated financial statements of the Fund under general and administrative expenses.

The initial accounting for the acquisition of PEAL has been provisionally determined and is based on management's best estimates of fair values. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	$
Accounts receivable	642,308
Inventories	18,362
Prepaid expenses	169,798
Capital assets	5,994,149
Intangible assets	
Customer contracts	3,640,947
Aircraft lease contracts	483,072
Non-compete agreements	493,137
Goodwill	887,611
Bank overdraft	(582,655)
Accounts payable and accrued charges	(807,596)
Long-term debt	(3,336,964)
Future tax liability	(2,330,288)
Total consideration	5,271,881

6. CAPITAL ASSETS

			September 30, 2008
	Cost	Accumulated amortization	Net book value
	$	$	$
Aircraft and engines	28,676,831	4,809,889	23,866,942
Spare parts	3,499,927	-	3,499,927
Ground equipment	5,590,970	1,447,061	4,143,909
Rotable spares	8,532,145	1,369,566	7,162,579
Computer hardware and software	2,432,419	1,025,198	1,407,221
Furniture and fixtures	742,709	275,300	467,409
Leasehold improvements	3,792,186	1,471,539	2,320,647
Vehicles	574,114	212,823	361,291
Hangar facility	4,353,141	978,688	3,374,453
	58,194,442	11,590,064	46,604,378

			December 31, 2007
	Cost	Accumulated amortization	Net book value
	$	$	$
Aircraft and engines	19,004,241	3,500,575	15,503,666
Spares parts	1,185,305	-	1,185,305
Ground equipment	2,896,411	923,891	1,972,520
Rotable spares	7,337,138	1,042,398	6,294,740
Computer hardware and software	1,738,460	719,652	1,018,808
Furniture and fixtures	604,168	206,183	397,985
Leasehold improvements	2,696,455	1,154,722	1,541,733
Vehicles	312,505	146,109	166,396
Hangar facility	3,340,121	787,032	2,553,089
	39,114,804	8,480,562	30,634,242

As at September 30, 2008, $784,293 (December 31, 2007 - $403,461) of the computer hardware and software and $291,402 (December 31, 2007 - $73,693) of the vehicles described above less accumulated amortization of $258,619 (December 31, 2007 - $163,402) and $74,968 (December 31, 2007 - $43,698), respectively, were subject to capital lease.

Amortization expense consists of amounts charged under the following classifications:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	$	$	$	$
Direct expenses	1,115,586	779,500	2,857,181	2,216,909
Selling, general and administrative expenses	191,463	135,722	443,557	364,278
	1,307,049	915,222	3,300,738	2,581,187

6. CAPITAL ASSETS (CONTINUED)

Capital assets of $356,894 related to an aircraft lease that expired in July 2008 have been written off and included in the Fund's consolidated financial statements under general and administrative expenses for the nine months periods ended September 30, 2008.

In the second quarter of 2008, the Fund permanently removed its passenger aircraft from service. The Fund intends to use the aircraft as a source for spare parts to maintain its existing fleet of aircraft. Any saleable parts and components of the aircraft that are not required by the Fund will be held for sale. Accordingly, the Fund reviewed the carrying value of this aircraft at June 30, 2008 and estimated that the recoverable value of the aircraft was less than the book value. The Fund reduced the net book value of this aircraft to fair value by $603,412 at June 30, 2008 and recorded the write-down in general and administrative expenses.

7. INTANGIBLE ASSETS

				September 30, 2008
	Rate	Cost	Accumulated amortization	Net book value
		$	$	$
Licenses		1,000,000	-	1,000,000
Lease benefits	3 years	773,842	84,681	689,161
Customer relationships	3 - 4 years	41,654,974	31,948,724	9,706,250
Non-compete agreements	3 - 4 years	3,512,364	2,340,816	1,171,548
		46,941,180	34,374,221	12,566,959

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

8. DEFERRED HEAVY MAINTENANCE

	September 30, 2008	December 31, 2007
	$	$
Cost	7,699,445	5,666,079
Accumulated amortization	5,806,762	3,478,847
	1,892,683	2,187,232

9. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	September 30, 2008	December 31, 2007
	$	$
Trade payables and accrued charges	14,916,326	10,429,527
Payroll and benefits	2,447,273	3,211,155
	17,363,599	13,640,682

10. LONG-TERM DEBT

The Fund renegotiated its revolving credit facility with a Canadian chartered bank on July 28, 2008. The revised facility is to a maximum of $30.0 million. The facility bears interest at bank prime plus 1.3% and is repayable on maturity, July 27, 2011. The previous facility was to a maximum of $26.0 million and bore interest at prime plus 1.3%.

The legal costs incurred on revision of the credit facility have been deferred and are being amortized over three years, the period of the facility.

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

The credit facility is secured by the following:

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

Through its subsidiary Prince Edward Air Ltd., the Fund also maintains a credit facility and fixed loans with other Canadian chartered banks. The credit facility is to a maximum of $1.0 million and is payable on demand. The credit facility bears interest at prime + 1.0%. Fixed loans bear interest at rates ranging from prime + 1.5% to 8.2% and are secured by aircraft of Prince Edward Air Ltd. The loans are repayable in monthly installments plus interest and will mature by October 2016.

10. LONG-TERM DEBT (CONTINUED)

Long-term debt consists of the following:

	September 30, 2008	December 31, 2007
	$	$
Revolving credit facility	223,482	17,000,000
Fixed loans - Prince Edward Air Ltd.	6,280,841	-
Financing loan	131,324	-
Obligation under capital lease	543,262	130,132
	7,178,909	17,130,132
Less current portion of long-term debt	930,426	130,132
	6,248,483	17,000,000

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

	$
2008 - remainder of fiscal year	47,645
2009	188,476
2010	188,476
2011	129,520
2012	18,379
	572,496
Less interest	29,234
Obligation under capital lease	543,262
Less current portion	262,771
Balance of obligation	280,491

Interest on long-term debt for the three and nine month periods ended September 30, 2008 totaled $138,496 and $581,021, respectively (three and nine month periods ended September 30, 2007 - $303,824 and $929,863, respectively).

11. 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 Fund prior to April 30, 2011. On or after May 1, 2011, but prior to April 30, 2012, the debentures are redeemable, in whole at any time or in part from time to time, at the option of the Fund on at least at a price equal to $1,000 per debenture provided that the current market price (as defined below) of the trust units of the Fund on the date on which the notice of redemption is given is at least 125% of the conversion price of $16.00 per trust unit. After May 1, 2012, but prior to the maturity date of April 30, 2013, the debentures are redeemable at a price equal to $1,000 per debenture plus accrued and unpaid interest. The term “current market price” is defined in the indenture to mean the weighted average trading price of the trust units on the Toronto Stock Exchange for the twenty (20) consecutive days ending on the fifth trading day preceding the date of redemption or maturity.

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

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

The principal amount of the debentures has been allocated between its liability and equity elements and classified separately on the balance sheet.

The balance of convertible debentures at September 30, 2008 consists of:

	Amount
	$
Principal balance	35,650,000
Less:	
Issuance costs	(1,658,856)
Coversion option to Unitholder's equity	(2,277,406)
Accretion	402,224
Balance September 30, 2008	32,115,962

Interest expense on the debenture for the three and nine month periods ended September 30, 2008 totaled $819,936 and $1,547,253, respectively.

12. INCOME TAXES

The tax effect of significant temporary differences is as follows:

	September 30, 2008	December 31, 2007
	$	$
Capital assets	5,123,007	3,166,578
Intangible assets	2,280,012	2,811,161
Operating loss carryforward	(459,098)	-
Financing costs	(831,363)	(1,197,020)
Derivative contracts	305,271	-
Deferred heavy maintenance	434,974	565,077
Future income tax liability	6,852,803	5,345,796
Less current portion for derivatives	305,271	-
Future income tax liability - long term	6,547,532	5,345,796

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	$	$	$	$
Earnings (loss) before income taxes and non-controlling interest	(1,908,643)	1,480,498	(5,479,901)	4,767,125
Income tax provision (recovery) at the combined basic rate	(689,402)	534,756	(1,979,340)	1,721,886
Tax on income attributable to Trust Unitholders and Exchangeable LP Unitholders	(718,835)	(845,165)	(1,866,617)	(2,731,853)
Non-deductible portion of amortization of intangible assets	246,634	246,634	731,858	731,858
Impact of change in statutory rates	-	(59,273)	-	(59,273)
Permanent and other differences	900,869	12,413	1,360,963	31,333
Income tax recovery	(260,734)	(110,635)	(1,753,136)	(306,049)

13. UNITHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS

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

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

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

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

(a) Trust Units

	Number	Amount
		$
Unitholders' capital as at September 30, 2008 and December 31, 2007	6,698,863	62,235,654

(b) Non-controlling interests

	Amount
	$
Non-controlling interests, December 31, 2007	19,688,291
Share of loss of CHLP	(895,398)
Distributions declared in the period (Note 19)	(1,743,714)
Non-controlling interests PEAL on acquisition	2,999,737
Share of loss of PEAL	(145,176)
Non-controlling interests, September 30, 2008	19,903,740

The non-controlling interests represent a 25% non-controlling equity interest through exchangeable limited partnership units in CHLP (September 30, 2008: 2,232,955, December 31, 2007: 2,232,955), and a 49% non-controlling equity interest in Price Edward Air Ltd.

(c) Earnings per Trust Unit

Basic earnings per Trust Unit has been calculated based on the average number of Trust Units outstanding of 6,698,863 for the three and nine month periods ended September 30, 2008 and 2007. For the purpose of determining diluted earnings per Trust Unit, the weighted average number of Trust Units and Exchangeable LP Units totaling 8,831,818 in 2008 and 2007, have been combined. The Fund's convertible debentures have not been factored into the calculation since conversion of these debentures would be anti-dilutive.

14. CAPITAL MANAGEMENT

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

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

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

The Fund is subject to financial covenants related to its credit facility (Note 10). As at September 30, 2008, the Fund is in compliance with all financial covenants.

15. RELATED PARTY TRANSACTIONS

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	$	$	$	$
Cost of sales				
Fuel - ground equipment	-	35,444	-	107,297
Warehouse rent and utilities	86,060	26,325	244,530	26,325
Selling, general and administrative expenses	1,771	-	10,376	-

The cost of sales transactions for fuel are related to the aircraft and airport ground equipment-fuelling services supplied to the Fund. The costs of sales transactions with Flagship Aviation are related to a warehouse lease agreement. The accounts payable balance owing to Flagship Aviation as at September 30, 2008 was $nil (December 31, 2007 - $nil) and with FIAL was $159 (December 31, 2007 - $3,046) and are included in the balance sheet under accounts payable and accrued charges. These transactions were in the normal course of operations and measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

16. COMMITMENTS AND CONTINGENCIES

Commitments

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

	$
2008 - remainder of the year	4,476,360
2009	16,032,065
2010	14,125,066
2011	11,820,545
2012	10,507,184
Thereafter	26,932,509
	83,893,729

Contingencies

The Fund has provided irrevocable standby letters of credit totaling approximately $348,000 to a financial institution and two suppliers as security for its corporate credit cards and ongoing services to be provided. The letters of credit expire as follows:

	$
December 31, 2008	200,000
March 20, 2009	20,000
July 6, 2009	128,000
	348,000

17. FINANCIAL INSTRUMENTS

Risk management policies

Through its financial assets and liabilities, the Fund is exposed to various risks. The following analysis provides an overview of these risks as well as a measurement of these risks as at September 30, 2008.

Fair value

The fair value of the long-term debt approximates its carrying value as the long-term debt bears interest at current market rates. The fair value of the convertible debentures, based on quoted market prices as at September 30, 2008, was $29,946,000. The fair values of all other financial assets and liabilities approximate their carrying values given the short-term nature of these items.

17. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

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

The Fund is subject to risk of non-payment of accounts receivable. The amounts disclosed in the balance sheet represent the maximum credit risk and are net of allowances for bad debts, based on management estimates taking into account the Fund's prior experience and its assessment of the current economic environment. The Fund's receivables are concentrated among several of its largest customers with approximately 51% of total receivables on account of the Fund's 10 largest customers. However, the Fund believes that the credit risk associated with these receivables is limited for the following reasons:

(a) Only small portions (6%) of trade receivables are outstanding for more than 60 days and are considered past due. The Fund considers that all of these amounts are fully collectible. Trade receivables that are not past due are also considered by the Fund to be fully collectible. Consistent with its past collection history, the Fund has not recognized any significant provisions for bad debts.

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

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

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

Liquidity risk

The Fund monitors and manages its liquidity risk to ensure it has access to sufficient funds to meet operational and investing requirements. Management of the Fund believes that future cash flows from operations, the availability of credit under existing bank arrangements, and current debt market financing is adequate to support the Fund's financial liquidity needs. Available sources of liquidity include a revolving credit facility with a Canadian chartered bank. The available facility is $30.0 million.

17. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk

The Fund earns revenue and undertakes purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. The Fund manages its exposure to changes in the Canadian/U.S. exchange rate on anticipated purchases by buying forward U.S. dollars ("USD") at fixed rates in future periods. As at September 30, 2008, the Fund held eighteen foreign exchange forward purchase agreements maturing on a monthly basis to December 2009 for a total of USD $15.0 million. These agreements fix the amount of Canadian dollars that the Fund will pay to buy USD to offset its purchases in USD.

These forward exchange purchase contracts have been designated as cash flow hedges. As at September 30, 2008, the contracts had a positive fair value of $922,269 that is recorded as a derivatives contract asset on the balance sheet. For the three and nine month periods ended September 30, 2008, the changes in the unrealized fair value of these contracts were gains of $545,640 and $1,111,299 respectively, and net of tax were gains of $364,287 and $745,904, respectively. These gains, net of tax, were recorded in other comprehensive income during the period. In addition, three and six contracts matured during the three and nine month periods ended September 30, 2008 resulting in the transfer from comprehensive income to net income of $189,030, net of taxes of $62,153.

The foreign exchange gains during the three and nine month periods ended September 30, 2008 were approximately $349,000 and $436,000, respectively (three and nine month periods ended September 30, 2007 – foreign exchange losses of $102,000 and $ 241,700, respectively).

Interest rate risk

The Fund has long-term floating rate debt which creates an exposure to fluctuations in interest rates (Note 10).

The Fund uses interest rate swaps to manage its exposure to interest rate fluctuations. The Fund repaid its indebtedness under its credit facility on April 15, 2008 and unwound the related interest rate swap. At September 30, 2008, the Fund had no swap contracts in place.

Commodity risk

The Fund is exposed to commodity risk for fluctuations in fuel costs that it cannot pass on to its customers. The Fund does not use derivative instruments to mitigate this risk. As at September 30, 2008, the Fund has been successful in recovering substantially all increases in fuel costs from its customers.

Market risk

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

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

17. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

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

At September 30, 2008, movements in interest rates would not have any significant impact on the value of the Fund's financial assets and liabilities.

At September 30, 2008, a weakening of the Canadian dollar that results in a 10 percent decrease in the exchange rate for the purchase of US dollars would decrease the mark to market value of forward contracts by approximately $1.5 million. An increase in the exchange rate for the purchase of US dollars of 10 percent would increase in the mark to market value of forward contracts by the same amount.

At September 30, 2008, a weakening of the Canadian dollar that results in a 10 percent decrease in the exchange rate for the purchase of US dollars would increase the value of the Fund's other net financial assets and liabilities denominated in US dollars by approximately $0.4 million. An increase in the exchange rate for the purchase of US dollars of 10 percent would decrease the value of these net financial assets and liabilities by the same amount.

18. GUARANTEES

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

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

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

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

18. GUARANTEES (CONTINUED)

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

19. DISTRIBUTIONS

The Fund makes regular distributions to unitholders of record as of the last business day of each month. Distributions to unitholders and Exchangeable LP unitholders are calculated and recorded on an accrual basis. Distributions declared during the three and nine month periods ended September 30, 2008 were $1,356,519 and $5,231,142, respectively, to unitholders and $452,173 and $1,743,713, respectively, to Exchangeable LP unitholders (three and nine month periods ended September 30, 2007 – $1,937,311 and $5,799,207, respectively, to unitholders and $645,771 and $1,933,069, respectively, to Exchangeable LP unitholders).

The Fund reviews its historical and expected results on a regular basis including consideration of economic conditions to assess the appropriateness of its distribution policy. The following table summarizes the cash distributions for the nine months ended September 30, 2008.

	Date Distribution	Unitholders		Exchangeable LP Unitholders		Total		
Record Date	Paid/Payable	Declared	Paid	Declared	Paid	Declared	Per Unit	Paid
		$	$	$	$	$	$	$
December 31, 2007	January 15, 2008	-	645,771	-	215,257	-	-	861,028
January 31, 2008	February 15, 2008	645,771	645,771	215,256	215,256	861,027	0.0964	861,027
February 28, 2008	March 15, 2008	645,770	645,770	215,256	215,256	861,026	0.0964	861,026
March 31, 2008	April 13, 2008	645,771	645,771	215,257	215,257	861,028	0.0964	861,028
April 30, 2008	May 15, 2008	645,770	645,770	215,257	215,257	861,027	0.0964	861,027
May 31, 2008	June 13, 2008	645,770	645,770	215,257	215,257	861,027	0.0964	861,027
June 30, 2008	July 15, 2008	645,771	645,771	215,257	215,257	861,028	0.0964	861,028
July 31, 2008	August 15, 2008	452,173	452,173	150,724	150,724	602,897	0.0675	602,897
August 31, 2008	September 15, 2008	452,173	452,173	150,725	150,725	602,898	0.0675	602,898
September 30, 2008	October 15, 2008	452,173	-	150,725	-	602,898	0.0675	-
		5,231,142	5,424,740	1,743,714	1,808,246	6,974,856	0.7809	7,232,986

Distributions payable at September 30, 2008 are as follows:

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
					$
Income Fund Trust Units	September 1, 2008 to September 30, 2008	September 30, 2008	October 15, 2008	$ 0.0675	452,173
Exchangeable LP Units	September 1, 2008 to September 30, 2008	September 30, 2008	October 15, 2008	$ 0.0675	150,725
					602,898

19. DISTRIBUTIONS (CONTINUED)

Distributions payable at December 31, 2007 are as follows:

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

20. 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 21 smaller propeller engine aircraft.

The Regional segment includes the operations of Prince Edward Air Ltd. that was acquired by the Fund on May 1, 2008 and the Fund's own regional air cargo business that was transferred to Prince Edward Air Ltd. 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 chief operating decision maker and chief decision making group who assess performance and decide on the allocation of resources. The performance of the Fund's operating segments is measured on earnings before income taxes and non-controlling interest. Inter-segment transactions are reflected at market value. The following is a breakdown by reporting segment for the three and nine month periods ended September 30, 2008 (comparative figures for the prior year are not applicable):

	Three Months Ended September 30, 2008			
	NATIONAL	REGIONAL	INTER-SEGMENT	TOTAL
	$	$	$	$
REVENUES	46,829,006	6,620,705	(313,125)	53,136,586
DIRECT EXPENSES	39,700,824	6,187,191	(313,125)	45,574,890
	7,128,182	433,514		7,561,696
SELLING AND ADMINISTRATIVE				
Sales and marketing	219,238	14,007	-	233,245
General and administrative	4,914,539	332,804	-	5,247,343
Interest, net	811,981	175,886	-	987,867
Amortization of capital assets	191,463	-	-	191,463
Amortization of intangible assets	2,573,227	237,194	-	2,810,421
	8,710,448	759,891	-	9,470,339
LOSS BEFORE INCOME TAXES AND AND NON-CONTROLLING INTEREST	(1,582,266)	(326,377)	-	(1,908,643)

20. SEGMENTED INFORMATION (CONTINUED)

	Nine Months Ended September 30, 2008			
	NATIONAL	REGIONAL	INTER-SEGMENT	TOTAL
	$	$	$	$
REVENUES	138,582,380	13,975,106	(541,819)	152,015,667
DIRECT EXPENSES	118,459,695	13,505,617	(541,819)	131,423,493
	20,122,685	469,489	-	20,592,174
SELLING AND ADMINISTRATIVE				
Sales and marketing	679,144	31,553		710,697
General and administrative	13,773,816	646,849		14,420,665
Interest, net	1,864,348	288,379		2,152,727
Amortization of capital assets	443,557	-		443,557
Amortization of intangible assets	7,635,772	708,657		8,344,429
	24,396,637	1,675,438	-	26,072,075
LOSS BEFORE INCOME TAXES AND AND NON-CONTROLLING INTEREST	(4,273,952)	(1,205,949)	-	(5,479,901)

	As at September 30, 2008			
TOTAL NET CAPITAL ASSETS	36,827,693	9,776,685	-	46,604,378

21. ECONOMIC DEPENDENCE

During the three and nine month periods ended September 30, 2008, the Fund had sales to three customers that represented 50% and 46%, respectively, of the total revenues (three and nine month periods ended September 30, 2007 – 52% and 53%, respectively). These sales are provided under service agreements that expire over various periods to September 2010. Each of these customers had sales in excess of 10% of total revenues during all periods.

22. SUBSEQUENT EVENTS

In October 2008, one of Fund's major customers notified the Fund of the cancellation of a block space agreement at the end of 2008. Annual revenues from this route from all customers were approximately $13.9 million including fuel surcharges and other cost pass-through revenues of approximately $4.7 million.

In October 2008, the Fund entered into an agreement with Flagship Aviation to purchase the warehouse and office building at the Hamilton International Airport for approximately $1.0 million plus applicable taxes. Flagship Aviation is controlled by one of the Fund's executive officers.

In November 2008, the Fund completed an agreement with one of its aircraft lessors to purchase two B727 aircraft that were currently under a lease. The purchase was funded through credit facility.