CARGOJET INCOME FUND

Management Discussion and
Analysis of Financial Condition and Results of Operations

For the Three Month and Nine Month Periods Ended September 30, 2008

The following is a discussion of the consolidated financial condition and results of operations of Cargojet Income Fund (the "Fund") for the three month and nine month periods ended September 30, 2008. The following also includes a discussion of and comparative operating results for the three month and nine month periods ended September 30, 2007.

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

The effective date of the MD&A is November 6, 2008. The Fund reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles (“GAAP”). References herein to “Cargojet”, the “Fund”, “we” and “our” mean Cargojet Income Fund. This MD&A should be read in conjunction with the unaudited interim financial statements of the Fund for the three month and nine month periods ended September 30, 2008 and 2007 as well as the audited financial statements and MD&A for the year ended December 31, 2007.

References to “EBITDA” [(A)] are to earnings before interest, income taxes, depreciation, amortization, non-controlling interest, gain or loss on disposal of capital assets and after adjusting aircraft heavy maintenance amounts to actual expenditures and heavy maintenance deposits paid and accrued. 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 6 and 9, respectively.

Key Factors Affecting the Business

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

Forward Looking Statements

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

Corporate Overview

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

- Operating a domestic overnight air cargo co-load network between thirteen major Canadian cities
- Providing dedicated aircraft to 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 and the Maritimes

The Fund operates its business across North America transporting over 800,000 pounds (over 363 metric tonnes) of time sensitive air cargo each business night utilizing its fleet of all-cargo aircraft. The Fund's domestic overnight air cargo co-load network consolidates cargo received from customers and transports such cargo to the appropriate destination in a timely and safe manner. The Fund continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

The Fund currently operates eleven Boeing 727-200 ("B727") series cargo aircraft, four of which are leased and seven owned. One 757-200ER ("B757") series and two 767-200ER ("B767") series aircraft have been introduced to 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. The combined regional businesses operate 21 aircraft in Ontario, Quebec and Eastern Canada.

Recent Events

The significant slowdown in the global economy, instability in financial markets and record high fuel prices during the third quarter 2008 have negatively affected customer demand for higher priced time-sensitive overnight air cargo services. The recent decline in shipping volumes has required Cargojet and its customers to adjust their capacity accordingly. Cargojet continues to deal with the impact of a worldwide economic slowdown and is adjusting its current operations and future business plan.

In November 2008, the Fund completed an agreement with one of its aircraft lessors to purchase two B727 aircraft that were under a current lease. The purchase will enhance long-term cash flows and was funded through Cargojet's credit facility.

In October 2008, Fund entered into an agreement with Flagship Aviation Holdings Ltd. ("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 October 2008, one of Fund's major customers notified the cancellation of 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. Cargojet is currently in discussions with this major customer to seek more efficient alternative routes.

On July 22, 2008, the Fund announced a reduction in its monthly distribution rate from $0.0964 per unit to $0.0675 per unit to unitholders of record on July 31, 2008. The reduction was due to the unforeseen increase in expenses related to the delay in introduction of its two B767 and one B757 freighter aircraft from the supplier and lower customer demand as a result of a slowing economy. As at September 30, 2008 all three of the new aircraft were in operation on the domestic overnight network.

The delay in the introduction of the new aircraft impacted crew training, scheduling and positioning in the second quarter of 2008 and sub-charter costs in the second and third quarters of 2008. Crews originally scheduled to fly the new aircraft at the beginning of the third quarter were re-deployed and re-trained to operate B727 aircraft. The same crews were re-certified to operate the new aircraft as they were brought into service. Additional crew costs for overtime, training and positioning in the second quarter of 2008 were approximately $1.1 million. Total sub-charter costs incurred due to the delay in introduction of the aircraft for the second and third quarters of 2008 were $1.6 million and $1.0 million respectively. The contracts related to these sub-charter costs were terminated at the end of the quarter ended September 30, 2008.

Recent Events (continued)

To adjust its capacity to lower customer volumes, the Fund reduced its B727 aircraft fleet by one leased aircraft in July 2008 and will terminate the lease on another aircraft in December 2008. Leasehold improvements of $0.4 million related to the aircraft with the July 2008 lease expiry date were expensed in the quarter ended June 30, 2008 in general and administrative expenses. The remaining balance of deferred heavy maintenance costs for this aircraft of $0.2 million were expensed in heavy maintenance amortization expenses in the quarter ended June 30, 2008. There are no deferred costs recorded in Cargojet's financial statements related to the B727 aircraft with the lease expiry date in December 2008.

The Fund continues to adjust aircraft capacity to meet customer demand on a daily basis. Lower volume demands have been somewhat offset by lower operating costs, as the Fund adjusts flight schedules and minimizes block hours flown wherever possible. The Fund also continuously reviews its total aircraft fleet requirements and will adjust the number of aircraft required to meet overall future customer demand.

During the second quarter of 2008, Cargojet permanently removed its passenger B727 aircraft from service. Cargojet intends to use the aircraft as a source for spare parts to maintain its existing fleet of B727 cargo aircraft. Any saleable parts and components of the aircraft that are not required by Cargojet will be held for sale. Accordingly, Cargojet reviewed the carrying value of this aircraft and estimated that the recoverable value of the aircraft was below the book value. Cargojet reduced the net book value of this aircraft by $0.6 million to fair value during the second quarter of 2008 and recorded the amount as a non-cash loss in general and administrative expenses.

In April 2008, the Fund closed a $35.7 million offering of subordinated unsecured convertible debentures, including the $4.7 million over-allotment option. The Fund has used the net proceeds of the offering to finance a portion of the estimated $21 million in start-up costs for the addition of the B767 and B757 aircraft and the related new hangar, finance the acquisition of PEAL, temporarily repay current indebtedness under the credit facility, and for general corporate purposes.

The Fund acquired 51% of PEAL on May 1, 2008. The Fund received shares in PEAL in exchange for customer contracts and assets valued at $4.2 million, and cash consideration of $1.0 million. The transaction resulted in a non-cash gain of $1.1 million that was recognized in the three month period ended June 30, 2008 under general and administrative expenses. The operating results of PEAL from May 1, 2008 have been consolidated in the Fund's financial statements and reported as a reportable segment in accordance with GAAP. As a result of this acquisition, all of the Fund's existing regional business that was originally purchased from Georgian Express Ltd. in 2007 has been transferred to PEAL. The transaction is part of Cargojet's strategic plan to expand its regional air cargo business. Total annual revenues of Cargojet and PEAL's regional air cargo businesses are expected to be approximately $22.0 million.

Revenues

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

In addition, the Fund 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 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 nineteen smaller cities in Ontario, Quebec and the Maritimes.

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 of dollars)

	Three Month Period Ended September 30		Nine Month Period Ended September 30	
	2008	2007 [5]	**2008**	2007 [5]
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash inflow from operations before changes in non-cash working capital items (1)	**$ 2,733**	$ 4,670	**$ 6,718**	$ 13,253
Changes in non-cash working capital items [1]				
Accounts receivable	**(3,956)**	(991)	**(4,034)**	(1,637)
Materials and supplies	**(25)**	(548)	**(16)**	(460)
Prepaid expenses and deposits	**1,091**	(389)	**(3,721)**	(591)
Deferred charges	**(51)**	-	**(51)**	-
Due from related party	**-**	-	**15**	-
Accounts payable and accrued charges	**464**	288	**2,139**	(1,526)
Income taxes payable / recoverable	**72**	220	**(2,162)**	630
	$ 328	$ 3,250	**$ (1,112)**	$ 9,669
Less:				
Maintenance capital expenditures [2]	**761**	990	**3,391**	2,950
Heavy maintenance deposits	**331**	-	**331**	-
Repayment of long-term debt obligation under capital lease	**96**	31	**182**	97
Minority interest in cash inflow from operations before changes in working capital items of PEAL	**(24)**	-	**174**	-
Total changes in non-cash working capital items	**(2,405)**	(1,420)	**(7,830)**	(3,584)
Distributable cash [B]	**$ 1,569**	$ 3,649	**$ 2,640**	$ 10,206
Average number of trust units outstanding - basic (in thousands of units)	**6,699**	6,699	**6,699**	6,699
Average number of trust units outstanding - diluted (in thousands of units)	**8,932**	8,932	**8,932**	8,932
Distributable cash per unit - diluted [4]	**$ 0.176**	$ 0.409	**$ 0.296**	$ 1.143
Cash distributions	**$ 1,809**	$ 2,583	**$ 6,975**	$ 7,732
Cash distributions as a percentage of distributable cash	**115%**	71%	**264%**	76%

(1) Please refer to Statement of Cash Flows for the Fund.

(2) Maintenance capital expenditures for the nine month period ended September 30, 2008 exclude the $0.4 million for equipment that was financed under a capital lease and capital expenditures attributed to the minority interest in PEAL.

(3) Management has adjusted its calculation of Distributable Cash [B] during the noted period to include an adjustment for the repayment of long-term debt obligation under capital lease.

(4) For the purpose of calculating distributable cash per unit – diluted the weighted average number of Trust units and Exchangeable LP units have been combined. The Fund's convertible debentures have not been factored into the calculation since conversion of these debentures would be anti-dilutive.

(5) In 2007 the Fund changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Management believes that the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices. This change in accounting policy has been accounted for retrospectively, and the comparative financial statements for 2007 have been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.

Results of Operations and Supplementary Financial Information
(in thousands of dollars)

	Three Month Period Ended September 30		Nine Month Period Ended September 30	
	2008	2007 [(1)]	**2008**	2007 [(1)]
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	**$ 53,137**	$ 35,002	**$ 152,016**	$ 102,665
Direct expense	**45,575**	26,311	**131,424**	76,656
	7,562	8,691	**20,592**	26,009
Selling, general and administrative expenses				
Sales and marketing	**233**	194	**711**	458
General and administrative	**5,248**	3,953	**14,420**	12,057
Interest	**988**	355	**2,153**	727
Amortization of capital assets	**192**	136	**444**	364
Amortization of intangible assets	**2,810**	2,573	**8,344**	7,636
	9,471	7,211	**26,072**	21,242
Earnings (loss) before income taxes and non-controlling interest	**(1,909)**	1,480	**(5,480)**	4,767
Provision for (recovery of) income taxes				
Current	**-**	220	**21**	630
Future	**(261)**	(331)	**(1,774)**	(936)
Earnings (loss) before non-controlling interest	**(1,648)**	1,591	**(3,727)**	5,073
Non-controlling interest of Exchangeable LP Unitholders	**(457)**	398	**(1,041)**	1,268
Net earnings (loss)	**$ (1,191)**	$ 1,193	**$ (2,686)**	$ 3,805
Earnings (loss) per trust unit - basic	**$ (0.18)**	$ 0.18	**$ (0.40)**	$ 0.57
Earnings (loss) per trust unit - diluted [(2)]	**$ (0.18)**	$ 0.18	**$ (0.40)**	$ 0.57
Average number of trust units - basic (in thousands of units)	**6,699**	6,699	**6,699**	6,699
Average number of trust units - diluted (in thousands of units)	**8,932**	8,932	**8,932**	8,932
Total assets	**$ 133,309**	$ 112,768	**$ 133,309**	$ 112,768
Total long-term liabilities	**$ 44,912**	$ 22,346	**$ 44,912**	$ 22,346

(1) The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Management believes the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices. This change in accounting policy has been accounted for retrospectively, and the comparative financial statements for 2007 have been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.

(2) For the purpose of earnings (loss) per unit – diluted, the weighted average number of Trust units and Exchangeable LP units have been combined. The Fund's convertible debentures have not been factored into the calculation since conversion of these debentures would be anti-dilutive.

Selected Financial Information

Summary of Most Recently Completed Consolidated Quarterly Results

	Three Month Periods Ended							
	September 30 2008	June 30 2008	March 31 2008	December 31 2007	September 30 2007 (1)	June 30 2007 (1)	March 31 2007 (1)	December 31 2006 (1)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	**$ 53,137**	$ 52,080	$ 46,799	$ 48,439	$ 35,002	$ 33,839	$ 33,825	$ 35,102
Net income (loss)	**$ (1,191)**	$ (1,513)	$ 17	$ 1,502	$ 1,193	$ 1,469	$ 1,143	$ 1,650
Earnings (loss) per trust unit - basic	**$ (0.18)**	$ (0.23)	$ 0.00	$ 0.22	$ 0.18	$ 0.22	$ 0.17	$ 0.25
Earnings (loss) per trust unit - diluted	**$ (0.18)**	$ (0.23)	$ 0.00	$ 0.22	$ 0.18	$ 0.22	$ 0.17	$ 0.25
Average number of trust units - basic (in thousands of units)	**6,699**	6,699	6,699	6,699	6,699	6,699	6,699	6,699
Average number of trust units - diluted [2] (in thousands of units)	**8,932**	8,932	8,932	8,932	8,932	8,932	8,932	8,932

(in thousands of dollars)

(1) The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Management believes the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices. This change in accounting policy has been accounted for retrospectively, and the comparative financial information for the noted periods has been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.

(2) For the purpose of earnings (loss) per unit – diluted, the weighted average number of Trust units and Exchangeable LP units have been combined. The Fund's convertible debentures have not been factored into the calculation since conversion of these debentures would be anti-dilutive.

Reconciliation of EBITDA(A) to Distributable Cash(B)

	Three Month Period Ended September 30		Nine Month Period Ended September 30	
	2008	2007 (2)	**2008**	2007 (2)
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Calculation of EBITDA (A):				
Net earnings (loss)	**$ (1,190)**	$ 1,193	**$ (2,686)**	$ 3,805
Add:				
Interest	**988**	355	**2,153**	727
Non-controlling interest	**(458)**	398	**(1,041)**	1,268
Recovery of future income taxes	**(261)**	(331)	**(1,774)**	(936)
Provision for current income taxes	**-**	220	**21**	630
Loss on disposal of capital assets	**-**	-	**960**	22
Gain on disposal of intangible assets	**-**	-	**(1,149)**	-
Amortization of capital assets	**1,308**	915	**3,301**	2,581
Amortization of intangible assets	**2,810**	2,573	**8,344**	7,636
Aircraft heavy maintenance amortization	**627**	645	**2,319**	1,542
Less:				
Aircraft heavy maintenance expenditures	**(332)**	(780)	**(2,024)**	(2,549)
Heavy maintenance deposits (4)	**(331)**	-	**(331)**	-
PEAL EBITDA - minority interest	**(106)**	-	**(186)**	-
EBITDA (A)	**$ 3,055**	$ 5,188	**$ 7,907**	$ 14,726
Reconciliation of EBITDA (A) to Distributable Cash (B):				
EBITDA (A)	**$ 3,055**	$ 5,188	**$ 7,907**	$ 14,726
Less:				
Maintenance capital expenditures (1)	**761**	990	**3,391**	2,950
Interest (3)	**629**	298	**1,673**	843
Provision for current income taxes	**-**	220	**21**	630
Repayment of long-term debt obligation under capital lease	**96**	31	**182**	97
Distributable cash (B)	**$ 1,569**	$ 3,649	**$ 2,640**	$ 10,206

(in thousands of dollars)

(1) Maintenance capital expenditures for the nine month period ended September 30, 2008 exclude the $0.4 million for equipment that was financed under a capital lease.

(2) The Fund has changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Management believes the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices. This change in accounting policy has been accounted for retrospectively, and the comparative financial information for the noted periods has been restated. Please refer to Note 4 in the Notes to the Consolidated Financial Statements.

(3) For the purpose of calculating Distributable Cash (B) interest excludes loss (gain) in fair value on non-hedge derivatives of ($0.06) million for the three month period ended September 30, 2007 as well as $0.07 million and ($0.12) million for the nine month periods ended September 30, 2008 and 2007 respectively.

(4) 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.

Highlights for the Three Month Periods Ended September 30, 2008 and 2007

- Total revenue for the three month period ended September 30, 2008 was $53.1 million as compared to $35.0 million for the same period in 2007, representing an increase of $18.1 million or 51.7%.
- 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 September 30, 2008 was $0.69 million per operating day as compared to $0.60 million per operating day for same period in 2007, representing an increase of 15.0%.
- EBITDA (A) for the three month period ended September 30, 2008 was $3.1 million as compared to $5.2 million for the same period in 2007.
- Distributable Cash (B) was $1.6 million for the three month period ended September 30, 2008 as compared to $3.6 million for the same period in 2007.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007

Revenue

Total revenue for the three month period ended September 30, 2008 was $53.1 million as compared to $35.0 million for the same period in 2007, an increase of 51.7%. The $18.1 million increase in revenues was primarily due to core overnight revenues generated by the new route to Western Canada, an increase in its ACMI business, the acquisition of the Georgian Air and PEAL regional businesses, the new FBO fueling business, and higher fuel and other pass-through costs that were passed on to customers.

Core overnight air cargo and ACMI revenues excluding fuel surcharges and other cost pass-through revenues for the three month period ended September 30, 2008 were $33.7 million compared to $29.6 million for the same period in 2007, an increase of 13.9%. The $4.1 million increase in core overnight revenues over the same period in 2007 was due primarily to the revenue from the new route to Western Canada and a new ACMI contract that both started in the fourth quarter of the prior year.

Total regional revenues from PEAL were $6.3 million for the three month period ended September 30, 2008. Controlling interest of PEAL was acquired by the Fund on May 1, 2008. All of the Fund's existing regional business that was originally purchased from Georgian Express Ltd. in 2007 has been transferred to PEAL. Comparable revenues did not exist in the third quarter of 2007.

Revenues from the Fund's Fixed Base Operations ("FBO") fueling business were $0.4 million for the three month period ended September 30, 2008. These operations started at the end of September 2007 and revenues for the three month period ended September 30, 2007 were $0.1 million.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007 (continued)

Revenue (continued)

Fuel surcharges and other cost pass-through revenues were $12.7 million in the third quarter of 2008 as compared to $5.4 million for the same period in 2007, an increase of $7.3 million or 135.2%. The increase was due mainly to higher fuel costs that were passed on to the Fund's customers. Other pass-through costs such as navigation and landing fees were higher due to the growth in the Fund's ACMI cargo business.

Direct Expenses

Direct expenses were $45.6 million for the third quarter of 2008 as compared to $26.3 million for the same period in 2007, representing an increase of $19.3 million or 73.4%. As a percentage of revenue, direct expenses increased from 75.1% in the third quarter of 2007 to 85.9% for the same period in 2008.

Fuel costs were $18.4 million as compared to $10.6 million for the same period in 2007. The $7.8 million or 73.6% increase in fuel costs was due to higher fuel prices and a net increase in customer volume and block hours due to the new route to Western Canada. Increased costs incurred by the Fund due to higher fuel prices were billed to customers on a cost recovery basis as fuel surcharges.

Other pass-through costs including handling, navigation, landing and parking were $4.6 million for the three month period ended September 30, 2008 as compared to $3.7 million for the same period in 2007. The $0.9 million or 24.3% increase in costs was due primarily to the additional flights on the new route to Western Canada and the increase in its ACMI business.

The additional flights also resulted in higher aircraft maintenance costs. Total maintenance costs were $2.5 million for the three month period ended September 30, 2008 as compared to $2.1 million for the same period in 2007, an increase of $0.4 million or 19.0%.

Heavy maintenance amortization costs were $0.6 million for the third quarter of 2008 as compared to $0.6 million for the same period in 2007. Heavy maintenance on aircraft occurs at regular and predetermined intervals and the costs related to these events are deferred by the Fund and amortized over a period of 24 months until the next scheduled heavy maintenance.

Aircraft lease costs including engine reserves, airframe reserves and sub-charter lease costs were $4.8 million for the third quarter of 2008 and $2.6 million for the same period in 2007, and increase of 84.6%. The increase of $2.2 million was due to sub-charter lease costs of $1.0 million that ended in October 2008, the lease of an additional B727 aircraft that started in December 2007, higher lease renewal rates on two existing B727 aircraft, and the lease costs for the new B767 and B757 aircraft. These higher lease costs were partially offset by the termination of a B727 lease in July 2008.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007 (continued)

Direct Expenses (continued)

Total crew costs including salaries, training and positioning were $3.4 million for the third quarter of 2008 and $2.3 million for the same period in 2007, an increase of 47.8%. The increase was due to the hiring of new crew, training and positioning that were anticipated with the introduction of the new aircraft.

Total direct costs of the regional business in PEAL were $5.9 million for the third quarter of 2008. Comparable direct expenses did not exist in the third quarter of 2007.

Total direct costs of the FBO business were $0.4 million for the three month period ended September 30, 2008. The FBO business started at the end of September 2007 and direct costs for the three month period ended September 30, 2007 were $0.1 million.

All other direct operating costs including ground operations and equipment, warehouse expenses, linehaul costs and aircraft insurance were $5.0 million for the three month period ended September 30, 2008 as compared to $4.4 million for the same period in 2007. The increase of $0.6 million or 13.6% is due to the increase in customer volumes arising from the new route to Western Canada and the increase in its ACMI business.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $5.5 million for the three month period ended September 30, 2008 as compared to $4.1 million for the same period in 2007, an increase of $1.4 million or 34.1%. Increased SG&A expenses of $1.0 million were due to higher administrative support, training costs related to the new B767 and B757 aircraft and an increase in legal expenses. Increased SG&A expenses of $0.4 million were due to PEAL.

EBITDA [(A)]

EBITDA [(A)] for the three month period ended September 30, 2008 was $3.1 million or 5.8% of revenue compared to $5.2 million or 14.9% of revenue for the three month period ended September 30, 2007. The $2.1 million decrease in EBITDA was due primarily to one-time costs related to the introduction of the new B767 and B757 aircraft, the temporary use of sub-charter aircraft. EBITDA [(A)] was also impacted by the increase in aircraft lease costs and heavy maintenance deposits for the new aircraft and higher levels of crew, operations and administrative staff required by the increase in shipping volume and block hours.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007 (continued)

EBITDA [(A)] (continued)

EBITDA [(A)] as a percentage of revenue was also impacted by the increase in fuel and pass-through costs, lower margins on the new route to Western Canada and lower margins on the regional business including the results of PEAL.

For the purpose of calculating EBITDA [(A)] for the three month period ended September 30, 2008, the aircraft heavy maintenance amortization of $0.6 million charged to earnings was added back to earnings and the actual heavy maintenance expenditures incurred of $0.3 million and the heavy maintenance deposits paid and accrued of $0.3 million were deducted from earnings. For the purpose of calculating EBITDA [(A)] for the three month period ended September 30, 2007, the aircraft heavy maintenance amortization of $0.6 million charged to earnings was added back to earnings and the actual heavy maintenance expenditures incurred of $0.8 million were deducted from earnings. Heavy maintenance on aircraft occurs at regular and predetermined intervals and the costs related to these events are deferred by the Fund and amortized over a period of 18 to 24 months until the next scheduled heavy maintenance. Heavy maintenance deposits are paid to the aircraft lessors and are refunded to Cargojet when it incurs actual heavy maintenance expenditures.

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 September 30, 2008 was $2.8 million as compared to $2.6 million for the same period in 2007. Amortization of capital assets for the three month period ended September 30, 2008 was $1.3 million, of which $1.1 million was included in direct expenses. Amortization of capital assets for the three month period ended September 30, 2007 was $0.9 million, of which $0.8 million was included in direct expenses.

Interest

Interest expense was $1.0 million for the three month period ended September 30, 2008, compared to interest expense of $0.4 million for the three month period ended September 30, 2007. The increase in interest expense is due to the issuance of $35.7 million of subordinated unsecured convertible debentures on April 1, 2008 and interest on PEAL's debt. The Fund is using the net proceeds of the offering to finance a portion of the estimated $21.0 million in start-up costs for the addition of the B767 and B757 aircraft and the related new hangar, finance the acquisition of PEAL, temporarily repay current indebtedness under the credit facility, and for general corporate purposes.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007 (continued)

Future Income Tax Recovery

The net future income tax recovery was $0.3 million for the three month period ended September 30, 2008 and represents the reversal of temporary differences between the financial reporting and tax bases of the balance sheet items.

Income Tax Provision

The provision for current income tax expense for the three month period ended September 30, 2008 was nil, compared to $0.2 million for the three month period ended September 30, 2007 for the taxes payable by certain of the Fund's taxable subsidiaries.

Non-controlling Interest

Non-controlling interest was a credit of $0.5 million to the loss before non-controlling interest for the three month period ended September 30, 2008, compared to a charge to earnings before non-controlling interest of $0.4 million for the three month period ended September 30, 2007. Non-controlling interest represents the share of earnings or losses for these periods related to the Exchangeable LP units held by the retained interest holders relative to the total public units held and the non-controlling shareholders of PEAL.

Distributable Cash

Distributable cash was $1.6 million for the three month period ended September 30, 2008, compared to $3.6 million for the three month period ended September 30, 2007. The decrease in distributable cash of $2.0 million for the three month period ended September 30, 2008 compared to the same period in 2007 was primarily due to startup costs related to the introduction of the new B767 and B757 aircraft, the increase in selling, general and administrative expenses, and sub-charter costs associated with the delay in the introduction of the new B767 and B757 aircraft.

Distributions

Total distributions declared for the three month period ended September 30, 2008 were $1.8 million, or $0.2025 per trust unit. A distribution of $0.0675 per trust unit, equal to $0.45 million, for the period September 1, 2008 to September 30, 2008 was declared to unitholders of record on September 30, 2008, payable on or before October 15, 2008. Also, a distribution of $0.0675 per Exchangeable LP unit, equal to $0.15 million, for the period September 1 to September 30, 2008 was declared to Exchangeable LP unitholders of record on September 30, 2008, payable on or before October 15, 2008. The total distributions declared for the three month period ended September 30, 2007 were $2.6 million, or $0.2892 per trust unit. Distributable cash was $1.6 million for the three month period ended September 30, 2008. The payout ratio for the three month period ended September 30, 2008 was 115% compared to 71% for the three month period ended September 30, 2007.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007 (continued)

Distributions (continued)

On July 22, 2008 the Fund announced a reduction in its monthly distribution rate from $0.0964 per unit to $0.0675 per unit to unitholders of record on July 31, 2008. The reduction was due to the unforeseen increase in expenses related to the delay in introduction of its two B767 and one B757 freighter aircraft from the supplier and lower growth in customer demand as a result of a slowing economy. 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 September 30, 2008 was $0.3 million. Cash provided by operating activities after net changes in non-cash working capital balances for the same period in 2007 was $3.2 million. The change in cash provided by operating activities and changes in working capital was primarily due the decrease in EBITDA due to startup costs related to the introduction of the new B767 and B757 aircraft, the increase in SG&A expenses, additional sub-charter costs incurred due to the delay in the delivery of the new aircraft, and an increase in sales taxes receivable due to the new aircraft

Cash used in financing activities during the three month period ended September 30, 2008 was $2.2 million due to the repayment of long-term debt of $0.1 million and distributions paid to unitholders of $2.1 million.

Cash used in investing activities during the three month period ended September 30, 2008 was $3.7 million due to the purchase of capital assets.

There are no provisions within existing debt or lease agreements that will trigger additional funding requirements or early payments based on current or expected results. In July 2008 the Fund renewed its long-term credit facility that is to a maximum of $30 million. The renewed credit facility will mature in July 2011. 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.

Through its subsidiary Prince Edward Air Ltd., the Fund also maintains a demand credit facility and fixed loans with other Canadian chartered banks. The demand credit facility was renewed in August 2008 and is to a maximum of $1.5 million. The fixed loans are secured by the aircraft of Prince Edward Air Ltd.

Review of Operations For the Three Month Periods Ended September 30, 2008 and 2007 (continued)

Capital Expenditures

Net capital asset additions totaled $3.7 million for the three month period ended September 30, 2008 as compared to $1.5 million for the same period in 2007. Capital additions for the three month period ended September 30, 2008 were comprised of $0.9 million of maintenance capital expenditures, $2.5 million of growth capital expenditures, and $0.3 million of net additions to aircraft spare parts inventory. All growth capital expenditures related to the introduction of the new B757 and B767 aircraft. Capital additions for the three month period ended September 30, 2007 were comprised of $1.0 million of maintenance capital expenditures and $0.5 million of growth capital expenditures.

Highlights for the Nine Month Periods Ended September 30, 2008 and 2007

- Total revenue for the nine month period ended September 30, 2008 was $152.0 million as compared to $102.7 million for the same period in 2007, representing an increase of $49.3 million or 48.0%.
- 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 nine month period ended September 30, 2008 was $0.69 million per operating day as compared to $0.60 million per operating day for same period in 2007, representing an increase of 15.0%.
- EBITDA [(A)] for the nine month period ended September 30, 2008 was $7.9 million as compared to $14.7 million for the same period in 2007.
- Distributable Cash [(B)] was $2.6 million for the nine month period ended September 30, 2008 as compared to $10.2 million for the same period in 2007.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007

Revenue

Total revenue for the nine month period ended September 30, 2008 was $152.0 million as compared to $102.7 million for the same period in 2007, representing an increase of $49.3 million or 48.0%. The $49.3 million increase in revenues primarily due to growth in the core overnight air cargo network, an increase in ACMI business, the acquisition of the Georgian Air and PEAL regional businesses, the new FBO fueling business, and higher fuel and other pass-through costs that were passed on to customers.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Revenue (continued)

Revenue related to the core overnight and ACMI cargo businesses excluding regional revenues, fuel surcharges and other cost pass-through revenues for the nine month period ended September 30, 2008 was $102.7 million compared to $87.2 million for the same period in 2007, an increase of $15.5 million or 17.8%. The $15.5 million increase in core overnight revenues over the same period in 2007 was due primarily to the revenues from the new route to Western Canada and a new ACMI contract that both started in the fourth quarter of the prior year.

Fuel surcharges and other cost pass-through revenues were $34.3 million for the nine month period ended September 30, 2008 as compared to $15.1 million for the same period in 2007, an increase of $19.1 million or 125.7%. Most of the $19.1 million increase was due to the cost of higher fuel prices that were passed on to the Fund's customers. Other pass-through costs such as navigation and landing fees were higher due to the growth in the Fund's ACMI cargo business and the new route to Western Canada.

Total regional revenues were $13.7 million for the nine month period ended September 30, 2008. The Fund's regional revenues for the nine month period ending September 30, 2008 are comprised of the total revenues of PEAL for the five month period May 1, 2008 to September 30, 2008 and the year to date revenues of Cargojet's regional business that was transferred to PEAL on May 1, 2008. Comparable revenues did not exist in the nine month period ended September 30, 2007.

Revenues from the Fund's FBO fueling business were $1.2 million for the nine month period ended September 30, 2008. These operations started at the end of September 2007 and revenues for the three month period ended September 30, 2007 were $0.1 million.

Direct Expenses

Direct expenses were $131.4 million for the nine month period ending September 30, 2008 as compared to $76.7 million for the same period in 2007, representing an increase of $54.7 million or 71.3%. As a percentage of revenue, direct expenses increased from 74.7% in the first nine month period of 2007 to 86.4% for the same period in 2008.

Fuel costs were $53.1 million for the nine month period ended September 30, 2008 as compared to $30.7 million for the same period in 2007. The $22.4 million or 73.0% increase in fuel costs was due to higher fuel prices and an increase in overall customer volume and block hours. Increased costs incurred by the Fund due to higher fuel prices were billed to customers on a cost recovery basis as fuel surcharges.

Other pass-through costs including handling, navigation, landing and parking were $15.1 million for the nine month period ended September 30, 2008 as compared to $11.7 million for the same period in 2007. The $3.4 million or 29.1% increase in costs was due to the growth in the Fund's ACMI business and the additional flights resulting from the new route to Western Canada.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Direct Expenses (continued)

The additional flights also resulted in higher aircraft maintenance costs. Maintenance costs were $7.5 million for the nine month period ended September 30, 2008 as compared to $6.2 million for the same period in 2007, an increase of $1.3 million or 21.0%. Approximately $0.5 million of the increase was attributable to unexpected aircraft repair expenditures incurred in the first quarter of 2008.

Heavy maintenance amortization costs were $2.3 million for the nine month period ended September 30, 2008 as compared to $1.5 million for the same period in 2007, an increase of $0.8 million or 53.3%. Part of the increase was due to the termination of one B727 lease in July 2008 that resulted in $0.2 million of additional heavy maintenance amortization during the nine month period ended September 30, 2008. The remainder of 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 $13.3 million for the nine month period ended September 30, 2008 and $7.2 million for the same period in 2007. The increase of $6.1 million or 84.7% was due to sub-charter lease costs of $4.0 million that terminated in October 2008, the lease of an additional B727 aircraft that started in December 2007, higher lease renewal rates on two existing B727 aircraft, and the lease costs for the new B767 and B757 aircraft. These higher lease costs were partially offset by the termination of a B727 lease in July 2008.

Total crew costs including salaries, training and positioning were $10.9 million for the nine month period ending September 30, 2008 and $6.5 million for the same period in 2007, an increase of $4.4 million or 67.7%. Approximately $3.2 million of the increase was due to the hiring of new crew, training and positioning that had been planned as startup and transition costs associated with the introduction of the new aircraft. Approximately $1.1 million of the increase was due to crew shortages and the unforeseen delay in the delivery of the new aircraft that resulted in higher re-training costs, overtime and crew positioning in the second quarter of 2008.

Total direct costs of the regional business including the operations of PEAL for the two-month period from May 1, 2008 to September 30, 2008 were $13.2 million for the nine month period ended September 30, 2008. Comparable direct expenses did not exist in the first nine months of 2007.

Total direct costs of the FBO business were $1.1 million for the nine month period ended September 30, 2008. The FBO business started at the end of September 2007 and direct costs for the three month period ended September 30, 2007 were $0.1 million.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Direct Expenses (continued)

All other direct operating costs including ground operations and equipment, warehouse expenses, linehaul costs and aircraft insurance were $15.1 million for the nine month period ended September 30, 2008 as compared to $12.8 million for the same period in 2007. The increase of $2.3 million or 18.0% is due to the increase in customer volumes arising from the new route to Western Canada and the increase in its ACMI business.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $15.1 million for the nine month period ended September 30, 2008 compared to $12.5 million for the same period in 2007, an increase of $2.6 million or 20.8%. Of this total increase, $1.9 million was primarily due to higher administrative support, training and marketing costs related to the new B767 and B757 aircraft and an increase in legal and consulting fees. Increased SG&A expenses of $0.7 million were due to the Fund's regional business that includes the operations of PEAL for the two month period May 1, 2008 to September 30, 2008. Comparable expenses did not exist for the same period in 2007.

The remainder of the net year over year variance in SG&A expenses for the nine month period ended September 30, 2008 was due to non-cash gains and losses. Net non-cash gains of $0.1 million were recorded in the second quarter of 2008 due to the cancellation of a B727 aircraft lease, the permanent removal of Cargojet's B727 passenger aircraft from service, and the transfer of assets to PEAL on May 1, 2008.

In light of its expectations of lower growth in customer volumes, the Fund has reduced its B727 fleet by one aircraft in July 2008 and will reduce another aircraft in December 2008. One B727 lease expired in July of 2008 and another B727 lease will expire in December 2008. Improvements and modifications of $0.4 million related to the aircraft with the July 2008 lease expiry date have been expensed in the quarter ended September 30, 2008 in general and administrative expenses. The remaining balance of deferred heavy maintenance costs for this aircraft of $0.2 million have been expensed in heavy maintenance amortization expenses in the quarter ended June 30, 2008. There are no deferred costs recorded in Cargojet's financial statements related to the B727 aircraft with the lease expiry date in December 2008.

During the second quarter of 2008 Cargojet removed its passenger B727 aircraft from service on a permanent basis. Cargojet intends to use the aircraft as a source for spare parts to maintain its existing fleet of B727 cargo aircraft. Any saleable parts and components of the aircraft that are not required by Cargojet will be held for sale. Accordingly, Cargojet reviewed the carrying value this aircraft and estimated that the recoverable value of the aircraft was below its net book value. Cargojet reduced the net book value of this aircraft by $0.6 million to fair value in the second quarter of 2008 and recorded the amount as a non-cash loss in SG&A expenses.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Selling, General and Administrative Expenses (continued)

The Fund acquired 51% of PEAL on May 1, 2008. The Fund received shares in PEAL in exchange for customer contracts and assets valued at $4.2 million, and cash consideration of $1.0 million. The transaction resulted in a non-cash gain of approximately $1.1 million that was recognized in the second quarter of 2008 under general and administrative expenses.

EBITDA [(A)]

EBITDA [(A)] for the nine month period ended September 30, 2008 was $7.9 million or 5.2% of revenue, compared to $14.7 million or 14.3% of revenue for the same period in 2007. The decline in EBITDA of $6.8 million for the nine month period ended September 30, 2008 as compared to the same period in the prior year was due primarily to one-time costs related to the introduction of the new B767 and B757 aircraft, the temporary use of sub-charter aircraft, unexpected crew and other costs associated with the delay in the introduction of the new aircraft, and one-time aircraft repair expenditures. EBITDA [(A)] was also impacted by the increase in aircraft lease costs and heavy maintenance deposits for the new aircraft and higher levels of crew, operations and administrative staff required by the increase in shipping volume and block hours.

EBITDA [(A)] as a percentage of revenue was affected by the increase in fuel and pass-through costs, lower margins on the new route to Western Canada and lower margins on the regional business including the results of PEAL.

For the purpose of calculating EBITDA [(A)] for the nine month period ended September 30, 2008, the aircraft heavy maintenance amortization of $2.3 million charged to earnings was added back to earnings and the actual heavy maintenance expenditures incurred of $2.0 million were deducted from earnings. For the purpose of calculating EBITDA [(A)] for the nine month period ended September 30, 2007, the aircraft heavy maintenance amortization of $1.5 million charged to earnings was added back to earnings and the actual heavy maintenance expenditures incurred of $2.5 million and heavy maintenance deposits paid and accrued of $0.3 million were deducted from earnings. Heavy maintenance on aircraft occurs at regular and predetermined intervals and the costs related to these events are deferred by the Fund and amortized over a period of 18 to 24 months until the next scheduled heavy maintenance. Heavy maintenance deposits are paid to the aircraft lessors and are refunded to Cargojet when it incurs actual heavy maintenance expenditures.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

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 nine month period ended September 30, 2008 was $8.3 million as compared to $7.6 million for the same period in 2007. Amortization of capital assets for the nine month period ended September 30, 2008 was $3.3 million, of which $2.9 million was included in direct expenses. Amortization of capital assets for the nine month period ended September 30, 2007 was $2.6 million, of which $2.2 million was included in direct expenses.

Interest

Interest expense was $2.2 million for the nine month period ended September 30, 2008, compared to interest expense of $0.7 million for the nine month period ended September 30, 2007. The increase in interest expense was due to the issuance of long-term debt required to finance the start-up costs related to the new B767 and B757 aircraft, to fund the acquisition of PEAL and for other general corporate purposes.

Future Income Tax Recovery

The future income tax recovery of $1.8 million for the nine month period ended September 30, 2008 represents the reversal of temporary differences between the financial reporting and tax bases of the balance sheet items.

Income Tax Provision

The provision for current income tax expense for the nine month period ended September 30, 2008 was $0.02 million, compared to $0.6 million for the nine month period ended September 30, 2007, for the taxes payable by certain of the Fund's taxable subsidiaries.

Non-controlling Interest

Non-controlling interest was a credit of $1.0 million to the loss before non-controlling interest for the nine month period ended September 30, 2008, as compared to a charge to earnings before non-controlling interest of $1.3 million for the nine month period ended September 30, 2007. Non-controlling interest represents 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.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Distributable Cash

Distributable cash was $2.6 million for the nine month period ended September 30, 2008 compared to $10.2 million for the nine month period ended September 30, 2007. The decrease in distributable cash of $7.6 million for the nine month period ended September 30, 2008 as compared to the same period in 2007 was due primarily to one-time costs related to the introduction of the new B767 and B757 aircraft, the temporary use of sub-charter aircraft, unexpected crew and other costs associated with the delay in the introduction of the new aircraft, one-time aircraft repair expenditures, an increase in maintenance capital expenditures of $0.6 million and higher interest payments of $1.2 million.

Distributions

Total distributions declared for the nine month period ended September 30, 2008 were $7.0 million, or $0.7809 per trust unit. A distribution of $0.0675 per trust unit, equal to $0.45 million, for the period September 1, 2008 to September 30, 2008 was declared to unitholders of record on September 30, 2008, payable on or before October 15, 2008. Also, a distribution of $0.0675 per Exchangeable LP unit, equal to $0.15 million, for the period September 1 to September 30, 2008 was declared to Exchangeable LP unitholders of record on September 30, 2008, payable on or before October 15, 2008. Total distributions declared for the nine month period ended September 30, 2007 were $7.7 million, or $0.8676 per trust unit. The payout ratio for the nine month period ended September 30, 2008 was 264% compared to 76% for the nine month period ended September 30, 2007.

On July 22, 2008 the Fund announced a reduction in its monthly distribution rate from $0.0964 per unit to $0.0675 per unit effective July 1, 2008. The reduction was due to the unforeseen increase in expenses related to the delay in introduction of its two B767 and one B757 freighter aircraft from the supplier and lower growth in customer demand as a result of a slowing economy. 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 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 month period ended September 30, 2008:

		Unitholders		Exchangeable LP Unitholders		Total		
Record Date	Date Distribution Paid/Payable	Declared $	Paid $	Declared $	Paid $	Declared $	Per Unit $	Paid $
December 31, 2007	January 15, 2008	-	645,771	-	215,257	-	-	861,028
January 31, 2008	February 15, 2008	645,771	645,771	215,257	215,257	861,028	0.0964	861,028
February 29, 2008	March 14, 2008	645,771	645,771	215,257	215,257	861,028	0.0964	861,028
March 31, 2008	April 15, 2008	645,771	645,771	215,257	215,257	861,028	0.0964	861,028
April 30, 2008	May 15, 2008	645,771	645,771	215,257	215,257	861,028	0.0964	861,028
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	452,174	452,174	150,724	150,724	602,898	0.0675	602,898
September 30, 2008	October 15, 2008	452,174	-	150,725	-	602,899	0.0675	-
		5,231,146	5,424,743	1,743,715	1,808,247	6,974,861	0.7809	7,232,990

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Liquidity and Capital Resources

Cash used by operating activities after net changes in non-cash working capital balances for the nine month period ended September 30, 2008 was $1.1 million. Cash provided by operating activities after net changes in non-cash working capital balances for the same period in 2007 was $9.7 million. The change cash provided by operating activities was primarily due to one-time costs related to the introduction of the new B767 and B757 aircraft, the temporary use of sub-charter aircraft, unexpected crew and other costs associated with the delay in the introduction of the new aircraft, and one-time aircraft repair expenditures. Net cash outflows due to changes in working capital were $4.2 million higher for the nine month period ended September 30, 2008 than for the same period in 2007 due primarily to an increase in customer receivables, higher sales tax receivables due to the new aircraft, increased fuel deposits and deposits related to the construction of the new hangar.

Cash provided by financing activities during the nine month period ended September 30, 2008 of $8.5 million was due primarily to the net proceeds from the issue of convertible debentures of $34.0 million, the repayment of the long-term debt of $18.2 million and distributions paid to unitholders of $7.2 million.

Cash used in investing activities during the nine month period ended September 30, 2008 was $9.8 million, represented by capital asset spending of $8.7 million and cash used in the acquisition of PEAL of $1.1 million.

There are no provisions within existing debt or lease agreements that will trigger additional funding requirements or early payments based on current or expected results. During the third quarter of 2008, the Fund renewed its long-term credit facility that is to a maximum of $30.0 million. The credit facility will mature in the year 2011. 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.

Capital Expenditures

Capital asset additions totaled $8.7 million for the nine month period ended September 30, 2008 as compared to $3.4 million for the same period in 2007. Capital additions for the nine month period ended September 30, 2008 were comprised of $3.6 million of maintenance capital expenditures, $4.8 million of growth capital expenditures, and $0.3 million of net additions to aircraft spare parts inventory. All growth capital expenditures related to the introduction of the new B757 and B767 aircraft. Capital additions for the nine month period ended September 30, 2007 were comprised of $2.9 million of maintenance capital expenditures and $0.5 million of growth capital expenditures.

Review of Operations For the Nine Month Periods Ended September 30, 2008 and 2007 (continued)

Financial Condition

The following is a comparison of the financial position of the Fund as at September 30, 2008 to the financial position of the Fund as at December 31, 2007. Also included is a comparison of the financial position of the Fund as at September 30, 2008 to the financial position of the Fund as at March 31, 2008

Accounts Receivable

Accounts receivable as at September 30, 2008 amounted to $15.1 million, an increase of $5.3 million compared to the balance of $9.8 million as at December 31, 2007 and an increase of $4.0 million compared to the balance of $11.1 million as at June 30, 2008. The increase in accounts receivable from December 31, 2007 to September 30, 2008 is due primarily to an increase in customer receivables due to higher revenues and higher sales tax receivables due to the new aircraft. The quality of the Fund's consolidated receivable balances and its current collections, in management's opinion, remain excellent.

Capital Assets

Capital assets increased by $16.0 million from December 31, 2007 and increased by $3.0 million from June 30, 2008 to $46.6 million as at September 30, 2008. The increase in capital assets during the nine month period ended September 30, 2008 was due to the acquisition of PEAL, maintenance capital expenditures of $3.6 million, growth capital expenditures of $4.8 million and $0.3 million of net additions to aircraft spare parts inventory, offset by the amortization of capital assets of $3.3 million.

Intangible Assets

Intangible assets decreased by $4.3 million from December 31, 2007 and decreased by $2.8 million from June 30, 2008 to $12.6 million as at September 30, 2008. The change in intangible assets for the nine month period ended September 30, 2008 was due to the amortization of intangible assets of $8.3 million offset by the addition of net intangible assets related to the acquisition of PEAL $4.0 million.

Accounts Payable and Accrued Charges

Accounts payable and accrued charges increased by $3.8 million from December 31, 2007 and increased by $0.5 million from June 30, 2008 to $17.4 million as at September 30, 2008. The increase in accounts payable and accrued charges for the nine month period ended September 30, 2008 was due primarily to the acquisition of PEAL, the timing of supplier payments and the timing of payroll disbursements.

Deferred Heavy Maintenance

Deferred heavy maintenance expenditures decreased by $0.3 million from December 31, 2007 and decreased by $0.3 million from June 30, 2008 to $1.9 million as at September 30, 2008. Total heavy maintenance expenditure additions for the nine month period ended September 30, 2008 were $2.0 million offset by amortization of $2.3 million.

Financial Condition (continued)

Working Capital Position

The Fund had a working capital surplus as at September 30, 2008, representing the difference between total current assets and current liabilities, of $3.4 million, compared to a working capital deficit of $0.4 million as at December 31, 2007 and a working capital surplus of $8.0 million as at June 30, 2008. The increase in working capital compared to December 31, 2007 is primarily due to an increase in cash from the proceeds of the Fund's offering of Subordinated Unsecured Convertible Debentures that closed in April 2008. The decrease in working capital surplus of $4.6 million compared to June 30, 2008 is primarily due to capital expenditures and an increase in sales taxes receivable due to the new aircraft.

Long-Term Debt

Effective July 2008 the Fund renewed its long-term revolving credit facility to a maximum of $30.0 million. As at September 30, 2008 the amount draw on this credit facility was nil compared to $17.0 million as at December 31, 2007 and nil as at June 30, 2008. The credit facility will mature in the year 2011.

Through its subsidiary PEAL, the Fund also maintains a credit facility and fixed loans with other Canadian chartered banks. The credit facility was renewed in August 2008 and is to a maximum of $1.5 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 the aircraft of PEAL.

Convertible Debentures

In April 2008, the Fund closed a $35.7 million offering of subordinated unsecured convertible debentures, including $4.7 million in over-allotment proceeds. The Fund is has used the net proceeds of the offering to finance a portion of the estimated $21.0 million in start-up costs for the addition of the B767 and B757 aircraft and the related new hangar, finance the acquisition of PEAL, temporarily repay current indebtedness under the credit facility, and for general corporate purposes.

Summary of Contractual Obligations

	Payments due by Period						
As at September 30, 2008	Total	2008	2009	2010	2011	2012	Thereafter
(in thousands)							
Long-term debt	$ 6,504	$ 482	$ 818	$ 838	$ 838	$ 814	$ 2,714
Financing loan	132	20	83	29			
Capital Lease Obligations	543	44	175	180	126	18	
Operating leases	83,894	4,476	16,032	14,125	11,821	10,507	26,933
Total contractual obligations	$ 91,073	$ 5,022	$ 17,108	$ 15,172	$12,785	$ 11,339	$ 29,647

Financial Condition (continued)

Capital Resources

The Fund expects to make growth capital expenditures of approximately $18 million over the course of the 2008 fiscal year in connection with the deployment of the new aircraft. Growth capital expenditures consist of a new hangar, new aircraft tooling equipment, ground handling equipment, aircraft spare parts inventories and new airfreight containers. In April 2008, the Fund closed a $35.7 million offering of subordinated unsecured convertible debentures, including the $4.7 million over-allotment proceeds. The Fund has used a portion of the proceeds from this offering to fund growth capital expenditures.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the nine month period ended September 30, 2008 the Fund had transactions with its related company, Flagship Aviation . The company is controlled by one of the Fund's executive officers. Total transactions amounted to $0.3 million and were in the normal course of operations. These transactions were related to a warehouse lease agreement that the Fund had entered into with Flagship Aviation for a warehouse and office building at the Hamilton International Airport.

In October 2008 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.

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 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.

Segmented Information (continued)

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 nine month periods ended September 30, 2008 (comparative figures for the prior year are not applicable):

Results of Operation by Reporting Segment For the Three Month Period Ended September 30, 2008 (in thousands of dollars)

	Three Month Period Ended September 30, 2008 (unaudited)			
	National	Regional	Inter-segment	Total
Revenues	$ 46,829	$ 6,621	$ (313)	$ 53,137
Direct Expenses	39,701	6,187	(313)	45,575
	7,128	434	-	7,562
Selling, general and administrative expenses				
Sales and marketing	219	14	-	233
General and administrative	4,915	333	-	5,248
Interest, net	812	176	-	988
Amortization of capital assets	191	-	-	192
Amortization of intangible assets	2,573	237	-	2,810
	8,710	760	-	9,470
Loss before income taxes and non-controlling interest	$ (1,582)	$ (326)	$ -	$ (1,908)

Results of Operation by Reporting Segment For the Nine Month Period Ended September 30, 2008 (in thousands of dollars)

	Nine Months Ended September 30, 2008 (unaudited)			
	National	Regional	Inter-segment	Total
Revenues	$ 138,583	$ 13,975	$ (542)	$ 152,016
Direct expenses	118,460	13,506	(542)	131,424
	20,123	469	-	20,592
Selling, general and administrative expenses				
Sales and marketing	679	32	-	711
General and administrative	13,774	647	-	14,421
Interest, net	1,864	288	-	2,152
Amortization of capital assets	444	-	-	444
Amortization of intangible assets	7,635	709	-	8,344
	24,396	1,676	-	26,072
Loss before income taxes and non-controlling interest	$ (4,273)	$ (1,207)	$ -	$ (5,480)
	As at September 30, 2008 (unaudited)			
Total net capital assets	$ 36,828	$ 9,777	$ -	$ 46,605

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

Contingencies

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

Financial Instruments

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

The Fund entered into a hedging transaction with a major Canadian financial institution to manage most of its interest rate exposure in respect of its floating rate debt. The hedge was effective until the January 15, 2007 repayment of $4.0 million of the loan balance, after which the hedge no longer met the accounting requirements for hedge accounting and accordingly, hedge accounting was discontinued. This financial instrument was unwound on April 15, 2008.

During February 2008, the Fund entered into a series of U.S. dollar forward purchase contracts for an aggregate total of U.S. $21.0 million. These U.S. dollar forward contracts began in March 2008 and expire in December 2009, and are consistent with the Fund's foreign exchange risk management policy. As part of this policy, the Fund has entered into U.S. dollar forward purchase contracts to reduce uncertainty surrounding Canadian dollar value of anticipated cash flows where it has significant foreign exchange exposure to U.S. currency fluctuations. As at September 30, 2008, the contracts had a positive fair value of $0.9 million that is recorded in the derivatives contract on the balance sheet.

Subsequent Events

To adjust its capacity to lower customer volumes, the Fund reduced its B727 aircraft fleet by one aircraft in July 2008 and plans to reduce another aircraft in December 2008. One B727 lease expired in July 2008 and another B727 lease will expire in December 2008. Improvements and modifications of $0.4 million related to the aircraft with the July 2008 lease expiry date were expensed in the quarter ended June 30, 2008 in general and administrative expenses. The remaining balance of deferred heavy maintenance costs for this aircraft of $0.2 million were expensed in heavy maintenance amortization expenses in the quarter ended June 30, 2008. There are no deferred costs recorded in Cargojet's financial statements related to the B727 aircraft with the lease expiry date in December 2008.

In October 2008, Fund entered into an agreement with Flagship Aviation Holdings Ltd. (“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 October 2008, one of Fund’s major customers notified the cancellation of 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. Cargojet is currently in discussions with this major customer to seek more efficient alternative routes.

In November 2008, the Fund completed an agreement with one of its aircraft lessors to purchase two B727 aircraft that were under a current under lease. The purchase will enhance long-term cash flows and was funded through Cargojet’s credit facility.

Outlook

Although recent concerns over the economy and the volatility of fuel prices are expected to dampen customer demand for the foreseeable future, Cargojet expects to retain all of its major customers and maintain profitability on its core overnight network. Through pro-active management of its fleet capacity and cost structure Management plans to mitigate the effects of lower revenues.

With the arrival of the final B767 aircraft and the completion of crew and other staff training at the end of the third quarter in 2008, Cargojet has completed the startup phase of its fleet renewal program. As of September 30, 2008 all three new aircraft in revenue service on the domestic overnight network which ensures that the Fund is well positioned to meet customer demands in the high volume peak period in the fourth quarter of 2008.

The Fund continues to recover fuel price increases through fuel surcharge. The Fund fixes the price it pays for jet fuel on a monthly basis with all its fuel suppliers. Any fuel cost increases on a month over month basis are passed on to customers as an increase in fuel surcharge and billed to customers on a cost recovery basis only. Management is confident that the Fund will continue to fully recover any future increases in fuel costs.

Outlook (continued)

Management's principal objective is to increase free cash flow available for distribution by continuing to provide quality air cargo services, increasing the range of these services, focusing on improving efficiencies and cost controls, and growing the business organically and through strategic and accretive acquisitions. Management continuously reviews and evaluates all of the foregoing initiatives especially those that can increase cash flow. Future strategic initiatives may be financed from working capital, cash flow from operations, borrowing or the issuance of additional units. Any decisions regarding the above, including further increases 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, Assumptions
Accounts Receivable: allowance for doubtful accounts	The allowance is based on specific analysis of the accounts receivable aging reports, and review of past efforts to collect the overdue invoices. The allowance is specific to the invoices not certain to be collected.
Obsolescence of spare parts, materials, supplies and rotables	The reserve for obsolescence of spare parts, materials, supplies and rotables is based on examination of the spare parts, materials and supplies by tracking repair and usage history. Provision is made based on these estimates.
Valuation of intangible assets	The valuation is based on expected future cash flows, with factors that may affect future cash flows taken into account. Intangible assets with an indefinite life are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Any resulting impairment loss is recorded in the period in which the impairment occurs, as dictated by Canadian generally accepted accounting principles. Intangible assets that have a definite life are capitalized and are amortized over their estimated useful life and are further tested for impairment if events or circumstances indicate that the asset might be impaired.

Income Taxes

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

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

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, 2007 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 To Existing Accounting Policies

In 2007, the Fund changed its accounting policy in relation to the treatment of aircraft heavy maintenance expenditures for owned and certain leased aircraft from the accrual method to the deferral method. Under the deferral method, the actual cost of each overhaul is capitalized and amortized on a straight-line basis to the next overhaul (24 months). The previous accrual (accrue-in-advance) method involved estimating the cost of the overhaul and accruing that cost to the overhaul. The actual cost of the overhaul was charged to the accrual, with any deficiency or excess charged or credited to expense. Management believes the deferral method provides more reliable and relevant information to the users of the financial statements as it minimizes the need for significant estimation and is consistent with industry and international accounting practices. This change in accounting policy was accounted for retrospectively, and the comparative financial statements for 2007 were restated.

Changes in Accounting: Adoption of New and Revised Accounting Standards

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

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

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

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

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

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 $4.3 million 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 $1.2 million of inventories to capital assets.

Internal Controls over Financial Reporting

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 September 30, 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.

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 Interest - non-controlling interest represents 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 incurred in the period and heavy maintenance deposits paid and accrued; 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 trust 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.