

Consolidated financial statements of

CARGOJET INCOME FUND

*For the three and nine month periods ended September 30, 2009
and 2008*

(unaudited)

CARGOJET INCOME FUND

Consolidated Balance Sheets

(unaudited)

	September 30, 2009	December 31, 2008
	\$	\$
ASSETS		
CURRENT		
Cash	-	569,194
Accounts receivable	11,102,196	10,070,944
Materials and supplies	698,645	863,559
Prepaid expenses and deposits	1,013,910	4,337,814
Income taxes recoverable	-	1,267,996
Derivatives contracts (Note 11)	-	2,148,558
	<u>12,814,751</u>	<u>19,258,065</u>
CAPITAL ASSETS		
NOTE RECEIVABLE (NOTE 4)	56,968,834	57,314,869
INTANGIBLE ASSETS	3,066,667	-
DEPOSITS	4,748,149	9,573,776
DEFERRED HEAVY MAINTENANCE	4,534,129	3,070,255
GOODWILL	2,304,875	1,471,773
	<u>46,169,976</u>	<u>46,169,976</u>
	<u>130,607,381</u>	<u>136,858,714</u>
LIABILITIES		
CURRENT		
Overdraft	609,427	-
Accounts payable and accrued charges	13,417,458	16,962,594
Income taxes payable	1,728,570	-
Derivatives contracts (Note 11)	291,426	-
Distributions payable (Note 9)	224,975	601,581
Current portion of long-term debt (Note 5)	719,871	1,829,372
Future income taxes (Note 7)	95,820	706,445
	<u>17,087,547</u>	<u>20,099,992</u>
LONG-TERM DEBT (NOTE 5)	7,255,092	6,759,015
CONVERTIBLE DEBENTURES (NOTE 6)	29,451,238	32,180,372
FUTURE INCOME TAXES (NOTE 7)	6,181,907	6,939,739
	<u>59,975,784</u>	<u>65,979,118</u>
NON-CONTROLLING INTERESTS (NOTE 8(b))	21,040,032	19,783,606
UNITHOLDERS' EQUITY		
ACCUMULATED OTHER COMPREHENSIVE INCOME	273,159	1,442,112
DEFICIT	(11,546,102)	(14,751,848)
	<u>(11,272,943)</u>	<u>(13,309,736)</u>
UNITHOLDERS' CAPITAL (NOTE 8(a))	56,667,730	62,054,322
CONTRIBUTED SURPLUS (NOTES 6, 8(d))	2,152,051	82,738
CONVERSION OPTION (NOTE 6)	2,044,727	2,268,666
	<u>49,591,565</u>	<u>51,095,990</u>
	<u>130,607,381</u>	<u>136,858,714</u>

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

CARGOJET INCOME FUND

Consolidated Statements of Operations and Deficit

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
REVENUES	41,371,831	53,136,586	122,690,094	152,015,667
DIRECT EXPENSES	30,823,546	45,574,890	92,811,504	131,423,493
	10,548,285	7,561,696	29,878,590	20,592,174
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
Sales and marketing	122,849	233,245	413,591	710,697
General and administrative (Note 6)	6,247,796	5,247,343	15,461,490	14,420,665
Interest, net	868,162	987,867	2,866,273	2,152,727
Amortization of capital assets	191,996	191,463	519,713	443,557
Amortization of intangible assets	310,340	2,810,421	5,641,815	8,344,429
	7,741,143	9,470,339	24,902,882	26,072,075
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	2,807,142	(1,908,643)	4,975,708	(5,479,901)
PROVISION FOR (RECOVERY OF) INCOME TAXES (NOTE 7)				
Current	1,799,118	-	1,501,028	20,500
Future	(12,739)	(260,734)	(806,517)	(1,773,636)
	1,786,379	(260,734)	694,511	(1,753,136)
EARNINGS (LOSS) BEFORE NON-CONTROLLING INTERESTS	1,020,763	(1,647,909)	4,281,197	(3,726,765)
NON-CONTROLLING INTERESTS (NOTE 8(b))	56,461	(457,403)	(112,420)	(1,040,574)
NET INCOME (LOSS)	964,302	(1,190,506)	4,393,617	(2,686,191)
DEFICIT, BEGINNING OF PERIOD	(12,796,547)	(13,294,084)	(14,751,848)	(7,923,776)
REPURCHASE OF CARGOJET INCOME FUND UNITS (NOTE 8(d))	785,902	-	1,186,818	-
DISTRIBUTIONS DECLARED IN THE PERIOD (NOTE 9)	(499,759)	(1,356,519)	(2,374,689)	(5,231,142)
DEFICIT, END OF PERIOD	(11,546,102)	(15,841,109)	(11,546,102)	(15,841,109)
EARNINGS (LOSS) PER TRUST UNIT				
- BASIC (Note 8(c))	0.16	(0.18)	0.68	(0.40)
EARNINGS (LOSS) PER TRUST UNIT				
- DILUTED (Note 8(c))	0.16	(0.18)	0.68	(0.40)

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

CARGOJET INCOME FUND

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
NET INCOME (LOSS)	964,302	(1,190,506)	4,393,617	(2,686,191)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency gains (loses) from hedging activities net of income taxes	(667,827)	364,287	243,130	745,904
Transfer of gains on foreign exchange contracts, net of income taxes, to net income	(488,208)	(62,464)	(1,412,083)	(126,877)
COMPREHENSIVE INCOME (LOSS)	(191,733)	(888,683)	3,224,664	(2,067,164)
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Balance, beginning of period	1,429,194	317,204	1,442,112	-
Other comprehensive income (loss) for the period	(1,156,035)	301,823	(1,168,953)	619,027
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF PERIOD	273,159	619,027	273,159	619,027

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

CARGOJET INCOME FUND

Consolidated Statements of Cash Flows

(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
NET INFLOW (OUTFLOW) OF CASH				
RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net income (loss)	964,302	(1,190,506)	4,393,617	(2,686,191)
Items not affecting cash				
Amortization of capital assets	1,812,009	1,307,049	4,544,502	3,300,738
Amortization of intangible assets	310,340	2,810,421	5,641,815	8,344,429
Accretion of convertible debentures	150,258	229,582	479,920	402,224
Loss on disposal of capital assets	-	-	2,624	960,306
Gain on disposal of intangible assets	(160,399)	-	(160,399)	(1,149,473)
Gain on purchase of Cargojet Income Fund debentures	(400,853)	-	(400,853)	-
Future income taxes	(12,739)	(260,734)	(806,517)	(1,773,636)
Transfer of gains on derivatives from other comprehensive income	(709,093)	-	(1,890,909)	-
Change in fair value on non-hedge derivatives	-	-	-	66,009
Non-controlling interests	56,462	(457,403)	(112,420)	(1,040,574)
Aircraft heavy maintenance amortization	510,899	626,861	1,594,883	2,318,718
Aircraft heavy maintenance expenditures	(407,856)	(332,165)	(2,427,984)	(2,024,170)
	2,113,330	2,733,105	10,858,279	6,718,380
Changes in non-cash working capital items and deposits				
Accounts receivable	(2,827,163)	(3,956,315)	(1,031,252)	(4,033,860)
Materials and supplies	(60,723)	(25,106)	164,914	(16,402)
Prepaid expenses and deposits	1,512,210	1,039,388	1,860,028	(3,773,126)
Due from related party	-	-	-	15,351
Accounts payable and accrued charges	(244,151)	464,497	(3,545,136)	2,139,399
Income taxes recoverable	3,245,521	72,505	2,996,566	(2,161,761)
	3,739,024	328,074	11,303,400	(1,112,019)
FINANCING				
Repayment of long-term debt	-	(111,119)	(2,290,797)	(18,235,292)
Increase in long-term debt	1,492,717	-	1,492,717	-
Proceeds from disposition of derivatives	-	-	2,600,000	-
Purchase of Trust units (Note 8(d))	(1,789,199)	-	(2,354,400)	-
Purchase of convertible debentures (Note 6)	(2,759,202)	-	(2,808,202)	-
Distributions paid to unitholders and non-controlling interest	(691,405)	(2,066,822)	(3,565,208)	(7,232,986)
Collection of note receivable	133,333	-	133,333	-
Proceeds from convertible debentures	-	(8,234)	-	33,991,144
	(3,613,756)	(2,186,175)	(6,792,557)	8,522,866
INVESTING				
Additions to capital assets	(1,032,848)	(3,736,156)	(4,912,288)	(8,698,758)
Proceeds from disposal of capital assets	-	-	55,410	-
Acquisition of business (Note 4)	(832,586)	-	(832,586)	(1,071,881)
	(1,865,434)	(3,736,156)	(5,689,464)	(9,770,639)
NET CHANGE IN CASH	(1,740,166)	(5,594,256)	(1,178,621)	(2,359,792)
CASH POSITION, BEGINNING OF PERIOD	1,130,739	6,432,411	569,194	3,197,946
CASH (OVERDRAFT) POSITION, END OF PERIOD	(609,427)	838,154	(609,427)	838,154
Supplementary financial information				
Interest paid	163,454	209,185	537,493	653,601
Income taxes paid (refunded)	(1,445,422)	(72,504)	(1,494,772)	2,182,137
Equipment purchased under capital lease	-	540,864	38,474	598,541

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

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

September 30, 2009 and 2008

(unaudited)

1. NATURE OF THE BUSINESS

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

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

2. BASIS OF PRESENTATION

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These financial statements should be read in conjunction with the annual financial statements and notes thereto. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in Canada for annual financial statements. The financial information included herein reflects all adjustments which in the opinion of management are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and nine month periods ended September 30, 2009 and 2008 are not necessarily indicative of the results to be expected for the full year. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those described in the audited consolidated financial statements of the Fund for the year ended December 31, 2008, except as disclosed in Note 3. The business of the Fund is not affected by any significant seasonal or cyclical factors.

3. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of new and revised accounting standards

On January 1, 2009, the Fund adopted the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, *Goodwill and Intangible Assets*, which establishes standards for recognition, measurement, presentation and disclosure of goodwill, intangible assets and deferred costs. The Fund also adopted the amended CICA Handbook Section 1000, *Financial Statement Concepts*, which was amended to provide consistency with this new standard. Application of these pronouncements had no impact on the Fund’s financial results for the three and nine month periods ended September 30, 2009.

The Fund adopted the CICA Emerging Issues Committee Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC-173”). EIC-173 provides guidance on how to take into account the credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC-173 had no impact on the Fund’s financial statements.

(b) Emerging accounting pronouncements

In June 2009, the CICA issued amendments to Section 3862, *Financial instruments – Disclosures* to include additional disclosure requirements around fair value measurement for financial instruments and liquidity risk associated with financial instruments. The amendments are effective for the Fund’s December 31, 2009 financial statements.

CARGOJET INCOME FUND

Notes to the Consolidated Financial Statements

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4. BUSINESS COMBINATION AND FORMATION OF CARGOJET REGIONAL PARTNERSHIP

(a) Acquisition of Prince Edward Air Ltd.

Effective August 1, 2009, the Fund acquired the remaining 49% common share interest in Prince Edward Air Ltd. ("PEAL") that it did not already own. Consideration for the purchase was \$832,586, comprised of a cash payment of \$1,000,000, transaction costs of \$17,242 and net of cash acquired of \$184,656.

The acquisition has been accounted for under the purchase method of accounting. Accordingly, the Fund allocated the purchase price to the identifiable assets and liabilities acquired based on their estimated fair value at the time of acquisition.

The operations of PEAL have been consolidated on a 100% basis in the consolidated statements of operations and comprehensive income and cash flow from August 1, 2009. The purchase price is considered preliminary until the Fund has obtained the necessary information to complete its allocation. As a result, the purchase price allocation may be adjusted in 2009. The preliminary estimated fair values of the assets acquired and liabilities assumed are as follows:

	\$
Accounts receivable	1,420,763
Inventories	19,416
Prepaid expenses	151,015
Capital assets	4,034,606
Intangible assets	1,916,444
Accounts payable and accrued charges	(3,113,064)
Long-term debt	(2,492,117)
Future tax liability	(1,104,477)
<u>Total consideration</u>	<u>832,586</u>

(b) Formation of Cargojet Regional Partnership

Effective July 29, 2009, PEAL entered into a partnership with SkyLink Express Inc. ("SL") to combine their regional cargo businesses. The operations of the new partnership, Cargojet Regional Partnership ("CJR"), have been included in the consolidated financial statements of the Fund since August 1, 2009. PEAL contributed its intangible assets valued at \$3,911,112 to the partnership in return for a 55% partnership interest. For its 45% partnership interest, SL contributed a promissory note payable to CJR in the amount of \$3,200,000 bearing an annual interest rate of 6.5% (outstanding balance of \$3,066,667 as at September 30, 2009) and its customer contracts valued at \$1.

CARGOJET INCOME FUND
Notes to the Consolidated Financial Statements
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5. LONG-TERM DEBT

The Fund maintains a revolving credit facility with a Canadian chartered bank. The facility is to a maximum of \$30.0 million. The facility bears interest at bank prime plus 1.3% and is repayable on maturity, July 27, 2011.

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

The credit facility is secured by the following:

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

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

Long-term debt consists of the following:

	September 30, 2009	December 31, 2008
	\$	\$
Revolving credit facility	1,762,674	1,859,980
Fixed loans - Prince Edward Air Ltd.	5,683,336	6,070,975
Financing loan	57,340	111,682
Obligations under capital leases	471,613	545,750
	7,974,963	8,588,387
Less current portion	719,871	1,829,372
	7,255,092	6,759,015

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Notes to the Consolidated Financial Statements
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5. LONG-TERM DEBT (CONTINUED)

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

	\$
2009 (remainder of the year)	105,839
2010	428,747
2011	437,920
2012	447,874
2013	458,676
>2013	3,804,280
	<u>5,683,336</u>
Less current portion	<u>426,569</u>
	<u>5,256,767</u>

The following is the future minimum repayment schedule for the financing loan:

	\$
2009 (remainder of the year)	28,281
2010	29,059
	<u>57,340</u>
Less current portion	<u>57,340</u>
	<u>-</u>

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

	\$
2009 (remainder of the year)	89,440
2010	214,657
2011	156,144
2012	33,358
	<u>493,599</u>
Less interest	<u>21,986</u>
Obligations under capital leases	471,613
Less current portion	<u>235,962</u>
	<u>235,651</u>

Interest on long-term debt for the three and nine month periods ended September 30, 2009 totalled \$163,454 and \$537,442, respectively (September 30, 2008 - \$138,496 and \$581,021, respectively).

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6. CONVERTIBLE DEBENTURES

The balance of the Fund's convertible debentures (the "Debentures") at September 30, 2009 and December 31, 2008 consisted of the following amounts:

	September 30, 2009	December 31, 2008
	\$	\$
Principal balance	32,131,000	35,650,000
Less:		
Unamortized issuance costs	(1,612,697)	(1,789,320)
Conversion option to Unitholders' equity	(2,044,727)	(2,268,666)
Accretion	977,662	588,358
Balance	29,451,238	32,180,372

Interest expense on the Debentures for the three and nine month periods ended September 30, 2009 totalled \$655,238 and \$2,318,113, respectively (September 30, 2008 - \$819,936 and \$1,547,253, respectively).

Normal course issuer bid

Under the terms of a normal course issuer bid approved by the Toronto Stock Exchange that expires on March 16, 2010, the Fund may repurchase up to \$3,530,400 principal amount of the Debentures, or approximately 10% of the public float outstanding on March 11, 2009. Daily purchases were limited to \$4,310 principal amount of the Debentures until March 31, 2009, and \$2,155 principal amount of the Debentures thereafter, other than block purchase exemptions. In the nine month period ended September 30, 2009, the Fund repurchased \$3,519,000 principal amount of the Debentures (\$3,209,180) net of related unamortized issuance costs and the portion allocated to the conversion option) at a cost of \$2,808,202, or \$811 per Debenture, resulting in a gain of \$400,853 that has been netted against general and administrative expenses in the statement of operations and deficit, and the transfer within unitholders' equity of \$233,939 from conversion option to contributed surplus.

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7. INCOME TAXES

The tax effect of significant temporary differences is as follows:

	September 30, 2009	December 31, 2008
	\$	\$
Capital assets	5,917,139	7,292,226
Intangible assets	93,817	485,831
Operating loss carryforward	(642,834)	(459,098)
Financing costs	(752,129)	(1,192,541)
Derivative contracts	237,547	706,445
Deferred heavy maintenance	1,424,187	813,321
Future income tax liability	6,277,727	7,646,184
Less current portion	95,820	706,445
Future income tax liability - long-term	6,181,907	6,939,739

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Earnings (loss) before income taxes and non-controlling interest	2,807,142	(1,908,643)	4,975,708	(5,479,901)
Income tax provision at the combined basic rate	940,392	(689,402)	1,666,862	(1,979,340)
Tax on income attributable to Trust Unitholders and Exchangeable LP Unitholders	2,128,393	(718,835)	1,290,032	(1,866,617)
Non-deductible portion of amortization of intangible assets	183,968	246,634	577,297	731,858
Settlement of dispute with tax authorities	-	-	(383,090)	-
Permanent and other differences	(1,466,374)	900,869	(2,456,590)	1,360,963
Income tax provision (recovery)	1,786,379	(260,734)	694,511	(1,753,136)

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Notes to the Consolidated Financial Statements
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8. UNITHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS

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

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

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

(a) Trust Units

	Number	Amount
		\$
Unitholders' capital as at December 31, 2007	6,698,863	62,235,654
Units purchased and cancelled	(19,518)	(181,332)
Unitholders' capital as at December 31, 2008	6,679,345	62,054,322
Units purchased and cancelled (Note 8(d))	(579,884)	(5,386,592)
Unitholders' capital as at September 30, 2009	6,099,461	56,667,730

(b) Non-controlling interests

The non-controlling interests represent a 26.8% (December 31, 2008 – 25.1%) non-controlling equity interest through exchangeable limited partnership units in CHLP (September 30, 2009 - 2,232,955; December 31, 2008 - 2,232,955), a 45% non-controlling equity interest in the Cargojet Regional Partnership (December 31, 2008 – nil) and a nil non-controlling interest in PEAL (December 31, 2008 – 49%) (refer to Note 4). The following provides details of the changes in the non-controlling interests during the period for each of these components:

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

(b) Non-controlling interests (continued)

Non-controlling interests - CHLP

	Nine months ended	
	September 30, 2009	September 30, 2008
	\$	\$
Non-controlling interests, beginning of period	17,396,507	19,688,291
Share of income (loss) of CHLP	1,501,945	(895,398)
Distributions declared in the period (Note 9)	(813,913)	(1,743,714)
Non-controlling interests, end of period	18,084,539	17,049,179

Non-controlling interests – PEAL

	Nine months ended	
	September 30, 2009	September 30, 2008
	\$	\$
Non-controlling interests, beginning of period	2,387,099	2,999,737
Share of loss of PEAL	(1,369,857)	(145,176)
Purchase of non-controlling interest (Note 4)	(1,017,242)	-
Non-controlling interests, end of period	-	2,854,561

Non-controlling interests – Cargojet Regional Partnership

	Nine months ended	
	September 30, 2009	September 30, 2008
	\$	\$
Non-controlling interests, beginning of period	-	-
Formation of partnership on July 29, 2009 (Note 4)	3,200,001	-
Share of loss of Cargojet Regional Partnership	(244,508)	-
Non-controlling interests, end of period	2,955,493	-

(c) Earnings per Trust Unit

Basic earnings per Trust Unit has been calculated based on the average number of Trust Units outstanding of 6,202,274 and 6,469,813 for the three and nine month periods ended September 30, 2009, respectively (three and nine month periods ended September 30, 2008 - 6,698,863). For the three month period ended September 30, 2009, for the purpose of determining diluted earnings per Trust Unit, the weighted average number of Trust Units, Exchangeable LP Units and the effect of the Fund's Debentures have been combined totalling 8,435,229. For the nine month period ended September 30, 2009, for the purpose of determining diluted earnings per Trust Unit, the weighted average number of Trust Units and Exchangeable LP Units have been combined totalling 8,702,768. For the three and nine month periods ended September 30, 2008, for the purpose of determining diluted earnings per Trust Unit, the weighted average number of Trust Units and Exchangeable LP Units have been combined totalling 8,931,818). The effect of the Fund's Debentures are not been factored into the calculation of diluted earnings per Trust Unit when conversion of the Debentures would be anti-dilutive.

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

(d) Normal course issuer bid

Under the terms of a normal course issuer bid that expires on November 25, 2009, the Fund may repurchase up to 599,402 of its Trust Units. Daily purchases were limited to 6,506 Trust Units until March 31, 2009 and 3,253 Trust Units thereafter, other than block purchase exemptions.

In the three and nine month periods ended September 30, 2009, the Fund repurchased 399,111 and 579,884 Trust Units at a cost of \$1,789,199 and \$2,354,400, or \$4.48 and \$4.06 per Trust Unit, respectively. For the three and nine month periods ended September 30, 2009, the difference of \$1,132,884 and \$1,845,374, respectively, between the stated capital of Trust Units repurchased (allocated \$3,707,986 and \$5,386,594, respectively, as a reduction of Unitholders' capital and \$785,902 and \$1,186,818, respectively, as a reduction of the deficit) and the cost of redemption was credited to contributed surplus.

9. DISTRIBUTIONS

The Fund makes regular distributions to unitholders of record as of the last business day of each month. Distributions to unitholders and Exchangeable LP unitholders are calculated and recorded on an accrual basis. Distributions declared during the three and nine month periods ended September 30, 2009 were \$499,759 and \$2,660,860, respectively, to unitholders and \$180,870 and \$813,913, respectively, to Exchangeable LP unitholders (three and nine month periods ended September 30, 2008 - \$1,356,519 and \$5,231,142, respectively, to unitholders and \$452,173 and \$1,743,714, respectively, to Exchangeable LP unitholders).

The following table summarizes the cash distributions for the nine month period ended September 30, 2009:

Record Date	Date Paid/Payable	Unitholders		Exchangeable LP Unitholders		Total		
		Declared	Paid	Declared	Paid	Declared	Per Unit	Paid
		\$	\$	\$	\$	\$	\$	\$
December 31, 2008	January 15, 2009	-	450,856	-	150,725	-	-	601,581
January 31, 2009	February 13, 2009	450,856	450,856	150,725	150,725	601,581	0.0675	601,581
February 28, 2009	March 13, 2009	450,221	450,221	150,724	150,724	600,945	0.0675	600,945
March 31, 2009	April 15, 2009	444,486	444,486	150,725	150,725	595,211	0.0675	595,211
April 30, 2009	May 15, 2009	177,268	177,268	60,290	60,290	237,558	0.0270	237,558
May 31, 2009	June 15, 2009	176,638	176,638	60,289	60,289	236,927	0.0270	236,927
June 30, 2009	July 15, 2009	175,461	175,461	60,290	60,290	235,751	0.0270	235,751
July 31, 2009	August 14, 2009	167,537	167,537	60,290	60,290	227,827	0.0270	227,827
August 31, 2009	September 15, 2009	167,537	167,537	60,290	60,290	227,827	0.0270	227,827
September 30, 2009	October 15, 2009	164,685	-	60,290	-	224,975	0.0270	-
		2,374,689	2,660,860	813,913	904,348	3,188,602	0.2835	3,565,208

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9. DISTRIBUTIONS (CONTINUED)

Distributions payable at September 30, 2009 were as follows:

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
					\$
Income Fund Trust Units	September 1, 2009 to September 30, 2009	September 30, 2009	October 15, 2009	\$ 0.0270	164,685
Exchangeable LP Units	September 1, 2009 to September 30, 2009	September 30, 2009	October 15, 2009	\$ 0.0270	60,290
					<u>224,975</u>

Distributions payable at December 31, 2008 were as follows:

Units	Period	Record Date	Payment Date	Per Unit	Distributions Amount
					\$
Income Fund Trust Units	December 1, 2008 to December 31, 2008	December 31, 2008	January 15, 2009	\$ 0.0675	450,856
Exchangeable LP Units	December 1, 2008 to December 31, 2008	December 31, 2008	January 15, 2009	\$ 0.0675	150,725
					<u>601,581</u>

10. 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 twenty-one smaller cities in Ontario, Quebec and the Maritime provinces utilizing a fleet of twenty-eight smaller propeller engine aircraft. The Fund's regional air cargo business started in October 2007.

The Regional segment includes the operations of Prince Edward Air Ltd. that was acquired by the Fund on May 1, 2008 and the Fund's own regional air cargo business that was transferred to Prince Edward Air Ltd. on May 1, 2008. Prince Edward Air Ltd. entered into a partnership agreement with SkyLink Express Inc. on July 29, 2009 and acquired a 55% interest in newly formed Cargojet Regional Partnership. Prince Edward Air Ltd.'s regional air cargo business was transferred to Cargojet Regional Partnership effective August 1, 2009.

The performance of each operating segment is regularly evaluated by the chief operating decision maker and chief decision making group who assess performance and decide on the allocation of resources. The performance of the Fund's operating segments is measured on earnings before income taxes and non-controlling interest. Inter-segment transactions are reflected at market value. The following is a breakdown by reporting segment for the three and nine month periods ended September 30, 2009:

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10. SEGMENTED INFORMATION (CONTINUED)

	Three months ended September 30, 2009			
	National	Regional	Inter-segment	Total
	\$	\$	\$	\$
REVENUES	35,804,742	5,899,196	(332,107)	41,371,831
DIRECT EXPENSES	25,412,244	5,743,409	(332,107)	30,823,546
	<u>10,392,498</u>	<u>155,787</u>	<u>-</u>	<u>10,548,285</u>
SELLING AND ADMINISTRATIVE				
Sales and marketing	121,384	1,465	-	122,849
General and administrative	5,864,644	383,152	-	6,247,796
Interest, net	781,545	86,617	-	868,162
Amortization of capital assets	188,420	3,576	-	191,996
Amortization of intangible assets	162,963	147,377	-	310,340
	<u>7,118,956</u>	<u>622,187</u>	<u>-</u>	<u>7,741,143</u>
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	<u>3,273,542</u>	<u>(466,400)</u>	<u>-</u>	<u>2,807,142</u>
TOTAL CAPITAL EXPENDITURES	<u>988,845</u>	<u>44,003</u>	<u>-</u>	<u>1,032,848</u>
	As at September 30, 2009			
TOTAL NET CAPITAL ASSETS	<u>46,097,415</u>	<u>10,871,419</u>	<u>-</u>	<u>56,968,834</u>

	Three months ended September 30, 2008			
	National	Regional	Inter-segment	Total
	\$	\$	\$	\$
REVENUES	46,829,006	6,620,705	(313,125)	53,136,586
DIRECT EXPENSES	39,700,824	6,187,191	(313,125)	45,574,890
	<u>7,128,182</u>	<u>433,514</u>	<u>-</u>	<u>7,561,696</u>
SELLING AND ADMINISTRATIVE				
Sales and marketing	219,238	14,007	-	233,245
General and administrative	4,914,539	332,804	-	5,247,343
Interest, net	811,981	175,886	-	987,867
Amortization of Capital Assets	191,463	-	-	191,463
Amortization of Intangible Assets	2,573,227	237,194	-	2,810,421
	<u>8,710,448</u>	<u>759,891</u>	<u>-</u>	<u>9,470,339</u>
LOSS BEFORE INCOME TAXES AND AND NON-CONTROLLING INTEREST	<u>(1,582,266)</u>	<u>(326,377)</u>	<u>-</u>	<u>(1,908,643)</u>
TOTAL CAPITAL EXPENDITURES	<u>3,465,566</u>	<u>270,590</u>	<u>-</u>	<u>3,736,156</u>
	As at September 30, 2008			
TOTAL NET CAPITAL ASSETS	<u>36,827,693</u>	<u>9,776,685</u>	<u>-</u>	<u>46,604,378</u>

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10. SEGMENTED INFORMATION (CONTINUED)

	Nine months ended September 30, 2009			
	National	Regional	Inter-segment	Total
	\$	\$	\$	\$
REVENUES	107,315,060	16,486,747	(1,111,713)	122,690,094
DIRECT EXPENSES	77,052,229	16,870,988	(1,111,713)	92,811,504
	<u>30,262,831</u>	<u>(384,241)</u>	<u>-</u>	<u>29,878,590</u>
SELLING AND ADMINISTRATIVE				
Sales and marketing	403,902	9,689	-	413,591
General and administrative	14,132,467	1,329,023	-	15,461,490
Interest, net	2,480,520	385,753	-	2,866,273
Amortization of capital assets	516,137	3,576	-	519,713
Amortization of intangible assets	4,601,984	1,039,831	-	5,641,815
	<u>22,135,010</u>	<u>2,767,872</u>	<u>-</u>	<u>24,902,882</u>
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	<u>8,127,821</u>	<u>(3,152,113)</u>	<u>-</u>	<u>4,975,708</u>
TOTAL CAPITAL EXPENDITURES	<u>4,669,633</u>	<u>242,655</u>	<u>-</u>	<u>4,912,288</u>

	Nine months ended September 30, 2008			
	National	Regional	Inter-segment	Total
	\$	\$	\$	\$
REVENUES	138,582,380	13,975,106	(541,819)	152,015,667
DIRECT EXPENSES	118,459,695	13,505,617	(541,819)	131,423,493
	<u>20,122,685</u>	<u>469,489</u>	<u>-</u>	<u>20,592,174</u>
SELLING AND ADMINISTRATIVE				
Sales and marketing	679,144	31,553	-	710,697
General and administrative	13,773,816	646,849	-	14,420,665
Interest, net	1,864,348	288,379	-	2,152,727
Amortization of capital assets	443,557	-	-	443,557
Amortization of intangible assets	7,635,772	708,657	-	8,344,429
	<u>24,396,637</u>	<u>1,675,438</u>	<u>-</u>	<u>26,072,075</u>
LOSS BEFORE INCOME TAXES AND AND NON-CONTROLLING INTEREST	<u>(4,273,952)</u>	<u>(1,205,949)</u>	<u>-</u>	<u>(5,479,901)</u>
TOTAL CAPITAL EXPENDITURES	<u>3,719,462</u>	<u>198,452</u>	<u>-</u>	<u>3,917,914</u>

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11. FOREIGN EXCHANGE FORWARD CONTRACTS

The Fund earns revenue and undertakes purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currencies. The Fund manages its exposure to changes in the Canadian/U.S. exchange rate on anticipated purchases by buying forward U.S. dollars (“USD”) at fixed rates in future periods.

In June 2009, the Fund entered into twenty-four foreign exchange forward purchase contracts maturing on a monthly basis from July 2009 to June 2011 for a total consideration of USD \$12.0 million. These forward exchange purchase contracts have been designated as cash flow hedges. As at September 30, 2009, these contracts had a negative fair value of \$291,426 that is recorded in the derivatives contracts on the balance sheet. For the nine month period ended September 30, 2009, the change in the unrealized fair value of these contracts was \$1,015,759, (\$680,093 net of tax) and was recorded in other comprehensive income during the period. In addition, three contracts matured during the period ended September 30, 2009 resulting in the transfer from comprehensive income to net income of \$18,152, (\$12,265 net of tax).

In January 2009, the Fund terminated twelve foreign exchange forward purchase contracts, realizing a pre-tax gain of \$2.6 million. The Fund has been recognizing the gain during the same period in which the hedged anticipated transactions affect net income. The total gains recognized and transferred from accumulated other comprehensive income to net income for the three and nine month periods ended September 30, 2009, were \$699,924 (\$479,133 net of tax) and \$2,076,377 (\$1,403,008 net of tax), respectively. As at September 30, 2009, \$709,091 (\$472,515 net of tax) of the gain remains deferred in accumulated other comprehensive income.

12. SUBSEQUENT EVENTS

In October 2009, the Fund entered into an additional series of U.S. dollar forward purchase contracts maturing on a monthly basis from November 2009 to October 2011 for an aggregate total of USD \$12.0.