CARGOJET INCOME FUND

Management Discussion and Analysis of Financial Condition and Results of Operations

For the Three and Twelve Month Periods Ended December 31, 2010

The following is a discussion of the consolidated financial condition and results of operations of Cargojet Income Fund (the "Fund") for the three and twelve month periods ended December 31, 2010. The following also includes a discussion of and comparative operating results for the three and twelve month periods ended December 31, 2009.

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 February 23, 2011. 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 audited consolidated financial statements of the Fund as at and for the twelve month periods ended December 31, 2010 and 2009.

References to "EBITDA" (A) are to earnings before interest, income taxes, depreciation, amortization, non-controlling interest, gain or loss on disposal of capital assets and after adjusting aircraft heavy maintenance amounts to actual expenditures. Non-GAAP measures, EBITDA (A) and Distributable Cash (B), are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA (A) and Distributable Cash (B) may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA (A) and Distributable Cash (B) should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicators of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The calculations of Distributable Cash (B) and EBITDA(A) are shown on pages 8 and 11, 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 18, 2010 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 18, 2010 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, , and between Canada and Poland

The Fund operates its business across North America transporting over 750,000 pounds of time sensitive air cargo each business night utilizing its fleet of 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 one leased 757-200ER ("B757") series aircraft, two leased 767-200ER ("B767") series aircraft and ten Boeing 727-200 ("B727") series cargo aircraft, three of which are leased and seven owned. 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.

As at the date of this MD&A , the Fund owns twelve regional aircraft that are held for sale or lease. Five of the aircraft are under lease to third parties. Three regional aircraft were sold in 2011 as of the date of this MD&A.

Recent Events

Income Trust Conversion

On February 26, 2010, the Fund announced its intention to seek Unitholders' approval for the reorganization of the Fund into a corporation structure that was expected to occur on or about December 31, 2010 whereby Unitholders of the Fund and Class B limited partnership units of Cargojet Holdings Limited Partnership would exchange their units for shares in the proposed corporate entity on a one-for-one, tax-free basis. The conversion was approved by the required votes cast by Voting Unitholders' on May 18, 2010. The Fund also obtained the required approval of the Ontario Superior Court of Justice.

On January 1, 2011, the Fund was converted from an income trust structure to a corporation structure. All current Unitholders of the Fund had their Trust Units automatically converted into shares in the new corporate entity, Cargojet Inc., on a one-for-one basis. The Trust Units of the Fund were delisted from the Toronto Stock Exchange ("TSX") and the common voting shares and variable voting shares of Cargojet Inc. began trading on the TSX under the symbols "CJT" and "CJT.A", respectively, on January 6, 2011.

Recent Events (Continued)

Income Trust Conversion (Continued)

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

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

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

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

Sale of Cargojet Regional Partnership

Effective August 1, 2009, the Fund entered into a partnership with SkyLink Express Inc. ("SL Express") to combine their regional air cargo feeder aircraft network. The new partnership, Cargojet Regional Partnership (the "Partnership"), was owned 55% by the Fund's subsidiary, Prince Edward Air Ltd. ("PEAL"), and 45% by SL Express. PEAL contributed customer contracts to the Partnership valued at $3,911,112, while SL Express contributed a promissory note, payable to the Fund, of $3,200,001 bearing an annual interest rate of 6.5% (outstanding balance of $2,866,667 as at December 31, 2009) which was repaid as payments were made on the leased aircraft. The Fund also incurred $695,931 of transaction costs which was recognized as goodwill.

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

Recent Events (Continued)

Sale of Cargojet Regional Partnership (Continued)

The results of operations of the Partnership have been classified as discontinued operations in the consolidated statements of operations and deficit. The net cash flows are classified as investing activities from discontinued operations in the consolidated statements of cash flows. The assets and liabilities have been classified on the consolidated balance sheets as assets and liabilities from discontinued operations.

The consolidated balance sheet and the consolidated statements of operations and deficit and cash flows as at and for the year ended December 31, 2009 have been restated for purposes of comparability.

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

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

The net loss from discontinued operations is summarized as follows:

	2010	2009
	$	$
Total revenue from discontinued operations	12,019,600	22,578,817
Loss from operating activities	868,182	3,701,925
Loss on impairment of goodwill	695,391	-
Loss on write down of assets	4,285,188	-
Less: income taxes	(1,910,091)	(336,290)
Less: non-controlling interest	(1,022,915)	(2,230,787)
Loss on discontinued operations	2,915,755	1,134,848

The discounted balance of the notes receivable is comprised of the following as at December 31, 2010:

December 31, 2010	First Note Receivable	Second Note Receivable	Total
	$	$	$
Notes receivable	2,193,519	1,510,699	3,704,218
Less: notes receivable - current portion	483,647	336,935	820,582
Notes receivable - long-term portion	1,709,872	1,173,764	2,883,636

Recent Events (Continued)

Sale of Cargojet Regional Partnership (Continued)

The assets and liabilities of discontinued operations at December 31, 2010 and 2009 are as follows:

	Dec 31, 2010	Dec 31, 2009
Assets of discontinued operations	$	$
Accounts receivable	-	2,198,563
Notes receivable	-	2,866,667
Customer relationships	-	3,503,705
Goodwill	-	695,931
	-	9,264,866
Liabilities of discontinued operations		
Accounts payable and accrued charges	-	1,881,735
Future income taxes	-	739,722
	-	2,621,457

Assets held for sale

Following the sale of the regional business, seven of PEAL's aircraft that are not leased to third parties were approved for disposal. Accordingly, these assets were valued at the lower of their carrying value and estimated fair value. An amount of $2,776,654 has been written off as loss from discontinued operations in the year ended December 31, 2010. The estimated fair value of $745,489 of the aircraft has been presented as assets held for sale, as well as the related future income tax liability of $112,620.

Subsequent to December 31, 2010, three of the above noted aircraft with a fair value of $455,489 have been sold to third parties. These assets have been presented as current assets held for sale, as well as the related future income tax liability of $68,810.

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

Purchase of Cargojet Convertible Debentures

In January 2010, under the terms of a substantial issuer bid, the Fund repurchased $7,476,000 principal amount of the debentures ($6,625,018 net of the related unamortized issuance costs and the $475,752 portion allocated to the conversion option) at a cost of $1,010 per debenture plus a payment in respect of all accrued interest and unpaid interest on these debentures for an aggregate purchase price of $7,667,535, representing $7,550,760 on account of principal (allocated $7,071,785 to the liability component repurchased and $478,974 to the equity component) and $116,775 on account of accrued interest. The repurchase of the debentures resulted in a loss of $273,265 relating to the debt component and a reduction of $3,222 in contributed surplus relating to the equity component.

Recent Events (Continued)

Purchase of Cargojet Convertible Debentures (Continued)

During the year ended December 31, 2009, under the terms of a normal course issuer bid approved by the Toronto Stock Exchange that expired on March 16, 2010, 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 $811 per debenture for an aggregate purchase price of $2,808,202. The repurchase of the debentures resulted in a gain of $400,853 relating to the debt component and the transfer within unitholders' equity of $233,939 from conversion option to contributed surplus relating to the equity component.

Purchase of U.S. Dollar Forward Purchase Contracts

On January 1, 2010, the Fund discontinued hedge accounting and is recognizing the deferred loss on the outstanding foreign exchange contracts as at January 1, 2010 over the period to October 2011 in the same periods in which the hedged anticipated transactions would affect net income. During the three and twelve month periods ended December 31, 2010, a loss of $54,103 (net of taxes of $26,703) and $216,217 (net of taxes of $106,813), respectively, was recognized and transferred from accumulated other comprehensive income to net income.

In May 2010, the Fund sold all of its outstanding U.S. dollar forward purchase contracts. A pre-tax gain of $257,713 was realized from the sale of these contracts.

In August and October of 2010, the Fund entered into a series of U.S. dollar forward purchase contracts maturing on a monthly basis from September 2010 to December 2011 for an aggregate total of USD $23.5 million. These contracts had a negative fair value of $465,699 as at December 31, 2010. The unrealized loss from the changes in fair value of the contracts was recorded in income for the year ended December 31, 2010.

In January 2011, the Fund entered into a series of U.S. dollar forward purchase contracts maturing on a monthly basis from January 2011 to December 2012 for an aggregate total of USD $15 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 generates revenue from a variety of other air cargo services:

- The Fund 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.

Revenues (Continued)

- To further enhance its revenues, the Fund offers a specialty charter service, typically in the daytime and on weekends. The charter business targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America, to the Caribbean and to Europe.

- 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.

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 that include functions such as load scheduling, flight operations coordination, client relations, administration, accounting and information systems.

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

	Three Month Period Ended December 31		Twelve Month Period Ended December 31	
	2010	2009	**2010**	2009
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			$	$
Cash inflow from continuing operations before changes in non-cash working capital items (1)	**6,239**	5,403	**17,222**	18,154
Changes in non-cash working capital items (1)				
Accounts receivable	**(1,997)**	1,096	**(2,929)**	413
Materials and supplies	**(308)**	(110)	**(266)**	55
Prepaid expenses and deposits	**(760)**	(1,870)	**(552)**	(372)
Accounts payable and accrued charges	**(417)**	(1,170)	**109**	(3,753)
Income taxes payable (recoverable)	**262**	218	**(295)**	3,215
	3,019	3,567	**13,289**	17,712
Less:				
Maintenance capital expenditures	**227**	1,067	**1,656**	2,933
Income taxes paid	**4**	1,550	**-**	-
Change in fair value on non-hedge derivatives	**-**	-	**(258)**	-
Transfer of loss (gain) on derivatives from accumulated other comprehensive income	**54**	(709)	**216**	(2,599)
Heavy maintenance deposits	**492**	-	**1,882**	710
Repayment of long-term debt obligation under capital lease	**53**	46	**208**	192
Minority Interest in cash inflow from operations before changes in working capital items of discontinued operations	**-**	(856)	**-**	(856)
Total changes in non-cash working capital items	**(3,220)**	(1,836)	**(3,933)**	(442)
Purchase of Cargojet Income Fund debentures	**-**	-	**7,668**	2,808
Purchase of Cargojet Income Fund units	**-**	3,170	**-**	5,524
Distributable cash from continuing operations	**5,409**	1,135	**5,850**	9,442
Distributable cash from discontinued operations	**108**	(42)	**22**	(1,175)
Total distributable cash (B)	**5,517**	1,093	**5,872**	8,267
Average number of trust units outstanding				
- basic (in thousands of units)	**6,437**	6,063	**6,293**	6,367
Average number of trust units outstanding				
- diluted (in thousands of units) (2)	**9,534**	8,296	**7,993**	8,600
Distributable cash per unit - diluted	**$ 0.58**	$ 0.13	**$ 0.73**	$ 0.96
Cash distributions	**1,007**	3,910	**4,028**	7,099
Cash distributions as a percentage of distributable cash	**18%**	358%	**69%**	86%

(1) Please refer to the consolidated Statement of Cash Flows for the three and twelve month periods ended December 30, 2010 and 2009.

(2) For the purpose of calculating distributable cash per unit – diluted for the three month periods ended December 31, 2010 and 2009, and for the twelve month periods ended December 31, 2009, the weighted average number of units and the weighted average number of Exchangeable LP units have been combined. For the purpose of calculating distributable cash per unit – diluted for the three month period ended December 31, 2010, the weighted average number of Units, the weighted average number of Exchangeable LP units, and the effect of the Fund's convertible debentures have been combined.

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

Results of Operations and Supplementary Financial Information
(in thousands)

	Three Month Period Ended December 31		Twelve Month Period Ended December 31	
	2010	2009	**2010**	2009
	(unaudited)	(unaudited)	**(audited)**	(audited)
	$	$	$	$
Revenue	**42,923**	37,193	**156,205**	143,585
Direct expenses	**32,513**	27,164	**120,597**	103,231
	10,410	10,029	**35,608**	40,354
Selling, general and administrative expenses				
Sales and marketing	**251**	178	**815**	575
General and administrative	**5,169**	4,589	**18,525**	18,954
Loss (gain) on debenture redemption	**-**	-	**273**	(401)
Interest, net	**865**	1,240	**3,431**	3,800
Loss on derivative contracts	**569**	-	**208**	-
Amortization of capital assets	**135**	236	**644**	755
Amortization of intangible assets	**-**	-	**-**	4,447
	6,989	6,243	**23,896**	28,130
Earnings before income taxes and non-controlling interest and discontinued operations	**3,421**	3,786	**11,712**	12,224
Provision for (recovery of) income taxes				
Current	**249**	(65)	**1,636**	1,436
Future	**116**	(1,278)	**1,375**	(1,912)
	365	(1,343)	**3,011**	(476)
Earnings from continuing operation before non-controlling interests	**3,056**	5,129	**8,701**	12,700
Non-controlling interests	**646**	1,453	**1,745**	3,400
Net income from continuing operations	**2,410**	3,676	**6,956**	9,300
Loss from discontinued operations	**(879)**	96	**(2,916)**	(1,135)
Net income	**1,531**	3,772	**4,040**	8,165
Basic earnings (loss) per trust unit				
Continuing operations	**0.37**	0.60	**1.11**	1.46
Discontinued operations	**(0.14)**	0.02	**(0.46)**	(0.18)
	$ 0.23	$ 0.62	**$ 0.65**	$ 1.28
Diluted earnings (loss) per trust unit				
Continuing operations	**0.37**	0.56	**1.09**	1.44
Discontinued operations	**(0.14)**	0.01	**(0.46)**	(0.19)
Loss from discontinued operations per trust unit - diluted [(1)]	**$ 0.23**	$ 0.57	**$ 0.63**	$ 1.25
Average number of trust units - basic (in thousands of units)	**6,437**	6,063	**6,293**	6,367
Average number of trust units - diluted (in thousands of units)	**9,534**	10,304	**7,993**	10,608
Total assets	**120,817**	135,155	**120,817**	135,155
Total long-term liabilities	**39,676**	50,097	**39,676**	50,097

(1) For the purpose of calculating earnings per unit – diluted for the twelve month period ended December 31 2010, the weighted average numbers of Trust Unit and the weighted average number of Exchangeable LP units have been combined. For the purpose of calculating earnings per unit – diluted for the three and twelve month periods ended December 31, 2009 and for the three month period ended 2010, the weighted average number of Unit and the weighted average number of Exchangeable LP units and the effect of the Fund's convertible debentures have been combined.

Summary of Most Recently Completed Consolidated Quarterly Results

	Three Month Periods Ended							
	December 31 2010	September 30 2010	June 30 2010	March 31 2010	December 31 2009	September 30 2009	June 30 2009	March 31 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue (in thousands)	$ 42,923	$ 38,765	$ 37,751	$ 36,766	$ 37,193	$ 35,662	$ 33,999	$ 36,732
Net income from continuing operations (in thousands)	$ 2,410	$ 2,202	$ 1,780	$ 564	$ 3,676	$ 1,171	$ 2,784	$ 1,669
Net loss from discontinued operations (in thousands)	$ (879)	$ (317)	$ (1,494)	$ (226)	$ 96	$ (207)	$ (574)	$ (450)
Basic earnings (loss) per trust unit								
- Continuing operations	0.37	0.34	0.28	0.10	0.60	0.19	0.43	0.25
- Discontinued operations	(0.14)	(0.05)	(0.24)	(0.04)	0.02	(0.03)	(0.09)	(0.07)
	$ 0.23	$ 0.29	$ 0.04	$ 0.06	$ 0.62	$ 0.16	$ 0.34	$ 0.18
Diluted earnings (loss) per trust unit [(1)]								
- Continuing operations	0.37	0.33	0.28	0.09	0.56	0.19	0.41	0.25
- Discontinued operations	(0.14)	(0.05)	(0.24)	(0.04)	0.01	(0.03)	(0.09)	(0.07)
	$ 0.23	$ 0.28	$ 0.04	$ 0.05	$ 0.57	$ 0.16	$ 0.32	$ 0.18
Average number of trust units - basic (in thousands of units)	6,437	6,437	6,437	5,851	6,063	6,202	6,547	6,665
Average number of trust units - diluted [(1)] **(in thousands of units)**	9,534	9,534	7,993	7,993	10,304	8,435	11,005	8,898

(1) For the purpose of calculating earnings per unit – diluted for the twelve month period ended December 31 2010, the weighted average numbers of Trust Unit and the weighted average number of Exchangeable LP units have been combined. For the purpose of calculating earnings per unit – diluted for the three and twelve month periods ended December 31, 2009 and for the three month period ended 2010, the weighted average number of Unit and the weighted average number of Exchangeable LP units and the effect of the Fund’s convertible debentures have been combined.

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

	Three Month Period Ended December 31		Twelve Month Period Ended December 31	
	2010	2009	**2010**	2009
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$	$	**$**	$
Calculation of EBITDA (A):				
Net income from continuing operations	**2,410**	3,675	**6,956**	9,300
Add:				
Interest	**865**	1,240	**3,431**	3,800
Non-controlling interests	**646**	1,453	**1,745**	3,400
Provision for (recovery of) current income taxes	**249**	(65)	**1,636**	1,436
Provision for (recovery of) future income taxes	**116**	(1,277)	**1,375**	(1,912)
Loss on disposal of capital assets	**-**	67	**-**	67
Gain on disposal of intangible assets	**-**	-	**-**	(160)
Change in fair value on non-hedge derivatives	**569**	-	**466**	-
Loss (gain) on debenture redemption	**-**	-	**273**	(401)
Amortization of capital assets	**1,794**	1,749	**6,438**	5,663
Amortization of intangible assets	**-**	-	**-**	4,447
Aircraft heavy maintenance amortization	**743**	465	**2,713**	1,853
Aircraft heavy maintenance expenditures	**(205)**	(293)	**(3,210)**	(2,256)
Heavy maintenance deposits [(1)]	**(492)**	-	**(1,882)**	(710)
EBITDA from continuing operations	**6,695**	7,014	**19,941**	24,527
EBITDA from discontinued operations	**108**	(69)	**(23)**	(844)
Total EBITDA (A)	**6,803**	6,945	**19,918**	23,683
Reconciliation of EBITDA (A) to Distributable Cash (B):				
EBITDA from continuing operations	**6,695**	7,014	**19,941**	24,527
Less:				
Maintenance capital expenditures	**227**	1,067	**1,656**	2,933
Interest [(2)]	**757**	1,110	**2,923**	3,191
Provision for current income taxes	**249**	486	**1,636**	437
Repayment of long-term debt obligation under capital lease	**53**	46	**208**	192
Purchase of Cargojet Income Fund debentures	**-**	-	**7,668**	2,808
Purchase of Cargojet Income Fund units	**-**	3,170	**-**	5,524
Distributable cash from continued operations	**5,409**	1,135	**5,850**	9,442
Distributable cash from discontinued operations	**108**	(42)	**22**	(1,175)
Total distributable cash (B)	**5,517**	1,093	**5,872**	8,267

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

(2) For the purpose of calculating Distributable Cash [(B)] for the three and twelve month periods ended December 31, 2010 and 2009, interest excludes the accretion interest expense due to the Fund's convertible debentures.

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

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

Highlights for the Three Month Periods Ended December 31, 2010 and 2009

- Total revenue for the three month period ended December 31, 2010 was $42.9 million as compared to $37.2 million for the same period in 2009, representing an increase of $5.7 million or 15.3%.

- Average core overnight daily cargo revenue excluding fuel surcharges and other cost pass-through revenues for the three month period ended December 31, 2010 was $0.706 million per operating day as compared to $0.643 million per operating day for same period in 2009, representing an increase of 9.8%.

- EBITDA for the three month period ended December 31, 2010 was $6.7 million as compared to $7.0 million for the same period in 2009, a decrease of $0.3 million or 4.3%.

- Distributable Cash was $5.4 million for the three month period ended December 31, 2010 as compared to $1.1 million for the same period in 2009, an increase of $4.3 million or 391%.

Total revenue for the three month period ended December 31, 2010 was $42.9 million as compared to $37.2 million for the same period in 2009, representing an increase of $5.7 million or 15.3%. The increase in revenues was due primarily to the increase in core overnight volumes, fuel pass-through revenues, charter revenue, and aircraft leasing revenues.

Revenue related to the core overnight and ACMI cargo businesses excluding fuel surcharges and other cost pass-through revenues, for the three month period ended December 31, 2010 was $34.6 million compared to $31.5 million for the same period in 2009, an increase of $3.1 million or 9.8%. The increase was due to a $2.2 million or 7.5% increase in revenues from higher volumes on the overnight network and a $0.9 million or 45.0% increase in revenues from ACMI contracts and chartered flights.

Fuel surcharges and other cost pass-through revenues were $7.3 million for the three month period ended December 31, 2010 as compared to $5.5 million for the same period in 2009, representing an increase of $1.8 million or 32.7%. The increase was due primarily to higher fuel prices that were passed onto customers, and an increase in the number of block hours flown.

Other revenues were $1.0 million for the three month period ended December 31, 2010 as compared to $0.2 million for the same period in 2009, an increase of $0.7 million or 400.0%. The increase was due primarily to an increase in aircraft leasing revenue related to the resumption of third-party leasing revenues subsequent to the sale of the regional business.

Direct Expenses

Total direct expenses were $32.5 million for the three month period ended December 31, 2010 as compared to $27.2 million for the same period in 2009, representing an increase of $5.3 million or 19.5%. As a percentage of revenue, direct expenses increased from 73.1% in 2009 to 75.8% for the same period in 2010. The overall increase in direct expenses was due primarily to higher fuel prices and absence of foreign exchange gains in 2010.

Highlights for the Three Month Periods Ended December 31, 2010 and 2009 (Continued)

Direct Expenses (Continued)

Fuel costs were $11.4 million for the three month period ended December 31, 2010 as compared to $9.1 million for the same period in 2009. The $2.3 million or 25.3% increase in fuel costs were due to higher fuel prices and an increase in block hours flown. The cost incurred by the Fund due to higher fuel prices was passed on to customers as an increase in their fuel surcharges.

Foreign exchange gains and losses decreased from a gain of $0.7 million in 2009 to a charge of $0.1 million in 2010. In January 2009 the Fund ended its foreign exchange hedging program and realized a gain of $2.6 million from the sale of all of the Fund's remaining U.S. dollar forward purchase contracts. This gain was recognized throughout 2009 in net income in the same periods that the hedged anticipated transactions to which the hedges related affected net income, in which $0.7 million was recognized for the three month period ended December 31, 2009.

Depreciation expense increased from $1.5 million in 2009 to $1.7 million in 2010, an increase of $0.2 million or 13.3%.

Aircraft costs increased from $3.5 million in 2009 to $4.7 million in 2010, an increase of $1.2 million or 34.3%. The increase was due primarily to higher sub-charter costs to accommodate higher volumes during the three month period ended December 31, 2010 and an increase related to the resumption of third-party sub-charter costs subsequent to the sale of the regional business..

Heavy maintenance amortization costs were $0.7 million for the three month period ended December 31, 2010 as compared to $0.5 million for the same period in 2009, an increase of $0.2 million or 40.0%. The variance was due to timing of the maintenance required by each aircraft. Heavy maintenance of aircraft occur at regular and predetermined intervals and costs related to these are deferred by Fund and amortized over a period of 18 to 24 months until the next scheduled maintenance.

Other pass-through costs including handling, navigation, landing and parking were $4.9 million for the three month period ended December 31, 2010 as compared to $4.3 million for the same period in 2009. The $0.6 million or 14.0% increase in costs was due to higher volumes, additional block hours flown on the Fund's overnight network and extra sub-charter flights required to accommodate the increase in volumes through the fourth quarter of 2010.

Maintenance costs were $2.8 million for the three month period ended December 31, 2010 as compared to $2.9 million for the same period in 2009. The decrease of $0.1 million or 3.4% was due to the decrease in maintenance reserves relating to aircraft that were subleased for regional business.

Highlights for the Three Month Periods Ended December 31, 2010 and 2009 (Continued)

Direct Expenses (Continued)

Total crew costs including salaries, training and positioning were $2.0 million for the three month period ended December 31, 2010 as compared to $2.1 million for the same period in 2009, a decrease of $0.1 million or 4.8%. The decrease was due primarily to the timing of crew training.

All other direct operating costs including ground operations and equipment, warehouse expenses, linehaul costs and aircraft insurance were $4.4 million for the three month period ended December 31, 2010 as compared to $4.1 million for the same period in 2009. The increase of $0.3 million or 7.3% was due primarily to the increase in block hours flown to accommodate higher volumes.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $5.4 million for the three month period ended December 31, 2010 compared to $4.8 million for the same period in 2009, an increase of $0.6 million or 12.5%. The increase was due primarily to transaction costs expensed during the three months ended December 31, 2010 relating to the conversion from income trust to a corporation, and the capitalization of transaction costs associated with the formation of Cargojet Regional Partnership ("CJR") in 2009.

EBITDA

EBITDA for the three months period ended December 31, 2010 was $6.7 million or 15.6% of revenue, compared to $7.0 million or 18.8% of revenue for the same period in 2009. The decrease in EBITDA of $0.3 million or 4.3% was due primarily to the following:

- An increase in gross margin in 2010 due primarily to increase in core overnight revenues
- Increased administrative costs in 2010 due to trust conversion costs as compared to the capitalization of transaction costs relating to the formation of CJR in 2009
- An increase in net heavy maintenance deposits in 2010
- Foreign exchange gains relating to the sale of U.S. dollar forward purchase contracts in 2009

Amortization

Amortization expense of the Fund includes amortization of the identified intangible assets (excluding goodwill and licenses), recognized 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. The intangible assets relating to the filing of the Fund's initial public offering were fully amortized as at December 31, 2009. The intangible assets related to the acquisition of PEAL were fully impaired in 2010 and the loss was recorded in the loss from discontinued operations.

Highlights for the Three Month Periods Ended December 31, 2010 and 2009 (Continued)

Interest

Interest expense was $0.9 million for the three month period ended December 31, 2010, compared to interest expense of $1.2 million for the three month period ended December 31, 2009. The decrease of $0.3 million or 25.0% was due to decrease in long-term debt and debentures.

Current Income Taxes

The current income taxes for the three month periods ended December 31, 2010 and December 31, 2009 were a charge of $0.2 million and a recovery of $0.1 million, respectively. Provisions for income taxes are due to certain subsidiaries of the Fund that are taxable.

Future Income Taxes

The future income tax recovery of $0.1 million for the three month period ended December 31, 2010 compared to future income tax recovery of $1.3 million in the same period in 2009 represents the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Non-controlling Interests

Net non-controlling interests were a charge to earnings of $0.6 million for the three month period ended December 31, 2010, as compared to a charge to earnings of $1.5 million for the three month period ended December 31, 2009. Non-controlling interests represent the share of earnings or losses for these periods related to the Exchangeable LP units held by the retained interest holders.

Distributable Cash

Distributable cash was $5.4 million for the three month period ended December 31, 2010, compared to $1.1 million for the three month period ended December 31, 2009. The increase in distributable cash of $4.3 million or 391% was due primarily to the $3.2 million purchase of Cargojet Income Fund units in 2009, and changes in accounts payable and accrued charges due to timing of vendor payments.

Highlights for the Three Month Periods Ended December 31, 2010 and 2009 (Continued)

Distributions

Total distributions declared for the three month period ended December 31, 2010 were $1.0 million or $0.126 per unit, resulting in a payout ratio of 18%. In comparison, total distributions declared for the three month period ended December 31, 2009 were $3.9 million or $0.471 per unit.

Record Date	Date Distribution Paid/Payable	Unitholders Declared	Unitholders Paid	Exchangeable LP Unitholders Declared	Exchangeable LP Unitholders Paid	Total Declared	Total Per Unit	Total Paid
		$	$	$	$	$	$	$
September 30, 2010	October 15, 2010	-	270,359	-	65,365	-	-	335,724
October 31, 2010	November 15, 2010	270,358	270,358	65,365	65,365	335,723	0.0420	335,723
November 30, 2010	December 15, 2010	270,358	270,358	65,366	65,366	335,724	0.0420	335,724
December 31, 2010	January 15, 2011	270,358	-	65,365	-	335,723	0.0420	-
		811,074	811,075	196,096	196,096	1,007,170	0.1260	1,007,171

Record Date	Date Distribution Paid/Payable	Unitholders Declared	Unitholders Paid	Exchangeable LP Unitholders Declared	Exchangeable LP Unitholders Paid	Total Declared	Total Per Unit	Total Paid
		$	$	$	$	$	$	$
September 30, 2009	October 15, 2009	-	164,685	-	60,290	-	-	224,975
October 31, 2009	November 15, 2009	164,685	164,685	60,290	60,290	224,975	0.0270	224,975
November 30, 2009	December 15, 2009	2,451,985	2,451,985	897,646	897,646	3,349,631	0.4020	3,349,631
December 31, 2009	January 15, 2010	241,939	-	93,784	-	335,723	0.0420	-
		2,858,609	2,781,355	1,051,720	1,018,226	3,910,329	0.4710	3,799,581

Liquidity and Capital Resources

Cash provided by operating activities after net changes in non-cash working capital balances for the three month period ended December 31, 2010 was $3.0 million as compared to $3.6 million for the same period in 2009. The $0.6 million decrease in cash for the fourth quarter of 2010 as compared to the same period in 2009 was due primarily to a decrease in net operating income.

Cash used in financing activities during the three month period ended December 31, 2010 of $4.2 million and comprised the repayment of long-term debt of $3.2 million and distributions paid to unitholders of $1.0 million.

Cash used in investing activities during the three month period ended December 31, 2010 was $0.4 million and comprised of net capital asset additions of $0.2 million and increase in restricted cash of $0.2 million.

The Fund renewed its revolving credit facility with a Canadian chartered bank on September 30, 2010. The credit facility is to a maximum of $25.0 million, bears interest at bank prime plus 1.75% and is repayable on maturity, December 31, 2013. The credit facility is subject to customary terms and conditions for borrowers of this nature, including, for example, limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facility is subject to the maintenance of certain financial covenants.

Highlights for the Three Month Periods Ended December 31, 2010 and 2009 (Continued)

Liquidity and Capital Resources (Continued)

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 (wholly-owned subsidiary of the Fund) 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 Prince Edward Air Ltd. ("PEAL"). The fixed loans bear interest at rates ranging from 8.1% to 8.2%. They are secured by the assets of PEAL and a guarantee provided by CJA for 20% 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 2019. The Fund also maintains cash deposits with the chartered bank related to heavy maintenance reserve requirements of the aircraft assets secured by the loans. These cash deposits in the amount of $629,930 as at December 31, 2010 and $454,144 as at December 31, 2009 are reported as restricted cash in the consolidated balance sheets.

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

Capital Expenditures

Net capital asset additions were $0.2 million for the three month period ended December 31, 2010 as compared to $1.8 million for the same period in 2009. Net capital additions for the three month period ended December 31, 2010 were comprised of $0.2 million of maintenance capital expenditures. In comparison, net capital additions for the three months ended December 31, 2009 were comprised of $1.1 million of maintenance capital expenditures, and $0.7 million of growth capital expenditures.

Highlights for the Twelve month Periods Ended December 31, 2010 and 2009

- Total revenue for the twelve month period ended December 31, 2010 was $156.2 million as compared to $143.6 million for the same period in 2009, representing an increase of $12.6 million or 8.8%.

- Average core overnight daily cargo revenue excluding fuel surcharges and other cost pass-through revenues for the twelve month period ended December 31, 2010 was $0.639 million per operating day as compared to $0.615 million per operating day for same period in 2009, representing an increase of 4.0%.

- EBITDA for the twelve month period ended December 31, 2010 was $19.9 million as compared to $24.5 million for the same period in 2009, a decrease of $4.6 million or 18.8%.

- Distributable Cash was $5.9 million for the twelve month period ended December 31, 2010 as compared to $9.4 million for the same period in 2009, a decrease of $3.5 million or 37.2%.

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009

Revenue

Total revenue for the twelve month period ended December 31, 2010 was $156.2 million as compared to $143.6 million for the same period in 2009, representing an increase of $12.6 million or 8.8%. The increase in revenues was due to increased core overnight volumes, fuel pass-through revenues, charter revenue, and aircraft leasing revenues.

Revenue related to the core overnight business, excluding fuel surcharges and other cost pass-through revenues, for the twelve month period ended December 31, 2010, was $127.8 million compared to $122.3 million for the same period in 2009, an increase of $5.5 million or 4.5%. This increase in core overnight revenues was due to higher volumes from the core overnight business, increased charter activity and higher ACMI revenues.

Fuel surcharges and other cost pass-through revenues were $25.3 million for the twelve month period ended December 31, 2010 as compared to $20.2 million for the same period in 2009, an increase of $5.1 million or 25.2%. The increase is due to increased block hours flown, charter flights, and higher fuel prices that resulted in an increase in fuel surcharges billed to customers.

Other revenues were $3.1 million for the twelve month period ended December 31, 2010 as compared to $1.1 million for the same period in 2009, an increase of $2.0 million or 181.8%. The increase was due primarily to the lease of the Fund's regional aircraft related to the resumption of third-party leasing revenues subsequent to the sale of the regional business.

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009 (Continued)

Direct Expenses

Total direct expenses were $120.6 million for the twelve month period ended December 31, 2010 as compared to $103.2 million for the same period in 2009, representing an increase of $17.4 million or 16.9%. As a percentage of revenue, direct expenses increased from 71.9% in 2009 to 77.2% for the same period in 2010. The overall increase in direct expenses was due primarily to higher fuel prices, the absence of foreign exchange gains, and maintenance expenses.

Fuel costs were $39.9 million for the twelve month period ended December 31, 2010 as compared to $31.6 million for the same period in 2009. The $8.3 million or 26.3% increase in fuel costs was due to higher fuel prices and an increase in block hours. The increased costs incurred by the Fund due to higher fuel prices were passed onto customers as an increase in their fuel surcharges.

Foreign exchange gains decreased from a gain of $2.8 million in the twelve months ended December 31, 2009 compared to a charge of $0.2 million for the same period in 2010. In January 2009 the Fund ended its foreign exchange hedging program and realized a gain of $2.8 million from the sale of all of the Fund's remaining U.S. dollar forward purchase contracts. This gain was recognized throughout 2009 in net income in the same periods that the hedged anticipated transactions to which the hedges related affected net income.

Depreciation expense increased from $4.9 million in 2009 to $5.8 million in 2010, an increase of $0.9 million or 18.4%. The increase was due primarily to the new hangar facility at the Hamilton Airport that was completed in the second quarter of 2009 and reclassification of depreciation to losses from discontinued operations for part of 2009 related to PEAL operations. For the period from January 1, 2009 to July 31, 2009, all of the depreciation expense recorded under PEAL has been reclassified as loss from discontinued operations. Upon the formation of CJR, beginning August 1, 2009 all depreciation expense recorded under PEAL has been classified as expenses from continuing operations. Depreciation expense recorded in the twelve month period ended December 31, 2010 includes depreciation of regional aircraft that are currently under lease to third parties.

Other pass-through costs including handling, navigation, landing and parking were $18.0 million for the twelve month period ended December 31, 2010 as compared to $16.9 million for the same period in 2009. The $1.1 million or 6.5% increase in costs was due to higher block hours flown in 2010, as well as increased costs associated with additional sub-charter flights.

Maintenance costs were $10.8 million for the twelve month period ended December 31, 2010 as compared to $9.6 million for the same period in 2009, an increase of $1.2 million or 12.5%. The increase in maintenance costs was due primarily to the additional block hours flown.

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009 (Continued)

Direct Expenses (Continued)

Heavy maintenance amortization costs were $2.7 million for the twelve month period ended December 31, 2010 as compared to $1.9 million for the same period in 2009, an increase of $0.8 million or 42.1%. The variance was due to timing of the maintenance required by each aircraft. Heavy maintenance of aircraft occur at regular and predetermined intervals and costs related to these are deferred by the Fund and amortized over a period of 18 to 24 months until the next scheduled maintenance.

Aircraft costs including engine reserves, airframe reserves and sub-charter lease costs were $17.8 million for the twelve month period ended December 31, 2010 as compared to $16.4 million for the same period in 2009. The increase of $1.4 million or 8.5% was due primarily to the increase in sub-charter activities and the increase in the lease costs related to regional aircraft related to the resumption of third-party lease costs subsequent to the sale of the regional business.
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Total crew costs including salaries, training and positioning were $8.9 million for the twelve month period ended December 31, 2010 as compared to $8.4 million for the same period in 2009, an increase of $0.5 million or 6.0%. The increase in costs was due to additional crew costs incurred for the increased ACMI and charter activities, as well as higher salaries compared to 2009.

All other direct operating costs including ground operations and equipment, warehouse expenses, linehaul costs and aircraft insurance were $16.6 million for the twelve month period ended December 31, 2010 as compared to $16.3 million for the same period in 2009. The increase of $0.3 million or 1.8% was primarily due to increased customer volumes.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $19.3 million for the twelve month period ended December 31, 2010 compared to $19.6 million for the same period in 2009. The decrease of $0.3 million or 1.5% was due primarily to staff reductions, lower management and employees bonus expenses, partially offset by legal and consulting expenses related to the Fund's conversion from an income trust to a corporation.

EBITDA

EBITDA for the twelve month period ended December 31, 2010 was $19.9 million or 12.7% of revenue, compared to $24.5 million or 17.1% of revenue for the same period in 2009. The reduction in EBITDA of $4.6 million or 18.8% was due primarily to the following:

- A decrease in gross margin due primarily to lower yields, offset by an increase in core overnight volumes and charter business
- An increase in net heavy maintenance deposits and expenditures
- A decrease in administrative costs
- A foreign exchange gain in 2009 from the sale of U.S. dollar forward purchase contracts

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009 (Continued)

Amortization

Amortization expense of the Fund includes amortization of the identified intangible assets (excluding goodwill and licenses), recognized 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. There was no amortization expense recognized for 2010 due to discontinued regional operations. As well, all the intangibles related to the initial public offering were fully amortized in the prior year.

Interest

Interest expense was $3.4 million for the twelve month period ended December 31, 2010, compared to interest expense of $3.8 million for the twelve month period ended December 31, 2009 due to the reduction of long-term debt.

Current Income Taxes

Current income taxes for the twelve month period ended December 31, 2010 was $1.6 million as compared to $1.4 million for the twelve month period ended December 31, 2009. The increase in current income taxes of $0.2 million or 14.3% is primarily due to higher income being retained by the taxable entities within the Fund as a result of lower total distributions compared to prior year. The payment and recovery of income taxes are due to certain subsidiaries of the Fund that are taxable.

Future Income Taxes

The future income tax expense of $1.4 million for the twelve month period ended December 31, 2010 represents the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period. The Fund recorded a future income tax recovery of $1.9 million in the same period in 2009.

Non-controlling Interests

Net non-controlling interests were a charge to earnings of $1.7 million for the twelve month period ended December 31, 2010, as compared to a charge to earnings of $3.4 million for the twelve month period ended December 31, 2009. Non-controlling interests represent the share of earnings or losses for these periods related to the Exchangeable LP units held by the retained interest holders.

Distributable Cash

Distributable cash was $5.9 million for the twelve month period ended December 31, 2010, compared to $9.4 million for the twelve month period ended December 31, 2009. The decrease in distributable cash of $3.5 million or 37.2% was due primarily to an increase in purchases of convertible debentures and decrease in EBITDA, offset by an increase in maintenance capital expenditures and the purchase of Cargojet Income Fund Trust Units in 2009.

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009 (Continued)

Distributions

Total distributions declared for the twelve month period ended December 31, 2010 were $4.0 million or $0.504 per unit. In comparison, total distributions declared for the twelve month period ended December 31, 2009 were $7.1 million or $0.8355 per unit.

The following tables summarize the cash distributions for the twelve month periods ended December 31, 2010 and 2009:

Record Date	Date Distribution Paid/Payable	Unitholders Declared	Unitholders Paid	Exchangeable LP Unitholders Declared	Exchangeable LP Unitholders Paid	Total Declared	Total Per Unit	Total Paid
		$	$	$	$	$	$	$
December 31, 2009	January 15, 2010	-	241,939	-	93,784	-	-	335,723
January 31, 2010	February 15, 2010	241,939	241,939	93,784	93,784	335,723	0.0420	335,723
February 28, 2010	March 15, 2010	241,939	241,939	93,784	93,784	335,723	0.0420	335,723
March 31, 2010	April 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
April 30, 2010	May 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
May 31, 2010	June 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
June 30, 2010	July 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
July 31, 2010	August 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
August 31, 2010	September 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
September 30, 2010	October 15, 2010	270,359	270,359	65,365	65,365	335,724	0.0420	335,724
October 31, 2010	November 15, 2010	270,358	270,358	65,365	65,365	335,723	0.0420	335,723
November 30, 2010	December 15, 2010	270,358	270,358	65,366	65,366	335,724	0.0420	335,724
December 31, 2010	January 15, 2011	270,358	-	65,365	-	335,723	0.0420	-
		3,187,465	3,159,046	841,219	869,638	4,028,684	0.5040	4,028,684

Record Date	Date Distribution Paid/Payable	Unitholders Declared	Unitholders Paid	Exchangeable LP Unitholders Declared	Exchangeable LP Unitholders Paid	Total Declared	Total Per Unit	Total Paid
		$	$	$	$	$	$	$
December 31, 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	177,267	177,267	60,290	60,290	237,557	0.0270	237,557
May 31, 2009	June 15, 2009	176,638	176,638	60,290	60,290	236,928	0.0270	236,928
June 30, 2009	July 15, 2009	175,461	175,461	60,290	60,290	235,751	0.0270	235,751
July 31, 2009	August 15, 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	164,685	60,290	60,290	224,975	0.0270	224,975
October 31, 2009	November 15, 2009	164,685	164,685	60,290	60,290	224,975	0.0270	224,975
November 30, 2009	December 15, 2009	2,451,985	2,451,985	897,646	897,646	3,349,631	0.4020	3,349,631
December 31, 2009	January 15, 2010	241,939	-	93,784	-	335,723	0.0420	-
		5,233,297	5,442,214	1,865,634	1,922,575	7,098,931	0.8355	7,364,789

Liquidity and Capital Resources

Cash provided by operating activities after net changes in non-cash working capital balances for the twelve month period ended December 31, 2010 was $13.3 million. Cash provided by operating activities after net changes in non-cash working capital balances for the same period in 2009 was $17.7 million. The $4.4 million decrease in cash for 2010 as compared to the same period in 2009 was due primarily lower net income, as well as timing of customer and vendor payments.

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009 (Continued)

Liquidity and Capital Resources (Continued)

Cash used by financing activities during the twelve month period ended December 31, 2010 was $15.3 million. Cash used by financing activities during the twelve month period ended December 31, 2009 was $3.4 million. The increase in net cash outflow of $11.9 million was due primarily to the repurchase of convertible debentures and repayment of long-term debt.

Cash used in investing activities during the twelve month period ended December 31, 2010 of $1.6 million and was comprised of $1.7 million in capital asset spending, $0.3 million of proceeds from disposals of capital assets, and $0.2 million increase in restricted cash.

The Fund renewed its revolving credit facility with a Canadian chartered bank on September 30, 2010. The credit facility is to a maximum of $25.0 million and bears interest at bank prime plus 1.75% and is repayable on maturity, December 31, 2013. The credit facility is subject to customary terms and conditions for borrowers of this nature, including, for example, limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facility is subject to the maintenance of certain financial covenants.

The 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 (wholly-owned subsidiary of the Fund) 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 assets of PEAL and a guarantee provided by CJA for 20% 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 2019. The Fund also maintains cash deposits with the chartered bank related to heavy maintenance reserve requirements of the aircraft assets secured by the loans. These cash deposits in the amount of $629,930 as at December 31, 2010 and $454,144 as at December 31, 2009 are recorded as restricted cash in the consolidated balance sheets.

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

Review of Operations for the Twelve month Periods Ended December 31, 2010 and 2009 (Continued)

Capital Expenditures

Capital asset additions were $1.7 million for the twelve month period ended December 31, 2010 as compared to $6.7 million for the same period in 2009. Capital additions for the twelve month period ended December 31, 2010 were comprised of maintenance capital expenditures. Capital additions for the twelve month period ended December 31, 2009 were comprised of $2.9 million of maintenance capital expenditures and $3.8 million of growth capital expenditures, in which $3.0 was related to the new hangar.

Financial Condition

The following is a comparison of the financial position of the Fund as at December 31, 2010 to the financial position of the Fund as at December 31, 2009.

Accounts Receivable

Accounts receivable as at December 31, 2010 amounted to $11.3 million as compared to $8.4 million as at December 31, 2009. The increase of $2.9 million was due to increased revenue compared to 2009 and the difference in the timing of weekly customer billing and cash receipts at year end. The quality of the Fund's net receivable balances and its current collections, in management's opinion, remain excellent.

Capital Assets

As at December 31, 2010 net capital assets were $45.4 million as compared to $49.7 million as at December 31, 2009. The $4.3 million net decrease in capital assets was due to $6.4 million amortization of capital assets, offset by net capital asset additions of $2.1 million.

Accounts Payable and Accrued Charges

Accounts payable and accrued charges as at December 31, 2010 were $11.1 million as compared to $11.0 million as at December 31, 2009. The increase of $0.1 million was due primarily to the timing of supplier payments.

Deferred Heavy Maintenance and Heavy Maintenance Deposits

The balance of total deferred heavy maintenance expenditures as at December 31, 2010 was $2.6 million as compared to $2.1 million as at December 31, 2009. The increase of $0.5 million was due to heavy maintenance expenditure additions of $3.2 million offset by amortization of $2.7 million. In comparison, total heavy maintenance expenditure additions for the twelve month period ended December 31, 2009 were $2.3 million and amortization of deferred heavy maintenance for this period was $1.9 million. Heavy maintenance deposits are paid to aircraft lessors on a monthly basis.

Financial Condition (Continued)

Working Capital Position

The Fund had a working capital surplus as at December 31, 2010, representing the difference between total current assets and current liabilities, of $2.4 million, compared to a working capital surplus of $8.1 million as at December 31, 2009. The decrease in net working capital was due primarily to the re-purchase of the Fund's debentures in the first quarter of 2010.

Long-Term Debt

Total long-term debt excluding the current portion was $12.2 million as at December 31, 2010 as compared to $16.5 million as at December 31, 2009. The long-term debt consists of Cargojet's revolving credit facility, fixed loans related to PEAL, and capital lease obligations.

Convertible Debentures

In April 2008, $35.7 million of unsecured subordinated debentures were issued with a term of five years. These debentures bear a fixed interest rate of 7.5% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, commencing October 31, 2008.

The debentures may not be redeemed by the Fund prior to April 30, 2011. On or after May 1, 2011, but prior to April 30, 2012, the debentures are redeemable, in whole at any time or in part from time to time, at the option of the Fund at a price equal to at least $1,000 per debenture provided that the current market price (as defined below) of the Trust Units of the Fund on the date on which the notice of redemption is given is at least 125% of the conversion price of $16.00 per Trust Unit. After May 1, 2012, but prior to the maturity date of April 30, 2013, the debentures are redeemable at a price equal to $1,000 per debenture plus accrued and unpaid interest. The term "current market price" is defined in the indenture to mean the weighted average trading price of the Trust Units on the Toronto Stock Exchange for the twenty (20) consecutive days ending on the fifth trading day preceding the date of redemption or maturity.

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

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

The principal amount of the debentures has been allocated between its liability and equity elements and classified separately on the balance sheet. Factoring in the value of the conversion option and transaction costs, the convertible debentures bear interest at an effective rate of 10.04%.

Financial Condition (Continued)

Convertible Debentures (Continued)

In January 2010, under the terms of a substantial issuer bid, the Fund repurchased $7,476,000 principal amount of the debentures ($6,625,018 net of the related unamortized issuance costs and the $475,752 portion allocated to the conversion option) at a cost of $1,010 per debenture plus a payment in respect of all accrued interest and unpaid interest on these debentures for an aggregate purchase price of $7,667,535, representing $7,550,760 on account of principal (allocated $7,071,785 to the liability component repurchased and $478,974 to the equity component) and $116,775 on account of accrued interest. The repurchase of the debentures resulted in a loss of $273,265 relating to the debt component and a reduction of $3,222 in contributed surplus relating to the equity component.

During the year ended December 31, 2009, under the terms of a normal course issuer bid approved by the Toronto Stock Exchange that expired on March 16, 2010, 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 $811 per debenture for an aggregate purchase price of $2,808,202. The repurchase of the debentures resulted in a gain of $400,853 relating to the debt component and the transfer within unitholders' equity of $233,939 from conversion option to contributed surplus relating to the equity component.

The balance of the Fund's convertible debentures at December 31, 2010 and December 31, 2009 consisted of the following amounts:

	December 31, 2010	December 31, 2009
	$	$
Principal balance	24,655,000	32,131,000
Less:		
Issuance costs	(1,237,467)	(1,612,696)
Conversion option to Unitholders' equity	(1,568,975)	(2,044,727)
Accretion	1,513,382	1,249,504
Balance	23,361,940	29,723,081

Interest expense on the Debentures for the years ended December 31, 2010 and 2009 totaled $2,426,770 and $3,454,492, respectively.

Financial Condition (Continued)

Summary of Contractual Obligations

	Payments due by period						
As at December 31, 2010	Total	2011	2012	2013	2014	2015	Thereafter
(in thousands)	$	$	$	$	$	$	$
Fixed Loans – PEAL	5,149	1,460	795	825	858	551	660
Credit Facility	8,515	-	-	8,515	-	-	-
Capital Lease Obligations	196	160	36	-	-	-	-
Operating Leases	51,893	10,940	10,047	10,266	10,093	8,669	1,878
	65,753	12,560	10,878	19,606	10,951	9,220	2,538

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 twelve month period ended December 31, 2010 the Fund had no transactions with any related companies.

Major Customers

During the year ended December 31, 2010, the Fund had sales to three customers that represented 55% of the total revenues (December 31, 2009 – 51%). These sales are provided under service agreements that expire over various periods to September 2018. Two of these customers had sales in excess of 10% of total revenues in 2010 (two in 2009). The sales to individual customers represented 36.1%, 13.8% and 5.3% of the total revenue (December 31, 2009 – 29.5%, 13.1% and 7.9%). These customers are included in earnings from continuing operations in the consolidated statements of operations and deficit of the Fund.

Contingencies

The Fund has provided irrevocable standby letters of credit totaling approximately $0.7 million to a financial institution as security for its corporate credit cards and to a number of vendors as security for the Fund's ongoing purchases.

Financial Instruments

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

On January 1, 2010, the Fund discontinued hedge accounting and is recognizing the deferred loss on the outstanding foreign exchange contracts as at January 1, 2010 over the period to October 2011 in the same periods in which the hedged anticipated transactions would affect net income. During the year ended December 31, 2010, a loss of $216,417 (net of taxes of $106,813) was recognized and transferred from accumulated other comprehensive income to net income.

In May 2010, the Fund sold all of its outstanding U.S. dollar forward purchase contracts, resulting in a pre-tax gain of $257,713.

In August and October of 2010, the Fund entered into a series of U.S. dollar forward purchase contracts maturing on a monthly basis from September 2010 to December 2011 for an aggregate total of USD $23.5 million. These contracts had a negative fair value of $465,699 as at December 31, 2010. The unrealized loss from the changes in fair value of the contracts was recorded in income for the year ended December 31, 2010.

In January 2011, the Fund entered into a series of US dollar forward purchase contracts maturing on a monthly basis from January 2011 to December 2012 for an aggregate total of USD $15 million.

Outlook

Cargojet continues to improve its margins through pro-active management of its fleet capacity, control over its cost structure, and the pursuit of new customers and markets. Customer demand has increased over the previous year and has largely offset the effects of lower yields.

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

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

Future strategic initiatives may be financed from working capital, cash flow from operations, borrowing or the issuance of shares. Any decisions regarding the above, including further increases or decreases in dividends, will be considered and determined as appropriate by the Board of Directors of Cargojet Inc.

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, and rotables and the valuation of intangible assets. The table below discloses the methodology used by management in the assessment of these accounting estimates.

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

Income Taxes

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

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

Information Disclosure Controls and Procedures

Disclosure controls and procedures within the Fund and the General Partner ("GP") are designed to provide reasonable assurance that appropriate and timely decisions are made regarding public disclosure. This is accomplished through the establishment of systems that identify and communicate relevant information to persons responsible for preparing public disclosure items, in accordance with the Disclosure Policy adopted jointly by the Trustees of the Fund and the Directors of the GP. An evaluation of the effectiveness of the Fund's and the GP's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administrators, was conducted at December 31, 2010 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

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board ("AcSB") has confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Fund will be preparing its first set of financial statements in accordance with IFRS for the three month period ended March 31, 2011. These financial statements will also include comparative IFRS results for the periods commencing January 1, 2010.

The following discussion has been organized on a basis consistent with the presentation and classification under Canadian GAAP for ease of reference, although the classification and components of account balances under IFRS will be different than under Canadian GAAP. Additionally, as the Fund continues to assess the impact of its transition to IFRS, additional differences may be identified which could impact the above amounts.

IFRS are premised on a conceptual framework similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While management believe that the adoption of IFRS will not have a material impact on our reported cash flows, it will have a material impact on the Fund's consolidated balance sheets and statements of income.

The following disclosure highlights the initial adjustments required to be made on adoption of IFRS in order to provide an opening balance sheet and the significant accounting policies, required or expected to be applied by the Fund subsequent to adoption that will be significantly different from the Fund's current accounting policies. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of the first annual IFRS reporting period, which will be December 31, 2011. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and as a result the pro-forma January 1, 2010 and December 31, 2010 underlying values prepared on a basis consistent with IFRS are subject to change. The amounts have not been audited or subject to review by the Fund's external auditor.

IFRS 1: First-time Adoption of International Financial Reporting Standards

Adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively.

However, IFRS 1 does require certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1 significant to us that management expect to apply in preparing the Fund's first financial statements under IFRS:

Financial Reporting Update (Continued)

International Financial Reporting Standards ("IFRS") (Continued)

(i) Business combinations
The Fund has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations. Accordingly, the Fund has not restated business combinations that took place prior to the transition date.

(ii) Fair value or revaluation as deemed cost
IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value or under certain circumstances using a previous GAAP revaluation, as opposed to recreating depreciated cost under IFRS. The Fund has elected to measure all items of property, plant and equipment at depreciated cost under IFRS.

(iii) Borrowing costs
IAS 23 requires the borrowing costs directly attributable to the acquisition, construction or production of a long-lived asset to be capitalized. The Fund has applied the borrowing costs exemption in IFRS 1 to not apply IAS 23 retrospectively to capitalize borrowing costs arising from acquisition of long-lived assets. Accordingly, the Fund has not capitalized borrowing costs for acquisition of long-lived assets that took place prior to the transition date.

(iv) Designation of previously recognized financial instruments
Under the exemption in IFRS 1, the Fund may designate any financial instruments as available for sale investments or designate any financial asset or liability at fair value. The Fund has chosen not to apply this exemption.

(v) Leases
The Fund elected to apply the transitional provisions in *IFRIC 4, Determining whether an Arrangement contains a Lease*. This election allows the Fund to determine whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at that date. This election resulted in no additional arrangements being identified as a lease, and thus has no impact on the financial statements.

(vi) Estimates
Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Fund under Canadian GAAP are consistent with their application under IFRS.

Financial Reporting Update (Continued)

International Financial Reporting Standards ("IFRS") (Continued)

Expected Impact of the adoption of IFRS

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

	Note	Unitholders' Equity	Non-controlling Interest	Total Equity
As reported under Canadian GAAP - December 31, 2009		46,701,110	-	46,701,110
Reclassification of Non-Controlling Interests to Unitholder's Equity under IFRS	(i)	-	21,270,060	21,270,060
Deferred income taxes on convertible debentures	(ii)	(415,206)	-	(415,206)
Componentization of fixed assets	(iii)	(1,766,335)	-	(1,766,335)
Deferred income taxes	(iv)	547,564	-	547,564
Expected balance under IFRS - January 1, 2010		45,067,133	21,270,060	66,337,193

The following is the expected changes of the Fund's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at March 31, 2010:

	Note	Unitholders' Equity	Non-controlling Interest	Total Equity
As reported under Canadian GAAP - March 31, 2010		51,448,726	-	51,448,726
Reclassification of Non-Controlling Interests to Unitholder's Equity under IFRS	(i)	-	15,279,993	15,279,993
Deferred income taxes on convertible debentures	(ii)	(255,923)	-	(255,923)
Componentization of fixed assets	(iii)	(1,831,073)	-	(1,831,073)
Deferred income taxes	(iv)	567,633	-	567,633
Expected balance under IFRS - March 31, 2010		49,929,363	15,279,993	65,209,356

Under Canadian GAAP, the Fund's units are currently included within Unitholder's equity. Prior to the conversion of the Fund to a corporation on January 1, 2011, the requirement to distribute taxable income under the Declaration of Trust may be considered a financial instrument under IFRS due to the contractual obligation to deliver cash to another entity. As a result, the fair value of the Fund's units may need to be presented as a financial liability under IFRS, and the distributions as an expense. Any subsequent changes in fair value would then need to be recognized in the statement of operations.

At the date of this report, the Fund has not yet reached a conclusion on the classification of the Fund's units on conversion to IFRS.

Financial Reporting Update (Continued)

International Financial Reporting Standards ("IFRS") (Continued)

Discussion of key differences:

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

ii. Deferred income taxes on convertible debentures
Canadian GAAP states that if the entity is able to settle the instrument in accordance with its terms without the incidence of tax, then there is deemed to be no temporary difference. However, IFRS requires that the deferred tax consequences of a financial instrument containing both a liability and equity component should be recognized both in profit or loss and in equity in accordance with the component parts.

iii. Componentization of fixed assets
IFRS requires fixed assets to be depreciated based on significant identifiable components, whereas Canadian GAAP does not have such requirements. Under IFRS, the Fund's aircraft has been componentized into the significant components of hulls and engines. The difference in depreciation as a result of componentization has been recorded in retained earnings.

iv. Deferred income taxes
Deferred income taxes are impacted by the change in temporary differences resulting from the effect of the IFRS reconciling items described above.

The following is the expected change of the Fund's net income reported in accordance with Canadian GAAP to its net income in accordance with IFRS for the three month period ended March 31, 2010:

	Note	Three months ended March 31, 2010
Net income as reported under Canadian GAAP		337,642
Reclassification of non-controlling interests under IFRS	(i)	136,324
Deferred income taxes on convertible debentures	(ii)	159,283
Componentization of fixed assets	(iii)	(64,738)
Deferred income taxes	(iv)	20,069
Expected balance under IFRS		588,580
Attributable to:		
Unitholders		724,904
Non-controlling interests		(136,324)
Net income as reported under IFRS		588,580

Financial Reporting Update (Continued)

International Financial Reporting Standards ("IFRS") (Continued)

Discussion of key differences:

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

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

iii. Componentization of fixed assets
IFRS requires fixed assets to be depreciated based on significant identifiable components, whereas Canadian GAAP does not have such requirements. Under IFRS, the Fund's aircraft has been componentized into the significant components of hulls and engines. The accelerated depreciation as a result of componentization has been recorded in retained earnings.

iv. Deferred income taxes
Deferred income taxes are impacted by the change in temporary differences resulting from the effect of the IFRS reconciling items described above

Internal Controls over Financial Reporting

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

There have been no changes in the Fund's internal controls over financial reporting during the three and twelve month periods ended December 31, 2010 that have materially affected, or are likely to materially affect, the Fund's internal controls over financial reporting.

End Notes

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

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

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

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

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

Non-controlling interests - non-controlling interests represent a direct non-controlling interest in Cargojet Holdings Limited Partnership through Exchangeable LP units and the non-controlling shareholders of Cargojet Regional Partnership and PEAL (2009 only). 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.

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

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

End Notes (continued)

(A) (continued)

Non-cash lease expense - promissory note from SkyLink Express Inc. applied to lease aircraft payments. As a non-cash item, non-cash lease expense has no impact on the determination of EBITDA and distributable cash.

Change in fair value on non-hedge derivative - the gain or loss arising from mark to market adjustment on foreign exchange contracts. As a non-cash item, the fair value gain or loss on derivative contracts has no impact on the determination of EBITDA and distributable cash.

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

(B) The Fund has adopted a measurement called distributable cash to supplement net earnings as a measure of operating performance. Distributable cash is a term, which does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures used by other Funds. The objective of presenting this non-GAAP measure is to calculate the amount, which is available for distribution to trust unitholders and exchangeable LP unitholders. Exchangeable LP unitholders are presented as non-controlling interest in the consolidated financial statements of the Fund, however, management of the Fund has elected to include the holdings of the exchangeable LP unitholders in the calculation of distributable cash as exchangeable LP unitholders' distributions are economically equivalent to those received by trust unitholders and exchangeable LP unitholders are exchangeable on a one-to-one basis for Units of the Fund. The PEAL and CJR non-controlling interests are 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.