Cargojet Inc.

ANNUAL INFORMATION FORM

for the year ended December 31, 2010

February 28, 2011

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CURRENCY OF INFORMATION

The information set forth in this annual information form is stated as at February 28, 2011 unless otherwise indicated. Capitalized terms used herein but not otherwise defined in the text are defined in the "Glossary of Terms". In this annual information form, references to "$" are to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This annual information form contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the products and services offered by Cargojet, the business strengths of Cargojet and its relations with suppliers and customers. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".
In particular, this annual information form contains forward-looking information relating to:

(a) the business strategy of Cargojet; and
(b) the ability of Cargojet Holdings Limited Partnership (the "Partnership") to repay its third party debt service obligations.

Forward-looking information regarding Cargojet is based on certain key expectations and assumptions of Cargojet concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, interest rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, market conditions and potential timing delays. Although Cargojet considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Cargojet to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the risks related to the public financial market for the Company's securities; the general risks associated with the airline and cargo transportation industry, including the relationship of Cargojet with its suppliers, customers, key personnel and employees and the operation of commercial aircraft; the ability of Cargojet to maintain profitability and manage growth; liquidity risks; debt financing risk; credit risk; competition; general uninsured losses; interest rate fluctuations; lack of availability of growth opportunities; potential conflicts of interest; the availability of sufficient cash flow; the failure to obtain additional financing; dilution; reliance on key personnel; changes in legislation; and delays in obtaining regulatory approvals or financing as well as those factors discussed in the section entitled "Risk Factors" herein. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this annual information form, and the Company assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances except as required under applicable securities laws.

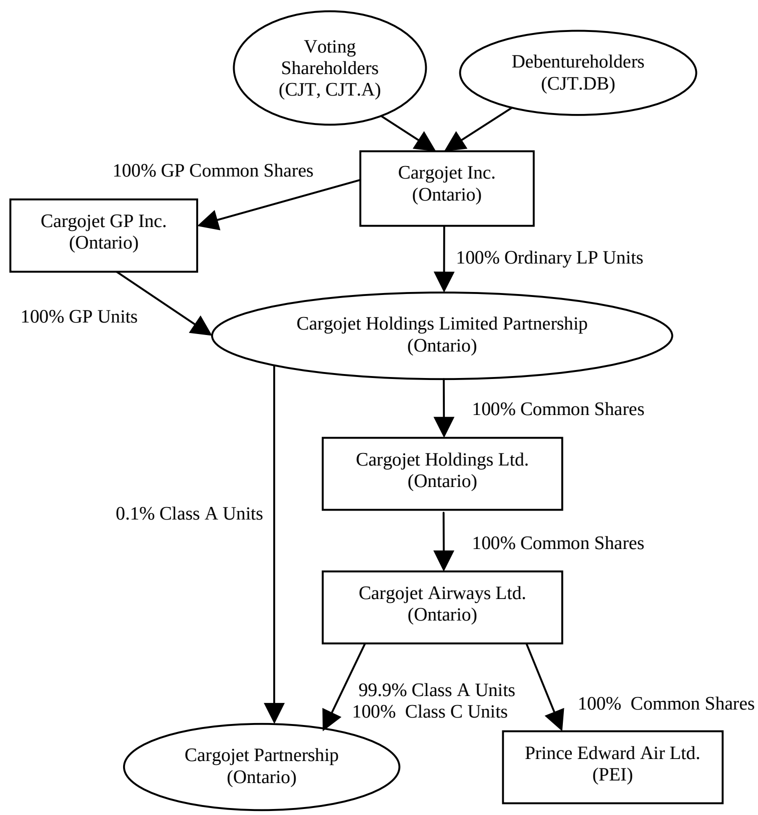
CORPORATE STRUCTURE

Cargojet Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on April 7, 2010 and is the successor to Cargojet Income Fund (the "Fund"), following the completion of the conversion of the Fund from an income trust to a public corporation by way of a court-approved statutory plan of arrangement (the "Arrangement") under Section 182 of the OBCA completed on January 1, 2011. The Arrangement was approved by the Fund's unitholders at the special Unitholders meeting held on May 18, 2010.

The head and registered office address of the Company is 350 Britannia Road East, Units 5 and 6 Mississauga, Ontario L4Z 1X9.

The use of the term "Cargojet" herein is intended to be understood as a reference to the business as a provider of time sensitive overnight air cargo service carried on by the Fund and its subsidiaries as a whole and after December 31, 2010, by the Company and its subsidiaries as a whole. See "Business of Cargojet".

The following chart illustrates the corporate structure of the Company (including jurisdiction of establishment or incorporation of the various entities and percentage ownership of voting securities).



GENERAL DEVELOPMENT OF THE BUSINESS

Conversion to a Corporation

On January 1, 2011, the Arrangement was completed resulting in the conversion of the Fund from an income trust to a public corporation, the Company, which continues the business of the Fund and its subsidiaries as a leading Canadian provider of time sensitive overnight air cargo services. In connection with the Arrangement, the Fund and the Trust were wound-up in each case on January 1, 2011. In connection with the Arrangement: (a) Voting Unitholders transferred their Units to the Company in consideration for Common Voting Shares on the basis of one Common Voting Share for each Unit transferred; (b) in accordance with restrictions on ownership of Common Voting Shares imposed by the *Canada Transportation Act* (the "Act"), immediately upon issue of the Common Voting Shares to non-Canadian Unitholders, such shares were converted into Variable Voting Shares; (c) holders of Exchangeable LP Units transferred their Exchangeable LP Units to the Company in consideration for Common

Voting Shares on the basis of one Common Voting Share for each Exchangeable LP Unit transferred; and (d) the Special Voting Units were redeemed and cancelled by the Fund for nominal consideration. The Common Voting Shares and Variable Voting Shares began trading on the TSX on January 6, 2011, under the symbols "CJT" and "CJT.A", respectively, and the Units were concurrently delisted from the TSX. The Fund subsequently ceased to be a reporting issuer in all provinces and territories of Canada in which it was a reporting issuer or the equivalent thereof.

The Credit Facility

Cargojet's senior secured revolving credit facility (the "Credit Facility") provided by a Canadian chartered bank to the Partnership was renewed in 2010 and amended to facilitate the change in corporate structure as a result of the Arrangement. The Credit Facility was renewed on September 30, 2010 for a committed term of thirty-nine months with no scheduled repayments of principal required prior to maturity. The maximum borrowing amount of the Credit Facility was reduced from $30 million to $25 million.

The Partnership utilizes amounts drawn from the Credit Facility to provide funds to Cargojet Partnership (the "Operating Partnership") by way of loans. The Operating Partnership uses such funds for working capital requirements and capital expenditures.

Loans under the Credit Facility are repayable without any prepayment penalties and bear interest based on the prevailing prime rate, U.S. base rate or at a banker's acceptance rate, as applicable, plus an applicable margin to those rates. The Credit Facility is guaranteed by each of the GP, Cargojet Airways Ltd. ("Airways"), the Operating Partnership and the Company. The Credit Facility is secured by a first priority security interest in the present and after acquired property of the Partnership, the GP, Airways, the Operating Partnership and the Company, subject to certain permitted encumbrances.

The Credit Facility is subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders, and restrictions on the Company's ability to pay dividends. The Credit Facility is also subject to the maintenance of a minimum fixed charge coverage ratio.

Cargojet Fleet

In 2008, Cargojet completed its fleet renewal program with the introduction of two B767 and one B757 aircraft. Cargojet also purchased two B727 aircraft that had previously been leased. The Company continues to adjust aircraft capacity to meet customer demand on a daily basis. The Company also continuously reviews its total aircraft fleet requirements and will adjust the number of aircraft required to meet overall future customer demand.
In 2008, Cargojet also removed its passenger B727 aircraft from service on a permanent basis. Cargojet is using this aircraft as a source for spare parts to maintain its existing fleet of B727 cargo aircraft. Any saleable parts and components of the aircraft that are not immediately required by Cargojet are being held for sale.

Debenture Offering

On April 9, 2008, the Fund closed an offering of $31,000,000 aggregate principal amount of subordinated unsecured convertible debentures due April 30, 2013 (the "Debentures") and on April 16, 2008, the Fund announced that the underwriters exercised their over-allotment option in full, resulting in the issue of an additional $4,650,000 aggregate principal amount of Debentures. The Fund used the net proceeds of the offering (including the over-allotment proceeds) to finance the start-up costs for its previously announced wide body aircraft program, finance the acquisition of Prince Edward Air Ltd. ("Prince Edward Air"), temporarily repay current indebtedness under the Credit Facility and for general corporate purposes.
As part of the Arrangement that resulted in the conversion of the Fund from an income trust to a public corporation, the Company assumed all of the rights and obligations of the Fund under the indenture that governs the Debentures dated April 9, 2008 between the Fund and Computershare Trust Company of Canada, as supplemented by the first supplemental indenture dated January 1, 2011 among the Fund, the Company and Computershare Trust Company of Canada (collectively, the "Debenture Indenture"). The Debentures are subordinated, unsecured obligations of the Company and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on April 30 and October

31 of each year. The Debentures are convertible at any time at the option of the holders into Voting Shares at a conversion price of $16.00 per share. The Debentures will mature on April 30, 2013 and are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “CJT.DB”.

Normal Course Issuer Bids

On November 21, 2008, the Fund received approval from the TSX of its notice of intention to make a normal course issuer bid (the “2008/2009 Unit Bid”) for its Units through the facilities of the TSX from November 25, 2008 to November 24, 2009, in accordance with applicable rules of the TSX. Under the 2008/2009 Unit Bid, the Fund was authorized to purchase for cancellation up to 599,402 Units, representing approximately 10% of the public float of Units issued and outstanding as at November 19, 2008. During the course of the 2008/2009 Unit Bid, the Fund purchased for cancellation 599,402 Units at an average price of $4.01 per Unit.

On March 13, 2009, the Fund announced its intention to make a normal course issuer bid (the “Debenture Bid”) to purchase the Debentures through the facilities of the TSX. The principal amount of Debentures authorized for purchase during the period of the Debenture Bid from March 17, 2009 to March 16, 2010 was up to $3,530,400 principal amount of Debentures, or approximately 10% of the public float outstanding on March 11, 2009. During the course of the Debenture Bid, the Fund purchased and subsequently cancelled an aggregate of $3,519,000 principal amount of Debentures for an aggregate purchase price of $2,854,652.

On December 4, 2009, the Fund announced its intention to make a normal course issuer bid (the “2009/2010 Unit Bid”) to purchase Units through the facilities of the TSX, in accordance with applicable rules of the TSX. The number of Units authorized for purchase during the period of the 2009/2010 Unit Bid from December 8, 2009 to December 7, 2010 was up to 573,620 Units, or approximately 10% of the public float outstanding on November 27, 2009. Daily purchases were limited to 3,311 Units, other than in instances where block purchase exemptions were relied upon. All purchases made pursuant to the 2009/2010 Unit Bid were made through the facilities of the TSX, Alpha Trading Systems, Chi-X Canada or Pure Trading. During the course of the 2009/2010 Unit Bid, the Fund purchased and subsequently cancelled a total of 339,000 Units at an average price of $9.34 per Unit.

Substantial Issuer Bid

On December 3, 2009, the Fund announced that it authorized a substantial issuer bid (the “Substantial Issuer Bid”) to purchase for cancellation up to $15,000,000 principal amount of its outstanding Debentures at a purchase price of $1,010 in cash for every $1,000 principal amount of Debentures, plus a payment in respect of all accrued and unpaid interest outstanding on such Debentures in the amount of $15.62 per $1,000 principal amount of Debentures. An aggregate of $7,476,000 principal amount of Debentures were deposited under the Substantial Issuer Bid for an aggregate purchase price of $7,667,535 and subsequently cancelled.

Acquisition and Divestiture of Cargojet Regional

On May 1, 2008, Cargojet acquired a 51% interest in Prince Edward Air Ltd. (“Prince Edward Air”) for assets valued at $4.2 million and cash of $1.0 million to extend the reach and coverage of its national air cargo network. The operations of Prince Edward Air were combined with the existing Cargojet regional business that was launched in October 2007. The combined regional businesses operated 21 aircraft in Ontario, Québec and Eastern Canada. In July 2009, Cargojet acquired the remaining 49% interest in Prince Edward Air for cash consideration of $1.0 million. This transaction facilitated the further integration of Prince Edward Air’s business with Cargojet’s existing infrastructure to improve Prince Edward Air’s operational and financial performance.

In July 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 (the “SL Partnership”) operated under the trade name “Cargojet Regional” and was owned 55% by Prince Edward Air and 45% by SL Express. Consideration for Cargojet’s interest in the SL Partnership included the transfer of Cargojet’s existing regional contracts valued at $3.9 million.

On July 14, 2010, Cargojet sold its 55% interest in the SL Partnership to SL Express. Proceeds for the sale included a $3.2 million non-interest bearing note receivable over five years, that was reduced by approximately $0.7 million that accounted 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. The note receivable due from SL Express is secured by a first charge on certain aircraft owned by SL Express.

The sale agreement also included the sale of Cargojet's aircraft spare parts and other operating assets that are required by SL Express in the on-going operation of the regional business. The sale of the assets was completed on December 20, 2010. Proceeds for the sale of Cargojet's regional aircraft spare parts and other operating assets comprised of a $2.4 million non-interest bearing note receivable over five years, that was reduced by approximately $0.6 million for amounts due to SL Express that arose when the SL Partnership was originally formed in July 2009. The note receivable due from SL Express is secured by a first charge on certain aircraft owned by SL Express.

The sale of the regional business to SL Express did not include Cargojet's fleet of twelve regional aircraft. Four of the regional aircraft, a Beech 1900 aircraft and three Navajo Chieftain aircraft, are leased to SL Express. The SAAB 340 aircraft is leased to another third party. Two Beech 99 aircraft and one Chieftain aircraft were sold to a third party in early 2011. The remaining three Navajo Chieftain aircraft and the King Air 200 aircraft are currently held for sale or lease.

BUSINESS OF CARGOJET

Overview

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

- Operating a domestic overnight air cargo co-load network between thirteen (13) major Canadian cities each business day.
- Providing dedicated aircraft to customers on an Aircraft, Crew, Maintenance & Insurance ("ACMI") basis, operating between points in Canada and the USA.
- Operating scheduled international routes for multiple cargo customers between the USA and Bermuda, and between Canada and Poland.

Cargojet operates its business across North America transporting over 750,000 pounds of time sensitive air cargo each business night utilizing a total fleet of thirteen all-cargo aircraft. Cargojet'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. Cargojet continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

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

The following table sets out details relating to the ownership, leasing and operation of the freighter aircraft used by Cargojet in providing its time sensitive overnight air cargo services:

Ownership Status	Total Number of Aircraft	Number / Model Type
Owned and operated by Cargojet	7	7 x B727-200
Leased and operated by Cargojet	6	3 x Boeing 727-200 2 x Boeing 767-200ER 1 x Boeing 757-200ER

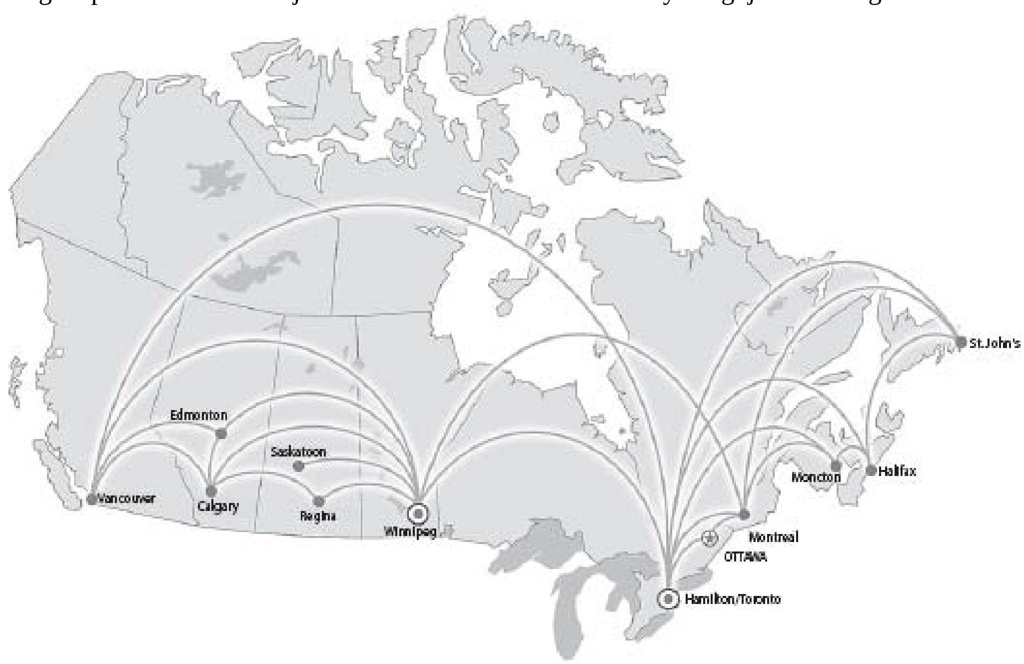
Services

Overnight Network

Cargojet offers its overnight air cargo service between thirteen major cities across Canada each business night. Customers pre-purchase a guaranteed space and weight allocation on Cargojet's network and a corresponding guaranteed daily revenue amount is paid to Cargojet for this space and weight allocation. Remaining capacity is sold on an *ad hoc* basis to contract and non-contract customers. Overflow/oversell traffic is regularly sold to ensure maximum space and revenue capture.

Within its overnight network, Cargojet also provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This revenue helps to support lower demand legs and provides a revenue opportunity with little incremental cost, as Cargojet provides domestic capacity to these international airlines through its existing, regularly scheduled flight network.

The following map illustrates the major cities within Canada serviced by Cargojet's overnight network.



International Air Cargo Services

Cargojet 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. Cargojet also provides aircraft charter services for LOT Polish Airlines for its weekly trans-Atlantic flight between Hamilton, Ontario and Poland.

Dedicated Aircraft Charter

To further enhance its revenues, Cargojet offers a specialty charter service typically in the daytime and on weekends. The charter business targets livestock shipments, military equipment movements, emergency relief supplies and virtually any large shipments requiring immediate delivery across North America, Mexico and the Caribbean. During pre-Christmas peak volume seasons, Cargojet also offers dedicated aircraft to its major courier customers to handle increased United States-Canada premium overnight traffic.

Dedicated ACMI Contracts

Cargojet provides and operates dedicated aircraft on an ACMI basis. This service involves providing a dedicated aircraft on a dedicated route where the customer is responsible for all costs of the operation including fuel, navigation fees, landing fees, cargo handling and all other commercial activities. Minimum guaranteed revenues are part of the contract.

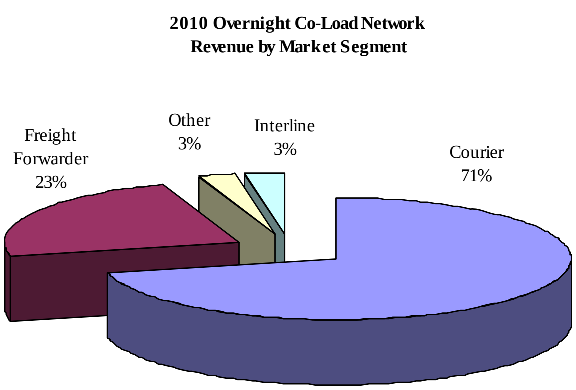
Specialized Skill and Knowledge

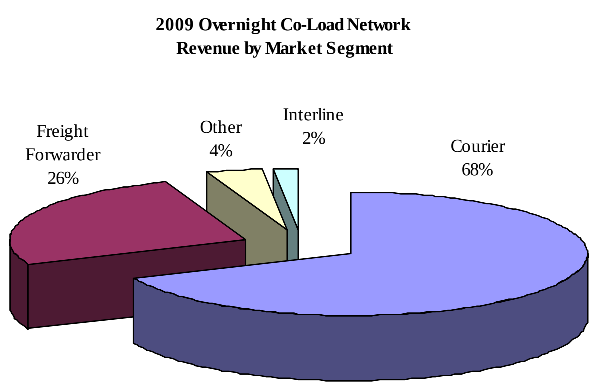
Cargojet operates in an industry that requires specialized skills and knowledge. Cargojet employs individuals who possess specific technical knowledge and experience in the areas of aircraft operation, aircraft maintenance, flight planning, flight dispatch, crew planning, crew training, ground handling and commercial airline cargo management. Cargojet has not experienced material difficulty in recruiting and retaining appropriate staff to carry out its operations.

Customers

A key factor in the success of Cargojet lies in its long standing relationships and long term contracts with its customer base. Cargojet's customer base is comprised of major couriers, freight forwarders, manufacturers, specialty shippers and international airlines. Cargojet also handles the time sensitive shipment needs of customers including pharmaceutical, perishable, seafood, agriculture, hi-tech, garment, precious metals and chemical companies. Cargojet's 10 largest customers accounted for approximately 75% of revenues in 2010 and approximately 80% of revenues in 2009. Management believes that Cargojet is the exclusive overnight air cargo provider to most of its customers on Canadian routes.

The following charts illustrate revenue by customer segment on Cargojet's overnight co-load network for the years ended December 31, 2010 and December 31, 2009 excluding fuel and other surcharges:





Competition

Cargojet faces competition within its market from a mix of dedicated air cargo providers and passenger airlines offering air cargo services using the cargo holds of their aircraft. Cargojet's main competitors are Kelowna Flightcraft and Morningstar Air Express Inc., which operate an exclusive overnight network for two large courier companies in Canada. They typically do not offer guaranteed space to others (i.e., their competitors) on their network. Canadian domestic airlines offer air cargo services on their passenger flights by using excess belly cargo capacity of their aircraft. However, their networks and service standards do not provide a competitive alternative for customers in the time sensitive overnight air cargo market. These commercial airlines do not have the capability of handling heavy, palletized cargo nor are they able to handle specialty or perishable freight.

Facilities

As Cargojet provides air cargo services across Canada, offices and locations have been strategically located in each of the 13 city centers to meet customer's needs and requirements. All of Cargojet's facilities are leased, with the exception of its aircraft hangar in Hamilton, which is owned. Eight of these facilities are bonded by Canada Customs allowing international cargo to terminate or transit through the warehouse facility. Cargojet's facilities across Canada are equipped with cargo handling equipment in addition to aircraft handling equipment. Hamilton is the main hub of Cargojet's operations and is equipped to handle all types of cargo starting with truck offload to transfer and on-load onto aircraft.

The terms of Cargojet's main facilities leases are summarized below.

Facility	Expiration Date	Remaining Renewal Option
Mississauga, ON (Cargojet head office)	August 31, 2014	None
Hamilton, ON (land rent)	July, 2019	Three five year renewal options plus one renewal option for approximately 2 years.
Montreal, QB	June 30, 2012	Automatic renewal every year after expiry unless 6 months notice to terminate lease provided.
Halifax, NS	April 30, 2013	Two one-year renewal options.
Moncton, NB	November 30, 2011	One two-year renewal option.
Winnipeg, MB	April 30, 2015	None
Calgary, AB	June 30, 2012	None
Edmonton, AB	June 30, 2012	None
Richmond, BC	April 30, 2015	None

Total monthly lease payments for Cargojet's material leases and offices and warehouses associated therewith are approximately $144,000 and all of the lease agreements are in good standing.

In October 2008, Cargojet purchased a warehouse and office building at the Hamilton International Airport for approximately $1.0 million plus applicable taxes. In April 2009, Cargojet completed construction of a large hangar facility at the Hamilton International Airport adjacent to its existing smaller hangar, to accommodate the B767 and B757 wide-body aircraft. The land upon which the new hangar was constructed is leased from the Hamilton Airport Authority. In November 2010 Cargojet leased its existing smaller hangar to a third party for a term of five years for with a purchase option at the end of the term.

Cargojet Equipment

Cargojet operates a fleet of thirteen all-cargo aircraft. The maximum payload, range, age and applicable lease termination information for each aircraft type is summarized in the table below:

Number and Type of Freighter Aircraft	Leased / Owned	Max. Payload (lbs)	Range (miles)	Age	Lease Detail
2 x Boeing 767-200ER	Leased	100,000	5,000	26	Leases expire in 2015. No early termination.
1 x Boeing 757-200ER	Leased	80,000	3,900	21	Lease expires in 2015. No early termination.
3 x Boeing 727-200	Leased	60,000	1,800	30	Leases expire in 2012. Two 727s have early termination with 60 days notice and one 727 has early termination with 6 months notice.
7 x Boeing 727-200	Owned	60,000	1,800	31	N/A

All aircraft meet Transport Canada and FAA Stage III noise abatement guidelines enabling unrestricted operation across North America. Total monthly lease payments for Cargojet's aircraft leases are approximately $1 million and all of the lease agreements are in good standing.

All aircraft are maintained under Transport Canada and the manufacturers' approved maintenance programs incorporating periodic service checks. Cargojet's B767, B757 and B727 aircraft are also required to undergo comprehensive heavy maintenance checks every 18 to 24 months. Cargojet is recognized by Transport Canada as an "Approved Maintenance Organization" and all aircraft maintenance service is performed in house except for the heavy maintenance checks.

Cargojet also owns a fleet of regional aircraft that are held for sale or lease. The maximum payload, range, age and applicable lease termination information for each aircraft type is summarized in the table below:

Number and Type of Aircraft	Max. Payload (lbs)	Range (miles)	Age	Status
1 x SAAB 340	8,000	1,200	25	Leased to a third party
1 x Beech King Air 200	2,400	1,000	35	Held for sale or lease
1 x Beech 1900	4,500	1,000	24	Leased to a third party
7 x Navajo Chieftain	1,500	800	35	3 aircraft are leased to a third party 3 aircraft are held for sale or lease 1 aircraft was sold in February 2011
2 x Beech 99	3,000	1,000	42	Sold to a third party in January 2011

Regulation

Domestic Services

Transport Canada and the Canadian Transportation Agency (the "CTA") regulate the transportation industry in Canada. Cargojet (through Airways) holds an Air Operators Certificate issued by Transport Canada for the operation of its aircraft. It is also licensed by the CTA to operate domestic, transborder and international all-cargo and passenger operations. Cargojet has successfully passed periodic audits by both Transport Canada and the CTA and maintains excellent relationships with both regulatory bodies. Since 1996, air navigation services in Canada have been provided by NAV Canada, a privatized company. In addition, all major Canadian airports are operated by local airport authorities that are also privatized companies.

Cargojet is also a member in good standing of the International Air Transport Association (IATA), the Air Transport Association of Canada (the "ATAC"), the Canadian International Freight Forwarders Association (CIFFA), the International Air Cargo Association (TIACA) and the Canadian Courier & Logistics Association (CCLA).
Under the Act, there is free market entry provided a carrier can show that: (i) it is "Canadian", defined in the Act as being controlled in fact by Canadians and having at least 75% of its voting interests owned and controlled by Canadians; (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

In February 1995, a new air services agreement, the Open Skies Agreement, was implemented between Canada and the United States, replacing the previous bilateral agreement, which restricted market access. This new agreement gave Canadian air carriers unlimited route rights to provide "own aircraft" services between Canada and the United States. The carriage of local traffic between points within one country by carriers of the other country continues to be prohibited.

International Services

Scheduled international air services are regulated by the Canadian and foreign governments involved. The Minister of Transport has the authority to designate which Canadian air carriers may serve scheduled international routes. International route rights are obtained through bilateral negotiations between Canada and foreign countries. Bilateral agreements provide for the rights which may be exercised over agreed routings and the conditions under which the carriers may operate, including, among others, the number of carriers which may operate, the capacity and/or flight frequencies that may be provided and the controls over tariffs to be charged. Most bilateral agreements to which Canada is a party provide for the designation of more than one Canadian carrier, while some provide for the designation of only one Canadian air carrier. In general, bilateral agreements between Canada and European countries are more liberal in terms of controls on capacity and flight frequencies than those between Canada and Asian countries.

In February 2001, the Minister of Transport announced the launch of an international air services policy review to address competition in the international market with the release of a consultation document for stakeholder review and comment. The objective of this review was to liberalize Canada's policy for scheduled international air services, including how Canada approaches the negotiation and management of air traffic rights with other countries. In May 2002, the Minister of Transport introduced a liberalized multiple designation policy applicable to scheduled international air services by Canadian carriers (excluding services to the United States). Amendments negotiated between Canada and the United States reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including Cargojet to establish domestic routes within the US.

On November 27, 2006, a new international air transportation policy called the Blue Sky Policy was announced by the Government of Canada to help further connect Canadians to each other and to the world. The Government of Canada's international air policy is encouraging the development of new markets, new services and greater competition. For travelers, this means more choices in terms of destinations, flights and routes. Canada's 2002 multiple designation policy will continue to apply. This policy facilitates both the designation of all Canadian carriers wishing to operate scheduled services in international markets and the allocation of rights in cases where designations are limited and/or unused under our bilateral agreements.

In addition to holding valid Canadian operating certificates, Cargojet also holds a valid Foreign Air Operators Certificate issued by the U.S. Federal Aviation Authority and is licensed by the U.S. Department of Transportation to operate all cargo and passenger operations in and out of the United States. The CTA licences do not expire once issued, but are subject to revocation or suspension in certain circumstances in accordance with the provisions of the Act and regulations made thereunder. Each year, Cargojet is required to submit a declaration of continuance of qualifications to the CTA to maintain its licence. The United States of America Department of Transportation license is renewed annually in April of each year. In addition, the United States of America Federal Aviation

Administration Foreign Air Operators Certificate does not expire but is subject to revocation or suspension in certain circumstances in accordance with U.S. Federal Aviation Authority regulations.

Charter Services

Charter operations are generally not covered by bilateral agreements, although charter services are covered under the Canada-U.S. Open Skies Agreement. Canadian government policy permits any Canadian carrier to operate charter services between Canada and any point in the world subject to prior approval of the Canadian and other appropriate regulatory authorities.

Security Initiatives

Cargojet maintains a security program that is aligned with Transport Canada regulations and the regulatory bodies of other countries such as the U.S. Department of Homeland Security (DHS). Cargojet continues to be compliant with the specific standards and communication protocols required by all countries in which Cargojet operates. Cargojet's security system are integrated with the processes and requirements of Transport Canada, the Transportation Security Administration (the "TSA") and the IATA Operational Safety Audit (the "IOSA").

In 2010, Transport Canada introduced changes to the regulatory framework for air cargo security in Canada that outline new requirements for airlines operating in Canada. Cargojet is compliant with these new measures. Transport Canada maintains a secure website that communicates directly with an assigned representative of each airline in Canada. The system allows Transport Canada and external stakeholders to exchange information in a secure and timely manner. The system allows external stakeholders to access regulatory and non-regulatory security information, and also provides Transport Canada with another channel for consulting stakeholders in a secure and timely manner. These measures are security-sensitive under the Aeronautics Act, which means that the actual measures are not public documents and are given, on a need-to-know basis, to stakeholders responsible for using them.

The TSA has specific requirements for Cargojet to ensure that its operation is aligned with the TSA's overall security requirements. These requirements are managed through the TSA's All Cargo International Security Program (the "ACISP"). The program enables secure communication between the TSA and the ACISP carrier to ensure that any emergency amendments or regulatory changes are disseminated in a timely manner.

The IOSA Certification standard compliments the internal Cargojet security program and its audits of station and training programs. In 2010, a full base audit of all stations in Canada and U.S. was completed, and with the continual improvement commitment Cargojet can ensure continued compliance. Cargojet remains vigilant in its security program and utilizes the membership in the ATAC and National Air Cargo Security Training & Awareness Committee to share best practice and regulatory changes.

Seasonality

Traditionally, Cargojet has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of Cargojet will affect the reported quarterly financial results of operations of Cargojet.

Economic Dependence

During the twelve month period 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 of these customers had sales in excess of 10% of total revenues during 2010 and 2009.

Employees

Cargojet currently employs approximately 353 employees, 41 in administration, 166 in airline operations and 147 in cargo operations. Management believes that relations with its employees are excellent. None of Cargojet's employees are unionized and Cargojet has never experienced a work stoppage.

DIVIDENDS AND DISTRIBUTIONS

The Fund made cash distributions of $0.504, $0.836 and $0.983 per Unit for the financial years ended 2010, 2009 and 2008, respectively. Cash distributions to unit holders of the Fund were based on all amounts received by the Fund, including interest, dividends, redemption proceeds, purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the Trustees, and amounts related to the redemption of Units payable in cash.

In February 2011, Cargojet established a dividend policy providing for the payment of a monthly dividend payable on or before the 15th day of the next month, subject to Board approval. As of the date hereof, Cargojet has paid a cash dividend of $0.042 per Voting Share for the period from January 1st to January 31st, and has declared a cash dividend of $0.042 per Voting Share for the period from February 1st to February 28th payable on or before March 15th. The board of directors (the "Board") of the Company intends to review its dividend policy periodically in the context of the Company's overall profitability, free cash flow, regulatory capital requirements and other business needs.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common voting shares (the "Common Voting Shares"), an unlimited number of variable voting shares (the "Variable Voting Shares") and an unlimited number of preferred shares (the "Preferred Shares"). As at the date hereof, there were 7,755,271 Common Voting Shares, 238,145 Variable Voting Shares and no Preferred Shares issued and outstanding. The summary below describes the rights, privileges, restrictions and conditions attached to the Common Voting Shares, Variable Voting Shares and Preferred Shares, which is qualified in its entirety by the Articles of Incorporation of the Company, a copy of which is available on SEDAR at www.sedar.com.

Common Voting Shares

Exercise of Voting Rights

The holders of Common Voting Shares will be entitled to receive notice of, and to attend and vote at all meetings of shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the OBCA. Each Common Voting Share shall confer the right to one vote at all meetings of shareholders.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any class of the Company's shares ranking prior to the Common Voting Shares, holders of Common Voting Shares are entitled to receive any dividends that are declared by the Company's directors at the times and for the amounts that the Board may, from time to time, determine. The Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends declared shall be declared in equal or equivalent amounts per share on all Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Common Voting Shares shall occur unless simultaneously, the Variable Voting Shares are subdivided or consolidated in the same manner so as to maintain and preserve the respective rights of the holders of each of these classes of shares.

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to any class of shares ranking prior to the Common Voting Shares, in the case of liquidation, dissolution or winding-up of the Company, the holders of Voting Shares are entitled to receive the Company's remaining property and are entitled to share equally, share for share, in all distributions of such assets.

Constraints on Share Ownership and Conversion of Common Voting Shares to Variable Voting Shares

The Common Voting Shares may only be owned and controlled by Canadians. Each issued and outstanding Common Voting Share shall be automatically converted into one Variable Voting Share if such Common Voting Share is or becomes owned or controlled, directly or indirectly, by a non-Canadian.

Variable Voting Shares

Exercise of Voting Rights

The holders of Variable Voting Shares will be entitled to receive notice of, to attend and vote at all meetings of shareholders, except those at which the holders of a specific class are entitled to vote separately as a class under the OBCA.

Variable Voting Shares will 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 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 cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share in such circumstances shall decrease automatically without further act or formality to equal the maximum permitted vote per Variable Voting Share such that (a) in the circumstance described in paragraph (i) above, the Variable Voting Shares as a class shall be restricted to 25% of the aggregate votes attached to all issued and outstanding Voting Shares and (b) in the circumstance described in paragraph (ii) above, the number of votes cast by all holders of Variable Voting Shares at such shareholders' meeting, shall be 25% of the total number of votes cast at such meeting.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of the Company's shares ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by the Company's directors at the times and for the amounts that the Board may, from time to time, determine. The Variable Voting Shares shall rank equally with the Common Voting Shares as to dividends on a share-for-share basis. All dividends shall be declared in equal or equivalent amounts per share on all Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares shall occur unless simultaneously, the Common Voting Shares are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to the other classes of the Company's shares ranking prior to the Variable Voting Shares, in the case of liquidation, dissolution or winding-up of the Company, the holders of Voting Shares are entitled to receive the Company's remaining property and are entitled to share equally, share for share, in all distributions of such assets.

Constraints on Share Ownership and Conversion of Variable Voting Shares to Common Voting Shares

Variable Voting Shares may only be owned or controlled by non-Canadians. Each issued and outstanding Variable Voting Share shall be automatically converted into one Common Voting Share if (i) such Variable Voting Share is or becomes owned and controlled by a Canadian; or if (ii) a holder of a Variable Voting Share subsequently becomes a member of any class of persons, which class of shareholders is not restricted under the laws of Canada from owning shares of the Company or from holding a specified percentage (or part) of all issued and outstanding shares in the capital of the Company.

Preferred Shares

The holders of Preferred Shares are not entitled as such to any voting rights at any meeting of the shareholders, subject to applicable law.

The Board may at any time fix the rights, privileges, restrictions and conditions attached to any series of Preferred Shares in respect of which series no Preferred Shares are then issued and outstanding, provided only that in all circumstances the Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to dividends and to the return of capital.

Unless otherwise fixed by the Board, the Preferred Shares shall be entitled to a preference over the Common Voting Shares and the Variable Voting Shares, and over any other shares of the Company ranking junior to the Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs.

If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards payment of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences over the Common Voting Shares and the Variable Voting Shares and any other share ranking junior to the Preferred Shares.

MARKET FOR SECURITIES

Trading Price and Volume

During the 12 month period ended December 31, 2010, the Units were listed on the TSX under the symbol "CJT.UN" and in connection with the Arrangement were subsequently delisted from the TSX on January 6, 2011. The following table sets forth information relating to the trading of the Units on the TSX for the months indicated:

Month	Units High ($)	Units Low ($)	Units Volume
January 2010	10.48	9.00	538,832
February 2010	10.14	9.39	198,823
March 2010	9.89	7.49	1,163,676
April 2010	8.45	7.53	488,135
May 2010	8.00	5.55	350,477
June 2010	6.57	5.95	211,493
July 2010	7.33	6.10	123,994
August 2010	7.60	6.86	69,710
September 2010	8.01	7.07	404,694
October 2010	8.25	7.42	392,159
November 2010	8.50	7.95	108,978
December 2010	8.49	7.80	286,404
January 1 to January 5, 2011	8.75	8.60	20,781

In connection with the Arrangement, the Common Voting Shares and Variable Voting Shares began trading on the TSX on January 6, 2011 under the symbols "CJT" and "CJT.A", respectively. The following table sets forth information relating to the trading of the Common Voting Shares and Variable Voting Shares on the TSX for the periods indicated:

Month	Common Voting Shares			Variable Voting Shares		
	High ($)	Low ($)	Volume	High ($)	Low ($)	Volume
January 6 to 31, 2011	9.31	8.50	118,445	8.75	8.75	none
February 1 to 18, 2011	9.27	8.25	94,313	8.25	8.25	1,500

The Debentures are listed on the TSX under the symbol "CJT.DB". The following table sets forth information relating to the trading of the Debentures on the TSX for the months indicated:

Month	Debentures High ($)	Debentures Low ($)	Debentures Volume ($)
January 2010	105.00	100.50	438,000
February 2010	103.95	101.00	210,000
March 2010	104.90	95.01	347,000
April 2010	102.00	101.00	92,000
May 2010	102.00	100.50	45,000
June 2010	101.00	100.00	195,000
July 2010	100.51	100.00	144,000
August 2010	102.00	100.60	188,000
September 2010	102.00	101.50	82,000
October 2010	102.00	101.25	335,000
November 2010	103.00	101.00	222,000
December 2010	105.00	101.00	238,000
January 2011	105.00	100.00	136,000
February 1 to 18, 2011	109.25	101.00	262,000

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holding

The following table sets out, for each of the current directors and executive officers of Cargojet, the individual's name, province and country of residence, positions with Cargojet and principal occupation. The term of office for each of the directors of Cargojet will expire at the next annual meeting of shareholders of Cargojet currently scheduled for April 28, 2011. As at the date hereof, the directors and executive officers of Cargojet as a group beneficially own, directly or indirectly, 1,587,671 Voting Shares (19.9%) of the Company. The information as to Voting Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective directors, and executive officers individually.

Name and Province/Country of Residence	Position with the Company	Principal Occupation[1]	Position with the Company Since	Voting Shares Beneficially Owned, Controlled or Directed (#/%)
John P. Webster [2][4][5] Ontario, Canada	Director	President and Chief Executive Officer of Scotia Mortgage Corporation	2005	4,000/0.05%
Terence M. Francis[2][3][4] British Columbia, Canada	Director	Principal of T.&T.G. Consulting (SA) Ltd.	2005	3,340/0.04%
Paul V. Godfrey[2][3][4] Ontario, Canada	Director	President and Chief Executive Officer of Postmedia Network since July 2010. President and Chief Executive Officer National Post from January 2009 to July 2010. President and Chief Executive Officer of the Toronto Blue Jays Baseball Club from 2000 to 2008.	2009	3,000/0.04%
Ajay Virmani[6] Ontario, Canada	Chairman, President, Chief Executive Officer and Director	Chief Executive Officer of Cargojet	2005	1,400,000/17.5%
Jamie Porteous[3] Ontario, Canada	Executive Vice- President, Sales and Service and Director	Executive Vice- President, Sales and Service of Cargojet	2005	161,507/2.02%
John Kim Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Cargojet since April 1, 2010. Vice-President Finance of Cargojet from April 2008 to April 1, 2010 Vice-President Finance of CHUM Ltd. from 2006 to 2007. Vice-President Finance of Royal LePage Relocation Services Ltd. from 2002 to 2006.	2008	12,174/0.15%
George Sugar Ontario, Canada	Senior Vice-President, Flight Operations and Officer	Senior Vice-President, Flight Operations of Cargojet since January 2006. Prior to January 2006, Chief Pilot of Cargojet.	2005	2,650 / 0.03%

Name and Province/Country of Residence	Position with the Company	Principal Occupation[1]	Position with the Company Since	Voting Shares Beneficially Owned, Controlled or Directed (#/%)
Paul Rinaldo Ontario, Canada	Vice-President Engineering and Maintenance	Vice-President Engineering and Maintenance of Cargojet since May 2008. Prior to May 2008, Director Technical Operations of Cargojet.	2005	1,000/0.01%

Notes:

(1) Unless otherwise indicated, each of the foregoing individuals has been principally engaged in the occupations set out opposite his name for the preceding five years.

(2) Member of the Compensation and Nominating Committee. Mr. Godfrey is Chairman of the Compensation and Nominating Committee.

(3) Member of the Corporate Governance Committee. Mr. Francis is Chairman of the Corporate Governance Committee.

(4) Member of the Audit Committee. Mr. Webster is Chairman of the Audit Committee.

(5) Lead director of the Company.

(6) Chairman of the Board.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity:

(i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(ii) was subject to an event that resulted, after the Trustee, director or executive officer ceased to be a director, chief executive officer or chief financial officer in the relevant company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

except as follows:

On December 17, 2002, Flagship International Marketing Ltd. ("FIML") voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Ajay Virmani was a shareholder and director of FIML. Mr. Virmani and a former officer of the GP represented approximately 76% of creditor claims. The Fuller Landau Group Inc. acted as trustee of FIML. On December 21, 2006, Starjet Airways Ltd. ("SAL") voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Mr. Virmani and Jamie Porteous were officers and directors of SAL. The Virmani Family Trust and The Porteous Family Trust were shareholders of SAL. The Fuller Landau Group Inc. acted as trustee of SAL.

Paul Godfrey was President and Chief Executive Officer of the National Post Inc., which was part of CanWest when it voluntarily entered into Companies' Creditors Arrangement Act ("CCAA") protection and successfully obtained an order from the Ontario Superior Court of Justice (Commercial Division) commencing proceedings under the CCAA on October 6, 2009. The National Post was outside creditor protection under the CCAA proceedings, and on October 31, 2009 was transferred from the media conglomerate's holding company Canwest Media Inc. to a new subsidiary of the publishing group. The National Post was acquired by Postmedia Network in July 2010.

No director or executive officer of the Company has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Conflicts of Interest

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between Cargojet and any director or officer of the Company, except that certain of such directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of such other companies.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts, and the Company will rely upon such laws in respect of any directors' or officers' conflicts or in respect of any breaches of duty by any of its directors and officers.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee's mandate is to provide assistance to the Board in fulfilling its financial reporting and control responsibility to the shareholders and the investment community.
The Audit Committee Charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The Audit Committee is comprised of the three directors, all of whom are independent and financially literate. The members of the Audit Committee are Terence Francis, Paul Godfrey and John Webster.

Relevant Experience

<u>Terence Francis:</u>

Mr. Francis is a graduate of the Harvard Business School Advanced Management Program. He is the principal of T.&T.G.(SA) Consulting Ltd. and has served as a corporate officer and senior executive of Canadian Airlines Corporation.

<u>Paul Godfrey:</u>

Mr. Godfrey currently serves as the President and Chief Executive Officer of Postmedia Network Inc., the Chairman of RioCan Real Estate Investment Trust, the Chairman of the Ontario Lottery and Gaming Corp., and serves as a director in Astral Media Inc. and Mobilicity. First elected to public office in 1964, Mr. Godfrey served as Chairman of the Metropolitan Toronto Council from 1973 to 1984. In 1984 Mr. Godfrey joined the Toronto Sun as Publisher and CEO and served as President and Chief Executive Officer of the Sun Media Corporation from 1992 to 2000. Mr. Godfrey has also served as the President and Chief Executive Officer of the Toronto Blue Jays Baseball Club from 2000 to 2008. Mr. Godfrey graduated from the University of Toronto with a Bachelor of Applied Science in Chemical Engineering.

<u>John Webster:</u>

Mr. Webster has been the President and Chief Executive Officer of Scotia Mortgage Corporation since 2006. Mr. Webster has also been the President and Chief Executive Officer of Maple Trust Company since 1989. Maple Trust Company was acquired by Scotia in 2006. He has been the Chief Executive Officer and previously, the Chief

Operating Officer, for regulated financial institutions for over twenty years. During such time Mr. Webster has participated in overseeing numerous internal and external audits as a member of senior management and as a board member. Mr. Webster's current and previous directorships include Maple Trust Company, Scotia Mortgage Corporation, Filogix Inc. and Dundee Financial Corporation. Mr. Webster received an Honours BA from Wilfred Laurier University and an LL.B and B.L.L. from McGill University.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its external auditors or the external auditors of the Company's subsidiary entities.

External Fees by Audit Category

	Year ended December 31, 2010		Year ended December 31, 2009	
Audit Fees	$	224,349	$	249,667
Audit-Related Fees		7,950		3,180
Tax-Related Fees		287,235		153,795
All Other Fees		-		21,200
Total Fees	$	519,534	$	427,842

PROMOTER

Ajay Virmani, Chairman, President and Chief Executive Officer of the Company, may be considered to be a promoter of the Company by reason of his initiative in organizing the business and affairs of the Fund. Mr. Virmani is a beneficiary and one of three trustees of the Virmani Family Trust. The Virmani Family Trust currently owns and/or controls 1,400,000 Common Voting Shares, representing approximately 17.5% of the Voting Shares. See also "General Development of the Business".

LEGAL PROCEEDINGS

The Company is not aware of any legal proceedings or regulatory actions to which the Company is a party or of which any of the Company's properties are subject, nor have any such proceedings or actions been pending during the Company's most recently completed financial year. In addition, no such proceedings or actions are currently known by the Company to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out herein, no director, executive officer or principal securityholder of the Company and its subsidiaries or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date hereof that has materially affected or will materially affect the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Voting Shares is Computershare Investor Services Inc. at its principal transfer office in Toronto. The trustee for the Debentures is Computershare Trust Company of Canada at its principal transfer office in Toronto.

MATERIAL CONTRACTS

The only contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and were entered into in the financial period ended December 31, 2010, or in prior years that are still in effect are as follows:

Amended and Restated Securityholders Agreement

Except for a transfer to a party to the Amended and Restated Securityholders Agreement or a transfer pursuant to the Exchange Agreement, before a transfer of a unit of the Partnership or a common share of the GP by any party, the transferee of such unit or share, as the case may be, must agree to be bound by the Amended and Restated Securityholders Agreement and upon such transfer will assume the benefits and obligations of the transferring party, except that the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust (each a "**Vendor**" and collectively, the "**Vendor Group**") may not assign its rights to any person that is not a member of the Vendor Group.

For so long as the percentage of the issued and outstanding Voting Shares, on a diluted basis, held by the Vendor Group is at least 20%, each of the Company and the GP cannot cause or permit the Partnership or any of its subsidiaries to undertake any of the following transactions without the prior written consent of the Vendor Group: (a) change the size of the board of directors of the GP; (b) the sale, assignment, lease, exchange or other disposition of all or substantially all of the assets of the Partnership or any of its subsidiaries (otherwise than in connection with an internal reorganization); (c) any amalgamation, merger, consolidation, plan of arrangement or other business combination or joint venture of the Partnership or any of its subsidiaries with any other entity (otherwise than in connection with an internal reorganization); (d) the acquisition by the Partnership or any of its subsidiaries of any material assets or any material interest in another business; (e) the issuance by the Partnership or any of its subsidiaries of additional units or other equity or equity-linked security, other than in the ordinary course of business; (f) the incurrence of indebtedness by the Partnership or any of its subsidiaries other than in the ordinary course of business; (g) any change to the constating documents of the Partnership, the GP or any of their subsidiaries; (h) any change of the lawyers, auditors or bankers of the Partnership; or (i) the adoption, by the Partnership or any of its subsidiaries, of any plan or proposal to liquidate, dissolve or reorganize or seek relief under bankruptcy or insolvency laws, other than in connection with an internal reorganization.

The Amended and Restated Securityholders Agreement may only be modified, amended, altered, waived or supplemented with the written approval of each Vendor, save and except for (i) amendments to cure any ambiguity or to correct or supplement any provisions which are defective or inconsistent with any other provision of the Amended and Restated Securityholders Agreement, provided that the cure, correction or supplemental provision does not and will not adversely affect the interests of any Vendor, or (ii) amendments to ensure that the GP and the Partnership are in compliance with the Canadian Ownership and Control Provisions (as defined in the Amended and Restated Securityholders Agreement) as they relate to the GP, the Partnership, their subsidiaries and their owners.
The Securityholders Agreement will continue in force until the percentage of the issued and outstanding Voting Shares, on a diluted basis, held by the Vendor Group is less than 10%. The Partnership Agreement will remain in effect notwithstanding any termination of the Securityholders Agreement;

Debenture Indenture

See "General Development of the Business – Debenture Offering".

Credit Facility

See "General Development of the Business – Credit Facility".

The foregoing documents are filed on SEDAR at www.sedar.com. Copies of the foregoing documents may also be examined during normal business hours at the head and registered office of the Company located at 350 Britannia Road East, Units 5 and 6 Mississauga, Ontario L4Z 1X9.

INTERESTS OF EXPERTS

The auditors of the Company are Deloitte & Touche LLP, Chartered Accountants, Toronto, Ontario. Cargojet's consolidated annual financial statements for the period ended December 31, 2010 was filed under National Instrument 51-102 – *Continuous Disclosure Obligations* in reliance on the report of Deloitte & Touche LLP, Chartered Accountants, given on their authority as experts in auditing and accounting. Deloitte & Touche LLP has confirmed to the Company that it is independent within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Additional information, including the remuneration and indebtedness of directors and officers of Cargojet and the principal holders of Cargojet's securities, is contained in Cargojet's information circular for its most recent annual meeting of shareholders. Additional financial information is provided in Cargojet's financial statements and management's discussion and analysis for the period ended December 31, 2010.

RISK FACTORS

The following are certain factors relating to the business of the Company and its subsidiaries and the industry and structure of the Company.

Risks Related to the Business

Loss of Key Contracts

The Company's 10 largest customers accounted for approximately 75% of 2010 revenues of the Company and the Company's top two customers each accounted for over 10% of the Company's 2010 revenues. The loss of any one of these significant contracts of the Company would cause immediate disruption and would adversely affect the Company's revenues. Any such loss of a significant contract would have an adverse effect on the results of operations of the Company and there is no assurance that the Company would be able to replace the loss of any significant contract with another customer on terms as favourable as the Company's existing contracts. If the Company's relationship with its customers or the financial health of the customers were to be negatively affected, the Company's financial results could suffer.

Most of the Company's contracts with its customers are for a term of three to five years with the ability to terminate generally upon six to twelve months notice or if the Company is not meeting specified performance targets. When these contracts expire, there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favourable to the Company as existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition.

Canada — US Open Skies

The current Canada — US "Open Skies" agreement provides regulation of the airline industry, including the air cargo industry, within Canada and currently provides protection of domestic national carriers in each country. The agreement allows cross-border flights between Canada and the United States but provides major restrictions on carriers from operating flight routes between two points within the other's country. The most recent amendments negotiated between the two countries reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including the Company to establish domestic routes within the US. There is no assurance that this "Open Skies" agreement will continue in its present form in the future. Increased competition resulting from the liberalization or revocation of this agreement could affect the Company's ability to compete for a market share, which in turn could have a material adverse effect on the Company's business, results of operations or financial condition.

Competition

The Company competes within the industry of air-cargo courier services with other dedicated air cargo carriers. In addition, the Company competes for market share with motor carriers, express companies and other air couriers and airlines who offer cargo services on their regularly scheduled passenger flights. In addition to competition from competitors, new companies may enter the domestic air cargo industry and may be able to offer services at discounted rates. Concentrating only on the air cargo industry does not allow the Company to compete in different modes of freight transportation which may provide a cheaper alternative to air cargo. The Company's inability to compete for a market share of the air cargo industry under these circumstances would have a material adverse effect on the Company's business, results of operations or financial condition.

Government Regulations

The Company's operations are subject to complex aviation, transportation, environmental, labor, employment and other laws, treaties and regulations. These laws and regulations generally require the Company to maintain and comply with a wide variety of certificates, permits, licenses and other approvals. The Company's inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, could result in substantial fines or possible revocation of its authority to conduct operations.

The Company is routinely audited by various regulatory bodies including Transport Canada and the CTA to ensure compliance with all flight operation and aircraft maintenance requirements. To date, the Company has successfully passed all audits, however, there can be no assurance that the Company will pass all audits in the future. Failure to pass such audits could result in fines or grounding of the aircraft which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company is subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, the Company may incur costs to clean up contamination present on, at or under its facilities, even if such contamination was present prior to the commencement of the Company's operations at the facility and was not caused by its activities which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company cannot provide any assurance that existing laws, agreements, treaties or regulations will not be revised or that new laws, agreements, treaties or regulations, which could have an adverse impact on the Company's operations, will not be adopted or become applicable to the Company. For example, the Company's aircraft currently meet Transport Canada and FAA Stage III noise abatement guidelines. Any future implementation of Stage IV noise abatement guidelines would require the Company to incur expenses to ensure its aircraft meet such guidelines which expenses could negatively impact the Company's earnings. The Company also cannot provide any assurance that it will be able to recover any or all increased costs of compliance from its customers or that the business and financial condition of the Company will not be adversely affected by future changes in applicable laws and regulations.

Insurance

Cargojet's operations are subject to risks normally inherent in the air-cargo industry, including potential liability which could result from, among other circumstances, personal injury or property damage arising from disasters, accidents or incidents involving aircraft operated by Cargojet or its agents. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of Cargojet. There can be no assurance that insurance coverage will be sufficient to cover one or more large claims, or that the applicable insurer will be solvent at the time of any covered loss. There can be no assurance that the Company will be able to obtain insurance at acceptable levels and costs in the future. Cargojet may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies. The occurrence of an aircraft-related accident or mishap involving the Company could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, Cargojet does not carry any business interruption insurance.

Maintaining Leased Aircraft and Availability of Future Aircraft

The Company currently owns nineteen and leases twenty-one of its aircraft. The success of the Company will depend, in part, on its ability to replace owned aircraft when necessary and to maintain favourable leases for its leased aircraft. There can be no assurance that the Company will be able to lease or purchase aircraft in the future on acceptable terms or to maintain favourable leases for its aircraft and such risk could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business of Cargojet – Overview" and "Business of Cargojet – Cargojet Equipment".

Fixed Costs

The Company is subject to a high degree of operating leverage. Since fixed costs comprise a proportion of the operating costs of each flight route, the expenses of each flight route do not vary proportionately with the amount of shipments that the Company carries. Accordingly, a decrease in the Company's revenues could result in a disproportionately higher decrease in the Company's earnings as expenses would remain unchanged.

Fuel Prices

The Company requires significant quantities of fuel for its aircraft. The Company is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, which has increased dramatically over the past few years, refining costs, and the cost of delivering the fuel. Although the Company historically has implemented fuel surcharges to mitigate the earnings impact of unusually high fuel prices, competitive and other pressures may prevent the Company from passing these costs on to its customers in the future. The Company cannot provide any assurance that its supply of fuel will continue uninterrupted, that rationing will not be imposed or that the prices of, or taxes on, fuel will not increase significantly in the future. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought. Increases in prices that the Company is unable to pass on to its customers would have a material adverse effect on the Company's business, results of operations or financial condition.

Costs Related to Mechanical and Maintenance Problems and Replacement of Equipment and Parts

Although costs related to mechanical problems and to maintenance for Cargojet's aircraft have been forecasted and funded pursuant to its leasing arrangements and maintenance agreements, the actual costs may be higher than those anticipated. Unexpected repairs relating to mechanical problems and to maintenance are beyond the control of the Company and may have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the ability of the Company to obtain equipment and replacement parts on satisfactory terms when required is not always certain. Any inability to obtain equipment or parts, or to obtain the required equipment or parts on satisfactory terms and on a timely basis could have a material adverse effect on the Company's business, results of operations or financial condition.

Foreign Exchange Fluctuations

The Company undertakes sales and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. Changes in the value of the Canadian dollar relative to the U.S. dollar could have a negative effect on the profitability of the Company. For the year ended December 31, 2010, Cargojet had net expense exposure to the U.S. dollar of approximately U.S.$19 million. To the extent that Cargojet does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on Cargojet's business, results of operations or financial condition.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including general economic conditions and consumer confidence.

There can be no assurance that the Company will be successful in achieving its strategic plan or that this strategic plan will enable the Company to grow at historical rates or to sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on the Company's business, result of operations or financial condition.

There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, results of operations or financial condition.

Industry Risk and Economic Sensitivity

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. The Company's revenues are impacted by the health of the economy in the regional markets in which the Company operates. Although the Company cannot specifically correlate the impact of macro-economic conditions on its business activities, the Company believes that a decline in economic conditions in Canada may result in decreased demand for the services the Company provides and, to the extent that this decline continues or increases in severity, the Company's business, results of operations or financial condition could be materially adversely affected. The Company believes that the current world-wide economic recession and financial markets crisis have negatively impacted Cargojet's shipping volumes.

Terrorist Activity

The terrorists' attacks of September 11, 2001 and their aftermath negatively impacted the air cargo industry. Additional terrorist attacks, the fear of such attacks or increased hostilities could further negatively impact the air cargo industry. The Company could experience a decrease in the use of its air cargo network as a means of transporting goods domestically and internationally and an increase in costs.

Dependence on Key Personnel

The Company's success will be substantially dependent on the continued services of senior management of the Company. The loss of the services of one or more key members of senior management of the Company could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company's continued growth depends on the ability of the Company to attract and retain skilled managers and employees and the ability of its personnel to manage the Company's growth. The inability to attract and retain key personnel could have a material adverse effect on the Company's business, results of operations or financial condition.

Labour Relations

Currently, the Company's employees are not unionized. The maintenance of a productive and efficient labour environment and, in the event of unionization, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on the Company's business, results of operations or financial condition.

Severe Weather Patterns

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. Severe weather during any extended period could prevent shipments from being delivered on a timely basis and could force flight cancellations. Any extended delay in meeting time sensitive shipping deadlines would have a material adverse effect on the Company's business, results of operations or financial condition.

Seasonal Fluctuations

Traditionally, the Company has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of the Company will effect the quarterly financial results of operation of the Company that will be reported.

Dependence on International Trade

The principal businesses of Cargojet is indirectly related to, and future performance is dependent upon, the volume of international trade, including cross-border trade between Canada and the US. Such trade is influenced by many factors, including North American and overseas economic and political conditions, major work stoppages, wars, terrorist acts or security operations, exchange controls, currency fluctuations and Canadian, US and foreign laws relating to duties, trade restrictions, foreign investment and taxation. There can be no assurance that trade-related events beyond the control of Cargojet, such as failure to reach or adopt trade agreements and an increase in trade restrictions, will not have a material adverse effect on the Company's business, results of operations or financial condition.

Risks Related to the Structure of Cargojet

Credit Facilities and Restrictive Covenants

The Partnership has third party debt service obligations under the Credit Facility. The ability of the Company and its subsidiaries to make distributions, pay dividends or make other payments or advances, will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the Credit Facility). The degree to which the Partnership is leveraged could have important consequences to the shareholders, including: (i) a portion of the Company's cash flow from operations will be dedicated to the payment of the principal of and interest on the indebtedness, thereby reducing funds available for future operations and distribution to the Company; (ii) certain of the Partnership's borrowings will be at variable rates of interest, which exposes the Partnership to the risk of increased interest rates; and (iii) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited. The Partnership's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit the Company from refinancing the indebtedness at all or on favourable terms.

The Credit Facility contains numerous restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Partnership to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Credit Facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial conditions tests. A failure to comply with the obligations in the agreements in respect of the Credit Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay in full that indebtedness. In addition, the Credit Facility will mature no later than December 31, 2013. There can be no assurance that future borrowing or equity financing will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs.

Future Sales of Voting Shares by the directors and officers of Cargojet

The directors and officers of Cargojet indirectly hold in aggregate 1,594,071 Voting Shares, or approximately 19.9% of the outstanding Voting Shares. If the directors and officers of Cargojet sell substantial amounts of Voting Shares in the public market, the market price of the Voting Shares could decrease. The perception among the public that these sales will occur could also produce such an effect.

Income Tax Matters

Cargojet is subject to federal and provincial income and capital taxes. Cargojet will become liable for tax in future years where its share of income from the Operating Partnership exceeds its deductible expenses.

Although the Company is of the view that all expenses to be claimed by the Company, the Partnership and the Operating Partnership in the determination of their respective incomes under the Tax Act will be reasonable and deductible by the appropriate entity in accordance with the applicable provisions of the Tax Act, that the allocations of income and loss of the Partnership and Operating Partnership to be made for purposes of the Tax Act will be reasonable, and that the position adopted by Cargojet in computing its taxable capital for capital tax purposes is appropriate, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA or the provincial taxing authority will agree. Counsel can provide no opinion with respect to the reasonableness of any expense or of the allocation of income by a partnership. If CRA successfully challenges the deductibility of expenses or the allocation of income, Cargojet's liability to income tax may increase.

Increase in Interest Rates

One of the factors that may influence the price of the Voting Shares in public trading markets will be the annual cash-on-cash return from dividends by the Company on the Voting Shares as compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the Voting Shares.

GLOSSARY OF TERMS

"**2008/2009 Unit Bid**" means the normal course issuer bid for the purchase of Units during the period from November 25, 2008 to November 24, 2009.

"**2009/2010 Unit Bid**" means the normal course issuer bid for the purchase of Units during the period from December 8, 2009 to December 7, 2010.

"**ACMI**" is an acronym for Aircraft, Crew, Maintenance and Insurance and means the operation of a dedicated aircraft on a leased basis whereby the customer is responsible for all costs of the operation and the owner provides the aircraft and crew and is responsible for the maintenance and insurance of the aircraft. This is also referred to as a "**wet lease**".

"**Act**" means the Canada Transportation Act.

"**Amended and Restated Securityholders Agreement**" means the amended and restated securityholders agreement dated as of January 1, 2011, among the Company, the Partnership, the GP, the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust, amended and restating the Securityholders Agreement;

"**Arrangement**" means the conversion of the Fund from an income trust to a corporation by way of a court-approved statutory plan of arrangement under Section 182 of the OBCA on January 1, 2011.

"**B727**" means Boeing 727-200.

"**B757**" means Boeing 757-200 ER.

"**B767**" means Boeing 767-200 ER.

"**Board**" means the board of directors of the Company.

"**Cargojet**" means the Company, together with its subsidiaries.

"**CDS**" means CDS Clearing and Depository Securities Inc.

"**Closing Date**" means June 9, 2005.

"**Common Voting Shares**" means the common voting shares of the Company.

"**Company**" means Cargojet Inc., a corporation incorporated under the laws of the Province of Ontario.

"**CRA**" means the Canada Revenue Agency.

"**Credit Facility**" means the senior revolving credit facility in an aggregate principal amount of $25 million.

"**CTA**" means the Canadian Transportation Agency.

"**Debenture Bid**" means the normal course issuer bid for the purchase of Debentures during the period from March 17, 2009 to March 16, 2010.

"**Debenture Indenture**" means, collectively, the indenture governing the Debentures, dated April 9, 2008, between the Fund and Computershare Trust Company of Canada, as supplemented by the first supplemental indenture dated January 1, 2011 among the Fund, the Company and Computershare Trust Company of Canada.

"**Debentures**" has the meaning ascribed thereto in the subsection "General Development of the Business of the

Fund – Other Developments”.

“**distributable cash**” means the amount of cash available for distribution to unitholders.

“**Exchange Agreement**” means the exchange agreement dated as of June 9, 2005, among the Fund, the Trust, the Partnership, the GP and certain security holders of the Fund and/or its subsidiaries, providing for the terms of exchange and related provisions governing the Exchangeable LP Units;

“**Exchangeable LP Units**” means the Class B limited partnership units of the Partnership.

“**Fund**” means Cargojet Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario.

“**Georgian**” means Georgian Express Ltd.

“**GP**” means Cargojet GP Inc., a corporation incorporated under the laws of the Province of Ontario.

“**Holdings**” means Cargojet Holdings Ltd., a corporation incorporated under the laws of the Province of Ontario.

“**OBCA**” means the *Business Corporations Act* (Ontario) R.S.C. 1990 c.B.16, as amended, including the regulations promulgated thereunder.

“**Offering**” means the offering of 5,954,545 Units issued and sold by the Fund pursuant to the (final) prospectus dated June 1, 2005.

“**Operating Partnership**” means Cargojet Partnership, the operating partnership established as a general partnership under the laws of the Province of Ontario.

“**Operating Partnership Agreement**” means the operating partnership agreement dated June 9, 2005, among the Partnership and the Company.

“**Ordinary LP Units**” means the Class A limited partnership units of the Partnership, all of which are owned by the Trust.

“**Over-Allotment Option**” means the option granted by the Fund to the underwriters to purchase up to 297,727 additional Units and exercised in full on June 30, 2005.

“**Partnership**” means Cargojet Holdings Limited Partnership, a limited partnership established under the laws of the Province of Ontario pursuant to the Partnership Agreement.

“**Partnership Agreement**” means the limited partnership agreement dated April 28, 2005, among the GP and the Trust as initial limited partner, governing the terms of the Partnership and the relationship among the limited partners and the GP thereunder.

“**Partnership Units**” means, collectively, the Ordinary LP Units and the Exchangeable LP Units.

“**Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts each as defined in the Tax Act.

“**Prince Edward Air**” means Prince Edward Air Ltd.

“**Retained Interest Shareholders**” means the Selling Shareholders, who, together with employees, indirectly acquired a 30% interest in the Fund, consisting of Units and Exchangeable LP Units on the Closing Date.

“**Securityholders Agreement**” means the securityholders agreement dated as of June 9, 2005, among the Fund, the Trust, the Partnership, the GP, the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust;

“**Selling Shareholders**” means the selling shareholders of Holdings.

“**Series 1 Trust Notes**” means the series 1 notes of the Trust issued under the Trust Note Indenture.

“**Series 2 Trust Notes**” means the series 2 notes of the Trust issued under the Trust Note Indenture.

“**Series 3 Trust Notes**” means the series 3 notes of the Trust issued under the Trust Note Indenture.

“**SL Express**” means Skylink Express Inc.

“**SL Partnership**” means the partnership between the Fund and SL Express entered into on July 17, 2009.

“**Special Voting Units**” means the units of the Fund to be issued to represent voting rights in the Fund that accompany the Exchangeable LP Units.

“**Substantial Issuer Bid**” means the substantial issuer bid to purchase for cancellation up to $15,000,000 principal amount of outstanding Debentures at a purchase price of $1,010 in cash for every $1,000 principal amount of Debentures, plus a payment in respect of all accrued and unpaid interest outstanding on such Debentures in the amount of $15.62 per $1,000 principal amount of Debentures.

“**Tax Act**” means the Income Tax Act (Canada) and the regulations thereunder.

“**Trust**” means Cargojet Operating Trust, an unincorporated, limited purpose trust established under the laws of the Province of Ontario.

“**Trust Note Indenture**” means the note indenture entered into between the Trust and Computershare Trust Company of Canada dated June 9, 2005 governing the terms of the Trust Notes.

“**Trust Notes**” means, collectively, the Series 1 Trust Notes and Series 2 Trust Notes of the Trust.

“**Trust Units**” means units of the Trust.

“**Trust’s Trustees**” means the trustees of the Trust.

“**TSA**” means the Transportation Security Administration.

“**TSX**” means the Toronto Stock Exchange.

“**Unitholders**” means the holders of Units.

“**Units**” means units of the Fund other than Special Voting Units.

“**Variable Voting Shares**” means the variable voting shares of the Company.

“**Voting Unitholders**” means holders of Units and Special Voting Units.

“**Voting Units**” means the Units and Special Voting Units.

“**Voting Shares**” means the Common Voting Shares and Variable Voting Shares, or as applicable, any one of them.

“**wet lease**” see definition for “**ACMI**”.

SCHEDULE A - CHARTER OF THE AUDIT COMMITTEE

I. Purpose

The Audit Committee's mandate is to provide assistance to the Board of Directors of Cargojet Inc. (the "Corporation") in fulfilling its financial reporting and control responsibility to the shareholders and the investment community.

II. Composition

The Audit Committee will be comprised of at least three directors of the Corporation, all of whom, subject to any exemptions set out in National Instrument 52-110 *Audit Committees* ("NI 52-110"), will be independent and financially literate. An "independent" director is a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship that could, in the view of the Board of Directors of the Corporation, be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to NI 52-110. A "financially literate" director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

III. Responsibilities

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

1. Making recommendations to the Board of Directors of the Corporation regarding the selection, evaluation and compensation of the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation. In making such recommendations, the Audit Committee will:

   (a) confirm the independence of the auditors and report to the Board of Directors of the Corporation its conclusions on the independence of the auditors and the basis for these conclusions; and

   (b) meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used.

2. Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:

   (a) review with the external auditors any audit problems or difficulties and management's response;

   (b) at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with any such issues;

   (c) serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system and oversee management's reporting on internal control;

   (d) provide open lines of communication among the external auditors, financial and senior management, and the Board of Directors of the Corporation for financial reporting and control matters;

(e) make inquires of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Corporation; and

(f) establish procedures to ensure that the Audit Committee meets the external auditors on a regular basis in the absence of management.

3. Pre-approving all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor, subject to any exemptions set out in NI 52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine the other non-audit services the external auditors are prohibited from providing:

(a) bookkeeping or other services related to the accounting records or financial statements of the Corporation;

(b) financial information systems design and implementation;

(c) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

(d) actuarial services;

(e) internal audit outsourcing services;

(f) management functions or human resources;

(g) broker, dealer, investment adviser or investment banking services;

(h) legal services and expert services unrelated to the audit; and

(i) any other service that the Audit Committee determines to be impermissible.

4. Reviewing the Corporation's financial statements, management's discussion and analysis and annual and interim profit or loss press releases before the Corporation publicly discloses the information. In connection with such review, the Audit Committee will ensure that:

(a) management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;

(b) the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and

(c) the Audit Committee has received the assurance of both financial management and the external auditors that the Corporation's financial statements are fairly presented in conformity with IFRS in all material respects.

5. Ensuring that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 4 above, and periodically assessing the adequacy of those procedures.

6. Establishing procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

7. Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

8. Annually reviewing and revising this Charter as necessary with the approval of the Board of Directors of the Corporation and the text relating to this Charter, which is required to appear in the annual information form of the Corporation, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.

IV. Authority

The Audit Committee has the authority to:

(a) engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Audit Committee; and

(c) communicate directly with the internal and external auditors.

V. Meetings

The Audit Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the Audit Committee.

At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.
The external auditors will have direct access to the Audit Committee at their own initiative.
The Chairman of the Audit Committee will report periodically to the Board of Directors of the Corporation.