Court File No. 500-11-042912-127

QUEBEC
SUPERIOR COURT
(COMMERCIAL DIVISION)

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*

AND IN THE LIQUIDATION OF

ACE AVIATION HOLDINGS INC.

THIRD REPORT OF THE LIQUIDATOR DATED MAY 9, 2014

INTRODUCTION

1. On June 28, 2012, ACE Aviation Holdings Inc. ("ACE") applied for and obtained a court order (the "Liquidation Order") appointing Ernst & Young Inc. as the court-appointed liquidator of ACE pursuant to the *Canada Business Corporation Act* (the "Liquidator").

PURPOSE

2. The purpose of this report of the Liquidator (the "Third Report") is to provide this Court with an update in respect of the following:

   - the liquidation activities;
   - status of the Liquidator's claims process;
   - the Liquidator's request for an order barring any claims relating to demands made by Stichting Cartel Compensation ("SCC")

- the Liquidator's request for an order exempting ACE from the requirement to call and hold an annual meeting of shareholders for the year ended on December 31, 2013; and

- the Liquidator's request for an order establishing a process to resolve any claims against ACE's subsidiaries ACTS LP and 4378555 Canada Inc. and establishing a claims bar date by which such claims must be filed.

TERMS OF REFERENCE

3. In preparing this Third Report, the Liquidator has relied upon certain unaudited financial information and other information obtained from third parties. The Liquidator has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of this information and, accordingly, the Liquidator expresses no opinion or other form of assurance on the related information contained in this Third Report.

4. All monetary amounts contained herein are expressed in Canadian dollars.

GENERAL BACKGROUND

5. On April 25, 2012, the shareholders of ACE approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation (the "Liquidation Resolution").

6. On June 28, 2012, this Court issued an order providing for the liquidation of ACE to be supervised by this Court and appointing Ernst & Young Inc. as Liquidator of all the present and future undertakings, property and assets of ACE (the "Liquidation Order").

7. The Liquidation Order provides, among other things, that:

   - the powers of the directors and shareholders are vested in the Liquidator;

   - the Liquidator shall report periodically to the Court as to the status of the claims process.

8. On February 22, 2013, ACE filed an "*Application for an Order Establishing a Claims Process*" with this Honourable Court. On February 25, 2013, Justice Mark Schrager issued an order approving, *inter alia*, the claims process (the "Claims Process Order").

9. On April 19, 2013, this Court issued an order exempting ACE from the requirement to hold a shareholder meeting with respect to the financial year ended December 31, 2012.

10. The Liquidator has made various materials relating to the liquidation available on its website at www.ey.com/ca/aceaviation.

LIQUIDATION ACTIVITIES

11. The activities of the Liquidator to February 22, 2013 are set out in the First Report of the Liquidator of that date. The activities of the Liquidator between February 22, 2013 and April 18, 2013 are set out in the Second Report of the Liquidator dated April 18, 2013. The First and Second Reports have been filed with the Court and are posted on the Liquidator's website at www.ey.com/ca/aceaviation.

12. As at April 30, 2014, ACE's cash holdings were approximately $133 million. During the aggregate period of time from the appointment of the Liquidator to April 30, 2014, the Liquidator has generated a total of approximately $61 million in receipts including $58 million from the sale of Air Canada shares and warrants as set out in the Liquidator's First Report, $2.2 million in interest revenue and $0.3 million in QST and HST refunds. During the same period, the Liquidator made

disbursements totalling approximately $1.8 million including $0.5 million in respect of liabilities arising prior to the date of the Liquidator's appointment, $1.2 million in costs incurred during the liquidation period and $0.1 million in respect of QST, HST and PST. A summary of ACE's receipts and disbursements is attached as Appendix A.

13. Since the date of its appointment, the Liquidator has continually prepared and filed on SEDAR consolidated quarterly and annual financial statements in respect of ACE in accordance with the requirements of applicable securities laws. Most recently, the Liquidator has prepared the Annual Financial Statements for the year ended December 31, 2013 and accompanying Management Discussion and Analysis ("MD&A") which were filed with Canadian securities regulatory authorities and made available to shareholders on the Liquidator's website at www.ey.com/ca/aceaviation and on ACE's SEDAR profile at www.sedar.com on April 28, 2014. Copies of these Annual Financial Statements and MD&A are attached at Appendix B.

ACE CLAIMS PROCESS UPDATE

14. Pursuant to the Claims Process Order, creditors of ACE had until May 13, 2013 (the "Claims Bar Date") to file their proof of claims, failing which their claims would be barred and extinguished.

15. A summary of the claims filed with the Liquidator is attached at Appendix C;

16. The Liquidator received a total of 24 claims with an aggregate claim value of approximately $252.7 million. In accordance with the Claims Process Order, the Liquidator has reviewed each individual claim, initiated discussions with individual claimants as appropriate in an effort to consensually resolve the claims and issued notices of disallowance as appropriate. The current status of these claims is as follows:

- 2 claims have been accepted as Valid Contingent Claims pursuant to the Claims Process Order. These claims were filed by Air Canada and Aveos Fleet Performance Inc. in the approximate amounts of $50.1 million and $1.6 million, respectively. These claims relate to certain tax indemnities granted to Air Canada and Aveos Fleet Performance Inc. by ACE, as further detailed in ACE's Annual Financial Statements;

- 21 claims with an aggregate value of $201 million have either been withdrawn by the claimant or disallowed by the Liquidator with no Notice of Dispute having been filed by the claimant in accordance with the Claims Process Order.

- In particular, ACE had received a claim from a plaintiff relating to a proposed class action initiated in the Ontario Superior Court of Justice against Air Canada and ACE Aviation Holdings Inc., which alleged that Air Canada improperly charged the plaintiff and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleged that as the former parent or shareholder of Air Canada, ACE was liable for the acts of Air Canada, and therefore filed a proof of claim against ACE in the amount of $200 million, pending determination of the allegedly overcharged amounts. The Liquidator was of the view that this claim against ACE had no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator delivered a Notice of Disallowance to the plaintiff and the plaintiff did not file a Notice of Dispute to contest the Notice of Disallowance. The plaintiff subsequently agreed to formally discontinue the action against ACE in the Ontario Superior Court of Justice.

- 1 claim in the amount of $20,000 was disallowed by the Liquidator in respect of which the claimant has filed a Notice of Dispute. This claim remains unresolved and the Liquidator continues to make efforts to consensually resolve the claim with the claimant.

STICHTING CARTEL COMPENSATION BAR ORDER

17. The Liquidator seeks an order barring any claims relating to demands made by SCC.

18. On October 22, 2012, ACE received a demand letter from counsel acting for SCC, a group that purports to act on behalf of certain air cargo customers.

19. The SCC letter claimed an unspecified amount of compensation from ACE in connection with Air Canada surcharges for fuel and security for the period from January 1, 2000 to December 31, 2006, which surcharges are alleged to have been implemented by certain air cargo carriers, including Air Canada, in violation of European Union competition law.

20. No Claim has been filed by the SCC pursuant to the Claims Process Order.

21. In addition, the Liquidator is of the view that SCC has no arguable claim against ACE:

    - ACE was at all relevant times a separate entity from Air Canada;

    - ACE never operated an air cargo business or sold cargo fares; and

    - No penalties, fines, proceedings or other measures have been taken or imposed by the European Commission or anyone against ACE in relation to the issues raised by SCC.

22. Counsel for the SCC wrote to the liquidator on October 14, 2013 reiterating its purported claim against ACE for unspecified amounts. Counsel for ACE wrote to counsel for the SCC on November 5, 2013 and again on February 11, 2014, denying

any liability. On February 11, 2014, counsel for ACE advised the SCC that its claim was barred pursuant to the Claims Process Order.

23. SCC has failed to file a proof of claim on or prior to the Claims Bar Date, nor has it sought the authorization of this Court or formally requested the authorization of the Liquidator to file a late proof of claim, as required by the Claims Process Order.

24. The Liquidator seeks a declaration that *Stichting Cartel Compensation* and related parties are permanently barred from making any claim or asserting any right against ACE and/or the Liquidator and from receiving any distribution in connection with the liquidation of ACE.

ANNUAL MEETING OF SHAREHOLDERS

25. As described in the First Report of the Liquidator dated February 22, 2013, the *Canada Business Corporations Act* and the Liquidation Order provide that, as a result of the appointment of the Liquidator, the powers of the shareholders of ACE ceased and vested in the Liquidator. Accordingly, there would be no purpose in holding an annual meeting of shareholders of ACE since the powers of the shareholders are vested in the Liquidator.

26. As noted above, on April 19, 2013, Justice Lalonde issued an order exempting ACE from the requirement to call and hold an annual meeting of shareholders for the year ended December 31, 2012.

27. The Liquidator is seeking a further order from this Court that no shareholder meeting shall be called or held by ACE in 2014 with respect to the financial year ended on December 31, 2013.

28. On April 28, 2014, ACE issued the press release attached hereto as Appendix D and posted it at the Liquidator's website providing notice that ACE does not plan to hold an annual shareholder meeting in 2014 with respect to the financial year ended on

December 31, 2013. Shareholders who have questions or require additional information with respect to ACE and the liquidation process are directed to contact the Liquidator by telephone or fax.

29. The Liquidator estimates that the costs associated with the preparation, printing and mailing of the management information circular and the holding of a meeting could amount to between $80,000 and $100,000 including fees of ACE’s transfer agent, Canadian Stock Transfer Company.

30. Given that there would be no resolution or matter to be considered by shareholders at such meeting, the relevant powers of the shareholders to appoint directors and auditors having been vested in the Liquidator, the incurrence of the required costs for the meeting would not be an appropriate use of ACE's assets in liquidation.

31. Given that shareholders will be in a position to easily access the Annual Financial Statements and related MD&A on the website of the Liquidator and at www.sedar.com, the Liquidator submits that holding a meeting would impose an unreasonable and unjustified administrative and economic burden on ACE. As such, holding a meeting would not be justified and would not be in the best interests of the shareholders and the creditors of ACE.

32. In view of the above, it is the recommendation of the Liquidator that no shareholder meeting should be held for the year ended on December 31, 2013.

SUBSIDIARY CLAIMS PROCESS

General

33. The only remaining subsidiaries of ACE are ACTS LP and its general partner, 4378555 Canada Inc. (the “General Partner”).

34. The Liquidator seek an order for the establishment and resolution of any claims against these subsidiaries (the “Subsidiary Claims Process Order”).

35. The General Partner does not have any assets other than its 0.01% interest in ACTS LP and does not have any operations other than acting as general partner of ACTS LP.

36. ACTS LP operated a business of aircraft maintenance, repair and overhaul prior to the sale of all of its assets to Aveos Fleet Performance Inc. (formerly Ksage MRO Holdings Inc.) ("**Aveos**"), an entity formed by a consortium of private equity firms in October 2007. ACTS LP has not carried on any business since October 2007.

37. Pursuant to an asset purchase agreement entered into in connection with such transaction, Aveos assumed the liabilities of ACTS LP, other than certain excluded liabilities.

38. In connection with the process leading to the issuance of tax clearance certificates in favour of ACE, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37.7 million primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE's subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7.4 million relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6.8 million.

39. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40.1 million to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE and ACTS LP agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future.

40. ACTS LP does not have any assets, other than the right to potentially claim certain tax refunds in connection with the matters covered by the tax indemnity arrangements referred to above.

41. To the knowledge of the Liquidator, ACTS LP and its General Partner do not have any liabilities or contingent liabilities other than contingent liabilities of ACTS LP in respect of the tax indemnity agreements referred to above.

42. The purpose of the proposed Subsidiary Claims Process Order is to:

- establish a process to ensure that all parties with a claim or an alleged claim be called upon to advance their claim expeditiously;

- to permit such claims to be processed and adjudicated efficiently; and

- to analyze and consider the effect of any such alleged claims prior to the distribution of the remaining assets of ACE to ACE's shareholders.

43. The Subsidiary Claims Process Order sets a Subsidiary Claims Bar Date (as defined below), and sets out the procedure for the calling of proofs of claim and the establishment of a final determination of the Claims (as defined in the Subsidiary Claims Process Order) against ACTS LP or 4378555 Canada Inc.

44. In addition, in order to maintain the existence of ACTS LP and its General Partner and administer such entities to the extent necessary pending their eventual dissolution, the Liquidator must be authorized to sign and file on behalf of the General Partner (for itself and in its capacity as general partner of ACTS LP) annual corporate returns, tax returns and other agreements and documents. The Order sought includes relief authorizing the Liquidator to execute the necessary documents for the administration of the affairs of these subsidiaries of ACE.

Subsidiary Claims Bar Date

45. The Liquidator proposes that any Creditor (as defined in the Subsidiary Claims Process Order) asserting a Claim be required to file a proof of claim with the Liquidator prior to 5:00 pm (prevailing Eastern time) on July 18, 2014 (the "Subsidiary Claims Bar Date").

46. Any Creditor that fails to file a Proof of Claim (as defined in the Subsidiary Claims Process Order) with the Liquidator on or before the Subsidiary Claims Bar Date shall:

- be forever barred from making or enforcing any Claim against ACTS LP or 4378555 Canada Inc.; and
- not be entitled to any further notice in these proceedings, and shall not be entitled to participate as a Creditor in these proceedings.

47. The Liquidator submits that the Subsidiary Claims Bar Date is reasonable. It provides creditors with more than 55 calendar days from the date of the proposed Subsidiary Claims Process Order to evaluate their Claims against ACE and submit the necessary Proofs of Claim.

Notice to Creditors

48. The Liquidator will publish a Newspaper Notice (as defined in the Subsidiary Claims Process Order) setting out the Subsidiary Claims Bar Date, on or before June 10, 2014 in La Presse and the Globe and Mail (National Edition).

49. The Liquidator will send a copy of the Creditors' Instructions (as defined in the Subsidiary Claims Process Order and including a Proof of Claim form, a copy of the Newspaper Notice and an instruction letter) to each Known Creditor (as defined in the Subsidiary Claims Process Order) by regular mail no later than May 30, 2014. A copy of the Creditors' Instructions is attached hereto as Appendix E.

50. The Liquidator will post an electronic copy of the Creditors' Instructions on its website www.ey.com/ca/aceaviation no later than May 30, 2014.

51. In addition, provided that such request is received by the Liquidator prior to the Subsidiary Claims Bar Date, the Liquidator will send a copy of the Creditors' Instructions to any person claiming to be a Creditor as soon as reasonably possible after receipt of such a request from a potential creditor.

52. In the Liquidator's view, the identification of Known Creditors, the mailing of the Creditors' Instructions and publication of the Newspaper Notice described above will provide sufficient and timely notification to allow Creditors to submit their Proofs of Claim prior to the Subsidiary Claims Bar Date.

53. The Liquidator will review each Proof of Claim filed and at any time may:
    a) request additional information from a Creditor;
    b) attempt to consensually resolve the amount of the Proof of Claim with the creditor;
    c) accept (in whole or in part) the amount and/or status of the Claim; and/or
    d) by notice in writing, pursuant to the provisions of the Subsidiary Claims Process Order, revise or disallow (in whole or in part) the amount and/or status of any Claim by delivering to the Creditor a notice of disallowance (the "Notice of Revision or Disallowance").

54. Any Creditor who intends to dispute the amount of its Claim as set out in the Notice of Revision or Disallowance must file a Dispute Notice with the Liquidator no later than 30 calendar days after the date of the Notice of Disallowance.

55. The Liquidator submits that the period of time to file a Dispute Notice is reasonable as most creditors will have performed an evaluation of their Claim prior to submitting a Proof of Claim and therefore should be in a position to respond within the time period established.

56. Upon receipt of a Dispute Notice, the Liquidator may attempt to consensually resolve the amount of the Claim with the Creditor and/or seek further instructions from this Honourable Court with respect to a process for the resolution of the Claim.

All of which is respectfully submitted this 9th day of May 2014.

ERNST & YOUNG INC.
In its capacity as Liquidator of ACE Aviation Holdings Inc.

Per:

Sharon S. Hamilton
Senior Vice-President

APPENDIX A

ACE Aviation Holdings Inc.
Statement of Receipts / (Disbursements)
in Canadian dollars (000's)

	June 28, 2012 to December 31, 2012	January 1, 2013 to December 31, 2013	January 1, 2014 to April 30, 2014	Total
Funds transfered from ACE	**73,978**	-	-	**73,978**
Receipts				
QST / HST / PST refund	193	126	27	346
Interest Earned	152	1,682	374	2,208
Sale of shares and warrants	58,036	-	-	58,036
Other	-	-	-	-
Total Receipts	**58,381**	**1,807**	**402**	**60,590**
Disbursements				
Pre-liquidation period				
QST / HST / PST paid	(78)	(3)	-	(80)
Corporate Tax	(69)	-	-	(69)
Professional fees	(122)	-	-	(122)
Canadian Stock Transfer (CST)	(18)	-	-	(18)
Air Canada services	(32)	-	-	(32)
Payroll	(154)	-	-	(154)
Other	(7)	-	-	(7)
Subtotal Pre-liquidation disbursements	(480)	(3)	-	(483)
Post-liquidation period				
QST / HST / PST paid	-	(80)	(25)	(105)
Corporate Tax	-			-
Professional fees	(305)	(426)	(140)	(871)
Canadian Stock Transfer (CST)	(13)	(58)	(15)	(85)
Air Canada services	(41)	(48)	(10)	(99)
Audit and filing Fees	-	(73)	(37)	(111)
Other	(17)	(9)	(13)	(38)
Subtotal Post-liquidation disbursements	(375)	(694)	(240)	(1,309)
Total Disbursements	**(855)**	**(696)**	**(240)**	**(1,792)**
Opening Cash balance	-	131,504	132,615	-
Funds Transferred from ACE	73,978	-	-	73,978
Net inflow / (outflow)	57,526	1,111	162	58,798
Closing cash position	**131,504**	**132,615**	**132,777**	**132,777**

APPENDIX B

2013 ANNUAL FINANCIAL STATEMENTS AND MD&A

ACE AVIATION

Consolidated Financial Statements and Notes
2013

April 25, 2014

April 25, 2014

Independent Auditor's Report

To the Shareholders of ACE Aviation Holdings Inc.

We have audited the accompanying consolidated financial statements of ACE Aviation Holdings Inc. and its subsidiaries (the "Corporation") which comprise the consolidated statement of net assets in liquidation as at December 31, 2013 and December 31, 2012 and the consolidated statements of changes in net assets in liquidation and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
Richardson Building, Suite 2300, One Lombard Place, Winnipeg, Manitoba, Canada R3B 0X6
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Matter of Emphasis
We draw attention to note 1 to the consolidated financial statements which describes the liquidation basis of accounting and certain uncertainties as a result of the Corporation's intent to liquidate. Our opinion is not qualified in respect to this matter.

PricewaterhouseCoopers LLP

Chartered Accountants

Consolidated Statement of Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		As at December 31 2013	As at December 31 2012
ASSETS			
Cash and cash equivalents	Note 4	$ 11,210	$ 56,467
Short-term investments	Note 4	121,638	75,000
Commodity taxes receivable		125	175
		$ 132,973	**$** 131,642
LIABILITIES			
Accounts payable and accrued liabilities		229	43
		$ 229	**$** 43
Contingencies	Note 5	-	-
NET ASSETS IN LIQUIDATION		**$ 132,744**	**$ 131,599**
NET ASSETS IN LIQUIDATION PER SHARE			
Basic and Diluted	Note 8	$ 4.09	$ 4.05

Contingencies, guarantees and indemnities [Notes 5 and 12]

The accompanying notes are an integral part of these financial statements.

Ernst & Young Inc.,
In its capacity as Court-appointed Liquidator of ACE Aviation Holdings Inc.
and not in its personal capacity

Per: (signed) Sharon Hamilton

Consolidated Statement of Changes in Net Assets in Liquidation

(Canadian dollars in thousands except per share figures)		Year Ended December 31 2013	2012
Net assets in liquidation, beginning of period		**$ 131,599**	**$ 382,118**
Interest income		1,846	1,942
Gain on investment in Air Canada	Note 4	-	26,428
Gain on Air Canada warrants	Note 4	-	918
Administrative and other expenses		(701)	(4,807)
Income before taxes		**1,145**	**24,481**
Provision for income taxes	Note 5		
Current		-	-
Income for the period		**1,145**	**24,481**
Distribution to common shareholders	Note 7	**-**	**(275,000)**
Net assets in liquidation, end of period		$ **132,744**	$ **131,599**
Income per share			
Basic and Diluted	Note 9	$ 0.04	$ 0.75

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

(Canadian dollars in thousands)		Year Ended December 31 2013	2012
Cash flows from (used for)			
Income for the period		$ 1,145	$ 24,481
Non-cash adjustments			
Gain on investment in Air Canada	Note 4	-	(26,428)
Gain on Air Canada warrants	Note 4	-	(918)
Changes in non-cash working capital balances		236	(4,898)
		1,381	**(7,763)**
Financing			
Cash distribution paid to common shareholders	Note 7	-	(275,000)
		-	**(275,000)**
Investing			
Increase in short-term investments	Note 4	(46,638)	(75,000)
Proceeds from sale of investments in Air Canada	Note 4	-	58,036
		(46,638)	**(16,964)**
Decrease in cash and cash equivalents		**(45,257)**	**(299,727)**
Cash and cash equivalents, beginning of period		56,467	356,194
Cash and cash equivalents, end of period	Note 4	**$ 11,210**	**$ 56,467**

The accompanying notes are an integral part of these financial statements.

For the years ended December 31, 2013 and 2012
(Canadian dollars in thousands except share amounts)

1. GENERAL INFORMATION, BASIS OF PRESENTATION

A) GENERAL INFORMATION

The accompanying consolidated financial statements (the "financial statements") are of ACE Aviation Holdings Inc. ("ACE"). ACE is incorporated and domiciled in Canada. The address of its registered office is 1155 René-Lévesque West, 40th Floor, Montreal, Québec, H3B 3V2, Canada.

ACE, which was incorporated on June 29, 2004, is an investment company that held aviation interests. Reference to the "Corporation" in the following notes to the financial statements refers to ACE and its wholly owned subsidiaries. Refer to Note 2 for a description of ACE's investments.

On April 25, 2012, at ACE's annual and special meeting, ACE's shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares of ACE were converted into a new class of common shares of ACE on a one-for-one basis.

The shareholders of ACE also approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, the appointment of a liquidator at a time to be determined by the board of directors of ACE and the ultimate dissolution of ACE in the future, once all the liquidation steps have been completed.

On May 9, 2012, ACE declared a distribution in the aggregate amount of $275,000 (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid on June 8, 2012. This distribution represents the initial distribution to shareholders of amounts to be paid in the course of the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*.

On June 28, 2012, the Superior Court of Québec (Commercial Division) (the "Court") issued an order appointing Ernst & Young Inc. as liquidator of ACE (the "Liquidator"). Effective June 28, 2012, all of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors of ACE.

On July 16, 2012, ACE announced that the TSX advised ACE that it no longer met the continued listing requirements of the TSX as a result of the previously announced appointment of the Liquidator of ACE and the resignation of all of the directors and officers of ACE. The TSX advised ACE that if it did not voluntarily delist by September 14, 2012, the TSX would delist its common shares. As a result, ACE delisted its common shares from the TSX effective at the close of business on September 14, 2012.

ACE transferred the listing of its common shares from the TSX to the NEX board of the TSX Venture Exchange on September 17, 2012, the trading day immediately following the delisting from the TSX.

Pursuant to an order issued by the Court on February 25, 2013, the Liquidator established a process for the identification, resolution and barring of claims and other contingent liabilities against ACE. Creditors had until May 13, 2013 to file their proof of claims, failing which their claims would be barred and extinguished.

In response to ACE's claims process, Air Canada filed a contingent claim related to the previously disclosed tax indemnities which are described herein under Note 5 – Taxes. The contingent claim, in the amount of $50,161 covers any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada will expire by the end of 2014, with the remaining reassessment periods gradually expiring by 2016. Aveos filed a similar contingent claim in the amount of $1,600 with respect to any eventual reassessment of input tax credit refund claims and any related interest and ancillary costs referred to under Section 5 – Taxes (Certificate of Discharge and Tax Audits) ACE will maintain a reserve in the amount of the Air Canada and Aveos claims which will not be available for distribution to the shareholders pending the expiration of the related reassessment periods or settlement of such contingencies.

ACE also received a claim from a plaintiff relating to a proposed class action initiated in the Ontario Superior Court of Justice by Ms. Prince against Air Canada and ACE Aviation Holdings Inc., which alleged that Air Canada improperly charged Ms. Prince and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleged that as the former parent or shareholder of Air Canada, ACE was liable for the acts of Air Canada. The plaintiff therefore filed a proof of claim against ACE in the liquidation claims process in the amount of $200,000, pending determination of the allegedly overcharged amounts. No breakdown or calculation was provided in relation to the amount claimed. ACE was of the view that this claim against ACE had no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator delivered a notice of disallowance to the plaintiff and the plaintiff did not contest the notice of disallowance prior to the expiry date for such contestation. The plaintiff subsequently agreed to formally discontinue the action against ACE in the Ontario Superior Court of Justice.

In addition, the Liquidator received a letter from a group acting on behalf of certain air cargo customers (the "Stichting Compensation Foundation") claiming an unspecified amount of compensation from ACE in connection with surcharges for fuel and security for the period from January 1, 2000 to December 31, 2006, which are alleged to have been implemented by certain air cargo carriers in violation of European Union competition law. The Stichting Compensation Foundation relies on a decision of the European Commission issued on November 9, 2010 pursuant to which the European Commission imposed fines on eleven air cargo carriers, including Air Canada the former subsidiary of ACE, for such alleged actions. The decision of the European Commission is being appealed by the air cargo carriers. The Stichting Compensation Foundation has not filed a claim in the Liquidation. ACE is of the view that any claim is barred and that this potential claim against ACE has no merit in any event given that ACE is a separate entity from Air Canada, ACE has never operated an air cargo business or sold cargo fares and no penalties, fines or other measures were imposed or taken by the European Commission against ACE. ACE will take appropriate measures to confirm that this claim is barred or disallowed.

The only remaining subsidiaries of ACE are ACTS LP and its general partner, 4378555 Canada Inc. ACTS LP previously operated a business of aircraft maintenance, repair and overhaul prior to the sale of its business to a consortium of private equity firms in October 2007. ACTS LP has not carried on any business since October 2007. As a result of the tax indemnity arrangements entered into with Air Canada, which are referred to above, ACTS LP will be liquidated and dissolved only after the expiration of the indemnity arrangements with Air Canada. The Liquidator is not aware of any liabilities or contingent liabilities of ACTS LP other than contingent liabilities in respect of the tax indemnity agreements referred to above. The Liquidator will be seeking directions from the Court with respect to ACTS LP.

The Liquidator will not proceed with any further distributions to shareholders pending satisfactory resolution of the matters referred to above and any other contingencies that may arise in the course of the liquidation process.

Future distributions of ACE's remaining net cash to its shareholders are subject to the expiration or settlement of any contingencies and there is no certainty as to the timing or amount of such distributions. The final distribution to shareholders and the cancellation of the shares of ACE will not occur until all remaining contingent liabilities are settled or otherwise provided for. The distributions will generally be treated as deemed dividends from a Canadian tax standpoint. Such deemed dividends will be designated as eligible dividends for the purposes of the Income Tax Act (Canada).

The Corporation prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part 1 ("CICA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

B) CHANGE IN BASIS OF PRESENTATION

The Corporation changed the basis of preparing its financial statements from going concern to liquidation, effective January 1, 2011. As a result, the financial statements have been prepared using a liquidation basis of accounting. The adoption of a liquidation basis of presentation on January 1, 2011 did not result in a change to net assets.

The financial statements do not include costs to liquidate the assets of the Corporation, settle any contingent liabilities or future administrative costs and professional fees to wind-up the activities of the Corporation. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

These financial statements were approved by the Liquidator for issue on April 25, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are based on the accounting policies as described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Under the liquidation basis of accounting, the Corporation measures its assets based on their net realizable value and its liabilities based on settlement amounts. As the Corporation's assets and liabilities consist primarily of financial instruments, the change in basis of accounting did not result in different measurements from those under the going concern basis of accounting.

A) BASIS OF MEASUREMENT

These financial statements have been prepared primarily using amortized cost.

B) PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of the Corporation and certain inactive subsidiaries.

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in bankers' acceptances and bankers' discount notes that are readily convertible to known amounts of cash and are subject to insignificant changes in fair value and have original maturities of three months or less. The Corporation did not hold any cash equivalents as at December 31, 2013 (December 31, 2012 – nil).

D) SHORT-TERM INVESTMENTS

Short-term investments comprise bankers' acceptances and bankers' discount notes that have original maturities over three months, but not more than one year. The average interest rate on short-term investments as at December 31, 2013 is 1.13% per annum (December 31, 2012 – 1.28%).

E) FINANCIAL INSTRUMENTS

The Corporation accounts for its financial instruments using IFRS 9 "Financial Instruments" and IAS 39 "Financial Instrument, Recognition and Measurement".

The investments in equity instruments of Air Canada were classified and measured at fair value through profit or loss ("FVTPL"). All gains and losses were recognized in profit or loss.

The Corporation's investment in Air Canada warrants were classified as derivatives and were initially recognized at fair value at the date the derivative contracts were entered into and were subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss was recognized in the profit or loss immediately.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

F) PROVISIONS

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. If the effect of the time value of money is significant, the expected cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in profit or loss. Provisions do not include future costs to be incurred unless such costs represent onerous contracts. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

G) INCOME TAXES

The tax expense for the period comprises current and deferred income tax.
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Corporation and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Interest and penalties related to income taxes are recognized in current income tax expense.

H) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the income (loss) for the period attributable to the shareholders of ACE by the weighted average number of common shares outstanding during the period.

Diluted EPS and net assets in liquidation per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive potential common shares. The Corporation's potentially dilutive common shares comprise stock options where the options' exercise prices were below the average market price of the common shares for the year. The number of shares included with respect to options is computed using the treasury stock method unless they are anti-dilutive. Under this method, the proceeds from the exercise of such instruments are assumed to be used to purchase shares at the average market price for the period and the difference between the number of shares and the number of shares assumed to be purchased are included in the calculation.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy or note:

- Income taxes
    - Judgment and estimates are used in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and tax liabilities.

4. NET ASSETS IN LIQUIDATION

Cash and cash equivalents

As at December 31, 2013, ACE's cash and cash equivalents amounted to $11,210 (December 31, 2012 – $56,467). Cash and cash equivalents include investments in bankers' acceptances and bankers' discount notes that are readily convertible to known amounts of cash and are subject to insignificant changes in fair value and have original maturities of three months or less. The Corporation did not hold any cash equivalents as at December 31, 2013 (December 31, 2012 – nil).

Short-term investments

As at December 31, 2013, ACE's short-term investments amounted to $121,638 (December 31, 2012 – $75,000). Short-term investments comprise bankers' acceptances and bankers' discount notes that have original maturities over three months, but not more than one year. The average interest rate on short-term investments as at December 31, 2013 is 1.13% per annum (December 31, 2012 – 1.28%).

Investments in Air Canada

On November 13, 2012 ACE sold a total of 31 million shares and 2.5 million warrants which represented its entire remaining investment in Air Canada. The net proceeds obtained as a result of the sale of ACE's investment in Air Canada amounted to $58,036 resulting in a gain of $1,616 represented by a gain on the sale of the shares and warrants of $698 and $918, respectively. Following the sale, ACE no longer holds any shares or warrants in Air Canada.

The following table details the carrying value of ACE's investment in Air Canada.

Fair value of ACE's investment in Air Canada as at December 31, 2010	**$**	**106,950**
Unrealized loss on ACE's investment in Air Canada from January 1 to December 31, 2011		(76,260)
Fair value of ACE's investment in Air Canada as at December 31, 2011	**$**	**30,690**
Unrealized gain on ACE's investment in Air Canada from January 1 to November 13, 2012		25,730
Fair value of ACE's investment in Air Canada as at November 13, 2012	**$**	**56,420**
Sale of remaining Air Canada shares on November 13, 2012 (31 million shares)		(56,420)
Fair value of ACE's investment in Air Canada as at December 31, 2012	**$**	**-**

- *The fair value of ACE's holdings of Air Canada shares of $106,950 as at December 31, 2010, $30,690 as at December 31, 2011 and $56,420 as at November 13, 2012 are based on the closing prices of $3.45 per Air Canada Class B Voting Share as at December 31, 2010, $0.99 per Air Canada Class B Voting Share as at December 31, 2011 and $1.82 per Air Canada Class B Voting Share as at November 13, 2012, as quoted on the TSX.*

5. TAXES

Income Tax Expense

The provision for income taxes differs from the amount that would have resulted from applying the statutory income tax rate to income before income tax expense as follows:

	2013	2012
Income (loss) before income taxes	$ 1,146	$ 24,698
Statutory income tax rate based on combined federal and provincial rates	26.90%	25.80%
Tax provision (recovery) based on statutory tax rates	308	6,372
Effects of:		
Non-taxable portion of capital gains (losses)	-	(3,528)
Non-deductible expenses (non-taxable income)	-	67
Tax rate changes on deferred income taxes	(6,523)	(571)
Unrecognized (recognized) deferred income tax assets	6,215	(4,638)
Adjustment in respect of prior years		2,298
Provision for income taxes	**$**	**$ -**

The applicable statutory tax rates are 26.90% in 2013 and 25.80% in 2012. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates. The increase is mainly due change in the provincial allocation.

Deferred Income Tax

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. The Corporation has unrecognized benefits from loss carry forwards of $587,718 (2012 - $588,597) and deductible temporary differences of $13,496 (2012 - $13,816) for which no deferred tax assets are recognized. However, the future tax deductions underlying these deferred tax assets remain available for use in the future to reduce taxable income.

The balances of loss carry forwards vary amongst different taxing jurisdictions. The following are the Federal tax loss expiry dates:

	Tax Losses
2029	$ 3,557
2031	4,572
2032	2,732
	$ 10,861

As at December 31, 2013 ACE also has estimated net capital losses (after 50 per cent capital loss adjustment) of $576,857 (2012 - $576,857) that have no expiry date. These estimates are subject to revision based on the ongoing tax audits further discussed below.

Certificates of Discharge and tax audits

In March 2010, ACE applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Québec.

ACE assisted the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2010 and audits in respect of other taxes. The audits of income tax returns required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns.

On March 7, 2012, a tax clearance certificate was issued by the CRA in connection with all taxation years ended on or prior to December 31, 2010. On March 12, 2012, Revenu Québec issued an equivalent certificate authorizing the distribution of property up to $500,000.

As previously disclosed, in connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37,700 primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE's subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7,400 relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6,800. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40,140 to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. The reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada will expire by the end of 2014, with the remaining reassessment periods gradually expiring by 2016. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future.

A substantially similar process occurred with respect to GST payable on importation on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1,096 and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future.

See "Note 1 – General Information" for additional information relating to the proof of claims filed by Air Canada and Aveos in connection with ACE's liquidation claims process.

Administrative and other expenses for the year ended December 31, 2013 and December 31, 2012 include net provisions for other taxes of nil.

Advance Tax Ruling

In 2012, ACE obtained an advance tax ruling from the CRA in order to confirm that neither the share conversion, described in Note 8, nor the other liquidation steps will result in the Common Shares of ACE being considered short-term preferred shares or taxable preferred shares for the purpose of the Income Tax Act (Canada) (the "Tax Act") and the regulations thereunder, such that no tax under Part VI.1 of the Tax Act will be payable by ACE in connection with the liquidation steps.

6. STOCK-BASED COMPENSATION

ACE Stock Option Plan

Certain of the Corporation's employees participated in the ACE stock option plan. Plan participation was limited to employees holding positions that, in the ACE Board's view (or a committee selected by the Board), had a significant impact on ACE's long term results. The stock option plan provided that the options had an exercise price of not less than 100% of the market price of the underlying shares at the time of grant. Under the terms of the stock option plan, fifty percent of all options vested over four years. The remaining options vested upon performance conditions that were based on net income targets established by the ACE Board over the same time period. All options expired after seven years. The terms of ACE's stock option plan specified that upon the retirement of the employee, options granted to that employee may be exercised as the options vested within three years of such retirement.

In compliance with the terms of the ACE stock option plan, in November 2007, the Board of ACE resolved to immediately vest all remaining unvested ACE stock options. This resulted in the immediate expense recognition of all deferred stock based compensation on outstanding ACE options granted, less amounts previously recognized as compensation expense. As a result of this immediate vesting of all ACE options granted, no further stock based compensation expense has been recorded related to the ACE stock option plan. All outstanding options under the ACE stock option plan expired in accordance with their terms on February 9, 2013.

A summary of the activity related to the Corporation's employees participating in the ACE stock option plan is as follows. Options are stated in whole numbers.

	2013			2012		
	Options	Weighted Average Exercise Price/Share		Options	Weighted Average Exercise Price/Share	
Beginning of year	65,281	$	4.69	19,760	$	19.23
Exercised	-		-	-		-
Forfeited	(65,281)		4.69	(2,125)		19.23
Outstanding options, prior to May 9, 2012 distribution	**-**	**$**	**-**	**17,635**	**$**	**19.23**
Adjustment - ACE distribution [(a)]	-		-	54,687		-
Outstanding options, after May 9, 2012 distribution	**-**	**$**	**-**	**72,322**	**$**	**4.69**
Forfeited	-		-	(7,041)		4.69
Outstanding options, end of year	**-**	**$**	**n/a**	**65,281**	**$**	**4.69**
Options exercisable, end of year	**-**	**$**	**n/a**	**65,281**	**$**	**4.69**

(a) In accordance with the terms of the ACE stock option plan, the cash distribution to shareholders of $275,000 on June 8, 2012 (Refer to Note 7) triggered an adjustment to the exercise price and the number of options outstanding. Effective on the applicable date of the distribution, the adjustment was applied to all unexercised ACE stock options.

		2012 Outstanding and Exercisable Options			
Range of Exercise Prices	Expiry Dates	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price/Share	
$ 4.69	2013	65,281	0.1	$	4.69
		65,281		**$**	**4.69**

7. DISTRIBUTION TO COMMON SHAREHOLDERS

On May 9, 2012, ACE declared a distribution in the aggregate amount of $275,000 (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid on June 8, 2012. This distribution represents the initial distribution to shareholders of amounts to be paid in the course of the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, which was approved at the annual and special meeting of shareholders held on April 25, 2012, as described in Note 1.

8. SHARE CAPITAL

The issued and outstanding common shares of ACE, along with potential common shares, are set out below.

Outstanding shares ('000s)		**As at December 31 2013**	**As at December 31 2012**
Issued and Outstanding			
Common Shares		32,475	32,475
Total issued and outstanding [1]		**32,475**	**32,475**
Potential common shares issuable			
Stock options[2]	Note 6	-	65
Total potential common shares		**-**	**65**

[1] This also represents the weighted average number of shares outstanding as at December 31, 2013 and December 31, 2012.

[2] All outstanding stock options expired in accordance with their terms on February 9, 2013.

In accordance with the terms of the ACE stock option plan, the cash distribution to shareholders of $275,000 (Refer to Note 7) triggered an adjustment to the exercise price and the number of options outstanding. Effective on the applicable date of the distribution, the adjustment was applied to all unexercised ACE stock options.

Share Conversion

On April 25, 2012, ACE's shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares were converted, on a one-for-one basis, into a new class of common shares (the "Common Shares"), each entitled to one vote per share (the "Share Conversion").

The Share Conversion formed part of the steps implemented by ACE in order to complete its liquidation described in Note 1 in a tax-efficient manner for ACE and its shareholders. At the time of incorporation of ACE in 2004, when ACE controlled Air Canada, the articles of ACE provided for ownership restrictions through a dual-class share structure to ensure that ACE, as the controlling shareholder of Air Canada, remained Canadian under the Canada Transportation Act ("CTA"). ACE no longer holds an interest in any holder of a license under the CTA and accordingly, ACE's dual class structure was no longer necessary.

Terms of the New Common Shares

The terms of the Common Shares pertaining to dividend entitlements and entitlement upon liquidation or dissolution are the same as the rights previously attached to Class A variable voting shares and Class B voting shares of ACE. The Common Shares carry one vote per share and are not subject to any ownership restriction.

The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of ACE and each Common Share confers the right to one vote in person or by proxy at all meetings of shareholders of ACE.

With respect to dividends, the holders of the Common Shares will, if declared, be entitled to receive, out of monies, assets or property of ACE properly applicable to the payment of dividends, any dividends declared and payable by ACE on the Common Shares.

Upon liquidation, dissolution or winding up of ACE or other distribution of ACE's assets among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares are entitled to receive the remaining property of ACE and are entitled to share equally, share for share, in all distributions of such assets.

Since April 25, 2012, the authorized share capital of ACE no longer includes a class of preferred shares.

9. EARNINGS PER SHARE

The following table outlines the calculation of basic and diluted income per share:

(in thousands, except per share amounts)	2013	2012
Numerator:		
Numerator for basic income per share:		
Net income for the year	$ 1,145	$ 24,481
Effect of potential dilutive securities:		
Stock options	-	-
Adjusted numerator for diluted income per share	**$ 1,145**	**$ 24,481**
Denominator:		
Denominator for basic income per share:		
Weighted-average shares	32,475	32,475
Effect of potential dilutive securities:		
Stock options	-	-
Adjusted denominator for diluted income per share	**32,475**	**32,475**
Basic income per share	**$ 0.04**	**$ 0.75**
Diluted income per share	**$ 0.04**	**$ 0.75**

The calculation of earnings per share is based on whole dollars and not on rounded thousands.
As a result, the above amounts may not be recalculated to the per share amount disclosed above.

The dilutive effect of outstanding stock options on earnings per share is based on the application of the treasury stock method. Under this method, the proceeds from the exercise of such securities are assumed to be used to purchase shares.

Excluded from the calculation of diluted earnings per share in 2012 were 65,281 outstanding options where the options' exercise prices were greater than the average market price of the common shares for the year. Refer to Note 6.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Summary of Financial Instruments

	Carrying Amounts				
	December 31, 2013				December 31, 2012
	Financial instruments classification				
	Financial assets at amortised cost	Financial assets at FVTPL	Financial liabilities at amortised cost	Total	
Financial Assets					
Cash and cash equivalents	$ 11,210	$ -	$ -	$ 11,210	$ 56,467
Short-term investments	121,638	-	-	121,638	75,000
	$ 132,848	$ -	$ -	$ 132,848	$ 131,467
Financial Liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ 229	$ 229	$ 43
	$ -	$ -	$ 229	$ 229	$ 43

There have been no changes in classification of financial instruments in the current year.

Risk Management

As at December 31, 2013, ACE's financial instruments include cash in the amount of $11,210 ($56,467 as at December 31, 2012), short-term investments in the amount of $121,638 ($75,000 as at December 31, 2012) and accounts payable and accrued liabilities of $229 ($43 as at December 31, 2012). The risk exposure related to these holdings is described below.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is mitigated by the fact that as at December 31, 2013, the Corporation had cash and cash equivalents of $11,210 and accounts payable and accrued liabilities of $229.

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. The Corporation is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet. This risk is mitigated by the fact that cash and cash equivalents are held by major Canadian Banks.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Corporation is exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk from its holding in cash and cash equivalents of $11,210. The weighted average interest rate on ACE's cash and cash equivalents at December 31, 2013, is approximately 1.13%, which results in limited downside risk.

11. CAPITAL DISCLOSURES

ACE is an investment holding company.

Capital managed by ACE is as follows:

	2013	2012
Net assets in liquidation	$ 132,744	$ 131,599
Capital	**$ 132,744**	**$ 131,599**

As at December 31, 2013, ACE's capital amounted to $132,744, an increase of $1,145 during 2013.

12. CONTINGENCIES, GUARANTEES AND INDEMNITIES

Indemnification agreements

Refer to Note 1 (General Information) and Note 5 (Taxes – Certificates of Discharge and Tax Audits) for a description of indemnification agreements between ACE, Air Canada and Aveos related to certain commodity tax reassessments. Also refer to Note 1 (General Information) for a description of the proofs of claim filed in response to ACE's claims process.

13. COMPENSATION OF KEY MANAGEMENT

Key management includes ACE's Board of Directors, Chairman and Chief Executive Officer, President and Chief Financial Officer, Senior Vice-President, Corporate Development and Chief Legal Officer, Controller and Corporate Secretary. Compensation awarded to key management is summarized as follows:

	2013	2012
Directors' fees and Officers' consultancy fees	-	1,409
	$ -	**$ 1,409**

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ACE AVIATION

2013

Management's Discussion and Analysis

April 25, 2014

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1. Preface

General

ACE Aviation Holdings Inc. (“ACE”), was incorporated on June 29, 2004. As at December 31, 2013, ACE is listed on the NEX board of the TSX Venture Exchange where its common shares are traded under the symbol ACE.H.

As at December 31, 2013, ACE’s only assets are cash and short-term investments of approximately $133 million.

On April 25, 2012, at ACE's annual and special meeting, ACE's shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares of ACE were converted into a new class of common shares of ACE on a one-for-one basis.

The shareholders of ACE also approved a special resolution providing for the voluntary liquidation of ACE pursuant to Section 211 of the Canada Business Corporations Act, through distribution of its remaining assets to shareholders, after providing for outstanding liabilities, contingencies and costs of the liquidation, the appointment of a liquidator at a time to be determined by the board of directors of ACE and the ultimate dissolution of ACE in the future, once all the liquidation steps have been completed.

On May 9, 2012, ACE announced that it had declared a distribution in the aggregate amount of $275 million (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which was paid as of June 8, 2012.

On June 28, 2012, the Superior Court of Québec (Commercial Division) (the “Court”) issued an order appointing Ernst & Young Inc. as liquidator of ACE (the “Liquidator”). Effective June 28, 2012, all of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors of ACE.

On July 16, 2012, ACE announced that the TSX advised ACE that it no longer met the continued listing requirements of the TSX as a result of the previously announced appointment of the Liquidator and the resignation of all of the directors and officers of ACE. The TSX advised ACE that if it did not voluntarily delist by September 14, 2012, the TSX would delist its common shares. As a result, ACE delisted its common shares from the TSX effective at the close of business on September 14, 2012.

ACE transferred the listing of its common shares from the TSX to the NEX board of the TSX Venture Exchange on September 17, 2012, the trading day immediately following the delisting from the TSX.

On November 13, 2012, ACE sold a total of 31 million shares and 2.5 million warrants which represented its entire remaining investment in Air Canada. The net proceeds obtained as a result of the sale of ACE’s investment in Air Canada amounted to $58 million. Following the sale, ACE no longer holds any shares or warrants in Air Canada.

Liquidation Claims Process

Pursuant to an order issued by the Court on February 25, 2013, the Liquidator established a process for the identification, resolution and barring of claims and other contingent liabilities against ACE. Creditors had until May 13, 2013 to file their proof of claims, failing which their claims would be barred and extinguished.

As previously disclosed, in connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37.7 million primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE’s subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7.4 million relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6.8 million. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40.1 million to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future.

A substantially similar process occurred with respect to GST payable on importation on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1.1 million and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future.

In response to ACE's claims process, Air Canada filed a contingent claim related to the tax indemnities referred to above. The contingent claim, in the amount of $50.1 million, covers any eventual reassessment of Air Canada's input tax credit refund claims plus any related interest and ancillary legal costs. The reassessment periods for the large majority of the input tax credit claims covered by the indemnity in favour of Air Canada will expire by the end of 2014, with the remaining reassessment periods gradually expiring by 2016. Aveos filed a similar contingent claim in the amount of $1.6 million with respect to any eventual reassessment of input tax credit refund claims and any related interest and ancillary costs. ACE will maintain a reserve in the amount of the Air Canada and Aveos claims which will not be available for distribution to the shareholders pending the expiration of the related reassessment periods or settlement of such contingencies.

ACE also received a claim from a plaintiff relating to a proposed class action initiated in the Ontario Superior Court of Justice by Ms. Prince against Air Canada and ACE Aviation Holdings Inc., which alleged that Air Canada improperly charged Ms. Prince and other class members for certain United States taxes in connection with the sale of airfare. The plaintiff alleged that as the former parent or shareholder of Air Canada, ACE was liable for the acts of Air Canada. The plaintiff therefore filed a proof of claim against ACE in the liquidation claims process in the amount of $200 million, pending determination of the allegedly overcharged amounts. No breakdown or calculation was provided in relation to the amount claimed. ACE was of the view that this claim against ACE had no merit given that ACE is a separate entity from Air Canada and that ACE never sold airfare. Accordingly, the Liquidator delivered a notice of disallowance to the plaintiff and the plaintiff did not contest the notice of disallowance prior to the expiry date for such contestation. The plaintiff subsequently agreed to formally discontinue the action against ACE in the Ontario Superior Court of Justice.

In addition, the Liquidator received a letter from a group acting on behalf of certain air cargo customers (the "Stichting Compensation Foundation") claiming an unspecified amount of compensation from ACE in connection with surcharges for fuel and security for the period from January 1, 2000 to December 31, 2006, which are alleged to have been implemented by certain air cargo carriers in violation of European Union competition law. The Stichting Compensation Foundation relies on a decision of the European Commission issued on November 9, 2010 pursuant to which the European Commission imposed fines on eleven air cargo carriers, including Air Canada the former subsidiary of ACE, for such alleged actions. The decision of the European Commission is being appealed by the air cargo carriers. The Stichting Compensation Foundation has not filed a claim in the Liquidation. ACE is of the view that any claim is barred and that this potential claim against ACE has no merit in any event given that ACE is a separate entity from Air Canada, ACE has never operated an air cargo business or sold cargo fares and no penalties, fines or other measures were imposed or taken by the European Commission against ACE. ACE will take appropriate measures to confirm that this claim is barred or disallowed.

The only remaining subsidiaries of ACE are ACTS LP and its general partner, 4378555 Canada Inc. ACTS LP previously operated a business of aircraft maintenance, repair and overhaul prior to the sale of its business to a consortium of private equity firms in October 2007. ACTS LP has not carried on any business since October 2007. As a result of the tax indemnity arrangements entered into with Air Canada, which are referred to above, ACTS LP will be liquidated and dissolved only after the expiration of the indemnity arrangements with Air Canada. The Liquidator is not aware of any liabilities or contingent liabilities of ACTS LP other than contingent liabilities in respect of the tax indemnity agreements referred to above. The Liquidator will be seeking directions from the Court with respect to ACTS LP.

The Liquidator will not proceed with any further distributions to shareholders pending satisfactory resolution of the matters referred to above and any other contingencies that may arise in the course of the liquidation process.

Future distributions of ACE's remaining net cash to its shareholders are subject to the expiration or settlement of any contingencies and there is no certainty as to the timing or amount of such distributions. The final distribution to shareholders and the cancellation of the shares of ACE will not occur until all remaining contingent liabilities are settled or otherwise provided for. The distributions will generally be treated as deemed dividends from a Canadian tax standpoint. Such deemed dividends will be designated as eligible dividends for the purposes of the Income Tax Act (Canada).

Accounting Principles and Additional Information

The Corporation prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants – Part 1.

The Corporation changed the basis of preparing its financial statements from going concern to liquidation effective January 1, 2011.

The consolidated financial statements do not include costs to liquidate the assets of the Corporation, settle any contingent liabilities or future administrative costs and professional fees to wind-up the activities of the Corporation. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

This MD&A should be read in conjunction with ACE's audited consolidated financial statements and notes for 2013, which can be found on SEDAR at www.sedar.com. Reference to the "Corporation" in this MD&A refers to ACE and its wholly-owned subsidiaries. Except as otherwise noted, all monetary amounts are stated in Canadian dollars. Except as otherwise noted, this MD&A is current as of April 25, 2014.

Forward-looking statements are included in this MD&A. See "Caution Regarding Forward-Looking Information" in section 2 of this MD&A for a discussion of risks, uncertainties and assumptions relating to these statements. See section 11 "Risk Factors" of this MD&A.

The Liquidator has reviewed and approved this MD&A and the audited consolidated financial statements and notes for 2013 prior to their release. For further information on ACE's public disclosure file, please consult SEDAR at www.sedar.com, or ACE's website at www.aceaviation.com.

2. Caution Regarding Forward-Looking Information

ACE's public communications may include written or oral forward-looking statements within the meaning of applicable securities laws. Such statements are included in this MD&A and may be included in other filings with regulatory authorities and securities regulators. Forward-looking statements may relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations, future actions, the timing of the liquidation and distributions to shareholders, the potential amount of ACE's contingencies and liability under claims filed, the final distribution to shareholders and the cancellation of the shares of ACE. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, market, regulatory developments or proceedings, and actions by third parties as well as the factors identified throughout this MD&A and, in particular, those referred to in section 11 “Risk Factors” of this MD&A. No assurance can be given as to the timeline of the liquidation and distributions. The forward-looking statements contained in this MD&A represent ACE's expectations as of the date of this MD&A, and are subject to change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

3. Financial and Capital Management

The following table presents the net assets in liquidation of ACE as at December 31, 2013 and December 31, 2012.

(Canadian dollars in thousands, except per share amounts)	December 31 2013	December 31 2012
Cash and Cash Equivalents	$ 11,210	$ 56,467
Short-term investments	121,638	75,000
Commodity taxes receivable	125	175
	132,973	131,642
Accounts payable and accrued liabilities	229	43
Net assets in liquidation	$ 132,744	$ 131,599
Net assets in liquidation per share – Basic and diluted	$ 4.09	$ 4.05

ACE has no operations other than managing its net assets in liquidation and related activities.

3.1 Analysis of Net Assets in Liquidation

Cash and Cash Equivalents

Cash was $11 million and $56 million as at December 31, 2013 and December 31, 2012 respectively. The reduction of $45 million was primarily due to cash being invested in Guaranteed Investment Certificates (“GICs”) categorized as Short-term investments as a result of their maturity of more than three months.

Short-term investments

Short-term investments of $122 million comprise investments in GICs with a maturity date of more than three months. The average interest rate on these GICs as of December 31, 2013 is 1.13% per annum (December 31, 2012: 1.28%).

Investment in Air Canada

On November 13, 2012 ACE sold a total of 31 million shares and 2.5 million warrants which represented its entire remaining investment in Air Canada. The net proceeds obtained as a result of the sale of ACE’s investment in Air Canada amounted to $58 million resulting in a gain of $1.6 million represented by a gain on the sale of the shares and the warrants of $0.7 million and $0.9 million respectively. Following the sale, ACE no longer holds any shares or warrants in Air Canada.

The following table details the carrying value of ACE's investment in Air Canada.

		(Canadian dollars in millions)
Fair value of ACE's investment in Air Canada as at December 31, 2010 (1)	$	107
Unrealized loss on ACE's investment in Air Canada from January 1 to December 31, 2011		(76)
Fair value of ACE's investment in Air Canada as at December 31, 2011 (1)	$	31
Unrealized gain on ACE's investment in Air Canada from January 1 to November 13, 2012		25
Fair value of ACE's investment in Air Canada as at November 13, 2012 (1)	$	56
Sale of remaining Air Canada shares on November 13, 2012 (31 million shares)		(56)
Fair value of ACE's investment in Air Canada as at December 31, 2012 (1)	$	-

(1) *The fair value of ACE's holdings of Air Canada shares of $107 million as at December 31, 2010, $31 million as at December 31, 2011 and $56 million as at November 13, 2012 are based on the closing prices of $3.45 per Air Canada Class B Voting Share as at December 31, 2010, $0.99 per Air Canada Class B Voting Share as at December 30, 2011 and $1.82 per Air Canada Class B Voting Share as at November 13, 2012 as quoted on the TSX.*

Income and other taxes payable

In March 2010, ACE applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Québec.

ACE assisted the CRA and Revenu Québec with their audits of ACE's income tax returns for the years 2005 to 2010 and audits in respect of other taxes. The audits of income tax returns required a detailed review of all of the significant corporate transactions undertaken by ACE since its incorporation in 2004, together with a detailed review of all of its returns.

On March 7, 2012, a tax clearance certificate was issued by the CRA in connection with all taxation years ended on or prior to December 31, 2010. On March 12, 2012, Revenu Québec issued an equivalent certificate authorizing the distribution of property up to $500 million. ACE does not expect to incur income tax liabilities for the taxation years ended December 31, 2011 and beyond, or to incur any tax liabilities for other taxes over and above amounts incurred in the ordinary course of business.

As previously disclosed, in connection with the process leading to the issuance of tax clearance certificates in favour of ACE for all taxation years ended on or prior to December 31, 2010, Revenu Québec conducted a sales tax audit of ACE and its subsidiaries in 2010 and 2011. Revenu Québec issued notices of reassessment in the amount of $37.7 million primarily with respect to certain importations of aircraft parts on the basis that it was Air Canada, and not ACE's subsidiary ACTS LP, which should have paid GST and should have been allowed to claim the related refund. Revenu Québec also issued additional notices of reassessment in the amount of $7.4 million relating, inter alia, to certain intercompany transactions on which Revenu Québec considers that ACE or ACTS LP should have charged Air Canada sales tax in the amount of $6.8 million. All such reassessments were paid by ACE and ACTS LP, and Air Canada paid an aggregate amount of approximately $40.1 million to ACE and ACTS LP and then claimed additional GST/QST refunds for the same amount. ACE agreed to indemnify and hold harmless Air Canada should such refund claims be reassessed in the future. The reassessment periods for the large majority of such input tax credit claims will expire by the end of 2014, with the remaining reassessment periods gradually expiring by 2016. Any required payment by ACE pursuant to such indemnities would reduce the amount available for distribution to shareholders of ACE in connection with the liquidation of ACE. For additional information, see "Section 1. Preface – Liquidation Claims Process".

A substantially similar process occurred with respect to GST payable on importation on behalf of Aveos and Aveos agreed to claim additional GST refunds in the amount of $1.1 million and to pay such amount to ACE to reimburse it for GST paid in connection with the importations. ACE agreed to indemnify and hold harmless Aveos should such refund claims be reassessed in the future. For additional information, see "Section 1. Preface – Liquidation Claims Process".

Administrative and other expenses for the year ended December 31, 2013 and the year ended December 31, 2012 include net provisions for other taxes of nil.

Advance Tax Ruling
In 2012, ACE obtained an advance tax ruling from the CRA in order to confirm that neither the Share Conversion referenced in section 3.3 below nor the other liquidation steps will result in the Common Shares of ACE being considered short-term preferred shares or taxable preferred shares for the purpose of the Income Tax Act (Canada) (the “Tax Act”) and the regulations thereunder, such that no tax under Part VI.1 of the Tax Act will be payable by ACE in connection with the liquidation steps.

Contingencies
As part of the wind-up process, a claims process was initiated in order to identify and resolve claims against the Corporation. See “Preface – Liquidation Claims Process” for a description of certain claims filed in response to the Corporation’s liquidation claims process. Refer to section 11 of this MD&A for a discussion of risk factors.

Future costs
Future costs will be incurred up to and during liquidation and have not been accrued. These costs include liquidator fees and other operating costs. In addition, future interest income is expected to be earned on cash and cash equivalents.

3.2 Cash Flows in Liquidation

As discussed in Section 3.1, cash used of $45 million in the year ended December 31, 2013, was primarily due to cash equivalents being reinvested in Guaranteed Investment Certificates (“GICs”) categorized as Short-term investments as a result of their maturity of more than three months.

3.3 Share Information

At December 31, 2013, the issued and outstanding common shares of ACE, along with common shares potentially issuable, were as follows:

Number of shares (000)	December 31, 2013	December 31, 2012
Issued and outstanding common shares		
Common shares	32,475	32,475
Total issued and outstanding common shares	32,475	32,475
Common shares potentially issuable		
Stock options (1)	-	65
Total outstanding and potentially issuable common shares	32,475	32,540

(1) The Corporation’s stock option plan is described in Note 6 to the 2013 audited consolidated financial statements. At December 31, 2012, a total of 65,281 stock options with a weighted exercise price of $4.69 were outstanding. All of the outstanding stock options of ACE expired in accordance with their terms on February 9, 2013.

On April 25, 2012, ACE’s shareholders approved a special resolution providing for an amendment to the articles of ACE pursuant to which all Class A variable voting shares and Class B voting shares were converted, on a one-for-one basis, into a new class of common shares (the "Common Shares"), each entitled to one vote per share (the "Share Conversion").

The terms of the Common Shares pertaining to dividend entitlements and entitlement upon liquidation or dissolution are the same as the rights previously attached to Class A variable voting shares and Class B voting shares of ACE. The Common Shares carry one vote per share and are not subject to any ownership restriction.

The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of ACE and each Common Share confers the right to one vote in person or by proxy at all meetings of shareholders of ACE.

With respect to dividends, the holders of the Common Shares will, if declared, be entitled to receive, out of monies, assets or property of ACE properly applicable to the payment of dividends, any dividends declared and payable by ACE on the Common Shares.

Upon liquidation, dissolution or winding up of ACE or other distribution of ACE's assets among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares are entitled to receive the remaining property of ACE and are entitled to share equally, share for share, in all distributions of such assets.

Since April 25, 2012 the authorized share capital of ACE no longer includes a class of preferred shares.

4. Accounting Policies

This MD&A should be read in conjunction with ACE's audited consolidated financial statements and notes for 2013.

Effective January 1, 2011, the Corporation changed the basis of presenting its financial statements from going concern to liquidation (Refer to section 1 of this MD&A). The adoption of a liquidation basis of presentation did not result in a change to the Corporation's accounting policies that were applied on a going concern basis of presentation.

For additional information on ACE's significant accounting policies and methods used in preparation of ACE's 2013 audited consolidated financial statements and notes, please refer to Note 2 to ACE's 2013 audited consolidated financial statements.

The preparation of ACE's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. ACE evaluates these estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual amounts could differ materially from those estimates and assumptions. Refer to section 10 of this MD&A for a discussion of ACE's critical accounting estimates.

5. Consolidated Statement of Changes in Net Assets in Liquidation

(Canadian dollars in thousands, except per share amounts)	Three Months Ended December 31 2013	Year Ended December 31 2013	Three Months Ended December 31 2012	Year Ended December 31 2012
Net assets in liquidation, beginning of period	$ 132,454	$ 131,599	$ 112,882	$ 382,118
Interest income	388	1,846	198	1,942
Gain on investment in Air Canada	-	-	17,748	26,428
Gain on Air Canada warrants	-	-	918	918
Administrative and other expenses	(98)	(701)	(147)	(4,807)
Income for the period	290	1,145	18,717	24,481
Provision for income taxes	-	-	-	-
Income for the period	290	1,145	18,717	24,481
Distributions to Shareholders	-	-	-	(275,000)
Net assets in liquidation, end of period	$ 132,744	$ 132,744	$ 131,599	$ 131,599
Income per share – Basic and diluted	$ 0.01	$ 0.04	$ 0.58	$ 0.75

ACE sold its entire investment in Air Canada in Quarter 4 2012. ACE recorded a gain on investment in Air Canada at fair value of $26 million in the year ended December 31, 2012, and a gain of $18 million in the three months ended December 31, 2012.

On November 13, 2012 ACE sold a total of 31 million shares and 2.5 million warrants which represented its entire remaining investment in Air Canada. The net proceeds obtained as a result of the sale of ACE's investment in shares of Air Canada amounted to $57 million resulting in a gain of $1 million. The net proceeds obtained as a result of the sale of ACE's investment in warrants of Air Canada amounted to $1 million resulting in a gain of $1 million.

ACE recorded administrative and other expenses of $0.7 million in the year ended December 31, 2013 ($0.1 million in the three months ended December 31, 2013). In the same period in 2012, ACE recorded administrative and other expenses of $5 million ($0.1 million in the three months ended December 31, 2012).

The income for the year and the three months ended December 31, 2013 amounted to $1.1 million or $0.04 per diluted share and $0.3 million or $0.01 per diluted share. The income for the year and the three months ended December 31, 2012 amounted to $24 million or $0.75 per diluted share and $19 million or $0.58 per diluted share primarily due to the gain recorded on the investment in Air Canada as referred to above.

6. Quarterly Financial Information

($ thousands, except per share amounts)	Q1(1) 2012 (Liquidation Basis)	Q2(1) 2012 (Liquidation Basis)	Q3(1) 2012 (Liquidation Basis)	Q4(1) 2012 (Liquidation Basis)	Q1(1) 2013 (Liquidation Basis)	Q2(1) 2013 (Liquidation Basis)	Q3(1) 2013 (Liquidation Basis)	Q4(1) 2013 (Liquidation Basis)
Interest income	$ 913	$ 747	$ 84	$ 198	$ 622	$ 383	$ 453	$ 388
Gain (loss) on investment in Air Canada	(1,550)	1,240	8,990	17,748	-	-	-	-
Gain on Air Canada warrants	-	-	-	918	-	-	-	-
Administrative and other expenses	(1,903)	(2,449)	(308)	(147)	(202)	(245)	(156)	(98)
Provision for income taxes	-	-	-	-	-	-	-	-
Income (loss)	**$ (2,540)**	**$ (462)**	**$ 8,766**	**$ 18,717**	**$ 420**	**$ 138**	**$ 297**	**$ 290**
Earnings (loss) per share – basic and diluted	**$(0.08)**	**$ -**	**$ 0.25**	**$ 0.58**	**$0.01**	**$ 0.01**	**$ 0.01**	**$ 0.01**

(1) ACE transitioned to IFRS as of January 1, 2011.

7. Selected Annual Information

The following table provides selected annual information for ACE for the years 2013, 2012 and 2011.

($ thousands, except per share figures)	2013	2012	2011*
Operating revenues	$ -	$ -	$ -
Administrative and other expenses	(701)	(4,807)	(9,866)
Operating income (loss)	(701)	(4,807)	(9,866)
Total non-operating income (expense), non-controlling interest, foreign exchange gain (loss) and income tax	1,846	29,288	(79,803)
Net income (loss)	$ 1,145	$ 24,481	$ (89,669)
Earning (loss) per share - Basic and Diluted	$0.04	$0.75	$(2.76)
Cash and cash equivalents	$ 11,210	$ 56,467	$ 356,194
Total assets	$ 132,973	$ 131,642	$ 387,062

** Effective January 1, 2011, the Corporation changed the basis of presenting its financial statements from going concern to liquidation and the consolidated statement of changes in net assets includes the results of operations and transactions with owners. The financial information is derived from ACE's statement of changes in net assets and from ACE's statement of net assets in liquidation.*

8. Financial Instruments and Risk Management

As at December 31, 2013, ACE's financial instruments include cash and cash equivalents in the amount of $11 million ($56 million as at December 31, 2012), short-term investments in the amount of $122 million ($75 million as at December 31, 2012) and accounts payable and accrued liabilities of $0.2 million ($0.1 million as at December 31, 2012). The risk exposure related to these holdings is described below.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is mitigated by the fact that as at December 31, 2013, the Corporation had cash and cash equivalents of $11 million and accounts payable and accrued liabilities of $0.2 million.

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. The Corporation is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the balance sheet. This risk is mitigated by the fact that cash and cash equivalents are held by major Canadian Banks.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Corporation is exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk from its holding in cash and cash equivalents of $11 million. The weighted average interest rate on ACE's cash and cash equivalents and short-term investments at December 31, 2013, is approximately 1.13%, which results in limited downside risk.

9. Off-Balance Sheet Arrangements

Indemnification agreements

Refer to Section 1. (Preface – Liquidation Claims Process) and Section 3.1 of this MD&A for a description of indemnification agreements between ACE, Air Canada and Aveos related to certain commodity tax reassessments. Refer to section 1 (Preface – Liquidation Claims Process) for a description of the proofs of claim filed in response to ACE's claims process.

10. Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy or note:

Income Taxes
Judgment and estimates are used in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and tax liabilities. No material provision for uncertain tax positions has been recognized by the Corporation.

11. Risk Factors

The risks described herein may not be the only risks faced by the Corporation. Other risks which the Corporation is not aware of or which the Corporation currently deems to be immaterial may surface and have a material adverse impact on the Corporation's business income and financial condition.

Contingent Liabilities
As part of the winding-up process, a claims process has been initiated pursuant to which any claims against the Corporation that are identified will be resolved. Refer to section 1 (Preface – Liquidation Claims Process) for a description of the proofs of claim filed in response to ACE's claims processs. It is possible that through this process additional liabilities will be identified and accrued or that claims will be filed that may result in costs to ACE. In addition, the contingent liabilities described in sections 1 and 3.1 of this MD&A, including those relating to GST indemnity agreements, may impact the amount and timing of distributions to shareholders.

Timeline of distributions
The timing and amounts of distributions under the liquidation process will be at the discretion of the Liquidator. Distributions may be delayed as a result of matters or events outside of the control of the Liquidator. No assurances can be given as to the timing and amount of any distribution, under the liquidation process.

A Substantial Portion of ACE's Cash is Invested in Cash Equivalents and Short-Term Investments
A substantial portion of ACE's cash is invested in short-term investments which are subject to credit exposure and interest rate fluctuations which could change the value of these investments. These investments are made in accordance with an investment policy approved by the Liquidator. Although ACE's investment policy is designed to provide for short-term liquidity and low levels of risk, such investments are subject to credit exposure and interest rate fluctuations.

APPENDIX C

ACE Aviation Holdings Inc.

Claims Summary

As At May 8, 2014

Proofs of Claim Filed [1]		Under Review		Claims Accepted [2]		Claims Disallowed / Withdrawn		Claims Disputed	
#	$	#	$	#	$	#	$	#	$
24	252,679,659	-	-	2	51,761,356	21	200,898,303	1	20,000

Notes:

Note 1: Claims denominated in a currency other than Canadian dollars were converted using June 28, 2012 foreign exchange rates by the Liquidator.

Note 2: Air Canada and Aveos Fleet Performance Inc. claims were accepted by the Liquidator as Valid Contingent Claims in the amounts of $50.1 million and $1.6 million respectively.

APPENDIX D

PRESS RELEASE DATED APRIL 28, 2014

ACE AVIATION

News Release

ACE AVIATION REPORTS FULL YEAR RESULTS AND PROVIDES AN UPDATE ON ITS LIQUIDATION PROCESS

MONTRÉAL, April 28, 2014 – ACE Aviation Holdings Inc. (ACE) today reported full year results for 2013, and provided an update with respect to its liquidation process.

2013 Annual Results

For 2013, ACE recorded an increase in net assets in liquidation of $1.1 million. This increase was primarily due to interest income earned during the year offset by administrative and other expenses.

As at April 25, 2014, ACE's only remaining assets consist of cash and short-term investments in an aggregate amount of approximately $133 million.

Liquidation Process

On June 28, 2012, further to the approval by ACE shareholders on April 25, 2012 of a special resolution providing for the voluntary liquidation of ACE, the Superior Court of Québec (Commercial Division) (the "**Court**") issued an order appointing Ernst & Young Inc. as liquidator of ACE (the "**Liquidator**").

Pursuant to an order issued by the Court on February 25, 2013, the Liquidator established a process for the identification, resolution and barring of claims and other contingent liabilities against ACE. Creditors had until May 13, 2013 to file their proof of claims, failing which their claims would be barred and extinguished. The audited consolidated financial statements of ACE for the year ended December 31, 2013 and the related management's discussion and analysis include a description of the proof of claims which were filed. The Liquidator will not proceed with any further distributions to shareholders pending satisfactory resolution of these matters and any other contingencies that may arise during the course of the liquidation process.

Future distributions of ACE's remaining net cash to its shareholders are subject to the expiration or settlement of any contingencies and there is no certainty as to the timing or amount of such distributions. The final distribution to shareholders and the cancellation of the shares of ACE will not occur until all remaining contingent liabilities are settled or otherwise provided for.

As previously announced, effective as of June 28, 2012, all of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors and the shareholders of ACE in accordance with the Canada Business Corporations Act and the Court order issued on June 28, 2012. Accordingly, ACE does not plan to hold an annual shareholder meeting in 2014 with respect to the financial year ended December 31, 2013. ACE will seek confirmation from the Court that no such shareholder meeting shall be held and the Liquidator will post a copy of the relevant application to the Court and notice of the hearing date on its website at www.ey.com/ca/aceaviation at least 7 days in advance of the hearing date. ACE currently expects that the Court hearing will be held on or about May 20, 2014. Shareholders who have questions or require additional information with respect to ACE and the liquidation process may contact the Liquidator by telephone (1-855-279-8388 or 416-943-4444) or by fax (1-416-943-3300).

For additional information with respect to the liquidation of ACE, refer to the management proxy circular dated March 9, 2012, the audited consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2013 and the other public filings of ACE which are available at www.sedar.com and www.aceaviation.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this news release may contain forward-looking statements. Forward-looking statements may relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations, future actions, the timing of the liquidation, the final distribution to shareholders and the cancellation of the shares of ACE. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, market, regulatory developments or proceedings, and actions by third parties as well as the factors identified throughout ACE's filings with securities regulators in Canada and, in particular, those identified in the Risk Factors section of ACE's 2013 Annual MD&A dated April 25, 2014. If ACE does not proceed with the winding-up in a timely manner, ACE will continue to incur operating costs and fees. The forward-looking statements contained in this news release represent ACE's expectations as of the date they are made, and are subject to change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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Contact: David Saldanha, Ernst & Young Inc. (416) 943-4444

Internet: www.aceaviation.com

APPENDIX E

CREDITORS INSTRUCTIONS

NOTICE TO CREDITORS OF ACTS LP AND ITS GENERAL PARTNER, 4378555 CANADA INC.

RE: NOTICE OF CLAIMS PROCESS FOR ACTS LP AND ITS GENERAL PARTNER, 4378555 CANADA INC . IN THE MATTER OF THE LIQUIDATION OF ACE AVIATION HOLDINGS INC. PURSUANT TO THE *CANADA BUSINESS CORPORATIONS ACT* (the "CBCA")

PLEASE TAKE NOTICE that this notice is being published pursuant to an Order by the Quebec Superior Court made May 20, 2014 (the "Order"). Proof of Claim packages will be sent to creditors on or before May 30, 2014, in accordance with the requirements of the Order. Creditors may also obtain the Order and a Proof of Claim package from the website of Ernst & Young Inc., the Court appointed Liquidator of ACE (the "Liquidator") at www.ey.com/ca/aceaviation or by contacting the Liquidator by telephone (1-855-279-8388 or 416-943-4444) or by fax (1-416-943-3300).

Proofs of Claim must be submitted to the Liquidator for any claim against ACTS LP or 4378555 Canada Inc., whether unliquidated, contingent or otherwise. Please consult the Proof of Claim package for more details.

Completed Proofs of Claim must be received by the Monitor by 5:00 p.m. (prevailing Eastern Time) on the Claims Bar Date, as set out in the Order. The Claims Bar Date is July 18, 2014. It is your responsibility to ensure that the Liquidator receives your Proof of Claim by the Claims Bar Date.

CLAIMS WHICH ARE NOT RECEIVED BY THE APPLICABLE CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

ACTS LP and 4378555 Canada Inc. - Proof of Claim

❶ Name of the Legal Entity - ACTS LP or 4378555 Canada Inc. (the "Debtor")

❷ Original Creditor Identification (the "Creditor")

Legal Name of Creditor			Name of Contact
Address			Phone #
			Fax #
City	Country	Postal/Zip code	e-mail

❸ Assignee, if claim has been assigned

Full Legal Name of Assignee			Name of Contact
Address			Phone #
			Fax #
City	Country	Postal/Zip code	e-mail

❹ Amount of Claim

The Debtor was and still is indebted to the Creditor as follows:

Claims will be recorded as "Unsecured" unless the "Secured" box is checked

Currency	Original Currency Amount	Secured
		☐
		☐
		☐
		☐
		☐
		☐

❺ Documentation

Provide all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor which has guaranteed the Claim, and amount of invoices, particulars of all credits, discounts, etc. claimed, the description of the security, if any, granted by the Debtor to the Creditor.

❻ Certification

I hereby certify that:

- I am the Creditor, or authorized Representative of the Creditor.
- I have knowledge of all the circumstances connected with this Claim.
- The Creditor asserts this claim against the Debtor as indicated above.
- Complete documentation in support of this claim is attached.

Signature	Name
	Title
Dated at	Signed at

This space reserved for use by the Liquidator

❼ Filing of Claim

This Proof of Claim must be received by the Liquidator by no later than 5:00 p.m. (prevailing Eastern time) on <u>July 18, 2014</u>, by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission at the following address:

Ernst & Young Inc.
222 Bay St., P.O. Box 251
Toronto-Dominion Centre
Toronto, ON M5K 1J7
CANADA
Attention: ACE Aviation Holdings Inc. claims

Fax: 416-943-3300
Tel: 1-855-279-8388
e-mail:
aceaviation.liquidator@ca.ey.com

An electronically fillable version of this form is available at www.ey.com/ca/aceaviation

CREDITOR'S INSTRUCTIONS TO COMPLETING THE PROOF OF CLAIM FORM

This Creditor's Instructions has been prepared to assist Creditors in filling out the Proof of Claim form with respect to ACE Aviation Holdings Inc. subsidiaries ACTS LP and its general partner, 4378555 Canada Inc. (each a "Debtor"). If you have any additional questions regarding completion of the Proof of Claim form, please consult the Liquidator's website at www.ey.com/ca/aceaviation or contact the Liquidator, whose contact information is shown below.

Additional copies of the Proof of Claim form may be found at the Liquidator's website address noted above.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Subsidiary Claims Process Order made on May 20, 2014, the terms of the Subsidiary Claims Process Order will govern.

Section 1 – Name of Company:

- A separate Proof of Claim Form must be filed for each Debtor against whom a claim is being asserted.

- This Proof of Claim form is to be used only for Claims being asserted against ACTS LP or its general partner, 4378555 Canada Inc.

Section 2 – Original Creditor

- A separate Proof of Claim form must be filed by each legal entity or person asserting a claim against the Debtor.
- The full legal name of the Creditor must be provided.
- If the Creditor operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
- If the Claim has been assigned or transferred to another party, Section 3 must also be completed.
- Unless the Claim is assigned or transferred and the Liquidator is notified in writing by the Transferor, all future correspondence, notices, etc. regarding the Claim will be directed to the address and contact indicated in this section.

Section 3 – Assignee

- If the Creditor has assigned or otherwise transferred its Claim, then Section 3 must be completed.
- The full legal name of the Assignee must be provided.

- If the Assignee operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
- If the Liquidator is satisfied an assignment or transfer has occurred, all future correspondence, notices, etc. regarding the Claim will be directed to the Assignee at the address and contact indicated in this section.

Section 4 – Amount of Claim of Creditor against the Debtor

- Indicate the amount the Debtor was, and still is indebted to the Creditor

Currency, Original Currency Amount

- The amount of the Claim must be provided in the currency in which it arose.
- Indicate the appropriate currency in the Currency column.
- If the Claim is denominated in multiple currencies, use a separate line to indicate the Claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.
- Claims denominated in a currency other than Canadian dollars will be converted into Canadian dollars by the Liquidator.

Secured

- Check the Secured box ONLY if the Claim recorded on that line is secured. Do not check this box if the Claim is unsecured.
- If the value of the collateral securing your Claim is less than the amount of your Claim, enter the shortfall portion on a separate line as an unsecured claim
- Evidence supporting the security you hold must be submitted with the Proof of Claim form. Provide full particulars of the nature of the security, including the date on which the security was given and the value you attribute to the collateral securing your Claim. Attach a copy of all related security documents.

Section 5 – Documentation

- Attach to the claim form all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor which has guaranteed the Claim, copies of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Debtor to the Creditor and estimated value of such security.

Section 6 – Certification

- The person signing the Proof of Claim form should:
    - Be the Creditor, or authorized Representative of the Creditor.
    - Have knowledge of all the circumstances connected with this Claim.
- By signing and submitting the Proof of Claim, the Creditor is asserting the claim against the Debtor.

Section 7 – Filing of Claim

- This Proof of Claim **must be received** by the Liquidator by no later than 5:00 p.m. (prevailing Eastern time) on July 18, 2014. Proofs of Claim should be send by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to the following address:

  Ernst & Young Inc.
  Court-appointed Liquidator of ACE Aviation Holdings Inc.
  222 Bay Street, P.O. Box 251
  Toronto Dominion-Centre
  Toronto, Ontario
  Canada M5K 1J7
  Attention: ACE Aviation Holdings Inc. Claims

  Telephone: 1-855-279-8388
  E-mail: aceaviation.liquidator@ca.ey.com
  Fax: 416-943-3300

  Failure to file your Proof of Claim so that it is received by the Liquidator by 5:00 p.m., on the Claims Bar Date of July 18, 2014 will result in your Claim being barred and you will be prevented from making or enforcing a Claim against the Debtor. In addition, you shall not be entitled to further notice in and shall not be entitled to participate as a Creditor in these proceedings.