MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2018
(expressed in Canadian dollars, unless otherwise noted)

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ACASTA ENTERPRISES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three Months Ended March 31, 2018

GENERAL

This Management's Discussion and Analysis (the "**MD&A**") dated as of May 15, 2018 of Acasta Enterprises Inc. ("**Acasta**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 (the "**Financial Statements**") that were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**"). This MD&A should also be read in conjunction with the Company's annual consolidated financial statements for the years ended December 31, 2017 and December 31 2016, prepared in accordance with International Financial Reporting Standards ("**IFRS**") and the most recent annual MD&A. The Financial Statements and this MD&A are presented in Canadian dollars, unless otherwise noted.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2017 (the "**AIF**"), is available under Acasta's profile on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

NOTE TO INVESTORS CONCERNING FORWARD-LOOKING STATEMENTS

The Company's public communications may include written or oral forward-looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the applicable Canadian regulators, stock exchanges or in other communications. All such statements constitute forward-looking information within the meaning of applicable securities law and are made pursuant to the "safe harbour" provisions of such applicable securities laws. Forward-looking statements may include, but are not limited to, statements about anticipated future events or results, including comments with respect to the Company's objectives and priorities for 2018 and beyond, the expected completion of the JemPak Sale Transaction (as defined herein), strategies or further actions with respect to the Company, including the disposition by the Company of one or more businesses or assets, paying down amounts outstanding under the US Credit Facility and the Credit Facility (see the "Liquidity and Capital Resources — Financing Activities" section of this MD&A for definitions), the Company's belief that it has sufficient available capital resources to satisfy its net expenditure commitments for the next year, and the Company's future business operations, financial performance and condition. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions and are identified by words such as "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Company's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors. The forward-looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding the Company's business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

A number of risks, uncertainties and other factors may cause actual results to differ materially from the forward-looking statements contained in this MD&A, including, among other factors, those referenced in the section entitled "Risk Factors" in the AIF. See the "Risk Profile" section of this MD&A for risks arising in the first three months of 2018.

Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward looking statements are based on certain assumptions that the Company considers reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Company and to not place undue reliance on forward-looking statements. Circumstances affecting the Company may change rapidly. Except as may be expressly required by the applicable law, the Company does not undertake any obligation to update publicly or revise any such forward-looking

statements, whether as a result of new information, future events or otherwise. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

NOTE TO INVESTORS CONCERNING NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A contains certain financial performance measures, including "adjusted net income (loss)", "EBITDA" and "adjusted EBITDA" that are not recognized under IFRS. These measures may not be comparable to data presented by other companies. For a reconciliation of these measures to the most directly comparable financial information presented in the Financial Statements in accordance with IFRS, see the section entitled "Non-IFRS Financial Performance Measures" of this MD&A.

Adjusted net income (loss) is calculated by adjusting net income (loss) as reported in the unaudited condensed consolidated interim statements of comprehensive income (loss) for the exclusion of certain other income and expense items determined in accordance with IFRS. The Company believes that this measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted net income (loss) is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

EBITDA is calculated by adjusting net income (loss) as reported in the unaudited condensed consolidated interim statements of comprehensive income (loss) for finance costs, current and deferred income tax expense (recovery), depreciation and amortization expenses. The Company believes that this measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. EBITDA is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

Adjusted EBITDA is calculated by adjusting net income (loss) as reported in the unaudited condensed consolidated interim statements of comprehensive income (loss) for the exclusion of certain other income and expense items determined in accordance with IFRS, being the calculation for adjusted net income (loss), and then further adjusting for finance costs, current and deferred income tax expense (recovery), depreciation and amortization expenses. The Company believes that this measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted EBITDA is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

BUSINESS OVERVIEW

Objectives and Strategy

On March 27, 2018, Acasta closed the sale of its Aviation reportable segment (the "**Stellwagen Sale Transaction**") to a company that is indirectly owned by certain Stellwagen Vendors (as hereinafter defined) and other investors (the "**Purchaser**"). See the "Overview of Continuing and Discontinued Operations — Discontinued Operations — Aviation Reportable Segment" section of this MD&A for further details.

As at March 31, 2018, Acasta was comprised of two private label consumer staples businesses — Apollo Laboratories Inc. ("**Apollo**") and JemPak Corporation ("**JemPak**").

On May 10, 2018, Acasta entered into a definitive agreement to sell JemPak Corporation (the "**JemPak Sale Transaction**"), which is expected to close on or about May 31, 2018. See the "Overview of Continuing and Discontinued Operations — Continuing Operations — Consumer Products Reportable Segment" section of this MD&A for further details.

Apollo is one of the largest private label personal care product manufacturers in North America, developing and manufacturing retailer-branded and private label products for major North American retailers. Apollo's products are sold in tens of thousands of stores across North America and its customer base spans across major North American grocery, drug, and mass merchandise retailers, as well as wholesale clubs. In addition to private label, Apollo also manufactures products on a contract basis for many of its clients.

JemPak manufactures and distributes private label (store brand) laundry and dish cleaning products, including monodose dish and laundry packs, liquid laundry detergents and related chemicals, for mass merchandise, super, drug, club and dollar stores. JemPak has entrenched relationships with large North American retailers. JemPak's focus on R&D offers formulation, processing and manufacturing capabilities that we believe are difficult for its competitors to match.

As of the date of this MD&A, Acasta's board of directors continues the process of completing a strategic review and is considering a number of strategic alternatives beyond the Stellwagen Sale Transaction and JemPak Sale Transaction to improve shareholder value and reduce Acasta's indebtedness. This strategic review will be undertaken in the context of the decision by the board of directors to focus on its consumer products platform and options for value creation in this sector, for which a private equity strategy is no longer relevant.

Corporate Structure

Prior to the QA Closing (as hereinafter defined), Acasta was a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting a qualifying acquisition, more specifically an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Company. See the "Initial Public Offering" section of this MD&A for more details on this stage of the Company's history.

On January 3, 2017, Acasta closed its qualifying acquisition (the "**Qualifying Acquisition**") under Part X of the TSX Company Manual (the "**QA Closing**") of 100.0% of three businesses. Pursuant to the Qualifying Acquisition, Acasta acquired a commercial aviation finance advisory and asset management business, Stellwagen Group ("**Stellwagen**") and two private label consumer staples businesses, Apollo and JemPak. These acquisitions formed two distinct investment platforms and reportable segments: (1) Consumer Products (Apollo and JemPak); and (2) Aviation (Stellwagen). See the "Qualifying Acquisition" section of this MD&A for more details.

Initial Public Offering

On July 30, 2015, the Company completed its initial public offering ("**IPO**") of 35,000,000 Class A restricted voting units (the "**Class A Units**") at a price of $10.00 per Class A Unit for aggregate gross proceeds of $350.0 million (the "**IPO Closing**"). Concurrent with the IPO Closing, Acasta's founders (the "**Founders**") purchased an aggregate of 1,400,000 Class B units of the Company (the "**Class B Units**") at an offering price of $10.00 per Class B Unit, resulting in aggregate proceeds of $14.0 million to the Company. Prior to the IPO Closing, on July 22, 2015, the Founders purchased 10,442,031 Class B shares of the Company (referred to as the "**Founders' Shares**") for an aggregate purchase price of $25,000, or $0.0024 per Founders' Share.

On August 5, 2015, the Company issued an additional 5,250,000 Class A Units at a price of $10.00 per Class A Unit for aggregate gross proceeds of $52.5 million pursuant to the exercise in full by the IPO underwriters of the IPO over-allotment option which was granted to them (the "**IPO Over-Allotment Option**"). Concurrently with the closing of the IPO Over-Allotment Option, the Founders purchased an aggregate of 118,124 Class B Units at an offering price of $10.00 per Class B Unit, resulting in additional aggregate proceeds of approximately $1.2 million to the Company.

Effective September 8, 2015, both the Class A Units, each consisting of one Class A restricted voting share (a "**Class A Share**") and one-half of a share purchase warrant (a "**Warrant**"), and Class B Units, each consisting of one Class B share of the Company (a "**Class B Share**") and one-half of a Warrant, separated. Upon separation, the Class A Shares and Warrants underlying the Class A Units commenced trading separately on the Toronto Stock Exchange (the "**TSX**").

The proceeds from the distribution of the Class A Units pursuant to the IPO and the IPO Over-Allotment Option were deposited into an escrow account with TSX Trust Company, as escrow agent, and invested in permitted investments until the QA Closing.

Qualifying Acquisition

On the QA Closing, Acasta (through its wholly-owned subsidiaries) acquired:

(a) substantially all of the assets of Apollo for total purchase consideration of $397.2 million, comprised of $159.3 million in cash consideration, $233.9 million in share consideration (satisfied by the issuance of 23.4 million Class B Shares at $10.00 per share) and an estimated $4.0 million in other purchase consideration adjustments;

(b) all of the issued and outstanding shares in the capital of JemPak for total purchase consideration of $134.4 million, comprised of $66.9 million in cash consideration and $67.5 million in share consideration (satisfied by the issuance of 6.8 million Class B Shares at $10.00 per share); and

(c) all of the issued and outstanding equity interests comprising Stellwagen for total purchase consideration of $385.4 million, comprised of $96.5 million in cash consideration, $228.3 million in share consideration (satisfied by the issuance of 22.8 million Class B Shares at $10.00 per share) and $66.5 million in other purchase consideration adjustments, partially offset by $6.0 million in post-closing adjustments.

In aggregate, the Company issued a total of approximately 52.9 million Class B Shares at $10.00 per Class B Share to the vendors of Apollo, JemPak and Stellwagen as share consideration in connection with the Qualifying Acquisition, of which an aggregate of 6.3 million Class B Shares were issued to the vendors of Apollo and Stellwagen under each of their respective backstop commitments. Concurrent with the QA Closing, Acasta completed a private placement of Class B Shares at $10.00 per Class B Share for aggregate proceeds of approximately $160.0 million, including $130.0 million from certain of Acasta's institutional shareholders and new investors and $30.0 million from the Founders.

On the QA Closing, all of the Class A Shares that were not submitted for redemption prior to Acasta's shareholder meeting to approve the Qualifying Acquisition were automatically converted into Class B Shares on the basis of one Class B Share for each Class A Share converted. Each redeeming holder of Class A Shares received an amount per Class A Share equal to $10.04 per Class A Share so redeemed. After payment of the deferred underwriting commission to the IPO underwriters, the remaining proceeds held in escrow were released therefrom, and used to fund a portion of the aggregate purchase price for the Qualifying Acquisition.

In connection with the QA Closing, the Founders entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking (the "**Forfeiture Agreement**") with respect to the Founders' Shares. Pursuant to the Forfeiture Agreement, 50% of the Founders' Shares (the "**Contingent Shares**") are subject to forfeiture on the following terms: (i) 50% of the Contingent Shares will be forfeited unless the Company secures limited partner commitments of at least $1 billion of capital for its private equity fund prior to January 3, 2019; and (ii) the remaining 50% of the Contingent Shares will be forfeited unless the Company achieves a Consumer Products Realization Event (as hereinafter defined) prior to January 3, 2019. A Consumer Products Realization Event can be the sale (partial or full) of Acasta's Consumer Products businesses to the private equity fund, a sale of the businesses to a third party, a strategic merger with other similar businesses, or a separate public listing of the Consumer Products businesses.

In addition to the forfeiture provisions described above, the Contingent Shares are restricted from transfer on the following terms: (i) until January 3, 2018, the Contingent Shares could not be transferred; (ii) for the period between January 3, 2018 and January 3, 2021, the Contingent Shares will only be transferable if the closing price of the Class B Shares exceeds $15.00 for any 20 trading days within a 30-day trading period; and (iii) after January 3, 2021, the Contingent Shares will only become transferable if the closing share price of the Class B Shares exceeds $18.00 for any 20 trading days within a 30-day trading period. If the Contingent Shares become unrestricted by any of the aforementioned conditions, 50% of the Contingent Shares may only be transferred if the Company has secured limited partner commitments of at least $1 billion of capital for its private equity fund prior to January 3, 2019, and the remaining 50% of the Contingent Shares may be transferred if the Company achieves a Consumer Products Realization Event prior to January 3, 2019.

As of January 3, 2018, the remaining Founders' Shares that are not Contingent Shares are no longer restricted from transfer.

Following the QA Closing, as at January 3, 2017, there were 92,677,798 Class B Shares issued and outstanding and 20,884,062 Warrants outstanding. Each full Warrant became exercisable on February 3, 2017 to purchase one Class B Share at an exercise price of $11.50 until January 3, 2022.

The Class B Shares commenced trading on the TSX on January 6, 2017 under the symbol "AEF", concurrent with the delisting of the Class A Shares. The Warrants also trade on the TSX under the symbol "AEF.WT".

OVERVIEW OF CONTINUING AND DISCONTINUED OPERATIONS

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's interim Chief Executive Officer who is the chief operating decision maker ("**CODM**") for key decisions relating to resources to be allocated to the segments and for assessing their performance, in consultation with the board of directors of Acasta. Operating companies may be aggregated into a reportable segment based on the nature of the products and services, production process, customer base, distribution model and regulatory environment at the operating companies, as well as key financial metrics such as gross margin and projected long-term revenue growth.

As at March 31, 2018, the Company operated two distinct reportable segments (December 31, 2017 — three), being the Consumer Products and Other reportable segments (December 31, 2017 — Consumer Products, Aviation and Other reportable segments). Acasta's Consumer Products portfolio includes companies that manufacture and distribute store-brand laundry, dish cleaning, and health and beauty care products for a range of retailers across North America. Due to the type of customers, nature of products sold and methods of distribution, the two operating segments under the Consumer Products portfolio have been aggregated within this reportable segment (see the "Overview of Continuing and Discontinued Operations — Continuing Operations — Consumer Products Reportable Segment" section of this MD&A for further details). Acasta's Aviation portfolio was discontinued on March 27, 2018 as a result of the Stellwagen Sale Transaction (see the "Overview of Continuing and Discontinued Operations — Discontinued Operations — Aviation Reportable Segment" section of this MD&A for further details). Acasta's Other reportable segment includes the corporate parent entity of the Consumer Products reportable segment known as Acasta Enterprises Inc.

Acasta's CODM reviews the operating results, assesses performance, and makes capital allocation decisions with respect to the Consumer Products business. Therefore, Acasta has presented this business as a reportable segment for financial reporting purposes in accordance with IFRS 8 *Operating Segments*.

Continuing Operations — Consumer Products Reportable Segment

Apollo

Based in Ontario, Canada, Apollo is one of the largest private label personal care product manufacturers in North America, developing and manufacturing retailer-branded and private label products for major North American retailers. Apollo's products are sold in tens of thousands of stores across North America and its customer base spans across major North American grocery, drug, and mass merchandise retailers, as well as wholesale clubs. In addition to private label, Apollo also manufactures products on a contract basis for many of its clients.

JemPak

Based in Ontario, Canada, JemPak manufactures and distributes private label (store brand) laundry and dish cleaning products, including monodose dish and laundry packs, liquid laundry detergents and related chemicals, for mass merchandise, super, drug, club and dollar stores. JemPak has entrenched relationships with large North American retailers. JemPak's focus on R&D offers formulation, processing and manufacturing capabilities that we believe are difficult for its competitors to match.

On May 10, 2018, Acasta entered into the JemPak Sale Transaction, a definitive agreement to sell JemPak Corporation which is expected to close on or about May 31, 2018. Under the JemPak Sale Transaction, JemPak Corporation is expected to be sold at a purchase price of $118 million on a cash free and debt free basis, subject to customary working capital adjustments and indemnities. Proceeds from the JemPak Sale Transaction are expected to be used to pay down Acasta's indebtedness.

Discontinued Operations — Aviation Reportable Segment

On March 27, 2018, the Company disposed of substantially all of the net assets in the Aviation reportable segment through the Stellwagen Sale Transaction or by loss of control. The Company committed to a plan to sell the Aviation reportable segment in February 2018, following a strategic decision to place greater focus on the Company's key competencies — being the manufacturing and distributing store-brand laundry, dish cleaning, and health and beauty care products to a range of retailers across North America.

The Aviation reportable segment was not previously classified as held-for-sale or as a discontinued operation. The profit or loss and other comprehensive income (loss) for the current and comparative periods has been presented to reflect the results of the Aviation reportable segment as a discontinued operation separately from continuing operations.

Stellwagen

Based in Dublin, Ireland, Stellwagen is a fully-integrated provider of asset management, technical management, and fleet and capital financing solutions to the global aviation industry and aviation investors. Stellwagen has developed specialized aviation industry knowledge and relationships with airlines, lessors, and other key aviation industry participants since its inception in 2013.

On June 1, 2017, Stellwagen effected the acquisition (the "**ECN Acquisition**") of ECN Commercial Aviation ("**ECN**") for total consideration of $29.6 million. ECN arranges, co-invests and manages a portfolio of commercial aviation assets on behalf of institutional investors through a U.S.-based team. On April 5, 2018, 500,000 Class B Shares were issued to a wholly-owned subsidiary of ECN Capital Corp. at a deemed issuance price of $2.01 per share and subject to a four month hold period, in full satisfaction of the remaining purchase price relating to the ECN Acquisition.

During 2017, the Company invested U.S. $100.0 million in return for profit participating notes ("**PPNs**") in the Stelloan Investment Company I DAC ("**Stelloan**"), an entity controlled by Acasta which lended capital to

airlines and lessors. On November 17, 2017, Stelloan sold all of its portfolio loans to Embassy Acquisition Facility I DAC ("**Embassy**"), an entity also controlled by Acasta, for consideration comprised of U.S. $118.0 million of cash and a U.S. $35.4 million equity note contingent return in Embassy. As the Company consolidated both its investment in Stelloan and the operations of Embassy as part of the Aviation reportable segment, these intragroup investments were eliminated upon consolidation in the Financial Statements. On November 20, 2017, the nominal value of the Company's PPN investment was reduced to U.S. $51.0 million as a result of the closing of a revolving credit facility agreement by Embassy on November 17, 2017 (the "**Portfolio Loan Revolver**"). The resulting U.S. $49.0 million in proceeds from the Portfolio Loan Revolver was primarily redeployed within the Aviation reportable segment on initiatives including aircraft purchase deposits and pre-delivery payments. On May 14, 2018, Acasta monetized its interest in the PPNs for net proceeds of approximately $28.5 million, excluding the downside protection of U.S.$5.0 million (as noted below), which are expected to be used primarily to pay down Acasta's indebtedness.

On March 27, 2018, the Stellwagen Sale Transaction closed. Pursuant to a share purchase agreement (the "**Purchase Agreement**") with Martello Finance Company Limited ("**Martello**"), the Purchaser, and Stellwagen Acquisition Corp., as vendor, Acasta agreed to sell the Aviation reportable segment to the Purchaser in exchange for:

- the cancellation of 26.0 million Class B Shares beneficially owned by Martello and certain other Acasta shareholders that are indirect shareholders of the Purchaser, representing approximately 27.2% of the issued and outstanding Class B Shares (resulting in a $57.2 million reduction to shareholders' equity);
- the payment to Acasta of U.S. $35.0 million ($45.0 million);
- downside protection of U.S. $5.0 million as a result of the proceeds realized from the monetization of Acasta's PPNs issued by Stelloan being below specified levels; and
- termination of the Stellwagen Earn-out valued at U.S. $7.0 million (see the "Results of Operations — Stellwagen Earn-out" section of this MD&A for further details).

Acasta subsequently applied the proceeds from the Stellwagen Sale Transaction to satisfy a scheduled payment and additional amounts outstanding under the US Credit Facility.

Under the terms of the Purchase Agreement, Acasta retained ownership of the PPNs in order to oversee their monetization. On May 14, 2018, Acasta monetized its interest in the PPNs for net proceeds of approximately $28.5 million, which are expected to be used primarily to pay down Acasta's indebtedness.

In connection with the Purchase Agreement, the lock-up restrictions, as described under the Qualifying Acquisition section of this MD&A above, on the Class B Shares held by the previous owners of Apollo, JemPak, Stellwagen and ECN Capital Corp. have terminated.

The Stellwagen Sale Transaction resulted in the loss of control over Stelloan and Embassy as the Company no longer has the ability to direct the relevant operating activities of the entities. As a result of the loss in control, the Company ceased consolidating Stelloan and Embassy and derecognized the assets and liabilities of these subsidiaries as of the date of the Stellwagen Sale Transaction.

Details of the Stellwagen Sale Transaction and discontinued operations are set out below:

(Amounts in thousands of Canadian dollars)	For the period from January 1, 2018 to March 27, 2018	For the three months ended March 31, 2017
Revenue	$ 22,489	$ 29,197
Expenses and loss on revaluation of loans receivable	(55,163)	(24,445)
(Loss) income from discontinued operations before income tax	$ (32,674)	$ 4,752
Income tax recovery (expense)	450	(281)
(Loss) income from discontinued operations after income tax	$ (32,224)	$ 4,471
Loss on disposal of Aviation reportable segment, net of tax	(97,721)	—
(Loss) income from discontinued operations, net of tax	$(129,945)	$ 4,471

Consideration received or receivable:	
Cash proceeds	$ 45,042
Less: Cash held in Aviation reportable segment	(12,315)
Net cash proceeds	$ 32,727
Cancellation of Class B Shares of Acasta	57,200
Cancellation of Stellwagen Earn-out payment	9,007
Fair value of PPN downside protection	6,435
Costs to sell	(1,907)
Net proceeds on disposal	**$ 103,462**
Carrying value of Aviation reportable segment net assets:	
Assets[1]	(1,025,934)
Liabilities	843,119
Net assets on disposal	**$ (182,815)**
Loss on disposal of the Aviation reportable segment before adjustments, income tax, and reclassification of other comprehensive income items	$ (79,353)
Loss on cancellation of Stellwagen contingent consideration	(1,501)
Net loss on foreign currency transaction for the year ended December 31, 2017 reclassified from accumulated other comprehensive loss	(29,377)
Net gain on foreign currency translation for the period from January 1, 2018 to March 27, 2018 reclassified from other comprehensive income	5,819
Cumulative net movement in cash flow hedges for the year ended December 31, 2017 reclassified from accumulated other comprehensive income, net of tax	1,515
Movement in cash flow hedges for the period from January 1, 2018 to March 27, 2018 reclassified from other comprehensive income, net of tax	5,176
Loss on disposal of Aviation reportable segment, net of tax	**$ (97,721)**

(1) Excludes closing cash held in the Aviation reportable segment of $12.3 million as at March 27, 2018.

BALANCE SHEET REVIEW

	As at March 31, 2018			As at December 31, 2017			
	Continuing Operations			Continuing Operations			
	Reportable Segments			Reportable Segments			
STATEMENTS OF FINANCIAL POSITION (in thousands of Canadian dollars)	**Consumer Products**	**Other**	**Acasta Consolidated**	**Consumer Products**	**Other**	**Aviation**	**Acasta Consolidated**
Cash and cash equivalents	$ 3,238	$ 387	$ 3,625	$ 3,395	$ 14,412	$ 8,332	$ 26,139
Trade and other receivables	33,447	3,016	36,463	33,083	2,805	3,756	39,644
Inventories	54,096	—	54,096	48,423	—	—	48,423
Prepaid expenses and deposits	1,792	2,600	4,392	1,393	4,541	48,614	54,548
Investment in Profit Participating Notes	—	32,638	32,638	—	—	—	—
Current portion of loans receivable	—	—	—	—	—	11,257	11,257
Other current assets	526	6,434	6,960	103	5,431	—	5,534
Property, plant and equipment	62,433	29	62,462	60,715	22	556,857	617,594
Intangible assets	139,238	—	139,238	145,395	—	130,074	275,469
Goodwill	94,663	—	94,663	106,911	—	69,641	176,552
Long-term loans receivable	—	—	—	—	—	189,974	189,974
Non-current deposits	—	—	—	—	—	5,077	5,077
Other non-current assets	—	—	—	—	—	12,889	12,889
TOTAL ASSETS	$ 389,433	$ 45,104	$ 434,537	$ 399,418	$ 27,211	$1,036,471	$1,463,100
Accounts payable and accrued liabilities	23,455	7,685	31,140	24,231	4,638	8,238	37,107
Current debt obligations	91,074	105,507	196,581	84,358	143,994	48,383	276,735
Income taxes payable	7,314	—	7,314	7,232	—	—	7,232
Other current liabilities	2,275	2,951	5,226	825	5,800	7,708	14,333
Long-term debt	—	—	—	—	—	707,211	707,211
Deferred tax liabilities	18,104	—	18,104	19,848	—	458	20,306
Other non-current liabilities	7,265	—	7,265	7,279	8,782	15,459	31,520
TOTAL LIABILITIES	$ 149,487	$ 116,143	$ 265,630	$ 143,773	$ 163,214	$ 787,457	$1,094,444
Share capital	—	593,241	593,241	—	849,383	—	849,383
Contributed surplus	437,088	(239,060)	198,028	436,267	(961,893)	525,926	300
Warrants	—	3,939	3,939	—	3,939	—	3,939
Deficiency	(197,142)	(429,159)	(626,301)	(180,622)	(27,432)	(249,050)	(457,104)
Accumulated other comprehensive loss	—	—	—	—	—	(27,862)	(27,862)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	$ 239,946	$ (71,039)	$ 168,907	$ 255,645	$(136,003)	$ 249,014	$ 368,656
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 389,433	$ 45,104	$ 434,537	$ 399,418	$ 27,211	$1,036,471	$1,463,100

Total assets as at March 31, 2018 of $434.5 million decreased by $1,028.6 million compared with December 31, 2017 total assets of $1,463.1 million. Total liabilities as at March 31, 2018 of $265.6 million decreased by $828.8 million compared with total liabilities of $1,094.4 million as at December 31, 2017. The decrease in total assets and total liabilities between December 31, 2017 and March 31, 2018 was due primarily to the March 27, 2018 disposal of substantially all of the net assets in the Aviation reportable segment through Stellwagen Sale Transaction or by loss of control. See the "Overview of Continuing and Discontinued Operations — Discontinued Operations — Aviation Reportable Segment" section of this MD&A for more details on the impact of discontinued operations on the Company's balance sheet.

Cash and cash equivalents of $3.6 million as at March 31, 2018 was comprised primarily of $3.2 million held in the Consumer Products reportable segment (compared with $3.4 million as at December 31, 2017) and $0.4 million held in the Other reportable segment (compared with $14.4 million as at December 31, 2017). Total cash and cash equivalents of $26.1 million as at December 31, 2017 also included $8.3 million held in the Aviation reportable segment, which was disposed of through the Stellwagen Sale Transaction. The $14.0 million decrease in cash and cash equivalents held in the Other reportable segment between December 31, 2017 and March 31, 2018 was due primarily to the repayment and servicing of debt during the period.

Inventories of $54.1 million as at March 31, 2018 compared with $48.4 million as at December 31, 2018 and were comprised of $26.3 million in raw materials, $0.7 million in work in progress and $27.1 million in finished goods held within the Company's Consumer Products reportable segment. The $2.4 million increase in raw materials inventories and the $3.3 million increase in finished goods inventories between December 31, 2017 and March 31, 2018 was due primarily to an inventory build designed to fulfill customer inventory on hand requirements.

Prepaid expenses and deposits (current and non-current) of $4.4 million as at March 31, 2018 compared with $59.6 million as at December 31, 2017. As at December 31, 2017, prepaid expenses and deposits were comprised primarily of $50.1 million in aircraft deposits ($45.0 million current, $5.1 million noncurrent) related primarily to pre-delivery payments on the C295 aircraft program within the Company's Aviation reportable segment, $5.9 million in deferred financing costs and $3.1 million in prepaid expenses. As at March 31, 2018 (after the Stellwagen Sale Transaction), prepaid expenses and deposits of $4.4 million were comprised primarily of $2.7 million in prepaid insurance and $0.8 million in deferred financing costs.

Property, plant and equipment of $62.5 million as at March 31, 2018 compared with $617.6 million as at December 31, 2017. As at December 31, 2017, property, plant and equipment was comprised primarily of $556.4 million related to two Airbus 380 aircraft (one acquired as part of the Qualifying Acquisition and the second acquired during the first quarter of 2017) held within the Company's Aviation reportable segment, $43.5 million in machinery and equipment, $15.3 million in buildings and leasehold improvements and $2.3 million in office equipment. As at March 31, 2018 (after the Stellwagen Sale Transaction), property, plant and equipment was comprised primarily of $44.6 million in machinery and equipment, $15.9 million in buildings and leasehold improvements and $1.9 million in office equipment. Acasta recorded property, plant and equipment depreciation of $6.6 million during the first three months of 2018.

Intangible assets of $139.2 million as at March 31, 2018 compared with $275.5 million as at December 31, 2017. Intangible assets as at December 31, 2017 were comprised primarily of intangible assets established in connection with the Qualifying Acquisition and the ECN Acquisition, less impairment losses recorded as at December 31, 2017. As at December 31, 2017, impairment losses of $11.3 million and $8.2 million were calculated and attributed to intangible assets established through the Qualifying Acquisition in the Company's Aviation reportable segment, related to transaction fee backlog and non-compete agreements, respectively. See the "Impairment Loss" section of this MD&A for more details. Subsequent to the application of impairment losses, the carrying value of intangible assets as at December 31, 2017 was comprised primarily of $135.5 million related to customer relationships in the Consumer Products reportable segment, $109.8 million related to aircraft lease premiums in the Aviation reportable segment, $13.6 million related to customer contracts in the Aviation reportable segment, $9.9 million related to intellectual property in the Consumer Products reportable segment and $6.7 million related to ECN fund contracts in the Aviation reportable segment. As at March 31, 2018 (after the Stellwagen Sale Transaction), intangible assets were comprised primarily of $130.1 million related to customer relationships and $9.1 million related to intellectual property in the Consumer Products reportable segment.

Goodwill of $94.7 million as at March 31, 2018 compared with $176.6 million as at December 31, 2017. Goodwill as at December 31, 2017 was comprised of goodwill arising in connection with the Qualifying Acquisition and the ECN Acquisition (included as part of the Stellwagen cash-generating unit), less impairment losses recorded as at December 31, 2017. As at December 31, 2017, goodwill impairment losses of $200.7 million and $220.6 million were calculated and attributed to the Company's Apollo and Stellwagen cash-generating units, respectively. See the "Impairment Loss" section of this MD&A for more details. Subsequent to the application of impairment losses, the carrying value of goodwill as at December 31, 2017 was comprised of $30.4 million, $76.5 million and $69.6 million attributed to the Company's Apollo, JemPak and Stellwagen cash-generating units, respectively. As at March 31, 2018 (after the Stellwagen Sale Transaction), goodwill was comprised of $30.4 million and $64.3 million attributed to the Company's Apollo and JemPak cash-generating units, respectively. As at March 31, 2018, a goodwill impairment loss of $12.2 million was calculated and

attributed to the Company's JemPak cash-generating unit (see the "Results of Operations — Impairment Losses" section of this MD&A for details).

Investment in Profit Participating Notes of $32.6 million as at March 31, 2018 represented the fair value of the Company's retained investment in Stelloan following the Stellwagen Sale Transaction as held by its Other reportable segment. As the Company consolidated its investment in Stelloan as part of the Aviation reportable segment prior to the Stellwagen Sale Transaction, the intragroup investment in Profit Participating Notes held by Acasta's Other reportable segment was eliminated upon consolidation in the Company's December 31, 2017 Financial Statements.

Loans receivable of $11.3 million (current) and $190.0 million (long-term) related to four loan assets held by Embassy, which was consolidated by Acasta and recorded as part of the Aviation reportable segment as at December 31, 2017. Acasta lost control of Embassy as a result of the Stellwagen Sale Transaction and therefore did not consolidate its results as at March 31, 2018.

Other current assets of $7.0 million as at March 31, 2018 compared with $5.5 million as at December 31, 2017. As at March 31, 2018, other current assets were comprised primarily of a $6.4 million consideration receivable in the form of a downside protection on the future sale of PPNs as contemplated per the Stellwagen Sale Transaction. As at December 31, 2017, other current assets were comprised primarily of a $5.4 million net working capital post-closing adjustment related to the acquisition of Stellwagen, which was settled as part of the Stellwagen Sale Transaction.

Other non-current assets of $nil as at March 31, 2018 compared with $12.9 million as at December 31, 2017. As at December 31, 2017 (prior to the Stellwagen Sale Transaction), other non-current assets were comprised primarily of $10.4 million in interest rate swap derivatives settled on a monthly basis, exchanging variable rate interest amounts for fixed rate interest amounts in order to reduce the Aviation reportable segment's cash flow exposure resulting from variable interest borrowings.

Debt of $196.6 million as at March 31, 2018 was comprised of $109.1 million in US Credit Facility drawdowns within the Company's Other reportable segment and $91.8 million in Credit Facility (see the "Liquidity and Capital Resources — Financing Activities" section of this MD&A for definition) drawdowns within the Company's Consumer Products reportable segment, partially offset by $4.3 million in deferred financing fees. As a result of a breach of Credit Facility and US Credit Facility financial covenants as at March 31, 2018, the Company did not have the ability to defer repayment of such debt obligations beyond twelve months from period end and, consequently, presented the amounts owing under these debt facilities as current liabilities which Acasta would not be able to satisfy if called by their lenders. In response, the Company sought and obtained waivers in respect of such covenants subsequent to March 31, 2018 and accelerated the JemPak Sale Transaction and the monetization of its PPNs.

Debt (including current and long-term debt) of $983.9 million as at December 31, 2017 was comprised primarily of $623.9 million in aircraft loans utilized to acquire two aircraft within the Company's Aviation reportable segment, $150.5 million in US Credit Facility drawdowns within the Company's Other reportable segment, $137.8 million in Portfolio Loan Revolver (as hereinafter defined) drawdowns utilized to support ongoing growth initiatives within the Company's Aviation reportable segment and $85.2 million in Credit Facility drawdowns within the Company's Consumer Products reportable segment, partially offset by $13.5 million in deferred financing fees. As a result of a breach of Credit Facility financial covenants as at December 31, 2017, the Company did not have the ability to defer repayment of such debt obligations beyond twelve months from period end and, consequently, reclassified the amounts owing under these debt facilities from long-term to current liabilities.

Debt decreased by $787.4 million between December 31, 2017 and March 31, 2018 due primarily to the deconsolidation of the aircraft loans and Portfolio Loan Revolver as a result of the Stellwagen Sale Transaction and $41.4 million in net US Credit Facility repayments, partially offset by $6.5 million in net Credit Facility drawdowns during the period. See the "Financing Activities" section of this MD&A for more details on the Company's debt facilities.

Other liabilities (current and non-current) as at March 31, 2018 were comprised primarily of a $7.8 million finance lease liability related to a manufacturing plant within the Consumer Products reportable segment, amounts due to related parties of $3.0 million, including a $2.5 million net working capital purchase consideration adjustment owing to the vendors of Apollo and a $0.5 million reimbursement to Acasta Capital Inc. of expenses on a cost-recovery basis.

Other liabilities (current and non-current) as at December 31, 2017 were comprised primarily of amounts due to related parties of $17.7 million, including an $8.8 million Stellwagen Earn-out valuation, a $4.0 million reimbursement of transaction costs related to the acquisition of Stellwagen, a $3.0 million purchase consideration adjustment related to the ECN Acquisition and a $1.8 million reimbursement to Acasta Capital Inc. of expenses on a cost-recovery basis. Other liabilities also included $11.0 million in deferred aircraft lease income related to Embassy within the Company's Aviation reportable segment, a $7.8 million finance lease liability related to a manufacturing plant within the Consumer Products reportable segment and $6.3 million in security deposits within the Aviation reportable segment.

OUTSTANDING SECURITIES

The table below sets out the change in the number of Class B Shares outstanding as at March 31, 2018 compared with December 31, 2017:

	Class B Shares
Balance — December 31, 2017	**95,715,298**
Cancellation of Class B Shares on the Stellwagen Sale Transaction	(26,000,000)
Balance — March 31, 2018	**69,715,298**

There were 20,884,062 Warrants outstanding as of March 31, 2018 and December 31, 2017.

RESULTS OF OPERATIONS

	Three Months Ended March 31, 2018				Three Months Ended March 31, 2017			
	Continuing Operations		Discontinued Operations		Continuing Operations		Discontinued Operations	
	Reportable Segments				Reportable Segments			
STATEMENTS OF INCOME (LOSS) (in thousands of Canadian dollars)	**Consumer Products**	**Other**	**Aviation**	**Acasta Consolidated**	**Consumer Products**	**Other**	**Aviation**	**Acasta Consolidated**
Revenue	$ 67,014	$ —	$ 22,489	$ 67,014	$63,774	$ —	$29,197	$63,774
Cost of revenue	53,324	—	—	53,324	44,714	—	—	44,714
Selling, general and administrative expense	19,394	4,622	14,719	24,016	14,979	5,979	17,974	20,958
Finance costs	1,218	12,630	7,342	13,848	1,046	192	5,414	1,238
Net unrealized loss (gain) on change in fair value of financial instruments	—	—	33,121	—	—	—	—	—
Impairment of goodwill	12,248	—	—	12,248	—	—	—	—
Net (gain) loss on foreign exchange	(557)	2,006	61	1,449	244	(95)	(25)	149
Other loss (income), net	(1,276)	3,470	97,641	2,194	259	(3,934)	1,082	(3,675)
INCOME (LOSS) BEFORE INCOME TAX	$(17,337)	$(22,728)	$(130,395)	$ (40,065)	$ 2,532	$(2,142)	$ 4,752	$ 390
Current income tax expense	547	—	(379)	547	3,016	—	1,018	3,016
Deferred income tax recovery	(1,743)	—	(71)	(1,743)	(2,353)	—	(737)	(2,353)
Net income (loss) from continuing operations	$(16,141)	$(22,728)	$ —	$ (38,869)	$ 1,869	$(2,142)	$ —	$ (273)
Net income (loss) from discontinued operations, net of tax	—	—	(129,945)	(129,945)	—	—	4,471	4,471
NET INCOME (LOSS)	$(16,141)	$(22,728)	$(129,945)	$(168,814)	$ 1,869	$(2,142)	$ 4,471	$ 4,198

For the three months ended March 31, 2018, Acasta reported:

- A net loss of $168.8 million, or $1.89 per share (on a basic and diluted basis), including a net loss from continuing operations of $38.9 million, or $0.44 per share (on a basic and diluted basis), and a net loss from discontinued operations of $129.9 million, or $1.45 per share (on a basic and diluted basis);
- An adjusted net loss of $121.9 million, or $1.37 per share (on a basic and diluted basis), including an adjusted net loss from continuing operations of $25.2 million, or $0.28 per share (on a basic and diluted basis), and an adjusted net loss from discontinued operations of $96.8 million, or $1.08 per share (on a basic and diluted basis);
- EBITDA of $(133.4) million, including EBITDA from continuing operations of $(18.3) million and EBITDA from discontinued operations of $(115.0) million; and
- Adjusted EBITDA of $(86.5) million, including adjusted EBITDA from continuing operations of $(4.6) million and adjusted EBITDA from discontinued operations of $(81.9) million.

For the three months ended March 31, 2017, Acasta reported:

- Net income of $4.2 million, or $0.05 per share (on a basic and diluted basis), including a net loss from continuing operations of $0.3 million, or $0.00 per share (on a basic and diluted basis), and net income from discontinued operations of $4.5 million, or $0.05 per share (on a basic and diluted basis);
- Adjusted net income of $9.3 million, or $0.11 per share (on a basic and diluted basis), including adjusted net income from continuing operations of $3.1 million, or $0.04 per share (on a basic and diluted basis), and adjusted net income from discontinued operations of $6.2 million, or $0.07 per share (on a basic and diluted basis);
- EBITDA of $31.9 million, including EBITDA from continuing operations of $9.2 million and EBITDA from discontinued operations of $22.7 million; and
- Adjusted EBITDA of $37.0 million, including adjusted EBITDA from continuing operations of $12.6 million and adjusted EBITDA from discontinued operations of $24.5 million.

See the "Overview of Continuing and Discontinued Operations — Discontinued Operations — Aviation Reportable Segment" section of this MD&A for more details on the impact of discontinued operations on the Company's statements of income (loss).

See the "Non-IFRS Financial Performance Measures" section of this MD&A for calculations of adjusted net income (loss), EBITDA and adjusted EBITDA and their reconciliation to net income (loss) as reported under IFRS. See also the "Note to Investors Concerning Non-IFRS Financial Performance Measures" section of this MD&A.

Revenue

For the three months ended March 31, 2018, Acasta reported revenue from continuing operations of $67.0 million, comprised primarily of $42.3 million from the sale of health and beauty care products and $24.7 million from the sale of dish cleaning and laundry products. Revenue from discontinued operations was $22.5 million for the three months ended March 31, 2018.

For the three months ended March 31, 2017, Acasta reported revenue from continuing operations of $63.8 million, comprised primarily of $42.0 million from the sale of health and beauty care products and $21.7 million from the sale of dish cleaning and laundry products. Revenue from discontinued operations was $29.2 million for the three months ended March 31, 2017.

Revenue generation by source and reportable segment are set out below:

	Acasta Consolidated			
	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
(Amounts in thousands of Canadian dollars)	Amount	%	Amount	%
REVENUE BY SOURCE				
Health and beauty care products	$42,304	63.1%	$42,045	65.9%
Dish cleaning and laundry products	24,710	36.9%	21,729	34.1%
Revenue from continuing operations	$67,014	100.0%	$63,774	100.0%
Revenue from discontinued operations	22,489		29,197	
Total revenue	$89,503		$92,971	
REVENUE BY REPORTABLE SEGMENT				
Apollo	$42,304	47.3%	$42,045	45.2%
JemPak	24,710	27.6%	21,729	23.4%
Continuing Operations — Consumer Products reportable segment	$67,014	74.9%	$63,774	68.6%
Discontinued Operations — Aviation reportable segment	22,489	25.1%	29,197	31.4%
Total revenue	$89,503	100.0%	$92,971	100.0%

Cost of Revenue and Selling, General and Administrative Expense

With respect to the Consumer Products reportable segment, Acasta's cost of revenue is comprised primarily of the cost of inventory, raw materials and consumables and manufacturing overhead, which includes an allocation of salaries and wages and depreciation of property, plant and equipment directly used in the manufacturing process.

For the three months ended March 31, 2018, Acasta reported cost of revenue from continuing operations of $53.3 million and selling, general and administrative expense from continuing operations of $24.0 million. Cost of revenue from continuing operations was incurred entirely by the Consumer Products reportable segment and was comprised primarily of the cost of inventory, raw materials and consumables, salaries and benefits, rent and utilities, production repairs, maintenance and supplies and the depreciation of property, plant and equipment. Selling, general and administrative expense from continuing operations was incurred by Acasta's Consumer Products and Other reportable segments and was comprised primarily of the depreciation of property plant and equipment, freight charges, salaries and benefits, professional fees, general office and laboratory expenses. Selling, general and administrative expense from discontinued operations was $14.7 million for the three months ended March 31, 2018.

For the three months ended March 31, 2017, Acasta reported cost of revenue from continuing operations of $44.7 million and selling, general and administrative expense from continuing operations of $21.0 million. Cost

of revenue from continuing operations was incurred entirely by the Consumer Products reportable segment and was comprised primarily of the cost of inventory, raw materials and consumables, salaries and benefits, rent and utilities, the depreciation of property, plant and equipment and production repairs, maintenance and supplies expenses. Selling, general and administrative expense from continuing operations was incurred by Acasta's Consumer Products and Other reportable segments and was comprised primarily of the depreciation of property plant and equipment, professional fees, salaries and benefits, freight charges, general office and laboratory expenses. Selling, general and administrative expense from discontinued operations was $18.0 million for the three months ended March 31, 2017.

Cost of revenue and selling, general and administrative expense by nature and reportable segment are set out below:

(Amounts in thousands of Canadian dollars)	Acasta Consolidated			
	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Amount	%	Amount	%
COST OF REVENUE AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSE BY NATURE				
Cost of inventory, raw materials and consumables	$41,670	53.9%	$37,901	57.7%
Depreciation of property, plant and equipment and amortization of intangible assets	7,906	10.2%	7,554	11.5%
Freight charges	5,835	7.5%	3,066	4.7%
Salaries and benefits	10,626	13.7%	6,054	9.2%
Rent and utilities expense	3,063	4.0%	2,311	3.5%
Professional fees	3,234	4.2%	5,712	8.7%
General office expenses	1,776	2.3%	1,272	1.9%
Research and development costs	17	0.0%	79	0.1%
Share-based compensation	113	0.1%	—	0.0%
Production repairs, maintenance and supplies	1,521	2.0%	829	1.3%
Laboratory expenses	750	1.0%	440	0.7%
Other expenses	829	1.1%	454	0.7%
Cost of revenue and selling, general and administrative expense from continuing operations	$77,340	100.0%	$65,672	100.0%
Cost of revenue and selling, general and administrative expense from discontinued operations	14,719		17,974	
Total cost of revenue and selling, general and administrative expense	$92,059		$83,646	
COST OF REVENUE BY REPORTABLE SEGMENT				
Apollo	$34,178	64.1%	$27,877	62.3%
JemPak	19,146	35.9%	16,837	37.7%
Continuing Operations — Consumer Products reportable segment	$53,324	100.0%	$44,714	100.0%
Discontinued Operations — Aviation reportable segment	—	0.0%	—	0.0%
Total cost of revenue	$53,324	100.0%	$44,714	100.0%
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE BY REPORTABLE SEGMENT				
Apollo	$14,270	36.9%	$10,237	26.3%
JemPak	5,124	13.2%	4,742	12.2%
Continuing Operations — Consumer Products reportable segment	$19,394	50.1%	$14,979	38.5%
Continuing Operations — Other reportable segment	4,622	11.9%	5,979	15.3%
Discontinued Operations — Aviation reportable segment	14,719	38.0%	17,974	46.2%
Total selling, general and administrative expense	$38,735	100.0%	$38,932	100.0%

Impairment Losses

Quarterly or whenever events or changes in circumstances suggest that the carrying value of a non-financial asset may not be recoverable, the Company performs reviews for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In addition, the carrying value of goodwill is tested for recoverability on an annual basis as at December 31.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are required to be identified consistently from period to period for the same asset or types of assets, unless a change is justified. For the year ended December 31, 2017, Goodwill existed and was tested for impairment at three distinct CGUs: i) Stellwagen ii) Apollo, and iii) JemPak.

The recoverable amount is defined as the higher of a) fair value less costs to sell and b) value in use. For the purposes of impairment testing as at December 31, 2017, the Company determined the fair value less costs to sell for each CGU. IFRS defines fair value less costs to sell as the price that would be received to sell an asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

In assessing the fair value less costs to sell, the estimated future cash flows of each CGU are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. If the recoverable amount of an intangible asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss equal to the difference between the carrying and recorded amounts is recognized immediately in net income (loss).

The Company identified the expected JemPak Sale Transaction subsequent to period end as an indicator of potential impairment for the JemPak CGU as at March 31, 2018. As a result of the identification of this impairment indicator, the Company estimated the recoverable amount of the JemPak CGU based on its fair value less costs to sell and concluded that it was impaired as at March 31, 2018. As the JemPak CGU's carrying amount exceeded its estimated recoverable amount at March 31, 2018, an impairment loss of $12.2 million was recognized and allocated entirely to goodwill.

The Company identified Stellwagen's lower than expected economic performance and the Stellwagen Sale Transaction subsequent to year end as indicators of potential impairment for Stellwagen's intangible assets as at December 31, 2017. As a result of the identification of these indicators, the Company estimated the recoverable amounts of Stellwagen's intangible assets and concluded that the backlog and non-compete intangible assets were impaired as at December 31, 2017, using updated assumptions and estimates. As at December 31, 2017, impairment losses of $11.3 million and $8.2 million were calculated and attributed to intangible assets established through the Qualifying Acquisition in the Company's Aviation reportable segment, related to the backlog and non-compete intangible assets, respectively.

As per Acasta's accounting policies, the Company estimated the recoverable amounts of all CGUs using updated assumptions and estimates and concluded that the Stellwagen and Apollo CGUs were impaired as at December 31, 2017.

The following impairment losses were recorded as a result of the Company's March 31, 2018 quarterly indicator review and December 31, 2017 annual goodwill impairment test and intangible asset valuation:

	As at March 31, 2018			
	Pre-impairment Carrying Value	Impairment Loss	Post-impairment Carrying Value	Impairment Loss (net of tax)
Goodwill:				
JemPak	$93,979	$(12,248)	$81,731	$(12,248)

	As at December 31, 2017			
	Pre-impairment Carrying Value	Impairment Loss	Post-impairment Carrying Value	Impairment Loss (net of tax)
Goodwill:				
Stellwagen	$290,197	$(220,556)	$ 69,641	$(220,556)
Apollo	231,163	(200,745)	30,418	(186,002)
	$521,360	$(421,301)	$100,059	$(406,558)
Intangible assets:				
Stellwagen — Backlog	$ 11,291	$ (11,291)	$ —	$ (9,880)
Stellwagen — Non-compete	8,154	(8,154)	—	(7,135)
		$(440,746)		$(423,573)

The estimated recoverable amount of the Stellwagen CGU was $246.6 million (U.S. $196.6 million) as at December 31, 2017. The estimated recoverable amount of the Stellwagen CGU was calculated by discounting the estimated future net cash flows over its estimated life using a discount rate of 15.5% (in nominal terms), commensurate with the estimated level of risk associated with the Stellwagen CGU. The recoverable amount calculation was based on an estimate of future net cash flows applying capital and operating costs based on forecasted results and a terminal growth rate of 2.5%. As the Stellwagen CGU's carrying amount exceeded its estimated recoverable amount at December 31, 2017, an impairment loss of $220.6 million (U.S. $175.8 million) was recognized and allocated entirely to goodwill.

The estimated recoverable amount of the Apollo CGU was $147.3 million as at December 31, 2017. The estimated recoverable amount of the Apollo CGU was calculated by discounting the estimated future net cash flows over its estimated life using a discount rate of 10.5% (in nominal terms), commensurate with the estimated level of risk associated with the Apollo CGU. The recoverable amount calculation was based on an estimate of future net cash flows applying foreign exchange rates of C$1.22:U.S.$1.00 to C$1.27:U.S.$1.00, capital and operating costs based on forecasted results and a terminal growth rate of 2.5%. As the Apollo CGU's carrying amount exceeded its estimated recoverable amount at December 31, 2017, an impairment loss of $200.7 million was recognized and allocated entirely to goodwill.

Discount rates were based on each CGU's weighted average cost of capital, of which the two main components are the cost of equity and the after-tax cost of debt. Cost of equity was calculated based on the capital asset pricing model, incorporating the risk-free rate of return based on government bond yields as at the valuation date, the Company's beta coefficient adjustment to the market equity risk premium based on the volatility of the Company's return in relation to that of a comparable market portfolio, plus a size premium and Company-specific risk factor. Cost of debt was determined by applying an appropriate market indication of the Company's borrowing capabilities and the corporate income tax rate applicable to each CGU's jurisdiction.

Management's estimates of future net cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Company's assets and goodwill. This may have a material effect on the Company's consolidated financial statements.

The total impairment loss recorded during the three months ended March 31, 2018 was $12.2 million (three months ended March 31, 2017 - $nil), attributed entirely to goodwill. The total impairment loss recorded during the year ended December 31, 2017 was $440.7 million, including $421.3 million attributed to goodwill and $19.5 million attributed to intangible assets.

Other Results of Operations

Acasta reported finance costs of $13.8 million for the three months ended March 31, 2018 compared with $1.2 million for the three months ended March 31, 2017, related primarily to interest on debt and the amortization and accretion of deferred financing costs. Finance costs from discontinued operations of $7.3 million for the three months ended March 31, 2018 compared with $5.4 million for the three months ended March 31, 2017. The increase in finance costs between the three months ended March 31, 2017 and the three months ended March 31, 2018 was due primarily to an increase in outstanding debt between periods.

Acasta reported a $1.4 million net loss related to the translation of foreign currency transactions for the three months ended March 31, 2018 compared with a $0.1 million net loss related to the translation of foreign currency transactions for the three months ended March 31, 2017. The net loss reported for the three months ended March 31, 2018 was attributable to a strengthening of the US dollar versus the Canadian dollar at March 31, 2018 relative to December 31, 2017 and was due primarily to a loss on the translation of US dollar denominated US Credit Facility debt within the Company's Other reportable segment. US dollar denominated business activities in the Consumer Products segment were negatively impacted by a weakening of the US dollar versus the Canadian dollar in the three months ended March 31, 2018 upon translation for reporting purposes relative to the three months ended March 31, 2017.

Acasta recorded other loss, net of $2.2 million in the three months ended March 31, 2018 due primarily to a $2.5 million net working capital purchase consideration adjustment owing to the vendors of Apollo and a $1.0 million loss in full satisfaction of the remaining purchase price relating to the ECN Acquisition through the issuance of 500,000 Class B Shares on April 5, 2018. Acasta recorded other income, net of $3.4 million in the three months ended March 31, 2017 due primarily to a $3.7 million gain on the redemption of Class A Shares, partially offset by $0.3 million in restructuring costs.

For the three months ended March 31, 2018, the Company recorded a deferred income tax recovery of $1.7 million, which was partially offset by current income tax expense of $0.5 million and resulted in a net income tax recovery of $1.2 million for the period attributable primarily to the reversal of temporary differences on intangible assets, partially offset by taxable income generated by the businesses. For the three months ended March 31, 2017, the Company recorded a current income tax expense of $3.0 million, partially offset by a deferred income tax recovery of $2.4 million and resulted in a net income tax expense of $0.6 million for the period attributable primarily to taxable income generated by the businesses, partially offset by the reversal of temporary differences on intangible assets. The Company's effective tax rate may fluctuate significantly in future periods due to varying rates in different jurisdictions, changes in tax laws, the impact of specific transactions and assessments and the relative distribution of income among the Company's operating jurisdictions.

SUMMARIZED QUARTERLY DATA

	Acasta Consolidated				
	Three Months Ended				
STATEMENTS OF INCOME (LOSS) (in thousands of Canadian dollars)	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Revenue	$ 67,014	$ 68,191	$66,448	$65,480	$63,774
Cost of revenue	53,324	49,228	50,045	43,629	44,714
Selling, general and administrative expense	24,016	21,322	21,580	19,880	20,958
Finance costs	13,848	7,135	5,789	3,116	1,238
Net unrealized (loss) gain on change in fair value of financial liabilities	—	236	—	—	(236)
Impairment of intangible assets and goodwill	12,248	200,745	—	—	—
Net loss (gain) on foreign exchange	1,449	(4,941)	(1,078)	(1,494)	149
Other (income) loss, net	2,194	(35,270)	(2,145)	(29)	(3,439)
INCOME (LOSS) BEFORE INCOME TAX	$ (40,065)	$(170,264)	$ (7,743)	$ 378	$ 390
Current income tax expense	547	2,446	900	2,647	3,016
Deferred income tax recovery	(1,743)	(17,005)	(1,450)	(1,424)	(2,353)
Net loss from continuing operations	$ (38,869)	$(155,705)	$ (7,193)	$ (845)	$ (273)
Net income (loss) from discontinued operations, net of tax	(129,945)	(250,578)	(2,546)	(397)	4,471
NET INCOME (LOSS)	$(168,814)	$(406,283)	$ (9,739)	$ (1,242)	$ 4,198

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Adjusted net income (loss), EBITDA and adjusted EBITDA are not recognized measures under IFRS and this data may not be comparable to data presented by other companies.

Adjusted net income (loss) is calculated by adjusting net income (loss) as recorded in the unaudited condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the exclusion of certain other income and expense items determined in accordance with IFRS. The Company believes that this generally accepted measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted net income (loss) is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

EBITDA is calculated by adjusting net income (loss) as recorded in the unaudited condensed consolidated interim statements of income (loss) and comprehensive income (loss) for finance costs, current and deferred income tax, depreciation and amortization expenses. The Company believes that this measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. EBITDA is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

Adjusted EBITDA is calculated by adjusting net income (loss) as recorded in the unaudited condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the exclusion of certain other income and expense items determined in accordance with IFRS, being the calculation for adjusted net income (loss), and then further adjusting for finance costs, current and deferred income tax, depreciation and amortization expenses. The Company believes that this generally accepted measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted EBITDA is intended to provide investors with information about the Company's continuing income generating capabilities.

Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

NON-IFRS FINANCIAL PERFORMANCE MEASURES (in thousands of Canadian dollars, except share and per share amounts)	Three Months Ended March 31, 2018				Three Months Ended March 31, 2017			
	Continuing Operations		Discontinued Operations		Continuing Operations		Discontinued Operations	
	Reportable Segments				Reportable Segments			
	Consumer Products	Other	Aviation	Acasta Consolidated	Consumer Products	Other	Aviation	Acasta Consolidated
Net income (loss) from continuing operations	**$(16,141)**	**$(22,728)**	**$ —**	**$ (38,869)**	**$ 1,869**	**$(2,142)**	**$ —**	**$ (273)**
Net income (loss) from discontinued operations, net of tax	**—**	**—**	**(129,945)**	**(129,945)**	**—**	**—**	**4,471**	**4,471**
Impairment of goodwill	12,248	—	—	12,248	—	—	—	—
Loss on revaluation of loans receivable	—	—	33,121	—	—	—	—	—
Gain on redemption of Class A Shares	—	—	—	—	—	(3,699)	—	(3,699)
Loss on disposal of property, plant and equipment	—	—	—	—	—	—	1,083	—
Qualifying Acquisition transaction costs	—	—	—	—	—	4,627	—	4,627
ECN Acquisition transaction costs	—	—	—	—	—	—	—	—
Costs to prepare aircraft for sale	—	—	—	—	—	—	706	—
Net (gain) loss on foreign exchange	(557)	2,006	61	1,449	244	(95)	(25)	149
Amortization of inventory fair value increment	—	—	—	—	1,946	—	—	1,946
Other non-recurring costs	—	—	—	—	359	—	—	359
Adjusted net income (loss) from continuing operations	**$ (4,450)**	**$(20,722)**	**$ —**	**$ (25,172)**	**$ 4,418**	**$(1,309)**	**$ —**	**$ 3,109**
Adjusted net income (loss) from discontinued operations, net of tax	**$ —**	**$ —**	**$ (96,763)**	**$ (96,763)**	**$ —**	**$ —**	**$ 6,235**	**$ 6,235**
Finance costs	$ 1,218	$ 12,630	$ 7,342	$ 13,848	$ 1,046	$ 192	$ 5,414	$ 1,238
Current income tax expense	547	—	(379)	547	3,016	—	1,018	3,016
Deferred income tax recovery	(1,743)	—	(71)	(1,743)	(2,353)	—	(737)	(2,353)
Depreciation of property, plant and equipment and amortization of intangible assets	7,906	—	8,008	7,906	7,555	—	12,536	7,555
EBITDA from continuing operations	$ (8,213)	$(10,098)	$ —	$ (18,311)	$11,133	$(1,950)	$ —	$ 9,183
EBITDA from discontinued operations	—	—	(115,045)	(115,045)	—	—	22,702	22,702
EBITDA	**$ (8,213)**	**$(10,098)**	**$(115,045)**	**$ (133,356)**	**$11,133**	**$(1,950)**	**$22,702**	**$ 31,885**
Adjusted EBITDA from continuing operations	$ 3,478	$ (8,092)	$ —	$ (4,614)	$13,682	$(1,117)	$ —	$ 12,565
Adjusted EBITDA from discontinued operations	—	—	(81,863)	(81,863)	—	—	24,466	24,466
Adjusted EBITDA	**$ 3,478**	**$ (8,092)**	**$ (81,863)**	**$ (86,477)**	**$13,682**	**$(1,117)**	**$24,466**	**$ 37,031**
Net loss from continuing operations per share — basic				**(0.44)**				**(0.00)**
Net income (loss) from discontinued operations per share — basic				**(1.45)**				**0.05**
Net loss from continuing operations per share — diluted[(1)]				**(0.44)**				**(0.00)**
Net income (loss) from discontinued operations per share — diluted[(1)]				**(1.45)**				**0.05**
Adjusted net income (loss) from continuing operations per share — basic				**(0.28)**				**0.04**
Adjusted net income (loss) from discontinued operations per share — basic				**(1.08)**				**0.07**
Adjusted net income (loss) from continuing operations per share — diluted[(1)]				**(0.28)**				**0.04**
Adjusted net income (loss) from discontinued operations per share — diluted[(1)]				**(1.08)**				**0.07**
Weighted average number of Class B shares outstanding — basic				**89,325,743**				**85,642,902**
Weighted average number of Class B shares outstanding — diluted				**89,402,953**				**85,642,902**

(1) The dilutive impact of Class B Shares related to the Company's DSU Plan, which commenced on July 1, 2017, was excluded from the computation of diluted weighted average number of Class B Shares outstanding where the Company reported a net loss or adjusted net loss because their effect would have been anti-dilutive.

NON-IFRS FINANCIAL PERFORMANCE MEASURES (in thousands of Canadian dollars)	**Acasta Consolidated**				
	Three Months Ended				
	March 31, 2018	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Net loss from continuing operations	**$ (38,869)**	**$(155,705)**	**$ (7,193)**	**$ (845)**	**$ (273)**
Net income (loss) from discontinued operations, net of tax	**(129,945)**	**(250,578)**	**(2,546)**	**(397)**	**4,471**
Impairment of intangible assets and goodwill, net of tax	12,248	423,573	—	—	—
Gain on redemption of Class A Shares	—	—	—	—	(3,699)
Net loss (gain) on disposal of property, plant and equipment (aircraft)	—	—	—	(1,289)	1,083
Qualifying Acquisition transaction costs	—	—	—	—	4,627
ECN Acquisition transaction costs	—	—	—	628	—
Costs to prepare aircraft for sale	—	—	—	—	706
Net loss (gain) on foreign exchange transactions	1,510	(4,370)	(1,041)	(1,468)	124
Amortization of inventory fair value increment	—	—	—	—	1,946
Other non-recurring costs	—	—	—	—	359
Adjusted net income (loss) from continuing operations	**$ (25,172)**	**$ 25,356**	**$ (8,271)**	**$ (2,339)**	**$ 3,109**
Adjusted net income (loss) from discontinued operations, net of tax	**$ (96,763)**	**$ (12,436)**	**$ (2,509)**	**$ (1,032)**	**$ 6,235**
Finance costs	$ 13,848	$ 7,135	$ 5,789	$ 3,116	$ 1,238
Current income tax expense	547	2,446	900	2,647	3,016
Deferred income tax recovery	(1,743)	(17,005)	(1,450)	(1,424)	(2,353)
Depreciation of property, plant and equipment and amortization of intangible assets	7,906	7,924	7,827	7,660	7,555
EBITDA from continuing operations	$ (18,311)	$(155,205)	$ 5,873	$11,154	$ 9,183
EBITDA from discontinued operations	(115,045)	(234,793)	15,827	21,280	22,702
EBITDA	**$(133,356)**	**$(389,998)**	**$21,700**	**$32,434**	**$31,885**
Adjusted EBITDA from continuing operations	$ (4,614)	$ 40,599	$ 4,795	$ 9,660	$12,565
Adjusted EBITDA from discontinued operations	(81,863)	5,779	15,864	20,645	24,466
Adjusted EBITDA	**$ (86,477)**	**$ 46,378**	**$20,659**	**$30,305**	**$37,031**

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company's cash and cash equivalents totaled $3.6 million. As at December 31, 2017, cash and cash equivalents totaled $26.1 million.

Operating Activities

Acasta recorded cash provided by operating activities of $3.5 million in the three months ended March 31, 2018 compared with cash provided by operating activities of $15.8 million in the three months ended March 31, 2017. In the three months ended March 31, 2018, the Company's cash provided by operating activities was generated primarily by total revenue of $89.5 million, partially offset by cost of revenues and selling, general and administrative expenses (net of embedded depreciation) of $76.1 million, cash taxes paid of $1.3 million and a net cash outflow associated with the changes in non-cash working capital items of $0.6 million during the period.

In the three months ended March 31, 2017, the Company's cash provided by operating activities was generated primarily by total revenue of $93.0 million, partially offset by cost of revenues and selling, general and administrative expenses (net of embedded depreciation) of $63.6 million, cash taxes paid of $3.4 million and a net cash outflow associated with the changes in non-cash working capital items of $13.2 million during the period.

Investing Activities

Acasta recorded cash provided by investing activities of $29.2 million in the three months ended March 31, 2018 compared with cash used in investing activities of $543.9 million in the three months ended March 31, 2017.

In the three months ended March 31, 2018, the Company received net cash proceeds from the Stellwagen Sale Transaction of $32.7 million (cash proceeds of $45.0 million less $12.3 million in cash held in the Aviation reportable segment), partially offset by investments of $3.6 million in property, plant and equipment additions during the period. See the "Overview of Continuing and Discontinued Operations — Discontinued Operations — Aviation Reportable Segment" section of this MD&A for further details on the Stellwagen Sale Transaction.

In the three months ended March 31, 2017, the Company's primary cash investments included a new aircraft within the Aviation reportable segment (resulting in a $297.3 million addition to property, plant and equipment and a $67.9 million addition to intangible assets) and the net cash outflow on the closing of the Qualifying Acquisition related to Apollo ($161.5 million), Stellwagen ($90.8 million) and JemPak ($55.4 million). Partially offsetting the overall investing cash outflows in the three months ended March 31, 2017, $106.2 million in cash previously held in escrow was released on closing of the Qualifying Acquisition and $25.0 million in proceeds were received on the sale of an aircraft during the period.

Financing Activities

Acasta recorded cash used in financing activities of $55.1 million in the three months ended March 31, 2018 compared with cash provided by financing activities of $562.0 million in the three months ended March 31, 2017. In the three months ended March 31, 2018, the Company' net $47.1 million repayment of debt and credit facilities related primarily to a net $41.5 million repayment of the US Credit Facility within the Other reportable segment and net repayments related to the aircraft loans in the Aviation reportable segment prior to the closing of the Stellwagen Sale Transaction. Partially offsetting Acasta's net repayment of debt during the three months ended March 31, 2018, the Company received net proceeds of $6.5 million from the Credit Facility within the Consumer Products reportable segment. Cash interest paid during the three months ended March 31, 2018 amounted to $8.0 million.

In the three months ended March 31, 2017, the Company received net proceeds from long-term debt and credit facilities of $414.6 million, sourced through two aircraft loans within the Aviation reportable segment and the Credit Facility within the Consumer Products reporting segment. Proceeds of $298.8 million in cash previously held in escrow was released and used to fund the redemption of Class A Shares and the deferred underwriters' commission related to the Qualifying Acquisition. Concurrent with the closing of the Qualifying Acquisition, the Company paid $285.7 million on the redemption of Class A Shares, partially offset by $159.6 million in gross proceeds from the issuance of common shares related to the private placement.

On January 3, 2017, the Company entered into a credit agreement providing a borrowing capacity of up to $150.0 million, which was subsequently reduced to $100.0 million on May 14, 2017 (the "**Credit Facility**"). As at March 31, 2018, facilities available under the Credit Facility included a revolving credit facility with availability of up to $35.0 million to be used for working capital and other general corporate purposes and term loans A and B made available to finance the JemPak and Apollo acquisitions. As at March 31, 2018, the undrawn capacity on the Credit Facility was $0.4 million. As a result of a breach of financial covenants as at March 31, 2018, the Company does not have the ability to defer payment beyond twelve months from period end and has reclassified the Credit Facility from non-current to current liabilities. In response, the Company sought and obtained waivers in respect of such covenants subsequent to March 31, 2018 and accelerated the sale process of JemPak and the monetization of its PPNs.

On May 14, 2017, Acasta entered into a secured two-year credit facility agreement (the "**US Credit Facility**", formerly the Aviation Facility) allowing for the borrowing of up to U.S. $150.0 million. During 2017, proceeds from the US Credit Facility were used to fund a U.S. $100.0 million investment in Stelloan. Interest is based on LIBOR plus an applicable margin. The US Credit Facility is secured by a first-priority lien over Acasta's real property. As a result of a breach of financial covenants as at March 31, 2018, the Company does not have the ability to defer payment beyond twelve months from period end and has reclassified the US Credit

Facility from non-current to current liabilities. In addition, the Company's ability to make further draw downs on the US Credit Facility has been removed. In response, the Company sought and obtained waivers in respect of such covenants subsequent to March 31, 2018 and accelerated the sale process of JemPak and the monetization of its PPNs.

Financial Instruments

The Company occasionally enters into contracts acting as economic hedges of underlying exposures that are not held for speculative purposes. Acasta does not use complex derivative contracts to hedge exposures. The fair value of the Company's interest rate swap contracts were recorded in the other non-current assets financial statement line item and settle on a monthly basis. The interest rate swap contracts exchanged variable rate interest amounts for fixed rate interest amounts and were designed as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest borrowings. The interest rate swaps and the interest payments on the loan occurred simultaneously and the amount in accumulated other comprehensive income was reclassified to net income (loss) from discontinued operations over the period that the variable rate interest payments on debt affect net income (loss) from discontinued operations. Upon the disposition of the Aviation reportable segment by way of the Stellwagen Sale Transaction, the Company derecognized its interest rate swap contracts as at March 27, 2018 at a fair value of $15.9 million.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements as at March 31, 2018 include operating leases of $28.5 million related to plant, office and equipment leases. If Acasta were to terminate these off-balance sheet arrangements, the Company's liquidity position (as outlined in the table below) is sufficient to satisfy any related penalties or obligations.

Liquidity and Capital Resources Analysis

As at March 31, 2018, the Company was in breach of certain debt covenants, representative of financial leverage ratios, under its credit agreements. Failure to meet these debt covenants at March 31, 2018 caused the Credit Facility and US Credit Facility to be classified as current liabilities, which Acasta would not be able to satisfy if called by their lenders. In response, the Company sought and obtained waivers in respect of such covenants subsequent to March 31, 2018 and accelerated the JemPak Sale Transaction process and the monetization of its PPNs.

On May 10, 2018, Acasta entered into the JemPak Sale Transaction, a definitive agreement to sell JemPak Corporation which is expected to close on or about May 31, 2018. Under the JemPak Sale Transaction, JemPak Corporation is expected to be sold at a purchase price of $118 million on a cash free and debt free basis, subject to customary working capital adjustments and indemnities. On May 14, 2018, Acasta monetized its interest in the PPNs for net proceeds of approximately $28.5 million. Proceeds from the JemPak Sale Transaction and the monetization of the PPNs are expected to be used to pay down Acasta's indebtedness.

As a result of the expected proceeds from the JemPak Sale Transaction and the monetization of the PPNs, the Company believes that it has sufficient available capital resources to satisfy its net expenditure commitments (including contractual obligations) within one year of March 31, 2018 as set out below:

(Amounts in thousands of Canadian dollars)	**Amount**
COMMITMENTS	
Contractual obligations:	
Operating leases payable[1]	$ 3,400
Current portion of long-term debt[2]	196,581
Bank overdraft	1,779
Amounts due to related parties	2,951
Other commitments:	
Accounts payable and accrued liabilities	31,140
Income taxes payable	7,314
Total commitments within one year of March 31, 2018	$243,165
CAPITAL RESOURCES	
Cash and cash equivalents	$ 3,625
Working capital resources, excluding cash and cash equivalents	94,951
Available under the Credit Facility[2],[3]	401
Total capital resources available within one year of March 31, 2018	$ 98,977

(1) Operating leases payable later than one year and not longer than five years amounted to $12.0 million and operating leases payable later than five years amounted to $13.1 million as at March 31, 2018.

(2) As at March 31, 2018, the Company was in breach of certain debt covenants, representative of financial leverage ratios, under its credit agreements. Failure to meet these debt covenants at March 31, 2018 caused the Credit Facility and US Credit Facility to be classified as current liabilities, which Acasta would not be able to satisfy if called by their lenders. In response, the Company sought and obtained waivers in respect of such covenants at March 31, 2018 and accelerated the JemPak Sale Transaction process and the monetization of the PPNs.

(3) Certain restrictions apply to the use of proceeds associated with the Credit Facility.

RELATED PARTY TRANSACTIONS

On March 27, 2018, the Company closed the Stellwagen Sale Transaction with Martello in exchange for U.S. $35.0 million in cash, the cancellation of 26 million Class B Shares, the termination of the Stellwagen Earn-out liability and downside protection on the sale of the PPNs of U.S. $5.0 million. See the "Overview of Continuing and Discontinued Operations — Discontinued Operations — Aviation Reportable Segment" section of this MD&A for further details.

Amounts payable to Acasta Capital Inc. as at March 31, 2018 were $0.5 million (December 31, 2017 — $1.8 million) related to support on the Qualifying Acquisition on a cost recovery basis, and for services rendered throughout the period.

WFI Inc., a lender party to the US Credit Facility, is related to Acasta by virtue of being controlled by members of key management personnel at Apollo. As at March 31, 2018, $12.4 million (U.S. $9.6 million) of debt was outstanding to WFI Inc. (December 31, 2017 — $25.1 million (U.S. $20.0 million)). In March of 2018, the US Credit Facility debt held by WFI Inc. was subordinated relative to the other US Credit Facility lenders.

During the three months ended March 31, 2018, the Company incurred fees of $0.4 million to entities controlled by members of key management personnel at JemPak (three months ended March 31, 2017 — $0.3 million) related to rent on a plant facility owned by these related parties, as well as consulting services. A finance lease liability of $7.8 million has been recorded within other current liabilities and other non-current

liabilities as at March 31, 2018 (December 31, 2017 — $7.8 million), representing a payable to the related party entities for rent over the lease term on the JemPak Oakville plant facility.

Amounts due to related parties are non-interest bearing and are payable on demand, unless otherwise stated above. Related party amounts are recorded at their exchange amount.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates, including the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018, are disclosed in the Significant Accounting Polices, Significant Accounting Judgements and Estimates and Recently Issued Accounting Pronouncements notes to the Financial Statements.

RISK PROFILE

For a detailed description of the risks facing the Company, see the "Risk Factors" section of the AIF which is available under the Company's profile on SEDAR at www.sedar.com. These risks described in the AIF should be considered by interested parties when evaluating the Company's performance and outlook.

The risks and uncertainties described in the AIF are those the Company believes to be material, but they are not the only ones it faces. If any of the risks identified, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, its business, financial condition and operating results may be materially adversely affected. In that event, the trading price of the Company's securities could be materially and adversely affected.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have access to sufficient liquid assets to meet its current liabilities when they are due, under both normal and stressed conditions, without incurring excessive losses. See the "Liquidity and Capital Resources — Liquidity and Capital Resources Analysis" section of this MD&A for the Company's assessment with respect to the sufficiency of available capital resources to satisfy its expenditure commitments (including contractual obligations) within one year of March 31, 2018. There is no guarantee or assurance that the Company will be able to realize its operating forecast within one year of March 31, 2018, which is partially dependent upon foreign exchange rates, and, thus, meet its financial covenants under the relevant credit agreements and/or obtain continued support from its lenders should that be required.

Going Concern

Acasta's Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2018, the Company was in breach of certain financial leverage ratio covenants under its credit agreements. Failure to meet these covenants at March 31, 2018 caused the debt outstanding under the Credit Facility and US Credit Facility (the "**Lenders**") to be presented as a current liability, which the Company would not be able to satisfy if called by its lenders. In response, the Company sought and obtained waivers from the lenders in respect of such covenants subsequent to March 31, 2018 and also modified terms of the covenant requirements under the Lenders' credit agreements that resulted in an increase in the maximum permissible debt to EBITDA ratios for defined periods, subject to certain conditions. In addition, subsequent to the end of

the reporting period, the Company has monetized its investment in the PPNs, which were retained subsequent to the Stellwagen Sale Transaction, and has executed the JemPak Sale Transaction agreement.

During the three months ended March 31, 2018, the Company funded its working capital requirements and its capital and operating expenditures through operating cash flows, proceeds from debt, and proceeds from the Stellwagen Sale Transaction. Proceeds from the Stellwagen Sale Transaction have been used to reduce levels of overall indebtedness of the Company. Management expects that the cash to be generated from operations based on forecasts related to 2018, which assumes a pre-determined Canadian dollar foreign exchange rate relative to the U.S. dollar, proceeds from the closing of the JemPak Sale Transaction and the monetization of the PPNs, will be sufficient to fund the Company's capital and operating expenditures so as to meet its financial obligations as they fall due during the next twelve months.

There is no guarantee or assurance that the Company will be able to realize its operating forecast in 2018, which is partially dependent upon foreign exchange rates, or the closing of the JemPak Sale Transaction and, thus, meet its financial covenants under the relevant credit agreements and/or obtain continued support from its Lenders should that be required. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern. As at March 31, 2018, Acasta's Financial Statements do not reflect any adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

CONTROLS EVALUATION

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"). The Chief Executive Officer and Chief Financial Officer implemented disclosure controls and procedures and internal controls over financial reporting appropriate for the nature of operations of the Company.

Evaluation of disclosure controls and procedures

Management is responsible for designing, implementing and maintaining disclosure controls and procedures as defined under NI 52-109. As at March 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting

Management is responsible for designing, implementing and maintaining internal controls over financial reporting as defined under NI 52-109. As at March 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS based on the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 Internal Control-Integrated Framework.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute assurance that its objectives are met. Due to inherent limitations in all systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, Acasta's disclosure controls and procedures and its internal controls over financial reporting are effective in providing reasonable, not absolute assurance that the objectives of the Company's control systems have been met.

Changes in Internal Control

During the first three months of 2018, the Company completed its implementation of disclosure controls and procedures and internal control over financial reporting associated with the entities acquired as part of the Qualifying Acquisition within the permissible period under NI 52-109.

Further details related to the acquisitions are disclosed in the "Business Overview — Qualifying Acquisition" section of this MD&A.

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