



**Third Quarter Report September 30, 2017**

**ACASTA ENTERPRISES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Three and Nine Months Ended September 30, 2017**

**GENERAL**

This Management's Discussion and Analysis (the "MD&A") dated as of November 10, 2017 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 and nine months ended September 30, 2017 (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"). 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, 2016 (the "AIF"), is available under Acasta's profile on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

**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 2017 and beyond, strategies or further actions with respect to the Company, including the acquisition by the Company of one or more businesses or assets, 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.

This MD&A contains certain financial measures that are not recognized under International Financial Reporting Standards ("IFRS"). These measures are described in greater detail in the section entitled "Non-IFRS Financial Performance Measures".

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 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.

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## **BUSINESS OVERVIEW**

### **Objectives and Strategy**

Acasta is an active, long-term, value-oriented investment manager looking to invest in businesses and funds in selected industries. Acasta's objective is to generate substantial value for its investors by utilizing the deep experience and proven business acumen of its board of directors and executive officers. Acasta will support the evolution of its businesses by combining capital, innovation and entrepreneurship to drive business growth, competitive distinction and operational excellence.

Acasta's core philosophy and purpose is to build substantial value for shareholders by acquiring companies in highly attractive business sectors with attributes that include:

- Strategic differentiation of products or services;
- Exceptional management teams;
- Acquisition and organic growth opportunities;
- Sustainable and strong free cash flow;
- Potential improvements in business processes, working capital and profitability;
- Balanced risk return profile; and
- Connectivity to the extensive experience of the board of directors, founders and our management.

### **Corporate Structure**

Prior to January 3, 2017, 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 below for more details on this stage of the Company's history.

On January 3, 2017, Acasta closed its qualifying acquisition under Part X of the TSX Company Manual (the "**Qualifying Acquisition**") of 100.0% of three businesses, concurrently with Acasta's launch as a long-term investment and private equity management firm. Acasta acquired a commercial aviation finance advisory and asset management business, Stellwagen Group ("**Stellwagen**") and two private label consumer staples businesses, Apollo Health and Beauty Care Partnership and Apollo Laboratories Inc. (collectively, "**Apollo**") and JemPak Corporation ("**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 below for more details.

The comparative period operating results for the three and nine months ended September 30, 2016 are representative of Acasta's operations prior to completing its Qualifying Acquisition and, as such, are not consistent or comparable with the nature of activities and operating results reported in the three and nine months ended September 30, 2017.

### **Initial Public Offering**

On July 30, 2015, the Company completed its initial public offering ("**IPO**") as a special purpose acquisition corporation 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

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\$14.0 million to the Company. Prior to the consummation of the IPO, on July 22, 2015, the Founders purchased 10,442,031 Class B Shares of the Company (the “**Class B Shares**”, referred to as the “**Founders’ Shares**”) for an aggregate purchase price of \$25,000, or \$0.0024 per Class B 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 (the “**Class A Share**”) and one-half of a warrant, and Class B Units, each consisting of one 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 closing of the Qualifying Acquisition (the “**Closing**”).

#### **Qualifying Acquisition**

On 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 \$385.6 million, comprised of \$90.7 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 an estimated \$66.6 million in other purchase consideration adjustments.

Concurrent with the 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. The Company issued a total of 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.

On the 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 Closing, the Founders entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking (the “**Forfeiture Agreement**”) with respect to the 10,442,031

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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 the second anniversary of the Closing; 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 the second anniversary of the Closing. 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) for a period of one year from Closing, the Contingent Shares may not be transferred; (ii) for the period between the first and fourth anniversary of Closing, 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 the fourth anniversary of Closing, 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 conditions listed prior, 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 the second anniversary of the Closing, and the remaining 50% of the Contingent Shares may be transferred if the Company achieves a Consumer Products Realization Event prior to the second anniversary of the Closing.

The remaining Founders' Shares that are not Contingent Shares are restricted from transfer until the earlier of (a) one year following Closing; and (b) the closing share price of the Class B Shares equaling or exceeding \$12.00 per share for any 20 days within a 30-day trading period.

Following Closing, as at January 3, 2017, there were 92,677,798 Class B Shares issued and outstanding and 20,884,062 warrants to purchase Class B Shares 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 share purchase warrants of Acasta also trade on the TSX under the symbol "AEFWT".

## **OPERATING SEGMENT OVERVIEW**

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 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 (the "Board of Directors"). 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.

At September 30, 2017, the Company operates three distinct reportable segments (December 31, 2016 — one), being the Consumer Products, Aviation and Other 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 business have been aggregated within this reportable segment. Acasta's Aviation portfolio includes companies that provide technical management and fleet and capital financing solutions to the global aviation industry and its investors. Acasta's

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Other reportable segment includes the corporate parent entity of the Consumer Products and Aviation reportable segments 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 and Aviation businesses. Therefore, Acasta has presented these businesses as reportable segments for financial reporting purposes in accordance with IFRS 8 *Operating Segments*.

**Consumer Products Reportable Segment**

*Apollo*

Based in Ontario, Canada, Apollo is a private label (store brand) personal care product manufacturer, developing and manufacturing retailer-branded and private label products for major North American retailers. Apollo's products are sold in 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 research and development offers competitive formulation, processing and manufacturing capabilities.

**Aviation Reportable Segment**

*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's specialized aviation industry knowledge, relationships with airlines, lessors, and other key aviation industry participants, together with the experience and talent of its management team and employees, have contributed to Stellwagen's operational and financial success since its inception in 2013.

On June 1, 2017, Stellwagen effected the acquisition of ECN Commercial Aviation for total consideration of \$29.6 million. ECN Commercial Aviation arranges, co-invests and manages a portfolio of commercial aviation assets on behalf of institutional investors through a U.S.-based team.

On July 5, 2017, the Company purchased the first Profit Participating Notes ("PPN") issued by Stelloan Investment Company I DAC (the "**Stelloan Fund**"), which lends capital to aircraft lessors. As its sole and controlling investor, the Stelloan Fund was consolidated by Acasta and recorded as part of the Aviation reportable segment as at September 30, 2017. In the three months ended September 30, 2017, the Company's PPN investments in the Stelloan Fund totaled U.S. \$100.0 million. As at September 30, 2017, the Stelloan Fund held three loan assets in its portfolio valued at approximately U.S. \$124.1 million and had related party liabilities in the form of external debt of approximately U.S. \$18.5 million.

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**SELECTED FINANCIAL INFORMATION**

STATEMENTS OF FINANCIAL POSITION (in thousands of Canadian dollars)	As at September 30, 2017				As at December 31, 2016
	Reportable Segments			Acasta Consolidated	Acasta Consolidated
	Consumer Products	Aviation	Other		
Cash and cash equivalents	\$ 4,716	\$ 11,273	\$ 2,329	\$ 18,318	\$ 187
Trade and other receivables	35,895	10,411	2,452	48,758	597
Inventories	37,609	—	—	37,609	—
Prepaid expenses and deposits	3,034	565	5,454	9,053	25
Restricted cash	—	—	—	—	405,002
Current portion of loans receivable	—	8,579	—	8,579	—
Other current assets	462	223	5,826	6,511	—
Property, plant and equipment	59,406	558,879	—	618,285	—
Intangible assets	151,528	157,383	—	308,911	—
Goodwill	305,876	289,696	—	595,572	—
Long-term loans receivable	—	146,293	—	146,293	—
Other non-current assets	—	10,433	—	10,433	710
<b>TOTAL ASSETS</b>	<b>\$598,526</b>	<b>\$1,193,735</b>	<b>\$ 16,061</b>	<b>\$1,808,322</b>	<b>\$406,521</b>
Accounts payable and accrued liabilities	\$ 23,804	\$ 5,558	\$ 4,926	\$ 34,288	\$ 8,779
Current portion of long-term debt	7,800	47,804	—	55,604	—
Class A Restricted Voting Shares subject to redemption	—	—	—	—	409,342
Income taxes payable	5,660	2,126	—	7,786	—
Other current liabilities	5,323	33,994	3,141	42,458	13,504
Long-term debt	76,868	578,546	138,376	793,790	—
Deferred tax liabilities	35,977	4,537	—	40,514	—
Other non-current liabilities	7,333	54,657	(2,007)	59,983	—
<b>TOTAL LIABILITIES</b>	<b>\$162,765</b>	<b>\$ 727,222</b>	<b>\$ 144,436</b>	<b>\$1,034,423</b>	<b>\$431,625</b>
Share capital	\$ —	\$ —	\$ 849,383	\$ 849,383	\$ 14,995
Contributed surplus	432,177	490,462	(922,489)	150	—
Warrants	—	—	3,939	3,939	3,939
Retained earnings (deficit)	3,584	1,528	(55,933)	(50,821)	(44,038)
Accumulated other comprehensive loss	—	(25,477)	(3,275)	(28,752)	—
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$435,761</b>	<b>\$ 466,513</b>	<b>\$(128,375)</b>	<b>\$ 773,899</b>	<b>\$ (25,104)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$598,526</b>	<b>\$1,193,735</b>	<b>\$ 16,061</b>	<b>\$1,808,322</b>	<b>\$406,521</b>

STATEMENTS OF INCOME (LOSS) (in thousands of Canadian dollars)	Three Months Ended September 30, 2017				Three Months Ended September 30, 2016
	Reportable Segments			Acasta Consolidated	Acasta Consolidated
	Consumer Products	Aviation	Other		
Revenue	\$66,448	\$24,785	\$ —	\$ 91,233	\$ 488
Cost of revenue	50,045	—	—	50,045	—
Selling, general and administrative expense	16,099	22,067	5,481	43,647	1,242
Finance costs	1,182	6,393	4,607	12,182	—
Net unrealized loss on change in fair value of financial liabilities	—	—	—	—	4,830
Net loss (gain) on foreign exchange transactions	1,446	37	(2,524)	(1,041)	—
Other income, net	(40)	(524)	(2,105)	(2,669)	—
<b>LOSS BEFORE INCOME TAX</b>	<b>\$(2,284)</b>	<b>\$(3,188)</b>	<b>\$(5,459)</b>	<b>\$(10,931)</b>	<b>\$(5,584)</b>
Current income tax expense	900	289	—	1,189	—
Deferred income tax recovery	(1,450)	(931)	—	(2,381)	—
<b>NET LOSS</b>	<b>\$(1,734)</b>	<b>\$(2,546)</b>	<b>\$(5,459)</b>	<b>\$( 9,739)</b>	<b>\$(5,584)</b>

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<b>STATEMENTS OF INCOME (LOSS)</b> <b>(in thousands of Canadian dollars)</b>	<b>Nine Months Ended September 30, 2017</b>				<b>Nine Months Ended September 30, 2016</b>
	<b>Reportable Segments</b>			<b>Acasta Consolidated</b>	<b>Acasta Consolidated</b>
	<b>Consumer Products</b>	<b>Aviation</b>	<b>Other</b>		
Revenue . . . . .	\$195,702	\$79,104	\$ —	\$274,806	\$ 1,404
Cost of revenue . . . . .	138,388	—	—	138,388	—
Selling, general and administrative expense . . . . .	47,286	59,866	15,132	122,284	2,076
Finance costs . . . . .	4,410	18,736	5,733	28,879	—
Net unrealized (gain) loss on change in fair value of financial liabilities	—	—	(236)	(236)	12,075
Net loss (gain) on foreign exchange transactions . . . . .	510	38	(2,933)	(2,385)	—
Other expense (income), net . . . . .	188	(730)	(5,801)	(6,343)	—
<b>INCOME (LOSS) BEFORE INCOME TAX . . . . .</b>	<b>\$ 4,920</b>	<b>\$ 1,194</b>	<b>\$(11,895)</b>	<b>\$ (5,781)</b>	<b>\$(12,747)</b>
Current income tax expense . . . . .	6,563	2,154	—	8,717	—
Deferred income tax recovery . . . . .	(5,227)	(2,488)	—	(7,715)	—
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 3,584</b>	<b>\$ 1,528</b>	<b>\$(11,895)</b>	<b>\$ (6,783)</b>	<b>\$(12,747)</b>

**RESULTS OF OPERATIONS**

Acasta reported a net loss of \$9.7 million, or \$0.11 per share (on a basic and diluted basis), in the three months ended September 30, 2017 compared with a net loss of \$5.6 million, or \$0.60 per share (on a basic and diluted basis), in the three months ended September 30, 2016. An adjusted net loss of \$10.8 million, or \$0.12 per share (on a basic and diluted basis), EBITDA of \$21.7 million and adjusted EBITDA of \$20.7 million were reported by Acasta in the three months ended September 30, 2017.

In the nine months ended September 30, 2017, Acasta reported a net loss of \$6.8 million, or \$0.08 per share (on a basic and diluted basis) compared with a net loss of \$12.7 million, or \$1.36 per share (on a basic and diluted basis) in the nine months ended September 30, 2016. An adjusted net loss of \$4.8 million, or \$0.05 per share (on a basic and diluted basis), EBITDA of \$86.0 million and adjusted EBITDA of \$88.0 million were reported by Acasta in the nine months ended September 30, 2017.

See the “Non-IFRS Financial Performance Measures” section of this MD&A for calculations of adjusted net income (loss) and EBITDA and their reconciliation to net income (loss) as reported under IFRS.



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**Revenue**

In the three and nine months ended September 30, 2017, Acasta reported revenue of \$91.2 million and \$274.8 million, respectively.

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

<u>(Amounts in thousands of Canadian dollars)</u>	<b>Three Months Ended September 30, 2017</b>		<b>Nine Months Ended September 30, 2017</b>	
	%	Amount	%	Amount
<b>REVENUE BY SOURCE</b>				
Revenue from the sale of consumer products . . . . .	72.8%	\$ 66,446	71.2%	\$ 195,701
Transaction fees . . . . .	2.4%	2,206	2.5%	6,773
Lease rental income . . . . .	19.6%	17,859	19.5%	53,525
Servicing fees . . . . .	1.9%	1,695	2.2%	6,160
Interest income . . . . .	3.3%	3,027	1.1%	3,027
Other revenue . . . . .	—	—	3.5%	9,620
<b>Total revenue</b> . . . . .	<b>100.0%</b>	<b>\$ 91,233</b>	<b>100.0%</b>	<b>\$ 274,806</b>
<b>REVENUE BY REPORTABLE SEGMENT</b>				
Apollo . . . . .	47.8%	\$ 43,607	47.0%	\$ 129,033
JemPak . . . . .	25.0%	22,841	24.2%	66,669
Consumer Products . . . . .	72.8%	66,448	71.2%	195,702
Aviation . . . . .	27.2%	24,785	28.8%	79,104
<b>Total revenue</b> . . . . .	<b>100.0%</b>	<b>\$ 91,233</b>	<b>100.0%</b>	<b>\$ 274,806</b>

In the three and nine months ended September 30, 2016, revenue of \$0.5 million and \$1.4 million, respectively, related entirely to interest income earned on restricted cash and cash equivalents held in escrow and invested in Government of Canada treasury bills (carried at \$404.6 million as at September 30, 2016).

**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.

In the three months ended September 30, 2017, Acasta reported cost of revenue of \$50.0 million and selling, general and administrative expense of \$43.6 million. In the nine months ended September 30, 2017, Acasta reported cost of revenue of \$138.4 million and selling, general and administrative expense of \$122.3 million.

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

<u>(Amounts in thousands of Canadian dollars)</u>	<u>Three Months Ended September 30, 2017</u>		<u>Nine Months Ended September 30, 2017</u>	
	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>
<b>COST OF REVENUE AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSE BY NATURE</b>				
Cost of inventory, raw materials and consumables . . . . .	43.7%	\$ 40,932	44.1%	\$ 114,894
Depreciation of property, plant and equipment and amortization of intangible assets . . . . .	21.8%	20,449	24.2%	62,921
Freight charges . . . . .	3.9%	3,622	3.9%	10,254
Salaries and benefits . . . . .	15.2%	14,277	12.8%	33,434
Rent and utilities expense . . . . .	3.2%	2,961	2.9%	7,644
Professional fees . . . . .	5.5%	5,139	6.0%	15,684
General office expenses . . . . .	2.1%	1,988	2.4%	6,367
Research and development costs . . . . .	0.0%	—	0.4%	1,005
Share-based compensation . . . . .	0.2%	150	0.1%	150
Other expenses . . . . .	4.5%	4,174	3.2%	8,319
<b>Total cost of revenue and selling, general and administrative expense . . . . .</b>	<b>100.0%</b>	<b>\$ 93,692</b>	<b>100.0%</b>	<b>\$ 260,672</b>
<b>COST OF REVENUE BY REPORTABLE SEGMENT</b>				
Apollo . . . . .	64.5%	\$ 32,293	63.0%	\$ 87,136
JemPak . . . . .	35.5%	17,752	37.0%	51,252
Consumer Products . . . . .	100.0%	50,045	100.0%	138,388
Aviation . . . . .	0.0%	—	0.0%	—
<b>Total cost of revenue . . . . .</b>	<b>100.0%</b>	<b>\$ 50,045</b>	<b>100.0%</b>	<b>\$ 138,388</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSE BY REPORTABLE SEGMENT</b>				
Apollo . . . . .	26.7%	\$ 11,648	27.4%	\$ 33,534
JemPak . . . . .	10.2%	4,451	11.2%	13,752
Consumer Products . . . . .	36.9%	16,099	38.6%	47,286
Aviation . . . . .	50.6%	22,067	49.0%	59,866
Other . . . . .	12.5%	5,481	12.4%	15,132
<b>Total selling, general and administrative expense . . . . .</b>	<b>100.0%</b>	<b>\$ 43,647</b>	<b>100.0%</b>	<b>\$ 122,284</b>

In the three and nine months ended September 30, 2016, there was no cost of revenue recorded as the Company was classified as a special purpose acquisition corporation and did not have operating subsidiaries or investments in other entities. Selling, general and administrative expense of \$1.2 million and \$2.1 million in the three and nine months ended September 30, 2016, respectively, related primarily to public company listing and filing fees and due diligence costs associated with reviewing potential qualifying acquisition targets.

**Other Results of Operations**

In the three months ended September 30, 2017, finance costs of \$12.2 million related primarily to interest on bank loans and the amortization and accretion of deferred financing costs. Other income of \$2.7 million during the three months ended September 30, 2017 related primarily to a \$2.6 million unrealized gain related to the September 30, 2017 Stellwagen Earn-out valuation.

In the nine months ended September 30, 2017, finance costs of \$28.9 million related primarily to interest on bank loans and the amortization and accretion of deferred financing costs. Other income of \$6.3 million during the nine months ended September 30, 2017 related primarily to a \$3.7 million gain on the redemption of Class A Shares and a \$2.1 million unrealized gain related to the September 30, 2017 Stellwagen Earn-out valuation.

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In the three months ended September 30, 2017, a net gain of \$1.0 million was recorded related to the translation of foreign currency transactions attributable to a weakening of the US dollar versus the Canadian dollar at September 30, 2017 relative to June 30, 2017. In the nine months ended September 30, 2017, a net gain of \$2.4 million was recorded related to the translation of foreign currency transactions attributable to a weakening of the US dollar versus the Canadian dollar at September 30, 2017 relative to December 31, 2016. The net gains recorded on the translation of foreign currency transactions were due primarily to a gain on the translation of US dollar denominated Stelloan Facility debt, partially offset by losses generated by US dollar denominated business activities in the Consumer Products segment.

In the three months ended September 30, 2017, the Company recorded a deferred income tax recovery of \$2.4 million, which was partially offset by current income tax expense of \$1.2 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. In the nine months ended September 30, 2017, the Company recorded current income tax expense of \$8.7 million, which was partially offset by a deferred income tax recovery of \$7.7 million and resulted in a net income tax expense of \$1.0 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, foreign currency exchange rate movements, changes in tax laws, the impact of specific transactions and assessments and the relative distribution of income among the Company's operating jurisdictions.

In the three and nine months ended September 30, 2016, net unrealized losses of \$4.8 million and \$12.1 million on the change in fair value of financial liabilities were recorded, respectively, reflecting changes in the trading price of the Class A Shares.

#### **Stellwagen Earn-out**

During the second quarter of 2017, the Company renegotiated the terms of the Stellwagen Earn-out (an entitlement of the Stellwagen Vendors, calculated based on Stellwagen's audited net income for each of the three preceding financial years, including the year of election which must occur in one of 2019, 2020 or 2021) with the Stellwagen Vendors (the former Stellwagen shareholders from which all issued and outstanding equity interests of Stellwagen were acquired by Acasta as part of the Qualifying Acquisition) with the intent of providing an offset for the delay in Acasta securing the financing contemplated on the Acquisition Date (January 3, 2017) and the associated impact on Stellwagen's net income. The renegotiated Stellwagen Earn-out calculation is equal to 50% multiplied by 8.5 multiplied by 54% multiplied by the result of Stellwagen's audited net income for each of the three preceding financial years including the year of election, adjusted for certain prescribed items, less a prescribed dollar threshold associated with the year of election and less the product of certain investments at a prescribed multiplier associated with the year of election. The Equity Interest Purchase Agreement dated November 10, 2016 contemplated an identical Stellwagen Earn-out calculation to the renegotiation outlined above, except that a 33% multiplier was included, which has subsequently been replaced and amended to be 54%.

The Stellwagen Earn-out calculation is reviewed at the end of each reporting period and adjusted to reflect the current best estimate of expected future net income, which may fluctuate materially between periods. As at September 30, 2017, an undiscounted estimated range of \$58.3 million (U.S. \$46.7 million) to \$64.7 million (U.S. \$51.9 million) was determined as the amount expected to be payable under the Stellwagen Earn-out purchase obligation, and the Company recognized estimated discounted contingent consideration of \$43.7 million (U.S. \$35.0 million). As a result of this September 30, 2017 change in estimate, unrealized gains of \$2.6 million and \$2.1 million were recognized in the three and nine months ended September 30, 2017, respectively, in other income, net in the interim statements of income (loss) and comprehensive income (loss). See notes 6, 18 and 23 to the Financial Statements for further detail.

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**SUMMARIZED QUARTERLY DATA**

<b>STATEMENTS OF INCOME (LOSS)</b> <b>(in thousands of Canadian dollars)</b>	<b>Acasta Consolidated Three Months Ended</b>		
	<b>March 31, 2017</b>	<b>June 30, 2017</b>	<b>September 30, 2017</b>
Revenue . . . . .	\$92,971	\$90,602	\$ 91,233
Cost of revenue . . . . .	44,714	43,629	50,045
Selling, general and administrative expense . . . . .	38,932	39,705	43,647
Finance costs . . . . .	6,652	10,045	12,182
Net unrealized gain on change in fair value of financial liabilities . . . . .	(236)	—	—
Net loss (gain) on foreign exchange transactions . . . . .	124	(1,468)	(1,041)
Other income, net . . . . .	(2,357)	(1,317)	(2,669)
<b>INCOME (LOSS) BEFORE INCOME TAX . . . . .</b>	<b>\$ 5,142</b>	<b>\$ 8</b>	<b>\$(10,931)</b>
Current income tax expense . . . . .	4,034	3,494	1,189
Deferred income tax recovery . . . . .	(3,090)	(2,244)	(2,381)
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 4,198</b>	<b>\$ (1,242)</b>	<b>\$ (9,739)</b>

**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 (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.

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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 September 30, 2017				Three Months Ended September 30, 2016
	Reportable Segments			Acasta Consolidated	Acasta Consolidated
	Consumer Products	Aviation	Other		
Net loss	\$(1,734)	\$(2,546)	\$(5,459)	\$ (9,739)	\$ (5,584)
Net loss (gain) on foreign exchange transactions	1,446	37	(2,524)	(1,041)	—
Adjusted net loss	<u>\$ (288)</u>	<u>\$ (2,509)</u>	<u>\$ (7,983)</u>	<u>\$ (10,780)</u>	<u>\$ (5,584)</u>
Net loss per share — basic				\$ (0.11)	\$ (0.60)
Net loss per share — diluted				\$ (0.11)	\$ (0.60)
Adjusted net loss per share — basic				\$ (0.12)	\$ (0.60)
Adjusted net loss per share — diluted				\$ (0.12)	\$ (0.60)
Weighted average number of Class B Shares outstanding — basic				90,494,283	9,349,648
Weighted average number of Class B Shares outstanding — diluted				90,507,945	9,349,648
Finance costs	\$ 1,182	\$ 6,393	\$ 4,607	\$ 12,182	\$ —
Current income tax expense	900	289	—	1,189	—
Deferred income tax recovery	(1,450)	(931)	—	(2,381)	—
Depreciation of property, plant and equipment and amortization of intangible assets	7,827	12,622	—	20,449	—
EBITDA	<u>\$ 6,725</u>	<u>\$ 15,827</u>	<u>\$ (852)</u>	<u>\$ 21,700</u>	<u>\$ (5,584)</u>
Adjusted EBITDA	<u>\$ 8,171</u>	<u>\$ 15,864</u>	<u>\$ (3,376)</u>	<u>\$ 20,659</u>	<u>\$ (5,584)</u>

NON-IFRS FINANCIAL PERFORMANCE MEASURES (in thousands of Canadian dollars, except share and per share amounts)	Nine Months Ended September 30, 2017				Nine Months Ended September 30, 2016
	Reportable Segments			Acasta Consolidated	Acasta Consolidated
	Consumer Products	Aviation	Other		
Net income (loss)	\$ 3,584	\$ 1,528	\$(11,895)	\$ (6,783)	\$ (12,747)
Gain on redemption of Class A Shares	—	—	(3,699)	(3,699)	—
Net gain on disposal of property, plant and equipment	—	(206)	—	(206)	—
Qualifying Acquisition transaction costs	—	—	4,627	4,627	—
ECN Acquisition transaction costs	—	628	—	628	—
Costs to prepare aircraft for sale	—	706	—	706	—
Net loss (gain) on foreign exchange transactions	510	38	(2,933)	(2,385)	—
Amortization of inventory fair value increment	1,946	—	—	1,946	—
Other non-recurring costs	359	—	—	359	—
Adjusted net income (loss)	<u>\$ 6,399</u>	<u>\$ 2,694</u>	<u>\$ (13,900)</u>	<u>\$ (4,807)</u>	<u>\$ (12,747)</u>
Net loss per share — basic				\$ (0.08)	\$ (1.36)
Net loss per share — diluted				\$ (0.08)	\$ (1.36)
Adjusted net loss per share — basic				\$ (0.05)	\$ (1.36)
Adjusted net loss per share — diluted				\$ (0.05)	\$ (1.36)
Weighted average number of Class B Shares outstanding — basic				88,214,511	9,349,648
Weighted average number of Class B Shares outstanding — diluted				88,219,082	9,349,648
Finance costs	\$ 4,410	\$ 18,736	\$ 5,733	\$ 28,879	\$ —
Current income tax expense	6,563	2,154	—	8,717	—
Deferred income tax recovery	(5,227)	(2,488)	—	(7,715)	—
Depreciation of property, plant and equipment and amortization of intangible assets	23,042	39,879	—	62,921	—
EBITDA	<u>\$ 32,372</u>	<u>\$ 59,809</u>	<u>\$ (6,162)</u>	<u>\$ 86,019</u>	<u>\$ (12,747)</u>
Adjusted EBITDA	<u>\$ 35,187</u>	<u>\$ 60,975</u>	<u>\$ (8,167)</u>	<u>\$ 87,995</u>	<u>\$ (12,747)</u>

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**BALANCE SHEET REVIEW**

Total assets as at September 30, 2017 of \$1,808.3 million increased by \$1,401.8 million compared with December 31, 2016 total assets of \$406.5 million. Total liabilities as at September 30, 2017 of \$1,034.4 million increased by \$602.8 million compared with December 31, 2016 total liabilities of \$431.6 million. The increase in total assets and total liabilities between December 31, 2016 and September 30, 2017 was due primarily to the consolidation of financial positions in connection with the Qualifying Acquisition effective January 3, 2017.

Inventories of \$37.6 million as at September 30, 2017 were comprised of \$19.7 million in raw materials, \$1.2 million in work in progress and \$16.7 million in finished goods held within the Company's Consumer Products reportable segment. Prepaid expenses and deposits of \$9.1 million as at September 30, 2017 were comprised of \$3.7 million in prepaid expenses, \$2.9 million in deferred financing costs and \$2.5 million in deposits.

Property, plant and equipment of \$618.3 million as at September 30, 2017 was comprised primarily of \$558.4 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, \$42.6 million in machinery and equipment, \$15.2 million in buildings and leasehold improvements and \$2.0 million in office equipment.

Intangible assets of \$308.9 million as at September 30, 2017 were comprised primarily of \$140.8 million related to customer relationships in the Consumer Products reportable segment, \$111.8 million related to aircraft lease premiums, \$24.2 million related to non-competition and backlog agreements in the Aviation reportable segment, \$14.6 million related to customer contracts in the Company's Aviation reportable segment and \$10.7 million related to intellectual property in the Consumer Products reportable segment.

Goodwill of \$595.6 million as at September 30, 2017 was comprised primarily of provisional goodwill arising in connection with the Qualifying Acquisition attributed to the Company's Consumer Products and Aviation reportable segments as \$305.9 million and \$289.7 million, respectively. An additional \$22.0 million of provisional goodwill as at September 30, 2017 arose upon the acquisition of ECN on June 1, 2017, included as part of the Aviation reportable segment.

Loans receivable of \$8.6 million (current) and \$146.3 million (long-term) relate to three loan assets held in the Stelloan Fund, which was consolidated by Acasta and recorded as part of the Aviation reportable segment as at September 30, 2017.

Other non-current assets of \$10.4 million as at September 30, 2017 is comprised primarily of \$7.9 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 Company's cash flow exposure resulting from variable interest borrowings.

Long-term debt (including the current portion of long-term debt) of \$849.4 million as at September 30, 2017 was comprised primarily of \$632.6 million in loans utilized to acquire two aircraft within the Company's Aviation reportable segment, \$147.6 million in Stelloan Facility drawdowns within the Company's Other reportable segment and \$84.7 million in Credit Facility drawdowns within the Company's Consumer Products reportable segment, partially offset by \$15.4 million in financing fees.

Other liabilities (current and non-current) as at September 30, 2017 were comprised primarily of amounts due to related parties of \$76.7 million, including a \$43.7 million Stellwagen Earn-out valuation, \$23.0 million in related party liabilities held by the Stelloan Fund, a \$4.0 million estimated net working capital adjustment related to the acquisition of Apollo and a \$3.0 million purchase consideration adjustment related to the acquisition of ECN Commercial Aviation assets. Other current liabilities also included \$5.4 million in deferred lease income related to aircraft leases and \$5.7 million in deferred income related to the Stelloan Fund within the Company's Aviation reportable segment while other non-current liabilities included a \$7.3 million finance lease liability related to a manufacturing plant within the Consumer Products reportable segment and \$5.9 million in security deposits within the Aviation reportable segment.

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As at December 31, 2016, \$405.0 million in cash was held in escrow, representing the funds raised pursuant to the IPO plus interest earned on the balance. The Company also held \$0.2 million in cash and cash equivalents, \$0.6 million in trade and other receivables and \$0.7 million in deferred financing costs associated with the Company's Credit Facility as at December 31, 2016. As at December 31, 2016, \$409.3 million in Class A Shares subject to redemption were classified as financial liabilities at their fair value based on their quoted market price. The Company also had \$8.8 million in accounts payable and accrued liabilities, \$0.4 million in amounts due to a related party and \$13.1 million in deferred underwriters' commission associated with the gross proceeds of the Class A Units issued pursuant to the IPO and the exercise of the IPO Over-Allotment Option.

The table below summarizes the change in the number of Class B Shares outstanding as at December 31, 2016 and September 30, 2017:

	<b>Class B Shares</b>
<b>Balance — December 31, 2016</b> . . . . .	<b>11,960,156</b>
Conversion of Class A Shares under the Qualifying Acquisition . . . . .	11,795,778
Issued as consideration under the Qualifying Acquisition . . . . .	52,966,814
Issued related to the Private Placement . . . . .	15,955,050
Issued as consideration under the ECN Commercial Aviation acquisition . . . . .	3,037,500
<b>Balance — September 30, 2017</b> . . . . .	<b><u>95,715,298</u></b>

There were 20,884,062 warrants to purchase Class B Shares outstanding as of September 30, 2017, which is the same number of warrants that were outstanding as of December 31, 2016.

**LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2017, the Company's cash and cash equivalents totaled \$18.3 million. At December 31, 2016, cash and cash equivalents and current restricted cash totaled \$405.2 million, of which \$405.0 million was held in escrow in anticipation of the Qualifying Acquisition.

**Operating Activities**

Cash provided by operating activities of \$63.1 million in the nine months ended September 30, 2017 compared with cash used in operating activities of \$1.0 million in the nine months ended September 30, 2016. In the nine months ended September 30, 2017, the Company's cash provided by operating activities was generated primarily by revenue of \$274.8 million, partially offset by cost of revenues and selling, general and administrative expenses (net of embedded depreciation) of \$197.8 million, cash taxes paid of \$2.7 million and a net cash outflow associated with the changes in non-cash working capital items of \$17.2 million during the period.

**Investing Activities**

Cash used in investing activities of \$677.3 million in the nine months ended September 30, 2017 compared with cash used in investing activities of nil in the nine months ended September 30, 2016. In the nine months ended September 30, 2017, the Company's primary cash investments included a new aircraft within the Aviation reportable segment (resulting in a \$299.8 million addition to property, plant and equipment and a \$68.5 million addition to intangible assets), \$158.1 million in loan investments to aircraft lessors held in the Stelloan Fund's portfolio and consolidated by Acasta, and the net cash outflow on the closing of the Qualifying Acquisition related to Apollo (\$161.5 million), Stellwagen (\$84.9 million) and JemPak (\$55.4 million). Partially offsetting the overall investing cash outflows during the nine months ended September 30, 2017, \$106.2 million in cash previously held in escrow was released on closing of the Qualifying Acquisition and \$53.7 million in proceeds were received on the sale of two aircraft during the period.

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On May 11, 2017, Stellwagen entered into an agreement to acquire substantially all of the net assets of ECN Capital Advisory Group LLC's commercial aviation finance advisory and asset management business ("ECN Commercial Aviation") for a preliminary purchase price of U.S. \$22.5 million (\$30.4 million). ECN Commercial Aviation arranges, co-invests and manages a portfolio of commercial aviation assets on behalf of institutional investors through a U.S.-based team. The purchase price was effected on June 1, 2017 and was satisfied through the issuance of 3,037,500 Acasta Class B Shares, as determined using a \$10.00 per share reference price. The fair value of the Class B Shares at the date of acquisition was \$26.6 million. The Class B Shares issued in satisfaction of the purchase price are subject to a one year lock-up. If the ECN Vendors choose to dispose of these shares in the six-month period following this lock-up period, they will be entitled to additional Class B shares if the proceeds on sale represent less than \$10.00 per share. Upon the occurrence of such an event, a variable number of Class B shares will be issued to an aggregate value required to cover the shortfall below \$10.00 per share to a maximum value of \$3.0 million. At the time of closing, the estimated fair value of this contingent consideration was a financial liability totaling \$3.0 million, for total estimated purchase consideration of \$29.6 million.

On July 5, 2017, the Company purchased the first profit participating notes ("PPN") issued by Stelloan Investment Company I DAC (the "Stelloan Fund"), which lends capital to airlines and lessors. The Stelloan Fund was consolidated by Acasta and recorded as part of the Aviation reportable segment as at September 30, 2017. In the three months ended September 30, 2017, the Company's PPN investments in the Stelloan Fund totaled U.S. \$100.0 million. As at September 30, 2017, the Stelloan Fund held three loan assets in its portfolio valued at approximately U.S. \$124.1 million and held related party liabilities valued at approximately U.S. \$18.5 million.

#### **Financing Activities**

Cash provided by financing activities of \$629.4 million in the nine months ended September 30, 2017 compared with cash provided by financing activities of nil in the nine months ended September 30, 2016. In the nine months ended September 30, 2017, the Company received net proceeds from long-term debt and credit facilities of \$515.3 million, sourced through two aircraft loans and the Stelloan Facility within the Aviation reportable segment and the Credit Facility within the Consumer Products reportable segment (see Long-Term Debt note to the Financial Statements for details). 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 September 30, 2017, 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 totaling \$65.0 million made available to finance the JemPak and Apollo acquisitions. As at September 30, 2017, the undrawn capacity on the Credit Facility was \$11.4 million. The Company was in compliance with all covenants contained in the Credit Facility as at September 30, 2017.

On May 14, 2017, Acasta entered into a secured two-year credit facility agreement (the "Stelloan Facility") allowing for the borrowing of up to U.S. \$150.0 million. During the three months ended September 30, 2017, proceeds from the Stelloan Facility were used to fund a U.S. \$100.0 million PPN investment in the Stelloan Fund. Interest is based on LIBOR plus an applicable margin. The Stelloan Facility is secured by a first-priority lien over Acasta's real property. As at September 30, 2017, the undrawn capacity on the Stelloan Facility was \$39.6 million. The Company was in compliance with all covenants contained in the Stelloan Facility as at September 30, 2017.



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**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 Company's interest rate swap contracts are recorded in the other non-current assets financial statement line item and settle on a monthly basis. The interest rate swap contracts exchange variable rate interest amounts for fixed rate interest amounts and are 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 occur simultaneously and the amount in accumulated other comprehensive income is reclassified to net income (loss) over the period that the variable rate interest payments on debt affect net income (loss). Total cash flow hedge movements that may be subsequently reclassified as a \$1.5 million gain and a \$1.0 million loss were recognized in other comprehensive loss, net of tax, during the three and nine months ended September 30, 2017, respectively, with nil being reclassified to net income (loss) during the period.

**Off-Balance Sheet Arrangements**

The Company's off-balance sheet arrangements as at September 30, 2017 include operating leases of \$43.7 million (see the "Leases" note to the Financial Statements for details). 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 set out below, the Company believes that it has sufficient available capital resources to satisfy its expenditure commitments (including contractual obligations) within one year of September 30, 2017:

<u>(Amounts in thousands of Canadian dollars)</u>	<u>Amount</u>
<b>COMMITMENTS</b>	
<b>Contractual obligations:</b>	
Operating leases <sup>(1)</sup> . . . . .	\$ 4,925
Current portion of long-term debt . . . . .	55,604
Bank overdraft . . . . .	538
Amounts due to related parties . . . . .	29,957
<b>Other commitments:</b>	
Accounts payable and accrued liabilities . . . . .	34,288
Income taxes payable . . . . .	7,786
<b>Total commitments within one year of September 30, 2017</b> . . . . .	<b>\$ 133,098</b>
	<u>Amount</u>
<b>CAPITAL RESOURCES</b>	
Cash and cash equivalents . . . . .	\$ 18,318
Working capital resources, excluding cash and cash equivalents . . . . .	95,420
Operating leases . . . . .	72,778
Available under the Stelloan Facility . . . . .	39,624
Available under the Credit Facility . . . . .	11,432
<b>Total capital resources available within one year of September 30, 2017</b> . . . . .	<b>\$ 237,572</b>

(1) Operating leases later than 1 year and not longer than 5 years amounted to \$18.8 million and operating leases later than 5 years amounted to \$19.9 million as at September 30, 2017.

**RELATED PARTY TRANSACTIONS**

Pursuant to the purchase agreement between Acasta and Stellwagen, the Company made a payment to the Stellwagen Vendors during the nine months ended September 30, 2017 for settlement related to the net

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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proceeds on the sale of two aircraft held for sale by Stellwagen. Net proceeds were determined to be \$16,263 (U.S. \$12,532).

The Company was charged \$177 by Acasta Capital Inc. (“**Acasta Capital**”) during the three months ended September 30, 2017 and \$4,299 during the nine months ended September 30, 2017 related to support on the Qualifying Acquisition on a cost recovery basis, and for services rendered throughout the period. Amounts payable to Acasta Capital as at September 30, 2017 were \$3,090 (December 31, 2016—\$423).

During the nine months ended September 30, 2017, the Company was charged \$1,000 by Nevele Inc., a company controlled by Acasta’s Chief Executive Officer. The charge was approved by the Board of Directors as a success fee for the Qualifying Acquisition. Amounts payable to Nevele Inc. as at September 30, 2017 were nil.

Other revenue of \$1,887 (U.S. \$1,512) was recognized by Seraph Aviation Inc, a wholly owned subsidiary of the Stellwagen Group during the nine months ended September 30, 2017. The fee was charged as an arrangement fee to AC Finance Air Europa B787-7 Limited (“**AC Finance**”), a related party by virtue of being controlled by a member of key management personnel at the Stellwagen Group.

Two lenders party to the Stelloan Facility, WFI Inc. and Martello Fund 1 Designated Activity Company, are related to Acasta by virtue of being members of key management at Apollo and Stellwagen, respectively. As at September 30, 2017, \$22,776 (U.S. \$18,250) of long-term debt was outstanding to these related party lenders.

On July 1, 2017, the Company entered into a loan agreement with a key employee of Stellwagen in the amount of \$1,872 (U.S. \$1,500). Pursuant to the terms of the loan agreement, no interest is payable by the key employee and the loan is repayable in 36 months. At September 30, 2017, the balance outstanding was \$1,872 (U.S. \$1,500) and is included in ‘trade and other receivables’.

On September 28, 2017, Martello Financing Limited (“**Martello Financing**”) entered into a loan agreement with the Stelloan Fund in the amount of \$23,026 (U.S. \$18,450). Pursuant to the terms of the loan agreement, as amended, the loan is repayable on the earlier of two years and such time as certain assets of the Stelloan Fund are monetized. Martello Financing is owned and controlled by a member of key management of Stellwagen. At September 30, 2017, the balance outstanding was \$23,026 (U.S. \$18,450) and is included in ‘other current liabilities’. Interest is variable and LIBOR based.

During the three and nine months ended September 30, 2017, the Company incurred fees of \$350 and \$1,195, respectively, to entities controlled by members of JemPak key management. Expenses relate to rent on a plant facility as well as consulting services. A finance lease liability of \$7,789 has been recorded within ‘other current liabilities’ and ‘other non-current liabilities’ as at September 30, 2017, and represents a payable to the related party entities for rent on the JemPak 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 are disclosed in the Significant Accounting Policies, Significant Accounting Judgements and Estimates and Recently Issued Accounting Pronouncements notes to the Financial Statements.

## **RISK PROFILE**

### **Evaluation of disclosure controls and procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109 — *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“**NI 52-109**”). At September 30, 2017, the Chief Executive Officer and Chief Financial Officer concluded that the

**ACASTA ENTERPRISES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Three and Nine Months Ended September 30, 2017**

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 and maintaining internal controls over financial reporting as defined under NI 52-109. At September 30, 2017, 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 conceived 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, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute assurance that the objectives of our control systems have been met.

**Limitation on Scope of Design**

In accordance with Section 3.3 of NI 52-109, the Chief Executive Officer and the Chief Financial Officer of Acasta have limited the scope of their design of the Company’s disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of Apollo, JemPak and Stellwagen.

Contributions to the Financial Statements from the entities acquired as part of the Qualifying Acquisition represent substantially all of the consolidated operating results of the Company with the exception of the Other reportable segment.

Further details related to the acquisitions are disclosed in the “Business Combinations” note to the Financial Statements.

**Changes in Internal Control**

There were no changes during the three and nine months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect the Company’s Internal controls over financial reporting.

**Managing Risk**

For a description of the risks facing the Company following the Closing, see the “Risk Factors” section of the AIF which is available on SEDAR at [www.sedar.com](http://www.sedar.com). These risks described in the AIF should be considered by interested parties when evaluating the Company’s performance and outlook.

**ACASTA ENTERPRISES INC.**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(In thousands of Canadian dollars)

	Notes	As at September 30, 2017	As at December 31, 2016
<b>Current assets</b>			
Cash and cash equivalents . . . . .	8	\$ 18,318	\$ 187
Trade and other receivables . . . . .	9	48,758	597
Inventories . . . . .	10	37,609	—
Prepaid expenses and deposits . . . . .	11	9,053	25
Restricted cash . . . . .	8	—	405,002
Current portion of loans receivable . . . . .	12	8,579	—
Other current assets . . . . .		6,511	—
		\$ 128,828	\$ 405,811
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	13	\$ 618,285	\$ —
Intangible assets . . . . .	14	308,911	—
Goodwill . . . . .	14	595,572	—
Long-term loans receivable . . . . .	12	146,293	—
Other non-current assets . . . . .	26	10,433	710
		\$ 1,679,494	\$ 710
<b>Total assets</b> . . . . .		<b>\$ 1,808,322</b>	<b>\$ 406,521</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities . . . . .		\$ 34,288	\$ 8,779
Current portion of long-term debt . . . . .	16	55,604	—
Class A Restricted Voting Shares subject to redemption . . . . .	7, 26	—	409,342
Income taxes payable . . . . .		7,786	—
Other current liabilities . . . . .	18	42,458	13,504
		\$ 140,136	\$ 431,625
<b>Non-current liabilities</b>			
Long-term debt . . . . .	16	\$ 793,790	\$ —
Deferred tax liabilities . . . . .	15	40,514	—
Other non-current liabilities . . . . .	18	59,983	—
		\$ 894,287	\$ —
<b>Total liabilities</b> . . . . .		<b>\$ 1,034,423</b>	<b>\$ 431,625</b>
<b>Shareholders' equity</b>			
Share capital . . . . .	19	\$ 849,383	\$ 14,995
Contributed surplus . . . . .	31	150	—
Warrants . . . . .		3,939	3,939
Deficit . . . . .		(50,821)	(44,038)
Accumulated other comprehensive loss . . . . .		(28,752)	—
<b>Total shareholders' equity</b> . . . . .		<b>\$ 773,899</b>	<b>\$ (25,104)</b>
Commitments (note 28)			
Contingencies (note 29)			
<b>Total liabilities and shareholders' equity</b> . . . . .		<b>\$ 1,808,322</b>	<b>\$ 406,521</b>

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

**ACASTA ENTERPRISES INC.**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS**  
**OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
(In thousands of Canadian dollars, except share and per share amounts)

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
<b>Revenue</b> . . . . .	20	\$ 91,233	\$ 488	\$ 274,806	\$ 1,404
<b>Cost of revenue, expenses, and other items</b>					
Cost of revenue . . . . .	21	50,045	—	138,388	—
Selling, general and administrative expense . . . .	21	43,647	1,242	122,284	2,076
Finance costs . . . . .	22	12,182	—	28,879	—
Net unrealized loss (gain) on change in fair value of financial liabilities . . . . .	7	—	4,830	(236)	12,075
Net gain on foreign exchange transactions . . . . .		(1,041)	—	(2,385)	—
Other income, net . . . . .	23	(2,669)	—	(6,343)	—
<b>Loss before income tax</b> . . . . .		<b>\$ (10,931)</b>	<b>\$ (5,584)</b>	<b>\$ (5,781)</b>	<b>\$ (12,747)</b>
Current income tax expense . . . . .	15	1,189	—	8,717	—
Deferred income tax recovery . . . . .	15	(2,381)	—	(7,715)	—
<b>Net loss</b> . . . . .		<b>\$ (9,739)</b>	<b>\$ (5,584)</b>	<b>\$ (6,783)</b>	<b>\$ (12,747)</b>
<b>Comprehensive loss</b>					
<b>Items that may be subsequently reclassified to net income (loss)</b>					
Foreign currency translation . . . . .		\$ (16,100)	\$ —	\$ (27,775)	\$ —
Net movement in cash flow hedges, net of tax . . . . .		1,484	—	(977)	—
<b>Other comprehensive loss</b> . . . . .		<b>\$ (14,616)</b>	<b>\$ —</b>	<b>\$ (28,752)</b>	<b>\$ —</b>
<b>Total comprehensive loss</b> . . . . .		<b>\$ (24,355)</b>	<b>\$ (5,584)</b>	<b>\$ (35,535)</b>	<b>\$ (12,747)</b>
<b>Net loss per share</b>					
Basic . . . . .	24	\$ (0.11)	\$ (0.60)	\$ (0.08)	\$ (1.36)
Diluted . . . . .	24	\$ (0.11)	\$ (0.60)	\$ (0.08)	\$ (1.36)
<b>Other comprehensive loss per share</b>					
Basic . . . . .	24	\$ (0.16)	\$ —	\$ (0.33)	\$ —
Diluted . . . . .	24	\$ (0.16)	\$ —	\$ (0.33)	\$ —
<b>Weighted average number of Class B Shares outstanding</b>					
Basic . . . . .	24	90,494,283	9,349,648	88,214,511	9,349,648
Diluted . . . . .	24	90,507,945	9,349,648	88,219,082	9,349,648

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

**ACASTA ENTERPRISES INC.**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**  
(In thousands of Canadian dollars, except share amounts)

	Notes	Share capital (Class B Shares)		Warrants		Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
		Number	Amount	Number	Amount				
<b>Balance at December 31, 2016</b> . . . . .	<b>19</b>	<b>11,960,156</b>	<b>\$ 14,995</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ —</b>	<b>\$ (44,038)</b>	<b>\$ —</b>	<b>\$ (25,104)</b>
Net loss for the period . . . . .		—	—	—	—	—	(6,783)	—	(6,783)
Other comprehensive loss, net of tax . . . . .		—	—	—	—	—	—	(28,752)	(28,752)
Issuance of Class B Shares, as consideration for the Qualifying Acquisition . . . . .	6, 19	52,966,814	529,668	—	—	—	—	—	529,668
Issuance of Class B Shares, net of transaction costs, as consideration for the ECN acquisition . . . . .	6, 19	3,037,500	26,517	—	—	—	—	—	26,517
Issuance of Class B Shares, net of transaction costs, related to private placement . . . . .	19	15,955,050	158,476	—	—	—	—	—	158,476
Conversion of Class A Restricted Voting Shares . . . . .	19	11,795,778	119,727	—	—	—	—	—	119,727
Issuance of equity-settled share-based payment . . . . .	31	—	—	—	—	150	—	—	150
<b>Balance at September 30, 2017</b> . . . . .		<b>95,715,298</b>	<b>\$ 849,383</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ 150</b>	<b>\$ (50,821)</b>	<b>\$ (28,752)</b>	<b>\$ 773,899</b>

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

**ACASTA ENTERPRISES INC.**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY (Continued)**  
(In thousands of Canadian dollars, except share amounts)

	Share capital (Class B Shares)		Warrants		Deficit	Total Shareholders' Equity
	Number	Amount	Number	Amount		
<b>Balance at December 31, 2015</b> .....	<b>11,960,156</b>	<b>\$ 14,995</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ (8,029)</b>	<b>\$ 10,905</b>
Net loss for the period .....	—	—	—	—	(12,747)	(12,747)
<b>Balance at September 30, 2016</b> .....	<b>11,960,156</b>	<b>\$ 14,995</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ (20,776)</b>	<b>\$ (1,842)</b>

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

**ACASTA ENTERPRISES INC.**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(In thousands of Canadian dollars)

	Notes	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
<b>Operating activities</b>			
Net loss		\$ (6,783)	\$ (12,747)
Adjustments for non-cash items and other adjustments:			
Share-based compensation	31	150	—
Depreciation of property, plant and equipment	13, 21	19,417	—
Amortization of intangible assets	14, 21	43,504	—
Gain on redemption of Class A Restricted Voting Shares	7, 23	(3,699)	—
Gain on disposal of property, plant and equipment	23	(211)	—
Net unrealized (gain) loss on change in fair value of financial liabilities	7	(236)	12,075
Finance costs (income)	22	28,879	(1,404)
Current income tax expense	15	8,717	—
Deferred income tax recovery	15	(7,715)	—
Net gain on foreign exchange transactions		(2,385)	—
Amortization of inventory fair value increment		3,355	—
Changes in non-cash working capital	30	(17,207)	1,091
Net cash flows provided by (used in) operating activities		\$ 65,786	\$ (985)
Income taxes paid		(2,671)	—
<b>Cash provided by (used in) operating activities</b>		<b>\$ 63,115</b>	<b>\$ (985)</b>
<b>Investing activities</b>			
Additions to loans receivable, net	12	\$ (158,135)	\$ —
Additions to property, plant and equipment	13	(309,000)	—
Additions to intangible assets	14	(68,464)	—
Proceeds on disposal of property, plant and equipment		53,979	—
Interest received on restricted cash held in escrow		—	1,409
Proceeds on maturity of restricted cash held in escrow		—	1,614,437
Investment in restricted cash held in escrow		—	(1,615,846)
Proceeds from restricted cash to finance acquisitions		106,240	—
Acquisition of Apollo	6	(161,545)	—
Acquisition of JemPak	6	(55,448)	—
Acquisition of Stellwagen	6	(84,946)	—
<b>Cash used in investing activities</b>		<b>\$ (677,319)</b>	<b>\$ —</b>
<b>Financing activities</b>			
Proceeds from long-term debt and credit facilities	16	\$ 592,460	\$ —
Repayment of long-term debt	16	(77,114)	—
Payment of debt issuance costs		(20,542)	—
Proceeds from restricted cash to fund redemption of Class A Restricted Voting Shares and deferred underwriters' commission		298,761	—
Redemption of Class A Restricted Voting Shares	7	(285,680)	—
Proceeds from private placement of Class B Shares	19	159,551	—
Payment of deferred underwriters' commission	18	(13,081)	—
Payment of share issuance costs related to private placement	19	(1,136)	—
Interest paid		(23,776)	—
<b>Cash provided by financing activities</b>		<b>\$ 629,443</b>	<b>\$ —</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>		<b>\$ 15,239</b>	<b>\$ (985)</b>
Foreign exchange impact on cash and cash equivalents held in foreign currencies		2,892	—
Cash and cash equivalents, beginning of period		187	3,096
<b>Cash and cash equivalents, end of period</b>		<b>\$ 18,318</b>	<b>\$ 2,111</b>

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*



**ACASTA ENTERPRISES INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2017 and September 30, 2016**  
**(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)**

**1. Description of business**

Acasta Enterprises Inc. and its subsidiaries (collectively, “**Acasta**” or the “**Company**”) was incorporated under the *Business Corporations Act* (Ontario) on June 19, 2015 and is listed on the Toronto Stock Exchange (“**TSX**”) under the symbol AEF. The Company’s registered address is 150 Bloor Street West, Suite 310, Toronto, Ontario, M5S 2X9.

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. On January 3, 2017, Acasta announced the closing (the “**Closing**”) of its qualifying acquisition under Part X of the TSX Company Manual (the “**Qualifying Acquisition**” or “**Transaction**”) of 100% of three businesses, alongside Acasta’s launch as a long-term investment and private equity management firm. Acasta acquired a commercial aviation finance advisory and asset management business, Stellwagen Group (“**Stellwagen**”) and two private label consumer staples businesses, Apollo Health and Beauty Care Partnership and Apollo Laboratories Inc. (collectively, “**Apollo**”) and JemPak Corporation (“**JemPak**”). The comparative period operating results for the three and nine months ended September 30, 2016 are representative of Acasta’s operations prior to completing its Qualifying Acquisition and, as such, are not consistent with the nature of activities and operating results reported in the same periods in 2017.

In connection with the Qualifying Acquisition, the Company issued an additional 15,955,050 Class B shares (“**Class B Shares**”) for aggregate gross proceeds of \$159,551 by way of a private placement (the “**Private Placement**”) on January 3, 2017. On January 3, 2017, the funds held in the escrow account from Acasta’s initial public offering of Class A restricted voting units were released, the borrowings under the Credit Facility (see note 16 for further detail) were made available to the Company and the Private Placement was completed (see notes 16 and 19 for further detail), which in the aggregate, satisfied the amounts payable on account of (1) the cash component of the purchase consideration arising from the Qualifying Acquisition, (2) Class A restricted voting shares (the “**Class A Restricted Voting Shares**”) redeemed, (3) acquisition related expenses and (4) the deferred underwriters’ commission paid, which was due and payable by the Company to the underwriters upon the closing of a qualifying acquisition. On January 6, 2017, the 11,795,778 Class A restricted voting shares not otherwise redeemed were automatically converted into Class B Shares on a one-for-one basis.

The Company has three reportable operating segments: Consumer Products, Aviation, and all Other segments being representative of Acasta’s corporate assets and expenses. See note 27 for further detail.

**2. Basis of preparation**

**Statement of compliance**

These unaudited condensed consolidated interim financial statements (“**interim financial statements**”) have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“**IASB**”) as of the date these interim financial statements were approved and authorized by the board of directors of Acasta, being November 9, 2017. The significant accounting policies applied by the Company are described in note 3 herein.

**ACASTA ENTERPRISES INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS (Continued)**

**For the three and nine months ended September 30, 2017 and September 30, 2016**  
**(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)**

**2. Basis of preparation (Continued)**

**Basis of measurement**

The interim financial statements were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is measured as the fair value of the consideration provided in exchange for goods and services. The Company's functional and presentation currency is Canadian dollars. All financial information is presented in thousands of Canadian dollars, except as otherwise indicated.

**Principles of consolidation**

The interim financial statements represent the accounts of Acasta and its subsidiaries, including its controlled operating companies and its controlled investments. Control is achieved when Acasta:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary or investment begins when the Company obtains control over the subsidiary or investment and ceases when the Company loses control of the subsidiary or investment. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim statement of income (loss) and other comprehensive income (loss) from the date the Company gains control until the date the Company ceases to control the subsidiary or investment.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full upon consolidation.

**3. Significant accounting policies**

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with International Financial Reporting Standards ("IFRS") and have been applied consistently throughout the periods presented in these interim financial statements, unless otherwise stated.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in net income (loss) as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Contingent consideration is established for business acquisitions where the Company has the obligation to transfer additional assets or equity interests to the former owners if specified future events occur or

**ACASTA ENTERPRISES INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS (Continued)**

**For the three and nine months ended September 30, 2017 and September 30, 2016**  
**(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

conditions are met. The fair value of contingent consideration liabilities is typically based on the estimated future financial performance of the acquired business. Financial targets used in the estimation process include certain defined financial targets and realized internal rates of return. Contingent consideration is classified as a liability when the obligation requires settlement in cash or other assets, and is classified as equity when the obligation requires settlement in the Company's own equity instruments. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with a corresponding adjustment against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant policy. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that time. The measurement period may be up to one year from the acquisition date. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to profit or loss. For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations* are measured in accordance with that Standard; and
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payments* at acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

**ACASTA ENTERPRISES INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS (Continued)**

**For the three and nine months ended September 30, 2017 and September 30, 2016**  
**(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGU"), (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually on December 31, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in net income (loss), and any impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant CGU, the attributed amount of goodwill is included in the determination of the net income (loss) on disposal. The determination of CGUs and the level at which goodwill is monitored, as well as whether there are indicators of impairment, requires judgement by management.

**Assets held for sale**

Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

**Foreign currency translation**

*Foreign currency transactions*

The Company reports its financial results in Canadian dollars, as it is the currency of the primary economic environment in which it operates. Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates and revenue and expenses are translated at the average exchange rates prevailing during the month of the transaction. Exchange gains and losses also arise on the settlement of foreign-currency denominated transactions. These exchange gains and losses are recognized in net income (loss). The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows and separated from investing and financing activities when deemed significant.

When a foreign operation payable or receivable classified as a net investment is partially or fully disposed, the proportionate share of the cumulative amount in the translation reserve related to that foreign operation is transferred to net income (loss) as part of the income or loss on disposal. The Company has elected not to treat repayments of monetary items receivable or payable to a foreign operation as a disposition.

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**3. Significant accounting policies (Continued)**

*Foreign operations*

For the purposes of presenting these interim financial statements, the assets and liabilities of the Company's foreign operations with non-Canadian dollar functional currencies are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated in the same manner as above with exchange differences impacting other comprehensive income (loss) and accumulated in equity.

The functional currencies of Acasta and its subsidiaries include the Canadian dollar and the United States ("U.S.") dollar.

**Cash and cash equivalents**

Cash and cash equivalents include liquid investments such as term deposits, money market instruments and commercial paper with original maturities of three months or less. The investments are carried at cost plus accrued interest, net of bank overdrafts, which approximates fair value. Restricted cash and cash equivalents are considered restricted because they are held in escrow and subject to certain release conditions.

**Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. A provision is recorded for impairment when there is objective evidence (such as significant financial difficulties of the debtor) that the Company will not be able to collect all amounts due according to the original terms of the receivable. A provision expense is recorded as the difference between the carrying value of the receivable and the present value of future cash flows expected from the debtor, with an offsetting amount recorded as an allowance, reducing the carrying value of the receivable. The provision expense is included in selling, general and administrative expenses in the interim statements of income (loss) and comprehensive income (loss). When a receivable is considered permanently uncollectible, the receivable is written off against the allowance account.

**Inventories**

Inventory is comprised of raw materials, work-in-progress, and finished goods. Inventories are recorded at the lower of cost and net realizable value. Cost is determined on a standard cost basis, and includes the purchase price and other costs, such as import duties, taxes and transportation costs. Inventory cost is determined on a first-in, first-out basis and trade discounts and rebates are deducted from the purchase price. Raw materials costs include the purchase cost of the materials, freight-in and duty. Finished goods and work-in-progress include the cost of direct materials and labour and a proportion of manufacturing overheads allocated based on normal production capacity.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as shrinkage, the aging of and future demand for inventory and contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecast and net realizable value. The impact of changes in inventory reserves is reflected in cost of revenue. To the extent that circumstances have changed subsequently such that the net realizable value has increased,

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**3. Significant accounting policies (Continued)**

previous write-downs are reversed and recognized in the interim statements of income (loss) and comprehensive income (loss) in the period during which the reversal occurs.

**Revenue recognition**

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of trade discounts, estimated sale allowance, volume rebates and sales taxes. The Company reports revenue under six revenue categories being, sale of consumer products, transaction fees, lease rental income, interest income, servicing fees and other.

*Sale of goods*

The Consumer Products reporting segment generates revenues from the sale of products, specifically focusing on the manufacturing and distribution of white-label health and beauty care products, laundry care products and chemical cleaning products.

The Company recognizes revenue when all the following conditions have been met and control over the goods has been transferred to the buyer:

- Significant risks and rewards of ownership of the goods have been transferred to the buyer;
- The revenues can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company; and
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are typically met upon shipment or delivery to customers' premises, price is fixed or determinable, collectability is reasonably assured and therefore, risk and rewards of ownership have been transferred to the buyer.

Estimates for allowances to customers are made as a reduction against revenue in the period in which the related sales are recorded. Estimates are made based on contractual terms and conditions and historical data. Where the Company is responsible for shipping and handling to customers, amounts charged for these services are recognized as revenue, and shipping and handling costs incurred are reported as a component of cost of revenue in the net income (loss) and comprehensive income (loss).

*Rendering of services*

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The Aviation reporting segment provides asset management and finance services to companies primarily in the aviation industry. Specifically, the current sources of revenue are derived from the following activities:

- *Investment banking:* The Company earns transaction fees and commissions for the arrangement of financing between aircraft owners and investors. These transactions commonly include the sale and lease back of aircraft by airlines. The Company acts as an integrated financing arranger by underwriting transactions and generating additional fees therefrom.

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**3. Significant accounting policies (Continued)**

- *Aircraft servicing:* The Company offers a wide range of aircraft and lease management services including commercial, legal, accounting, technical management and risk management services. The Company earns both fixed and variable servicing fees for the provision of these services.
- *Aircraft ownership:* The Company earns lease rental income through its ownership of aircraft. It also generates revenue from the sale of owned aircraft. The Company's policy for recognition of lease rental income from operating leases is described in the Leases significant accounting policy note.

**Leases**

*Finance lease — lessee*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalized at the commencement of the lease at fair value of the leased property as of the inception date or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in interest expense in the interim statements of income (loss) and comprehensive income (loss).

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

*Operating lease — lessee*

Operating lease payments are recognized as selling, general and administrative expenses in the interim statements of income (loss) and comprehensive income (loss) on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*Operating lease — lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

*Sale and leaseback*

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease for the Company, any excess of sales proceeds over the carrying amount is recognized as deferred revenue and amortized over the term of the new lease. Any net income (loss) in a sale and leaseback transaction resulting in an operating lease that is transacted at fair value is recognized immediately. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the new lease.

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**3. Significant accounting policies (Continued)**

**Share capital**

The Class B Shares and warrants of the Company (the “**Warrants**”) are classified as equity as they are contracts representative of a residual interest in the net assets of the Company after deducting all of its liabilities. Incremental costs directly attributable to the issuance of Class B Shares and Warrants are recognized as a deduction from equity.

**Net income (loss) per share**

Basic net income (loss) per share is calculated by dividing the net income attributable to holders of the Class B Shares by the weighted average number of Class B Shares outstanding during the period. The Contingent Shares, discussed below, are subject to forfeiture and consequently excluded from the determination of the weighted average number of Class B Shares outstanding until such time as these shares are no longer subject to forfeiture. Diluted net income (loss) per share is calculated using the “if converted method” and is determined by adjusting the net income attributable to the holders of the Class B Shares and the weighted average number of Class B Shares outstanding for any dilutive effects of the Warrants.

In connection with the Closing, the Founders entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking (the “**Forfeiture Agreement**”). 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 the second anniversary of the Closing; 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 the second anniversary of the Closing. 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) for a period of one year from Closing, the Contingent Shares may not be transferred; (ii) for the period between the first and fourth anniversary of Closing, 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 the fourth anniversary of Closing, 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 conditions listed prior, 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 the second anniversary of the Closing, and the remaining 50% of the Contingent Shares may be transferred if the Company achieves a Consumer Products Realization Event prior to the second anniversary of the Closing.

The remaining Founders’ Shares that are not Contingent Shares are restricted from transfer until the earlier of (a) one year following Closing; and (b) the closing share price of the Class B shares equaling or exceeding \$12.00 per share for any 20 days within a 30-day trading period.



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**3. Significant accounting policies (Continued)**

**Income taxes**

Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected taxes payable or receivable on the taxable income (loss) for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

The Company follows the balance sheet liability method to provide for income taxes. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their underlying tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized within net income (loss) in the period that includes the substantive enactment date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but intends to settle current tax liabilities and assets on a net basis or its tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits, and applicable differences in tax basis in the purchaser's tax jurisdiction as compared to its cost to the extent future recovery is probable. At each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

**Property, plant and equipment**

Property, plant and equipment is recorded at cost less accumulated depreciation and provisions for impairment, if any. Cost consists of expenditures directly attributable to the acquisition of the asset. The costs of construction of qualifying long-term assets include capitalized interest, as applicable.

Subsequent expenditures for maintenance and repairs are expensed as incurred, while costs related to betterments and improvements that extend the useful lives of property and equipment are capitalized. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method or declining balance method. Depreciation is provided for as follows:

Buildings . . . . .	25 - 50 years
Leasehold improvements . . . . .	Term of the lease
Office equipment . . . . .	1 - 10 years and 20% - 30% declining method
Machinery and equipment . . . . .	3 - 10 years and 10% - 30% declining method
Aircraft and motor vehicles . . . . .	4 - 25 years

When components of an asset have a significantly different useful life or residual value than the primary asset, the components are depreciated separately. The estimated useful lives, residual values and

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**3. Significant accounting policies (Continued)**

depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized in the interim statements of income (loss) and comprehensive income (loss) when the asset is de-recognized.

**Intangible assets**

The following are the estimated useful lives for the major classes of intangible assets:

Fund contract . . . . .	10 years
Customer contracts and relationships . . . . .	5 - 8 years
Backlog . . . . .	2 years
Non-competition agreements . . . . .	2 years
Intellectual property . . . . .	4 years
Lease premium . . . . .	Term of the lease

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates and other criteria have been met. Otherwise, all other expenditures are recognized in net income (loss) as incurred.

Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful lives and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their initial cost).

The Company uses the income approach to value the fund contract, customer relationships, customer contracts, backlog and non-compete agreement intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

Specifically, the Company uses the excess earnings method to value the fund contract, customer relationships, customer contracts and backlog acquired intangible assets, which is a form of the income approach that estimates the fair value of an asset by calculating the present value of the after-tax earnings attributable to that asset. The earnings attributable to an asset are reduced by a return for each of the contributory assets required to generate these earnings. The earnings remaining are then discounted to present value at a rate of return commensurate with the risk inherent in the subject intangible asset.

The Company uses the probability-adjusted discounted cash flow (“DCF”) method, which is a form of the income approach to value the non-compete agreement intangible asset. The probability-adjusted DCF is based on the probability of the owner competing in the absence of the non-compete clause and the probability of revenue loss for the Company if the owner competes. The probability-adjusted earnings are

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**3. Significant accounting policies (Continued)**

discounted to present value at a rate of return commensurate with the risk inherent in the non-compete agreement.

The Company relies on the relief-from-royalty method to value the intellectual property. The relief-from-royalty method assumes the notional sale of the intellectual property through a royalty or licensing agreement with arm's length third parties. Accordingly, the income forecast reflects an estimate of a fair royalty that a third-party purchaser (licensee) would pay, on a percentage of revenue basis, to obtain a license to utilize the intellectual property. These after-tax royalty payments are then discounted to present value at a rate of return commensurate with the risk of the intellectual property.

*Intangible assets acquired separately*

Where the purchase price of an aircraft by the Company together with a related leasing arrangement with a third party indicates the existence of a lease premium, the contracted lease rate is compared to market lease rates for similar aircraft assets. Lease premiums represent the value of an acquired lease where the contractual rent payments are above the market rate. The present value of this difference is accounted for as a lease premium intangible and is amortized over the term of the lease.

*De-recognition of intangible assets*

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income (loss) when the asset is de-recognized.

**Impairment of non-financial assets**

Annually or whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets are impaired. 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). Refer to the accounting policies addressing inventories and deferred tax assets for the measurement steps applied for those non-financial assets.

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 to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, including goodwill are tested for impairment at annually on December 31 as part of year-end procedures, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-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.

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**3. Significant accounting policies (Continued)**

If the recoverable amount of an 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).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in net income (loss). Judgement is required in determining whether events or changes in circumstances during the year are indicators that a review for impairment should be conducted prior to the annual assessment.

**Contingencies**

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because either it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed and described in the notes to the interim financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

**Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification, as described below. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in net income (loss).

Gains and losses for financial instruments recognized through net income (loss) are primarily recognized in other income (expense) in the interim statements of income (loss) and comprehensive income (loss). The classification of financial assets and financial liabilities depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial instruments are classified as one of the following: (i) FVTPL; (ii) loans and receivables; (iii) held-to-maturity ("HTM"); (iv) available-for-sale ("AFS"); or (v) other liabilities.

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**3. Significant accounting policies (Continued)**

*(i) Fair value through profit and loss (“FVTPL”)*

Financial assets and financial liabilities are classified as FVTPL when the financial asset or financial liability is (a) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (b) held for trading, or (c) designated as FVTPL.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term (financial asset) or it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in net income (loss). The net gain or loss recognized in net income (loss) incorporates any dividend or interest earned on the financial asset.

*(ii) Loans and receivables*

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables include trade and other receivables, cash and loans measured at amortized cost using the effective interest rate method, less any impairment. Interest is recognized by applying the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

*(iii) Held-to-maturity (“HTM”)*

HTM investments are non-derivative financial assets or financial liabilities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. Investments classified as held-to-maturity are written down to fair value through net income (loss) whenever it is necessary to reflect an impairment. Impairments are determined based on all relevant facts and circumstances for each investment and recognized when appropriate.

*(iv) Available-for-sale (“AFS”)*

AFS financial assets and financial liabilities are non-derivative instruments that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments or (c) FVTPL. AFS financial instruments that are classified as available-for-sale and which do not have a quoted price in an active market are recorded at fair value, unless fair value is not reliably determinable, in which case they are recorded at cost. Changes in the carrying amount of AFS are recognized in other comprehensive income (loss). Foreign exchange gains and losses on available-for-sale assets are recognized immediately in net income (loss).

AFS financial instruments are written down to fair value through net income whenever it is necessary to reflect an impairment. Impairments are determined based on all relevant facts and circumstances for each

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**3. Significant accounting policies (Continued)**

investment and cumulative gains or losses previously recognized in other comprehensive income (loss) are reclassified to net income (loss) in the period.

*(v) Other financial liabilities*

Financial liabilities (including borrowings and trade and other payables) not classified as FVTPL are accounted for at amortized cost using the effective interest rate method.

**Derivative and hedge accounting**

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net income (loss) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in net income (loss) depends on the nature of the hedge relationship.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

*Hedge accounting*

When derivatives are designated as effective hedging relationships, the Company classifies them either as: (a) hedges of the change in fair value of recognized assets or liabilities or firm commitments (fair value hedges); (b) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges); or (c) hedges of net investments in a foreign self-sustaining operation (net investment hedges).

At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives and its strategy for undertaking the hedge. The Company also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in the hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Derivatives that are not designated as effective hedging relationships continue to be accounted for at fair value, with changes in fair value being included in other income (expense) in net income (loss).

**Fair value measurements**

The Company measures fair value in accordance with IFRS 13 *Fair Value Measurement*, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value which requires a fair value hierarchy to be applied to all fair value measurements.

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**3. Significant accounting policies (Continued)**

All financial instruments recognized at fair value in the statement of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 — valuation techniques with significant unobservable market inputs.

**Impairment of financial assets at amortized cost**

The Company assesses whether there is objective evidence that a recorded financial asset is impaired at each financial statement reporting date. Impairment exists if one or more events have occurred after the initial recognition of the asset and those events have objectively given rise to an expected negative impact on the estimated future cash flows of the financial asset that can be reliably estimated. The Company recognizes impairment if the expected discounted future cash flows is less than the carrying amount of the asset. The amount of this difference is recognized as the impaired amount and is recorded in net income (loss). An impairment of a financial asset carried at amortized cost is reversed in subsequent periods if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

**De-recognition of financial instruments**

The company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and reward of ownership of the asset to another party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognized in other comprehensive income (loss) and accumulated in equity is recognized in net income (loss). The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in net income (loss).

**4. Significant accounting judgments and estimates**

The preparation of these financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income (loss), and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income (loss) that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions. Set out below are

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**4. Significant accounting judgments and estimates (Continued)**

the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Determination of CGUs*

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. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets form CGUs of the Company.

*Functional currency*

Transactions in foreign currencies are translated to the respective functional currencies of foreign operations at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, materials, and other costs of providing goods or services.

*Business combinations*

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the companies may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

*Fair value of financial instruments*

Certain financial instruments are recorded in the Company's statement of financial position at values that are representative of, or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by its quoted market price. Changes in the underlying trading value may significantly affect the amount of net income (loss) for a particular period. Furthermore, the quoted market price of a financial liability may not be equal to the amount that the Company would have to pay in settlement of the underlying obligation, should such obligation become immediately payable.



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**4. Significant accounting judgments and estimates (Continued)**

*Warrant valuation*

The Company issued Warrants pursuant to the offering of Class A Restricted Voting Units and Class B Shares. Estimating the fair value of the Warrants at the date of issuance required determining the most appropriate valuation model reflecting the terms and conditions of the Warrants. The Company applied an option-pricing model to measure the fair value of the Warrants issued and then applied a further discount to such fair value to reflect the uncertainty associated with the completion of a qualifying acquisition, which was a prerequisite in order for the Warrants to become exercisable. Application of the option-pricing model required estimates in various input variables including expected dividend yields, expected volatility in the underlying shares and the expected life of the Warrant. These estimates may ultimately differ from amounts subsequently realized.

*Impairment testing of goodwill*

Goodwill is assessed by the Company for impairment at annually at December 31, and whenever there is an indication that the asset may be impaired. The Company determines the fair value of its cash-generating unit groupings to which goodwill is allocated using discounted cash flow models corroborated by other valuation techniques. The determination of the recoverable amount of a CGU (or group of CGUs) to which goodwill is allocated involves the use of estimates and assumptions of a long-term nature regarding discount rates, projected revenues, and margins, as applicable, derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. The determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

*Useful life of property, plant and equipment and intangible assets with finite useful lives*

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

*Provisions*

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

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**4. Significant accounting judgments and estimates (Continued)**

*Contingencies*

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

*Inventory obsolescence*

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

*Sales allowances*

A sales allowance is established to reflect credits requested by customers relating to factors such as contractual discounts, negotiated discounts, customer audits, defective products, and costs incurred by customers to sell the Company's products. The allowance is based on specific reserves based upon the Company's evaluation of the likelihood of the outcome of sales allowance claims.

*Allowance for doubtful accounts*

The allowance for doubtful accounts has been assessed by Company's management based on the age of the accounts uncollected as at period end and management's experiences regarding the Company's customers' likelihood of payment. The allowance is assessed at the end of each reporting period and adjusted so that the net accounts receivable reflects the expected future collection of accounts.

*Income and other taxes*

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the interim statements of financial position, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgement includes consideration of the Company's future cash requirements in its numerous tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

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**5. Recently issued accounting pronouncements**

*Accounting Standards, amendments and interpretations not yet adopted or effective*

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 that the Company has decided not to early adopt, as applicable. The following are standards, amendments and interpretations that may be relevant to the Company in preparing its financial statements in future periods:

- **IFRS 9 *Financial Instruments* (“IFRS 9”)**. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities. The new standard specifies that financial assets are to be measured at either amortized cost or fair value on the basis of the reporting entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial liabilities designated at FVTPL remain generally unchanged; however, fair value changes attributable to changes in the Company's own credit risk for financial liabilities designated at FVTPL are to be recorded in other comprehensive income (loss) unless they offset amounts recorded in income. IFRS 9 introduces a new single impairment model for financial assets. The new model is based on expected credit losses and will result in credit losses being recognized regardless of whether a loss event has occurred. The expected credit loss model will apply to most financial instruments not measured at fair value, with the most significant impact being to loans. The expected credit loss model requires the recognition of credit losses based on a 12-month time horizon for performing loans and also requires the recognition of lifetime expected credit losses for loans that experience a significant deterioration in credit risk since inception. IFRS 9 also introduces a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. IFRS 9 is effective for the Company's fiscal year commencing on January 1, 2018. Early adoption is permitted for the entire standard. Additionally, the credit risk presentation requirements can be early adopted prior to adopting the other requirements of IFRS 9. The Company intends to adopt the new standard on the required effective date, and is progressing in its assessment of the effect of IFRS 9 on its financial results and financial position. Changes, if any, are not expected to be material.
- **IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”)**. IFRS 15 replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenue generated from contracts with customers, with the exception of revenue earned from contracts that are within the scope of other standards, such as financial instruments, insurance contracts and leases. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from transactions with the Company's customers. IFRS 15 is effective for the Company's fiscal year beginning January 1, 2018.

The Company has established an implementation plan and intends to adopt IFRS 15 in its financial statements for the fiscal year beginning January 1, 2018. Although the Company has made progress in its implementation of IFRS 15 by analyzing revenue streams under the new standard and assessing customer contracts at the operating segment level, the Company continues to assess the overall impact the adoption will have on its consolidated financial statements. The Company anticipates that its analysis will be completed during the fourth quarter of 2017.

- **IFRS 16 *Leases* (“IFRS 16”)**. IFRS 16 provides guidance for leases whereby lessees will recognize a liability for the present value of future lease liabilities and record a corresponding right of use asset on the balance sheet. IFRS 16 is effective for the Company's fiscal year beginning January 1, 2019. Early

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**5. Recently issued accounting pronouncements (Continued)**

adoption is permitted, provided IFRS 15 has been adopted. The Company intends to adopt the new standard on the required effective date and is progressing in its assessment of the impact of the new standard on the consolidated financial statements. Based on the Company's limited involvement as an operating lessee, the Company does not expect the impact, if any, to be material.

*Newly adopted standards*

The following are new standards, amendments and interpretations that were adopted by the Company effective January 1, 2017:

- Amendments to IAS 7 *Statement of Cash Flows* (“IAS 7”). The Company implemented the amendments to IAS 7, in the second quarter of 2017 and has provided disclosures on changes in liabilities arising from certain financing activities, including both changes arising from cash and non-cash flow changes. Comparative information has not been presented.
- Amendments to IAS 12 *Income Taxes* (“IAS 12”). The Company is required to adopt amendments to IAS 12 in its financial statements for annual periods beginning on or after January 1, 2017. This amendment clarifies the deferred tax treatment for debt instruments and the determination of ‘future taxable profit’ for the recognition of deferred tax assets. The amendments clarify that the existence of a deductible temporary difference on debt instruments measured at fair value are dependent solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Management has evaluated the potential impact and noted that the adoption of IAS 12 amendment will not have an impact on the Company's financial statements.

**6. Business combinations**

Acasta effected a qualifying acquisition, representing three transactions that all closed concurrently on January 3, 2017 (“**Acquisition Date**”), the date on which the change of control took place and Acasta acquired 100% of the voting equity interests of each of the three entities described below. The acquisitions have been accounted for using the acquisition method with the results of operations included in the interim financial statements from the Acquisition Date. The total transaction costs incurred relating to the Qualifying Acquisition was \$14,323, of which \$4,627 has been included in selling, general and administrative expenses in the current period. Goodwill arose in the acquisitions for all three subsidiaries because the cost of combination included a control premium. In addition, the consideration paid effectively included amounts in relation to the benefit of potential synergies, revenue growth, future market development and the assembled workforce of the businesses acquired. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deducted for tax purposes.

The amounts determined on a provisional basis generally relate to the measurement of certain net assets acquired, including working capital, and measurement and completeness of the assumed liabilities, excluding any tax exposures.

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**6. Business combinations (Continued)**

The aggregate impact of acquisition accounting applied in connection with the acquisitions is as follows:

	<u>Apollo</u>	<u>JemPak</u>	<u>Stellwagen</u>	<u>Total</u>
<b>Assets acquired</b>				
Cash and cash equivalents (indebtedness) . . . . .	\$ (2,207)	\$ 11,410	\$ 5,774	\$ 14,977
Trade and other receivables . . . . .	26,478	5,991	10,023	42,492
Prepaid expenses . . . . .	2,280	678	91	3,049
Other assets . . . . .	—	—	9,536	9,536
Inventory . . . . .	19,341	8,125	—	27,466
Property, plant and equipment . . . . .	32,578	23,299	368,672	424,549
Intangible assets . . . . .	134,800	35,126	118,472	288,398
Other non-current assets . . . . .	—	—	29	29
Deferred tax asset . . . . .	—	—	336	336
	<u>\$ 213,270</u>	<u>\$ 84,629</u>	<u>\$ 512,933</u>	<u>\$ 810,832</u>
<b>Liabilities assumed</b>				
Accounts payable and accrued liabilities . . . . .	\$ 15,042	\$ 5,780	\$ 235	\$ 21,057
Income taxes payable . . . . .	160	1,602	—	1,762
Deferred tax liability . . . . .	30,438	10,759	7,347	48,544
Finance lease liability . . . . .	—	7,860	—	7,860
Other current liabilities . . . . .	—	—	6,870	6,870
Prepaid lease rental . . . . .	—	—	3,226	3,226
Security deposit . . . . .	—	—	6,262	6,262
Loans and borrowings . . . . .	—	—	392,327	392,327
	<u>\$ 45,640</u>	<u>\$ 26,001</u>	<u>\$ 416,267</u>	<u>\$ 487,908</u>
<b>Goodwill</b> . . . . .	229,592	75,730	288,976	594,298
<b>Total consideration</b> . . . . .	<u>\$ 397,222</u>	<u>\$ 134,358</u>	<u>\$ 385,642</u>	<u>\$ 917,222</u>

**Acquisition of Apollo**

Acasta acquired substantially all of the net assets of Apollo for a total preliminary purchase price of \$390,000, subject to certain adjustments of \$3,222 for an adjusted purchase price of \$393,222. The purchase consideration was satisfied by cash, which was funded from (i) the Company's escrowed funds, (ii) funds raised by way of a private placement of Class B Shares (the "**Private Placement**"), (iii) funds raised from a Credit Facility (together with the escrow funds and Private Placement proceeds, the "**Cash Sources**"), and the balance by the issuance of 23,388,396 Acasta Class B Shares at \$10.00 per Acasta Class B Share to the vendors of Apollo ("**Apollo Vendors**").

*Purchase consideration adjustments*

Acasta and the Apollo Vendors will adjust the purchase price if a predetermined financial target is met in the post-acquisition period ending January 3, 2018, up to a maximum of \$4,000. An estimated fair value of the net working capital adjustment of \$4,000 has been recognized based on the most recent financial information as at September 30, 2017. Changes made to the estimated fair value of this purchase consideration adjustment in future periods, if any, will be included in the consolidated statements of income (loss) and comprehensive income (loss).

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**6. Business combinations (Continued)**

The total purchase consideration was:

Cash consideration . . . . .	\$ 159,338
Share consideration . . . . .	233,884
	<u>\$ 393,222</u>
Purchase consideration adjustments <sup>(1)</sup> . . . . .	4,000
Total consideration . . . . .	<u>\$ 397,222</u>

(1) Purchase consideration adjustments includes net working capital adjustments.

**Acquisition of JemPak**

Acasta acquired all of the issued and outstanding equity interests of JemPak from the existing shareholders of JemPak for a preliminary purchase price of \$135,000, subject to certain adjustments of \$642 for an adjusted purchase price of \$134,358. The purchase price was satisfied by the delivery of cash, which was funded from the Cash Sources, and (iv) the balance by the issuance of 6,750,000 Acasta Class B Shares at \$10.00 per Acasta Class B Share to the vendors of JemPak (“**JemPak Vendors**”).

The total purchase consideration was:

Cash consideration . . . . .	\$ 66,858
Share consideration . . . . .	67,500
Total consideration . . . . .	<u>\$ 134,358</u>

**Acquisition of Stellwagen**

Acasta acquired all of the issued and outstanding equity interests of Stellwagen from the existing shareholders of (the “**Stellwagen Vendors**”) for a preliminary purchase price of \$316,345 (U.S. \$235,700), subject to certain adjustments for an adjusted purchase price of \$385,642 (U.S. \$287,234). The purchase consideration was satisfied by \$90,720 (U.S. \$67,415) in cash consideration and \$228,284 (U.S. \$170,300) in share consideration (the issuance of Class B Shares at \$10.00 per share). Included in the cash consideration are certain Stellwagen Vendor costs of \$6,509 (U.S. \$4,837) that were reimbursed by Acasta (the “**Vendor Reimbursement**”). These costs resulted from reimbursement to Stellwagen for taxes paid by those receiving Class B Shares in connection with the acquisition of Stellwagen and the pre-Closing reorganization of Stellwagen. The cash consideration amount was funded from the Company’s escrow funds and the balance was satisfied by the issuance of 22,828,418 Class B Shares at U.S. dollar equivalent of \$10.00 per Class B Share.

*Purchase consideration adjustments*

The purchase consideration will be adjusted subsequent to the Closing in connection to Stellwagen’s financial performance. Such adjustments may arise from an earn-out clause and net proceeds on sale of two aircraft, both discussed below. An estimated fair value of the contingent consideration related to these clauses was determined to be \$66,638 (U.S. \$49,520) using the most recent information as at January 3, 2017. The estimate was calculated using the weighted probability of the expected contingent consideration to be paid and application of a discount rate as appropriate. Changes made to the estimated fair value of

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**6. Business combinations (Continued)**

contingent consideration in future periods will be included in other income or expenses in net income (loss).

The Stellwagen Vendors are entitled to elect to receive an earn-out only once over the three-year period beginning in 2019. The earn-out is calculated based on Stellwagen’s audited net income for each of the three preceding financial years, including the year of election (the “**Stellwagen Earn-out**”), adjusted for certain prescribed items. An estimated fair value of the Stellwagen Earn-out is determined using the Monte-Carlo method. This simulation calculates fair value using a weighted probability of expected consideration to be paid on a multitude of possible future earning scenarios. Acasta determines the form of settlement (either in cash or Class B Shares) for 90% of the total Stellwagen Earn-out amount and the Stellwagen Vendors determines the form of settlement for 10% of the total Stellwagen Earn-out amount. Board of Directors’ approval is required before Acasta decides on how to proceed with 90% of the payment. An undiscounted estimated range of \$78,845 (U.S. \$58,590) to \$90,393 (U.S. \$67,172) was determined to be payable under these purchase obligations. The Company recognized an estimated discounted contingent consideration of \$49,263 (U.S. \$36,608) which was accrued and included as part of the purchase consideration related to acquire control of Stellwagen on January 3, 2017.

Furthermore, the Stellwagen Vendors were entitled to an amount related to the net proceeds on sale of the two aircraft held for sale by Stellwagen as at January 3, 2017. The estimated fair value of the proceeds was determined to be \$17,375 (U.S. \$12,912). The actual net proceeds approximated the initial estimate.

The total purchase consideration was:

	CAD	U.S.
Cash consideration . . . . .	\$ 90,720	\$ 67,415
Share consideration . . . . .	228,284	170,300
	\$ 319,004	\$ 237,715
Purchase consideration adjustments <sup>(1)</sup> . . . . .	66,638	49,520
Total consideration . . . . .	\$ 385,642	\$ 287,235

(1) Purchase consideration adjustments include contingent consideration relating estimated values attributable to the Stellwagen Earn-out and the net proceeds relating to the sale of the aircraft.

During the second quarter of 2017, the Company renegotiated the terms of the Stellwagen Earn-out with the Stellwagen Vendors with the intent of providing an offset for the delay in Acasta securing the financing contemplated on the Acquisition Date and the forecasted impact on Stellwagen’s net income. The renegotiated Stellwagen Earn-out calculation is equal to 50% multiplied by 8.5 multiplied by 54% multiplied by the result of Stellwagen’s audited net income for each of the three preceding financial years including the year of election, adjusted for certain prescribed items, less a prescribed dollar threshold associated with the year of election and less the product of certain investments at a prescribed multiplier associated with the year of election. The Equity Interest Purchase Agreement dated November 10, 2016 contemplated an identical Stellwagen Earn-out calculation to the renegotiation outlined above, except that a 33% multiplier was included, which has subsequently been replaced and amended to be 54%.

The Stellwagen Earn-out calculation is reviewed at the end of each reporting period and adjusted to reflect the current best estimate of expected future net income, which may fluctuate materially between periods. Significant inputs to the Monte-Carlo calculation at September 30, 2017 include a capped accumulated

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**6. Business combinations (Continued)**

three-year forecast earnings of \$210,000 based on realistic potential outcomes, a discount factor ranging from 7.6% to 16.0%, and a volatility ranging from 30% to 35% based on historical volatility of net income data of comparable companies.

As at September 30, 2017, an undiscounted estimated range of \$58,279 (U.S. \$46,698) to \$64,716 (U.S. \$51,856) was determined as the amount expected to be payable under the Stellwagen Earn-out purchase obligation, and the Company recognized estimated discounted contingent consideration of \$43,680 (U.S. \$35,000). See note 18 for further detail.

**Acquisition of ECN Assets**

On May 11, 2017, Stellwagen entered into an agreement to acquire substantially all of the net assets of ECN Capital Advisory Group LLC's commercial aviation finance advisory and asset management business ("ECN Commercial Aviation") for a preliminary purchase price of USD \$22,500 (or a "Converted Purchase Price" of \$30,375). ECN Commercial Aviation arranges, co-invests and manages a portfolio of commercial aviation assets on behalf of institutional investors through a U.S.-based team. The purchase was effected on June 1, 2017 and was satisfied through the issuance of 3,037,500 Class B Shares, as determined using a \$10.00 per share reference price. The fair value of the Class B Shares at the date of acquisition was \$26,578. Total transaction costs incurred related to the ECN Commercial Aviation acquisition were \$689, of which \$628 had been included in selling, general and administrative expenses in the period.

	ECN
<b>Assets acquired</b>	
Intangible assets . . . . .	\$ 7,614
	\$ 7,614
<b>Goodwill</b> . . . . .	22,002
	\$ 29,616
<b>Total consideration</b> . . . . .	\$ 29,616

The Class B Shares issued in satisfaction of the purchase price are subject to a one year lock-up provision. If the vendors of ECN Commercial Aviation choose to dispose of these shares in the nine-month period following this lock-up period, they will be entitled to additional Class B Shares if the proceeds on sale represent less than \$10.00 per share. Upon the occurrence of such an event, a variable number of Class B Shares will be issued to an aggregate value required to cover the shortfall below \$10.00 per share to a maximum value of \$3,038. At the time of closing, the estimated fair value of this contingent consideration was \$3,038 which has been recognized in other non-current liabilities. Changes made to the estimated fair value of this purchase consideration in future periods, if any, will be included in net income (loss).



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**6. Business combinations (Continued)**

The total purchase consideration was:

	<b>CAD</b>	<b>U.S.</b>
Share consideration . . . . .	\$ 26,578	\$ 19,688
Purchase consideration adjustments <sup>(1)</sup> . . . . .	\$ 26,578	\$ 19,688
	3,038	2,250
Total consideration . . . . .	\$ 29,616	\$ 21,938

(1) Purchase consideration adjustments include purchase price adjustment excess of the Converted Purchase Price over the sale transaction proceeds, up to a maximum amount equal to ten percent (10%) of the Converted Purchase Price (i.e., \$1.00 CAD per Class B Share). If the sale transaction proceeds exceed the Converted Purchase Price, the purchase consideration adjustments shall be zero.

*Net cash outflow on acquisition of subsidiaries*

	<b>JemPak</b>	<b>Apollo</b>	<b>Stellwagen</b>	<b>ECN</b>	<b>Total</b>
Consideration paid in cash . . . . .	\$ 66,858	\$ 159,338	\$ 90,720	—	\$ 316,916
Less: cash and cash equivalent balances acquired (indebtedness) . . . . .	11,410	(2,207)	5,774	—	14,977
<b>Net cash outflow on acquisition of subsidiaries . . . . .</b>	<b>\$ 55,448</b>	<b>\$ 161,545</b>	<b>\$ 84,946</b>	<b>—</b>	<b>\$ 301,939</b>

*Impact of Qualifying Acquisitions on the results of the Company*

Included in the Company's net loss for the three months ended September 30, 2017 was \$1,734 attributable to the Consumer Products reportable segment and \$2,546 attributable to the Aviation reportable segment. Included in the Company's revenue for the three months ended September 30, 2017 was \$66,448 attributable to the Consumer Products reportable segment and \$24,785 attributable to the Aviation reportable segment.

Included in the Company's net income for the nine months ended September 30, 2017 was \$3,584 attributable to the Consumer Products reportable segment and \$1,528 attributable to the Aviation reportable segment. Included in the Company's revenue for the nine months ended September 30, 2017 was \$195,702 attributable to the Consumer Products reportable segment and \$79,104 attributable to the Aviation reportable segment.

Had the business combinations under the Qualifying Acquisition been effected on January 1, 2017 instead of January 3, 2017, the revenue and net income (loss) of the Company would not have been materially different. The actual results disclosed above are considered to be an approximate measure of the performance of the combined group for the nine months ended September 30, 2017.

Included in the Aviation reportable segment is revenue and net income (loss) attributable to the acquired commercial aviation finance advisory and asset management business from the ECN Vendor. On a pro-forma basis (unaudited), had this acquisition been completed on January 1, 2017, ECN would have contributed revenue and net loss for the nine months period ended September 30, 2017 of \$2,765 and, \$3,990 respectively.

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**7. Class A Restricted Voting Shares subject to redemption**

*Authorization*

Prior to January 3, 2017, the Company was authorized to issue an unlimited number of Class A Restricted Voting Shares. The holders of Class A Restricted Voting Shares had no pre-emptive rights or other subscription rights and there were no sinking fund provisions applicable to these shares. On the closing of the Transaction on January 3, 2017, each of the Class A Restricted Voting Shares not submitted for redemption was automatically converted into a Class B Share, following which, the Company will no longer issue Class A Restricted Voting Shares.

*Voting Rights*

Holders of Class A Restricted Voting Shares were not entitled to vote on, or receive notice of meeting materials in respect of customary annual general meeting matters, including the election and removal of directors and auditors. The holders of the Class A Restricted Voting Shares were entitled to vote on and receive notice of meeting materials on all other matters requiring shareholder approval, including approval of a proposed qualifying acquisition. On December 20, 2016, the Transaction was approved by a simple majority (greater than 50%) of the votes cast, in person or by proxy, by the holders of Class A Restricted Voting Shares and Class B Shares voting together as a single class at a special meeting of the Company's shareholders.

*Redemption Rights*

The holders of Class A Restricted Voting Shares were entitled to redeem their shares, subject to certain conditions, and were entitled to receive the escrow proceeds, as determined at a point in time, from the escrow account in the event that the Company did not complete a qualifying acquisition within a prescribed timeframe.

*Classification*

As at December 31, 2016, the Company has classified its Class A Restricted Voting Shares as financial liabilities within the statement of financial position. This liability was classified as current because the deadline to complete a qualifying acquisition was April 30, 2017, which was within twelve months of December 31, 2016. At each financial statement reporting date, changes in its fair value were recorded through net income (loss). The redemption rights embedded in the terms of the Class A Restricted Voting Shares, which allow holders to redeem these shares for cash, and the exercise of such redemption rights were considered by the Company to be outside of the Company's control and subject to uncertain future events. The fair value of the hybrid instrument, being the Class A Restricted Voting Shares was determined by reference to its quoted market price on the TSX. As at December 31, 2016, the trading price of the Class A Restricted Voting Shares closed at \$10.17 per share.

*Qualifying Acquisition*

On Closing, all of the Class A Restricted Voting 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 Restricted Voting Share converted. Each redeeming holder of Class A Restricted Voting Shares received an amount per Class A Restricted Voting Share equal to \$10.04 per Class A Restricted Voting Share so redeemed.

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**7. Class A Restricted Voting Shares subject to redemption (Continued)**

*Issued and Outstanding*

	<b>Class A Restricted Voting Shares</b>	
	<b>Number</b>	<b>Amount</b>
Balance, December 31, 2015 . . . . .	40,250,000	\$ 382,375
Adjusted for:		
Unrealized change in fair value . . . . .	—	26,967
<b>Balance, December 31, 2016 . . . . .</b>	<b>40,250,000</b>	<b>\$ 409,342</b>
Adjusted for:		
Unrealized change in fair value prior to redemption . . . . .	—	\$ (236)
Redemption of Class A Restricted Voting Shares . . . . .	(28,454,222)	(285,680)
Conversion of Class A Restricted Voting Shares to Class B Shares . . . . .	(11,795,778)	(119,727)
Gain on redemption of Class A Restricted Voting Shares . . . . .	—	(3,699)
<b>Balance, September 30, 2017 . . . . .</b>	<b>—</b>	<b>\$ —</b>

**8. Cash and cash equivalents and restricted cash**

	<b>As at September 30, 2017</b>	<b>As at December 31, 2016</b>
Cash and bank balances . . . . .	\$ 18,318	\$ 187
<b>Total cash and cash equivalents . . . . .</b>	<b>\$ 18,318</b>	<b>\$ 187</b>
	<b>As at September 30, 2017</b>	<b>As at December 31, 2016</b>
Cash held in trust account . . . . .	\$ —	\$ 405,002
<b>Total restricted cash . . . . .</b>	<b>\$ —</b>	<b>\$ 405,002</b>

The fair value of the Company's restricted cash at September 30, 2017 was nil. At December 31, 2016, the Company held \$405,002 in trust which was classified as restricted cash, representative of the escrowed funds held to satisfy the redemption of Class A Restricted Voting Shares in connection with the Qualifying Acquisition on January 3, 2017.

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**9. Trade and other receivables**

Trade and other receivables comprised the following:

	<u>As at</u> <u>September 30, 2017</u>	<u>As at</u> <u>December 31, 2016</u>
Trade receivables . . . . .	\$ 37,258	\$ —
Allowance for doubtful debts . . . . .	(87)	—
Sales tax receivable . . . . .	3,978	597
Interest receivable . . . . .	412	—
Aircraft security deposit . . . . .	3,590	—
Other . . . . .	3,607	—
<b>Total trade and other receivables . . . . .</b>	<b><u>\$ 48,758</u></b>	<b><u>\$ 597</u></b>

Trade receivables disclosed above include certain amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance because there has not been a significant change in credit quality and the amounts are still considered recoverable. Such past due amounts have not been significant in the current and prior periods.

**10. Inventories**

Inventories comprised the following:

	<u>As at</u> <u>September 30, 2017</u>	<u>As at</u> <u>December 31, 2016</u>
Raw materials . . . . .	\$ 19,674	\$ —
Work in progress . . . . .	1,208	—
Finished goods . . . . .	16,727	—
<b>Total inventories . . . . .</b>	<b><u>\$ 37,609</u></b>	<b><u>\$ —</u></b>

During the three month period ended September 30, 2017, \$46,775 of inventory was expensed in cost of revenue (three month period ended September 30, 2016 — nil). During the nine months ended September 30, 2017, \$138,167 of inventory was expensed in cost of revenue (nine months ended September 30, 2016 — nil). Inventory written down in previous periods and subsequently recovered to net realizable value during the three month period ended September 30, 2017 was nil (three month period ended September 30, 2016 — nil). Inventory written down in the nine months ended September 30, 2017 was \$3,987 (nine months ended September 30, 2016 — nil). All of the inventory value is pledged as collateral for the Credit Facility (see note 16 for further detail).

**11. Prepaid expenses and deposits**

Prepaid expense and deposits comprised the following:

	<u>As at</u> <u>September 30, 2017</u>	<u>As at</u> <u>December 31, 2016</u>
Prepaid expenses . . . . .	\$ 3,654	\$ 25
Deferred financing costs . . . . .	2,858	—
Deposits . . . . .	2,541	—
<b>Total prepaid expenses and deposits . . . . .</b>	<b><u>\$ 9,053</u></b>	<b><u>\$ 25</u></b>

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**12. Loans receivable**

During the three months ended September 30, 2017, the Company satisfied its previously disclosed U.S. \$100 million commitment to the Stelloan Fund by way of purchasing Profit Participating Notes (“PPNs”) issued by the fund. The Company has consolidated its investment in the Stelloan Fund at September 30, 2017 and presents external loans receivable made by the Stelloan Fund to aircraft lessors. At September 30, 2017, the Stelloan Fund held three loans receivable in its portfolio, which are secured by the aircraft being financed.

The Company has elected to record these loans as FVTPL financial assets. To determine the fair value of the loans, the Company uses the “Benchmark IRR” method to determine the discount rate or rate of return a lender would require as of the measurement date for an aircraft collateralized loan, given market conditions and prevailing lending standards. The estimated fair value of each portfolio loan receivable within the Stelloan Fund is then estimated by calculating the future expected cash flows for each loan receivable. The future expected cash flows for each loan receivable are discounted to its present value using the discount rates established using the Benchmark IRR in a discounted cash flow analysis.

During the period, the Company recorded net additions to loans receivable of \$158,135. At September 30, 2017, loans receivable of \$154,872 were consolidated by the Company.

**13. Property, plant and equipment**

Property, plant and equipment comprised the following:

<u>Cost</u>	<b>Building and Leasehold Improvements</b>	<b>Office Equipment</b>	<b>Machinery and Equipment</b>	<b>Aircraft and Motor Vehicles</b>	<b>Total</b>
Balance, December 31, 2016 . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —
Acquisitions through business combinations (note 6) . . . . .	16,026	2,071	38,111	368,341	424,549
Additions . . . . .	426	389	8,376	299,809	309,000
Transfers and disposals . . . . .	(871)	(3)	—	(55,238)	(56,112)
Foreign currency translation . . . . .	—	(40)	—	(42,559)	(42,599)
<b>Balance, September 30, 2017 . . . . .</b>	<b>\$ 15,581</b>	<b>\$ 2,417</b>	<b>\$ 46,487</b>	<b>\$ 570,353</b>	<b>\$ 634,838</b>
<u>Accumulated Depreciation</u>	<b>Building and Leasehold Improvements</b>	<b>Office Equipment</b>	<b>Machinery and Equipment</b>	<b>Aircraft and Motor Vehicles</b>	<b>Total</b>
Balance, December 31, 2016 . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation . . . . .	(348)	(457)	(3,914)	(14,698)	(19,417)
Disposals . . . . .	—	1	—	2,343	2,344
Foreign currency translation . . . . .	—	5	—	515	520
<b>Balance, September 30, 2017 . . . . .</b>	<b>\$ (348)</b>	<b>\$ (451)</b>	<b>\$ (3,914)</b>	<b>\$ (11,840)</b>	<b>\$ (16,553)</b>
<b>Carrying value at September 30, 2017 . . . . .</b>	<b>\$ 15,233</b>	<b>\$ 1,966</b>	<b>\$ 42,573</b>	<b>\$ 558,513</b>	<b>\$ 618,285</b>

Property, plant and equipment cost and accumulated amortization have been reduced for assets that have been retired during the nine months ended September 30, 2017. No impairment was recognized during the three and nine months ended September 30, 2017 and September 30, 2016.

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**14. Goodwill and intangible assets**

Goodwill and intangible assets comprised the following:

Cost	Intangible Assets						Total
	Goodwill	Customer Relationships/ Contracts	Intellectual Property	Lease Premiums	Non-Compete/ Backlog	Fund Contract	
Balance, December 31, 2016 . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Acquisitions through business combinations (note 6) . . . . .	616,300	174,194	13,200	59,260	41,743	7,614	912,311
Additions . . . . .	—	—	—	68,464	—	—	68,464
Foreign currency translation . . . . .	(20,728)	(866)	—	(8,732)	(3,029)	(575)	(33,930)
<b>Balance, September 30, 2017 . . . . .</b>	<b>\$ 595,572</b>	<b>\$ 173,328</b>	<b>\$ 13,200</b>	<b>\$ 118,992</b>	<b>\$ 38,714</b>	<b>\$ 7,039</b>	<b>\$ 946,845</b>

Accumulated Amortization	Intangible Assets						Total
	Goodwill	Customer Relationships/ Contracts	Intellectual Property	Lease Premiums	Non-Compete/ Backlog	Fund Contract	
Balance, December 31, 2016 . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization . . . . .	—	(18,047)	(2,474)	(7,537)	(15,200)	(246)	(43,504)
Foreign currency translation . . . . .	—	97	—	343	691	11	1,142
<b>Balance, September 30, 2017 . . . . .</b>	<b>\$ —</b>	<b>\$ (17,950)</b>	<b>\$ (2,474)</b>	<b>\$ (7,194)</b>	<b>\$ (14,509)</b>	<b>\$ (235)</b>	<b>\$ (42,362)</b>
Carrying value as at September 30, 2017 . . . . .	<b>\$ 595,572</b>	<b>\$ 155,378</b>	<b>\$ 10,726</b>	<b>\$ 111,798</b>	<b>\$ 24,205</b>	<b>\$ 6,804</b>	<b>\$ 904,483</b>

Additions to goodwill and intangible assets primarily arose through business combinations (see note 6 for further detail). None of the intangible assets are determined to have indefinite useful lives and have been amortized in the period. No impairment was recognized during the three and nine months ended September 30, 2017 (three and nine months ended September 30, 2016 — nil).

**15. Income taxes**

Income tax expense (recovery) during the period includes the impact of the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>Current Income Tax Expense</i>				
In respect of the current year . . . . .	\$ 1,189	\$ —	\$ 8,717	\$ —
<b>Total Current Income Tax Expense . . . . .</b>	<b>\$ 1,189</b>	<b>\$ —</b>	<b>\$ 8,717</b>	<b>\$ —</b>
<i>Deferred Income Tax Recovery</i>				
In respect of the current year . . . . .	\$ (2,381)	\$ —	\$ (7,715)	\$ —
<b>Total Deferred Income Tax Recovery . . . . .</b>	<b>\$ (2,381)</b>	<b>\$ —</b>	<b>\$ (7,715)</b>	<b>\$ —</b>

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**15. Income taxes (Continued)**

The provision for income taxes differs from the expense that would be obtained by applying the Canadian statutory income tax rate as a result of the following:

	<u>For the Nine Months Ended September 30, 2017</u>	<u>For the Nine Months Ended September 30, 2016</u>
Income tax expense based on applicable statutory tax rate of 26.5% . . . . .	\$ (1,532)	\$ —
Re-measurement gain — Class A Restricted Voting Shares . . . . .	(1,043)	—
Non-deductible costs . . . . .	1,857	—
Current period tax losses and other deductible temporary differences for which no deferred tax asset is recognized . . . . .	4,450	—
Rate differential . . . . .	(2,785)	—
Other . . . . .	55	—
<b>Total income tax expense, net</b> . . . . .	<u><u>\$ 1,002</u></u>	<u><u>\$ —</u></u>

The changes in deferred tax balances are presented as follows:

	<u>As at December 31, 2016</u>	<u>Recognized in</u>			<u>As at September 30, 2017</u>
		<u>Income</u>	<u>Other Comprehensive Income</u>	<u>Goodwill</u>	
Basis differences — Intangibles . . . . .	\$ —	\$ 6,860	\$ —	\$ (39,425)	\$ (32,565)
Basis differences — Other . . . . .		855		(8,804)	(7,949)
<b>Total</b> . . . . .	<u><u>\$ —</u></u>	<u><u>\$ 7,715</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (48,229)</u></u>	<u><u>\$ (40,514)</u></u>

Deferred tax assets are recognized if management has determined that it is probable that such deferred tax assets may be recovered. As at September 30, 2017 and December 31, 2016, the Company has concluded that the following deductible temporary differences do not currently meet the criteria for recognition:

	<u>As at September 30, 2017</u>	<u>As at December 31, 2016</u>
Operating loss carry forwards . . . . .	\$ 15,942	\$ 7,289
Unamortized share issuance costs . . . . .	32,310	16,478
Basis differences . . . . .	224	—
<b>Total unrecognized deductible temporary differences</b> . . . . .	<u><u>\$ 48,476</u></u>	<u><u>\$ 23,767</u></u>

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**16. Long-term debt**

	As at September 30, 2017	As at December 31, 2016
Aircraft loans . . . . .	\$ 632,554	\$ —
Term loan B . . . . .	32,900	—
Revolving credit facility . . . . .	23,568	—
Term loan A . . . . .	28,200	—
Stelloan Facility . . . . .	147,576	—
Less: Financing fees . . . . .	(15,404)	—
<b>Total debt</b> . . . . .	<b>\$ 849,394</b>	<b>\$ —</b>
Current . . . . .	55,604	—
Long-term . . . . .	<b>\$ 793,790</b>	<b>\$ —</b>

In connection with the acquisition of Stellwagen (see note 6 for further detail), the Company assumed a U.S. \$275,000 loan which was utilized to acquire an aircraft. The principal outstanding at September 30, 2017 is \$315,580 (U.S. \$252,868). Interest is variable and LIBOR based, and is currently being hedged with an interest rate swap. Repayments on the outstanding principal are made monthly.

During the first quarter of 2017, the Company acquired another aircraft, which it financed with a U.S. \$267,125 loan. The principal outstanding at September 30, 2017 is \$323,178 (U.S. \$258,957). Interest is variable and LIBOR based. Repayments on the outstanding principal are made monthly.

On January 3, 2017, the Company entered into a credit agreement providing a borrowing capacity of up to \$150,000. On May 24, 2017, this credit agreement was amended and restated to reduce the capacity of the facility to \$100,000 (the “**Credit Facility**”). Deferred financing fees related to the cancelled, undrawn capacity were written off and recognized within finance expense during the period. The following facilities are available under the Credit Facility:

- a) **Revolving credit facility** — availability of up to \$35,000 (reduced from \$50,000 in May 2017) to be used for working capital and other general corporate purposes. Amounts of drawdowns are in Canadian dollars by way of prime rate and bankers’ acceptances advances and in United States dollars by way of U.S. base rate advances and LIBOR advances. During the nine months ended September 30, 2017, the Company made drawdowns of \$19,812 in Canadian advances and U.S. \$3,000. Amounts drawn are due on January 3, 2020.
- b) **Term loan A** — \$30,000 made available to finance the JemPak and Apollo acquisitions (see note 6 for further detail). Amounts are in Canadian dollars by way of prime rate and bankers’ acceptances advances. Term loan A’s initial capacity was \$15,000, and an additional \$15,000 was added to this loan in May 2017 representing a transfer from the delayed draw facility. Principal repayments of \$900 are due quarterly, commencing June 30, 2017, with any remaining balance due on January 3, 2020.
- c) **Term loan B** — \$35,000 made available to finance the JemPak and Apollo acquisitions (see note 6 for further detail). Amounts are in Canadian dollars by way of prime rate and bankers’ acceptances advances. Principal repayments of \$1,050 are due quarterly, commencing June 30, 2017, with any remaining balance due on January 3, 2020.
- d) **Delayed draw facility** — During the first quarter, the Company made drawdowns of \$15,000 against this facility, which was subsequently transferred to Term loan A in May 2017. The ability to make further draws against this facility was removed as part of the May 2017 amendments.



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**16. Long-term debt (Continued)**

As at September 30, 2017, the undrawn capacity on the Credit Facility was \$11,432.

The net assets of the Consumer Products reportable segment are pledged as security under the Credit Facility.

The Credit Facility contains covenants which are customary for facilities of this nature. Such covenants limit, among other things, the ability of the Company to incur or assume additional debt, sell material assets, and make certain capital expenditures or acquisitions. The Credit Facility also imposes certain financial covenants the Company must monitor, report, and comply with each fiscal quarter.

The Company was in compliance with all covenants contained in the Credit Facility as at September 30, 2017.

On May 14, 2017, the Company entered into a secured two-year credit facility agreement (the “**Stelloan Facility**”) with a syndicate comprised of a financial institution and two related parties (see note 25). The Stelloan Facility allows for the borrowing of up to U.S. \$150,000. During the period, proceeds from the Stelloan Facility were used to fund a U.S. \$100,000 investment in the Stelloan Fund, which is consolidated by the Company and presented in the Aviation reportable segment. Interest is LIBOR based plus an applicable margin. The Stelloan Facility is secured by a first-priority lien over Acasta’s real property.

As at September 30, 2017, the undrawn capacity on the Stelloan Facility was \$39,624 (U.S. \$31,750). The Company was in compliance with all covenants contained in the Stelloan Facility as at September 30, 2017.

The following table reconciles the changes in cash flows from financing activities attributable to long-term debt for the following periods:

	<b>For the Nine Months Ended September 30, 2017</b>	<b>For the Nine Months Ended September 30, 2016</b>
Total long-term debt, beginning of period . . . . .	\$ —	\$ —
Proceeds from long-term debt and credit facilities . . . . .	592,460	—
Repayment of long-term debt, including financing on aircraft held for sale . . . . .	(77,114)	—
Financing fees . . . . .	(15,286)	—
Total cash flows from long-term debt financing activities . . . . .	<u>\$ 500,060</u>	<u>\$ —</u>
Other components of long-term debt		
Long-term debt assumed on acquisition of Stellwagen . . . . .	\$ 392,327	\$ —
Non-cash changes in deferred financing fees . . . . .	2,702	—
Effects of foreign exchange . . . . .	(45,695)	—
Total other components of long-term debt . . . . .	<u>\$ 349,334</u>	<u>\$ —</u>
<b>Total long-term debt, end of period . . . . .</b>	<b><u>\$ 849,394</u></b>	<b><u>\$ —</u></b>

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**17. Leases**

*Finance leases — lessee*

The Company has an existing finance lease arrangement for a manufacturing plant in Oakville, Ontario. The following are the amounts payable under finance lease:

	Present Value of Minimum Lease Payments	
	As at September 30, 2017	As at December 31, 2016
Not later than one year . . . . .	\$ 456	\$ —
Later than one year and not later than five years . . . . .	1,788	—
Later than five years . . . . .	5,545	—
Present value of minimum lease payments . . . . .	\$ 7,789	\$ —

*Operating leases — lessor*

Operating leases relate to the aircraft owned by the Company, each with fixed lease terms of 12 years. All operating lease contracts contain market review clauses in the event that the lessee exercises an option to renew. The lessee does not have an option to purchase the aircraft at the expiry of the lease period. The following are the amounts to be collected under aircraft operating leases:

	As at September 30, 2017	As at December 31, 2016
	Not later than 1 year . . . . .	\$ 72,778
Later than 1 year and not longer than 5 years . . . . .	291,112	—
Later than 5 years . . . . .	430,268	—
<b>Total</b> . . . . .	<b>\$ 794,158</b>	<b>\$ —</b>

*Operating leases — lessee*

Operating leases relate to a facility in Concord, Ontario, a warehouse in Brampton, Ontario, corporate office spaces in various locations, and equipment used in the Consumer Products reporting segment. The following are the amounts payable under the operating leases:

	As at September 30, 2017	As at December 31, 2016
	Not later than 1 year . . . . .	\$ 4,925
Later than 1 year and not longer than 5 years . . . . .	18,812	—
Later than 5 years . . . . .	19,929	—
<b>Total</b> . . . . .	<b>\$ 43,666</b>	<b>\$ —</b>

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**18. Other liabilities**

Other current liabilities comprised the following:

	As at September 30, 2017	As at December 31, 2016
Deferred income . . . . .	\$ 11,062	\$ —
Bank overdraft . . . . .	538	—
Amounts due to related parties <sup>(1)</sup> . . . . .	29,957	423
Finance lease obligation — current . . . . .	456	—
Deferred underwriters' commission <sup>(2)</sup> . . . . .	—	13,081
Other current liabilities . . . . .	445	—
<b>Total other current liabilities</b> . . . . .	<b>\$ 42,458</b>	<b>\$ 13,504</b>

Other non-current liabilities comprised the following:

	As at September 30, 2017	As at December 31, 2016
Amounts due to related parties <sup>(3)</sup> . . . . .	\$ 46,718	\$ —
Security deposits . . . . .	5,932	—
Finance lease liability . . . . .	7,333	—
<b>Total other non-current liabilities</b> . . . . .	<b>\$ 59,983</b>	<b>\$ —</b>

- (1) Included in the amounts due to related parties as at September 30, 2017 are estimated contingent consideration due to vendors of Apollo of \$4,000, payables to Acasta Capital for reimbursement of expenses on a cost-recovery basis of \$3,090, and a U.S. \$18,450 loan from Martello Financing Limited. See notes 6 and 25 for further details.
- (2) As at December 31, 2016, deferred underwriters' commission represented amounts payable to the Company's underwriters in respect of the Company's initial public offering. The deferred underwriters' commission was settled as part of the Qualifying Acquisition (note 6).
- (3) Included in the amounts due to related parties as at September 30, 2017 are the Stellwagen Earn-out liability of \$43,680, and ECN contingent consideration of \$3,038. See note 6 for further details.

**19. Shareholders' equity**

On July 30, 2015, the Company closed its initial public offering (the "Offering") of 35,000,000 Class A restricted voting units of the Company (the "Class A Restricted Voting Units") at a price of \$10.00 per Class A Restricted Voting Unit for gross proceeds of \$350,000. On August 5, 2015, the underwriters exercised their over-allotment option to purchase an additional 5,250,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit for gross proceeds of \$52,500. After these two closings, a total of 40,250,000 Class A Restricted Voting Units were issued for total gross proceeds to the Company of \$402,500.

Each Class A Restricted Voting Unit consisted of one Class A Restricted Voting Share and one half of one Warrant. Each full Warrant became exercisable on February 2, 2017, 30 days after the completion of the Qualifying Acquisition, and is exercisable to purchase one Class B Share at an exercise price of \$11.50. Each Warrant expires on January 3, 2022. The Company may accelerate the expiry date of the outstanding Warrants by providing 30 days' notice if the closing price of the Class B Shares equals or exceeds \$24.00 per Class B Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations) for any 20 trading days within a 30 day trading period. On

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**19. Shareholders' equity (Continued)**

September 8, 2015, the Company's Class A Restricted Voting Shares and Warrants each commenced trading on the TSX under the symbol "AEFA" and "AEF.WT", respectively.

Prior to the closing of the Offering on July 30, 2015, the Company's founders ("**Founders**"), including directors, advisors, senior officers, Acasta Capital Inc. (the "**Sponsor**") and senior officers of the Sponsor purchased a total of 10,442,031 Class B Shares for \$25 in aggregate at a price of \$0.0024 per Class B Share (the "**Founders' Shares**"). In addition, concurrent with the closing of the Offering on July 30, 2015, the Founders purchased 1,400,000 Class B Units ("**Class B Units**") at an offering price of \$10.00, being the equivalent price of each Class A Restricted Voting Unit on initial issuance, for a total of \$14,000. Further, on August 5, 2015, the Founders purchased an additional 118,124 Class B Units in connection with the exercise by the Company's underwriters of the over-allotment option at an offering price of \$10.00 for a total of \$1,181. Each Class B Unit consisted of one Class B Share and one-half of one Warrant. Each full Warrant entitles the holder to purchase one Class B Share of the Company at a price of \$11.50. Each Warrant expires on January 3, 2022.

The Company is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

Upon closing of the Offering and the issuance of Class A Restricted Voting Units pursuant to the exercise of the over-allotment option, the Company placed \$10.00 per Class A Restricted Voting Unit sold in an escrow account with the Company's escrow agent.

By way of agreement entered into at the time of the Offering (the "**Forfeiture Agreement**"), 25% of the Founders' Shares held by each Founder were subject to forfeiture on the fifth anniversary of a qualifying acquisition unless the closing share price of the Class B Shares exceeded \$13.00 (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations) for any 20 trading days within a 30 day trading period at any time following the Closing (the "**Contingent Shares**"). Under the terms of the Forfeiture Agreement, the Contingent Shares were subject to additional transfer restrictions until the \$13.00 closing Class B Share price condition was satisfied, at which point they would have, if applicable, become subject to the same ongoing restrictions applicable to the other Founders' Shares at that time. In connection with the Closing, the Forfeiture Agreement was amended and restated. Refer to note 3, Net income (loss) per share, for terms of the amended Forfeiture Agreement.

On December 20, 2016, the Transaction was approved by a simple majority (greater than 50%) of the votes cast, in person or by proxy, by the holders of Class A Restricted Voting Shares and Class B Shares voting together as a single class at a special meeting of the Company's shareholders. Regardless of whether shareholders voted for or against, or did not vote on, the Transaction, holders of Class A Restricted Voting Shares could elect to redeem all or a portion of their Class A Restricted Voting Shares at a per-share price of \$10.04, payable in cash, which was equal to their per-share amount deposited in the escrow account, adjusted for interest or other amounts earned and net of applicable taxes payable on such interest and other amounts earned and net of direct expenses related to the redemption. In connection with the Transaction, 28,454,222 Class A Restricted Voting Shares were redeemed on January 3, 2017, representing an aggregate redemption amount of \$285,680.

In connection with the Transaction, the Company issued an additional 15,955,050 Class B Shares for aggregate gross proceeds of \$159,551 by way of a private placement (the "**Private Placement**") on

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**19. Shareholders' equity (Continued)**

January 3, 2017. The Company issued a total of 52,966,814 Class B Shares for aggregate gross proceeds of \$529,668 to the vendors of JemPak, Apollo, and Stellwagen.

On May 11, 2017, the Company entered into an agreement to acquire substantially all of the net assets of ECN Commercial Aviation for a purchase price of \$26,578 (U.S. \$22,500). The purchase price was satisfied on June 1, 2017 by the issuance of Acasta Class B Shares at \$10.00 per share, the number of which was determined by the closing foreign exchange rate one business day prior to the closing date of the acquisition.

The following is a summary of the Class B Shares issued and outstanding:

	<u>Number</u>	<u>Amount</u>
Balance, December 31, 2016 . . . . .	11,960,156	\$ 14,995
Conversion of Class A Restricted Voting Shares . . . . .	11,795,778	119,727
Issued as consideration under Qualifying Acquisition — JemPak . . . . .	6,750,000	67,500
Issued as consideration under Qualifying Acquisition — Apollo . . . . .	23,388,396	233,884
Issued as consideration under Qualifying Acquisition — Stellwagen . . . . .	22,828,418	228,284
Issued as consideration under Acquisition — ECN . . . . .	3,037,500	26,578
Private placement . . . . .	15,955,050	159,551
Share issuance costs . . . . .	—	(1,136)
<b>Balance, September 30, 2017 . . . . .</b>	<b><u>95,715,298</u></b>	<b><u>\$ 849,383</u></b>

Holders of Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote. Refer to note 24 for details on shares subject to forfeiture.

The Warrants outstanding were not exercisable by the holders until February 2, 2017, being 30 days after the Company completed the Transaction. Following the Transaction, each Warrant entitles the holder to purchase one Class B Share at an exercise price of \$11.50, subject to normal anti-dilution adjustments. The Warrants expire on January 3, 2022, being five years after the Company completed the Transaction.

**20. Revenue**

The Company earns revenue from the following primary sources:

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Revenue from the sale of consumer products . . . . .	\$ 66,446	\$ —	\$ 195,701	\$ —
Transaction fees . . . . .	2,206	—	6,773	—
Lease rental income . . . . .	17,859	—	53,525	—
Servicing fees . . . . .	1,695	—	6,160	—
Interest income . . . . .	3,027	488	3,027	1,404
Other revenue . . . . .	—	—	9,620	—
<b>Total revenue . . . . .</b>	<b><u>\$ 91,233</u></b>	<b><u>\$ 488</u></b>	<b><u>\$ 274,806</u></b>	<b><u>\$ 1,404</u></b>

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**21. Expenses by nature**

Cost of revenue and selling, general and administrative expense comprised the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cost of inventory, raw materials and consumables . . . . .	\$ 40,932	\$ —	\$ 114,894	\$ —
Depreciation of property, plant and equipment . . . . .	1,536	—	4,209	—
Depreciation of property, plant and equipment and amortization of intangible assets included in selling, general and administrative expenses . . . . .	18,913	—	58,712	—
Freight charges . . . . .	3,622	—	10,254	—
Salaries and benefits . . . . .	14,277	—	33,434	—
Rent and utilities expense . . . . .	2,961	—	7,644	—
Professional fees . . . . .	5,139	1,186	15,684	1,753
General office expenses . . . . .	1,988	56	6,367	323
Research and development costs . . . . .	—	—	1,005	—
Share-based compensation . . . . .	150	—	150	—
Other expenses . . . . .	4,174	—	8,319	—
<b>Total cost of revenue and selling, general and administrative expense . . . . .</b>	<b>\$ 93,692</b>	<b>\$ 1,242</b>	<b>\$ 260,672</b>	<b>\$ 2,076</b>
Cost of revenue . . . . .	50,045	—	138,388	—
Selling, general and administrative expense . . . . .	43,647	1,242	122,284	2,076
<b>Total cost of revenue and selling, general and administrative expense . . . . .</b>	<b>\$ 93,692</b>	<b>\$ 1,242</b>	<b>\$ 260,672</b>	<b>\$ 2,076</b>

**22. Finance costs, net**

Finance costs are comprised of the following:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Interest on bank overdrafts and loans . . . . .	\$ 9,638	\$ —	\$ 23,984	\$ —
Amortization and accretion of deferred financing costs . . . . .	2,443	—	4,625	—
Interest on finance lease obligations . . . . .	112	—	304	—
Interest income and other . . . . .	(11)	—	(34)	—
<b>Total finance costs . . . . .</b>	<b>\$ 12,182</b>	<b>\$ —</b>	<b>\$ 28,879</b>	<b>\$ —</b>

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**23. Other income, net**

Other income, net comprised the following:

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Gain on disposal of property, plant and equipment . . . . .	\$ (5)	\$ —	\$ (211)	\$ —
Restructuring costs . . . . .	1	—	260	—
Gain on revaluation of Stellwagen Vendors Earn-out . . . . .	(2,624)	—	(2,115)	—
Gain on settlement of contingent consideration . . . . .	(1)	—	(506)	—
Gain on redemption of Class A Restricted Voting Shares . . . . .	—	—	(3,699)	—
Other expense (income) . . . . .	(40)	—	(72)	—
<b>Other income, net . . . . .</b>	<b>\$ (2,669)</b>	<b>\$ —</b>	<b>\$ (6,343)</b>	<b>\$ —</b>

**24. Net loss per share**

The following is the net income (loss) per share calculation for the three and nine months ended September 30, 2017 and September 30, 2016.

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Net loss attributable to owners of Class B Shares . . . . .	\$ (9,739)	\$ (5,584)	\$ (6,783)	\$ (12,747)
Weighted average number of Class B Shares outstanding during the period — basic . . . . .	90,494,283	9,349,648	88,214,511	9,349,648
Add: Dilutive impact of Class B Shares related to the DSU plan . . . . .	13,662	—	4,571	—
Weighted average number of Class B Shares outstanding during the period — diluted . . . . .	90,507,945	9,349,648	88,219,082	9,349,648
<b>Basic net loss per share . . . . .</b>	<b>\$ (0.11)</b>	<b>\$ (0.60)</b>	<b>\$ (0.08)</b>	<b>\$ (1.36)</b>
<b>Diluted net loss per share . . . . .</b>	<b>\$ (0.11)</b>	<b>\$ (0.60)</b>	<b>\$ (0.08)</b>	<b>\$ (1.36)</b>

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**24. Net loss per share (Continued)**

The following is the other comprehensive loss per share calculation for the three and nine months ended September 30, 2017 and September 30, 2016.

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Other comprehensive loss attributable to owners of Class B Shares . . . . .	\$ (14,616)	\$ —	\$ (28,752)	\$ —
Weighted average number of Class B Shares outstanding during the period — basic . . . . .	90,494,283	9,349,648	88,214,511	9,349,648
Add: Dilutive impact of Class B Shares related to the DSU plan . . . . .	13,662	—	4,571	—
Weighted average number of Class B Shares outstanding during the period — diluted . . . . .	<u>90,507,945</u>	<u>9,349,648</u>	<u>88,219,082</u>	<u>9,349,648</u>
<b>Basic other comprehensive loss per share . . . . .</b>	<u>\$ (0.16)</u>	<u>\$ —</u>	<u>\$ (0.33)</u>	<u>\$ —</u>
<b>Diluted other comprehensive loss per share . . . . .</b>	<u>\$ (0.16)</u>	<u>\$ —</u>	<u>\$ (0.33)</u>	<u>\$ —</u>

Net income (loss) per share is computed by dividing the net income (loss) incurred during the period by the weighted-average number of Class B Shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) incurred during the period by the diluted weighted-average number of Class B Shares outstanding during the period.

The Contingent Shares totaling 5,221,016 are contingently subject to forfeiture and consequently excluded from the determination of the weighted average number of Class B Shares outstanding until such time as these shares are no longer subject to forfeiture.

**25. Related party transactions**

Pursuant to the purchase agreement between Acasta and Stellwagen, the Company made a payment to the Stellwagen Vendors during the nine months ended September 30, 2017 for settlement related to the net proceeds on the sale of two aircraft held for sale by Stellwagen. Net proceeds were determined to be \$16,263 (U.S. \$12,532).

The Company was charged \$177 by Acasta Capital Inc. (“**Acasta Capital**”) during the three months ended September 30, 2017 and \$4,299 during the nine months ended September 30, 2017 related to support on the Qualifying Acquisition on a cost recovery basis, and for services rendered throughout the period. Amounts payable to Acasta Capital as at September 30, 2017 were \$3,090 (December 31, 2016—\$423).

During the nine months ended September 30, 2017, the Company was charged \$1,000 by Nevele Inc., a company controlled by Acasta’s Chief Executive Officer. The charge was approved by the Board of Directors as a success fee for the Qualifying Acquisition. Amounts payable to Nevele Inc. as at September 30, 2017 were nil.

Other revenue of \$1,887 (U.S. \$1,512) was recognized by Seraph Aviation Inc, a wholly owned subsidiary of the Stellwagen Group, during the nine months ended September 30, 2017. The fee was charged as an



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**25. Related party transactions (Continued)**

arrangement fee to AC Finance Air Europa B787-7 Limited, a related party by virtue of being controlled by a member of key management personnel at the Stellwagen Group.

Two lenders party to the Stelloan Facility, WFI Inc. and Martello Fund 1 Designated Activity Company, are related to Acasta by virtue of being members of key management at Apollo and Stellwagen, respectively. As at September 30, 2017, \$22,776 (U.S. \$18,250) of long-term debt was outstanding to these related party lenders. See note 16 for further detail.

On July 1, 2017, the Company entered into a loan agreement with a key employee of Stellwagen in the amount of \$1,872 (U.S. \$1,500). Pursuant to the terms of the loan agreement, no interest is payable by the key employee and the loan is repayable in 36 months. At September 30, 2017, the balance outstanding was \$1,872 (U.S. \$1,500) and is included in trade and other receivables (see note 9).

On September 28, 2017, Martello Financing Limited (“**Martello Financing**”) entered into a loan agreement with the Stelloan Fund in the amount of \$23,026 (U.S. \$18,450). Pursuant to the terms of the loan agreement, as amended, the loan is repayable on the earlier of two years and such time as certain assets of the Stelloan Fund are monetized. Martello Financing is owned and controlled by a member of key management of Stellwagen. At September 30, 2017, the balance outstanding was \$23,026 (U.S. \$18,450) and is included in other current liabilities (see note 18). Interest is variable and LIBOR based.

During the three and nine months ended September 30, 2017, the company incurred fees of \$350 and \$1,195, respectively, to entities controlled by members of JemPak key management. Expenses relate to rent on a plant facility as well as consulting services. A finance lease liability of \$7,789 has been recorded within other current liabilities and other non-current liabilities as at September 30, 2017, and represents a payable to the related party entities for rent on the JemPak 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.

**26. Financial instruments**

The carrying values of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value due to its recognition at fair value within the recently completed quarter.

The following table presents the fair value hierarchy of financial assets and financial liabilities that are carried at fair value on the statement of financial position on a recurring basis.

	Fair Value as at September 30, 2017			Fair Value as at December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Derivatives included in other non-current assets . . . . .	\$ —	\$ 7,911	\$ —	\$ —	\$ —	\$ —
<b>Financial liabilities</b>						
Class A Restricted Voting Shares .	\$ —	\$ —	\$ —	\$ 409,342	\$ —	\$ —

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**26. Financial instruments (Continued)**

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

*Cash flow hedges*

	Average Contracted Fixed Interest Rate		Notional Principal Value		Fair Value Assets (Liabilities)	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
<b>Interest rate swap</b>						
5 years + . . . . .	4.075%	—%	U.S. \$250,428	\$ —	\$ 7,911	\$ —
	<b>4.075%</b>	<b>—%</b>	<b>U.S. \$250,428</b>	<b>\$ —</b>	<b>\$ 7,911</b>	<b>\$ —</b>

The interest rate swap included in other non-current assets settle on a monthly basis. The interest rate swap contracts exchanging variable rate interest amounts for fixed rate interest amounts are designated 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 occur simultaneously with the Company paying fixed interest on a monthly basis and receiving variable rate interest. The fair value of the interest rate swap is assessed on a quarterly basis. Movements in the fair value are recognized through other comprehensive income (loss) for the period. A total of \$1,484 and \$(977) has been recognized in other comprehensive income (loss) during the three and nine months ended September 30, 2017, respectively, with nil being reclassified to net income (loss).

**27. Segment information**

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 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 or Directors. 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.

At September 30, 2017, the Company operates three distinct reportable segments (December 31, 2016 — one), being the Consumer Products, Aviation and Other 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 business have been aggregated within this reportable segment. Acasta’s Aviation portfolio includes companies that provide technical management and fleet and capital financing solutions to the global aviation industry and its investors. Acasta’s Other reportable segment includes the corporate parent entity of the Consumer Products and Aviation reportable segments 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 and Aviation businesses. Therefore, Acasta has presented these

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**27. Segment information (Continued)**

businesses as reportable segments for financial reporting purposes in accordance with IFRS 8 *Operating Segments*.

Sales to the Company's largest customer during the three month period ended September 30, 2017 in the Consumer Products reporting segment were \$20,258, which accounted for 22% of consolidated gross revenue for the three months ended September 30, 2017. Sales to the Company's largest customer in the Aviation reporting segment were \$17,801, which accounted for 20% of consolidated gross revenue for the three months ended September 30, 2017.

Sales to the Company's largest customer during the nine month period ended September 30, 2017 in the Consumer Products reporting segment were \$55,749, which accounted for 20% of consolidated gross revenue for the nine months ended September 30, 2017. Sales to the Company's largest customer in the Aviation reporting segment were \$51,029, and accounted for 19% of consolidated gross revenue for the nine months ended September 30, 2017.

Financial information for the three and nine months ended September 30, 2017 by reportable segment is presented below.

*Segment operating results for the three months ended September 30, 2017*

	<u>Consumer Products</u>	<u>Aviation</u>	<u>Other</u>	<u>Total</u>
Revenue . . . . .	\$ 66,448	\$ 24,785	\$ —	\$ 91,233
Cost of revenue . . . . .	50,045	—	—	50,045
Selling, general and administrative expense . . . . .	16,099	22,067	5,481	43,647
Finance costs . . . . .	1,182	6,393	4,607	12,182
Net loss (gain) on foreign exchange transactions . . . . .	1,446	37	(2,524)	(1,041)
Other income, net . . . . .	(40)	(524)	(2,105)	(2,669)
<b>Loss before income tax . . . . .</b>	<b>\$ (2,284)</b>	<b>\$ (3,188)</b>	<b>\$ (5,459)</b>	<b>\$ (10,931)</b>
Current income tax expense . . . . .	900	289	—	1,189
Deferred income tax recovery . . . . .	(1,450)	(931)	—	(2,381)
<b>Net loss . . . . .</b>	<b>\$ (1,734)</b>	<b>\$ (2,546)</b>	<b>\$ (5,459)</b>	<b>\$ (9,739)</b>

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED**  
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**For the three and nine months ended September 30, 2017 and September 30, 2016**  
(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

**27. Segment information (Continued)**

*Segment operating results for the nine months ended September 30, 2017*

	<u>Consumer Products</u>	<u>Aviation</u>	<u>Other</u>	<u>Total</u>
Revenue . . . . .	\$ 195,702	\$ 79,104	\$ —	\$ 274,806
Cost of revenue . . . . .	138,388	—	—	138,388
Selling, general and administrative expense . . . . .	47,286	59,866	15,132	122,284
Finance costs . . . . .	4,410	18,736	5,733	28,879
Net unrealized gain on change in fair value of financial liabilities . . . . .	—	—	(236)	(236)
Net loss (gain) on foreign exchange transactions . . . . .	510	38	(2,933)	(2,385)
Other expense (income), net . . . . .	188	(730)	(5,801)	(6,343)
<b>Income (loss) before income tax . . . . .</b>	<b>\$ 4,920</b>	<b>\$ 1,194</b>	<b>\$ (11,895)</b>	<b>\$ (5,781)</b>
Current income tax expense . . . . .	6,563	2,154	—	8,717
Deferred income tax recovery . . . . .	(5,227)	(2,488)	—	(7,715)
<b>Net income (loss) . . . . .</b>	<b>\$ 3,584</b>	<b>\$ 1,528</b>	<b>\$ (11,895)</b>	<b>\$ (6,783)</b>

*Segment assets and liabilities as at September 30, 2017*

	<u>Consumer Products</u>	<u>Aviation</u>	<u>Other</u>	<u>Total</u>
<i>As at September 30, 2017</i>				
Total assets <sup>(1)</sup> . . . . .	\$ 598,526	\$ 1,193,735	\$ 16,061	\$ 1,808,322
Total liabilities . . . . .	\$ 162,765	\$ 727,222	\$ 144,436	\$ 1,034,423
Goodwill . . . . .	\$ 305,876	\$ 289,696	\$ —	\$ 595,572

(1) Total assets include goodwill

*As at December 31, 2016*

Total assets <sup>(1)</sup> . . . . .	\$ —	\$ —	\$ 406,521	\$ 406,521
Total liabilities . . . . .	\$ —	\$ —	\$ 431,625	\$ 431,625
Goodwill . . . . .	\$ —	\$ —	\$ —	\$ —

*Geographical information*

The following is an analysis of the Company's geographical information:

	<u>Canada</u>	<u>United States</u>	<u>Europe</u>	<u>Total</u>
Revenue (for the three months ended September 30, 2017) . . . . .	\$ 6,766	\$ 57,197	\$ 27,270	\$ 91,233
Revenue (for the nine months ended September 30, 2017) . . . . .	\$ 19,300	\$ 176,490	\$ 79,016	\$ 274,806
Non-current assets (as at September 30, 2017) . . . . .	\$ 516,810	\$ —	\$ 1,162,684	\$ 1,679,494

Prior year information has not been provided as there was only one reportable segment.

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**28. Commitments**

The following commitments are related to warehouse, property, and other office leases.

No later than 1 year . . . . .	\$ 5,156
Later than 1 year and no later than 5 years . . . . .	19,675
Later than 5 years . . . . .	31,413
<b>Total commitments</b> . . . . .	<b><u>\$56,244</u></b>

During the period, the Company entered into an agreement to purchase twelve C295 aircraft pre-production from the manufacturer, with an option to purchase an additional twelve. The purchase of the first twelve aircraft will be staggered and are expected to commence in 2017 and conclude in 2022. As part of the financing arrangement, the Company has committed to make pre-delivery payments that align with the timing of the expected deliveries. At September 30, 2017, the C295 aircraft commitment was \$375,148 (U.S. \$300,599).

**29. Contingencies**

The Company has filed a legal claim for which one defendant has filed a counterclaim. It is the opinion of management, based on the advice and information provided by its legal counsel, that the claim will establish liability against the defendants and that the counterclaim has no merit. The amount of damages recoverable to the Company as a result of the claim and counterclaim cannot be estimated until the conclusion of the lawsuits. No accrual has been recorded in these interim financial statements.

Management is unable to make an estimate related to the litigation on other matters as the outcomes are not yet determinable. Management has been advised it is remote that there will be a significant effect on the interim financial statements. Accordingly, no provisions have been made in the interim financial statements for these matters.

**30. Changes in non-cash working capital**

	<b>For the Nine Months Ended September 30, 2017</b>	<b>For the Nine Months Ended September 30, 2016</b>
Increase (decrease) in trade and other receivables . . . . .	\$ (3,230)	\$ (112)
Increase in inventories . . . . .	(13,498)	—
Increase in prepaid expenses and deposits . . . . .	(2,990)	—
Increase in other assets . . . . .	(4,381)	—
Decrease (increase) in accounts payable and accrued liabilities . . . . .	(4,101)	1,201
Increase in other liabilities <sup>(1)</sup> . . . . .	10,993	—
<b>Changes in non-cash working capital</b> . . . . .	<b><u>\$ (17,207)</u></b>	<b><u>\$ 1,091</u></b>

(1) Includes settlement of contingent liability to Stellwagen Vendors on sale of two aircraft. See note 6 for further details.

**31. Share-based payment arrangements**

On July 1, 2017, the Company established a deferred share unit (“DSU”) incentive plan. The DSU incentive plan provides that participants may elect annually to receive all or a portion of their annual compensation amounts that would otherwise be payable in cash in the form of DSUs. DSUs may be redeemed for cash or for Class B Shares, at the election of the Company upon exercise of the award, in accordance with the terms

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**31. Share-based payment arrangements (Continued)**

of the plan. The plan is currently available to members of the Board of Directors. The maximum number of Acasta Class B shares reserved for the DSU incentive plan is 4,785,765.

	<b>Deferred Share Units #</b>
Balance, December 31, 2016 . . . . .	—
Granted . . . . .	27,324
Forfeited . . . . .	—
Redeemed . . . . .	—
<b>Balance, September 30, 2017 . . . . .</b>	<b>27,324</b>

The Company recognized \$150 of share-based payment expense for the three and nine months ended September 30, 2017 for these DSU awards. DSUs vest immediately as they are awarded.

**32. Subsequent events**

The Company made a pre-delivery payment in the amount of \$2,234 (U.S. \$1,780) on October 6, 2017 for the C295 aircraft deliveries (see note 28).

