ACE AVIATION

News Release

ACE AVIATION REPORTS FIRST QUARTER RESULTS AND DECLARES INITIAL DISTRIBUTION OF $275 MILLION TO ITS SHAREHOLDERS

MONTRÉAL, May 9, 2012 – ACE Aviation Holdings Inc. (ACE) today announced its first quarter results for 2012 and declared an initial distribution of $275 million to its shareholders.

First quarter results

In the first quarter of 2012, ACE recorded a loss and reduction in net assets in liquidation of $3 million. This includes unrealized losses of $2 million on ACE's investment in Air Canada.

In March 2010, ACE applied for Certificates of Discharge from the Canada Revenue Agency ("CRA") and Revenu Quebec. The related audits of income taxes and other taxes were completed during Quarter 1, 2012 and additional reassessments of $4 million were paid. On March 7, 2012, a tax clearance certificate was issued by the CRA in connection with all taxation years ended on or prior to December 31, 2010. On March 12, 2012, Revenu Québec issued an equivalent certificate.

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

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

On April 30, 2012, ACE's net assets amounted to $381 million or $11.73 per share. ACE's underlying assets are:

- cash and cash equivalents of $351 million;
- 31 million shares in Air Canada which had a market value of $31 million based on the April 30, 2012 closing price on the TSX; and
- 2.5 million warrants for the purchase of Air Canada shares at exercise prices of $1.44 (1.25 million warrants) and $1.51 (1.25 million warrants) per share which had a nominal value.

At that date, ACE also had total payables and accrued liabilities of $1 million.

ACE has agreed to indemnify and hold harmless Air Canada and Aveos from loss should Input Tax Credit claims by Air Canada and Aveos amounting to $40 million and $1 million respectively, be reassessed in the future. These agreements follow related tax reassessments received and paid by ACE as part of the tax audits referred to above.

Initial distribution

ACE also announced today that it has declared an initial distribution in the aggregate amount of $275 million (or approximately $8.46 per common share) to common shareholders of record as of June 1, 2012, which will be payable as of June 8, 2012. This distribution represents the initial distribution to shareholders of amounts to be paid in the course of the voluntary liquidation of ACE pursuant to Section 211 of the *Canada Business Corporations Act*, which was approved at the annual and special meeting of shareholders held on April 25, 2012.

The final distribution to shareholders and the cancellation of the shares of ACE will not occur earlier than mid-year 2013 in order to allow that any remaining contingent liabilities be settled or otherwise provided for. The distributions will generally be treated as deemed dividends from a Canadian tax standpoint. The aforementioned deemed dividends will be designated as eligible dividends for the purposes of the *Income Tax Act* (Canada).

For additional information with respect to the liquidation and initial distribution to shareholders, refer to the management proxy circular dated March 9, 2012 which is available at www.sedar.com and www.aceaviation.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this news release may contain forward-looking statements. Forward-looking statements may relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations, future actions, the timing of the liquidation, the final distribution to shareholders and the cancellation of the shares of ACE. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, market, regulatory developments or proceedings, and actions by third parties as well as the factors identified throughout ACE's filings with securities regulators in Canada and, in particular, those identified in the Risk Factors section of ACE's 2011 Annual MD&A and First Quarter 2012 MD&A. If ACE does not proceed with the winding-up in a timely manner, ACE will continue to incur operating costs and fees. The forward-looking statements contained in this news release represent ACE's expectations as of the date they are made, and are subject to change after such date. However, ACE disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

- 30 -

Contact: Des Beaumont (514) 205-7639

Internet: www.aceaviation.com