MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Second Quarter Report
June 30, 2002

Magellan Aerospace Corporation (the "Corporation") is listed on the Toronto Stock Exchange under the symbol MAL. The Corporation is a diversified supplier of components to the aerospace industry. Through its network of facilities throughout North America, Magellan supplies leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

On August 23, 2002, the Corporation released its results for the second quarter of 2002. The results are summarized as follows:

	Three Months Ended June 30			Six Months Ended June 30		
Expressed in thousands, except per share amounts	2002	2001 (restated)	PERCENTAGE CHANGE	2002	2001 (restated)	PERCENTAGE CHANGE
Revenues	$ 104,999	$ 162,977	-35.6%	$ 233,043	$ 319,006	-26.9%
Net Income	$ 3,493	$ 14,893	-76.6%	$ 9,845	$ 23,243	-57.6%
Net Income Per Share (Basic)	$ 0.05	$ 0.23	-78.3%	$ 0.15	$ 0.35	-57.1%
EBITDA	$ 12,901	$ 27,586	-53.2%	$ 30,624	$ 50,878	-39.8%
EBITDA Per Share (Basic)	$ 0.20	$ 0.42	-54.8%	$ 0.46	$ 0.77	-40.3%

Management's Discussion & Analysis

The commercial aerospace sector continues to be impacted by the general slowdown in the economy and the resulting significant reductions in passenger traffic. In recent weeks, a number of large US carriers have addressed their liquidity issues by reducing capacity, reducing their work forces, postponing aircraft deliveries and, in some instances, declaring bankruptcy. These events have all contributed to a significantly reduced demand for certain civil aviation products. The Corporation's results in the first half of 2002 reflect the impact of these reduced demands and there are indications that the impact will continue to be felt for at least the balance of 2002.

While the Corporation has suffered the impact of these reduced demands, there have also been positive indicators in the award of new long-term contracts focussed in the defence sector. More particularly, the Corporation's backlog at June 30, 2002 is in excess of the backlog levels which existed at December 31, 2001.

Results from Operations

Consolidated revenues for the second quarter were $105.0 million, a decrease of 35.6% from the second quarter of 2001. Reduced sales to Boeing and delayed work orders on some key contracts, such as the Airbus A340, contributed to the reduced sales level. Gross profits fell to $15.2 million (14.5% of revenues) for the second quarter of 2002 from $32.6 million (19.4% of revenues) during the same period in 2001, due in part to the decreased sales levels. As well, certain one-time operating costs were expensed during the second quarter to adjust manufacturing operations to the lower activity levels. Further reductions in operating costs are underway and these measures should benefit the remainder of 2002.

Administrative and general expenses were $7.9 million for the second quarter or 21.8% lower than the corresponding period in 2001. Included in the administrative and general expenses in the second quarter of 2002 is a foreign exchange gain of $1.5 million incurred on US$ denominated debt. The comparative figures for the second quarter of 2001 include a foreign exchange gain of $1.0 million. Excluding these gains, administrative and general expenses are 9.0% of sales in the second quarter of 2002, compared to a level of 6.2% of sales in the second quarter of 2001. Management is focussed on reducing these costs.

Interest expense declined to $1.8 million in the second quarter of 2002 from $3.4 million in the second quarter of 2001 due primarily to lower interest rates.

Net income for the quarter was $3.5 million, a decrease of $11.4 million when compared to the same period in 2001. Lower margins were partially offset by reduced administrative and general expenses and interest expense during the period ended June 30, 2002. Net income per share for the period ended June 30, 2002, was $0.05, a decrease from $0.23 for the second quarter in 2001. The second quarter net income of 2001 included a gain of $2.5 million ($0.04 per share) due to a one-time favourable tax adjustment as a result of lower tax rates.

Liquidity and Capital Resources

In the quarter ended June 30, 2002, the Corporation generated $1.5 million of cash from operations, a decrease of $16.3 million when compared to the same period in 2001. Lower net income, higher inventory balances and lower accounts payable, were the causes of the reduction in cash generated from operations, offset by a decrease in accounts receivable.

During the quarter ended June 30, 2002, the Corporation invested $10.6 million in new production equipment to modernize current facilities and to enhance its capabilities.

During the quarter, the Corporation amended its banking facilities. The existing facility's maturity was extended by one year to 2005, and the amount of credit under both the operating and term facility was increased. The principal repayment schedule was modified to eliminate further principal repayments in 2002, and provides for lower repayments in future years as well.

Changes in Accounting Policies

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the Corporation has adopted new accounting policies with respect to Goodwill, Foreign Currency Translation, and Stock-Based Compensation. Details of these changes to accounting policies can be found in the notes to the financial statements.

Recent Developments

On July 2, 2002, the Corporation announced an offer to purchase all of the outstanding shares of Haley Industries Limited ("Haley"). Haley produces magnesium and aluminum castings primarily for the aerospace industry. Haley is a public company whose shares trade on the Toronto Stock Exchange, with facilities in Haley, Ontario and Glendale, Arizona.

Under the terms of the offer, Haley shareholders were entitled to receive, at their election, either $2.15 cash or 0.425 common shares of Magellan for each Haley common share. Haley's controlling shareholder, which owns 5,677,050 Haley shares (approximately 54% of outstanding shares), deposited its shares under the offer and elected to be paid under the cash option. As of August 21, 2002, approximately 72% of Haley's outstanding shares were tendered to the offer. In order to encourage deposits of additional Haley shares, the offer has been extended to September 3, 2002 and the compensation increased to either $2.16 cash or 0.45 common shares of Magellan.

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Summary

Early indications had pointed to an economic recovery in the second half of 2002. The economy has been slower to recover than first anticipated, and the level of business travellers to U.S. full service airlines has been below expectations. The impact of this has been poor operating results for major US airlines. Some of these airlines have pushed out deliveries of new aircraft, which will in turn, result in schedule changes to Boeing and other customers supplying to Boeing. On the positive side, low-cost airlines continue to flourish. As well, conditions in Asia have shown signs of recovery and Asian airlines have begun to order new aircraft. European airlines have also indicated that traffic growth is picking up.

In spite of the reduced sales, Magellan is seeing numerous new opportunities to quote for new business for both current and new customers. As previously mentioned, Magellan backlog has been growing and is now at its highest level since the spring of 2001. The acquisition of Haley will bring additional opportunities to Magellan, as it will now be able to offer more complete solutions for casting and machining capabilities to its customers. Magellan is well positioned to take advantage of the recovery in the aerospace industry.

On behalf of the board

N. Murray Edwards
Chairman and Chief Executive Officer
August 23, 2002

Richard A. Neill
President and Chief Operating Officer