

## MANAGEMENT SOLICITATION

**This Management Information Circular is furnished in connection with the solicitation of proxies by the Management of the Corporation for use at the Annual and Special Meeting (the "Meeting") of Shareholders to be held at Wyndham Bristol Place Hotel, 950 Dixon Road, Toronto, Ontario M9W 5N4 on Wednesday, the 12th day of May, 2004, at 2:00 o'clock in the afternoon (Toronto time) for the purposes set out in the accompanying Notice of Meeting. This solicitation is made by the Management of the Corporation.** It is expected that the solicitation will primarily be by mail. Proxies also may be solicited personally or by telephone by officers and directors of the Corporation. The cost of solicitation will be borne by the Corporation. The information contained herein is given as of March 31, 2004.

The form of proxy forwarded to holders of Common Shares with the Notice of Meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. Management knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to Management should properly come before the Meeting, the Common Shares represented by proxies in favour of Management nominees will be voted on such matters in the discretion of the Management nominees.

The form of proxy affords a Shareholder an opportunity to specify that the Common Shares registered in the Shareholder's name shall be voted for or withheld from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors and voted for or against the resolutions to amend the Corporation's Directors Stock Plan and the Employee Share Purchase Plan.

On any ballot that may be called for, the Common Shares represented by proxies in favour of Management nominees will be voted or withheld from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors and will be voted for or against the resolutions to amend the Corporation's Directors Stock Plan and the Employee Share Purchase Plan in accordance with the specifications made by Shareholders.

**THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF EACH OF (I) THE ELECTION OF THE PERSONS NOMINATED BY MANAGEMENT AND NAMED HEREAFTER UNDER THE CAPTION "ELECTION OF DIRECTORS" AS DIRECTORS OF THE CORPORATION, (II) THE APPOINTMENT OF ERNST & YOUNG LLP AS THE AUDITORS OF THE CORPORATION, (III) A RESOLUTION AUTHORIZING THE DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS, (IV) A RESOLUTION APPROVING THE AMENDMENT TO THE CORPORATION'S DIRECTORS STOCK PLAN, AND (V) A RESOLUTION APPROVING THE AMENDMENT TO THE CORPORATION'S EMPLOYEE SHARE PURCHASE PLAN.**

A proxy given by a Shareholder for use at the Meeting may be revoked at any time prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the Shareholder who has given the proxy or by his attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of such corporation, either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

## NOTICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of the Shareholders of the Corporation do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting Common Shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications Corporation ("ADP"). ADP typically mails a scannable Voting Instruction Form in lieu of the Form of Proxy. The Beneficial Holder is requested to complete and return the Voting Instruction Form to them by mail or facsimile. Alternatively the Beneficial Holder can call a toll-free telephone number or use the Internet to vote the Common Shares held by the Beneficial Holder. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Common Shares directly at the Meeting as the Voting Instruction Form must be returned as directed by ADP well in advance of the Meeting in order to have the Common Shares voted.**

## BUSINESS OF THE MEETING

### ELECTION OF DIRECTORS

The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the Annual and Special Meeting of Shareholders. Each of the persons whose name appears below is proposed to be elected as a director of the Corporation to serve until the next annual meeting of the Shareholders or until his successor is elected or appointed. The Board of Directors (or the "Board") of the Corporation has determined the board of directors will be comprised of nine members to be elected at the Meeting. It is intended that on any ballot that may be called for relating to the election of directors, the Common Shares represented by proxies in favour of Management proxy nominees will be voted in favour of the election of such persons as directors of the Corporation unless the holder of such Common Shares has specified in his, her or its proxy that such Common Shares are to be withheld from voting in respect of the election of directors. In the event that any vacancies occur in the slate of Management nominees, it is intended that discretionary authority shall be exercised to vote the Common Shares represented by proxies in favour of Management nominees for the election of such other persons as directors as may be determined by the Management proxy nominees in accordance with their best judgment.

<b>Name and Year First Became Director</b>	<b>Principal Occupation</b>	<b>Position with the Corporation</b>	<b>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</b>
N. Murray Edwards (1995)	Chairman of Magellan Aerospace Corporation since 1995 and President, Edco Financial Holdings Ltd. (private consulting and management company). Currently serves on the board of Canadian Natural Resources Limited, Ensign Resources Service Group Inc. and Penn West Petroleum Ltd.	Chairman and Director	21,841,952 <sup>3</sup>
Richard A. Neill (1996)	President and Chief Executive Officer, Magellan Aerospace Corporation	President, Chief Executive Officer and Director	180,181
William G. Davis <sup>3</sup> (1989)	Counsel, Torys LLP (law firm). Currently serves on the board of First American Corporation, First American Title Insurance Company, BPO Properties Ltd., Home Capital Group Inc., Home Trust Company, Magna Entertainment Corp., MI Developments Inc., NIKE Canada, Ltd. and St. Lawrence Cement Group Inc.	Director	8,945
William A. Dimma <sup>1,2</sup> (1989)	Corporate Director. Currently serves on the board of Home Capital Group Inc., Minacs Worldwide Inc. and Brascan Financial Corporation	Director	17,945
Bruce W. Gowan <sup>1,3</sup> (1990)	Corporate Director	Director	41,272
Donald C. Lowe <sup>3,4</sup> (1992)	Corporate Director. Currently serves on the board of BluMont Capital Inc., Integrated Asset Management Corp. and Brascan Financial Corporation	Director	158,027
Larry G. Moeller <sup>4</sup> (1995)	Vice-President, Finance, Edco Financial Holdings Ltd. (private consulting and management company). Currently serves on the board of Ceramic Protection Corporation and Imperial Metals Corporation.	Director	1,032,095
James S. Palmer <sup>1,2</sup> (1995)	Chairman, Burnet, Duckworth & Palmer LLP (law firm). Currently serves on the board of Canadian Natural Resources Limited, Rogers Sugar Income Fund, Rally Energy Corporation and Frontier Oil Corporation (Director Emeritus).	Director	122,945
M. Douglas Young <sup>2,4</sup> (1999)	Chairman, Summa Strategies Canada Inc. (strategic counselling firm). Currently serves on the board of Heating Oil Partners Income Fund, Australia Railroad Group PTY Ltd., Genesee & Wyoming Inc., Connors Bros. Income Fund and Tesma International Inc.	Director	61,101

**Notes:**

- (1) Member of the Audit Committee
- (2) Member of the Governance and Nominating Committee
- (3) Member of the Human Resources and Compensation Committee
- (4) Member of the Environmental and Safety Committee
- (5) In addition, Mr. Edwards beneficially owns directly or indirectly \$15 million principal amount of 8.5% convertible debentures issued by the Corporation on January 7, 2003.

A record of attendance by directors at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the twelve month period ended December 31, 2003, are set out in Schedule "A" to this Management Information Circular.

**APPOINTMENT OF AUDITORS**

Management proposes to nominate Ernst & Young LLP, Chartered Accountants, of Toronto, Ontario as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. Ernst & Young LLP have been the auditors of the Corporation for more than five years.

**REMUNERATION OF AUDITORS**

In the past, the directors have negotiated, on an arm's length basis, the remuneration of the auditors with the auditors of the Corporation. Such remuneration has been based upon the complexity of the matters dealt with by the auditors and the time spent by the auditors in providing services to the Corporation. Management feels that the remuneration negotiated in the past with the auditors of the Corporation has been reasonable in the circumstances and would be comparable to fees charged by other auditors providing similar services. Accordingly, on any ballot that may be called for relating to the authorization of the board of directors to fix the remuneration of the auditors, the Common Shares represented by proxies in favour of Management nominees will be voted in favour of the resolution authorizing the directors to fix the remuneration of the auditors, unless a Shareholder has specified in his, her or its proxy that such shares are to be withheld from voting in the authorization of the directors to fix the remuneration of the auditors.

Fees accrued to the Corporation's auditors, Ernst & Young LLP, for services rendered for fiscal year 2003 are as follows: for audit services \$464,000, for audit related services \$37,000 and for tax related services \$85,000.

**AMENDMENT TO THE DIRECTORS STOCK PLAN**

At the Meeting, Shareholders will be asked to vote on an ordinary resolution to approve the amendment of the Corporation's directors stock plan (the "Directors Stock Plan") to increase by 100,000 Common Shares the maximum aggregate number of Common Shares of the Corporation that may be issued pursuant to the terms of the Directors Stock Plan. This amendment will result in 175,000 Common Shares being the total number of Common Shares issuable pursuant to the Directors Stock Plan, representing less than 0.3% of the outstanding Common Shares of the Corporation.

The Board of Directors of the Corporation approved the Directors Stock Plan on December 15, 1995 to be effective on January 1, 1996 which is intended to encourage stock ownership

by, and to provide effective incentives for, the directors of the Corporation to promote the success and business of the Corporation and to reward such directors in relation to the long-term performance and growth of the Corporation. Currently, the total number of Common Shares available to be issued pursuant to the Directors Stock Plan is 19,814 and the only recipients of shares under the Directors Stock Plan are directors who would otherwise be entitled to director's fees of the Corporation. The issuance of Common Shares represents payment of 50% of the annual fees of directors to be paid each year by the Corporation. The Board of Directors of the Corporation may amend or cancel the Directors Stock Plan, subject to regulatory approvals in the case of any amendments. The number of Common Shares to be issued each year will be based on the weighted average trading prices of the Common Shares of the Corporation on the first two trading days of the calendar year in which the entitlement is earned.

The Corporation issued 14,100 Common Shares under the Directors Stock Plan at a price of \$3.35 per Common Share in respect of \$47,250 of fees otherwise payable to participating directors in respect of the financial year ended December 31, 2003.

The amendment requires approval by a disinterested shareholder vote at the Meeting. A disinterested vote in respect of the Directors Stock Plan requires the approval of a majority of votes cast, in person or by proxy at the meeting, other than by any director who is a participant in the Directors Stock Plan, or by any other person, in respect of any Common Shares which any such director has direct or indirect beneficial ownership over, under applicable securities laws. Accordingly, 23,284,282 Common Shares held by such directors will not be counted in respect of the resolution relating to the Directors Stock Plan.

If the amendment is not passed, the Directors Stock Plan will come to an end in 2005. The Corporation would then be required to replace this form of compensation by direct cash payment to the directors. It is not in the Shareholders' best interests for the Corporation to pay such cash amounts when a lower cost, alternative compensation program is possible.

**Each of the Human Resources and Compensation Committee and the Board of Directors believe that amending the Directors Stock Plan is in the best interests of the Shareholders of the Corporation and recommends that Shareholders vote in favour of the proposed resolution relating to the Directors Stock Plan.** It is intended that on any ballot that may be called for relating to the amendment to the Directors Stock Plan, the Common Shares (except for the Common Shares held by directors) represented by proxies in favour of Management proxy nominees will be voted in favour of the resolution relating to the Directors Stock Plan unless the holder of such Common Shares has specified in his, her or its proxy that such Common Shares are to be voted against the resolution.

### **Shareholder Approval**

Shareholders will be asked at the Meeting to pass the following resolution relating to the foregoing amendment. **The resolution to approve the amendment requires the approval of a majority of disinterested votes cast by Shareholders who vote in respect of the resolution.**

BE IT RESOLVED THAT the amendment to the Corporation's Directors Stock Plan to increase by 100,000 Common Shares the maximum aggregate number of Common Shares of the Corporation that may be issued pursuant to the terms thereunder is hereby ratified and approved.

### **AMENDMENTS TO THE EMPLOYEE SHARE PURCHASE PLAN**

At the Meeting, Shareholders will be asked to vote on an ordinary resolution to approve the amendment of the Corporation's Employee Share Purchase Plan (the "Employee Plan") to increase by

250,000 Common Shares the maximum aggregate number of Common Shares of the Corporation that may be issued pursuant to the terms of the Employee Plan. This amendment will result in 650,000 Common Shares being the total number of Common Shares issuable pursuant to the Employee Plan, representing less than 0.8% of the outstanding Common Shares of the Corporation.

The Employee Plan, which has been in place since 1986, is intended to encourage stock ownership by, and to provide effective incentives for, certain employees of the Corporation to promote the success and business of the Corporation and to reward such employees in relation to the long term performance and growth of the Corporation. The Employee Plan covers certain designated employees who have been employed by the Corporation for at least six months. Under the terms of the Employee Plan, employees contribute funds into a trust to acquire the Corporation's Common Shares. The Corporation funds the purchase of one additional share for every two shares purchased by employees who qualify for this matching under the terms of the Employee Plan. In 2003 employees purchased 59,664 Common Shares through the Employee Plan and the Corporation funded the purchase of 19,160 Common Shares under the related vesting provision.

The amendment to the Employee Plan is subject to approval by a majority of votes cast at the Meeting.

If the amendment is not passed the Employee Plan will come to an end prior to the end of 2004. The Corporation would then be required to replace this form of compensation with compensation under an alternative cash-based program. It is not in the Shareholders' best interests for the Corporation to pay such cash amounts when a lower cost, alternative compensation program is possible.

**Each of the Human Resources and Compensation Committee and the Board of Directors believe that amending the Employee Plan is in the best interests of the Shareholders of the Corporation and recommends that Shareholders vote in favour of the proposed resolution relating to the Employee Plan.** It is intended that on any ballot that may be called for relating to the amendments to the Employee Plan, the Common Shares represented by proxies in favour of Management proxy nominees will be voted in favour of the resolution relating to the Employee Plan unless the holder of such Common Shares has specified in his, her or its proxy that such Common Shares are to be voted against the resolution.

### **Shareholder Approval**

Shareholders will be asked at the Meeting to pass the following resolution relating to the foregoing amendment. **The resolution to approve the amendment requires the approval of a majority of votes cast by Shareholders who vote in respect of the resolution.**

BE IT RESOLVED THAT the amendment to the Corporation's Employee Share Purchase Plan to increase by 250,000 Common Shares the maximum aggregate number of Common Shares of the Corporation that may be issued pursuant to the terms thereunder is hereby ratified and approved.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of Common Shares, of which 79,350,405 Common Shares are issued and outstanding. Each Common Share carries one vote in respect of each matter to be voted upon at the Meeting of Shareholders. Holders of outstanding Common Shares of record at the close of business on April 5, 2004 are entitled to vote at the Meeting of Shareholders except to the extent that a person has transferred any Common Shares after that date and the transferee of such Common Shares

establishes proper ownership and requests not later than 10 days before the Meeting that the transferee's name be included in the list of Shareholders eligible to vote at the Meeting.

To the knowledge of the directors and officers of the Corporation, other than as set out in the table below, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the voting rights attached to any class of voting shares of the Corporation.

<b>Name and Address of Holder</b>	<b>Class of Shares</b>	<b>Type of Ownership</b>	<b>Number of Shares</b>	<b>Percentage of Common Shares</b>
N. Murray Edwards Calgary, Alberta	Common Shares	Direct and Indirect	21,841,952 <sup>1</sup>	27.5%

**Note:**

1. In addition, Mr. Edwards beneficially owns directly or indirectly \$15 million principal amount of 8.5% convertible debentures issued by the Corporation on January 7, 2003.

The directors and senior officers of the Corporation, as a group, hold 23,552,601 Common Shares representing approximately 29.7% of the outstanding voting shares of the Corporation.

### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The fundamental responsibility of the Board of Directors is to appoint a competent executive team and to oversee the management of the Corporation's business, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control.

The Board of Directors and management of the Corporation believe that effective corporate governance is essential to enhancing and protecting shareholder value. The Toronto Stock Exchange (the "TSX") adopted a set of guidelines (the "Guidelines") relating to corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board, management and shareholders. All corporations listed on the TSX must now annually disclose their approach to corporate governance with specific reference to each of the Guidelines. The Board believes the Corporation is in compliance with the TSX Guidelines. Under the heading "Statement of Corporate Governance Practices" set out in Schedule "B" to this Management Information Circular, the Corporation's governance procedures are compared with the TSX guidelines for corporate governance.

In the last year, both management and the Board have monitored and, where appropriate, responded to regulatory developments aimed at improving corporate governance, increasing corporate accountability and enhancing the transparency of public company disclosure.

In accordance with the mandate adopted by the Board in 2003, its specific responsibilities are to establish and maintain an appropriate system of corporate governance including practices to ensure the Board functions effectively and independently of management, including reserving a portion of all Board and Board committee meetings for in camera discussions without management present; reviewing and evaluating the strategic planning process and approving and monitoring the corporate strategic plan; ensuring that systems are in place to identify significant risks to the Corporation and to monitor and mitigate the risks; and that an adequate system of internal control is maintained to safeguard the Corporation's assets and the integrity of its financial and other reporting systems.

To assist the Board in the implementation of its mandate and key policies, it delegates some of its responsibilities to committees. The Board has an Audit Committee, a Human Resources and Compensation Committee and a Governance and Nominating Committee each of which is comprised entirely of outside and unrelated directors. The Board also has an Environmental and Safety Committee composed entirely of outside directors, the majority of which are unrelated.

The Corporation has a non-executive Chairman of the Board. The Board considers the Chairman to be a related director because he has been a member of management within the last three years. The fundamental responsibilities of the Chairman of the Board are to provide leadership, manage the Board and ensure it carries out its responsibilities effectively, to ensure that the responsibilities of the Board are well understood by both the Board and management and that the boundaries between the Board and management are clearly understood and respected, and to represent the Corporation to external groups.

The Corporation has a sound governance structure in place at both management and Board levels and a comprehensive system of internal controls relating to financial record reliability. These structures and systems are continually assessed, reviewed and enhanced in light of ongoing regulatory developments affecting corporate governance, accountability and disclosure. The Board has reviewed and amended the Corporation's corporate governance practices and will continue to do so on an ongoing basis in response to evolving standards. In addition, during the last year the Governance and Nominating Committee has reviewed and revised, and the Board has approved and adopted such revisions to, the charters for each of the Audit Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee, and the Environmental and Safety Committee. For copies of the Corporation's guidelines and committee charters please contact the Secretary of the Corporation at the head office, Magellan Aerospace Corporation, 3160 Derry Road East, Mississauga, Ontario, L4T 1A9.

#### **Audit Committee**

The Audit Committee has the responsibility of overseeing the Corporation's oversight responsibilities with respect to the reliability and integrity of accounting principles and practices, financial statements and other financial reporting, disclosure practices, risk management, the performance, qualifications and independence of the external auditor, the performance of the internal audit function, and legal and regulatory compliance. In fulfilling its mandate during the year, the Audit Committee reviews the annual and quarterly financial statements, financial information contained in publicly disseminated documents and the annual external auditors' report and recommends the retention and, if appropriate, the removal of the external auditors. It also approves all audit services and pre-approves all permitted non-audit services to be provided by the external auditors.

#### **Human Resources And Compensation Committee**

The Human Resources and Compensation Committee has the responsibility to monitor executive management's performance assessment and succession planning, reviewing compensation and human resources issues and reviewing the evaluation of the Chief Executive Officer's ("CEO") performance and recommending to the Board the CEO's compensation.

#### **Governance And Nominating Committee**

The Governance and Nominating Committee has the responsibility of monitoring the composition of the Board and its committees and overseeing corporate governance matters. This Committee reviews the corporate governance principles applicable to the Corporation and monitors its disclosure policies.



## **Environmental And Safety Committee**

The Environmental and Safety Committee has the responsibility of overseeing the development and implementation of environmental and safety policies, procedures and guidelines, assessing corporate environmental and safety practices and reviewing the Corporation's business plan to ascertain whether environmental and safety issues are adequately taken into consideration.

## **EXECUTIVE COMPENSATION**

### **REPORT ON EXECUTIVE COMPENSATION**

The Corporation's executive compensation program is administered by the Human Resources and Compensation Committee of the Board of Directors (the "Committee"). As part of its mandate, the Committee has primary responsibility for making recommendations to the Board of Directors with respect to the appointment and remuneration of executive officers of the Corporation. The Committee also evaluates the performance of the Corporation's senior executive officers and reviews the design and competitiveness of the Corporation's compensation plan. The Committee met once during the financial year ended December 31, 2003.

### **Executive Compensation Program**

The Corporation's executive compensation reflects the Corporation's desire to remunerate its executives at a level commensurate with the market rate for executives with similar levels of responsibility. The basis for compensation to be paid to each executive officer consists of a base amount and, in most cases, performance-oriented incentive compensation. Incentive compensation is contingent upon both the short-term and the long-term performance of the Corporation and the individual contribution towards that performance made by the executive officer concerned.

### **Base Compensation**

Annual base salary levels for executive officers of the Corporation are reviewed annually based on performance, industry compensation levels, the size of the business unit for which the executive bears responsibility, the number of employees under direct and indirect supervision and the ability of the Corporation to pay. The recommendations of the Committee are then presented to the Board of Directors for approval prior to implementation.

### **Annual Bonus**

Employees, including executive officers, are eligible for annual incentive awards which are determined by the Committee, subject to approval by the Board of Directors, with reference to the performance of their business unit as well as the Corporation as a whole. Performance is measured by comparing actual results against projected results, with specific reference to profit and asset control.

### **Stock Options**

The Corporation's Employee Stock Option Plan is administered by the Committee. The Employee Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the long term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance. The Committee has the sole discretion to determine the key employees to whom it recommends that grants of options be made and to determine the terms of the options forming part of such grant.

The Committee prepares recommendations on the allocation of stock options and presents these recommendations to the Board of Directors for modification or approval. Any grant by and any determination made by the Committee requires confirmation by the Board of Directors.

For more details on the Employee Stock Option Plan, see "Management Incentive Plans and Other Arrangements with Officers – Stock Option Plan".

### **Chief Executive Officer Compensation**

The Summary Compensation Table summarizes the compensation data for the President and Chief Executive Officer and other Named Executive Officers under the caption "Compensation of Officers".

The President and Chief Executive Officer's annual compensation is set by the Board of Directors and comprises the components described above based on the same criteria and measures set forth above. The individual performance of the President and Chief Executive Officer is measured against the goals, objectives and standards set by the Committee. The goals include both financial and non-financial dimensions, covering performance in the following areas: financial performance; marketing; operations; human resources management; technology and information infrastructure management; strategic planning; and corporate governance.

Based on a review of the foregoing, the Committee rates the performance of the President and Chief Executive Officer as part of his performance review and recommends to the Board of Directors his compensation based on his and the Corporation's performance.

Mr. Edwards, Chairman of the Corporation and a related director, was a member of the Human Resources and Compensation Committee for the period January 1, 2003 to March 26, 2004. Following Mr. Edwards' resignation from the Committee, the Committee is constituted with all independent and unrelated directors.

Submitted by the Human Resources and Compensation Committee of the Board of Directors:

William G. Davis (Chairman)

Bruce W. Gowan

Donald C. Lowe

## COMPENSATION OF OFFICERS

The following table, presented in accordance with the Regulation made under the *Securities Act* (Ontario), sets forth all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries in respect of each of the individuals who served as a senior officer of, or who had a policy-making function in respect of, the Corporation during the financial years ended December 31, 2003, December 31, 2002, or December 31, 2001 (the "named executive officers").

Name and Principal Position	Fiscal Year Ended	Annual Compensation			Long-Term Compensation	All Other Compensation (\$)	
		Salary (\$)	Bonus (5) (\$)	Other Annual Compensation (6) (\$)	Awards Securities under Options, Granted (#)		
Richard A. Neill	Dec. 31, 2003	240,000	35,000	–	–	16,746	(1)
President and Chief Executive Officer	Dec. 31, 2002	230,000	–	–	50,000	16,193	
	Dec. 31, 2001	220,000	188,583	–	50,000	15,499	
J. Stephen Tosi	Dec. 31, 2003	233,392	50,210	–	–	16,231	(3)
President, Magellan Aerospace USA, Inc.							
James S. Butyniec	Dec. 31, 2003	236,491	24,000	–	–	17,857	(4)
Senior Vice President and Chief Operating Officer Canadian Operations							
John B. Dekker	Dec. 31, 2003	151,410	4,410	–	–	1,338	(2)
Vice-President Finance and Corporate Secretary	Dec. 31, 2002	147,000	–	–	15,000	1,291	
	Dec. 31, 2001	140,000	44,100	–	15,000	1,342	
William A. Matthews	Dec. 31, 2003	149,205	4,410	–	–	11,602	
Vice-President Marketing	Dec. 31, 2002	146,625	–	–	10,000	11,305	
	Dec. 31, 2001	142,500	44,888	–	10,000	10,680	

### Notes:

- Mr. Neill was appointed Chief Executive Officer of the Corporation on November 7, 2002. In the case of Mr. Neill, all other compensation consists of contributions by the Corporation to a defined contribution plan.
- Mr. Dekker participates in the Fleet Industries Pension Plan (the "Pension Plan"). The amount of pensions payable under the Pension Plan to Mr. Dekker and others is determined as 1.2% of such person's highest average earnings. Highest average earnings are defined as the average of a person's highest 36 consecutive months of earnings during that person's service with the Corporation. Pensions are not reduced by Canada Pension Plan payments. The following table shows the total annual retirement benefits payable under the Pension Plan to an eligible person (based on a straight line annuity) in the specified compensation and years of service categories assuming retirement at age 65 or over. Mr. Dekker has a contract with the Corporation which provides that if his employment is terminated by him or by the Corporation within one year following a change of control of the Corporation (other than for cause), he will be entitled to the value of one year's remuneration and benefits and one half of the aggregate amounts paid to him during the preceding 2 years on account of bonus, profit sharing or other incentive compensation.

**PENSION PLAN TABLE**

Highest Average Earnings	Years of Service				
	15	20	25	30	35
\$ 100,000 .....	18,000	24,000	30,000	36,000	40,000
125,000 .....	22,500	30,000	37,500	45,000	50,000
160,000 .....	25,833	34,444	43,055	51,677	57,402
175,000 .....	25,833	34,444	43,055	51,677	57,402
200,000 .....	25,833	34,444	43,055	51,677	57,402

Mr. Dekker had 18 years of credited service under the Pension Plan as at December 31, 2003.

- Mr. Tosi was appointed an officer of the Corporation on May 14, 2003. Since 1999, Mr. Tosi has been President of Magellan Aerospace USA, Inc.
- Mr. Butyniec was appointed Senior Vice President and Chief Operating Officer, Canadian Operations on May 14, 2003. For the previous 5 years, he served as Vice-President and General Manager at the Corporation's subsidiary Bristol Aerospace Limited.
- Bonuses are shown in the year that they are earned but are paid in the subsequent year.
- Aggregate perquisites and other personal benefits that do not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus are not included.

**MANAGEMENT INCENTIVE PLANS AND  
OTHER ARRANGEMENTS WITH OFFICERS**

**Stock Option Plan**

The Corporation maintains the Employee Stock Option Plan. Eligibility for participation under the Employee Stock Option Plan is confined to directors, officers and employees of the Corporation and its subsidiaries. The number of Common Shares that may be optioned at any time is limited to 8,200,000 in total, and 5% of the outstanding Common Shares with respect to any one participant in the Employee Stock Option Plan. The exercise price in respect of any option issued under the Employee Stock Option Plan shall be fixed by the Board of Directors and may not be less than the then prevailing market price of the Common Shares. Options issued under the Plan may be exercised during a period determined by the Board of Directors which may not exceed 10 years, are non-assignable and terminate immediately upon the termination of the participant's employment for just cause and 30 days after the resignation of the participant or the termination of the participant's employment without just cause.

During the year ended December 31, 2003, no options were granted to the named executive officers to acquire Common Shares. As of March 31, 2004, options to purchase an aggregate of 1,948,000 Common Shares are currently outstanding under the Employee Stock Option Plan at prices ranging from \$4.80 to \$7.75 per share.

The following table sets forth, with respect to the named executive officers, the number of Options/SARs exercised and Options/SARs unexercised and the value of in-the-money stock options at December 31, 2003:

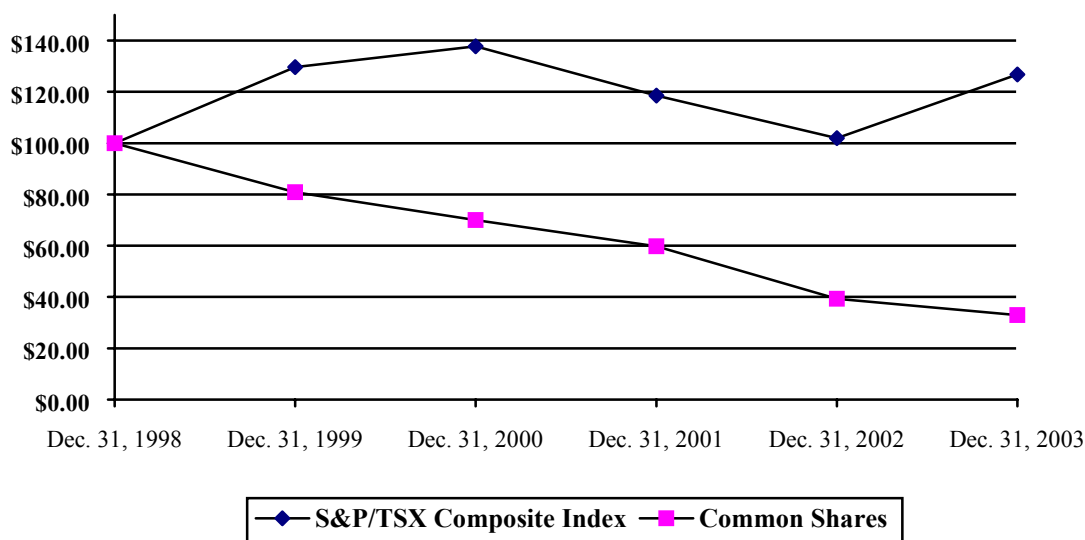
**AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES**

Name	Securities Acquired or Exercised (#)	Aggregate Value Realized (\$)	Unexercised Stock Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Stock Options/SARs at FY-End (\$) Exercisable/ Unexercisable
Richard A. Neill	-	-	140,000/110,000	- / -
J. Stephen Tosi	-	-	54,000/66,000	- / -
James S. Butyniec	-	-	51,000/54,000	- / -
John B. Dekker	-	-	26,000/29,000	- / -
William A. Matthews	-	-	13,000/17,000	- / -

Based upon a year-end market price of \$2.75 per Common Share, the value of the exercisable options (market value of Common Shares less exercise price) at December 31, 2003 was nil.

**Performance Graph**

The following graph shows changes over the five-year period ended December 31, 2003 in the value of \$100 invested on December 31, 1998 in: (1) the Common Shares; and (2) the S&P/TSX Composite Index:



	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003
S&P/TSX Composite Index	\$100.00	\$129.72	137.74	\$118.54	\$101.98	\$126.75
Common Shares	\$100.00	\$80.84	\$70.06	\$59.88	\$39.28	\$32.93

**Note:**

(1) The S&P/TSX Composite Index is the total return index.

## **Compensation of Directors**

For the 2003 fiscal year, due to the challenging environment faced by the Corporation, the directors agreed to a ten (10%) per cent reduction in director's fees. In addition, Messrs. Edwards and Moeller waived 100% of their directors fees in light of the difficult market conditions facing the Corporation. As of January 1, 2004, each director who is not a salaried employee of the Corporation or any of its subsidiaries is entitled to be paid an annual fee of \$15,750 per annum for such individual's services as a director. The directors are also entitled to a fee of \$900 for each meeting attended in person of the Board of Directors or of any standing committee and \$450 for each such meeting attended by telephone. In respect of the financial year ended December 31, 2003, on an annual basis, aggregate cash compensation paid to all directors was \$115,200 and the Corporation issued 14,100 Common Shares under the Directors Stock Plan at a price of \$3.35 per Common Share in respect of \$47,250 of fees otherwise payable to participating directors. The remuneration described above is paid quarterly in arrears. Directors are also entitled to the reimbursement of their expenses incurred in attending meetings. In addition, directors that have served in such capacity for more than five years are entitled, upon their resignation, to receive a lump sum payment equal to the annual amount then payable to each director for service as a director.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the current directors or senior officers of the Corporation and none of their respective associates is or has been indebted to the Corporation or any of its subsidiaries at any time during the fiscal year ended December 31, 2003.

## **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors and senior officers of the Corporation, proposed management nominees for election as a director, any shareholder who beneficially owns more than 10% of the shares of the Corporation, or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation's last completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its affiliates, other than as described in this Management Information Circular.

## **DIRECTORS' AND OFFICERS' INSURANCE**

Directors' and officers' liability insurance has been purchased by the Corporation for the benefit of the directors and officers of the Corporation and its subsidiaries. The current insurance coverage is for the term July 1, 2003 to June 30, 2004. The premium for such insurance was \$93,819.97, which was paid by the Corporation. Neither directors nor officers will pay any portion of the premium. The aggregate insurance coverage obtained under the policy is limited to \$15,000,000 for any one loss. The deductible to be borne by the Corporation is \$1,000,000 in respect of any one loss.

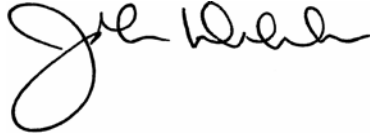
## **ADDITIONAL INFORMATION**

Copies of this Management Information Circular, the Annual Report which contains the comparative audited financial statements of the Corporation, any interim financial statements subsequent to those statements contained in the Annual Report and Management's Discussion and Analysis may be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) or upon request from the Secretary of the Corporation at the head office, Magellan Aerospace Corporation, 3160 Derry Road East, Mississauga, Ontario, L4T 1A9. Telephone: (905) 677-1889; Facsimile: (905) 677-5658.

**CERTIFICATE**

The contents and the sending of this information circular have been approved by the Board of Directors of the Corporation.

March 31, 2004

A handwritten signature in black ink, appearing to read "John B. Dekker". The signature is fluid and cursive, with a large initial "J" and "B".

John B. Dekker  
Corporate Secretary

**SCHEDULE "A"****RECORD OF ATTENDANCE**

For the 12-month period ended December 31, 2003

<b><u>Director</u></b>	<b><u>Number of Meetings Attended</u></b>	
	<b><u>Board</u></b>	<b><u>Committees</u></b>
N. Murray Edwards	7	1/1
Richard A. Neill	7	n/a
William G. Davis	6	1/1
William A. Dimma	7	7/7
Bruce W. Gowan	6	5/5
Donald C. Lowe	4	0/2
Larry G. Moeller	6	1/1
James S. Palmer	7	7/7
M. Douglas Young	7	3/3

<b><u>Board of Director and Committee Meetings</u></b>	<b><u>Number of Meetings Held</u></b>
Board of Director	7
Audit Committee	5
Governance and Nominating Committee	2
Human Resources and Compensation Committee	1
Environmental and Safety Committee	1



**SCHEDULE "B"****STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

<b>TSX Guidelines</b>	<b>Compliance</b>	<b>Comments</b>
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, including:	Yes	The Board of the Corporation has explicitly assumed responsibility for the stewardship of the Corporation and has assumed responsibility, both directly and through the activities of the Audit Committee, for the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage those risks and the integrity of the Corporation's internal control and management information systems. The Audit Committee reviews the effectiveness of the overall process for identifying the principal risks affecting the achievement of business plans, including assessing the steps management has taken to monitor, control, report and mitigate such risks to the Corporation.
a) the adoption of a strategic planning process;	Yes	The Board has the responsibility to review and evaluate the strategic planning process and participate in the development of, approve and monitor the corporate strategic plan, which is presented to the Board on an annual basis. The Board meets regularly with the President and Chief Executive Officer.
b) the identification of the principal risks of the Corporation's business and the implementation of appropriate systems to manage these risks;	Yes	The Board meets twice annually with divisional management to review business and strategic plans and business risks. In addition, quarterly meetings of the Board are held to assess the compliance of and progress on the implementation of the business plans as well as to evaluate the management of the principal business risks. The Board through the Audit Committee ensures that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of the Corporation's business. The Board through the Environmental and Safety Committee oversees the Corporation's performance in environmental and safety matters and monitors compliance with regulatory and corporate standards in the Corporation's operations.
c) the integrity of the Corporation's internal control and management information systems;	Yes	The Board through the Audit Committee has the responsibility of monitoring the quality and integrity of the Corporation's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems.
d) succession planning, including appointing, training and monitoring senior management; and	Yes	The responsibility of the Board for the succession planning process with respect to the appointment, training and monitoring of senior management is met through direct discussion at the Board meetings and through the activities of the Human Resources

TSX Guidelines	Compliance	Comments
e) the Corporation's communications policy.	Yes	<p>and Compensation Committee. The Board discusses on a regular basis the succession planning process.</p> <p>The Audit Committee reviews and recommends for Board Approval the audited and unaudited financial statements and other mandatory communication containing financial information. The Board reviews communications, including financial press releases and financial reports to Shareholders, prior to issuance. Senior officers of the Corporation are available to discuss with Shareholders their concerns.</p>
2. The Board should be constituted with a majority of individuals who qualify as unrelated directors.	Yes	<p>The Board is composed of nine directors, six of whom the Board has determined qualify as unrelated. For the purposes of this determination an "unrelated" director is a director who is not a member of management and is free from any interest and any business, family or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from holdings in the Corporation, and who: (a) is not currently, or has not been within the last 3 years an officer or employee of or material service provider to the Corporation of any of its subsidiaries or affiliates; and (b) is not an officer, employee or controlling shareholder of an entity that has a material business relationship with the Corporation.</p>
3. The analysis of the application of the principles supporting the conclusion in paragraph 2 above.		<p>The Governance and Nominating Committee has determined that, other than Messrs. Edwards, Moeller and Neill, the Directors are considered to be unrelated under the Guidelines. Mr. Edwards has been a member of management within the last 3 years. Mr. Moeller is an officer of Edco Financial Holdings Ltd, a private company controlled by Mr. Edwards. Mr. Neill is a member of management. The remaining members of the Board are independent of management and are free from any interest and any business or other relationship (other than interests and relationships arising from shareholdings) which could, or could reasonably be perceived to, materially interfere with any such director's ability to act in the best interests of the Corporation. The Board has determined that Mr. Palmer is unrelated notwithstanding that he is a partner in a law firm that provides legal services to the Corporation. They reviewed the services provided from time to time to the Corporation by Burnet, Duckworth and Palmer LLP ("BD&amp;P"), a law firm of which Mr. J. S. Palmer is the Chairman and a Partner and the amount of fees paid by the Corporation for those services. The Board determined that Mr. J. S. Palmer does not provide</p>

TSX Guidelines	Compliance	Comments
		any legal services personally to the Corporation and that the amount of fees paid in 2003 to BD&P are not material to either the Corporation or BD&P.
4. The Board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	Yes	The Governance and Nominating Committee, which is composed exclusively of outside directors, is responsible for identifying new candidates for appointment to the Board and making recommendations to the Board on corporate governance matters such as the size and composition of the Board; and the structure, responsibility and composition of committees of the Board.
5. The Board should implement a process to be carried out by the Nominating Committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	Yes	The Governance and Nominating Committee is responsible for annually assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. The Committee has instituted for 2004 a formal process to do the foregoing.
6. The existence of an orientation and education program for new recruits to the Board.	Yes	New directors are provided with an orientation program that includes the provision of published and non-published information that details the financial position and describes the business and organizational structures of the Corporation. Each new director is invited to visit the operating facilities and to meet with corporate and divisional management.
7. The size of the Board and the impact of the number of directors upon the Board's effectiveness.	Yes	The Board has determined that the present number of directors is adequate to operate effectively but may add additional directors if the right opportunity presents itself.
8. The adequacy and form of the compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.	Yes	The Board and the Human Resources and Compensation Committee periodically review the compensation of directors and, effective January 1, 2003, revised the directors' compensation in light of the difficult market conditions facing the Corporation.
9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.	Yes	The Audit Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee are each comprised entirely of unrelated directors. The Environmental and Safety Committee is comprised of a majority of unrelated directors.
10. The Board's responsibility for (or a committee of the Board's general responsibility for) developing the Corporation's approach to governance issues.	Yes	The Governance and Nominating Committee is responsible for developing the Corporation's approach to corporate governance and for ensuring the continuing effectiveness of the Board and its various committees.
11. The Board has developed:	Yes	The Board has developed position descriptions for the Board and for the Chief Executive Officer and has

TSX Guidelines	Compliance	Comments
<p>a) position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities; and</p> <p>b) the corporate objectives for which the CEO is responsible for meeting.</p>		<p>established policies and procedures which detail the responsibilities, and authorities of management. The Board approves annual budgets and corporate goals, which the President and Chief Executive Officer is responsible for meeting, and meets regularly with the President and Chief Executive Officer and other managers to establish and monitor corporate objectives.</p>
<p>12. The structures and procedures ensuring that the Board can function independently of management.</p>	<p>Yes</p>	<p>The Board has separated the roles of Chairman and Chief Executive Officer. Mr. Edwards, who has been a director of the Corporation since 1995, is not a member of management. The Board believes sufficient processes are in place to enable them to function independently of management. As part of each meeting of the Board, the Board meets independently of management. The Board has access to information independent of management through the external auditors. The Audit Committee of the Board meets with the Corporation's auditors independent of management.</p>
<p>13.</p> <p>a) The Audit Committee of the Board should be composed only of outside directors.</p> <p>b) The roles and responsibilities of the Audit Committee should be specifically defined.</p> <p>c) The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.</p> <p>d) The Audit Committee's duties should include oversight responsibility for management reporting on internal controls and should ensure that management has designed and implemented an effective system of internal controls.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Audit Committee consists of Messrs. Dimma, Gowan and Palmer, all of whom are unrelated directors. The mandate of the Audit Committee includes oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited and unaudited financial statements and other mandatory disclosure releases containing financial information. The Audit Committee meets regularly with the external auditors of the Corporation, with management and separately, to assess internal controls and management information systems in place and the effectiveness of these systems.</p>
<p>14. The existence of a system which enables an individual director to engage an outside adviser at the expense of the Corporation in appropriate circumstances.</p>	<p>Yes</p>	<p>The Board permits the Directors, when appropriate, to engage outside advisors at the expense of the Corporation. In addition, the Audit Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Environmental and Safety Committee may engage outside resources at the expense of the Corporation.</p>