MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
First Quarter Report
March 31, 2007

Magellan Aerospace Corporation (the "Corporation" or "Magellan") 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 and the United Kingdom, Magellan supplies leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

On May 11, 2007, the Corporation released its financial results for the first quarter of 2007. The results are summarized as follows:

	Three-months ended March 31		
(Expressed in thousands, except per share amounts)	**2007**	**2006**	**Change**
Revenues	$ 144,055	$ 137,022	5.1 %
Gross Profit	$ 15,249	$ 14,314	6.5 %
Net loss	$ (1,747)	$ (658)	-
Net loss per share	$ (0.02)	$ (0.01)	-
EBITDA*	$ 9,513	$ 9,898	-3.9 %
EBITDA* per share	$ 0.11	$ 0.11	-

This quarterly statement contains certain forward-looking statements that reflect the current views and/or expectations of the Corporation with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions which may cause actual results to be materially different from those expressed or implied. The Corporation assumes no future obligation to update these forward-looking statements.

***The Corporation has included certain measures in this quarterly statement, including EBITDA, the terms for which are not defined under Canadian generally accepted accounting principles. The Corporation defines EBITDA as earnings before interest, taxes and depreciation and amortization, and non-cash charges. The Corporation has included these measures, including EBITDA, because it believes this information is used by certain investors to assess financial performance and EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in various jurisdictions. Although the Corporation believes these measures are used by certain investors (and the Corporation has included them for this reason), these measures are unlikely to be comparable to similarly titled measures used by other companies.**

Management's Discussion and Analysis

During the first quarter of 2007, the aerospace industry continued to expand in all major sectors, with growth in the civil airliner and business jet sectors having a positive impact on Magellan. In the airliner sector, production rates for single aisle, and selected twin aisle aircraft, continued to grow well above the record levels of 2000-2001, and Magellan expects this trend throughout 2007. Business jet growth remains very strong, and the resulting growth in small and mid-sized turbofan engines has stretched Magellan's capacity in some areas. More stable, but also showing promise of significant future growth for Magellan, the defence sector is highlighted by the launch of low rate initial production of the F35 Joint Strike Fighter aircraft and associated engines.

Impacting Magellan negatively in the quarter was the fact that aircraft deliveries of the A380 large aircraft program continue to be delayed, as various pre-delivery issues are resolved. However the aircraft has obtained certification from regulators, and is expected to resume deliveries by fourth quarter 2007. The value of Magellan sales delayed in the first quarter was approximately $7 million.

Magellan reached an important milestone in the first quarter when it delivered the first shipment of landing gear components for the Boeing B787 aircraft. Demand for the B787 continues to grow rapidly, with over 500 aircraft now on firm order for deliveries commencing in 2008. Magellan is involved in the landing gear and in key areas of the wing structure.

Revenue increases reflect the increases in existing in-house programs, less the A380 delayed sales and reductions in certain mature aircraft programs, with incremental gains from the new programs, such as the B787 and the F35, which are at the onset of production. The growth in in-house programs, and the introduction into production of these new programs is negatively impacting Magellan as it incurs certain start-up costs and higher levels of inventory.

Revenues

	Three-months ended March 31		
(Expressed in thousands)	**2007**	**2006**	**Change**
Canada	$ 64,642	$ 65,266	-1.0 %
United States	48,063	43,896	9.5 %
United Kingdom	31,350	27,860	12.5 %
Total Revenue	$ 144,055	$ 137,022	5.1 %

Revenues for the first quarter of 2007 were $144.1 million, an increase of $7.1 million or 5.1% over the same period in 2006. The increase in revenue demonstrates the increase in the volumes of underlying shipments as the demand for aerospace components continue to remain strong.

Gross Profit

	Three-months ended March 31		
(Expressed in thousands)	**2007**	**2006**	**Change**
Gross profit	$ 15,249	$ 14,314	6.5 %
Percentage of revenue	10.6 %	10.4 %	

Gross profit for the first quarter of 2007 was $15.3 million or 10.6% of revenues, compared to $14.3 million or 10.4% of revenues in the same period of last year. Gross profit, as a percentage of sales, was consistent in the first quarter of both 2007 and 2006. Benefits from the Corporations ongoing rejuvenation of four of its facilities have started to materialize in the quarter.

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Administrative and General Expenses

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change	% Change
Administrative and general expenses	$ 11,548	$ 10,268	$ 1,280	12.5%
Foreign exchange loss/(gain)	369	(282)	651	230.9%
Total administrative and general expenses	$ 11,917	$ 9,986	$ 1,931	19.3%
Percentage of revenue	8.3 %	7.3%		

Total administrative and general expenses were $11.9 million in the first quarter of 2007. Included in total administration and general expenses is a foreign exchange loss of $0.4 million. Without this item, administrative and general expenses were $11.6 million (or 8.0% of revenues) in the first quarter of 2007 compared to $10.3 million (or 7.5% of revenues) in the same period in 2006. Also included in total administrative and general expenses for the quarter were legal and accounting fees of approximately $2.0 million incurred by the Corporation in relation to a detailed investigation of concerns raised by a former employee regarding the integrity of the Corporation's financial statements. The concerns were thoroughly investigated by PricewaterhouseCoopers ("PWC") who, under the direction of the Corporation's audit committee, prepared a report for the audit committee on their findings. The Corporation's legal counsel has advised the Board of Directors that PWC met with the audit committee and the Corporation's external auditors, and based on the report prepared by PWC, PWC has advised the audit committee that they have not found anything that would undermine the integrity or accuracy of the Corporation's financial statements.

Interest Expense

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change	% Change
Interest on bank indebtedness and long-term debt	$ 2,788	$ 2,024	$ 764	37.7%
Convertible debenture interest	1,488	1,488	-	-
Accretion charge for convertible debt	584	573	11	1.9%
Discount on sale of accounts receivable	814	910	(96)	-10.5%
Total interest expense	$ 5,674	$ 4,995	$ 679	-13.6%

Interest on bank indebtedness and long-term debt increased in 2007 compared to the same period in 2006 due mainly to increased debt levels in the first quarter of 2007. Discount on the sale of accounts receivable decreased due to a lower amount of receivables sold during the quarter. Accretion charge represents the value of the call option related to the Corporation's convertible debentures that is expensed in the period and added to the face value of the convertible debentures.

Provision for (Recovery of) Income Taxes

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change	% Change
Provision for current income taxes	$ 90	$ 92	$ (2)	-2.2%
Recovery of future income taxes	(685)	(101)	(584)	578.2%
Total recovery of income taxes	$ (595)	$ (9)	$ (586)	651.1%
Effective Tax Rate	25.4 %	1.4 %		

The Corporation recorded a recovery of income taxes of $0.6 million for the first quarter of 2007, compared to an income tax recovery of $0.09 million for the second quarter of 2006. The effective rate of recovery of income taxes was 25.4% in the first quarter of 2007 compared with 1.4% in 2006. In the first quarter of 2006, the non-deductible items had a large impact while Magellan operated near break-even levels.

EBITDA

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change
Net loss for the period	$ (1,747)	$ (658)	$ (1,089)
Interest	5,674	4,995	679
Taxes	(595)	(9)	(586)
Stock based compensation	255	180	75
Depreciation and amortization	5,926	5,390	536
EBITDA	$ 9,513	$ 9,898	$ (385)

EBITDA in the first quarter of 2007 was lower by $0.4 million from the first quarter of 2006 due in large part to higher administrative and general expenses. Higher revenue and better gross profit in the first quarter of 2007 compared to 2006 somewhat off-set the negative impact of the higher administrative and general expenses.

Cash Flow from Operating Activities

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change
Increase in accounts receivable	$ (12,609)	$ (4,563)	$ (8,046)
Increase in inventories	(17,340)	(15,957)	(1,383)
Increase in prepaid expenses and other	(814)	(2,727)	1,913
(Decrease)/increase in accounts payable	(3,190)	10,710	(13,900)
Net change in non-cash working capital items	$ (33,953)	$ (12,537)	$ (21,416)
Cash used in operating activities	$ (29,597)	$ (7,153)	$ (22,444)

In the first quarter of 2007, the Corporation used $29.6 million of cash from operations, compared to using $7.2 million of cash in the same period of 2006. Accounts receivable increased as a result of the suspension of the Corporation's five-year accounts receivable securitization program in February 2007. The increase in inventory is due to a general increase in raw materials and work-in-progress which reflects increased demand in the aerospace inventory.

Cash Flow from Investing Activities

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change
Purchase of capital assets	$ (7,086)	$ (3,059)	$ (4,027)
Proceeds from disposals of capital assets	274	96	178
Increase in other assets	(1,022)	(878)	(144)
Cash used in investing activities	$ (7,834)	$ (3,841)	$ (3,993)

The Corporation invested $7.1 million in new equipment and improvements to its facilities to improve manufacturing capacity and enhance its capabilities for current and future programs.

Cash Flow from Financing Activities

(Expressed in thousands)	Three-months ended March 31 2007	Three-months ended March 31 2006	Change
Increase in bank indebtedness	$ 19,808	$ 8,720	$ 11,088
Increase/(decrease) of long-term debt	14,406	(117)	14,523
Increase in long-term liabilities	687	75	612
Dividends on Preference Shares	(400)	-	(400)
Issuance of Common Shares	18	14	4
Cash provided by financing activities	$ 34,519	$ 8,692	$ 25,827

The Corporation renewed its operating credit facility, on March 30, 2007, with its existing lenders. Under the terms of the renewed agreement, the maximum amount available under the operating credit facility was increased by $20 million to $175 million with a maturity date of May 24, 2008. The facility is extendable for unlimited one-year renewal periods and continues to be fully guaranteed by the Chairman of the Board of the Corporation.

On March 30, 2007, the Corporation borrowed $15 million by way of a secured promissory note from a corporation with a common director. This note is due July 1, 2008 and bears interest at a rate of 9% per annum. The note is collateralized and subordinated to the bank credit facility.

Changes in Accounting Policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530 Comprehensive Income, Section 3855 Financial Instruments – Recognition and Measurement and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments. As provided under the standards, the comparative interim consolidated financial statements have not been restated, except for the presentation of translation gains or losses on self-sustaining foreign operations.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. The effect of these changes in accounting policies on net income for the first quarter of fiscal 2007 is not significant.

The reader is referred to Note 2 in the accompanying unaudited consolidated financial statements for the period ended March 31, 2007 for further details regarding the adoption of these standards.

Controls and Procedures

Based on the current Canadian Securities Administrators ("CSA") rules under Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2007 that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

No changes were made in the Corporation's internal control over financial reporting during the Corporation's most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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Outlook

Magellan is hopeful that the improved revenues and gross margins achieved in the first quarter will continue throughout 2007 as increasing demand in several key sectors is converted to higher production levels. Major plant rejuvenation projects will be completed in the second quarter of 2007, bringing increased efficiencies. In addition, strategic sourcing, growing rapidly in emerging market areas as well as locally, should reduce Magellan's average costs, and attract more business to Magellan facilities from key customers.

The Boeing 787 will hopefully continue its outstanding success in the marketplace, and the first aircraft will be rolled out in the third quarter. Production rates will continue to ramp up over the next two years, and Magellan's participation in wing and landing gear components will generate significant revenue opportunities for the Corporation. The F35 Joint Strike Fighter program, supported in the production phase by all partner nations, will experience year-on-year increases in production rates through the next several years. Magellan's successful participation in both airframe and engine development and production activities will refresh and upgrade the Corporation's manufacturing technology, and generate annual increases in revenue through the foreseeable future. Finally, continued growth and strength in the business jet and helicopter sectors will provide Magellan with increased business in components ranging from castings to engines, structural elements and specialty equipment.

Richard A. Neill
Vice Chairman
May 11, 2007

James S. Butyniec
President and Chief Operating Officer