

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		
	2007	2006	Change
<i>(Expressed in thousands, except per share amounts)</i>			
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		
	2007	2006	Change
<i>(Expressed in thousands)</i>			
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		
	2007	2006	Change
<i>(Expressed in thousands)</i>			
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.

Administrative and General Expenses

	Three-months ended March 31		Change	% Change
	2007	2006		
<i>(Expressed in thousands)</i>				
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

	Three-months ended March 31		Change	% Change
	2007	2006		
<i>(Expressed in thousands)</i>				
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

	Three-months ended March 31		Change	% Change
	2007	2006		
<i>(Expressed in thousands)</i>				
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

	Three-months ended March 31		Change
	2007	2006	
<i>(Expressed in thousands)</i>			
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

	Three-months ended March 31		Change
	2007	2006	
<i>(Expressed in thousands)</i>			
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

	Three-months ended March 31		Change
	2007	2006	
<i>(Expressed in thousands)</i>			
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

	Three-months ended March 31		Change
	2007	2006	
<i>(Expressed in thousands)</i>			
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.

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

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
AND RETAINED EARNINGS

(unaudited)

 Three-months ended
 March 31

(Expressed in thousands of dollars, except per share amounts)

	2007		2006	
Revenues	\$	144,055	\$	137,022
Cost of revenues		128,806		122,708
Gross profit		15,249		14,314
Administrative and general expenses		11,917		9,986
Interest		5,674		4,995
		17,591		14,981
Loss before income taxes		(2,342)		(667)
Provision for (recovery of) income taxes				
- Current		90		92
- Future		(685)		(101)
		(595)		(9)
Net loss for the period		(1,747)		(658)
Retained earnings, beginning of period		98,039		107,019
Dividends on preference shares		(400)		-
Net loss for the period		(1,747)		(658)
Retained earnings, end of period	\$	95,892	\$	106,361
Loss per common share				
Basic	\$	(0.02)	\$	(0.01)
Diluted	\$	(0.02)	\$	(0.01)

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS)

(unaudited)

 Three-months ended
 March 31

(Expressed in thousands of dollars, except per share amounts)

	2007		2006	
Net loss	\$	(1,747)	\$	(658)
Other comprehensive loss:				
Unrealized (loss) gain on translation of financial statements of self-sustaining foreign operations		(1,151)		870
Comprehensive income (loss)	\$	(2,898)	\$	212

See accompanying notes

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED BALANCE SHEETS

(unaudited)

**As at March 31
2007**
**As at December 31
2006**
(Expressed in thousands of dollars)
ASSETS
Current

Cash	\$	7,215	\$	9,896
Accounts receivable		70,297		58,066
Inventories (note 3)		292,496		276,462
Prepaid expenses and other		11,150		10,396
Future income tax assets		5,896		5,914
Total current assets		387,054		360,734

Capital assets		265,082		265,078
Other		53,244		52,680
Future income tax assets		6,074		5,829
Total assets	\$	711,454	\$	684,321

LIABILITIES AND SHAREHOLDERS' EQUITY
Current

Bank indebtedness (note 4)	\$	161,296	\$	142,457
Accounts payable and accrued charges		125,148		128,066
Convertible debentures		68,014		-
Current portion of long-term debt		1,835		2,039
Total current liabilities		356,293		272,562

Long-term debt		30,456		15,902
Future income tax liabilities		19,414		20,785
Convertible debentures		-		67,430
Other long-term liabilities		3,422		2,748
Total liabilities		409,585		379,427

Shareholders' equity

Capital stock (note 5)		234,189		234,171
Contributed surplus		2,054		1,799
Other paid in capital		11,100		11,100
Retained earnings		95,892		98,039
Accumulated other comprehensive loss (note 8)		(41,366)		(40,215)
Total shareholders' equity		301,869		304,894
Total liabilities and shareholders' equity	\$	711,454	\$	684,321

See accompanying notes

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited)

Three-months ended
March 31

(Expressed in thousands of dollars)

	2007	2006
OPERATING ACTIVITIES		
Loss for the period	\$ (1,747)	\$ (658)
Add (deduct) items not affecting cash		
Depreciation and amortization	5,926	5,390
Net loss on sale of capital asset	23	-
Stock based compensation	255	180
Accretion of convertible debentures	584	573
Future income taxes recoveries	(685)	(101)
	4,356	5,384
Net change in non-cash working capital items relating to operating activities	(33,953)	(12,537)
Cash used by operating activities	(29,597)	(7,153)
INVESTING ACTIVITIES		
Purchase of capital assets	(7,086)	(3,059)
Proceeds from disposal of capital assets	274	96
Increase in other assets	(1,022)	(878)
Cash used in investing activities	(7,834)	(3,841)
FINANCING ACTIVITIES		
Increase in bank indebtedness	19,808	8,720
Increase (decrease) of long-term debt	14,406	(117)
Increase in long-term liabilities	687	75
Issuance of Common Shares	18	14
Dividends on Preference Shares	(400)	-
Cash provided by financing activities	34,519	8,692
Effect of exchange rate changes on cash	231	(22)
Net decrease in cash during the year	(2,681)	(2,324)
Cash, beginning of period	9,896	7,426
Cash, end of period	\$ 7,215	\$ 5,102

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars except share and per share data)

1. ACCOUNTING POLICIES**Basis of presentation**

The accompanying un-audited consolidated financial statements have been prepared by the Corporation in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited consolidated financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report for the year ended December 31, 2006. The Corporation's external auditors have not reviewed these financial statements.

2. CHANGE IN ACCOUNTING POLICY

The Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income and Section 3861, Financial Instruments – Disclosure and Presentation on January 1, 2007. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges. 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 principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below.

a) Comprehensive Income

Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income includes unrealized exchange gains and losses on translation of self-sustaining foreign operations.

b) Financial Assets and Financial Liabilities

Under the new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized, cost. Held for trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these standards, the Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables. Accounts payable and long-term debt have been classified as other financial liabilities, all of which are measured at amortized cost.

c) Derivatives and Hedges**Derivatives**

All derivative instruments, including embedded derivatives, are recorded in the statement of financial position at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income. The Company has elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2007. The impact of the change in the accounting policy related to embedded derivatives was not material.

Hedge Accounting

At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific firm commitments or forecasted transactions. The Company also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used are effective in offsetting changes in fair values or cash flows of hedged items.

Under the previous standards, derivatives that met the requirements for hedge accounting were generally accounted for on an accrual basis. Under the new standards, all derivatives are recorded at fair value.

As at March 31, 2007 the Corporation's derivative contracts were not designated as hedges and as a result are recorded on the Consolidated Balance Sheets at their fair value. Any change in the fair value during the period are reported in foreign exchange in the Consolidated Statement of 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.

3. INVENTORIES

Due to the long-term contractual periods of the Corporation's contracts, the Corporation may be in negotiation with its customers over amendments to pricing or other terms. Management's assessment of the recoverability of amounts capitalized in inventory may be based on judgements with respect to the outcome of these negotiations. If the negotiations are not successful or the final terms differ from what the Corporation expects, the Corporation may be required to record a loss provision on this contract. The amount of such provision, if any, cannot be reasonably estimated until such amendments are finalized.

4. BANK INDEBTEDNESS

The Corporation has an operating credit facility of \$175,000 with a syndicate of banks. Bank indebtedness as at March 31, 2007 of \$161,296 [December 31, 2006 - \$142,457] is payable on demand and bears interest at the bankers' acceptance or LIBOR rates, plus 0.875% [5.8% at March 31, 2007]. Included in the amount outstanding at March 31, 2007 is US\$85,806 [December 31, 2006 - US\$82,325]. At March 31, 2007, the Corporation had drawn \$161,296 under the operating credit and had issued letters of credit totalling \$1,963 such that \$11,741 was unused and available. A fixed and floating charge debenture on certain of the Corporation's assets is pledged as collateral for the operating loan. The credit facility is fully guaranteed by the Chairman of the Board of Directors. An annual fee of 0.10% of the guaranteed amount or \$175 [2006 - \$155] is paid in consideration for the guarantee.

5. CAPITAL STOCK

The following table summarizes information on share capital and related matters as at March 31, 2007:

	Outstanding	Exercisable
Common Shares	90,842,675	
Common Share stock options	5,349,600	1,140,600
Preference Shares	2,000,000	

The weighted average number of Common Shares outstanding during the three-month period ended March 31, 2007 was 90,837,037.

6. STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The maximum number of options for common shares that remain to be granted under this plan is 1,103. Options are granted at an exercise price equal to the market price of the Corporation's common shares at the time of granting. Options normally have a life of five years with vesting at 20% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the option holder's entitlement to fully vest.

The Corporation accounts for stock options issued after January 1, 2003 using the fair value method. Compensation expense recorded during the three-month period ended March 31, 2007 was \$255 [March 31, 2006 - \$180]. In the three-month period ended March 31, 2007, there were 1,430,000 stock options granted at an exercise price of \$3.20. The fair value of these options was \$1.57.

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The fair value of stock options is estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

Risk-free interest rate	4.0 %
Expected volatility	46 %
Expected life of the options	5 years
Expected dividend yield	0 %

The Black-Scholes option pricing model used by the Corporation to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Corporation's employee stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Corporation's blackout policy, which would tend to reduce the fair value of the Corporation's stock options. Changes to the subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options

7. SEGMENTED INFORMATION

The Corporation is organized and managed as a single business segment, being aerospace, and the Corporation is viewed as a single operating segment by the chief operating decision maker for the purposes of resource allocations and assessing performance.

Capital assets are based on the country in which they are located. Domestic and foreign capital assets consist of:

	As at March 31, 2007				As at December 31, 2006			
	Canada	US	UK	Total	Canada	US	UK	Total
Capital assets	\$ 120,383	\$ 122,516	\$ 22,183	\$ 265,082	\$ 122,082	\$ 120,553	\$ 22,443	\$ 265,078

Revenue is attributable to countries based on the location of the customers. Domestic and foreign revenues consist of:

	Three months ended March 31							
	2007				2006			
	Canada	US	UK	Total	Canada	US	UK	Total
Revenue								
Domestic	\$ 23,447	\$ 41,832	\$ 30,755	\$ 96,034	\$ 23,333	\$ 35,280	\$ 26,795	\$ 85,408
Export	41,195	6,231	595	48,021	41,933	8,616	1,065	51,614
Total revenue	\$ 64,642	\$ 48,063	\$ 31,350	\$ 144,055	\$ 65,266	\$ 43,896	\$ 27,860	\$ 137,022

The major customers for the Corporation for the three-month period ended March 31 are as follows:

	Three-months ended March 31	
	2007	2006
Major Customers		
Canadian operations		
- Number of customers	3	4
- Percentage of total Canadian revenue	35 %	47 %
US operations		
- Number of customers	2	3
- Percentage of total US revenue	51 %	60 %
UK operations		
- Number of customers	1	1
- Percentage of total UK revenue	79 %	85 %

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes foreign currency translation gains and losses, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self-sustaining foreign operations. An unrealized currency translation loss of \$1,151 resulted in the three-month period ended March 31, 2007 [March 31, 2006 – gain of \$870]. This is reflected in the consolidated balance sheets and has no impact on net income.

9. SUPPLEMENTARY INFORMATION

Foreign exchange loss on the conversion of foreign currency denominated working capital balances and debt for the three-month period ended March 31, 2007 was \$369 [March 31, 2006 – gain of \$282].

For additional information contact:

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