This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2014 and 2013, and the Annual Information Form for the year ended December 31, 2014 (available on SEDAR at www.sedar.com). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the year ended December 31, 2014 relative to the year ended December 31, 2013. The information contained in this report is as at March 20, 2015. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward looking statements under the heading "Overview", "2014 and Recent Updates", "Outlook", "Consolidated Revenues", "Liquidity and Capital Resources", "Risk Factors" and "Future Changes in Accounting Policies". In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "could", "expects", "forcasts", "believes", "projects", "plans", "anticipates", and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to the production performance of Magellan's assets and competition throughout the aerospace industry in 2014 and continuation of the current regulatory and tax regimes in the jurisdictions in which the Corporation operates, and necessarily involve known and unknown risks and uncertainties, including the business risks discussed in this MD&A, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Except as required by law, the Corporation does not undertake to update any forward-looking information in this document whether as a result of new information, future events or otherwise.

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA to net income (loss) reported in accordance with IFRS are included in this MD&A.

1. OVERVIEW

A summary of Magellan's business and significant 2014 events

Magellan is a diversified supplier of components to the aerospace industry and in certain applications for power generation projects. Through its wholly owned subsidiaries, Magellan engineers and manufactures aeroengine and aerostructure components for aerospace markets, including advanced products for defence and space markets and complementary specialty products. The Corporation also supports the aftermarket through the supply of spare parts as well as through repair and overhaul services and in certain circumstances parts and equipment for power generation projects.

The Corporation has focused on strengthening operations, strengthening its balance sheet and leveraging core competencies in its strategic business development activities. During 2014, key performance indicators reflected the continued success of the Corporation's MOS™ program. MOS™ is the Magellan Operating System adopted in 2007 which standardizes and instills best practices in the Corporation's facilities. This program and its policies and procedures have been firmly imbedded in daily operations and continue to produce positive results. Through cash generation from improved operating performance, the balance sheet has improved year over year. Management, in utilizing the positive cash generation, has maintained a year over year focus on debt retirement. Recent new program awards have confirmed the value of the Corporation's core competency strategy as it pursues new work opportunities.

Magellan is organized and managed as two business segments and is viewed as two operating segments by the chief operating decision-makers, for the purpose of resource allocations, assessing performance, and strategic planning. These two segments are: Aerospace and Power Generation Project. The Corporation supplies both the commercial and defence sectors of the Aerospace segment. In the commercial sector, the Corporation is active in the large commercial jet, business jet, regional aircraft, and helicopter markets. On the defence side, the Corporation provides parts and services for major military aircraft. Magellan's sole product for the Power Generation Project segment is an electric power generation project in the Republic of Ghana.

The Corporation's percentages of revenues by segment are as follows:

	2014	2013
Aerospace	**99.8%**	99.7%
Power Generation Project	**0.2%**	0.3%
	100.0%	100.0%

Within the Aerospace segment, the Corporation has two major product groupings: aerostructures and aeroengines. Aerostructure and aeroengine products are used both in new aircraft and for spares and replacement parts.

The Corporation supplies aerostructure products to an international customer base in the commercial and defence markets. Components are produced to aerospace tolerances using conventional and high-speed automated machining centres. Capabilities include precision casting of airframe-mounted components. Management believes that Magellan's dedication to technological innovation combined with low cost sourcing from emerging markets will position the Corporation to capture targeted complex assembly programs.

Within the aeroengines product grouping, the Corporation manufactures complex castings, fabricated and machined gas turbine engine components, both static and rotating, and integrated nacelle components, flow paths and engine exhaust systems for the world's leading aeroengine manufacturers. The Corporation also performs repair and overhaul services for jet engines and related components.

The Power Generation Project segment is a specialty product complementary to the Corporation's principal business. The Corporation's sole product in the Power Generation Project segment is an electric power generation project in the Republic of Ghana (the "Project") that was substantially completed and all revenue related to the original statement of work was recognized as at March 31, 2013. In 2014, the Corporation signed an amendment to the original Project contract which increased the statement of work for the Project. While a number of power generation project opportunities are being considered, at this time the Corporation does not have any other committed projects.

The Corporation serves both the commercial and defence markets. In 2014, for the Aerospace segment, 77% of revenues were derived from commercial markets (2013 – 73%, 2012 – 70%) while 23% of revenues related to defence markets (2013 – 27%, 2012 – 30%).

2014 and Recent Updates

- Magellan announced on April 7, 2014 the award of a contract for engine repair and overhaul ("R&O") for the F404 engine that powers Canada's fleet of CF-188 Hornet aircraft. The one-year contract renewal, which was competitively bid, commenced on April 1, 2014, and includes an option for an additional year. The work is carried out at Magellan's facility in Mississauga, Ontario and is expected to generate sales of approximately Cdn $55 million over the two year period, if renewed. Under the terms of the contract, the Corporation will provide maintenance, engineering, material management, provision of Field Service Representatives, and Publication support for the CF-188 F404 engine and ancillary components.
- The Corporation announced on May 20, 2014 that, in partnership with the University of Manitoba, an advanced satellite integration facility ("ASIF") will be established in Winnipeg, Manitoba. With the support of Western Economic Diversification Canada, the facility will be shared and jointly operated by Magellan and the University of Manitoba and will create a unique and innovative hub that will bring together industry and academia in the research, development, and the construction and testing of satellite buses and components. Magellan's facility in Winnipeg, Manitoba will be home to the ASIF and will be large enough to accommodate the simultaneous assembly, integration and testing of three satellite buses. Magellan will invest more than $2 million in the project that will contribute to the construction of the facility, multi-year program funding,

and the establishment of an Industrial Research Chair in the area of satellite development within the Faculty of Engineering at the University of Manitoba.

- On July 30, 2014, Magellan announced it was selected to provide landing gear kits to Boeing Commercial Airplanes ("Boeing") for the B737 MAX aircraft. The new B737 MAX family will replace the present 737 Next Generation family of aircraft that are currently in production at Boeing. The manufacture and integration of the landing gear kits will be carried out at Magellan's New York facilities, which have operations in both Corona, NY and Long Island, NY. Magellan expects that this contract could generate revenues up to US$50 million annually over the contract period. Magellan's New York facilities are well-established centres of excellence focused on hard metal machining and the provision of high volume kitted part families that are delivered directly to both Tier One and Prime aircraft manufacturers.
- An announcement was made on September 30, 2014 that the Black Brant IX rocket was successfully launched from the NASA Wallops Flight Facility in Wallops Island, Virginia in the early morning of August 28, 2014 at 5:40 a.m. The launch mission was a test of a new sub-payload deployment method for suborbital rockets and also included the release of vapor tracers in space. The launch and vapor tracers, which help measure the wind in the transition region between the Earth's atmosphere and space, could be seen from as far away as western Pennsylvania, southern New Jersey, West Virginia, and Myrtle Beach. The Black Brant was launched by Orbital Sciences Corporation under contract from the NASA Sounding Rockets Program Office.
- The Corporation announced on October 3, 2014 the first anniversary of its MAC-200 Bus on the Cascade SmallSat and IOnospheric Polar Explorer (CASSIOPE) mission in space. The mission was developed and implemented by Canadian industry led by MacDonald, Dettwiler and Associates Ltd., as prime contractor, with important contributions from the Canadian industry team, which includes Magellan. The mission launched on September 29, 2013, carrying eight science instruments, collectively named e-Pop as well as a second payload for advanced telecommunications technology demonstration (termed Cascade). The two payloads were assembled into Magellan's MAC-200 satellite bus and have been operating in space for more than one year.
- On January 6, 2015 Magellan announced the signing of a 10-year agreement with Pratt & Whitney Canada ("P&WC"), a United Technologies Company, for the supply of complex magnesium and aluminum castings. The castings will be produced primarily by Magellan's facility in Haley, Ontario, with several being produced at its Glendale, Arizona plant. The agreement is expected to represent approximately $250 million in revenue for Magellan from 2014 through 2023. P&WC has been a key customer of Magellan's Haley facility in Ontario for more than 50 years. This new long-term agreement recognizes Magellan's position as a leader in the industry and provides the framework for a new level of strategic alignment with P&WC.
- An announcement was made on March 4, 2015, that Magellan and the University of Manitoba unveiled their new Advanced Satellite Integration Facility at Magellan's facility in Winnipeg, Manitoba. The facility will support research, development, construction and testing of satellite systems and components. The facility was constructed in an existing 6,000-square-foot area, large enough to accommodate up to three satellites at various stages of assembly with sufficient ceiling height for high crane lifting requirements. The ASIF is an ISO Class 8 cleanroom facility that will satisfy the requirements of current and future satellite programs initiated by the Government of Canada. The facility expansion was funded by an investment of $2.4 million from Western Economic Diversification Canada. Magellan invested $1.5 million which includes $0.6 million for the establishment of an Industrial Research Chair in the area of satellite development within the Faculty of Engineering at the University of Manitoba, and contributed to the construction of the facility, multi-year research and development (R&D) and educational funding.

Labour Matters

During 2014, two labour agreements which expired on December 31, 2013, and four labour agreements which expired during 2014, were successfully re-negotiated during the year ended December 31, 2014 with contract periods ending in 2015, 2016 and 2017. Three labour agreements at three of the Corporation's facilities expire in 2015. The Corporation successfully re-negotiated the labour agreement that expired on February 28, 2015 with a contract period ending 2017. The Corporation is currently in negotiations at one facility as the labour agreement expired on March 15, 2015. The other agreement expires in the second half of 2015.

Financing Matters

On September 30, 2014, Magellan announced the Corporation amended the Bank Facility Agreement pursuant to which Magellan and the lenders agreed to adjust the maximum amounts available under the operating credit facility to Cdn$95 million (down from Cdn$115 million), US$35 million and £11 million British pounds. Under the terms of the amended credit agreement, the operating credit facility expires on September 30, 2018. The Bank Facility Agreement also includes a Cdn$50 million uncommitted accordion provision which provides the Corporation with the option to increase the size of the operating credit facility to $200 million. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the Bank Facility Agreement, the guarantee of the facility by Mr. Edwards, which had supported the Corporation since 2005, was released.

2. OUTLOOK

The outlook for Magellan's business in 2015

The commercial aircraft cycle remains on the high from 2014 where airlines recorded one of the most profitable years on record partially as a result of lower fuel prices. Depending upon whether or not this manifests in lower fare prices, the coming year is expected to be healthier as airlines deplete their fuel hedges and take full advantage of continued low fuel costs. Industry experts are debating over the potential long term effect of lower fuel prices on next generation aircraft orders such as order deferrals or cancelations. The prevailing opinion appears to be that airlines generally have a longer term perspective and that as long as interest rates remain low, the best hedge against volatile fuel prices is more fuel efficient aircraft.

Magellan remains well positioned in the civil aircraft market, particularly due to its participation within the aerostructures segment of its business. Magellan holds positions on all Airbus and Boeing programs and is seeking to increase these positions.

During 2015, Boeing expects to continue the B737 production rate at 42 per month with plans to increase to 47 per month by 2017, and 52 per month by 2018. Airbus plans to increase the A320 rate from 42 per month to 43 within 2015 and 50 by late 2016. The looming challenge faced by both companies in this narrow-body segment will be to raise output over the next three years to accommodate the transition to the new A320 neo and B737 MAX models.

Within the widebody segment, Boeing's B777 build rate is currently at 8.3 per month and is expected to remain steady through 2015. Boeing expects to continue the B787 rate through 2015 at 10 per month with plans to move to 12 per month by 2016 and 14 per month by the end of the decade. The B747 is running at 1.5 per month and is expected to drop to 1.3 per month mid-2015.

Airbus' A380 production rate is expected to remain at 30 per year for the foreseeable future. The A350XWB is expected to ramp up in 2015 from 2.2 per month to a maximum planned rate of 13 per month by 2018.

ATR continues to dominate the turboprop segment of the regional aircraft market and Embraer the jet segment. Within turboprops, Bombardier has succeeded at maintaining a Q400 production rate of approximately 30 per year despite the demise of their deal with Rostec in Russia that would have expanded their market share. Comparatively, ATR will build 83 ATR-42/72 aircraft in 2015. Within the jet segment, Embraer is in the detail design phase for its new E2 family of jets as the current E170/E190 series jets satisfy market demand. Finally, Bombardier celebrates the first flight of their C-Series aircraft after a number of setbacks. Magellan through third party contracts provides products primarily in support of the Bombardier Q400 and does not have an aerostructures support role for the "C-Series" program.

Within the business jet sector, Honeywell predicts in their annual forecast that large-cabin aircraft will represent 75% of business jets delivered by value through this decade. At the same time, Forecast International predicts solid recovery within the small to medium-cabin sector over the next several years. They believe the key to unlocking latent North American demand is continued economic improvement. Airframers are positioning for the recovery in this segment with a number of new products to enter into service such as the HondaJet, Pilatus PC-24 and the Sirrus SF-50. Magellan supports a number of programs within this sector through its aeroengine and casting capabilities.

The recent strength in the civil rotorcraft market had been a welcome refuge from military budget cuts in the past year but this has given way to a much flatter sales landscape. High oil prices which had been favourable to backlogs for oil and gas exploration applications are expected to be scaled back considering low crude prices. As well, the parapublic segment was originally hoped to bring a lift to the market, but the trimming of government budgets may curb potential opportunities. There is positive news as a number of new programs are on the horizon. They are AgustaWestland's AW169 and AW189 both showing strong sales, Bell Helicopter's 505 Jet Ranger X and the 525 Relentless, Airbus' EC175 and then finally their new X4 experimental helicopter.

US spending power will continue to dominate the military helicopter market as it prepares to map out the future modernization of its vast helicopter fleets. New programs such as the Joint Multi-Role Helicopter (JMR) competed between Boeing/Sikorsky's Defiant helicopter and Bell Helicopter's V-280 Valor tiltrotor is one example. In the heavy lift arena, development of the new Sikorsky CH53K heavy lift helicopter continues to make progress.

Still a large unknown in the US defence market is how the government will achieve a sequestration-compliant budget in light of political dysfunction and unforeseen budget demands from new global threats such as ISIS. In the midst of this, there are new-start programs such as F-35 Joint Strike Fighter, KC-46 Tanker, Long Range Strike Bomber and helicopters that compete for budget priorities. Extending out-of-service dates for existing fleets can be beneficial for defence contractors producing legacy platforms, as the new single-source program model can challenge the industry.

Having said this, the F-35 program continues to dominate the global fighter market. During 2014 the program overcame a significant setback as investigators determined the probable cause of the engine problems that triggered a fire on an F-35 fighter jet in July while on the ground. Modifications to the engine and the break in process were implemented allowing the Pentagon to resume the award of contracts for new aircraft and engines. From a program development perspective key milestones were achieved in 2014 including the first flight operations from an aircraft carrier for the F-35C. In July 2015, the US Marines are expected to declare initial-operational-capability ("IOC") of their F-35B's which will represent the first IOC achievement for the program. The USAF is expected to declare their IOC in 2016. Magellan's annual revenues have been increasing steadily over the years and they have now exceeded $140 million for the program to date. This trend will continue into 2015 with anticipated significant increases to annual production rates of the F-35 program going forward. A focus on driving costs down has been prominent for the program and this is expected to be maintained as international sales activities increase. The Canadian Government procurement decision for the next generation fighter continues to be addressed within the Government.

3. SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for 2014, 2013 and 2012

Expressed in millions of dollars, except per share information	**2014**	2013	2012
Revenues	**843.0**	752.1	704.0
Net income for the year	**56.6**	45.5	57.0
Net income per common share - Basic	**0.97**	0.78	0.99
Net income per common share - Diluted	**0.97**	0.78	0.98
EBITDA	**120.3**	100.8	100.8
EBITDA per common share - Diluted	**2.07**	1.73	1.73
Total assets	**834.6**	791.9	755.0
Total long-term liabilities	**198.0**	99.3	267.0

Revenues for the year ended December 31, 2014 increased from 2013 and 2012 levels. The increase in revenues from 2013 is primarily attributable to the strengthening of the US dollar and British pound in comparison to the Canadian dollar and to production rate increases on several leading programs in the global commercial aerospace market. Net income increased in 2014 from 2013 due to improved efficiencies resulting from increased production volumes and the favourable movement of the Canadian dollar relative to the US dollar and British pound (see "Results of Operations – Gross Profit"). During 2014 the Corporation paid quarterly dividends on common shares of $0.04 per share for the first three quarters and $0.055 per share in the fourth quarter, amounting to $10.2 million. During 2013, the Corporation paid quarterly dividends on common shares of $0.03 per share in both the third and fourth quarter, amounting to $3.5 million.

4. RESULTS OF OPERATIONS

A discussion of Magellan's operating results for 2014 and 2013

Consolidated Revenues

The Corporation's revenues by segment were as follows:

Twelve-months ended December 31, expressed in thousands of dollars	**2014**	2013	Change
Aerospace	**840,903**	749,934	12.1%
Power Generation Project	**2,133**	2,192	(2.7)%
Total revenues	**843,036**	752,126	12.1%

Consolidated revenues for the year ended December 31, 2014 increased 12.1% to $843.0 million from $752.1 million last year, due mainly to increased revenues earned in the Corporation's Aerospace segment offset, in part, by slightly reduced revenues in the Corporation's Power Generation Project segment. The weakness in the Canadian dollar in combination with increase in product shipments contributed to the year over year increase in sales.

Aerospace Segment

Revenues for the Aerospace segment were as follows:

Twelve-months ended December 31, expressed in thousands of dollars	**2014**	2013	Change
Canada	**323,085**	299,297	7.9%
United States	**272,646**	232,260	17.4%
Europe	**245,172**	218,377	12.3%
Total revenues	**840,903**	749,934	12.1%

Aerospace revenues for the year ended December 31, 2014 were $840.9 million, an increase of $91.0 million or 12.1% over the previous year. Revenues in Canada in 2014 increased 7.9% in comparison to revenues earned in 2013 while revenues in United States in US dollars increased 9.5% and increased 17.4% when measured in Canadian dollars. Revenues in Europe increased in 2014 in comparison to 2013 when measured in Canadian dollars, however remained consistent with revenues in 2013 when measured in British pounds.

Favourable foreign exchange impacts on the translation of foreign operations to Canadian dollars resulting from a stronger United States dollar and British pound in 2014 against the Canadian dollar contributed to higher revenues generated in United States and Europe in 2014 when compared to 2013. If average exchange rates for both the United States dollar and British pound experienced in 2013 remained constant in 2014, consolidated revenues for 2014 would have been approximately $782.9 million or approximately $58.0 million lower than actually realized in 2014.

Power Generation Project Segment

Revenues for the Power Generation Project segment were as follows:

Twelve-months ended December 31,expressed in thousands of dollars	**2014**	2013	Change
Power Generation Project	**2,133**	2,192	(2.7)%
Total revenues	**2,133**	2,192	

Revenues earned in 2014 and 2013 are from the Corporation's Ghana electric power generation project. The original statement of work on the Ghana Power Generation Project (the "Project") was substantially completed and all revenue related to the original statement of work was recognized as at March 31, 2013. In the second quarter of 2014, the Corporation signed an amendment to the original Project contract which increased the statement of work for the Project. Revenues recorded in the year represent the progress made to date on the additional statement of work.

Gross Profit

Twelve-months ended December 31,expressed in thousands of dollars	2014	2013	Change
Gross Profit	**133,782**	112,327	19.1%
Percentage of revenue	**15.9%**	14.9%	

Gross profit increased by $21.5 million from 2013 levels of $112.3 million to $133.8 million in 2014. Gross profit, as a percentage of revenues, was higher in 2014 at 15.9% versus 14.9% in 2013. Increases in the underlying activity and the impact of the weakness in the Canadian dollar resulted in a higher gross profit for 2014 when compared to 2013.

Administrative and General Expenses

Twelve-months ended December 31, expressed in thousands of dollars	2014	2013	Change
Administrative and general expenses	**48,221**	45,481	6.0%
Percentage of revenue	**5.7%**	6.0%	

Administrative and general expenses increased to $48.2 million in 2014 from $45.5 million in 2013. Foreign exchange accounts for approximately $4.2 million of the year over year spend increase, offsetting the decrease in administrative and general expenses in native currency in 2014 when compared to 2013.

Other

Twelve-months ended December 31, expressed in thousands of dollars	2014	2013
Foreign exchange gain	**(523)**	(142)
Gain on settlement of long-term liabilities	**–**	(1,031)
Loss on disposal of property, plant and equipment	**1,097**	576
Other	**574**	(597)

Included in other income is a foreign exchange gain of $0.5 million in 2014 compared to a gain of $0.1 million in 2013, resulting from the revaluation and settlement of the Corporation's Unites States dollar denominated monetary assets and liabilities in Canada and foreign exchange contracts. The Corporation reached a favourable agreement in 2013 on the settlement of its borrowings subject to specific conditions and recorded a gain of $1.0 million. In 2014 and 2013, the Corporation retired assets for a loss on disposal of approximately $1.1 million and $0.6 million, respectively.

Interest Expense

Twelve-months ended December 31, expressed in thousands of dollars	2014	2013
Interest on bank indebtedness and long-term debt	**4,586**	6,935
Accretion charge on long-term debt and borrowings	**2,531**	(916)
Discount on sale of trade receivables	**770**	702
Interest expense	**7,887**	6,721

Interest costs for 2014 were $7.9 million, an increase of $1.2 million from 2013 largely due to a higher accretion charge as long-term bond rates decreased in 2014 when compared to 2013. Long-term bond rates in 2013 increased resulting in a recovery of accretion expense recorded in prior years. Interest on bank indebtedness and long-term debt in 2014 decreased as the Corporation continued to reduce its external interest bearing debt. During 2014, the Corporation sold $287.3 million of trade receivables at an annualized interest rate of 1.68% compared to the sale of $256.2 million of trade receivables in 2013 at an annualized interest rate of 1.73%.

Income Taxes

Twelve-months ended December 31, expressed in thousands of dollars	**2014**	2013
Current income tax expense	**4,991**	3,893
Deferred income tax expense	**15,537**	11,346
Income tax expense	**20,528**	15,239
Effective tax rate	**26.6%**	25.1%

The Corporation recorded an income tax expense in 2014 of $20.5 million on pre-tax income of $77.1 million, representing an effective tax rate of 26.6%, compared to an income tax expense of $15.2 million on a pre-tax income of $60.7 million in 2013 for an effective tax rate of 25.1%.

During each of 2014 and 2013, the Corporation recognized investment tax credits in Canada totalling $6.9 million and $7.4 million, respectively, as a reduction of cost of revenues, as the Corporation has determined that it will be able to benefit from these investment tax credits. The increase in the effective tax rate to 26.6% in 2014 when compared to 25.1% in 2013 is primarily due to higher income reported by the Corporation's international subsidiaries that operate in higher income tax jurisdictions.

5. RECONCILIATION OF NET INCOME TO EBITDA

A description and reconciliation of certain non-IFRS measures used by management

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest, income taxes and depreciation and amortization) in this MD&A. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that 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 the various jurisdictions. Each component of this measure is calculated in accordance with IFRS, but EBITDA is not a recognized measure under IFRS, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, EBITDA should not be used as an alternative to net income as determined in accordance with IFRS or as an alternative to cash provided by or used in operations.

Twelve-months ended December 31, expressed in thousands of dollars	**2014**	2013
Net income	**56,572**	45,483
Interest	**7,887**	6,721
Taxes	**20,528**	15,239
Depreciation and amortization	**35,300**	33,309
EBITDA	**120,287**	100,752

EBITDA for the year ended 2014 of $120.5 million increased by $19.5 million when compared to $100.8 million in 2013. Increased revenue levels and improved margins in 2014 over 2013 were partially offset by the administrative and general expenses.

6. SELECTED QUARTERLY FINANCIAL INFORMATION

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars except per share information				**2014**				2013
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	Mar 31	Jun 30	Sep 30	Dec 31
Revenues	**210.5**	**221.0**	**202.5**	**208.9**	185.3	189.9	181.0	195.9
Income before taxes	**16.7**	**18.8**	**17.7**	**23.9**	11.0	15.5	13.2	21.0
Net income	**12.1**	**13.6**	**13.0**	**17.9**	8.0	11.2	9.5	16.8
Net income per common share								
Basic and Diluted	**0.21**	**0.23**	**0.22**	**0.31**	0.14	0.19	0.16	0.29
EBITDA [1]	**27.1**	**30.2**	**28.3**	**34.7**	21.3	25.6	22.9	31.0

[1] EBITDA is not an International Financial Reporting Standards ("IFRS") financial measure. Please see the "Reconciliation of Net Income to EBITDA" section for more information.

The Corporation recorded its highest quarterly revenue in the second quarter of 2014. Revenues and net income reported in the quarterly information were impacted favourably by the fluctuations in the Canadian dollar exchange rate in comparison to the Unites States dollar and British pound. The Unites States dollar/Canadian dollar exchange rate in 2014 fluctuated reaching a low of 1.0627 and a high of 1.1643. During 2014, the Unites States dollar relative to the Canadian dollar moved from an exchange rate of 1.0639 at the start of the 2014 calendar year to an exchange rate of 1.1601 by December 31, 2014. The British pound/Canadian dollar exchange rate in 2014 fluctuated reaching a low of 1.7429 and a high of 1.8587. During 2014, the British pound relative to the Canadian dollar moved from an exchange rate of 1.7575 at the start of the 2014 calendar year to an exchange rate of 1.8058 by December 31, 2014. Had exchange rates remained at levels experienced in 2013, reported revenues in 2014 would have been lower by $18.5 million in the first quarter; $15.7 million in the second quarter, $11.9 million in the third quarter and $12.0 million in the fourth quarter.

Net income for the fourth quarters of 2014 and 2013 of $17.9 million and $16.8 million, respectively, was higher than all other quarterly net income shown in the table above. In the fourth quarter of 2013 the Corporation recognized a reversal of previous impairment losses against intangible assets relating to various commercial aircraft programs and in the fourth quarter of 2013 and 2014 the Corporation recognized previously unrecognized investment tax credits.

7. LIQUIDITY AND CAPITAL RESOURCES

A discussion of Magellan's cash flow, liquidity, credit facilities and other disclosures

The Corporation's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its credit facility and trade receivables securitization program, and long-term debt and equity capacity. Principal uses of cash are to fund liabilities as they become due, finance capital expenditures, fund debt repayments, pay dividends and provide flexibility for new investment opportunities. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

In 2014, $78.6 million of cash was generated by operations, $41.1 million was used in investing activities and $42.9 million was used in financing activities. Cash decreased by $5.2 million in the year from $7.8 million to $2.6 million.

Cash Flow from Operating Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2014**	2013
Increase in trade receivables	**(8,438)**	(8,126)
Increase in inventories	**(10,267)**	(6,698)
Decrease (increase) in prepaid expenses and other	**361**	(5,886)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(4,917)**	10,412
Net change in non-cash working capital items	**(23,261)**	(10,298)
Cash provided by operating activities	**78,576**	69,819

Operating activities for 2014 generated cash of $78.6 million compared to $69.8 million in the prior year. Changes in non-cash working capital items used cash of $23.3 million as a result of increases in trade receivables and inventories and a decrease in accounts payable, accrued liabilities and provisions. The increase in trade receivables during the year is attributed primarily to the higher revenues. Increased inventory levels in 2014 were to support higher production volumes on a number of programs. In 2013, changes in non-cash working capital of $10.3 million were principally a result of increases in trade receivables, inventory and prepaid expenses and other, offset in part by an increase in accounts payable, accrued liabilities and provisions.

Cash Flow from Investing Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2014**	2013
Investment in joint venture	**(326)**	(4,283)
Purchase of property, plant and equipment	**(35,481)**	(31,299)
Proceeds from disposals of property, plant and equipment	**611**	486
Increase in other assets	**(5,945)**	(9,293)
Cash used in investing activities	**(41,141)**	(44,389)

The Corporation invested $35.5 million in capital assets during the year in comparison to $31.3 million in 2013. The Corporation continues to invest in advanced technology production equipment and information technology systems, both designed to increase productivity, reduce cycle time and improve technology capability.

In 2013, the Corporation invested $4.0 million in acquiring a 49% interest in Triveni Aeronautics Private Limited, an aerospace components manufacturing company based in India. The investment was financed from the Corporation's operating credit facility.

Contractual Obligations

As at December 31, 2014, expressed in thousands of dollars	**Less than 1 year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Bank indebtedness	–	–	81,442	–	81,442
Trade receivables securitization	36,125	–	–	–	36,125
Long-term debt	3,891	8,767	10,200	26,819	49,677
Equipment leases	530	803	323	82	1,738
Facility leases	1,785	3,022	1,934	4,580	11,321
Other long-term liabilities	125	544	410	679	1,758
Borrowings subject to specific conditions	2,543	193	2,196	16,388	21,320
Total contractual obligations	**44,999**	**13,329**	**96,505**	**48,548**	**203,381**

Major cash flow requirements for 2015 include the repayment of trade receivables securitization of $36.1 million which is expected to be refinanced, repayment of long-term debt of $3.9 million, payments of equipment and facility leases of $2.2 million and borrowings subject to specific conditions of $2.5 million.

On September 30, 2014, the Corporation amended and restated its Bank Facility Agreement with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was amended to a Canadian dollar limit of $95.0 million (down from $115.0 million) plus a United States dollar limit of $35.0 million, and the addition of a £9 million British Pound limit with a maturity date of September 30, 2018. The Bank Facility Agreement also includes a Canadian $50.0 million uncommitted accordion provision which provides Magellan with the option to increase the size of the operating credit facility to $200.0 million. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the Bank Facility Agreement, the guarantee of the facility by the Chairman of the Board of the Corporation, which had supported the Corporation since 2005, was released.

As at December 31, 2014, the Corporation had made contractual commitments to purchase $17.7 million of capital assets. In addition, the Corporation also had purchase commitments, largely for materials required for the normal course of operations, of $304.7 million as at December 31, 2014. The Corporation plans to fund all of these capital commitments with operating cash flow and the existing credit facility.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at March 20, 2015, 58,209,001 common shares were outstanding and no preference shares were outstanding. More information on the Corporation's share capital is provided in note 15 of the consolidated financial statements.

On March 31, 2014, June 30, 2014, and September 30, 2014 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.04 per common share, representing an aggregate dividend payment of $7.0 million. On December 31, 2014 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.055 per common share, amounting to $3.2 million. In each of the third and fourth quarter of 2013, the Corporation declared and paid quarterly cash dividends of $0.03 per common share representing an aggregate dividend payment of $3.5 million.

In the first quarter of 2015, the Corporation declared cash dividends of $0.055 per common share payable on March 31, 2015 to shareholders of record at the close of business on March 13, 2015.

8. FINANCIAL INSTRUMENTS

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. As at December 31, 2014, the Corporation entered into a forward exchange contract to purchase US dollars of $3.5 million at an exchange rate of $1.1613 Canadian per $1.00 US dollar, expiring in January 2015.

Off Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

9. RELATED PARTY TRANSACTIONS

A summary of Magellan's transactions with related parties

During 2013, the Corporation incurred interest of $2.0 million in relation to a loan ("Original Loan") provided by Edco Capital Corporation, a corporation controlled by the Chairman of the Board, to the Corporation. The Original Loan was prepaid by $30.0 million in 2013, leaving a balance of $nil as at December 31, 2013.

The Chairman of the Board of the Corporation provided a guarantee for the full amount of the Corporation's operating credit facility until September 30, 2014 at which time the guarantee was released. An annual fee averaging 0.5% [2013 – 0.5%] of the guaranteed amount or $0.6 million [2013 - $0.8 million] was paid in consideration for the guarantee.

During the year, the Corporation incurred consulting costs of $0.1 million [2013 - $0.1 million] payable to a corporation controlled by the Chairman of the Board of the Corporation.

10. RISK FACTORS

A summary of risks and uncertainties facing Magellan

The Corporation's performance may be affected by a number of risks and uncertainties. Magellan's senior management identifies key risks and has processes in place to help monitor, manage, and mitigate these risks. Additional risks and uncertainties not presently known by the Corporation, or that the Corporation does not currently anticipate may be material and may impair the Corporation's performance.

The following risks and uncertainties apply to the Corporation. Additional information relating to risks and uncertainties are set forth in the Corporation's Annual Information Form on SEDAR at www.sedar.com.

Factors that have an adverse impact on the aerospace industry may adversely affect the Corporation's results of operations.

The majority of the Corporation's gross profit is derived from the aerospace industry. The Corporation's aerospace operations are focused on engineering and manufacturing aircraft components on new aircraft, selling spare parts and performing repair and overhaul services on existing aircraft and aircraft components. Therefore, the Corporation's business is directly affected by economic factors and other trends that affect the Corporation's customers in the aerospace industry, including a possible decrease in outsourcing by aircraft operators and original equipment manufacturers ("OEMs"), decreased demand for air travel or projected market growth that may not materialize or be sustainable. The price of fuel in the past has increased the pressure on the operating margins of aircraft companies which reduces their ability to finance capital expenditures. Constraints in the credit market may reduce the ability of airlines and others to purchase new aircraft, negatively affecting the demand for the Corporation's products. When these economic and other factors adversely affect the aerospace industry, they tend to reduce the overall customer demand for the Corporation's products and services, which decreases the Corporation's operating income.

Economic and other factors both internal and external to the aerospace industry might affect the aerospace industry and may have an adverse impact on the Corporation's results of operations. More specifically, a number of additional external risk factors may include the financial condition of the airline industry, commercial aerospace customers and government aerospace customers; government policies related to import and export restrictions and business acquisition; changing priorities and possible spending cuts by government agencies; government support for export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which we compete. In addition, acts of terrorism, natural disasters, global health risks, political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of the Corporation's products.

The Corporation faces risks from downturns in the domestic and global economies.
Potential loss due to unfavourable economic conditions, such as a macroeconomic downturn in key markets, could result in potential buyers postponing the purchase of the Corporation's products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, discontinued production of certain products, termination of employees and adverse impacts on the Corporation's suppliers.

The Corporation cannot predict the depth or duration of downturns in the domestic and global economies nor the effects on markets that the Corporation serves, particularly the airline industry. The Corporation's ability to increase or maintain its revenues and operating results may be impaired as a result of negative general economic conditions. Economic uncertainty renders estimates of future revenues and expenditures more difficult to formulate. The future direction of the overall domestic and global economies could have a significant impact on the Corporation's overall financial performance and may impact the value of its common shares.

The Corporation may be unable to successfully achieve or maintain "key supplier" status with OEMs, and may be required to risk capital to achieve key supplier status.
Many OEMs are moving toward developing strategic partnerships with their key suppliers. Each key supplier provides an array of integrated services including purchasing, warehousing and assembly for OEM customers. The Corporation has been designated as a key supplier by some OEMs and is striving to achieve a higher level of integrated supply with other OEMS. In order to achieve key status, the Corporation may need to expand the Corporation's existing capacities or capabilities, and there is no assurance that the Corporation will be able to do so.

Many new aircraft and aircraft engine programs require that major suppliers become risk-sharing partners, meaning that the cost of design, development and engineering work associated with the development of the aircraft or the aircraft engine is partially born by the supplier, usually in exchange for a life-time agreement to supply those critical parts once the aircraft or the aircraft engine is in production. In the event that the aircraft or the aircraft engine fails to reach the production stage, inadequate number of units is produced, or actual sales otherwise do not meet projections, the Corporation may incur significant costs without any corresponding revenues.

A reduction in defence spending by the United States or other countries could result in a decrease in revenue.
Over the last several years, heightened sovereign debt issues in the European Union have created instability and volatility in the international credit and financial markets and have caused a number of countries in the European Union to focus on their respective recurring yearly deficit budgeting practices, resultant aggregate debt levels and to implement austerity measures. Likewise concerns about the national debt issue in the United States and actions taken by the government of the United States has led to reductions in spending, including defence spending. The United States defence budget for 2014 had reduced spending by 15% over the previous year resulting in the elimination and/or reduction in some new defence programs. In addition, the governments in Canada and other countries have recognized the need to reduce budget deficits. Worldwide spending on defence in 2015, while restrained, is expected to stabilize. The primary driver to defence spending in 2015 reflects the demands on various countries that are affected by the current turmoil in Eastern Europe and the Middle East.

The United States is the principal purchaser under the F-35 program which represents a significant item in their budget. Canada is also a participant in the F-35 program and has invested in an Advanced Composite Manufacturing Facility at Magellan's Winnipeg facility, primarily in support of the F-35 program. The Canadian government has also announced plans to consider other options for replacing its aging CF-18 fighter jets. In addition, other countries who are part of the F-35 program have announced plans to delay orders for the F-35 aircraft. This is somewhat balanced by recent announcements of new foreign military sales.

The Corporation relies on sales to defence customers particularly in the United States. A significant reduction in defence expenditures by the United States or other countries with which the Corporation has material contracts, such as the F-35 program, could materially adversely affect the Corporation's business and financial condition. The loss or significant reduction in government funding of a large program in which the Corporation participates, such as the F-35 program, could also materially adversely affect sales and earnings.

Fluctuations in the value of foreign currencies could result in currency exchange losses.

A large portion of the Corporation's revenues and expenses are not currently denominated in Canadian dollars, and it is expected that some revenues and expenses will continue to be based in currencies other than the Canadian dollar. Therefore, fluctuations in the Canadian dollar exchange rate will impact the Corporation's results of operations and financial condition from period to period. In addition, such fluctuations affect the translation of the Corporation's results for purposes of its consolidated financial statements. The Corporation's activities to manage its currency exposure may not be successful.

Cancellations, reductions or delays in customer orders may adversely affect the Corporation's results of operations.

The Corporation's overall operating results are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. A large portion of the Corporation's operating expenses is relatively fixed. Because several of the Corporation's operating locations typically do not obtain long-term purchase orders or commitments from customers, the Corporation must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon discussions with customers as to their anticipated future requirements. These historic patterns may be disrupted by many factors, including changing economic conditions, inventory adjustments, work stoppages or labour disruptions. Cancellations, reductions or delays in orders by a customer or group of customers could have a material adverse effect on the Corporation's business, financial condition and results of operations.

11. CRITICAL ACCOUNTING ESTIMATES

A description of accounting estimates that are critical to determining Magellan's financial results

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses recorded during the reporting period. The critical estimates and judgements utilized in preparing the Corporation's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies. Any changes in estimates and assumptions could have a material impact on the Corporation's future earnings and/or the amounts reported in its statement of financial position. The Corporation reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

Financial instruments

The valuation of the Corporation's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value estimated are provided in note 17 of the consolidated financial statements.

Impairments

The recoverable amount of intangible assets and property, plant and equipment is based on estimates and assumptions regarding the expected market outlook and cash flows from each cash-generating unit.

Deferred taxes

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Government assistance

Investment tax credits and scientific research and experimental development tax credits are determined based on estimates of the Corporation's current year expenditures on qualifying programs. The investment tax credits are assessed to determine the likelihood that they will be applied against federal income tax.

Capitalization of development costs

When capitalizing development costs the Corporation must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Corporation.

Income (loss) on completion of contracts accounted for under the percentage-of-completion method

To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within cost of revenues.

Repayable government grants

The forecast repayment of grants received from government authorities is based on income from future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

Employee benefits

The Corporation considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

12. CHANGES IN ACCOUNTING POLICIES

A description of accounting standards adopted in the current year

The Corporation has adopted the following new and amended standards in the current year.

Financial Assets and Liabilities

In December 2011 the International Accounting Standards Board ("IASB") issued amendments to International Accounting Standards ("IAS") 32, *Financial Instruments: Presentation* to clarify the existing requirements for offsetting financial assets and financial liabilities. The amendments specify that the right of set-off has to be legally enforceable even in the event of bankruptcy and that it must be available on the current date and cannot be contingent on a future date. The adoption of this pronouncement on January 1, 2014 did not have an impact on the consolidated financial statements of the Corporation.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") 21, *Levies*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs, which may be at a point in time or over a period of time. The adoption of this pronouncement on January 1, 2014 did not have an impact on the consolidated financial statements of the Corporation.

Impairment of Assets

In May 29, 2013, the IASB published amendments to IAS 36, *Impairment of Assets* which reduce the circumstances in which the recoverable amount of a cash generating unit is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The adoption of this pronouncement on January 1, 2014 did not have an impact on the consolidated financial statements of the Corporation.

13. FUTURE CHANGES IN ACCOUNTING POLICIES

A description of new accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

Employee Benefits

In November 2013, Defined Benefit Plans: Employee Contributions was issued to amend IAS 19, *Employee Benefits*. These narrow scope amendments simplify the accounting for contributions to defined benefit plans. These amendments are effective for annual periods beginning on or after July 1, 2014, with earlier application permitted. The Corporation is in the process of evaluating the impact of adopting this amendment may have on the Corporation's consolidated financial statements.

Joint Arrangements

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* ("IFRS 11") to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

Revenue Recognition

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers, except insurance contracts, financial instruments and lease contracts, which fall in the scope of other IFRSs. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is to be applied on either a full or modified retrospective approach and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's consolidated financial statements.

Property, Plant and Equipment

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Corporation is in the process of evaluating the impact of adopting these amendments on the Corporation's consolidated financial statements.

Financial Instruments – Recognition and Measurement

In July 2014, the IASB issued the final amendments to IFRS 9, *Financial Instruments* ("IFRS 9") which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation is in the process of evaluating the impact of adopting these amendments on the Corporation's consolidated financial statements.

Consolidated Financial Statements and Investments in Associates and Joint Ventures

In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* ("IFRS 10") and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28") to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

Operating Segments

The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS 8, *Operating Segments*. This standard has been amended to require (i) disclosure of judgments made by a company's management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segments are reported. These amendments are effective for annual periods beginning on or after July 1, 2014. The Corporation is in the process of evaluating the impact of adopting these amendments on the Corporation's consolidated financial statements.

14. CONTROLS AND PROCEDURES

A description of Magellan's disclosure controls and internal controls over financial reporting

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer are required to certify as at December 31, 2014 that they are responsible for establishing and maintaining, and have assessed the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting.

Management does not expect disclosure controls and procedures and internal control over financial reporting to prevent all errors, misstatements or fraud. In addition, internal control over financial reporting that management has designed and established may be circumvented and rendered ineffective as a result of unauthorized acts of individuals through collusion or management override. A system of control, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that control objectives are met. Due to the inherent limitations in a system of control, there is no absolute assurance that all controls issues, which may result in errors, misstatements, or fraud, can be prevented or detected. The inherent limitations include, amongst other things: (i) management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of isolated errors; (iii) assumptions about the likelihood of future events.

In preparation for this certification, Magellan has dedicated resources in place to document and evaluate the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting. As of December 31, 2014, an evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary, of the effectiveness of the Corporation's disclosure controls and internal controls over financial reporting, as those terms are defined in National Instrument 52-109. Based on that evaluation, the Corporation's management concluded that the Corporation's design and operating disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2014.

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.

Additional information relating to Magellan Aerospace Corporation, including the Corporation's Annual Information Form is on SEDAR at www.sedar.com.