MAGELLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE PERIOD ENDED MARCH 31, 2014

MAGELLAN
AEROSPACE

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 unaudited condensed consolidated interim financial statements and the notes thereto for the three month period ended March 31, 2014, and the audited annual consolidated financial statements for the year ended December 31, 2013 (available on SEDAR at www.sedar.com). Unless otherwise noted, all financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the three month period ended March 31, 2014 relative to the three month period ended March 31, 2013. The information contained in this report is as at May 13, 2014. 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", "Results of Operations", "Liquidity and Capital Resources", "Future Changes in Accounting Policies" and "Outlook". In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "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 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 to 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 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 generally accepted earnings measures 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 updates

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

The Corporation's strategy has been to focus on several core competencies within the aerospace industry. These include precision machining of a wide variety of aerospace material, composites, complex high technology magnesium and aluminum alloy castings, repair and overhaul technologies and design of structures. The Corporation is now seeking to leverage these core competencies by achieving growth in applications where these abilities are critical in meeting customer needs.

Business Update

In the first quarter of 2014, the Corporation announced that an agreement had been reached with Airbus securing a work package to manufacture and supply complex 5-axis machined wing ribs for the single aisle A320 product family, including the A320 NEO. The package is expected to generate revenues of approximately US $20 million over the next five years.

On March 3, 2014, the Corporation announced the first flight of a Magellan–manufactured horizontal tail assembly installed on an F-35A Lightening II aircraft. Magellan is under contract with BAE Systems to produce horizontal tail assemblies for the CTOL (Conventional Take Off and Landing) variant and is expected to produce more than 1,000 ship sets.

Also on April 7, 2014, Magellan announced 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 anticipated revenues on this contract of CDN $55 million include CDN $16 million for the initial 1 year term, an additional estimated CDN $16 million for a one year option period and material content of CDN $23 million over the contracted term and the option period.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2013 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for first quarter ended March 31, 2014

The Corporation reported higher revenue in its Aerospace segment and lower revenue in its Power Generation Project segment in the first quarter of 2014 when compared to the first quarter of 2013. Gross profit and net income for the first quarter of 2014 were $29.5 million and $12.1 million, respectively, an increase from the first quarter of 2013 gross profit of $24.8 million and from the first quarter of 2013 net income of $8.0 million.

Consolidated Revenue

Overall, the Corporation's consolidated revenues grew by 13.6% when compared to the first quarter of 2013.

	Three month period ended March 31		
Expressed in thousands of dollars	**2014**	2013	Change
Aerospace	**210,366**	181,815	15.7%
Power Generation Project	**136**	3,478	(96.1)%
Total revenues	**210,502**	185,293	13.6%

Consolidated revenues of $210.5 million for the first quarter ended March 31, 2014 were higher than the $185.3 million of revenue in the first quarter of 2013. Increased revenues of 15.7% year over year in the Aerospace segment were due to the higher demand, volumes and the appreciation of the United States dollar and the British Pound over the Canadian dollar in the quarter. The increase in the Aerospace segment was slightly offset by the fall off of revenues earned in the Power Generation Project segment.

Aerospace Segment

Revenues for the Aerospace segment were as follows:

	Three month period ended March 31		
Expressed in thousands of dollars	**2014**	2013	Change
Canada	**77,462**	73,385	5.6%
United States	**67,687**	57,654	17.4%
Europe	**65,217**	50,776	28.4%
Total revenues	**210,366**	181,815	15.7%

Consolidated Aerospace revenues for the first quarter of 2014 of $210.4 million were 15.7% higher than revenues of $181.8 million in the first quarter of 2013. Revenues in Canada in the first quarter of 2014 increased 5.6% from the same period in 2013. Higher revenues generated in the first quarter of 2014 from the Corporation's proprietary products, in particular the space programs, were partially offset by the decline in volumes in the defence market. The favourable movement of the United States dollar in comparison to the Canadian dollar also contributed to the increased revenues in Canada in the first quarter of 2014 when compared to the same period in 2013. Increased revenues of 17.4% in the United States in the first quarter of 2014 in comparison to the first quarter of 2013 were due to increased volumes on several of the Corporation's single aisle and wide body commercial aircraft programs and due to the movement of the stronger United States dollar in comparison to the Canadian dollar during the same periods in 2014 and 2013. Production volume increases on new and existing Airbus statements of work and favourable movements of the GBP in comparison to the Canadian dollar contributed to a significant quarter-over-quarter increase of 28.4% in revenues in Europe in the first quarter of 2014 over revenues in the same period in 2013.

Power Generation Project Segment

Revenues for the Power Generation Project segment were as follows:

	Three month period ended March 31		
Expressed in thousands of dollars	**2014**	2013	Change
Power Generation Project	**136**	3,478	(96.1)%
Total revenues	**136**	3,478	(96.1)%

Revenues on the Ghana Power Generation Project (the "Project") decreased significantly quarter over quarter as the Project was substantially completed as at March 31, 2013. Additional revenues may be recorded as the Corporation continues to support the commercial operation of the Project; however, revenues from the Power Generation Project segment will continue to decrease on a year over year basis unless the Corporation receives further contracts in this area.

Gross Profit

	Three month period ended March 31		
Expressed in thousands of dollars	**2014**	2013	Change
Gross profit	**29,476**	24,812	18.8%
Percentage of revenues	**14.0%**	13.4%	

Gross profit of $29.5 million (14.0% of revenues) was reported for the first quarter of 2014 compared to $24.8 million (13.4% of revenues) during the same period in 2013. Increased gross profit in the first quarter of 2014 over the same period in 2013 was primarily due to the weaker Canadian dollar in the first quarter of 2014 in comparison to the same period in the prior year. Increased volumes and favourable product mix also contributed to the improved margins.

Administrative and General Expenses

	Three month period ended March 31		
Expressed in thousands of dollars	**2014**	2013	Change
Administrative and general expenses	**11,470**	10,735	6.8%
Percentage of revenues	**5.5%**	5.8%	

Administrative and general expenses were $11.5 million (5.5% of revenues) in the first quarter of 2014 compared to $10.7 million (5.8% of revenues) in the first quarter of 2013. Increased expenses were partially due to the growth in the Corporation's administrative support services and as a result of the impact upon translation of the weaker Canadian dollar in the first quarter of 2014 when compared to the same period of 2013.

Other

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Foreign exchange (gain) loss	**(296)**	948
(Gain) loss on disposal of property, plant and equipment	**(47)**	32
Total other	**(343)**	980

Other income of $0.3 million in the first quarter of 2014 consisted of realized and unrealized foreign exchange gains and gains recorded on the disposal of property, plant and equipment.

Interest Expense

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Interest on bank indebtedness and long-term debt	**1,359**	1,810
Accretion charge for borrowings and long-term debt	**80**	154
Discount on sale of accounts receivable	**259**	160
Total interest expense	**1,698**	2,124

Interest expense of $1.7 million in the first quarter of 2014 was lower than the first quarter of 2013 amount of $2.1 million, as interest on bank indebtedness and long-term debt decreased mainly due to lower principal amounts outstanding during the first quarter of 2014 than those in the first quarter of 2013. Increased volumes of receivables sold in first quarter of 2014 in comparison to those to the same quarter in the prior year resulted in higher interest charges in the quarter.

Provision for Income Taxes

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Expense of current income taxes	**1,224**	1,204
Expense of deferred income taxes	**3,348**	1,754
Total expense of income taxes	**4,572**	2,958
Effective tax rate	**27.5%**	27.0%

The Corporation recorded an income tax expense of $4.6 million in the first quarter of 2014 as compared to an income tax expense of $3.0 million in the first quarter of 2013. Current income taxes for the first quarter of 2014 consisted primarily of the tax expense in jurisdictions with current taxes payable. Deferred income taxes for the first quarter of 2014 consisted primarily of net deferred income tax recoveries for changes in temporary differences in various jurisdictions.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2014				**2013**			**2012**
Expressed in millions of dollars, except per share amounts	**Mar 31**	Mar 31	Jun 30	Sep 30	Dec 31	Jun 30	Sep 30	Dec 31
Revenues	**210.5**	185.3	189.9	181.0	196.0	169.3	161.4	186.4
Income before taxes	**16.7**	11.0	15.5	13.2	21.0	10.9	18.0	18.0
Net Income	**12.1**	8.0	11.2	9.5	16.8	8.9	14.9	21.8
Net Income per share								
Basic and diluted	**0.21**	0.14	0.19	0.16	0.29	0.15	0.26	0.37
EBITDA	**27.1**	21.3	25.6	22.9	31.0	21.2	27.7	28.9

[1]Certain 2012 figures have been restated due to the implementation of IFRS 11, *Joint Arrangements* and revised IAS 19, *Employee Benefits* in 2013. Please refer to note 2 to the 2013 audited consolidated financial statements.

The Corporation reported its highest quarterly revenues in its history in the first quarter of 2014. Revenues and net income reported in the quarterly information were impacted positively by the fluctuations in the Canadian dollar exchange rate in comparison to the United States dollar and British Pound. The United States dollar/Canadian dollar exchange rate in the first quarter of 2014 fluctuated reaching a low of 1.0627 and a high of 1.1019. During the first quarter of 2014, the British Pound relative to the Canadian dollar fluctuated reaching a low of 1.7429 and a high of 1.8234. Had the foreign exchange rates remained at levels experienced in the first quarter of 2013, reported revenues in the first quarter of 2014 would have been lower by $18.5 million.

Net income in the third quarter of 2012 was higher than each of the first two quarters of 2012 as the Corporation recognized an after tax gain on bargain purchase of $7.4 million on an acquisition as the consideration paid was lower than the fair value of the identifiable tangible assets acquired at the time of purchase. Net income for the fourth quarter of 2013 and 2012 of $16.8 million and $21.8 million, respectively, was higher than all other quarterly net income disclosed in the table above. In the fourth quarter of 2013 and 2012 the Corporation recognized a reversal of previous impairment losses against intangible assets relating to various commercial aircraft programs and in the fourth quarter of 2012 the Corporation recognized previously unrecognized investment tax credits and other deferred tax assets as the Corporation determined that it will be able to benefit from these assets.

4. 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 expense, income taxes and depreciation and amortization) in this quarterly statement. 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 of the components of this measure are 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.

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Net income	**12,079**	8,015
Interest	**1,698**	2,124
Taxes	**4,572**	2,958
Depreciation and amortization	**8,781**	8,174
EBITDA	**27,130**	21,271

EBITDA for the first quarter of 2014 was $27.1 million, compared to $21.3 million in the first quarter of 2013, an increase of 27.5% on a year-over-year basis. Increased gross profit and gains recognized on foreign exchange in the first quarter of 2014 resulted in higher EBITDA when compared to the first quarter of 2013.

5. 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 accounts receivable securitization program, and long-term debt and equity capacity. Principal uses of cash are for operational requirements and capital expenditures. 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 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.

Cash Flow from Operations

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Increase in accounts receivable	**(13,478)**	(21,534)
Increase in inventories	**(4,002)**	(840)
Decrease (increase) in prepaid expenses and other	**293**	(2,032)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(3,675)**	1,652
Changes to non-cash working capital balances	**(20,862)**	(22,754)
Cash provided by operating activities	**1,950**	(5,998)

In the quarter ended March 31, 2014, the Corporation generated $1.9 million in cash from operations, compared to $6.0 million used in the first quarter of 2013. The increase in cash generated from operations was primarily due to favorable changes to the Corporation's working capital requirements in the first quarter of 2014 compared to the same period in 2013. Changes in accounts receivable reflects increased volumes, the change in accounts payable and accrued liabilities was primarily driven by the timing of purchases and payments, and the change in inventories reflects increased inventory levels primarily to support new customer programs and increased customer forecasts.

Investing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Purchase of property, plant and equipment	**(6,564)**	(4,101)
Proceeds of disposal of property plant and equipment	**71**	46
Increase in other assets	**(3,099)**	(2,712)
Cash used in investing activities	**(9,592)**	(6,767)

The Corporation's capital expenditures for the first quarter of 2014 were $6.6 million compared to $4.1 million in the first quarter of 2013. The Corporation continues to invest in capital expenditures to enhance its manufacturing capabilities in various geographies and to support new customer programs.

Financing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2014**	2013
Increase in bank indebtedness	**5,497**	6,481
Increase in debt due within one year	**5,743**	499
Decrease in long-term debt	**(1,345)**	(2,435)
Increase (decrease) in long-term liabilities and provisions	**107**	(41)
Increase in borrowings	**—**	318
Common share dividend	**(2,328)**	—
Cash provided by financing activities	**7,674**	4,822

On December 21, 2012, the Corporation amended its operating credit agreement with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was decreased to a Canadian dollar limit of $115.0 million (down from $125.0 million) plus a United States dollar limit of $35.0 million (down from United States $50.0 million), with a maturity date of December 21, 2014. The Bank Facility Agreement also includes a Canadian $50.0 million uncommitted accordion provision which will provide Magellan with the option to increase the size of the operating credit facility to $200.0 million. The facility is extendible for unlimited future one year renewal periods, subject to mutual consent of the syndicate of lenders and the Corporation. The operating credit facility continues to be fully guaranteed until December 21, 2014 by the Chairman of the Board of the Corporation in consideration of the continued payment by the Corporation of an annual fee, payable monthly, equal to 0.50% (down from 0.63%) of the loan amount.

As at March 31, 2014 the Corporation has made contractual commitments to purchase $18.9 million of capital assets.

Dividends

During the first quarter of 2014, the Corporation declared and paid quarterly cash dividends of $0.04 per common shares representing an aggregating dividend payment of $2.3 million.

On May 13th 2014, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.04 per common share. The dividend will be payable on June 30, 2014 to shareholders of record at the close of business on June 13, 2014.

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 May 1, 2014, 58,209,001 common shares were outstanding.

6. 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. The Corporation had no foreign exchange contracts outstanding as at March 31, 2014.

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.

7. Related Party Transactions

A summary of Magellan's transactions with related parties

During the three month period ended March 31, 2014, the Corporation paid guarantee fees in the amount of $0.2 million to the Chairman of the Board of the Corporation.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

The Corporation manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without hindering the ability to maximize returns. Management has procedures to help identify and manage significant operational and financial risks.

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2013 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2013, which have been filed with SEDAR at www.sedar.com.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2014 and have been applied in preparing the consolidated interim financial statements.

Financial Assets and Liabilities
In December 2011, amendments to IAS 32, *Financial Instruments: Presentation* were issued by the IASB 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 had no material impact on the consolidated interim financial statements.

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 had no material impact on the consolidated interim financial statements.

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 the amendments had no material impact on its consolidated interim financial statements.

10. 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 interim period ended March 31, 2014, and have not been applied in preparing these condensed consolidated interim financial statements. The following standards have been issued by the IASB with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

Financial Instruments – Recognition and Measurement
In October 2010, the IASB published amendments to IFRS 9, *Financial Instruments* ("IFRS 9") which provides added guidance on the classification and measurement of financial liabilities. IFRS 9 will replace IAS 39 and will be completed in three phases: classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. This was the first phase of the project on classification and measurement of financial assets and liabilities. The IASB is discussing proposed limited amendments related to this phase of the project. The standard on general hedge accounting was issued and included as part of IFRS 9 in November 2013. The accounting for macro hedging is expected to be issued as a separate standard outside of IFRS 9. The impairment of financial assets phase of the project is currently in development. In February 2014, the IASB tentatively decided that the mandatory effective date for these amendments to be January 1, 2018. The Corporation intends to adopt IFRS 9 in its consolidated statements for the annual period of January 1, 2018. The Corporation is assessing the impact that the adoption of this standard may have on the consolidated financial statements.

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 assessing the impact the adoption of this standard may have on the consolidated financial statements.

11. Critical Accounting Estimates

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

In the 2013 annual audited consolidated financial statements and management's discussion and analysis, the Corporation identified the accounting policies and estimates that are critical to the understanding of the business and results of operations. Please refer to note 1 to the audited consolidated financial statements for the year ended December 31, 2013 for a discussion regarding the critical accounting estimates.

12. 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 (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2014 that they are responsible for establishing and maintaining 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 judgements 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.

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.

13. Outlook

The outlook for Magellan's business in 2014

Magellan's participation on new aircraft platforms such as the Airbus A320 NEO and A350, the Boeing B737 MAX, B787 and the F-35 remains as a good counterbalance to maturing legacy programs and budget-reduced United States defence programs. One of Magellan's key messages to be conveyed at the upcoming 2014 Farnborough International Air Show will be that the Corporation is strategically positioning itself on new future platforms leveraging its investment in centres of excellence and technology development.

In the commercial aerospace market, positive momentum continues as Boeing and Airbus manage increasing rates for current generation aircraft platforms, and prepare for an aggressive ramp-up of new generation platform production rates. The Airbus A320 NEO and the Boeing B737 MAX rates are planned to achieve peak rates in 2014 and beyond over a compressed period of time to meet the growing demand for more fuel-efficient aircraft.

Within the United States defence market, prioritization of programs continues to be the focus. The conflict between budget capacity and operational capability is forcing the Pentagon to focus on fewer orders for more highly capable equipment. This focus should bode well for programs such as F-35. It also benefits H-60 Blackhawk and AH-64 Apache rotorcraft programs that are critical to current operations. Magellan is fortunate to participate on a number of these prioritized programs.

The business jet market has now been clearly truncated into two distinct markets, one being light jets with the other medium to long range jets. While the light jet market demand appears to have been reset at new lower levels compared to the peak in 2008, the larger jets are now experiencing a decent recovery. Magellan benefits from participation in the latter market through aeroengine manufacturers such as Pratt & Whitney Canada.

Civil helicopter and para-public markets are growing with OEM's like AgustaWestland, Bell Helicopter and Eurocopter (now Airbus Helicopters) benefiting from this momentum. Magellan in turn benefits through sales of its proprietary Wire Strike Protection Systems (WSPS™) outfitted on certain of these aircraft.

The Corporation anticipates that with strong backlogs in the commercial aerospace part of the business, 2014 will continue to exhibit results reflecting that strength. In addition, Magellan will continue leveraging core competencies and technology development to position itself on new future platforms and seek complimentary opportunities to enhance core capabilities.