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, 2015 and 2014, and the Annual Information Form for the year ended December 31, 2015 (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, 2015 relative to the year ended December 31, 2014. The information contained in this report is as at March 18, 2016. 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," "2015 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," "forecasts," "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 2015 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 2015 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 2015, 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, continues to 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 operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation. The Corporation continues to provide services to the Power Generation segment; however, the Corporation has removed the disclosure of this segment as the activity in relation to these services were not material in 2015 and 2014, and at present, are not expected to be material in future periods. 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 is an electric power generation project in the Republic of Ghana.

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 cast, 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 Corporation serves both the commercial and defence markets. In 2015, 75% of revenues were derived from commercial markets (2014 – 77%, 2013 – 73%) while 25% of revenues related to defence markets (2014 – 23%, 2013 – 27%).

2015 and Recent Updates

– On January 6, 2015 Magellan announced the signing of a 10-year agreement with Pratt & Whitney Canada, 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 facility. The agreement is expected to represent approximately $250 million in revenue for Magellan from 2014 through 2023. Pratt & Whitney Canada has been a key customer of Magellan's Haley facility in Ontario for more than 50 years.

- An announcement was made on March 4, 2015, that Magellan and the University of Manitoba unveiled their new advance satellite integration facility ("ASIF") 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 and educational funding.

- Magellan announced on April 6, 2015 that it opened a new, advanced, precision machining facility in Mielec, Poland. The facility will initially specialize in the production of small to medium size components for the aerospace market, and will be further expanded to incorporate precision assembly and aeroengine machining.

- On April 29, 2015 Magellan announced it was awarded an option year related to the contract for engine repair and overhaul of the F404 engine that powers Canada's fleet of CF-188 Hornet aircraft. The one-year, follow-on option year commenced on April 1, 2015, and has projected value added revenue of $16 million. The work will be carried out at Magellan's facility in Mississauga, Ontario. 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 15, 2015 that it acquired Euravia Engineering & Supply Co. Limited ("Euravia"). Euravia is an aviation company that provides maintenance, repair and overhaul solutions for a wide range of aircraft and helicopter gas turbine engines. Euravia, located in Kelbrook, Lancashire, UK, has an established international reputation for delivering high quality, cost effective engine support. Euravia holds 19 international approvals supporting over 150 civil and defence customers in 50 different countries. The acquisition complements Magellan's existing repair and overhaul capability in North America.

- On June 29, 2015, Euravia, a wholly-owned subsidiary of Magellan, announced it was selected to provide PT6T and PT6C engine maintenance, repair and overhaul solutions for Petroleum Air Services. The initial contract period expires at the end of 2016, with an option to renew for an additional two years. It is expected that this contract will generate US$6 million over a three year period if the option is renewed.

- The Corporation announced on September 15, 2015 the delivery of the first two RADARSAT Constellation Mission ("RCM") payload module structures to Macdonald, Dettwiler and Associates Ltd. ("MDA"). These major assemblies will house the electronics for the radar payload being developed by MDA. They were designed and built by Magellan's facility in Winnipeg, Manitoba. Magellan has been contracted by MDA to deliver three spacecraft buses, including three payload modules, for the Canadian Space Agency's RCM mission.

- Magellan also announced on September 15, 2015, that it had entered into an international partnership agreement with the Student Spaceflight Experiment Program. This US-based programme was launched by the National Center for Earth and Space Science Education and provides students the ability to design and propose microgravity experiments to fly in low Earth orbit on the International Space Station. As an international partner, Magellan increases the opportunity for more communities to participate in the Student Spaceflight Experiment Program and sees this funding as an investment in the youth of Canada.

- On October 5, 2015, the Corporation announced it was awarded a follow on contract to provide nose and main landing gear components and kitted assemblies to Messier-Bugatti-Dowty for major commercial aircraft customers. The complex machined components are manufactured in Magellan's facilities in New York, New York and Kitchener, Ontario, which are Magellan's facilities geared for high velocity, hard metal machining and kitting. The contract represents US$80 million in sales for the period of 2017 through 2021.

- Magellan announced on November 16, 2015 that it, through a wholly owned subsidiary, Magellan Aerospace Processing, Long Island, Inc., acquired substantially all the assets of Lawrence Ripak Co. Inc. and Ripak Aerospace Processing LLC ("Ripak"), an aerospace processing facility located in Long Island, New York. For more than 60 years Ripak has been in business providing a full range of non-destructive test services, anodizing, plating, painting, shot peening and other processing to over four hundred customers worldwide. The acquisition of Ripak establishes a North American capability in processing that adds capacity and is complementary to Magellan's existing processing facilities in the UK, Poland and India. Magellan Aerospace Processing, Long Island, Inc. will conduct business under the trade name of Ripak Aerospace Processing.

- On March 1, 2016, Magellan announced that a Wire Strike Protection System™ (WSPS™) will soon be available for the Robinson R66 helicopter platform with the anticipated issuance of a Supplemental Type Certificate (STC) in the first quarter of 2016. The WSPS™ is designed to provide a measure of protection for helicopters in level flight in the event of an encounter with horizontally strung wires and cables, using the concept of guiding wires over the fuselage into high tensile steel cutting blades. The basic WSPS™ is comprised of an upper cutter, lower cutter, and a windshield deflector. The R66 WSPS™ kit is expected to be available for new R66 helicopters commencing in the fall of 2016. Internal provisions for the R66 WSPS™ platform will be available as an option from Robinson on new helicopters and will allow for easy installation of the exterior kit. A comprehensive aftermarket kit, including the internal provisions, will be available to retrofit older R66 helicopters from Magellan's authorized distributors.

Labour Matters

During the year ended December 31, 2015, two labour agreements at two of the Corporation's facilities which expired during 2015 were successfully re-negotiated with contract periods ending in 2018. One labour agreement, which expired on December 31, 2015, is currently in negotiations. Five labour agreements at five of the Corporation's facilities expire in the second half of 2016.

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. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by US$10 million ($13.8 million at December 31, 2015). The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expired on March 4, 2016.

2. OUTLOOK

The outlook for Magellan's business in 2016

According to the International Air Transport Association (IATA), global passenger traffic in 2015 grew by 6.5% compared to 2014. This was the strongest growth rate since the post-financial crisis rebound in 2010, and was well above the 10-year average of 5.5%. Airline profitability was also reported to be the highest since 2010 and is forecast to rise further in 2016, as low fuel prices continue to be a boost to airline's bottom line. Notwithstanding a strong performance in 2015, industry experts are signaling that commercial aircraft markets will flatten due to sluggish economies in China, Latin America and emerging markets. These are regions of the world where the largest future growth rate in the commercial market is expected to come from.

Airbus and Boeing still plan to either maintain or increase civil aircraft production rates in 2016 and 2017. Airbus' A320 rate increases to 44 per month in the first quarter of 2016 and then to 46 per month in the second quarter of 2016. Boeing's 737 rate will remain at 42 per month for 2016 and is planned to go to 47 per month in 2017. The 767 rate increases to 2 per month and 787 to 12 per month in 2016.

The regional jet market has been experiencing the same upbeat trend as large commercial airliners. The strongest segment of the market lies in the 90 – 110 seat class where Embraer with their new E2 series of aircraft will be the dominant player. Bombardier with its C-Series aircraft is their direct competitor. Both aircraft are powered by Pratt & Whitney's new PW1000 geared turbofan engine upon which Magellan is seeking to secure long term market share on certain components.

Regional turboprops are not fairing as well as jets. ATR reported that their orders were down 50% in 2015 because of slowing economies in the two regions of the world that comprise the majority of their sales, Latin America and Asia. Low oil prices have also contributed to this decline, as the advantage of the turboprops' lower operating cost when compared with a jet is diminished when oil prices are low.

According to Forecast International, the business jet market in 2015 underwent a complete trend reversal between the light/medium and large aircraft segments. Where the demand for light/medium jets had been weak, it strengthened by the end of 2015 as improvements in the US economy began to unlock latent demand. Conversely, the stronger large business jet market began to weaken due to economic slowdowns in China, Latin America and Russia. Honeywell's annual outlook stated that sluggish economic growth and political tensions are driving a more reserved approach to purchasing new aircraft. Despite this, it is still believed that the business jet market will recover as economic conditions improve in key geographic regions.

At the end of 2015, the entire civil helicopter market was experiencing a negative downturn. By example, Sikorsky reported that their commercial helicopter sales fell in 2015 to just 25% of that in 2014, which was primarily due to the decline in the energy sector. Regardless, manufacturers are still optimistic about the market and continue to develop new programs, banking on an eventual return to strength.

In the defense market, economic constraints have put significant pressure on most defense budgets worldwide, however countries made nervous by various global security threats, are withdrawing budget reductions to focus on immediate defense priorities. Economics are also forcing countries to delay fleet modernization programs, which will mean extending production on certain legacy platforms, to bridge the gap. To further unsettle the market, some new program awards have been reversed after the successful bidder was announced, such as Poland's withdrawal of their decision to award Airbus Helicopters a contract for 50 new utility helicopters under their Technical Modernization Program. Finally, contractors in the United States seeking to fill the gap left by sequestration budget cuts with foreign military sales, face a new challenge with a strong US dollar; competing against capable platforms sold in a country's native currency.

The Corporation continues to monitor the F-35 program developments closely. Aircraft are currently flying at eight different operating locations across the United States. The US Marine Corps declared combat-ready Initial Operational Capability ("IOC") in July 2015, with the US Air Force and Navy intending to attain IOC mid-2016 and 2018, respectively. The F-35 program continues to grow and accelerate. The program achieved planned deliveries of 45 aircraft in 2015. There are 53 aircraft planned for 2016, with a total of 870 airplanes planned for delivery over the next six years. Magellan is currently commencing activities to support increased production rates.

3. SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for 2015, 2014 and 2013

Expressed in millions of dollars, except per share information	**2015**	2014	2013
Revenues	**951.5**	843.0	752.1
Net income for the year	**79.4**	56.6	45.5
Net income per common share – Basic and Diluted	**1.36**	0.97	0.78
EBITDA	**151.7**	120.3	100.8
EBITDA per common share – Diluted	**2.61**	2.07	1.73
Total assets	**1,050.1**	834.6	791.9
Total non–current financial liabilities	**196.0**	144.1	63.8

Revenues for the year ended December 31, 2015 increased from 2014 and 2013 levels. The increase in revenues from 2014 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 2015 from 2014 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 2015 the Corporation paid quarterly dividends on common shares of $0.055 per share for the first three quarters and $0.0575 per share in the fourth quarter, amounting to $13.0 million in total for the year. During 2014, the Corporation paid quarterly dividends on common shares of $0.04 per share in the first three quarters and $0.055 per share in the fourth quarter, amounting to $10.2 million in total for the year.

4. RESULTS OF OPERATIONS

A discussion of Magellan's operating results for 2015 and 2014

Consolidated Revenues

Consolidated revenues for the year ended December 31, 2015 increased 12.9% to $951.5 million from $843.0 million last year. The weakness in the Canadian dollar in combination with an increase in product shipments contributed to the year over year increase in sales.

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014	Change
Canada	**330,444**	325,218	1.6%
United States	**333,074**	272,646	22.2%
Europe	**287,948**	245,172	17.4%
Total revenues	**951,466**	843,036	12.9%

Revenues in Canada in 2015 increased 1.6% in comparison to revenues earned in 2014, while revenues in United States in US dollars increased 5.6% and increased 22.2% when measured in Canadian dollars. Revenues in Europe in British pounds increased 9.3% and increased 17.4% in 2015 in comparison to 2014 when measured in Canadian dollars. The business acquisition of Euravia in the second quarter of 2015 also contributed to the increased revenues in Europe in 2015 when compared to the same period in 2014.

Favourable foreign exchange impacts on the translation of foreign operations to Canadian dollars resulting from a stronger United States dollar and British pound in 2015 against the Canadian dollar contributed to higher revenues generated in United States and Europe in 2015 when compared to 2014. If average exchange rates for both the United States dollar and British pound experienced in 2014 remained constant in 2015, consolidated revenues for 2015 would have been approximately $858.2 million, a 1.8% increase over 2014 revenue levels.

Gross Profit

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014	Change
Gross Profit	**164,379**	133,782	22.9%
Percentage of revenue	**17.3%**	15.9%	

Gross profit increased by $30.6 million from 2014 levels of $133.8 million to $164.4 million in 2015. Gross profit, as a percentage of revenues, was higher in 2015 at 17.3% versus 15.9% in 2014. Increases in the underlying activity and the impact of the strengthening year over year of the United States dollar and British pound against the Canadian dollar resulted in a higher gross profit for 2015 when compared to 2014.

Administrative and General Expenses

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014	Change
Administrative and general expenses	**56,739**	48,221	17.7%
Percentage of revenue	**6.0%**	5.7%	

Administrative and general expenses increased to $56.7 million in 2015 from $48.2 million in 2014. The effect on translation of the strengthening of the United States dollar and British pound exchange rates against the Canadian dollar accounted for approximately $5.6 million of the year over year increase in administrative and general expenses. In addition, the acquisition of businesses in 2015 increased administrative and general expenses by $3.7 million when compared to the same period in 2014.

Other

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Foreign exchange gain	**(977)**	(523)
Loss on disposal of property, plant and equipment	**1,909**	1,097
Other	**932**	574

Included in other income is a foreign exchange gain of $1.0 million in 2015 compared to a gain of $0.5 million in 2014, resulting from the revaluation and settlement of the Corporation's Unites States dollar denominated monetary assets and liabilities in Canada and foreign exchange contracts. In 2015 and 2014, the Corporation retired assets for a loss on disposal of approximately $1.9 million and $1.1 million, respectively.

Interest Expense

Twelve-months ended December 31, expressed in thousands of dollars	2015	2014
Interest on bank indebtedness and long-term debt	**4,456**	4,586
Accretion charge on long-term debt and borrowings	**876**	2,531
Discount on sale of trade receivables	**928**	770
Interest expense	**6,260**	7,887

Interest costs for 2015 were $6.3 million, a decrease of $1.6 million from 2014 largely due to a lower accretion charge in 2015 when compared to 2014. Interest on bank indebtedness and long-term debt in 2015 slightly decreased as the Corporation did not incur guarantee fees on the operating credit facility during 2015, when compared to 2014, offset in part by, higher interest on external interest bearing debt due to higher principal amounts outstanding in 2015 when compared to 2014. During 2015, the Corporation sold $344.1 million of trade receivables at an annualized interest rate of 1.68% compared to the sale of $287.3 million of trade receivables in 2014 at an annualized interest rate of 1.68%.

Income Taxes

Twelve-months ended December 31, expressed in thousands of dollars	2015	2014
Current income tax expense	**7,363**	4,991
Deferred income tax expense	**13,662**	15,537
Income tax expense	**21,025**	20,528
Effective tax rate	**20.9%**	26.6%

The Corporation recorded an income tax expense in 2015 of $21.0 million on pre-tax income of $100.4 million, representing an effective tax rate of 20.9%, compared to an income tax expense of $20.5 million on a pre-tax income of $77.1 million in 2014 for an effective tax rate of 26.6%.

During each of 2015 and 2014, the Corporation recognized investment tax credits in Canada totalling $4.2 million and $6.9 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 decrease in the effective tax rate to 20.9% in 2015 when compared to 26.6% in 2014 is primarily due to an adjustment in corporate taxation rates in the income tax jurisdictions in which the Corporation operates.

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	**2015**	2014
Net income	**79,423**	56,572
Interest	**6,260**	7,887
Taxes	**21,025**	20,528
Depreciation and amortization	**45,007**	35,300
EBITDA	**151,715**	120,287

EBITDA for the year ended 2015 of $151.7 million increased by $31.4 million when compared to $120.3 million in 2014. Increased revenue levels and improved margins in 2015 over 2014 were partially offset by increased 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				**2015**				2014
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	Mar 31	Jun 30	Sep 30	Dec 31
Revenues	**228.4**	**234.4**	**236.2**	**252.6**	210.5	221.0	202.5	208.9
Income before taxes	**26.8**	**21.8**	**24.8**	**27.1**	16.7	18.8	17.7	23.9
Net income	**19.2**	**16.2**	**18.5**	**25.5**	12.1	13.6	13.0	17.9
Net income per common share								
Basic and Diluted	**0.33**	**0.28**	**0.32**	**0.44**	0.21	0.23	0.22	0.31
EBITDA[1]	**37.4**	**33.5**	**37.8**	**43.1**	27.1	30.2	28.3	34.7

[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 fourth quarter of 2015. 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 United States dollar/Canadian dollar exchange rate in 2015 fluctuated reaching a low of 1.1613 and a high of 1.3955. During 2015, the Unites States dollar relative to the Canadian dollar moved from an exchange rate of 1.1601 at the start of the 2015 calendar year to an exchange rate of 1.3840 by December 31, 2015. The British pound/Canadian dollar exchange rate in 2015 fluctuated reaching a low of 1.7832 and a high of 2.0938. During 2015, the British pound relative to the Canadian dollar moved from an exchange rate of 1.8071 at the start of the 2015 calendar year to an exchange rate of 2.0407 by December 31, 2015. Had exchange rates remained at levels experienced in 2014, reported revenues in 2015 would have been lower by $16.5 million in the first quarter; $17.1 million in the second quarter, $29.4 million in the third quarter and $28.2 million in the fourth quarter.

Net income for the first and fourth quarters of 2015 of $19.2 million and $25.5 million, respectively, was higher than all other quarterly net income shown in the table above. In all four quarters of 2015 movements in the US dollar and British pound in relation to the Canadian dollar favorably impacted net income. Somewhat offsetting the favourable transactional currency movement in the second quarter of 2015, the Corporation recorded a loss on translation of its foreign currency liabilities within Canada and Europe. In the fourth quarter of 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 2015, $94.5 million of cash was generated by operations, $133.9 million was used in investing activities and $40.7 million was provided by financing activities.

Cash Flow from Operating Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Increase in trade receivables	**(19,148)**	(8,438)
Increase in inventories	**(11,991)**	(10,267)
(Increase) decrease in prepaid expenses and other	**(3,943)**	361
Decrease in accounts payable, accrued liabilities and provisions	**(5,878)**	(4,917)
Net change in non-cash working capital items	**(40,960)**	(23,261)
Net cash from operating activities	**94,534**	78,576

Operating activities for 2015 generated cash of $94.5 million compared to $78.6 million in the prior year. Changes in non-cash working capital items used cash of $41.0 million as a result of increases in trade receivables, inventories, prepaid expenses and other 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 2015 were to support higher production volumes on a number of programs. In 2014, changes in non-cash working capital of $23.3 million were principally a result of increases in trade receivables and inventories and a decrease in accounts payable, accrued liabilities and provisions.

Cash Flow from Investing Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2015**	2014
Investment in joint venture	**–**	(326)
Business combinations	**(75,495)**	–
Purchase of property, plant and equipment	**(43,905)**	(35,481)
Proceeds from disposals of property, plant and equipment	**621**	611
Change in restricted cash	**(12,902)**	–
Increase in other assets	**(2,175)**	(5,945)
Net cash used in investing activities	**(133,856)**	(41,141)

The Corporation invested $43.9 million in capital assets during the year in comparison to $35.5 million in 2014. 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. The Corporation invested $79.1 million, net of cash acquired, in the acquisitions of Euravia in the second quarter of 2015 and Ripak in the fourth quarter of 2015.

Contractual Obligations

As at December 31, 2015, expressed in thousands of dollars	Less than 1 year	1-3 Years	4-5 Years	After 5 Years	Total
Bank indebtedness	–	135,828	–	–	135,828
Trade receivables securitization	50,581	–	–	–	50,581
Long-term debt	4,674	10,500	11,271	20,222	46,667
Equipment leases	568	710	227	84	1,589
Facility leases	2,906	4,832	3,911	17,835	29,484
Other long-term liabilities	5,365	4,072	526	1,402	11,365
Borrowings subject to specific conditions	776	755	2,034	16,962	20,527
Total Contractual Obligations	**64,870**	**156,697**	**17,969**	**56,505**	**296,041**

Major cash flow requirements for 2016 include the repayment of trade receivables securitization of $50.6 million which is expected to be refinanced, repayment of long-term debt of $4.7 million, payments of equipment and facility leases of $3.5 million and other long-term liabilities of $5.4 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 £9.0 million 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 has supported the Corporation since 2005, was released. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by US$10 million ($13.8 million at December 31, 2015). The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expired on March 4, 2016.

As at December 31, 2015, the Corporation had made contractual commitments to purchase $16.0 million of capital assets. In addition, the Corporation also had purchase commitments, largely for materials required for the normal course of operations, of $407.9 million as at December 31, 2015. 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 18, 2016, 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 16 of the Corporation's consolidated financial statements.

On March 31, 2015, June 30, 2015, and September 30, 2015 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.055 per common share, representing an aggregate dividend payment of $9.6 million. On December 31, 2015 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.0575 per common share, amounting to $3.4 million.

For the year ended December 31, 2014, the Corporation declared and paid dividends on common shares on March 31, 2014, June 30, 2014 and on September 30, 2014 of $0.04 per share amounting to $7.0 million and on December 31, 2014 of $0.055 per share amounting to $3.2 million.

In the first quarter of 2016, the Corporation declared cash dividends of $0.0575 per common share payable on March 31, 2016 to shareholders of record at the close of business on March 11, 2016.

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. The Corporation had no material foreign exchange contracts outstanding at December 31, 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

The Chairman of the Board of Directors 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 of $0.6 million was paid in consideration for the guarantee in 2014.

During the year, the Corporation incurred consulting costs of $0.1 million [2014 - $0.1 million] payable to a corporation controlled by the Chairman of the Board of Directors 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. Information relating to additional 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 spending for 2015 remained constrained consistent with the previous year's budget. In addition, the governments in Canada and other countries have recognized the need to reduce defence spending. Worldwide spending on defence in 2016 to date, while restrained, has stabilized. The primary driver to defence spending in 2016 to date continues to reflect 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 18 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.

In order to estimate the fair value of indefinite-lived intangible assets and goodwill resulting from business combinations, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgments and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the balance sheet to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporations business strategy or internal forecasts. Although the Corporation believes the assumptions, judgments and estimates made in the past have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our reported financial results.

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.

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 adoption of this pronouncement on January 1, 2015 did not have an impact on the consolidated financial statements of the Corporation.

Operating Segment

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 adoption of this pronouncement on January 1, 2015 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, 2015, 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 ("IASB") 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:

Leases

In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") has been adopted. The Corporation is in the process of evaluating the impact that IFRS 16 may have on the Corporation's consolidated financial statements.

Joint Arrangements

In 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 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, 2018, 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 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 does not expect the amendments to have a material impact on the Corporation's consolidated financial statements.

Financial Instruments – Recognition and Measurement

In 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 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. Upon adoption, these amendments may impact the Corporation in respect of future sale or contribution of assets with its joint ventures.

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, 2015 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, 2015, 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, 2015.

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.