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NEWS RELEASE

**Magellan Aerospace Corporation Announces Additional Financing**

**Toronto, Ontario – February 4th, 2009** – Magellan Aerospace Corporation ("Magellan") announced today that the independent members of its Board of Directors have approved additional financing initiatives for Magellan consisting of a new secured subordinated loan in the amount of \$15 million (the "New Subordinated Loan"), the extension of the maturity of the pre-existing loan from Edco Capital Corporation of \$50 million (the "Prior Subordinated Loan") to July 1, 2010, the issuance of up to \$40 million principal amount of convertible secured subordinated debentures ("Convertible Secured Subordinated Debentures") and the continuation of one of Magellan's existing securitization programs (the "Securitization") of up to \$35 million of Canadian based accounts receivables, declining to \$20 million by April 30, 2009 and to nil by December 31, 2009.

The New Subordinated Loan would be from Edco Capital Corporation, a corporation wholly-owned by N. Murray Edwards, and would bear interest at 12% per annum, be due on July 1, 2010, and be collateralized and subordinated to Magellan's existing bank credit facility. The New Subordinated Loan would not be convertible, redeemable or exchangeable for common shares of Magellan. Edco Capital Corporation has also agreed to extend the Prior Subordinated Loan, which is due on July 1, 2009, to July 1, 2010 in consideration of a one time fee of 1% of the principal amount of such loan and an increase in the interest rate from 10% per annum to 12% per annum on such loan. Each of the provision of the New Subordinated Loan, the extension of the prior Subordinated Loan, and the closing of the Convertible Secured Subordinated Debenture offering, described below, are conditional on the extension of Magellan's existing bank credit facility for at least one year to May, 2010 on terms satisfactory to the Board of Directors of Magellan on or before April 30, 2009, and there being no material adverse change in the business, operations or capital of Magellan prior to closing.

As part of the financing initiatives, Mr. Edwards, directly or indirectly, has also agreed to purchase at least \$25 million principal amount of the Convertible Secured Subordinated Debentures which would bear interest at 10%, payable semi-annually, be convertible at a price of \$1.00 per Magellan common share and have a three year maturity. Mr. Edwards has indicated the purchase of the Convertible Secured Subordinated Debentures would be for investment purposes and Mr. Edwards may, directly or indirectly, acquire additional securities of Magellan depending on market conditions. An additional offering of up to \$15 million principal amount of Convertible Secured Subordinated Debentures would be made by way of private placement to accredited investors with preference to existing common shareholders, preferred shareholders and debentureholders of Magellan by subscription on or before February 18, 2009. Mr. Edwards may, but is not obligated to, purchase additional Convertible Secured Subordinated Debentures. Magellan would require payment on the subscription for such Convertible Secured Subordinated Debentures, or deposit of letters of credit assuring payment, by February 18, 2009. The closing of the Convertible Secured Subordinated Debentures is conditional upon and will be coincidental with the date of the extension of Magellan's existing bank credit facility for at least one year and also on the condition that there is no material adverse change in business, operations or capital of Magellan prior to closing.

The use of proceeds of the sale of the Convertible Secured Subordinated Debentures and New

Subordinated Loan is to reduce the bank credit facility by \$5 million (U.S.) and \$5 million (Cdn.) and for general corporate purposes and to improve Magellan's financial position.

Mr. Edwards is the holder directly or indirectly of 5,056,979 common shares (approximately 28% of the issued and outstanding common shares of Magellan), 1,005,000 preferred shares, which represents approximately 50% of the issued and outstanding preferred shares (principal amount of \$10,050,000 convertible at \$15.00 per share) and \$17,500,000 principal amount of convertible debentures (representing approximately 83.5% of these convertible debentures) convertible at \$10.00 per share. If the \$25 million principal amount of new Convertible Secured Subordinated Debentures were converted, Mr. Edwards would acquire an additional 25,000,000 common shares, bringing his holdings to 69.6% of the issued and outstanding common shares of Magellan, assuming the other \$15 million principal amount of Convertible Secured Subordinated Debentures were not converted. If Mr. Edwards subscribes for \$40 million principal amount of Convertible Secured Subordinated Debentures and all such Convertible Secured Subordinated Debentures were converted, Mr. Edwards would acquire 40 million additional common shares, bringing his holding to approximately 77% of the issued and outstanding common shares of Magellan. If all of the proposed issue of up to \$40 million of Convertible Secured Subordinated Debentures were issued and converted, the number of new Common Shares to be issued would represent dilution of Magellan's currently issued and outstanding common shares by approximately 220%.

Magellan has also entered into a letter agreement with Balinhard Capital Corporation, a corporation wholly-owned by Larry G. Moeller, a director of Magellan, authorizing the sale by way of securitization of up to \$35 million of Canadian based accounts receivables by Magellan to Balinhard at an effective annualized interest rate of 7.5%. Balinhard has from time to time provided individual securitization financing transactions in replacement of one of Magellan's securitization programs which was discontinued in February of 2007. The amount outstanding under the Balinhard agreements as at December 31, 2008 was approximately \$39 million and is currently outstanding at approximately \$21 million. Each sale is subject to the agreement of Balinhard and the aggregate amount available under the agreement will reduce to \$20 million by April 30, 2009 and to nil by December 31, 2009. Mr. Moeller is the holder, directly or indirectly, of approximately 246,768 (1.4%) of the common shares of Magellan, 102,305 preferred shares (principal amount of \$1,023,500 convertible at \$15.00 per share) and \$650,000 of convertible debentures convertible at \$10.00 per share.

Each of the borrowing under the New Subordinated Loan, the issue of Convertible Secured Subordinated Debentures, the extension of the Prior Subordinated Loan by Magellan and the Securitization constitutes a related party transaction under Multilateral Instrument 61-101 because such transactions are with, or securities are being issued to, directly or indirectly, N. Murray Edwards, the Chairman and a director of Magellan, in the case of transaction other than the Securitization, and Larry G. Moeller, a director of Magellan in the case of the Securitization. Unless an exemption is applicable, the related party rules require a formal valuation and minority approval in respect of a related party transaction.

The TSX also requires shareholder approval, unless an exemption is applicable, as a condition of acceptance of the related party transactions since the transactions would materially affect control of Magellan, would provide consideration to insiders in aggregate of 10% or greater of the market capitalization of Magellan, and the common shares issuable on exercise of the Convertible Secured Subordinated Debentures would represent greater than 25% of the outstanding common shares of Magellan.

Both Multilateral Instrument 61-101 and the rules of the TSX contain an exemption from the requirement to obtain shareholder approval if a committee of independent board members of Magellan, free from any interest in the transactions and unrelated to the parties involved in the transactions, has recommended the transactions, and the independent members of the board of directors have resolved that Magellan is in serious financial difficulty, the transactions are designed to improve Magellan's financial condition, and the transactions are reasonable for Magellan in the circumstances.

In December 2008, the Magellan board of directors established a committee consisting of three independent directors. This committee has been formed to consider the financial condition of Magellan and to consider proposals to restructure the capital structure of Magellan through the issuance of debt or equity, or through the sale of assets or other alternative transaction should such transactions be required. The independent committee concluded, and the independent members of the board of directors agreed, that Magellan is in serious financial difficulty, the proposed transactions are designed to improve Magellan's financial condition, and the transactions are reasonable for Magellan in the circumstances.

The independent committee and the independent members of the board of directors concluded that Magellan is in serious financial difficulty because, even though management believes that Magellan will generate sufficient cash through operations in order to meet its obligations as they come due, if Magellan is unable to renew or re-finance its operating bank facility and extend the Prior Subordinated Loan, its ability to continue to finance its operations will be uncertain. Magellan's operating credit facility of approximately \$207 million (Cdn.) is currently drawn in an amount of approximately \$198 million (Cdn.) and is due May 23, 2009 and the Prior Subordinated Loan is due on July 1, 2009.

Magellan has not yet engaged in any discussions with its lenders regarding the renewal of these facilities but in light of the current credit conditions there is no certainty that Magellan will be able to renew these facilities. The Chairman of Magellan has guaranteed Magellan's operating credit facility. The guarantee is secured by marketable securities deposited with its lender by the Chairman. Magellan has been informed that due to the unprecedented steep decline in value of such marketable securities, this guarantee arrangement may not provide the required level of assurance to the banks in order to extend the credit facility on acceptable terms without the new financings. Also, Magellan has, to date, been unsuccessful in securing a replacement for the third party securitization facility which it lost in February, 2007; nor for the separate transactions relating to the securitization of its accounts receivable from time to time with Balinhard where the aggregate availability for such transactions is declining to \$20 million by April 30, 2009 and to nil by December 31, 2009. The amount currently outstanding is approximately \$21 million.

As a result of these factors and considering the current financial environment, the Board of Directors of Magellan has determined to approve these financing initiatives and has authorized management of Magellan to enter into discussions with its bankers immediately after February 18, 2009.

The above transactions are subject to regulatory approval, including the Toronto Stock Exchange.

#### **Forward Looking Statements:**

This press release contains forward looking statements to provide investors and potential investors with information about the financing initiatives being undertaken by Magellan. Readers are cautioned that the information may not be appropriate for other purposes.

In regard to such forward looking statements contained in this press release, we have made assumptions regarding, among other things, foreign currency exchange rates that may prevail in 2009, production levels ultimately required to meet customer delivery schedules, interest rates that may prevail during 2009, the ability of management to achieve cash flows through working capital reductions, and that the credit facilities of Magellan are maintained and renewed on similar terms when they come due.

Although Magellan believes that the estimates or expectations reflected in the forward looking statements, and the assumptions on which they are made, are reasonable, there can be no assurance that such estimates and expectations will prove to be correct.

Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements

involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the expectations and estimates of management will not occur, which may cause Magellan's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties, as well as other risks, are disclosed in Magellan's annual filings (including our Annual Information Form) available at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements contained in this document speak only as of the date of this press release. Except as expressly required by applicable securities laws, Magellan does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

**For additional information or to obtain a copy of the early warning report of Mr. Edwards contact:**

James S. Butyniec  
(905) 677-1889 ext. 233  
President and Chief Executive Officer

John B. Dekker  
(905) 677-1889 ext. 224  
Vice President Finance & Corporate Secretary