MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
First Quarter Report
March 31, 2002

Magellan Aerospace Corporation (the "Corporation") is listed on the Toronto Stock Exchange under the symbol MAL. The Corporation is a diversified supplier of components to the aerospace industry. Through its network of facilities throughout North America, Magellan supplies leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

On May 16, 2002, the Corporation announced its financial results for the first quarter of 2002. The results are summarized as follows:

	Three Months Ended March 31		
Expressed in thousands, except per share amounts	2002	2001 (restated)	PERCENTAGE CHANGE
Revenues	$ 128,044	$ 156,029	-17.9%
Net Income	$ 6,352	$ 8,350	-23.9%
Net Income Per Share	$ 0.10	$ 0.13	-23.1%
EBITDA	$ 17,723	$ 22,762	-22.1%
EBITDA Per Share	$ 0.27	$ 0.35	-22.9%

Management's Discussion & Analysis

The commercial aerospace sector has been impacted by the general slowdown in the economy and has resulted in significant reductions in passenger traffic. This reduction in traffic has resulted in reduced demand for certain civil aviation products. The Corporation's results in the first quarter of 2002 reflect these reduced demands.

Results from Operations

Consolidated revenues for the first quarter were $128.0 million, a decrease of 17.9% from the first quarter of 2001. Reduced sales to Boeing and delayed work orders on some key contracts, such as the Airbus A340, contributed to the reduced sales level. Gross profits fell to $20.9 million (16.3% of revenues) for the first quarter of 2002 from $27.8 million (17.8% of revenues) during the same period in 2001 largely due to the decreased sales levels.

Administrative and general expenses were $8.3 million for the three months ended March 31, 2002 or 15.7% lower than the corresponding period in 2001. The Corporation continues to minimize administrative and general expenses, while still continuing the Corporation's efforts of expanding its business base.

Interest expense declined to $2.0 million in the first quarter of 2002 from $3.4 million in the first quarter of 2001 due to lower interest rates and lower outstanding debt.

Income tax expense in the first quarter was $3.8 million, which represents an effective income tax rate of 37.5%. The tax rate for the most recent quarter exceeds the expected long term rate expected due to the higher proportion of income in jurisdictions with higher rates.

Net income for the quarter was $6.4 million, a decrease of $2.0 million over the same period in 2001. Lower margins were partially offset by reduced administrative and general expenses and interest expense during the period ended March 31, 2002. Net income per share for the period ended March 31, 2002 was $0.10, a decrease from $0.13 for the first quarter in 2001.

Liquidity and Capital Resources

In the quarter ended March 31, 2002, the Corporation used $5.7 million of cash for operating results, a decrease of $20.2 million over the same period in 2001. Cash provided from profit and amortization offset the reduction of accounts payable and accrued charges and increases in inventories.

During the quarter ended March 31, 2002, the Corporation invested $8.6 million in new production equipment to modernize current facilities and to enhance its capabilities.

Changes in Accounting Policies

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the Corporation has adopted new accounting policies with respect to Goodwill, Foreign Currency Translation, and Stock-Based Compensation. Details of these changes to accounting policies can be found in the notes to the financial statements.

Recent Developments

Approximately 60% of Magellan's sales are to the commercial aviation sector, distributed across all classes of aircraft from business jets to large twin-aisle airliners. These sales are split approximately 60/40 between aerostructure and aeroengine customers, and are distributed over a customer base of seven major customers and several smaller ones. This broad distribution of sales will contribute to a more rapid recovery as the industry improves in the second half of 2002. Magellan announced, on April 19, 2002, a contract received from General Electric to manufacture front frames for the GE CF34 engine, which is used largely on regional jets, with a total potential value of $49.0 million over the life of the contract.

With the recent increase in worldwide military activity, there has been a corresponding increase in the military opportunities flowing to Magellan in both the new build and repair sectors. Magellan has won several new military contracts in recent months including; a $190.0 million award from the United States Air Force for repair and overhaul of J85 engines announced on May 7, 2002, and a $15.0 award from Northrup Grumman for structural work on the F/A 18E/F program announced on Feb 19, 2002. Revenues for this new work will start in the fourth quarter of 2002. Magellan also announced, on January 21, 2002, a follow-on contract to perform repair and overhaul services for the F404 engine powering Canada's fleet of CF 18 fighter aircraft.

The industrial gas turbine and co-generation market sector continues to expand. The Corporation has a solid exposure to this market through contracts with Siemens-Westinghouse, General Electric, Rolls Royce and others, as well as with its own proprietary industrial power generation sets. Non-aerospace work in Magellan continues to grow, and now accounts for approximately 6% of total revenue.

MAGELLAN
AEROSPACE CORPORATION

Summary

As expected the results of 2002 have been effected by the events of 2001. Reduced airline orders and production schedules have impacted the results of the Corporation during the first quarter in 2002. The events of 2001 will continue to impact the results in 2002 through the second quarter.

Since the acquisition of Ellanef Manufacturing Corporation in June, 1999, the Corporation has focused on building a strong balance sheet. As equity has grown and debt was repaid, the debt to capital ratio for the Corporation improved from 51.1% (restated) at December 31, 1999 to its present level of 39.9%. Magellan's financial strength will sustain the Corporation during the current industry slowdown and position it to take full advantage of growth opportunities that will arise as the economy recovers.

On behalf of the board

N. Murray Edwards
Chairman and Chief Executive Officer
May 28, 2002

Richard A. Neill
President and Chief Operating Officer

MAGELLAN AEROSPACE CORPORATION

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(unaudited)

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

	Three months ended March 31 **2002**	Three months ended March 31 2001 (restated)
Revenues	**$ 128,044**	$ 156,029
Cost of revenues	**107,157**	128,228
Gross profit	**20,887**	27,801
Administrative and general expenses	**8,333**	9,888
Research and development	**386**	469
Interest	**2,011**	3,428
	10,730	13,785
Income before income taxes	**10,157**	14,016
Income taxes – current	**627**	4,509
- future	**3,178**	1,157
Net income for the period	**6,352**	8,350
Retained earnings, beginning of the year		
As previously reported	**166,700**	126,136
Restatement due to change in accounting policy regarding foreign exchange translation (note 1)	**(2,331)**	(785)
Retained earnings, beginning of the year, as restated	**164,369**	125,351
Retained earnings, end of period	**$ 170,721**	$ 133,701
Income per common share (note 5)		
Basic	**$ 0.10**	$ 0.13
Diluted	**$ 0.10**	$ 0.13

MAGELLAN
AEROSPACE CORPORATION

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

(expressed in thousands of dollars)	**March 31 2002 (unaudited)**	December 31 2001 (restated)
ASSETS		
Current		
Cash and cash equivalents	**$ 1,034**	$ 3,638
Accounts receivable	**86,402**	89,800
Inventories	**239,659**	230,943
Prepaid expenses and other	**8,475**	8,218
Future income tax asset	**2,099**	3,643
Total current assets	**337,669**	336,242
Capital assets	**350,990**	347,801
Goodwill (note 1)	**13,428**	13,421
Other	**9,260**	11,167
Future income tax asset	**9,123**	11,265
	$ 720,470	$ 719,896
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$ 82,375**	$ 57,431
Accounts payable and accrued charges	**77,689**	92,067
Deferred revenue	**1,858**	2,779
Current portion of long-term debt (note 2)	**40,385**	41,108
Total current liabilities	**202,307**	193,385
Long-term debt (note 2)	**92,303**	95,225
Future income tax liabilities	**94,746**	102,240
Other long-term liabilities	**8,246**	10,485
Shareholders' equity		
Capital Stock (notes 3 & 4)	**147,582**	147,350
Retained earnings	**170,721**	166,700
Foreign exchange translation	**4,565**	4,511
Total shareholders' equity	**322,868**	318,561
	$ 720,470	$ 719,896

MAGELLAN
AEROSPACE CORPORATION

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(expressed in thousands of dollars)	Three months ended March 31 **2002**	2001 (restated)
OPERATING ACTIVITIES		
Income for the period	**$ 6,352**	$ 8,350
Add items not affecting cash		
Depreciation and amortization	**5,555**	5,318
Future income taxes	**3,176**	1,157
	15,083	14,825
Net change in non-cash working capital items relating to operating activities	**(20,798)**	(297)
Cash provided (used) by operating activities	**(5,715)**	14,528
INVESTING ACTIVITIES		
Purchase of capital assets	**(8,550)**	(7,678)
Decrease (increase) in other assets	**(510)**	2,195
Cash used in investing activities	**(9,060)**	(5,483)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**24,925**	(2,702)
Repayment of long-term debt	**(10,727)**	(9,361)
Issue of common shares	**232**	161
Decrease in long-term liabilities	**(2,241)**	(763)
Cash provided (used) in financing activities	**12,189**	(12,665)
Effect of exchange rate changes on cash	**(18)**	129
Decrease in cash	**(2,604)**	(3,491)
Cash, beginning of period	**3,638**	5,684
Cash, end of period	**$ 1,034**	$ 2,193

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 – ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Corporation in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited consolidated financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report for the year ended December 31, 2001.

Change in Accounting Policies

Effective January 1, 2002, the Corporation was required to adopt new accounting policies in accordance with recommendations under Canadian Generally Accepted Accounting Policies ("GAAP").

Goodwill

Effective January 1, 2002, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants, ("CICA") with respect to the measurement of goodwill and other intangible assets. Under those new recommendations, goodwill and intangible assets with indefinite useful lives are not amortized. In accordance with the recommendations of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change.

Under section 3062, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the income statement before extraordinary items and discontinued operations.

In accordance with the transitional provision of Section 3062, an impairment loss as a result of applying the recommendations for the first time, is recognized as the effect of a change in accounting policy and charged to opening retained earnings, without restatement of prior periods. The Corporation will complete the first and second impairment tests by the end of the second quarter, and the impairment, if any, will be charged to opening retained earnings for the year.

Foreign Currency Translation

Effective January 1, 2002, the Corporation retroactively adopted the new recommendations of the CICA with respect to the recognition, measurement and disclosure of foreign currently exchange gains and losses. The amendments to the standard require separate disclosure of exchange gains and losses on the income statement and the elimination of deferral and amortization of unrealized gains and losses on foreign currency denominated non-current monetary assets and liabilities, except to the extent that they meet specified criteria for hedge accounting.

The effect of the new recommendations resulted, as at December 31, 2001, in a decrease in other assets of $2,331 and a decrease in retained earnings of $2,331. The change in accounting policy did not have a significant impact on the results of the first quarter 2002.

MAGELLAN
AEROSPACE CORPORATION

Stock-Based Compensation

Effective January 1, 2002, the Corporation adopted, retroactively without restatement, the new recommendations of the CICA with respect to the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. Under the new standard, stock options may be accounted for using the fair value method (which gives rise to compensation expense) or the intrinsic value method (which does not give rise to compensation expense). Previously, the Corporation has used the intrinsic value method to account for stock-based compensation and will continue to do so. The Corporation will also disclose the impact of the fair value method in the notes to the financial statements.

NOTE 2 – LONG TERM DEBT

	March 31 2002 $	December 31 2001 $
Term bank loan	**125,450**	135,100
Other non-bank loans	**7,238**	8,248
	132,688	143,348
Less current portion	**40,385**	41,108
	92,303	102,240

The term bank loan bears interest at bankers' acceptance or LIBOR rates plus 0.80% to 1.25%. Included in the term bank loan are amounts due in U.S. dollars of $67,311 [2001 - $90,705].

The Corporation's banking agreement contains financial covenants, namely the ratio of income before interest, income taxes, depreciation and amortization to debt, minimum tangible net worth and fixed charge coverage. During 2002, the Corporation expects that each covenant will be met with the possible exception of the fixed charge coverage covenant. Due to increased repayments of the term bank loan, the minimum coverage may not be met in the upcoming twelve months. Management is anticipating either a waiver of this covenant or the renegotiation of the terms of the facility if required. If this is not achieved, the term debt would be classified as current and related deferred financing costs would be charged to income. Management believes that a renegotiated facility will be obtained if required.

NOTE 3 – CAPITAL STOCK

The following table summarizes information on share capital and related matters at March 31, 2002:

	Number of shares #	Stated capital $
Outstanding at December 31, 2001	**66,003,294**	**147,350**
Issued upon exercise of options	**53,000**	**172**
Issued to employees and directors	**11,947**	**60**
Outstanding at March 31, 2002	**66,068,241**	**147,582**

NOTE 4 - STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The maximum number of common shares that may be issued under this plan is 5.2 million. Options are granted at an exercise price that will be the market price of the Corporation's common shares at the time of granting. Options normally have a life of 5 years with vesting at 20% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the option holder's entitlement to fully vest.

A summary of the plan and changes during each of 2002 and 2001 are as follows:

	2002		2001	
	Shares #	Weighted average exercise price $	Shares #	Weighted average exercise price $
Outstanding beginning of year	**2,257,700**	**5.63**	1,711,702	5.42
Granted	**576,500**	**4.80**	746,500	5.85
Exercised/forfeited	**(72,500)**	**3.92**	(200,502)	4.71
Outstanding end of period	**2,761,700**	**5.50**	2,257,700	5.63

The following table summarizes information about options outstanding at March 31, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices $	Number outstanding at March 31, 2002	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at March 31, 2002	Weighted average exercise price $
3.25	**487,100**	**0.75**	**3.25**	**414,035**	**3.25**
4.80 – 6.30	**1,815,200**	**4.46**	**5.46**	**194,670**	**5.84**
7.35 – 10.05	**459,400**	**2.37**	**8.07**	**241,690**	**8.12**
	2,761,700	**3.46**	**5.50**	**850,395**	**5.23**

The Corporation does not recognize compensation expense for its outstanding fixed price stock options.

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

- Risk free interest rate 4.92%
- Expected volatility 33%
- Expected average life of the options 4 years
- Expected dividend yield 0%

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

MAGELLAN
AEROSPACE CORPORATION

For purposes of pro forma disclosures, the Corporation's net income attributable to its common shares and basic and diluted income per common shares would have been:

	2002 $
Net income as reported	6,352
Pro forma compensation expense	(40)
Pro forma net income	6,312
Pro forma income per common share:	
Basic	0.10
Diluted	0.10

The fair value of options granted during the period was $930.

NOTE 5 – INCOME PER COMMON SHARE

The following is a reconciliation of the denominator of the basic and diluted per share computations:

	Three months ended March 31, 2002	**2001**
Weighted average number of common shares outstanding	**66,031,780**	65,858,402
Effect of dilutive stock options	**227,062**	303,597
Weighted average number of common shares outstanding – diluted	**66,258,842**	66,161,999

NOTE 6 – SUPPLEMENTARY INFORMATION

Cash interest paid during 2002 amounted to $1,923 [2001 - $3,515] and cash income taxes paid during 2002 amounted to $1,090 [2001 – $2,552].

Foreign exchange gain in 2002 was $62 [foreign exchange loss 1,009 – 2001].

NOTE 7 – SEGMENTED INFORMATION

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

Domestic and foreign operations consist of:

	2002			**2001**		
	Canada $	**United States** $	**Total** $	**Canada** $	**United States** $	**Total** $
Revenue						
Domestic	**32,612**	**51,830**	**84,442**	39,595	55,727	95,322
Export	**36,624**	**6,978**	**43,602**	55,358	5,349	60,707
Total revenue	**69,236**	**58,808**	**128,044**	94,953	61,076	156,029
Capital assets and goodwill	**165,006**	**199,412**	**364,418**	162,415	198,807	361,222

Revenue is attributed to countries based on the location of the customers and the capital assets and goodwill are based on the country in which they are located.

	2002	2001
Major Customers		
Canadian operations		
Number of customers	**2**	2
Percentage of total Canadian revenues	**39%**	46%
U.S. operations		
Number of customers	**3**	3
Percentage of total U.S. revenues	**64%**	70%

NOTE 8 – NON-GAAP MEASURES

EBITDA is defined by the Corporation as net income before interest, taxes, depreciation and amortization. The Corporation has included information concerning EBITDA because it believes this measure is used by certain investors as a measure of financial performance. Although the Corporation believes that this measure is used by certain investors (and the Corporation has included it for this reason), EBITDA is not a measure of financial performance under Canadian GAAP and is unlikely to be comparable to similarly titled measures used by other companies. EBITDA should not be construed as an alternative to cash flow from operations or net income as determined in accordance with GAAP as measures of liquidity or earnings.

NOTE 9 – COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform to current year presentation.

This quarterly statement contains certain forward-looking statements that reflect the current views and/or expectations of the Corporation with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions which may cause actual results to be materially different from those expressed or implied. The Corporation assumes no future obligation to update these forward-looking statements.

For additional information contact:
Richard A. Neill (905) 677-1889
President &
Chief Operating Officer

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

www.magellanaerospace.com