MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Second Quarter Report
June 30, 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 August 23, 2002, the Corporation released its results for the second quarter of 2002. The results are summarized as follows:

	Three Months Ended June 30			Six Months Ended June 30		
Expressed in thousands, except per share amounts	2002	2001 (restated)	PERCENTAGE CHANGE	2002	2001 (restated)	PERCENTAGE CHANGE
Revenues	$ 104,999	$ 162,977	-35.6%	$ 233,043	$ 319,006	-26.9%
Net Income	$ 3,493	$ 14,893	-76.6%	$ 9,845	$ 23,243	-57.6%
Net Income Per Share (Basic)	$ 0.05	$ 0.23	-78.3%	$ 0.15	$ 0.35	-57.1%
EBITDA	$ 12,901	$ 27,586	-53.2%	$ 30,624	$ 50,878	-39.8%
EBITDA Per Share (Basic)	$ 0.20	$ 0.42	-54.8%	$ 0.46	$ 0.77	-40.3%

Management's Discussion & Analysis

The commercial aerospace sector continues to be impacted by the general slowdown in the economy and the resulting significant reductions in passenger traffic. In recent weeks, a number of large US carriers have addressed their liquidity issues by reducing capacity, reducing their work forces, postponing aircraft deliveries and, in some instances, declaring bankruptcy. These events have all contributed to a significantly reduced demand for certain civil aviation products. The Corporation's results in the first half of 2002 reflect the impact of these reduced demands and there are indications that the impact will continue to be felt for at least the balance of 2002.

While the Corporation has suffered the impact of these reduced demands, there have also been positive indicators in the award of new long-term contracts focussed in the defence sector. More particularly, the Corporation's backlog at June 30, 2002 is in excess of the backlog levels which existed at December 31, 2001.

Results from Operations

Consolidated revenues for the second quarter were $105.0 million, a decrease of 35.6% from the second 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 $15.2 million (14.5% of revenues) for the second quarter of 2002 from $32.6 million (19.4% of revenues) during the same period in 2001, due in part to the decreased sales levels. As well, certain one-time operating costs were expensed during the second quarter to adjust manufacturing operations to the lower activity levels. Further reductions in operating costs are underway and these measures should benefit the remainder of 2002.

Administrative and general expenses were $7.9 million for the second quarter or 21.8% lower than the corresponding period in 2001. Included in the administrative and general expenses in the second quarter of 2002 is a foreign exchange gain of $1.5 million incurred on US$ denominated debt. The comparative figures for the second quarter of 2001 include a foreign exchange gain of $1.0 million. Excluding these gains, administrative and general expenses are 9.0% of sales in the second quarter of 2002, compared to a level of 6.2% of sales in the second quarter of 2001. Management is focussed on reducing these costs.

Interest expense declined to $1.8 million in the second quarter of 2002 from $3.4 million in the second quarter of 2001 due primarily to lower interest rates.

Net income for the quarter was $3.5 million, a decrease of $11.4 million when compared to the same period in 2001. Lower margins were partially offset by reduced administrative and general expenses and interest expense during the period ended June 30, 2002. Net income per share for the period ended June 30, 2002, was $0.05, a decrease from $0.23 for the second quarter in 2001. The second quarter net income of 2001 included a gain of $2.5 million ($0.04 per share) due to a one-time favourable tax adjustment as a result of lower tax rates.

Liquidity and Capital Resources

In the quarter ended June 30, 2002, the Corporation generated $1.5 million of cash from operations, a decrease of $16.3 million when compared to the same period in 2001. Lower net income, higher inventory balances and lower accounts payable, were the causes of the reduction in cash generated from operations, offset by a decrease in accounts receivable.

During the quarter ended June 30, 2002, the Corporation invested $10.6 million in new production equipment to modernize current facilities and to enhance its capabilities.

During the quarter, the Corporation amended its banking facilities. The existing facility's maturity was extended by one year to 2005, and the amount of credit under both the operating and term facility was increased. The principal repayment schedule was modified to eliminate further principal repayments in 2002, and provides for lower repayments in future years as well.

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

On July 2, 2002, the Corporation announced an offer to purchase all of the outstanding shares of Haley Industries Limited ("Haley"). Haley produces magnesium and aluminum castings primarily for the aerospace industry. Haley is a public company whose shares trade on the Toronto Stock Exchange, with facilities in Haley, Ontario and Glendale, Arizona.

Under the terms of the offer, Haley shareholders were entitled to receive, at their election, either $2.15 cash or 0.425 common shares of Magellan for each Haley common share. Haley's controlling shareholder, which owns 5,677,050 Haley shares (approximately 54% of outstanding shares), deposited its shares under the offer and elected to be paid under the cash option. As of August 21, 2002, approximately 72% of Haley's outstanding shares were tendered to the offer. In order to encourage deposits of additional Haley shares, the offer has been extended to September 3, 2002 and the compensation increased to either $2.16 cash or 0.45 common shares of Magellan.

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Summary

Early indications had pointed to an economic recovery in the second half of 2002. The economy has been slower to recover than first anticipated, and the level of business travellers to U.S. full service airlines has been below expectations. The impact of this has been poor operating results for major US airlines. Some of these airlines have pushed out deliveries of new aircraft, which will in turn, result in schedule changes to Boeing and other customers supplying to Boeing. On the positive side, low-cost airlines continue to flourish. As well, conditions in Asia have shown signs of recovery and Asian airlines have begun to order new aircraft. European airlines have also indicated that traffic growth is picking up.

In spite of the reduced sales, Magellan is seeing numerous new opportunities to quote for new business for both current and new customers. As previously mentioned, Magellan backlog has been growing and is now at its highest level since the spring of 2001. The acquisition of Haley will bring additional opportunities to Magellan, as it will now be able to offer more complete solutions for casting and machining capabilities to its customers. Magellan is well positioned to take advantage of the recovery in the aerospace industry.

On behalf of the board

N. Murray Edwards
Chairman and Chief Executive Officer
August 23, 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 June 30		Six months ended June 30	
	2002	2001 (restated)	**2002**	2001 (restated)
Revenues	**$ 104,999**	$ 162,977	**$ 233,043**	$ 319,006
Cost of revenues	**89,790**	131,351	**196,947**	258,224
Gross profit	**15,209**	31,626	**36,096**	60,782
Administrative and general expenses	**7,948**	9,127	**16,281**	20,370
Research and development	**57**	417	**443**	886
Interest	**1,824**	3,384	**3,835**	6,812
	9,829	12,928	**20,559**	28,068
Income before income taxes	**5,380**	18,698	**15,537**	32,714
Income taxes – current	**150**	5,299	**777**	9,808
– future	**1,737**	(1,494)	**4,915**	(337)
	1,887	3,805	**5,692**	9,471
Net income for the period	**3,493**	14,893	**9,845**	23,243
Retained earnings, beginning of the period	**170,721**	133,701	**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 period, as restated			**164,369**	125,351
Retained earnings, end of period	**$ 174,214**	$ 148,594	**$ 174,214**	$ 148,594
Income per common share				
Basic (note 5)	**$ 0.05**	$ 0.23	**$ 0.15**	$ 0.35
Diluted (note 5)	**$ 0.05**	$ 0.22	**$ 0.15**	$ 0.35

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

(expressed in thousands of dollars)	June 30 2002	December 31 2001 (restated)
ASSETS		
Current		
Cash and cash equivalents	$ 461	$ 3,638
Accounts receivable	68,376	89,800
Inventories	258,651	230,943
Prepaid expenses and other	7,825	8,218
Future income tax asset	3,589	3,643
Total current assets	338,902	336,242
Capital assets	346,732	347,801
Goodwill	12,777	13,421
Other	8,620	8,836
Future income tax asset	10,990	11,265
	$ 718,021	$ 717,565
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	$ 67,822	$ 57,431
Accounts payable and accrued charges	79,755	92,067
Deferred revenue	-	2,779
Current portion of long-term debt (note 2)	9,301	41,108
Total current liabilities	156,878	193,385
Long-term debt (note 2)	138,255	102,240
Future income tax liabilities	97,004	95,225
Other long-term liabilities	7,601	10,485
Shareholders' equity		
Capital Stock (notes 3 & 4)	147,986	147,350
Retained earnings	174,214	164,369
Foreign exchange translation	(3,917)	4,511
Total shareholders' equity	318,283	316,230
	$ 718,021	$ 717,565

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(expressed in thousands of dollars)	Three months ended June 30		Six months ended June 30	
	2002	2001 (restated)	**2002**	2001 (restated)
OPERATING ACTIVITIES				
Income for the period	**3,493**	$ 14,893	**9,845**	$ 23,243
Add (deduct) items not affecting cash				
Depreciation and amortization	**5,697**	5,504	**11,252**	10,822
Future income taxes (recoveries)	**1,739**	(1,494)	**4,915**	(337)
	10,929	18,903	**26,012**	33,728
Net change in non-cash working capital items relating to operating activities	**(9,400)**	(1,031)	**(30,198)**	(1,328)
Cash provided by operating activities	**1,529**	17,872	**(4,186)**	32,400
INVESTING ACTIVITIES				
Purchase of capital assets	**(10,623)**	(12,733)	**(19,173)**	(20,411)
Decrease (increase) in other assets	**566**	(2,368)	**56**	(173)
Cash used in investing activities	**(10,057)**	(15,101)	**(19,117)**	(20,584)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	**(13,383)**	(520)	**11,542**	(3,222)
Advance (repayment) of long-term debt	**20,567**	(3,186)	**9,840**	(12,547)
Issue of common shares	**404**	346	**636**	507
Increase (decrease) in long-term liabilities	**(524)**	111	**(2,765)**	(652)
Cash provided (used) in financing activities	**7,064**	(3,249)	**19,253**	(15,914)
Effect of exchange rate changes on cash	**891**	(43)	**873**	86
Decrease in cash	**(573)**	(521)	**(3,177)**	(4,012)
Cash, beginning of period	**1,034**	2,193	**3,638**	5,684
Cash, end of period	**$ 461**	$ 1,672	**$ 461**	$ 1,672

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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 Principles ("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. As required under Section 3062, the Corporation performed the initial assessment of the impairment test for goodwill by June 30, 2002. The initial assessment indicates a potential impairment of the Corporation's goodwill with respect to the specific division to which the goodwill relates. A final assessment of goodwill for impairment will be completed as soon as possible, but no later than December 31, 2002, and any required writedown will be charged to opening retained earnings at January 1, 2002.

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 currency 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.

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 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

	June 30 2002 $	December 31 2001 $
Term bank loan	**140,973**	135,100
Other non-bank loans	**6,583**	8,248
	147,556	143,348
Less current portion	**9,301**	41,108
	138,255	102,240

The term bank loan bears interest at bankers 'acceptance or LIBOR rates plus 1.25% to 2.25%. Included in the term bank loan are amounts due in U.S. dollars of $79,020 [2001 - $82,675].

During the quarter, the Corporation amended its banking agreement. Credit available under both the operating and term facilities has been increased, and the term of the agreement has been extended. The amended 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. As at June 30, 2002 the Corporation was in compliance with all covenants.

NOTE 3 – CAPITAL STOCK

The following table summarizes information on share capital and related matters at June 30, 2002:

	Number of shares #	Stated capital $
Outstanding at December 31, 2001	**66,003,294**	**147,350**
Issued upon exercise of options	**147,800**	**514**
Issued to employees and directors	**22,217**	**122**
Outstanding at June 30, 2002	**66,173,311**	**147,986**

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 5.7 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	**666,500**	**5.04**	746,500	5.85
Exercised/forfeited	**(220,800)**	**4.61**	(113,500)	3.28
Outstanding end of period	**2,703,400**	**5.57**	2,344,702	5.61

The following table summarizes information about options outstanding at June 30, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices $	**Number outstanding at June 30, 2002**	**Weighted average remaining contractual life**	**Weighted average exercise price** $	**Number exercisable at June 30, 2002**	**Weighted average exercise price** $
3.25	**406,800**	**0.50**	**3.25**	**365,786**	**3.25**
4.80 – 6.55	**1,861,200**	**4.24**	**5.19**	**282,631**	**5.83**
7.35 – 10.05	**435,400**	**2.15**	**7.98**	**248,120**	**8.01**
	2,703,400	**3.34**	**5.35**	**896,536**	**5.38**

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.

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	9,845
Pro forma compensation expense	(69)
Pro forma net income	9,776
Pro forma income per common share:	
Basic	0.15
Diluted	0.15

The fair value of options granted during the period was $1,135.

NOTE 5 – INCOME PER COMMON SHARE

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

	Six months ended June 30, 2002	2001
Weighted average number of common shares outstanding	**66,087,031**	65,888,163
Effect of dilutive stock options	**332,873**	439,303
Weighted average number of common shares outstanding – diluted	**66,419,904**	66,327,466

NOTE 6 – SUPPLEMENTARY INFORMATION

Cash interest paid during 2002 amounted to $2,105 [2001 - $6,773] and cash income taxes paid during 2002 amounted to $1,090 [2001 - $7,048].

Foreign exchange gain in 2002 was $1,880 [foreign exchange loss in 2001 - $47].

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:

	Six months ended June 30, 2002			2001		
	Canada $	United States $	Total $	Canada $	United States $	Total $
Revenue						
Domestic	**56,793**	**97,071**	**153,864**	85,415	113,393	198,808
Export	**65,136**	**14,043**	**79,179**	109,106	11,092	120,198
Total revenue	**121,929**	**111,114**	**233,043**	194,521	124,485	319,006
Capital assets and goodwill	**165,492**	**194,017**	**359,509**	160,664	190,561	351,225

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	**3**	2
Percentage of total Canadian revenues	**45%**	46%
U.S. operations		
Number of customers	**3**	3
Percentage of total U.S. revenues	**62%**	70%

NOTE 8 – SUBSEQUENT EVENTS

On July 2, 2002, the Corporation announced an offer to purchase all of the outstanding shares of Haley Industries Limited ("Haley"). Haley produces magnesium and aluminum castings primarily for the aerospace industry. Haley is a public company whose shares trade on the Toronto Stock Exchange, with facilities in Haley, Ontario and Glendale, Arizona.

Under the terms of the offer, Haley shareholders were entitled to receive, at their election, either $2.15 cash or 0.425 common shares of Magellan for each Haley common share. Haley's controlling shareholder, which owns 5,677,050 Haley shares (approximately 54% of outstanding shares), deposited its shares under the offer and elected to be paid under the cash option. As of August 21, 2002, approximately 72% of Haley's outstanding shares were tendered to the offer. In order to encourage deposits of additional Haley shares, the offer has been extended to September 3, 2002 and the compensation increased to either $2.16 cash or 0.45 common shares of Magellan.

NOTE 9 – 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 10 – COMPARATIVE FIGURES

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

For additional information contact:

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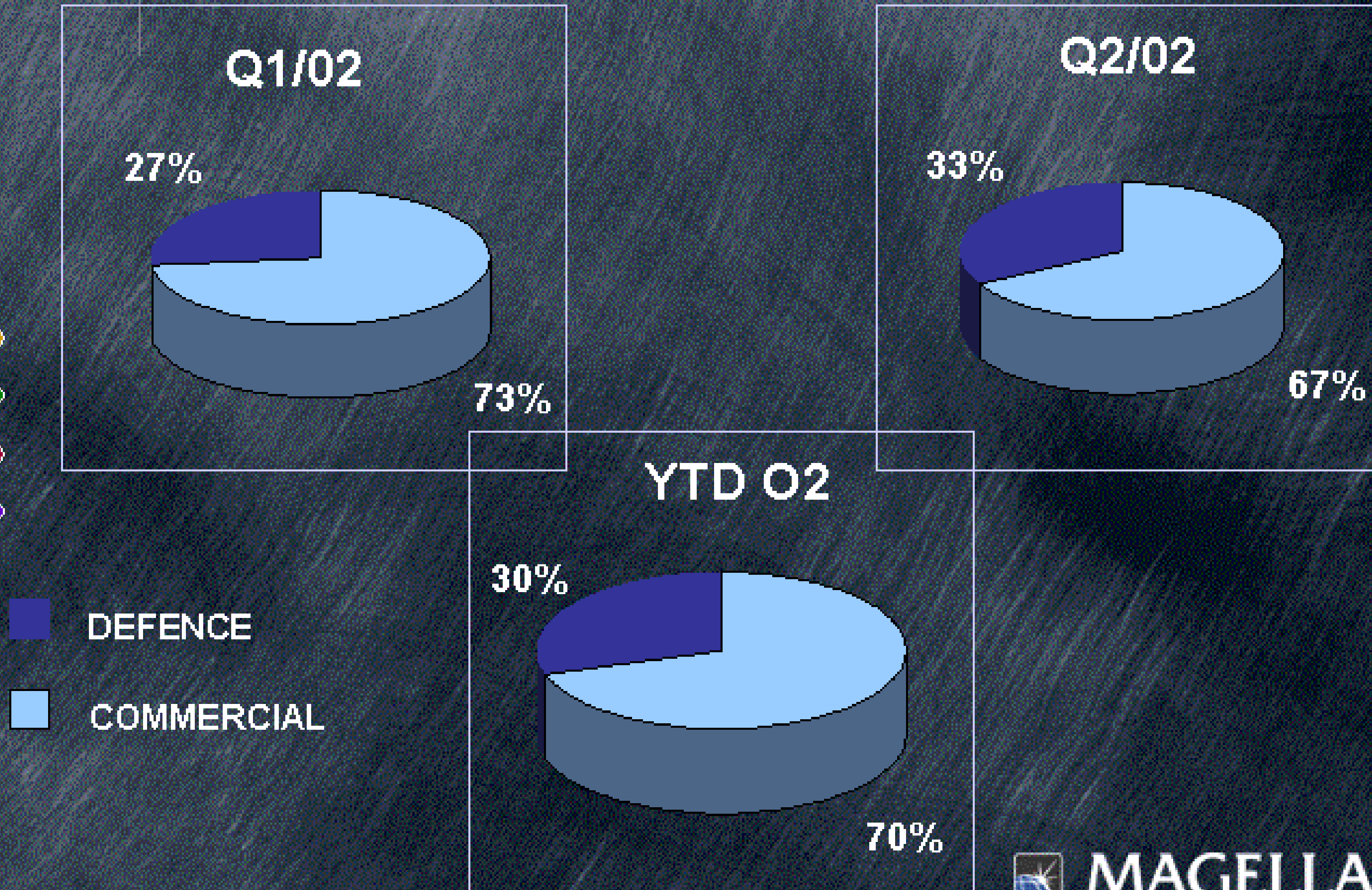

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AIRBUS A340 PROGRAM

- ANTICIPATED ANNUAL REVENUES ONCE UP TO EXPECTED DELIVERY RATES:

$12 million US