MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Third Quarter Report
September 30, 2004

Magellan Aerospace Corporation (the "Corporation" or "Magellan") 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 and the United Kingdom, Magellan supplies leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

On November 9, 2004 the Corporation released its financial results for the third quarter of 2004. The results are summarized as follows:

	Three Months Ended September 30			Nine Months Ended September 30		
Expressed in thousands, except per share amounts	2004	2003	PERCENTAGE CHANGE	2004	2003	PERCENTAGE CHANGE
Revenues	$ 142,727	$ 102,179	39.7%	$ 436,509	$ 341,221	27.9%
Net Income (Loss)	$ 2,156	$ 143	1407.7%	$ 3,004	$ (14,388)	-
Net Income (Loss) Per Share	$ 0.01	$ (0.02)	-	$ (0.01)	$ (0.27)	-
EBITDA*	$ 13,043	$ 9,623	35.5%	$ 33,870	$ 5,181	453.7%
EBITDA* Per Share	$ 0.16	$ 0.14	14.3%	$ 0.39	$ 0.08	425.0%

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.

***The Corporation has included certain measures in this quarterly statement, including EBITDA, the terms for which are not defined under Canadian generally accepted accounting principles. The Corporation defines EBITDA as earnings before interest, taxes and depreciation and amortization. The Corporation has included these measures, including EBITDA, because it believes this information is used by certain investors to assess financial performance and 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 various jurisdictions.. Although the Corporation believes these measures are used by certain investors (and the Corporation has included them for this reason), these measures are unlikely to be comparable to similarly titled measures used by other companies.**

Management's Discussion and Analysis

Revenues in the third quarter of 2004 were $142.7 million, an increase of $40.5 million (39.7%) over the same period in 2003. The increase in revenues was due to both the inclusion of Magellan's UK operations, acquired in the fourth quarter of 2003, which contributed $26.9 million in sales, as well as increases in Magellan's North American operations. Sales in North America were higher in the third quarter of 2004 compared to the same period one year ago by $13.6 million before taking into account the effect of the lower US/Canadian exchange rate. Because of the stronger Canadian dollar in 2004 compared to 2003, reported sales were approximately $4.9 million lower than if the exchange rate experienced in 2003 had stayed constant. On this basis, which reflects the volume of components delivered, sales increased in the third quarter of 2004 by 18.1% in Magellan's North American operations, and 44.4% overall.

On a year to date basis, revenues were $436.5 million, an increase of $95.3 million (27.9%) over the year-to-date period in 2003. Magellan's UK operations represent $75.4 million of this increase, while the remaining $19.9 million relates to increased revenues from Magellan's existing businesses in North America. Again, the change in foreign exchange rates muted the increase; using the exchange rates experienced in the 2003 year-to-date period, revenues in 2004 would have been approximately $20.2 million higher than the same period in 2003 at Magellan's North American operations.

Gross margins for the third quarter of 2004 were $15.5 million, or 10.8% of sales compared to gross margin of $11.6 million or 11.3% of sales in the third quarter of 2003. Several items have contributed to the lower gross margin percentage. First, the increase in sales was a result of several new programs which are experiencing lower margins than typical mature programs. Second, the natural hedge of raw materials which were denominated in the same currency as sales, works inefficiently with rapid changes in foreign exchange rates, as goods purchased during higher exchange rates were being relieved at a time when sales denominated in the same currency were being recorded at lower exchange rates. Finally, while the Corporation hedges the majority of the excess US dollar cash flow in Canada, the level at which it was hedged in 2004 was less advantageous than 2003. The impact of realized exchange rate changes on gross margin in the third quarter of 2004 compared to the same period in 2003 was a reduction of $1.3 million in gross margin. The Corporation's challenge is to adopt changes at the operational level to retain its competitiveness in spite of the change in exchange rates.

Administrative and general expenses were $7.9 million (5.5% of sales) in the third quarter of 2004, compared to $8.1 million (7.9% of sales) in the third quarter in 2003. Included in administrative and general expenses for the quarter ended September 30, 2004, was an unrealized foreign exchange gain of $3.6 million on translation of US denominated liabilities on the Corporation's Canadian divisions as well as a gain of $1.6 million, realized on the sale of land in the United Kingdom. Excluding these items administrative and general expenses were $13.1 million (9.2% of sales). There was no foreign exchange gain or loss in the third quarter of 2003. In the year to date period, administrative and general expenses were $32.2 million in 2004, compared to $23.9 million in 2003. The higher level of administrative and general expenses in the year-to-date period in 2004 was due to the inclusion of Magellan's UK operations, a foreign exchange gain of $5.5 million in the year-to-date period in 2003 and higher levels of activity across Magellan's North American operations.

Interest expense in the third quarter of 2004 was $4.2 million, compared to $3.2 million in the third quarter of 2003. Interest expense in the third quarter of 2004 includes an amount of $0.4 million which represents discounts on the sale of receivables and an amount of $0.5 million related to the GE 414 deferred liability. For the year to date period, interest expense was $11.6 million in 2004, compared to $8.7 million in 2003. The increase in interest is due primarily to higher interest rates.

The provision for income taxes in the third quarter of 2004 was $1.2 million (effective tax rate of 35.6%), compared to $0.1 million (effective tax rate of 36.4%) in the third quarter of 2003. For the year to date period, a provision for income taxes of $1.7 million (effective tax rate of 35.7%) in 2004 has been recorded, compared to a income tax recovery of $7.6 million (effective tax rate of 34.6%) in 2003. The overall effective tax rate has changed because of various different tax rates in the different jurisdictions in which the Corporation operates.

The Corporation recorded net income in the third quarter of 2004 of $2.2 million, which after deducting convertible debenture interest and accretion charges of $1.6 million represents $0.01 per share. For the year-to-date period, the Corporation's net income was $3.0 million, which after deducting convertible debenture interest and accretion charges of $4.4 million result in a loss of $0.02 per common share.

Liquidity and Capital Resources

In the third quarter of 2004, the Corporation generated cash from operations of $5.4 million, compared to $4.5 of cash generated in the third quarter of 2003. After taking into account the effects of foreign exchange rate changes, non-cash working capital balances increased by $1.8 million, which included an $7.3 million decrease in inventory. For the year-to-date period, the Corporation has generated $4.9 million from operations.

During the second quarter the Corporation issued rights to all existing shareholders, entitling them to purchase common shares of the Corporation at a price of $2.75. These rights expired in September, 2004 and resulted in the issuance of 11.3 million common shares, generating net proceeds of $31.1 million. Of these proceeds $15.5 million was used to permanently repay long-term debt and the balance was retained for general corporate purposes. As well, the Corporation made, in the third quarter of 2004, further repayments of long-term debt of $5.0 million, in accordance with its existing repayment schedule.

As the Corporation's long-term credit agreement expires in July, 2005, the balance of the debt due under this arrangement, including a final payment of $35.0 million has been moved to current liabilities. The Corporation is in discussion with its bankers and expects to execute a plan to refinance its debt within the next six months. The Corporation is in compliance with all of its banking covenants.

During the third quarter, the Corporation sold certain receivables under securitization arrangements with third parties. In the third quarter, the Corporation sold a total of $57.1 million of receivables. A discount of $0.42 million relating to these sales reflecting an annualized discount rate of 2.9% has been recorded as interest expense in the third quarter.

In the third quarter of 2004, the Corporation invested $3.9 million in capital expenditures to modernize its facilities and enhance its manufacturing capabilities. Also during the third quarter of 2004, the Corporation sold land and facilities in the United Kingdom for proceeds of approximately $1.6 million. As this land was acquired with the Mayflower assets in the fourth quarter of 2003, its cost base had been recorded at zero and the entire proceeds have been recorded as a gain on sale of assets.

Update on Closure of Fleet Industries

In February of 2003, the Corporation announced its decision to cease operations at its Fleet Industries plant in Fort Erie. Management is working toward a final closure date. The Corporation estimates that the reserve recorded for closure costs remains adequate.

Risk Factors

The majority of the Corporation's revenues and operating income is derived from the aviation 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 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. Economic and other factors, both internal to the aviation industry or general economic factors that might affect the aerospace industry indirectly may have an adverse impact on the Corporation's results from operations.

In addition, growth in the demand for products manufactured by the Corporation has resulted in an increased requirement for working capital. The Corporation needs to access the capital markets to fund this growth, as indicated in the Liquidity and Capital Resources discussion above. There is no assurance that the Corporation will be able to raise additional capital required on financial terms acceptable to it.

A more extensive analysis of related risk factors, which covers both generic and in some cases more specific items, is contained in the Corporation's Annual Information Form.

Summary

The commercial airline industry continues to add capacity in spite of high fuel costs, however results are quite mixed with some low-cost airlines showing profits, while some other airlines undergoing significant restructuring in order to stay in operation. Both Boeing and Airbus, however have released build schedules for the next three years which indicate increases in single aisle aircraft – on which Magellan has significant exposure. The amount of modern aircraft in storage has been reduced to the point where it is more feasible to order new aircraft than to draw them out of storage. Magellan is evaluating several new opportunities to manufacture components on the Boeing 7E7, as well as additional business on Joint Strike Fighter. The business jet market continues to recover steadily, and this is being seen with increases in orders from various engine manufacturers. As well, continued demand for military spares and overhauls will support the Corporation's business for the next few years.

On behalf of the Board

N. Murray Edwards
Chairman
November 5, 2004

Richard A. Neill
President and Chief Executive Officer

The attached financial statements have not been reviewed by the Corporation's external auditors.