MAGELLAN AEROSPACE CORPORATION

ANNUAL INFORMATION FORM

MARCH 24, 2006

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ADVISORY

In the interest of providing the shareholders and potential investors of Magellan Aerospace Corporation ("Magellan" or the "Corporation") with information regarding the Corporation, including management's assessment of the Corporation's future plans and operations, this Annual Information Form and certain documents incorporated by reference into this Annual Information Form contain 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 Magellan's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. The projections, expectations, estimates, assumptions and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties which may cause the Corporation's actual performance and financial results in future periods to differ materially from any projections, expectations, estimates, assumptions and beliefs of future performance or results expressed or implied by such forward-looking statements. These risks, assumptions and uncertainties include, among other things, such risks, assumptions and uncertainties described in this Annual Information Form and in documents incorporated by reference into this Annual Information Form and the Corporation's other reports and filings with the Canadian securities authorities. Magellan believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be. Accordingly, shareholders and potential investors are cautioned that events or circumstances could cause actual results to differ materially from those predicted.

In particular, this Annual Information Form, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- projections of market prices and costs;

- supply and demand for products and services in the aerospace industry;
- expectations regarding the ability to raise capital;
- treatment under governmental regimes;
- valuations ascribed to multi year supply contracts; and
- capital expenditure programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- the state of the North American and European economy in general and the aerospace industry in particular;
- competition for, among other things, capital, supply contracts and skilled personnel;
- incorrect assessments of the value of acquisitions;
- increased learning in manufacturing new products;
- foreign exchange fluctuations;
- changes in income tax laws or changes in tax laws;
- changes in governmental laws and regulations, including environmental laws and regulations; and
- the other factors discussed under "*Risks Inherent in Magellan's Business*".

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the assumptions set forth below and elsewhere in this Annual Information Form being incorrect:

- interest rate incurred on the Corporation's borrowing facility;
- foreign exchange rates;
- customers' delivery projections;
- inflation rates in the jurisdictions where Magellan conducts its business;
- the success in improving results at underperforming business units; and
- no labour disruptions during the year.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Magellan does not undertake any obligation to publicly update or revise any forward-looking statements.

All dollars amounts in this Annual Information Form are expressed in Canadian dollars unless specifically designated to be in United States dollars or United Kingdom pounds sterling.

THE CORPORATION

General

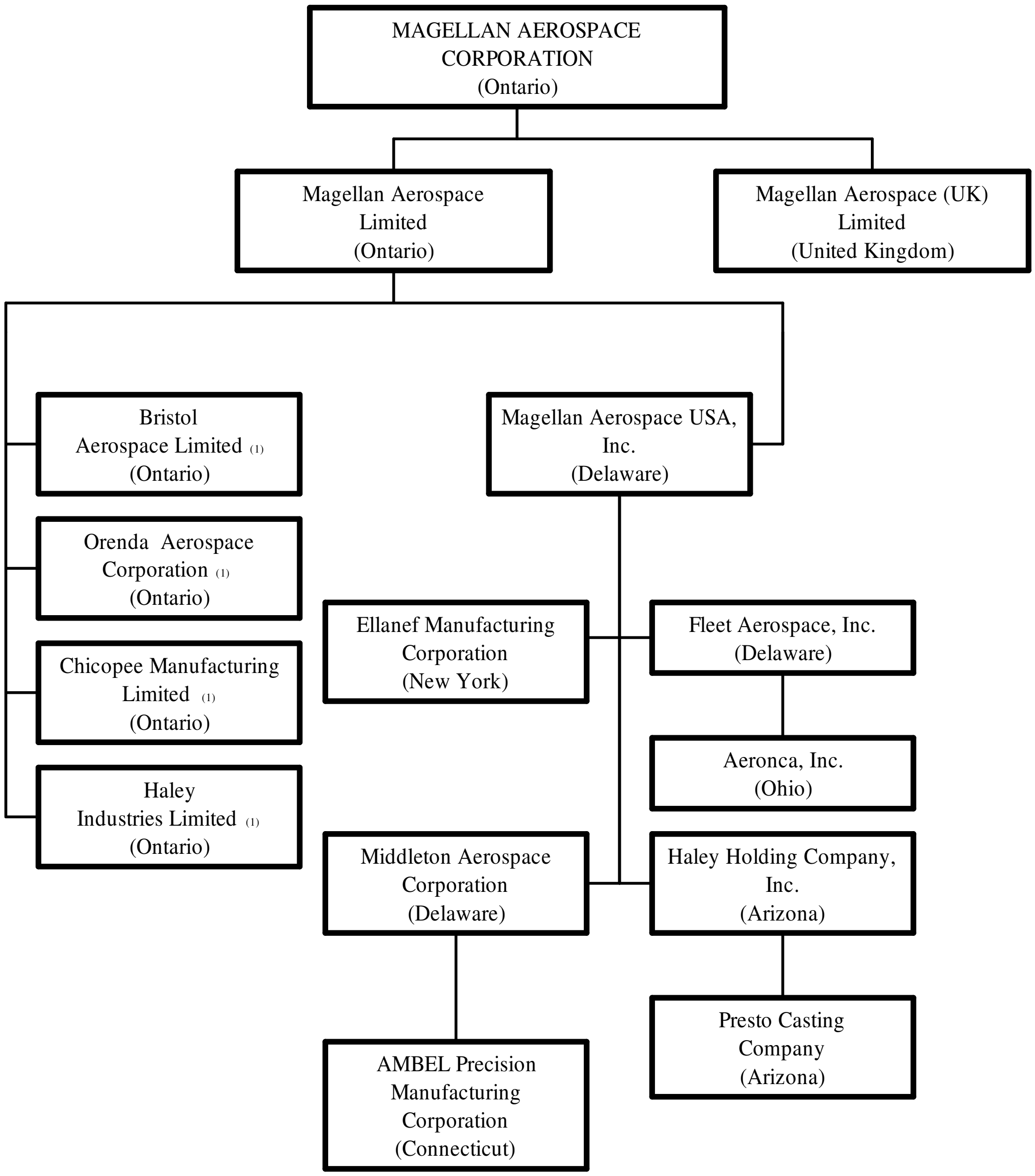
Magellan Aerospace Corporation ("Magellan" or the "Corporation") was incorporated on February 15, 1996 under the name 1169525 Ontario Inc. under the *Business Corporations Act* (Ontario). On October 17, 1996 the Corporation changed its name to Magellan Aerospace Corporation. On May 24, 2005 the Corporation amended its articles to describe the designation, rights, privileges, restrictions and conditions attached to the Corporation's First Cumulative Redeemable Preference Shares Series A. See *Description of Share Capital - First Preference Shares Series A.*

Magellan, through its wholly-owned subsidiaries: Bristol Aerospace Limited ("Bristol"), located in Winnipeg and Rockwood, Manitoba; Orenda Aerospace Corporation ("Orenda"), located in Mississauga, Ontario; Chicopee Manufacturing Limited ("Chicopee"), located in Kitchener, Ontario; Haley Industries Limited ("Haley") located in Haley, Ontario; Ellanef Manufacturing Corporation ("Ellanef"), located in Corona and Bohemia, New York; Middleton Aerospace Corporation ("Middleton"), located in Middleton and Peabody, Massachusetts; Aeronca, Inc. ("Aeronca"), located in Middletown, Ohio; AMBEL Precision Manufacturing Corporation ("AMBEL"), located in Bethel, Connecticut; Presto Casting Company ("Presto") located in Glendale, Arizona; and Magellan Aerospace (UK) Limited ("MALUK"), located in Wrexham and Bournemouth, United Kingdom, is involved in the design, engineering, and manufacture of aeroengine and aerostructure components for aerospace markets, advanced products for military and space markets, and complementary specialty products.

The Corporation's registered office and head office is located at 3160 Derry Road East, Mississauga, Ontario, L4T 1A9.

Corporate Structure

The following chart shows Magellan's material active subsidiaries and their respective holding companies, all wholly-owned, directly or indirectly, and their respective jurisdiction of incorporation as at December 31, 2005.



(1) These corporations carry on business as directed by, and as agent on behalf of, Magellan Aerospace Limited

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Corporation's principal business activities are the engineering, manufacture and repair and overhaul of sophisticated equipment and components for the aerospace industry, modernizing, repairing and overhauling jet engines, defence aircraft and helicopters, the manufacture of rocket systems and the design and production of magnesium and aluminium castings, primarily for the aerospace industry.

On January 7, 2003, the Corporation completed an offering of $70.0 million of 8.5% convertible unsecured subordinated debentures ("Convertible Debentures") due January 31, 2008. The net proceeds of the Convertible Debenture offering of $68.0 million were applied as to $34.0 million towards the permanent reduction of the principal amount of the term bank loan, as to $8.9 million towards repayment of the long-term indebtedness of Haley Industries Limited, which was assumed by the Corporation upon the acquisition of Haley Industries Limited, and as to the remaining amount of $25.1 million, by paying down, but not permanently reducing, the Corporation's revolving lines of credit.

On February 13, 2003, due to the prolonged strike and the associated economic consequences of this strike, the Corporation announced its decision to cease operations at its Fleet Industries plant in Fort Erie, Ontario. Strike-bound for four months, Fleet Industries had a long history of troubled labour relations. When it became clear that disruptions to customer relations at the facility had become untenable, the course of action taken to safeguard commitments to customers was to transfer the majority of the work to other Magellan divisions and to close the plant. Management estimated the potential costs and losses resulting from this decision and recorded a charge to net earnings of $33.3 million in 2003. In 2004, the Corporation reached final agreements on ending customer programs and, as a result, recorded an additional charge of $5.6 million, the estimated amount to reflect additional costs of completing contractual obligations. In late 2005, Magellan ceased operations at this plant. In early 2006 Magellan sold the manufacturing assets and leased the manufacturing facilities, allowing the Corporation to maintain ownership of the associated land and building.

On December 22, 2003, the Corporation completed an offering of 8,750,000 Common Shares of the Corporation for net proceeds of $21.2 million. The Corporation also concurrently closed a private placement with the Corporation's principal shareholder, N. Murray Edwards, and certain other directors and officers of the Corporation, including certain associates and affiliates thereof, to purchase 3,250,000 Common Shares, on the same terms and conditions as the offering for net proceeds of $8.29 million. The Common Shares were issued at a price of $2.55 per share. The net proceeds of the offering and concurrent private placement were used to fund acquisitions, including the Corporation's acquisition of the Mayflower Assets (as described below), and for other working capital purposes.

On September 29, 2003, Magellan announced that Kimball Capital Corporation ("Kimball"), which is controlled by Larry A. Moeller, a director of the Corporation, indirectly acquired through a receivership process, substantially all of the aerospace business and assets ("Mayflower Assets") of the Mayflower Aerospace Ltd. corporate group located in the United Kingdom for £6,100,000 (then approximately $13.4 million). Kimball granted Magellan a right to acquire the Mayflower Assets at the same price and on the same terms as those applicable to Kimball, including Kimball's financing costs, subject to Magellan securing all bank and other approvals required to complete the acquisition. Kimball obtained its financing from N. Murray Edwards, a director and principal shareholder of Magellan. The acquisition was approved by the members of the board of directors of Magellan other than N. Murray Edwards and Larry Moeller who did not vote. On November 28, 2003, Magellan obtained the approvals required to complete the acquisition of the Mayflower Assets from Kimball. Accordingly, Magellan exercised its right to acquire the Mayflower Assets and completed the transaction on December 31, 2003.

Effective December 31, 2003, the Corporation announced that it had signed a long-term Revenue Sharing Agreement with General Electric Company's GE Aircraft Engines unit (GEAE) to produce major components for the GE F414 military aircraft engine of the Boeing F/A-18E/F Super Hornet aircraft. Under the Revenue Sharing Agreement, Magellan will earn revenue on every GE F414 engine sale with a market potential of engine sales for 25 years or more. Magellan's investment of US$27.9 million will be funded over four years from internally generated cash flow and bank lines. The agreement covers orders of the F414 engine for current requirements and for new applications, for the life of the F414 program. The F414 powers the Boeing F/A 18E/F Super Hornet aircraft in service with the United States Navy. In December 2003, the United States Navy awarded Boeing a second multiyear procurement contract for an additional 210 F/A-18 Super Hornets, and a new contract for the design and development of the EA-18G airborne electronic attack aircraft. The European Aeronautics Defence and Space Company (EADS) has also chosen the F414 for application in the Mako family of advanced trainer and light combat aircraft, currently in development. Magellan will build the engine front frame and exhaust frame for the F414 engine. The work packages for Magellan will be performed in Magellan divisions based in the US and Canada**.** Magellan had previously been a source of the exhaust frames for the F414. The agreement adds the F414 front frame and increases the volume of exhaust frame orders for the life of the program. In 2005, the Corporation acquired the right to increase its scope of supply under the GE F414 program for an additional investment of $8.1 million which will be funded over 2 years, also from internally generated cash flow and bank lines. As a result of this transaction, Magellan is the sole source supplier on both the front and exhaust frames of this engine program. Deliveries on the exhaust frame commenced in 2004 and represented revenues of approximately $14.7 million in 2005.

On May 6, 2004, the Corporation announced the signing of a new supply agreement with Airbus UK, which represents estimated additional revenues of approximately $24.0 million annually, across the full range of Airbus products with significant content on the Airbus A380. The work consists of complex machining of aluminium and hard metal alloys. Along with the Airbus work, the Corporation has secured additional work from AgustaWestland and the GKN Group, representing approximately $10.0 million of estimated additional annual revenue.

In order to accommodate the expanded workload and to meet anticipated increases in volume on current contracts, Magellan acquired certain assets of Moores (Wallisdown) Limited, for a net purchase price of $10.4 million in the second quarter of 2004. These assets, located adjacent to existing Magellan Aerospace (UK) Limited ("MALUK") facilities in the United Kingdom, provide an opportunity to rationalize the increased workload across all divisions, reduce overhead costs and absorb the cost reduction demands that are now a feature of aerospace lean manufacturing.

On September 21, 2004, the Corporation completed an offering of 11,337,568 Common Shares of the Corporation pursuant to a rights offering for net proceeds of $31.1 million. Each shareholder of record on August 27, 2004 was issued transferable rights certificates to subscribe for Common Shares on September 21, 2004. The holders of rights were entitled to acquire one common share for every seven rights held upon payment of the subscription price of $2.75 per share. The net proceeds were applied as to one-half as a permanent reduction of the principal amount of the term bank loan, and as to one-half to pay down, but not permanently reduce, the Corporation's revolving lines of credit.

On May 27, 2005, the Corporation completed a private placement of 2,000,000 8% cumulative redeemable first preference shares series A of the Corporation (the "First Preference Shares Series A") at a price of $10.00 per First Preference Shares Series A for total proceeds of $20 million. Each First Preference Shares Series A is convertible into 3.33 common shares of Magellan (6,666,666 common shares in aggregate) at a price of $3.00 per common share. See *Description of Share Capital - First Preference Shares Series A.*

On May 27, 2005 Magellan renewed its bank credit agreement with its existing lenders. Under the terms of the renewed agreement, Magellan has an operating credit facility, expiring on May 26, 2006, and extendable to May 26, 2007, with a maximum credit facility of $155 million. Amounts drawn under this facility will bear interest at the bankers' acceptance or LIBOR rates plus 1.0%, reduced from its prior rate of bankers acceptances or LIBOR rates plus 4.5%. The credit facility is fully guaranteed by N. Murray Edwards, the Chairman and a director of the Corporation. Mr. Edwards receives a fee of 0.1% per annum of the maximum credit facility ($155,000 per year) as compensation for this guarantee.

On September 12, 2005 Magellan announced that it had been selected by Messier-Dowty to provide various assemblies for the nose and main landing gear of the new Boeing B787 aircraft. Magellan will have responsibility under the contract to develop and manufacture the nose landing gear drag brace assembly and steering assembly, and the nose and main landing gear torsion link assemblies. The award, expected to generate revenues of US$90 million over the initial contract period with deliveries commencing in 2006, follows a joint design and engineering phase to achieve optimum performance and cost solutions.

RECENT DEVELOPMENTS

Magellan manufactures landing gear components and assemblies for a number of civil and military aircraft, and has been selected to manufacture components for the Boeing B787 aircraft. On February 15, 2006 Magellan announced the award of an Airbus A380 landing gear package, expected to generate revenues of $150 million over the initial contract period. The package includes the main pistons for the main and wing landing gear of the aircraft, and covers a period of performance of 10 years with an additional 5-year option. Landing gear component manufacturing and subassembly are increasingly a key strategic thrust for Magellan.

DESCRIPTION OF THE BUSINESS

The Corporation operates a single business segment: the manufacture and related services of aerospace components. In this segment, the Corporation has four product groupings: aerostructure components, aeroengine components, rockets and space, and specialty products. Aerostructure and aeroengine products are used both in new aircraft, as well as for spares and replacement parts, for commercial and military applications.

The Company operates 16 plants, 4 of which are located in Canada, 6 in the United States and 4 in the United Kingdom. The Corporation believes that the available capacity at its facilities is sufficient to meet its current and anticipated manufacturing requirements as indicated by contract requirements and current growth trends in the industry. The markets for the Corporation's products are primarily Canada, the Untied States, the United Kingdom and Europe.

Business Unit	Location	Approximate Size	Core Capabilities
Canadian			
Bristol Aerospace	Winnipeg, Manitoba	65,000 square meters	Manufacture of structures and engine components for aircraft Manufacture of rocket systems, target systems and satellites
Chicopee Manufacturing	Kitchener, Ontario	7,500 square meters	Machining of medium and large aerospace components
Haley Industries	Haley, Ontario	18,000 square meters	Production of precision magnesium and aluminum sand castings for the aerospace industry
Orenda Aerospace	Mississauga, Ontario	69,700 square meters	Manufacture of components for commercial, regional and military jet engines Repair and overhaul of military aircraft engines Manufacture, repair and overhaul of gas turbine and other industrial components
United States			
Aeronca, Inc.	Middletown, Ohio	17,700 square meters	Manufacture of jet engine nacelle and exhaust components.
AMBEL Precision Manufacturing Corporation	Bethel, Connecticut	2,000 square meters	Machining of jet engine components
Ellanef Manufacturing Corporation	Corona, New York Bohemia, New York	14,500 square meters 13,200 square meters	Manufacture and assembly of complex components and sub-assemblies for aircraft
Middleton Aerospace Corporation	Middleton, Massachusetts Peabody, Massachusetts	4,300 square meters 2,000 square meters	Manufacture of critical rotating and non-rotating engine components
Presto Casting Company	Glendale, Arizona	8,300 square meters	Production of small to medium magnesium and aluminium sand castings for the aerospace industry
United Kingdom			
Magellan Aerospace (UK) Limited	Wrexham Bournemouth	15,000 square meters combined in the 4 facilities	Design and manufacture of airframe components

Production and Services

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, Magellan designs, engineers, and manufactures aeroengine and aerostructure components for aerospace markets, advanced products for military and space markets, and complementary specialty products. The Corporation also supports the aftermarket through supply of spare parts as well as performing repair and overhaul services. The Corporation relies on a mix of commercial and defence aerospace programs.

Specialized Skill and Knowledge

The Corporation's strategy has been to focus on several core competencies within the aerospace industry. These include precision machining of a wide variety of aerospace material, composites, complex high technology magnesium and aluminum alloy castings, repair and overhaul technologies and design of structures. The Corporation is now seeking to leverage these core competencies by seeking growth in both aerospace and non-aerospace applications where these abilities are critical in meeting customer needs.

Competitive Conditions

The aerospace manufacturing industry differs from traditional manufacturing industries in a number of material respects. An aerospace manufacturer develops very small quantities of highly specialized products on a contract basis. Accordingly, an aerospace manufacturer is more like a contractor, hired to complete a very customized and specialized project to the specifications of a customer. The up-front costs in developing such products that are incurred prior to the completion of the first production unit are significant. Up-front costs generally include engineering, design and manufacture of tooling, test units required for certification and learning curve hours (first units have much higher production hours due to employee training and modification of tools and fixtures). These up-front costs of developing products are borne by the manufacturer, not the customer, and are, therefore, only recovered when the project reaches the production phase and then usually on an amortization basis over the projected program life.

The business carried on by the Corporation involves firm contracts generally having terms of one to five years. Component products and systems supplied are related to end-product sales by the Corporation's customers, and in accordance with industry practice, are generally subject to termination, modification or reduction at the option of the Corporation's customers. However, if a program is so terminated, the terms of the underlying contracts generally provide that the Corporation will be reimbursed for its allowable costs to the date of termination plus any proportionate amount of profits attributable to the work actually performed. Products that are delivered directly to the end-user generally involve contracts for specific quantities over specific time periods, and are less likely to experience variations to the terms.

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.

Components

Magellan procures raw materials and components necessary to fulfill contractual requirements at competitive prices from the global marketplace. To the extent possible, Magellan includes price escalation formulas in contracts to protect against price increases in raw materials and components.

Economic Dependence

The total revenue, the number of principal customers accounting for more than 10% of the consolidated revenues in each of the last two completed financial years, and the total revenues in each of Canada, the United States and the United Kingdom from the operations of the Corporation's business are set forth in the following table:

(thousands of dollars)	Year ended Dec. 31 2005	Year ended Dec. 31 2004
Canadian operations		
Total revenues	$277,530	$287,613
Number of principal customers	4	2
Percentage of total revenue from principal customers	41%	25%
U.S. operations		
Total revenues	$183,811	$185,591
Number of principal customers	3	4
Percentage of total revenue from principal customers	57%	65%
U.K. operations		
Total revenues	$107,142	$100,575
Number of principal customers	1	1
Percentage of total revenue from principal customers	80%	65%
Total Corporation		
Total revenues	$568,483	$573,779
Number of principal customers	2	2
Percentage of total revenue from principal customers	30%	26%

See "*Risks Inherent in Magellan's Business - The loss of one of the Corporation's key customers could have a material adverse effect on the Corporation*".

Changes to Contracts

From time to time circumstances under which long-term contracts are negotiated change and require amendment so that the Corporation does not incur a loss. The Corporation is currently in negotiation with one of its customers over material pricing amendments to existing long-term contracts. See "*Risks Inherent in Magellan's Business - The Corporation may not be able to successfully negotiate long-term contracts to eliminate losses*."

Environmental Matters

The Corporation is subject to environmental regulations under provincial, state and federal legislation. This legislation provides for restrictions and prohibitions on releases or emissions of various substances produced in association with manufacturing operations. The Corporation's environmental programs are monitored to ensure that they comply with all government environmental regulations and with the Corporation's own environmental policies. The results of these programs are reviewed with Magellan's management and operations personnel. See "*Risks Inherent in Magellan's Business - Any exposure to environmental liabilities may adversely affect the Corporation*".

Employees

The average number of employees employed by the Corporation in 2005 was 3,450 employees in Canada, the United States and the United Kingdom. Approximately one-half of the Corporation's employees are unionized.

The labour agreement with unionized employees at one facility expired in 2006 and was renewed with no material impact to operations. See "*Risks Inherent in Magellan's Business - The agreements with labour unions representing certain of the Corporation's employees are subject to renewal*".

Foreign Operations

Magellan sells products and services in the global marketplace and has manufacturing facilities in Canada, the United States and the United Kingdom.

RISKS INHERENT IN MAGELLAN'S BUSINESS

The following risks and uncertainties apply to the Corporation.

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 and operating income 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 manufactures ("OEMs"), decreased demand for air travel or projected market growth that may not materialize or be sustainable. 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 to the aerospace industry or general economic factors that might affect the aerospace industry may have an adverse impact on the Corporation's results of operations.

Fluctuations in the value of foreign currencies could result in currency exchange losses.

A 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 currency hedging activities may not be successful.

The Corporation may be adversely impacted by its level of indebtedness.

The Corporation and its subsidiaries have significant debt obligations. The degree to which this indebtedness could have consequences on the Corporation's prospects include the effect of such debts on the ability to obtain additional financing for working capital, capital expenditures or acquisitions, the portion of available cash flow that will need to be dedicated to repayment of principal and interest on indebtedness, thereby reducing funds available for expansion and operations and the Corporation's vulnerability to economic downturn and its ability to withstand competitive pressure. If the Corporation is unable to meet its debt obligations, it may need to consider refinancing or adopting alternative strategies to reduce or delay capital expenditures, selling assets or seeking additional equity capital.

The agreements with labour unions representing certain of the Corporation's employees are subject to renewal.

The Corporation is party to collective bargaining agreements throughout its business which are subject to expiration at various times in the future. During 2006 a labour agreement at Haley Industries Limited expired and was renewed with no material impact to operations. If the Corporation is unable to renew other agreements as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances which could have a material adverse effect on its business. This risk may be mitigated by the ability of the Corporation to transfer work from one location to another.

The loss of one of the Corporation's key customers could have a material adverse effect on the Corporation.

For the period ended December 31, 2005, direct sales to The Boeing Company represented approximately 15.5% of net sales and is expected to remain at approximately the same level of net sales in 2006. In 2005, direct sales to Airbus represented approximately 15.0% of net sales and this is expected to remain at approximately the same level of net sales in 2006. The loss of either of these customers or any significant decline in purchasing by either customer from the Corporation could have a material adverse impact on the Corporation.

Customer unit deliveries may not reach the number projected when the basis for amortization of non-recurring costs is established.

The Corporation relies on customers' delivery projections to determine the number of units over which to amortize non-recurring costs. Should deliveries not reach the number projected, any unamortized balance that remains would then need to be written off which could have a material adverse impact on the Corporation.

Bank Facility Commitments and Financial Condition.

The Corporation's operating facility expires on May 26, 2006 but is extendable to May 26, 2007. This credit facility is fully guaranteed by Mr. Edwards, a director and Chairman of the Corporation. The Corporation is currently discussing the extension of this facility with its lenders and expects to renew this facility in the second quarter of 2006. There is no assurance that the Corporation will be successful in renewing the facility or securing alternate financing or that further refinancing of bank indebtedness may not be necessary in the future. There is also no assurance that Mr. Edward's guarantee, if required, will be available beyond the term of the current commitment. Although Magellan expects to be able to negotiate covenants it expects to achieve, there is no assurance that Magellan will be in compliance with all of its bank covenants at all times during the upcoming twelve months due to unforeseen events or circumstances, some of which are outlined in this section "*Risks Inherent in Magellan's Business*".

A reduction in defence spending by the United States or other countries could result in a decrease in revenue.

The Corporation relies on sales to military customers particularly in the United States. A significant reduction in military expenditures by the United States or other countries with which the Corporation has contracts 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 could also materially adversely affect sales and earnings.

Competitive pressures may adversely affect the Corporation.
The Corporation competes in the aerospace industry primarily with OEMs and the manufacturers that supply them, some of which are divisions or subsidiaries of OEMs, and other large companies that manufacture aircraft components and subassemblies. Competition for the repair and overhaul of aerospace components comes from three primary sources: OEMs, major commercial airlines and other independent repair and overhaul companies. Some of the competitors' financial and other resources are substantially greater than the Corporation's. Competitive pressures may materially adversely affect the Corporation's operating revenues and, in turn, the Corporation's business and financial condition.

The Corporation may need to expend significant capital to keep pace with technological developments in its industry.
The aerospace industry is constantly undergoing development and change and it is likely that new products, equipment and methods of repair and overhaul service will be introduced in the future. In order to keep pace with any new developments, the Corporation may need to expend significant capital to purchase new equipment and machines or to train the Corporation's employees in the new methods of production and service. In addition, the Corporation makes significant expenditures for the research and development of new products and services. The Corporation may not be successful in developing new products and these capital expenditures may have a material adverse effect on the Corporation.

The Corporation may incur significant expenses to comply with new or more stringent governmental regulation.
The aerospace industry is highly regulated in most countries by specialized government agencies. The Corporation must be certified in such jurisdictions and, in some cases, by individual OEMs in order to engineer and service parts and components used in specific aircraft models. If any of the Corporation's material authorizations or approvals were revoked or suspended, the Corporation's operations would be adversely affected. Although it is not expected, new or more stringent governmental regulations may be adopted, or industry oversight heightened, in the future, and the Corporation may incur significant expenses to comply with any new regulations or any heightened industry oversight.

The Corporation may be unable to successfully achieve "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.

The Corporation may not realize the Corporation's anticipated return on capital commitments made to expand its capabilities.

From time to time, the Corporation makes significant capital expenditures to implement new processes and to increase both efficiency and capacity. Some of these projects require additional training for the Corporation's employees and not all projects may be implemented as anticipated. If any of these projects do not achieve the anticipated increase in efficiency or capacity, the Corporation's returns on these capital expenditures may not be as expected.

Most of the Corporation's contracts are subject to competitive bidding. If the Corporation is unable to successfully compete in the bidding process, the Corporation's results of operations could suffer.

The Corporation obtains most of its contracts through a competitive bidding process that subjects it to the risk that it will expend substantial time and effort on the design, development and marketing of proposals for contracts that may not be awarded to it. The Corporation is sometimes required to bid on programs in advance of the completion of the prime vehicle or system design. This creates a risk that it will experience unforeseen technological difficulties and cost overruns. The Corporation cannot ensure that it will continue to win competitively awarded contracts at the same rate as in the past.

The Corporation may not be able to successfully negotiate long-term contracts to eliminate losses.

From time to time circumstances under which long-term contracts are negotiated change and require amendments so the Corporation does not incur a loss. At December 31, 2005 Magellan was in negotiation with one of its customers over material amendments to pricing with respect to existing long-term contracts. If these negotiations or future negotiations on other contract negotiations are not successful or the final terms are different from what the Corporation expects, the Corporation may be required to record a loss provision on these contracts which will be materially adverse to the Corporation. The amount of such provision, if any, cannot be reasonably estimated until such amendments are finalized.

The Corporation may be affected by interest rate fluctuations.

The Corporation's operations have been significantly financed by debt, and it has significant debt obligations. The majority of the Corporation's interest bearing long-term debt bore a variable interest rate. Consequently, the Corporation is sensitive to fluctuations in interest rates. Interest rate risk is generally managed by maintaining a balance between long and short-term exposure, which the Corporation believes provides the best effective cost for the level of exposure management deems appropriate.

The Corporation may need additional financing for acquisitions and capital expenditures and additional financing may not be available on acceptable terms.

A key element of the Corporation's strategy has been, and continues to be, internal growth and growth through the acquisition of additional companies and product lines engaged in the aerospace industry. In order to grow internally, the Corporation may need to make significant capital expenditures and may need additional capital to do so. The Corporation's ability to grow is dependent upon, and may be limited by, among other things, availability under the credit facilities and by particular restrictions contained therein and the Corporation's other financing arrangements. In that case, additional funding sources may be needed, and the Corporation may not be able to obtain the additional capital necessary to pursue its internal growth and acquisition strategy or, if the Corporation can obtain additional financing, the additional financing may not be on financial terms which are satisfactory to it.

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.

Any exposure to environmental liabilities may adversely affect the Corporation.
The Corporation's business, operations and facilities are subject to numerous stringent federal, provincial, state, local and foreign environmental laws and regulations. In Canada, the Corporation is required to maintain Certificates of Approval with respect to its water discharge, air emissions and land fill sites. The provincial Ministry of Environment in each province conducts periodic compliance reviews, and the Corporation is required to perform ongoing tests of its discharges. From time to time due to noncompliance matters which arise, remediation and containment orders are received which require action by the Corporation. The Corporation commits financial and technical resources as it deems necessary, including outside consultants, to develop action plans in accordance with the requirements of the various jurisdictions within which it operates. The regulatory authorities and the Corporation have agreed on a remediation plan for the former Fleet Industries site. While it is expected that the remediation plan will be successful the plan incorporates a new technique which may not be successful within the time and budget contemplated. Although management believes that the Corporation's operations and facilities are in material compliance with such laws and regulations, future changes in these laws, regulations or interpretations thereof or the nature of the Corporation's operations may require the Corporation to make significant additional capital expenditures to ensure compliance in the future.

In December 2002 the Government of Canada ratified the Kyoto Protocol and it became legally binding on February 16, 2005. This protocol calls for Canada to reduce its greenhouse gas emissions to 6 percent below 1990 levels during the period between 2008 and 2012. Details of specific requirements relating to the aerospace industry have not been enacted and accordingly the impact of the Kyoto Protocol is unknown.

DIVIDENDS

The Corporation has not declared or paid any dividends on any of its Common Shares in the last three financial years. It is intended that the Corporation will not pay any dividends on its Common Shares in the near future and that future earnings will be retained to finance further expansion of the business and operations of the Corporation. Any decision to pay dividends on the Corporation's Common Shares will be made by the board of directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

In 2005 the Corporation paid a dividend of thirty-four cents ($0.34) per share on the First Preference Shares Series A of the Corporation, which were issued on May 27, 2005. On December 8, 2005, the Directors declared a dividend of twenty cents ($0.20) per share of the Corporation’s First Preference Shares Series A payable on January 31, 2006 to shareholders of record of the First Preference Shares Series A at the close of business on January 20, 2006. The Corporation intends to pay the quarterly dividend on these shares as required by the description of the shares. *See Description of Share Capital - First Preference Shares Series A.*

DESCRIPTION OF SHARE CAPITAL

Common Shares

Magellan has authorized for issuance an unlimited number of Common Shares of which 90,794,117 Common Shares were outstanding as at March 17, 2006. The holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of Magellan; to receive dividends as and when declared by the Board of Directors of Magellan on the Common Shares as a class, and subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes; and in the event of any liquidation, dissolution or winding-up of Magellan, whether voluntary or involuntary, or any other distribution of the assets of Magellan among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of Magellan ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the shares of any other class of shares of Magellan ranking equally with the common shares in respect of return of capital on dissolution, in such assets of Magellan as are available for distribution.

Preference Shares

Magellan also has authorized an unlimited number of Preference Shares which may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued, the board of directors of Magellan shall, by resolution, fix the number of shares that will form such series and shall, subject to the limitations set out in the Corporation's articles, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the shares of such series. The Preference Shares of each series shall rank on parity with the Preference Shares of every other series with respect to accumulated dividends and return of capital. The Preference Shares are entitled to a preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. As at the date hereof, 2,000,000 8% cumulative redeemable first preference shares series A of the Corporation (the "First Preference Shares Series A") have been issued and are outstanding.

First Preference Shares Series A

On May 27, 2005 the Corporation issued 2,000,000 First Preference Shares Series A at a price of $10.00 per First Preference Shares Series A (the "Issue Price").

Conversion: Each First Preference Shares Series A is convertible into 3.33 Common Shares of the Corporation (6,666,666 Common Shares in aggregate) at a price of $3.00 per Common Share at any time at the holder's option, or, in the case such shares are called for redemption, on or prior to the third business day prior to the date fixed for redemption.

Redemption: The First Preference Shares Series A will be redeemable in whole or in any part from July 1, 2008 to June 30, 2010 by the Corporation at the Issue Price plus accrued and unpaid dividends, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "TSX") for at least 20 trading days in any consecutive 30-day period ending on the fifth trading day prior to the date on which the notice of redemption exceeds 125% of the conversion price. From July 1, 2010, the First Preference Shares Series A will be redeemable at the Issue Price plus accrued and unpaid dividends. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction: The First Preference Shares Series A will be retractable by the holder at the Issue Price plus accrued and unpaid dividends (i) from July 1, 2010 in the event that at any point after such date the volume weighted average trading price of the Common Shares on the TSX for at least 20 trading days in any consecutive 30-day period ending on the fifth trading day prior to such date is less than $2.40 per Common Share; or (ii) upon the occurrence of a change of control of the Corporation involving the acquisition of voting control or direction over 66-2/3% or more of the Common Shares.

Dividends: The holders of the First Preference Shares Series A are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of January, April, July, and October in each year in an amount per share equal to $10.00 and the amount of all accrued and unpaid dividends on such dividend payment date multiplied by 2%. The first dividend the holders were entitled to receive was paid on October 31, 2005 in the amount of $0.34 per share, being 8% multiplied by the number of days from the date of issue of the First Preference Shares Series A (May 27, 2005) to October 31, 2005.

Cancellation: In addition to its right to redeem First Preference Shares Series A, the Corporation may at any time or times purchase (if obtainable) for cancellation the whole or any part of the First Preference Shares Series A in the open market or by invitation for tenders at the lowest price or prices which, in the opinion of the board of directors, such shares are obtainable.

Voting: Subject to applicable law, the holders of the First Preference Shares Series A shall not be entitled (except as hereinafter specifically provided) to any voting rights or to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting unless and until the Corporation from time to time shall fail to pay, in the aggregate, four quarterly dividends on the First Preference Shares Series A on the dates on which the same should be paid, whether or not consecutive and whether or not such dividends have been declared and whether or not there are moneys of the Corporation properly applicable to the payment of dividends; thereafter but only so long as any dividends on the First Preference Shares Series A are not declared and actually paid, the holders of First Preference Shares Series A shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation and shall be entitled to 3.33 votes in respect of each First Preference Shares Series A held at all shareholders' meetings (other than meetings of holders of another class or series of shares required by law to be held separately).

Convertible Debentures

The Corporation has issued $70,000,000 of 8.5% convertible unsecured subordinated debentures due January 31, 2008 ("Convertible Debentures") pursuant to the Trust Indenture dated as of January 7, 2003 between the Corporation and Computershare Trust Company of Canada. The Convertible Debentures are unsecured obligations of the Corporation and are subordinated in right of payment to all of the Corporation's existing and future senior indebtedness.

Interest: The Convertible Debentures pay interest on a semi-annual basis on January 31 and July 31 in each year commencing July 31, 2003.

Conversion: The Convertible Debentures are convertible, at any time prior to the maturity date, by holders into Common Shares of the Corporation at a conversion price of $4.50 per Common Share.

Redemption: The Convertible Debentures are redeemable by the Corporation between January 31, 2006 and January 31, 2007 at a price equal to the principal amount, plus accrued and unpaid interest, if any, provided that the current market price is not less than 125 percent of the conversion price, and after

January 31, 2007 and prior to the maturity date at a price equal to the principal amount, plus accrued and unpaid interest, if any.

Redemption or Maturity: Upon redemption or at maturity the Corporation may, at its option (provided that there has not then occurred an event of default), elect to satisfy its obligation to pay the principal amount of the Convertible Debentures by issuing and delivering to holders, that number of Common Shares obtained by dividing such amount by 95% of the weighted average trading price of the Common Shares on the Toronto Stock Exchange for the twenty consecutive trading days prior to the date fixed for the redemption or the date of maturity, as applicable.

MARKET FOR SECURITIES

The Corporation's Common Shares and Convertible Debentures are listed and posted for trading on the Toronto Stock Exchange under the symbol "MAL" and "MAL.DB", respectively.

The following chart shows the high and low closing prices and the aggregate volumes traded of the Corporation's Common Shares on the Toronto Stock Exchange for each month in 2005:

	Toronto Stock Exchange		
Month	Low - $	High - $	Volume
January	2.65	3.19	3,638,769
February	2.93	3.45	2,092,485
March	2.87	3.37	1,118,619
April	2.36	2.90	3,134,451
May	2.45	2.89	3,714,302
June	2.67	3.23	958,306
July	2.98	3.32	739,456
August	3.05	3.35	1,023,086
September	2.85	3.60	5,114,204
October	2.60	3.10	3,348,304
November	2.65	2.88	1,129,018
December	2.62	2.95	1,264,591

The following chart shows the high and low closing prices and the aggregate volumes traded of the Corporation's Convertible Debentures on the Toronto Stock Exchange for each month in 2005:

	Toronto Stock Exchange		
Month	Low - $	High - $	Volume
January	104.00	108.00	2,170
February	106.00	109.00	6,920
March	104.26	108.00	10,410
April	99.50	105.25	43,430
May	99.85	101.00	11,560
June	101.00	104.96	6,370
July	101.50	103.26	6,140
August	101.50	103.99	15,360
September	100.50	103.50	17,740
October	99.50	102.01	11,260
November	99.61	101.50	12,280
December	101.00	102.48	3,190

The First Preference Shares Series A are not listed or quoted on a marketplace. In 2005 the Corporation issued 2,000,000 First Preference Shares Series A at a price of $10.00 per First Preference Shares Series A.

DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of the Corporation, the offices held by them in the Corporation, their principal occupations and the year each director first became a director are set out below. Each of the directors, except for Larry G. Moeller who was not a director for the period from August 14, 1999 to March 3, 2000, has served continuously as a director since the date he was first elected or appointed, which date is indicated below such director's name. The present term of each director will expire immediately prior to the election of directors at the next annual meeting of shareholders, which is scheduled for May 11, 2006. The information below concerning each of the Corporation's directors (except for information relating to the committee on which such director is a member) has been provided by the individual director.

To the knowledge of the Corporation, no director of the Corporation is, or has been in the last ten years, a director or executive officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as disclosed in the notes to the following table.

Director's Name and Municipality of Residence	Office Held	Principal Occupation
N. MURRAY EDWARDS [5] Calgary/Banff, Alberta, Canada (1995)	Chairman of the Board and Director	President, Edco Financial Holdings Ltd. (private consulting and management company)
RICHARD A. NEILL Oakville, Ontario, Canada (1996)	President, Chief Executive Officer and Director	President and Chief Executive Officer, Magellan Aerospace Corporation
HON. WILLIAM G. DAVIS [3][6] Brampton, Ontario, Canada (1989)	Director	Counsel, TORYS LLP (law firm)
WILLIAM A. DIMMA [1][2][7] Toronto, Ontario, Canada (1989)	Director	Corporate Director
BRUCE W. GOWAN [1][3] Huntsville, Ontario, Canada (1990)	Director	Corporate Director

Director's Name and Municipality of Residence	Office Held	Principal Occupation
DONALD C. LOWE [(1)(4)] Toronto, Ontario, Canada (1992)	Director	Corporate Director
LARRY G. MOELLER [(4)(5)] Calgary, Alberta, Canada (1995)	Director	Vice-President, Finance, Edco Financial Holdings Ltd. (private consulting and management company)
JAMES S. PALMER [(2)(3)] Calgary, Alberta, Canada (1995)	Director	Chairman, Burnet, Duckworth & Palmer LLP (law firm)
HON. M. DOUGLAS YOUNG [(2)(4)(8)] Ottawa, Ontario, Canada (1999)	Director	Chairman, Summa Strategies Canada Inc. (strategic counselling firm)

Notes:

(1) Member of the Audit Committee

(2) Member of the Governance and Nominating Committee

(3) Member of the Human Resources and Compensation Committee

(4) Member of the Environmental and Safety Committee

(5) N. Murray Edwards and Larry G. Moeller were each directors of Imperial Metals Corporation, a corporation engaged in mining, oil and gas exploration in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* (Canada) in 2003 which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation and IEI Energy Inc. (now Rider Resources Ltd.) both of which trade on the TSX. Mr. Moeller is currently a director of Imperial Metals Corporation.

(6) William G. Davis was a director of Dylex Limited during the period 1995 to May 16, 2001 when he resigned as a result of a change of control transaction. Dylex Limited was adjudged bankrupt in September 2001 with an effective date of mid-June 2001.

(7) Mr. Dimma was a director of American Eco Corporation from 1997 until the year 2000. In the year 2000, American Eco went into Chapter 11 of the United States Bankruptcy Code ("Chapter 11") and obtained recognition of the Chapter 11 filing under the Companies' Creditors Arrangement Act in Canada. Subsequently American Eco moved to Chapter 7 of the United States Bankruptcy Code and into insolvency.

(8) Mr. Young is a director of Heating Oil Partners Income Fund (the "Fund"). On September 26, 2005 Heating Oil Partners, L.P. (the "Company") filed a voluntary petition for reorganization under Chapter 11 and obtained recognition of the Chapter 11 proceedings in Canada under the *Companies' Creditors Arrangement Act*. Both the U.S. and Canadian filings include Heating Oil Partners, G.P. Inc., the Company's general partner, and HOP Holdings, Inc., a wholly owned subsidiary of the Fund. The Fund is not directly a party to any of these filings.

Executive Officer's Name and Municipality of Residence	Office Held	Principal Occupation
JO-ANN C. BALL Toronto, Ontario, Canada	Vice President, Human Resources	Vice President, Human Resources, Magellan Aerospace Corporation
JAMES S. BUTYNIEC Carlisle, Ontario, Canada	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer, Magellan Aerospace Corporation

Executive Officer's Name and Municipality of Residence	Office Held	Principal Occupation
JOHN B. DEKKER Burlington, Ontario, Canada	Vice President, Finance and Corporate Secretary	Vice President, Finance and Corporate Secretary, Magellan Aerospace Corporation
KONRAD B. HAHNELT Waterloo, Ontario, Canada	Vice President, Strategic Global Sourcing	Vice President, Strategic Global Sourcing, Magellan Aerospace Corporation
BRIAN A. LITTLE Ballywalter, County Down, Northern Ireland	Senior Vice President Information Technology, Strategy and Business Development of the Corporation	Senior Vice President Information Technology, Strategy & Business Development, Magellan Aerospace Corporation
WILLIAM A. MATTHEWS Mississauga, Ontario, Canada	Vice President, Marketing	Vice President, Marketing, Magellan Aerospace Corporation
LARRY A. WINEGARDEN Markham, Ontario, Canada	Vice President, Corporate Strategy	Vice President, Corporate Strategy, Magellan Aerospace Corporation
STEVEN P. GROOT Burlington, Ontario, Canada	Corporate Controller and Treasurer	Corporate Controller and Treasurer, Magellan Aerospace Corporation

During the past five years, all of the directors and officers of the Corporation have been engaged in their principal occupations or in other executive capacities with the corporations or firms with which they currently hold positions except for Mr. Little. On September 29, 2003 when the Corporation acquired substantially all of the aerospace business and assets of Mayflower Aerospace Ltd., Mr. Little, an employee of Mayflower Aerospace Ltd., became Executive Vice President – European Operations of Magellan Aerospace (UK) Limited. On May 12, 2005 Mr. Little was appointed Senior Vice President Information Technology, Strategy and Business Development of the Corporation. For the period July 8, 2002 to September 29, 2003 Mr. Little was the Group Chief Executive of the Mayflower Aerospace Ltd. group of companies. From October 2001 to July 2002 Mr. Little was employed by Compaq Computer Corporation and from May 1997 to October 2001, Mr. Little was self-employed practising as a business and organizational development consultant.

As at March 24, 2006, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 27,238,009 Common Shares representing approximately 30.0% of the outstanding Common Shares of the Corporation.

Circumstances may arise where members of the Board of Directors of Magellan serve as directors or officers of corporations which are in competition to its interests. No assurances can be given that opportunities identified by such board members will be provided to the Corporation.

The *Business Corporations Act* (Ontario) provides that in the event that a director has an interest in a contract or proposed contract or agreement with the Corporation, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under such Act. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of such Act.

AUDIT COMMITTEE

The Audit Committee's Charter

The Board of Directors of the Corporation has established an audit committee (the "Audit Committee") with the responsibility for monitoring the Corporation's systems and procedures for financial reporting, risk management and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved annually by the Board of Directors. The current Charter of the Audit Committee was approved by the board on May 12, 2005 and is set out in full in Appendix "A" to this Annual Information Form.

Composition of the Audit Committee

As at March 24, 2006, the Audit Committee is composed of the following three members: William A. Dimma, Bruce W. Gowan and Donald C. Lowe. Each of the Audit Committee members is independent and financially literate within the meaning of Multilateral Instrument 52-110 – *Audit Committees* ("MI 52 101") which means that each of them (i) has no direct or indirect material relationship with the Corporation, other than being one of its directors, and (ii) has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

Each member of the Audit Committee has developed considerable experience and expertise related to financial and accounting matters which are relevant to the performance of their respective responsibilities as an Audit Committee member. More particularly, each of them has developed and acquired (i) an understanding of the accounting principles used by the Corporation to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as Audit Committee members.

William A Dimma

Mr. Dimma is the Chairman of the Audit Committee. Mr Dimma has been a director of the Corporation since 1989 and a member and chairman of the Audit Committee since 1995.

Mr. Dimma received an engineering degree (B.A. Sc.) from the University of Toronto, an M.B.A. from York University, and a D.B.A. from Harvard University. He is also a P.Eng. and an ICD.D. He has been or continues to be a member of twelve audit committees over the past forty years.

Bruce W. Gowan

Mr. Gowan, a Chartered Accountant, has been a director of the Corporation since 1990, a member of the Audit Committee since 2000 and was Chief Financial Officer of the Corporation during the period 1983 to 1999.

Mr. Gowan completed his academic requirements for his Chartered Accountancy designation, Ontario, through Queen's University.

Donald C. Lowe

Mr. Lowe has been a director of the Corporation since 1992 and a member of the Audit Committee since 2005. Mr. Lowe is an experienced business executive.

A graduate of Oshawa Collegiate & Vocational Institute, Mr. Lowe also holds a Bachelor of Applied Science degree from the University of Toronto, a Masters of Science degree from the University of Birmingham, England and attended the Harvard International Senior Managers Program, Switzerland.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all permitted audit, audit–related and non-audit services to be performed by Ernst & Young, the Corporation's external auditors.

External Auditor Service Fees

The following is the aggregate fees billed by the Corporation's external auditors, Ernst & Young LLP in each of the last two fiscal years by category of services provided:

	Fiscal year ended December 31	
	2005	**2004**
Audit Fees	$ 710,400	$ 536,500
Audit-related Fees	13,916	16,108
Tax Fees	152,366	106,053
All Other Fees	0	0
Total	$ 876,633	$ 658,661

*Audit Fees***.** Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

*Audit-Related Fees***.** Audit-related fees are for assurance and related services, such as due diligence services that traditionally are performed by the external auditor. More specifically, these services include, among others, assistance in preparing for requirements of Bill 198, employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

Tax Fees. Tax fees are principally for assistance in tax compliance, tax return preparation, tax advisory services and support regarding tax audits.

All Other Fees. All other fees include fees for litigation and advisory support services.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the Corporation's last three completed financial years or during the current financial year as of March 24, 2006, no director or executive officer of the Corporation, or any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the Corporation's outstanding voting securities, or an associate or affiliate of any of the foregoing persons or companies, had or has as any material interest, direct or indirect, in any transaction with the Corporation that has materially affected or will materially affect the Corporation other than as described herein and below.

On May 27, 2005 the Corporation placed $20,000,000 of Preference Shares in conjunction with and as a requirement of the renewal of the Corporation's bank facilities. N. Murray Edwards, the Chairman and a director of the Corporation, acquired $10,050,000 of the First Preference Shares Series A (1,050,000 shares). As of March 17, 2006, Mr. Edwards holds 22,261,704 Common Shares of the Corporation indirectly and 3,017,500 Common Shares of the Corporation directly. Additionally, Mr. Edwards directly owns $15.0 million of Convertible Debentures of the Corporation. Each $4.50 of face value of the Convertible Debenture is convertible into one Common Share of the Corporation. If all of the Convertible Debentures and First Preference Shares Series A held by Mr. Edwards were converted into Common Shares then he would own an additional 6,683,333 Common Shares of the Corporation. Mr. Edwards and each other director that purchased First Preference Shares Series A declared the nature and extent of his interest in the transaction and did not vote on the resolutions of the directors authorizing the transaction.

Under the terms of its credit agreement, Magellan has an operating credit facility, expiring on May 26, 2006, and extendable to May 26, 2007, with a maximum credit facility of $155 million. Amounts drawn under this facility bear interest at the bankers' acceptance or LIBOR rates plus 1.0%, reduced from its prior rate of bankers' acceptance or LIBOR rates plus 4.5%. The credit facility is fully guaranteed by Mr. Edwards. Mr. Edwards receives a fee of 0.1% per annum of the maximum credit facility ($155,000 per year) as compensation for this guarantee. Mr. Edwards declared the nature and extent of his interest in the transaction and did not vote on the resolutions of the directors authorizing the transaction.

During the year, the Corporation sold receivables to a company with a common director, Larry Moeller, in the amount of $15,063,000 ($14,700,000 in 2004), for a discount of $131,000 ($184,000 in 2004). Included in this balance, as at December 31, 2005, is a reserve of $592,000 ($516,000 in 2004). All these sales were made at market rates. Mr. Moeller declared the nature and extent of his interest in the transactions and did not vote on the resolutions of the directors in respect of the transactions. For additional information see note 14 to the Corporation's audited financial statements for the year ended December 31, 2005 which have been filed on SEDAR under the heading "*audited annual financial statements*", which is hereby incorporated herein by reference. This document may be obtained from

SEDAR at www.sedar.com. Upon request the Corporation will provide a copy thereof free of charge to any securityholder of the Corporation.

To the knowledge of the directors and officers of the Corporation, other than as set out in the table below, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the voting rights attached to any class of voting shares of the Corporation.

Name and Address of Holder	Class of Shares	Type of Ownership	Number of Shares	Percentage of Common Shares
N. Murray Edwards Calgary, Alberta	Common Shares	Direct and Indirect	25,279,204	27.8%
Howson Tattersall Investment Counsel Limited	Common Shares	Indirect	9,882,825	10.9%

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., Toronto, Ontario is the transfer agent and registrar for the Corporation's Common Shares and Convertible Debentures. The Corporation is the transfer agent and registrar for the Corporation's First Preference Shares Series A.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, its most recently completed financial year other than Ernst & Young LLP, the Corporation's external auditors. At the time Ernst & Young LLP prepared the report, Ernst and Young LLP and its employees held no interest in Common Shares or Convertible Debentures of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information relating to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's voting shares and options to purchase the Corporation's shares is contained in the Corporation's Management Information Circular dated March 17, 2006 prepared in connection with the annual meeting of shareholders of the Corporation to be held on May 11, 2006. Additional financial information is provided in the Corporation's financial statements for the year ended December 31, 2005 and Management's Discussion and Analysis which have been filed on SEDAR at www.sedar.com

Copies of the Management Information Circular, the financial statements, including any interim financial statements, Management's Discussion and Analysis, additional copies of this Annual Information Form, any other documents incorporated therein by reference may be obtained upon request from the Secretary of the Corporation at the head office, Magellan Aerospace Corporation, 3160 Derry Road East, Mississauga, Ontario, L4T 1A9. Telephone: (905) 677 1889; Facsimile: (905) 677 5658.

APPENDIX "A"

MAGELLAN AEROSPACE CORPORATION

CHARTER OF THE AUDIT COMMITTEE

MANDATE

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Magellan Aerospace Corporation (the "Corporation") to assist the Board in its oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting, and disclosure practises followed by the Corporation and its subsidiaries.

The Committee's primary duties and responsibilities are to:

- Review and assess management's identification of principal financial risks and monitor the process to manage such risks.

- Review and assess management's overall process to identify principal risks that could affect the achievement of the Corporation's business plans.

- Monitor and report on the integrity of the Corporation's financial statements, financial reporting processes and systems of internal controls regarding financial reporting and accounting compliance and compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

- Select and recommend to the Board for appointment by the shareholders, the Corporation's external auditors and the fee of the external auditors.

- Oversee the work of the external auditors.

- Pre-approve all audit and non-audit services to be provided by the Corporation's external auditors consistent with all applicable laws and establish the fees and other compensation to be paid to the external auditors.

- Monitor the independence and performance of the Corporation's external auditors.

- Monitor the performance of the internal audit processes.

- Establish procedures for the receipt, retention, response to and treatment of complaints, including confidential anonymous submissions by the Corporation's employees, regarding accounting, internal control or auditing matters.

- Provide an avenue of communication among the external auditors, management, the internal auditing function, and the Board.

- Report to the Board.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct management to particular areas of examination.

MAJOR RESPONSIBILITIES AND FUNCTIONS

Review Procedures

Review and update the Committee's Charter at least annually and provide a summary of the Committee's composition and responsibilities in the Corporation's annual report or other public disclosure documentation. Ensure the processes are in place to annually evaluate the performance of the Committee and report to the Board on the results of such evaluation.

Annual Financial Statements

1. Review the Corporation's annual audited financial statements and related documents prior to their filing or distribution. Such review to include:

    a) A review with the external auditors and management of the annual financial statements and related footnotes including significant issues and disclosures regarding accounting policies and practices and any changes thereto

    b) A review with the external auditors and management of the use of off-balance sheet financing, if any, including management's risk assessment and adequacy of disclosure.

    c) A review with the external auditors of the audit plan and the results of the audit including any significant changes required in the audit plan.

    d) A review of any significant disagreements between the external auditors and management encountered during the course of the audit, including any restrictions on the scope of the external auditors' work or access to required information.

    e) A review of other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

2. Review and formally recommend approval to the Board of the Corporation's:

    a) Year-end audited financial statements and disclosures.

    b) Annual earnings press releases.

    c) Management's Discussion and Analysis.

    d) Annual Information Form.

    e) All prospectuses and information circulars as to financial information provided therein.

Quarterly Financial Statements

1. Review with management and the external auditors and recommend for approval to the Board the Corporation's:

a) Quarterly unaudited financial statements and related documents, including management's discussion and analysis and interim earnings press releases.

b) Any significant changes to the Corporation's accounting principles.

Other Financial Filings and Public Documents

1 Review financial information contained in any filings with the securities regulators or news releases related thereto and consider whether the information is consistent with the information contained in the financial statements of the Corporation.

Internal Control Environment

1. Ensure that management and the external auditors provide to the Committee an annual report on the Corporation's financial control environment as it pertains to the Corporation's financial reporting process and controls.

2. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation.

3. Review the effectiveness of the overall process for identifying the principal risks affecting the achievement of business plans and provide the Committee's view to the Board.

4. Review in consultation with management and the external auditors the degree of coordination in management's audit plans relating to the internal control environment and the external auditors audit plan and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit effort to assure completeness of coverage and the effective use of audit resources. Any recommendations made by the auditors for the strengthening of internal controls shall be reviewed and discussed with management.

5. Review the hedging and risk management policies and procedures of the Corporation.

6. Review legal and regulatory matters that may have a material impact on the interim or annual financial statements, related Corporation compliance policies and programs and reports received from regulators.

7. Review policies and procedures with respect to officers' and directors' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the external auditors.

8. Review all related party transactions between the Corporation and any officers or directors.

External auditors

1. Meet quarterly with the external auditors to review amongst other things the quarterly and annual financial statements of the Corporation and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chairman of the Committee or by a majority of the members of the Committee.

2. Review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) requesting, receiving and reviewing, no less than annually, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation and its affiliates, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.

3. Review:

   a) The external auditor's performance, and make a recommendation to the Board regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors.

   b) The terms of engagement of the external auditors together with their proposed fees.

   c) External audit plans and results.

   d) Any other related audit engagement matters.

   e) The engagement of the external auditors to perform non-audit services, if any, together with the fees therefor, and the impact thereof, on the independence of the external auditors.

4. Consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors, including a review of management consulting services and related fees provided by the external auditors compared to those of other audit firms.

Other matters

1. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.

2. Report Committee actions to the Board with such recommendations, as the Committee may deem appropriate.

3. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

4. Perform such other functions as required by law, the Corporation's mandate or By-laws, or the Board.

5. Consider any other matters referred to it by the Board.

Nothing contained in this charter is intended to transfer to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to design or implement an effective system of internal controls. Such matters are the responsibility of management and the independent external auditors, as the case may be. Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditors.

OPERATION OF COMMITTEE

Reporting

The Committee shall report to the Board following each meeting of the Committee.

Composition of Committee

The Committee shall consist of not less than 3 nor more than 5 directors all of whom shall qualify as independent directors. All members of the Committee shall have the financial literacy to be able to read and understand the Corporation's financial statements and to understand the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. In addition, the Committee's composition, including the qualifications and experience of its members, shall comply with the applicable requirements of the Toronto Stock Exchange ("TSX"), the Ontario Securities Commission (the "OSC") and other securities regulatory authorities to which the Corporation may be subject, as adopted or in force or amended from time to time. The Board will consider the appropriateness of the application of all TSX guidelines and OSC rules and recommendations regarding the composition of the Committee.

Appointment of Committee Members

Members of the Committee shall be appointed by the Board at a meeting, typically held immediately after the annual shareholders' meeting, provided that any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board.

Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman

The Chairman of the Board, based on the recommendation of the Corporate Governance and Nominating Committee, will recommend an independent director as Chairman of the Committee to the Board for approval.

If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.
The Chairman presiding at any meeting shall not have a casting vote.

Secretary

The Committee shall appoint a Secretary who need not be a member of the Committee or a director of the Corporation. The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings

The Committee shall meet at least quarterly at the call of the Chairman. In addition, a meeting may be called by any director or by the external auditors.
Committee meetings may be held in person, by video-conference, by means of telephone or by any combination of any of the foregoing.

Notice of Meeting

Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by e-mail to each member of the Committee and to external auditors at least 48 hours prior to the time fixed for such meeting.

A member may in any manner waive notice of the meeting. Attendance of a member at the meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

Quorum

A majority of committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Attendance at Meetings

The President and Chief Executive Officer, the Chief Financial Officer, the Corporate Controller and the head of internal audit are expected to be available to attend meetings, but a portion of every meeting will be reserved for in-camera discussion without members of management, being present.

The Committee may by specific invitation have other resource persons in attendance.

The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.

Minutes

Minutes of Committee meetings shall be sent to all Committee members and to the external auditors.

Engaging Outside Resources

The Committee is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation.