MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
First Quarter Report
March 31, 2006

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

Financial Results

On May 11, 2006, the Corporation released its financial results for the first quarter of 2006. The results are summarized as follows:

	Three-months ended March 31				
(Expressed in thousands, except per share amounts)		**2006**		**2005**	**Change**
Revenues	$	137,022	$	144,941	-5.5%
Net loss	$	(658)	$	(1,679)	-
Net loss per share	$	(0.01)	$	(0.02)	-
EBITDA*	$	9,718	$	8,881	9.4 %
EBITDA* per share	$	0.11	$	0.10	10.0 %

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

***The Corporation has included certain measures in this quarterly statement, including EBITDA, the terms for which are not defined under Canadian generally accepted accounting principles. The Corporation defines EBITDA as earnings before interest, taxes and depreciation and amortization. The Corporation has included these measures, including EBITDA, because it believes this information is used by certain investors to assess financial performance and EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in various jurisdictions. Although the Corporation believes these measures are used by certain investors (and the Corporation has included them for this reason), these measures are unlikely to be comparable to similarly titled measures used by other companies.**

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Management's Discussion and Analysis

First quarter 2006 results for Magellan Aerospace Corporation showed a continuing path of operational improvement, hidden to some degree by costs associated with the intake of new work packages, and modest financial gains under continued pressure from the high Canadian dollar. Magellan's management focus during the first quarter of 2006 was in three key areas: supporting the intake of new work announced in 2005; negotiating improved pricing to meet increased material costs and restore margins; and improving operating efficiencies at production facilities by consolidating activities and improving technology. Results of these activities will materialize over the course of 2006 and beyond. Concurrently, extensive activity was devoted to the capture of additional workload for new programs, including the newest aircraft from both Airbus and Boeing, and advanced defence programs in the United States and Europe. Modules for the GE F414 engine, the power plant of the Boeing F18E/F aircraft, continued with strong deliveries, increased quantities of key parts for the Lockheed F22 aircraft were brought into production, and work continued on the limited quantities required for the development stage of the new Lockheed Joint Strike Fighter F35 aircraft in preparation of first flights later in 2006. While regional jet markets remain weak, the ongoing strong business jet market offsets to a large degree this for Magellan as it continues to deliver components for both segments.

Revenues

	Three-months ended March 31		
(Expressed in thousands)	**2006**	**2005**	**Change**
Canada	$ 65,266	$ 73,120	-10.7 %
United States	43,896	43,566	0.8 %
United Kingdom	27,860	28,255	-1.4 %
Total Revenue	$ 137,022	$ 144,941	-5.5 %

Revenues for the first quarter of 2006 were $137.0 million, a decrease of $7.9 million or 5.5% over the same period in 2005. Revenues were lower in the first quarter of 2006 compared to the same period last year by approximately $9.5 million because of changing foreign exchange rates and by $7.1 million because of contracts that ended with the final shutdown of the Corporation's Fort Erie location. After adjusting for these two factors, revenues grew by approximately 6.4%, year over year, which is reflective of increased demand within the aerospace industry.

Gross Profit

	Three-months ended March 31		
(Expressed in thousands)	**2006**	**2005**	**Change**
Gross profit	$ 14,314	$ 14,455	-0.1 %
Percentage of revenue	10.4 %	10.0 %	

Gross profit for the first quarter of 2006 was $14.3 million or 10.4% of revenues, compared to $14.5 million or 10.0% of revenues in the same period of last year. Gross profit, as a percentage of sales, improved in the first quarter of 2006 compared to the first quarter of 2005, due to improvements in operating efficiencies, but were negatively impacted by the continued strengthening of the Canadian dollar, as well as higher costs for raw materials. Management expects that further improvements to efficiencies will occur as volumes increase over the balance of 2006.

Administrative and General Expenses

(Expressed in thousands)	Three-months ended March 31 2006	2005	Change	% Change
Administrative and general expenses	$ 10,268	$ 10,923	$ (655)	-6.0%
Foreign exchange (gain) loss	(282)	312	(594)	-190.4%
Total administrative and general expenses	$ 9,986	$ 11,235	$ (1,249)	-11.1%
Percentage of revenue	7.3%	7.8 %		

Total administrative and general expenses were $10.0 million in the first quarter of 2006. Included in total administration and general expenses is a foreign exchange gain of $0.3. Without this item, administrative and general expenses were $10.3 million (or 7.5% of revenues) in the first quarter of 2006 compared to $10.9 million (or 7.5% of revenues) in the same period in 2005.

Interest Expense

(Expressed in thousands)	Three-months ended March 31 2006	2005	Change	% Change
Interest on bank indebtedness and long-term debt	$ 2,024	$ 3,361	$ (1,337)	-39.8%
Convertible debenture interest	1,488	1,488	-	-
Accretion charge for convertible debt	573	460	113	24.6%
Discount on sale of accounts receivable	910	494	416	84.2%
Total interest expense	$ 4,995	$ 5,803	$ (808)	-13.9%

Interest on bank indebtedness and long-term debt decreased in 2006 compared to the same period in 2005 due to lower interest rates under the Corporation's credit facility. Discount on the sale of accounts receivable rose as a higher amount of receivables were sold at higher discount rates.

Provision for (Recovery of) Income Taxes

(Expressed in thousands)	Three-months ended March 31 2006	2005	Change	% Change
Provision for current income taxes	$ 92	$ 125	$ (33)	-26.4%
(Recovery of) future income taxes	(101)	(1,029)	928	90.2%
Total (recovery of) income taxes	$ (9)	$ (904)	$ 895	99.0%
Effective Tax Rate	1.4 %	35.0 %		

The effective rate of recovery of income taxes was 1.4% in the first quarter of 2006, due to non-deductible, non-cash charges for stock option expenses and non-cash interest charges on the Corporation's convertible debentures. These non-deductible items have a large impact while Magellan operates near breakeven levels.

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Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

(Expressed in thousands)	Three-months ended March 31 2006	Three-months ended March 31 2005	Change
Net loss	$ (658)	$ (1,679)	$ 1,021
Interest	4,995	5,803	(808)
Taxes	(9)	(904)	895
Depreciation and amortization	5,390	5,661	(271)
EBITDA	$ 9,718	$ 8,881	$ 837

Cash Flow from Operating Activities

(Expressed in thousands)	Three-months ended March 31 2006	Three-months ended March 31 2005	Change
Increase in accounts receivable	$ (4,563)	$ (21,901)	$ 17,338
Increase in inventories	(15,957)	(4,293)	(11,664)
Increase in prepaid expenses and other	(2,727)	(84)	(2,643)
Increase in accounts payable	10,710	153	10,557
Net change in non-cash working capital items	$ (12,537)	$ (26,125)	$ 13,588
Cash used in operating activities	$ (7,153)	$ (22,652)	$ 15,499

In the first quarter of 2006, the Corporation used $7.2 million of cash from operations, compared to using $22.7 million of cash in the same period of 2005. Increases in accounts receivable, inventories and prepaid expenses were partially offset by an increase in accounts payable. Inventories increased in part due to a number of delayed shipments, as well as a general increase in raw materials and work-in-process which reflects increased demand in the aerospace industry. The Corporation expects to recover on delayed shipments within the next two quarters.

Cash Flow from Investing Activities

(Expressed in thousands)	Three-months ended March 31 2006	Three-months ended March 31 2005	Change
Purchase of capital assets	$ (3,059)	$ (3,457)	$ 398
Proceeds from disposals of capital assets	96	531	(435)
Increase in other assets	(878)	(271)	(607)
Cash used in investing activities	$ (3,841)	$ (3,197)	$ (644)

The Corporation invested $3.1 million in new equipment and improvements to its facilities to improve manufacturing capacity and enhance its capabilities. Other assets increased due to increases in certain long-term receivables.

Cash Flow from Financing Activities

(Expressed in thousands)	Three-months ended March 31 2006	Three-months ended March 31 2005	Change
Increase in bank indebtedness	$ 8,720	$ 27,635	$ (18,915)
Repayment of long-term debt	(117)	(4,440)	4,323
Increase (decrease) in long-term liabilities	75	(1,048)	1,123
Issue of Common Shares	14	27	(13)
Cash provided by financing activities	$ 8,692	$ 22,174	$ (13,482)

The Corporation has an operating credit facility with a maximum credit limit of $155.0 million. Amounts drawn under this facility bear interest at the bankers' acceptance or LIBOR rates plus 1.0% expiring on May 26, 2006 and extendable to May 26, 2007. On May 2, 2006, the Corporation extended the operating credit facility with its existing lenders, and amended the agreement to reduce interest costs to bankers' acceptance or LIBOR rates plus 0.875% as well as providing for unlimited one-year renewal options. The credit facility is fully guaranteed by N. Murray Edwards, Chairman of the Board of Directors. An annual fee of $155,000 (0.1% of the maximum credit facility) is paid in consideration for the guarantee.

Outlook

The appreciation of the Canadian dollar, which had slowed in 2005 and the first quarter of 2006 has increased dramatically in April and May of 2006 and will have a significant impact on upcoming earnings if this trend does not reverse. Management is evaluating all options including reducing Canadian dollar denominated expenses to realign the business to operate effectively in this new environment.

Civil aircraft orders in the first quarter of 2006, which experienced a record year in 2005, continued at a brisk rate in the first quarter of 2006. Airlines in the Middle East and Asia are reporting strong profits, while most North American airlines range from profitable to readying for emergence from bankruptcy protection. Key defence programs are progressing on schedule, with the F18 and F22 aircraft in full-scale production, and the F35 aircraft proceeding through development to production later this decade. High operational activity rates for aircraft and helicopters are enabling a strong aftermarket demand. Despite a challenging first quarter of 2006, Magellan's performance is expected to meet or exceed our 2006 plan, which will enable the necessary re-investment to support growth.

On behalf of the Board

N. Murray Edwards
Chairman
May 11, 2006

Richard A. Neill
President and Chief Executive Officer