MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Third Quarter Report
September 30, 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 November 13, 2006, the Corporation released its financial results for the third quarter of 2006. The results are summarized as follows:

	Three-months ended September 30					Nine-months ended September 30				
(Expressed in thousands, except per share amounts)		**2006**		**2005**	**Change**		**2006**		**2005**	**Change**
Revenues	$	143,548	$	134,613	6.6 %	$	430,546	$	425,719	1.1 %
Net income (loss)	$	221	$	(614)	-	$	(6,104)	$	(2,582)	-
Net earnings (loss) per share	$	0.00	$	(0.01)	-	$	(0.07)	$	(0.03)	-
EBITDA*	$	10,940	$	9,117	20.0 %	$	29,994	$	28,742	4.4 %
EBITDA* per share	$	0.12	$	0.10	20.0 %	$	0.33	$	0.32	3.1 %

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

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

Management's Discussion and Analysis

The third quarter results for Magellan continue to demonstrate the improvement that is being experienced in demand in the aerospace industry, but also the pressures that are present because of increased material costs and the strengthening Canadian dollar.

Conditions in the commercial airline industry remain strong. In the past quarter, a decline in fuel costs occurred at the same time that load factors and yield were improving, and, as a result, most airlines are reporting quarterly profits. Orders for new aircraft, while not matching 2005 record levels, remain very strong. Recent orders have also been made for regional jet aircraft. Boeing has reported that their 787 Dreamliner aircraft remains on schedule for its first flight in 2007 and first deliveries to airlines in 2008. However, Airbus, in September, announced further significant delays on its A380 aircraft and delayed plans for its A350 aircraft.

Demand for business aircraft also remains robust. The recent annual convention of the National Business Aviation Association in Florida saw several new business jet models displayed and numerous orders announced. The current congestion at major airports and more stringent security on commercial airlines are two factors which are helping to drive demand.

Conditions in the defence sector are being impacted by the war in Iraq. The United States Department of Defence has concentrated its spending on a smaller number of programs, reducing the demand for spare parts for older aircraft models. There have, however, been additional orders for F-18 aircraft, for which Magellan manufactures components for both the engine and fuselage, and the Joint Strike Fighter program continues to move ahead on schedule. Magellan has been selected to manufacture several components for this aircraft.

Magellan remains focussed on improving its operations through the rejuvenation plans at four of its facilities. These plans included reorganization of the shop floor and the purchase of new machinery to make current operations more efficient. Work on these initiatives has been ongoing through the third quarter of 2006 and has largely been completed at its casting facility and remains in process at the remaining three operations. The Corporation expects to see improvements to operations beginning in the fourth quarter of 2006.

In the second quarter of 2006, Magellan recorded an impairment charge on assets at the Corporation's New York City facility, where real estate was being prepared for sale. The Corporation sold real estate in the third quarter of 2006 for proceeds of $3.1 million, and recorded a gain of $2.1 on this transaction in this quarter. Further real estate sales transactions are being pursued.

Revenues

	Three-months ended September 30			Nine-months ended September 30		
(Expressed in thousands)	**2006**	**2005**	**Change**	**2006**	**2005**	**Change**
Canada	$ 67,140	$ 62,102	8.1 %	$ 204,343	$ 207,086	-1.3 %
United States	47,730	46,259	3.2 %	140,959	135,230	4.2 %
United Kingdom	28,678	26,252	9.2 %	85,244	83,403	2.2 %
Total Revenue	$ 143,548	$ 134,613	6.6 %	$ 430,546	$ 425,719	1.1 %

Consolidated revenues for the third quarter of 2006 were $143.6 million, an increase of $8.9 million, or 6.6%, from the third quarter of 2005. The impact of foreign exchange rates muted underlying growth in the volume of shipments. Had foreign exchange rates from the third quarter of 2005 been in effect in the third quarter of 2006, revenues would have been approximately $3.0 million higher in Canada, approximately $3.5 million higher in the United States and approximately $0.6 million higher in the United Kingdom, reflecting a year over year growth rate of 11.5%.

Revenues generated by commercial product sales in the third quarter of 2006 represented 67.5% (65.9% in 2005) of total revenues while defence product sales comprised the remaining 32.5% (34.1% in 2005) of revenues.

Gross Profit

(Expressed in thousands)	Three-months ended September 30 2006	2005	Change	Nine-months ended September 30 2006	2005	Change
Gross profit	$ 13,052	$ 13,465	-3.1 %	$ 40,479	$ 42,873	-5.6 %
Percentage of revenue	9.1 %	10.0 %		9.4 %	10.1 %	

Gross profit was $13.1 million, or 9.1% of revenues for the three-month period ended September 30, 2006, compared to $13.5 million, or 10.0% of revenues, in the same period in 2005. The decline in gross profit, as a percentage of revenue, in the third quarter of 2006 compared to the same period in 2005 is due to the impact of foreign exchange rates and the absence of hedging benefits, offset by changing product mix and operational efficiencies. The impact of changing foreign exchange rates and hedging benefits in the three months ended September 30, 2006 at the gross margin level was approximately $2.9 million when compared to the same period in 2005. As mentioned above, major initiatives at four facilities are being undertaken to improve operating efficiencies at these locations. The benefit of these initiatives will be realized over the next several quarters.

Administrative and General Expenses

(Expressed in thousands)	Three-months ended September 30 2006	2005	Nine-months ended September 30 2006	2005
Administrative and general expenses	$ 9,999	$ 11,552	$ 30,259	$ 33,763
Gain on sale of capital assets	(301)	-	(301)	(1,442)
Foreign exchange gain	(297)	(1,899)	(579)	(1,336)
Total administrative and general expenses	$ 9,401	$ 9,653	$ 29,379	$ 30,985
Percentage of revenue	6.6%	7.2%	6.8%	7.3%

Reported administrative and general expenses were $9.4 million, or 6.6% of revenues in the third quarter of 2006 compared to $9.7 million, or 7.2% of revenues in the same period of 2005. Included in administrative and general expenses in the three months ended September 30, 2006 are gains on the sale of assets of $0.3 million and a foreign exchange gain of $0.3 million. Administrative and general expenses for the three-month period ended September 30, 2005 included a foreign exchange gain of $1.9 million. Administrative and general expenses, after adjusting for these items, represent 7.0% of revenues in the three month period ended September 30, 2006 compared to 8.6% of revenues in the same period in 2005.

Interest Expense

(Expressed in thousands)	Three-months ended September 30 2006	2005	Nine-months ended September 30 2006	2005
Interest on bank indebtedness and long-term debt	$ 2,162	$ 2,399	$ 7,174	$ 8,783
Convertible debenture interest	1,487	1,487	4,462	4,462
Accretion charge for convertible debt	573	460	1,719	1,380
Discount on sale of accounts receivable	975	457	2,910	1,308
Total interest expense	$ 5,197	$ 4,803	$ 16,265	$ 15,933

Interest expense in the third quarter of 2006 was $5.2 million, $0.4 million higher than the third quarter of 2005. The higher expense is largely due to higher discounts on the sale of accounts receivable, which reflect higher amounts of accounts receivable sold.

Provision for (Recovery of) Income Taxes

(Expressed in thousands)	Three-months ended September 30 2006	Three-months ended September 30 2005	Nine-months ended September 30 2006	Nine-months ended September 30 2005
Provision for current income taxes	$ (100)	$ 155	$ 83	$ 420
(Recovery of) provision for future income taxes	428	(532)	(2,350)	(1,883)
Total provision for (recovery of) income taxes	$ 328	$ (377)	$ (2,267)	$ (1,463)
Effective Tax Rate	59.7%	38.0%	27.1 %	36.2 %

A provision for income taxes expense of $0.3 million was recorded in the third quarter of 2006, compared to a recovery of income taxes of $0.4 million for the third quarter of 2005. The change in effective tax rates is a result of a changing mix of income across the different jurisdictions in which Magellan operates. Permanent differences in taxable income have a greater effect on the effective tax rate at low levels of income.

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

(Expressed in thousands)	Three-months ended September 30 2006	Three-months ended September 30 2005	Nine-months ended September 30 2006	Nine-months ended September 30 2005
Net income (loss)	$ 221	$ (614)	$ (6,104)	$ (2,582)
Interest	5,197	4,803	16,265	15,933
Taxes	328	(377)	(2,267)	(1,463)
Amortization charge (note 2)	-	-	5,301	-
Depreciation and amortization	5,194	5,305	16,799	16,854
EBITDA	$ 10,940	$ 9,117	$ 29,994	$ 28,742

EBITDA for the third quarter of 2006 was $10.9 million, an increase of $1.8 million from the third quarter of 2005. Income includes pre-tax gains on the disposal of capital assets of $2.4 million. Excluding these gains, EBITDA for the third quarter of 2006 was $8.5 million, which is a decrease of $0.6 million from the same period in 2005.

Liquidity and Capital Resources

Cash Flow from Operations

(Expressed in thousands)	Three-months ended September 30 2006	Three-months ended September 30 2005	Nine-months ended September 30 2006	Nine-months ended September 30 2005
Decrease (increase) in accounts receivable	$ 8,831	$ 25,812	$ 9,367	$ (1,081)
Decrease (increase) in inventories	4,229	(2,825)	(15,157)	(10,433)
Decrease (increase) in prepaid expenses and other	3,220	(673)	1,391	(1,075)
Decrease in accounts payable	(18,341)	(8,188)	(11,192)	(10,577)
Changes to non-cash working capital balances	$ (2,061)	$ 14,126	$ (15,591)	$ (23,166)
Cash provided by (used in) operating activities	$ 1,659	$ 18,935	$ (1,458)	$ (10,399)

In the quarter ended September 30, 2006, the Corporation generated $1.7 million of cash from operating activities, compared to generating $18.9 million of cash from operating activities in the third quarter of 2005. Lower amounts of cash were generated in the third quarter of 2006 compared to the same period in 2005 because of a smaller decrease in accounts receivable and a larger decrease in accounts payable.

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Investing Activities

(Expressed in thousands)	Three-months ended September 30 2006	Three-months ended September 30 2005	Nine-months ended September 30 2006	Nine-months ended September 30 2005
Purchase of capital assets	$ (6,047)	(4,639)	$ (20,190)	$ (11,588)
Proceeds from disposals of capital assets	3,634	23	3,969	3,746
Decrease (increase) in other assets	949	(7,978)	(1,640)	(8,759)
Cash used in investing activities	$ (1,464)	$ (12,594)	$ (17,861)	$ (16,601)

In the third quarter of 2006, the Corporation invested $6.0 million in capital assets to upgrade its facilities and enhance its capabilities. This was partially funded by proceeds from the sale of capital assets of $3.6 million.

Financing Activities

(Expressed in thousands)	Three-months ended September 30 2006	Three-months ended September 30 2005	Nine-months ended September 30 2006	Nine-months ended September 30 2005
Increase (decrease) in bank indebtedness	$ 7,051	$ (917)	$ 27,529	$ 61,724
Advance (repayment) of long-term debt	378	(1,927)	4,950	(49,739)
Increase (decrease) in long-term liabilities	340	2,899	(7,697)	(5,255)
Issue of Common Shares	14	72	40	114
Issue of Preference Shares	-	-	-	19,925
Dividends on Preference Shares	(400)	-	(1,200)	-
Cash provided by financing activities	$ 7,383	$ 127	$ 23,622	$ 26,769

The Corporation renewed its bank credit agreement with its existing lenders on May 2, 2006. Under the terms of the renewed agreement, Magellan has an operating credit facility, expiring on May 26, 2007 and extendable for unlimited one-year renewal options, with a maximum credit facility of $155.0 million. Amounts drawn under this facility bear interest at the bankers' acceptance or LIBOR rates plus 0.875%. The credit facility is fully guaranteed by N. Murray Edwards, Chairman of the Board of Directors.

Outlook

Recent events at Airbus Industries have caused a certain amount of uncertainty on the A380 program as well as the launch of the A350 XWB, but Boeing and business jet manufacturers are all reporting record order intake for commercial aircraft. Announcements by the Canadian Department of National Defence for Boeing C17 cargo aircraft and Boeing CH47 heavy lift helicopters will also present offset opportunities for Magellan operations in Canada. With the continuing demand for commercial and business jet aircraft, as well as several new defence opportunities, the Corporation is modifying its operations to improve profitability and participate in the long-term growth. Changes include rationalizing real estate needs, and increasing investment in new equipment to boost productivity and increase capacity at several operating locations, to meet future demand from increased rates on current aircraft and engine build programs. This will position the Corporation to provide supply on major new programs under development such as the Boeing 787 Dreamliner, the Airbus A350 XWB, and the Joint Strike Fighter and the associated engine programs.

The Board is pleased to announce that, effective January 1, 2007, Richard A. Neill will be appointed Vice-Chairman of Magellan Aerospace Corporation, and will continue to provide strategic direction for the Corporation. As such, he will be stepping down from his role as President and Chief Executive Officer. Also on January 1, 2007, Jim Butyniec will be appointed President and Chief Operating Officer, completing the leadership transition that has been taking place over the past year.

On behalf of the Board

N. Murray Edwards
Chairman
November 13, 2006

Richard A. Neill
President and Chief Executive Officer