MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Fourth Quarter Report and Announced Proposed Share Consolidation
December 31, 2007

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 March 31, 2008, the Corporation released its financial results for the fourth quarter of 2007. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three-months ended December 31			Twelve-months ended December 31		
(Expressed in thousands, except per share amounts)	**2007**	**2006 (restated note 3)**	**Change**	**2007**	**2006 (restated note 3)**	**Change**
Revenues	$ 155,544	$ 144,677	7.5 %	$ 597,808	$ 575,223	3.9 %
Gross Profit	$ 12,896	$ 10,543	22.3 %	$ 58,914	$ 51,022	15.5 %
Net loss	$ (4,949)	$ (2,035)	-	$ (11,341)	$ (8,139)	-
Net loss per share	$ (0.06)	$ (0.03)	-	$ (0.14)	$ (0.11)	-
EBITDA*	$ 8,052	$ 9,022	(10.8) %	$ 36,398	$ 39,710	(8.3) %
EBITDA* per share	$ 0.09	$ 0.10		$ 0. 40	$ 0.44	

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, depreciation and amortization and non-cash charges. 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 may not be comparable to similarly titled measures used by other companies.**

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Management's Discussion and Analysis

In 2007, the aerospace industry continued to grow, establishing record orders for civil aircraft, increased growth in demand for business jets and civil helicopters, and a strong, steady supply to the global defence market in aerospace. The industry continued its globalization, with growing participation in Brazil and Mexico, Eastern Europe and Russia, China, India and much of South East Asia.

During 2007, work on A380 landing gear, wing structures and engine exhaust systems restarted following some integration issues at Airbus, and initial customer deliveries were made in December 2007. Delivery by Magellan of B787 landing gear assemblies and machined wing structures commenced during 2007. Some initial challenges are being experienced by Boeing with deliveries with-in the overall supply-base. The first production Joint Strike Fighter F35B Short Take Off and Vertical Landing (STOVL) variant was rolled out in 2007, and will join the earlier F35A Conventional Take Off and Landing (CTOL) variant in flight tests in 2008. This major international defence program is expected to deliver in excess of 3,000 aircraft over the next 20-30 years. Magellan has secured major participation on this program in the manufacture of aircraft machined structures, composite structures, and various engine and auxiliary sub-assemblies.

Foreign exchange continued to have a significant negative impact on Magellan's results and have masked the higher volumes of production, the increased efficiencies and higher gross margins achieved in the quarter.

For additional information, please refer to the *"Management's Discussion and Analysis"* section of the Annual Report available on www.sedar.com.

Revenues

	Three-months ended December 31			Twelve-months ended December 31		
(Expressed in thousands)	**2007**	**2006**	**Change**	**2007**	**2006**	**Change**
Canada	$ 78,876	$ 68,962	14.4 %	$ 289,904	$ 273,305	6.1 %
United States	48,285	45,638	5.8 %	188,330	186,597	0.9 %
United Kingdom	28,383	30,077	(5.6)%	119,574	115,321	3.7 %
Total Revenue	155,544	$ 144,677	7.5 %	$ 597,808	$ 575,223	3.9 %

Consolidated revenues for the fourth quarter of 2007 were $155.5 million, an increase of $10.9 million or 7.5% from the fourth quarter of 2006. This was achieved despite the decline in the value of the U.S. dollar versus the Canadian dollar experienced during the fourth quarter which had a negative impact on revenue. If the average exchange rates experienced in the comparable period in 2006 remained constant in 2007, revenues for the fourth quarter would have been $161.3 million ($5.8 million higher) and would have represented an increase of 11.5% over 2006. Sales in Canada increased by 14.4% as Magellan recorded increased sales in its proprietary products. Magellan's increased production on a number of parts for the Boeing B737 aircraft family has attributed to the increased sales in both Canada and the United States. Sales in the United Kingdom decreased by 5.6% due to the foreign exchange impact on translation. Sales in the United Kingdom in native currency for the fourth quarter have increased 2.8% over prior year quarter as the production of parts for the A380 aircraft increased in the quarter with the first aircraft delivered in December 2007.

Gross Profit

	Three-months ended December 31			Twelve-months ended December 31		
(Expressed in thousands)	**2007**	**2006 (restated note 3)**	**Change**	**2007**	**2006 (restated note 3)**	**Change**
Gross profit	$ 12,896	$ 10,543	22.3 %	$ 58,914	$ 51,022	15.5 %
Percentage of revenue	8.3 %	7.3 %		9.9 %	8.9%	

Gross profits of $12.9 million (8.3% of revenues) were reported for the fourth quarter of 2007 compared to $10.5 million (7.3% of revenues) during the same period in 2006. Gross profit, as a percentage of sales, has improved over 2006. Benefits from the Corporation's ongoing rejuvenation of four of its facilities continue to materialize in the quarter with respect to improved efficiencies and also better control of scrap in the castings business. However, the decline in the value of the U.S. dollar versus the Canadian dollar during the fourth quarter of 2007 had a negative impact on gross margin. Had exchange rates remained the same as in the fourth quarter of 2006, gross margin would have been approximately $3.0 million higher for the fourth quarter of 2007.

Administrative and General Expenses

	Three-months ended December 31		Twelve-months ended December 31	
(Expressed in thousands)	**2007**	**2006 (restated note 3)**	**2007**	**2006 (restated note 3)**
Administrative and general expenses	$ 10,774	$ 11,508	$ 42,446	$ 41,766
Loss (Gain) on sale of capital assets	5	539	(1,257)	238
Foreign exchange (gain) loss	(54)	(3,851)	5,576	(4,429)
Total administrative and general expenses	$ 10,725	$ 8,196	$ 46,765	$ 37,575
Percentage of revenue	6.9 %	5.7%	7.8 %	6.5%

Administrative and general expenses were $10.7 million (6.9% of revenues) in the fourth quarter of 2007 compared to $8.2 million (5.7% of revenues) in the same period of 2006. The administrative and general expenses before foreign exchange and the sale of capital assets were $10.8 million (6.9% of revenues) in the fourth quarter of 2007 compared to $11.5 million (8.0% of revenues) in the fourth quarter of 2006.

Interest Expense

	Three-months ended December 31		Twelve-months ended December 31	
(Expressed in thousands)	**2007**	**2006**	**2007**	**2006**
Interest on bank indebtedness and other long-term debt	$ 3,015	$ 3,408	$ 12,068	$ 10,442
Convertible debenture interest	1,488	1,488	5,950	5,950
Accretion charge for convertible debt	585	570	2,354	2,289
Discount on sale of accounts receivable	1,528	643	4,211	3,693
Total interest expense	$ 6,616	$ 6,109	$ 24,583	$ 22,374

Interest expense in the fourth quarter of 2007 was $6.6 million, $0.5 million higher than the fourth quarter of 2006 as a result an increase in the amount of accounts receivable sold in the quarter in support of the increased production demand.

Provision for (recovery of) Income Taxes

	Three-months ended December 31		Twelve-months ended December 31	
(Expressed in thousands)	**2007**	**2006 (restated note 3)**	**2007**	**2006 (restated note 3)**
(Recovery of) provision for current income taxes	$ (1,210)	$ 181	$ 207	$ 264
Provision for (recovery of) future income taxes	1,714	(1,157)	(1,300)	(3,507)
Total Provision for (recovery of) income taxes	$ 504	$ (976)	$ (1,093)	$ (3,243)
Effective Tax Rate	(11.3)%	32.4%	8.8 %	28.5%

During the fourth quarter of 2007 the Corporation recorded a valuation allowance of $2.7 million against its future tax assets in Canada as the recovery of the future tax assets were not "more likely than not". In addition, the valuation allowance of $1.6 million previously recorded with respect to the tax losses in the United Kingdom was no longer required and as such, the benefit of these losses was recorded in the current period.

Amended and Restated Results

Accounting errors and misstatements in accounts receivable were uncovered at one of the Corporation's divisions during the course of an ongoing process to collect outstanding accounts receivable on a timely basis. This prompted an internal investigation that uncovered the overstatement of various assets on the balance sheet resulting from improper accounting and also discovered unsupported and unrecorded transactions. As a result of the accounting irregularities that occurred from 2003 to 2007, the Corporation suffered a pre-tax loss of $5.8 million, net of anticipated insurance proceeds, as the overstated carrying values of the assets were written down to their appropriate values. Currently, the Corporation is engaged in a process to recover a portion of the loss through its $1.5 million all risk crime insurance policy. Although the amounts of the restatements relating to the individual years prior to 2007 were not likely material, the Corporation has restated those periods, as the cumulative effect of the accounting irregularities was material in 2007. See note 3 to the unaudited interim consolidated financial statements.

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

In addition to the primary measures of earnings and earnings per share in accordance with GAAP, the Corporation includes certain measures in this MD&A, including EBITDA (earnings before interest expense, income taxes, depreciation, amortization and certain non-cash charges). The Corporation has provided these measures 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 the various jurisdictions. Each of the components of this measure are calculated in accordance with GAAP, but EBITDA is not a recognized measure under GAAP, and our method of calculation may not be comparable with that of other companies. Accordingly, EBITDA should not be used as an alternative to net earnings as determined in accordance with GAAP or as an alternative to cash provided by or used in operations.

	Three-months ended December 31		Twelve-months ended December 31	
(Expressed in thousands)	**2007**	**2006 (restated note 3)**	**2007**	**2006 (restated note 3)**
Net loss	$ (4,949)	$ (2,035)	$ (11,341)	$ (8,139)
Interest	6,616	6,109	24,583	22,374
Taxes	504	(976)	(1,093)	(3,243)
Stock based compensation	400	255	1,450	945
Amortization charge (note 4)	-	-	-	5,301
Depreciation and amortization	5,481	5,669	22,799	22,472
EBITDA	$ 8,052	$ 9,022	$ 36,398	$ 39,710

EBITDA for the fourth quarter of 2007 was $8.1 million, compared to $9.0 million in the fourth quarter of 2006. It should be noted that EBITDA for the fourth quarter includes a loss of $2.1 million relating to the accounting errors and misstatements that were uncovered at one of the Corporation's divisions.

Liquidity and Capital Resources

Cash Flow from Operations

(Expressed in thousands)	Three-months ended December 31 2007	Three-months ended December 31 2006 (restated note 3)	Twelve-months ended December 31 2007	Twelve-months ended December 31 2006 (restated note 3)
Decrease (increase) in accounts receivable	$ 17,958	$ (2,279)	$ 16,148	$ 7,088
Decrease (increase) in inventories	4,831	5,166	(16,112)	(9,991)
Decrease (increase) in prepaid expenses and other	2,887	(1,997)	(5,064)	(606)
(Decrease) increase in accounts payable	(11,277)	(658)	(1,463)	(10,257)
Changes to non-cash working capital balances	$ 14,399	$ 232	$ (6,491)	$ (13,766)
Cash provided by operating activities	$ 17,329	$ 1,062	$ 3,050	$ 2,576

In the quarter ended December 31, 2007, the Corporation generated $17.3 million of cash in its operations, compared to $1.1 million in the fourth quarter of 2006. Cash was generated primarily due to lower accounts receivable and lower inventories partially offset by lower accounts payable.

Investing Activities

(Expressed in thousands)	Three-months ended December 31 2007	Three-months ended December 31 2006	Twelve-months ended December 31 2007	Twelve-months ended December 31 2006
Purchase of capital assets	$ (6,504)	$ (10,782)	$ (22,968)	$ (30,972)
Proceeds from disposals of capital assets	545	5,739	2,240	9,708
Increase in other assets	(1,724)	(875)	1,279	(4,063)
Cash used in investing activities	$ (7,683)	$ (5,918)	$ (19,449)	$ (25,327)

In the fourth quarter of 2007, the Corporation invested $6.5 million in capital assets to upgrade and enhance its capabilities for current and future programs.

Financing Activities

(Expressed in thousands)	Three-months ended December 31 2007	Three-months ended December 31 2006	Twelve-months ended December 31 2007	Twelve-months ended December 31 2006
(Decrease) increase in bank indebtedness	$ (6,684)	$ 609	$ 11,695	$ 28,138
(Decrease) increase of long-term debt	(367)	506	13,190	5,456
Increase (decrease) in long-term liabilities	343	1,226	(9,780)	(7,895)
Issue of Common Shares	11	10	76	50
Dividends on Preference Shares	(400)	(400)	(1,600)	(1,600)
Cash (used in) provided by financing activities	$ (7,097)	$ 1,951	$ 13,581	$ 24,149

The Corporation amended its operating credit facility with its existing lenders on March 30, 2007. Under the terms of the amended agreement, the maximum amount available under the operating credit facility is a Canadian dollar limit of $75 million plus a US dollar limit of $90 million, with a maturity date of May 24, 2008. The facility is extendable for unlimited one-year renewal periods and continues to be fully guaranteed by the Chairman of the Board of the Corporation. An annual fee of 0.10% of the guaranteed amount or $0.2 million was paid in 2007 and 2006 in consideration for this guarantee.

On March 30, 2007, the Corporation borrowed $15.0 million by way of a promissory note from a corporation wholly owned by a common director. This loan is due July 1, 2008 and bears interest at a rate of 9% per annum, which was lower than rates provided by the Corporation's financial advisors for similar instruments. The loan is collateralized and subordinated to the bank credit facility, thereby assisting the Corporation to remain in compliance with its senior debt arrangement. Subsequent to year end, the loan was repaid.

The Corporation's ability to continue as a going concern is contingent upon its ability to obtain additional sources of funding to finance future operations. Efforts will be required to obtain these additional funds, but there is no assurance that additional financing will be available on acceptable terms, if at all. In the event that the Corporation is not able to successfully obtain additional financing as required, management will be required to re-evaluate the Corporation's business operations and to reduce expenditures. See "Risks and Uncertainties".

As at December 31, 2007, the Corporation was not in compliance with respect to the financial covenant ratio of current assets to current liabilities. Subsequent to the year end, the Corporation amended the operating credit facility with respect to this covenant.

As described in Note 1, management of the Corporation is evaluating the new accounting standard Section 3031, Inventories and believes the manner in which costs are allocated to inventory will be impacted but the extent of the impact will not be determined until the evaluation is complete. As a result of the application of the new standards, the Corporation may be unable to meet the minimum coverage levels prescribed in the financial covenants in the operating credit facility for the period ended March 31, 2008. If required, Management will request a waiver of these covenants.

On January 30, 2008 the Corporation closed a private placement of an aggregate of $21.0 million 8.5% convertible unsecured subordinated debentures, due January 31, 2010 (the "New Debentures") the proceeds of which were used to fund, in part, the repayment of the $70.0 million principal amount of outstanding 8.5% unsecured subordinated debentures (the "Existing Debentures) which matured on January 31, 2008 (Note 15 – Subsequent events).

On January 30, 2008, in order to fund the remaining balance of approximately $50.0 million on the maturity of the Existing Debentures, a corporation controlled by the Chairman of the Board, provided a loan of $50.0 million (the "Original Loan") and a $15.0 million bridge loan (the "Bridge Loan") to the Corporation. All of the funds from the Bridge Loan and approximately $35.0 million of the funds from the Original Loan were used to repay the balance of the Existing Debentures and the $15.0 million additional funds from the Original Loan was provided to the Corporation to retire $15.0 million of subordinated debt due to a company with a common director, who is also the owner of all of the shares of such lender. Both the Original Loan and the Bridge Loan bear interest at a rate of 10% per annum calculated and payable monthly and are collateralized and subordinated to the Corporation's existing bank credit facility. The Original Loan is repayable on July 1, 2009 and the Bridge Loan is repayable on July 31, 2008. In addition, in consideration for the provision of additional security for the Corporation's obligations under its existing secured credit facility, the Corporation has increased the standby guarantee fee payable to the Chairman of the Board from 0.1% per annum to 1% per annum of the principal amount guaranteed (Note 15 – Subsequent events).

Share Data and Proposed Share Consolidation

As at March 28, 2008, the Corporation had 90,892,828 common shares outstanding and 2,000,000 outstanding First Preference Shares Series A.

The Board of Directors of Magellan has resolved to propose a consolidation of Magellan's issued and outstanding Common Shares on the basis of one new Common Share for each ten Common Shares presently issued and outstanding. The Board of Directors believes that the anticipated higher share price resulting from the consolidation may assist in generating investor interest.

Risks and Uncertainties

The Corporation manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without hindering the ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks.

Fluctuations in the value of foreign currencies could result in currency exchange losses.
A portion of the Corporation's revenues and expenses are currently denominated in U.S. dollars and Great British Pounds (GBP), 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 relative to these other currencies will impact the Corporation's results of operations and financial condition from period to period. In addition, the Corporation is subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of its self-sustaining foreign operations using a functional currency other than the Canadian dollar. The following table demonstrates the change in the Canadian dollar in the fourth quarter of 2007 in comparison to the U.S dollar and the GBP.

	Beginning of Quarter	End of Quarter	% Change
USD/CAD	0.9948	0.9913	(0.3)%
GBP/CAD	2.0313	1.9600	(3.5)%

The resulting foreign exchange losses are included in net income in the period. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition.

The agreements with labour unions representing certain of the Corporation's employees are subject to renewal.
If the Corporation is unable to renew all 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 Corporation's debt is significant and may need to be refinanced and such refinancing may not be available.
The Corporation and its subsidiaries have significant debt obligations. 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 Corporation renewed its bank credit agreement with its existing lender on May 25, 2005, as amended from time to time (the "Bank Facility Agreement"). Under the terms of the Bank Facility Agreement, the Corporation has an operating credit facility, expiring on May 25, 2007, and extendable for unlimited one-year periods by agreement of the Corporation and the lenders. On March 30, 2007, the Bank Facility Agreement was extended to May 24, 2008. The Corporation's Bank Facility Agreement also requires the Corporation to maintain specified financial ratios. The Corporation's ability to meet these financial ratios can be affected by events beyond the Corporation's control, and there can be no assurance that the Corporation will be able to meet these ratios. There is no assurance that the Bank Facility Agreement will be renewed every year or that the terms of renewal will not be materially adverse to the Corporation. This credit facility is fully guaranteed by Mr. Edwards, a director and Chairman of the Board of the Corporation. There is also no assurance that Mr. Edward's guarantee, if required, will be available beyond the term of the current commitment which ends on May 25, 2008. 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 the Annual Information Form - "Risks Inherent in Magellan's Business".

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

Critical Accounting Estimates

The preparation of financial statements requires the Corporation to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period.

Cost of Sales
Average unit cost for products produced under long-term contracts is determined based on the estimated total production costs for a predetermined program quantity. Program quantities are established based on management's assessment of market conditions and foreseeable demand at the beginning of the production stage for each program, taking into consideration both customer supplied and independent data. The average unit cost is recorded to cost of sales as products are completed. Under the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition and management action, excess over-average production costs during the early stages of a program are deferred and recovered from sales of products anticipated to be produced later at lower-than-average costs.

Estimates of average unit costs and of program quantities are an integral component of average cost accounting. Management conducts regular reviews as well as a detailed annual review in the fourth quarter, as part of its annual budget process, of its cost estimates and program quantities, and the effect of any revisions are accounted for by way of a cumulative catch-up adjustment to income in the period in which the revision takes place.

Inventories
Raw materials, materials in process and finished products are valued at the lower of average cost and net realizable value. Due to the long-term contractual periods of the Corporation's contracts, the Corporation may be in negotiation with its customers over amendments to pricing or other terms. Management's assessment of the recoverability of amounts capitalized in inventory may be based on judgements with respect to the outcome of these negotiations. If the negotiations are not successful or the final terms differ from what the Corporation expects, the Corporation may be required to record a loss provision on this contract. The amount of such provision, if any, cannot be reasonably estimated until such amendments are finalized.

Asset Impairment
The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. A long-lived asset is considered to be impaired if the total undiscounted estimated future cash flows are less than the carrying value of the asset. The amount of the impairment is determined based on discounted estimated future cash flows. Future cash flows are determined based on management's estimates of future results relating to the long-lived assets. These estimates include various assumptions, which are updated on a regular basis as part of the internal planning process.

The Corporation regularly reviews its investments to determine whether a permanent decline in the fair value below the carrying value has occurred. In determining whether a permanent decline has occurred, management considers a number of factors that would be indicative of a permanent decline including (i) a prolonged decrease in the fair value below the carrying value, (ii) severe or continued losses in the investment and (iii) various other factors such as a decline or restriction in financial liquidity of an entity in which the Corporation has an investment, which may be indicative of a decline in value of the investment. The consideration of these factors requires management to make assumptions and estimates about future financial results of the investment. These assumptions and estimates are updated by management on a regular basis.

Income Taxes
The Corporation operates in several tax jurisdictions. As such, its income is subject to various rates and rules of taxation. The breadth of the Corporation's operations and the complexity of the taxing legislation and practices require the Corporation to apply judgment in estimating its ultimate tax liability. The final taxes paid will depend on many factors, including the Corporation's interpretation of the legislation and the outcomes of audits by and negotiations with tax authorities. Ultimately, the final taxes may be adjusted based on the resolution of these uncertainties.

The Corporation estimates future income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax basis as determined under applicable tax legislation. The

Corporation records a valuation allowance against its future income tax assets when it believes that it is not "more likely than not" that such assets will be realized. This valuation allowance can either be increased or decreased where, in the view of Management, such change is warranted.

Foreign Currency Translation
The functional currency of the Corporation is Canadian dollars. Many of the Corporation's business undertake transactions in currencies other than the Canadian dollar. As part of its ongoing review of critical accounting policies and estimates, the Corporation reviews the foreign currency translation method of its foreign operations to determine if there are significant changes to economic facts and circumstances that may indicate that the foreign operations are largely self-sufficient and the economic exposure is more closely tied to their respective domestic currencies. Any change, if any, in translation method resulting from this review will be accounted for prospectively. The Corporation accounts for its US and UK subsidiaries as self-sustaining foreign operations.

Changes in Accounting Policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530 Comprehensive Income, Section 3855 Financial Instruments – Recognition and Measurement and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments. As provided under the standards, the comparative interim consolidated financial statements have not been restated, except for the presentation of translation gains or losses on self-sustaining foreign operations as part of comprehensive loss.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. The effect of these changes in accounting policies on net income for the fourth quarter of fiscal 2007 is not significant.

The reader is referred to Note 2 in the accompanying unaudited interim consolidated financial statements for the period ended December 31, 2007 for further details regarding the adoption of these standards.

Future Changes in Accounting Policies

Future changes in accounting policies are described in detail in Note 1 of the audited consolidated financial statements for the period ended December 31, 2007. The reader is referred to this note for further details regarding the adoption of these standards.

Controls and Procedures

Based on the current Canadian Securities Administrators ("CSA") rules under Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at December 31, 2007 that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting, and have assessed the effectiveness of disclosure controls and procedures.

Management does not expect disclosure controls and procedures to prevent all errors, misstatements or fraud. In addition, internal control over financial reporting that management has designed and established may be circumvented and rendered ineffective as a result of unauthorized acts of individuals through collusion or management override. A system of control, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that control objectives are met. Due to the inherent limitations in a system of control, there is no absolute assurance that all control issues, which may result in errors, misstatements, or fraud, can be prevented or detected. The inherent limitations include, amongst other things: (i) management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of isolated errors; (ii) assumptions about the likelihood of future events.

In preparation for the annual certification, the Corporation had dedicated resources to document disclosure controls and procedures and internal control over financial reporting, and evaluate the effectiveness of disclosure controls and procedures. An evaluation was carried out, under the supervision of and with participation of management, including the President and Chief Operating Officer (President and Chief Executive Officer effective as of January 28, 2008) and Vice President, Finance and Corporate Secretary, of the effectiveness of the Corporation's disclosure controls, as defined in the rules of the CSA. Based on that evaluation, management concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2007 as the established disclosure controls and procedures provide a reasonable level of assurance that information required to be disclosed by the Corporation in its filings is accumulated, communicated, and reported on a timely basis.

No changes were made in the Corporation's internal control over financial reporting during the Corporation's most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Outlook

In 2008, the civil aerospace market continues to show strong demand for new and replacement aircraft and engines in the airliner, business jet and helicopter market sectors. This strength is seen globally through both orders and deliveries. Constraining factors include the high price of fuel, and fears that increased fares may temper the growth in passenger traffic. The civil airline industry is experiencing some consolidation in the mainline airlines, and some restructuring in the low-cost sector. These measures aim to strengthen the profitability of the carriers, enabling continued fleet replacement with new, fuel-efficient aircraft. Business jets and helicopters continue to show strong sales in all sectors in ever-widening global markets. Finally, defence aerospace markets remain solid, with several new programs moving forward towards production ramp-up. The Joint Strike Fighter F35 aircraft, a number of new military transport aircraft, and a broad range of helicopters are amongst those programs with the most potential impact.

Magellan advanced its position on targeted new programs during 2007, and hopes to see positive results in 2008 through increased production and delivery. Magellan also concluded a number of initiatives in 2007 to modernize four of its operating facilities, to further develop a robust supply chain in both domestic and emerging markets, and to renew commercial arrangements with customers that reflect current and expected financial conditions. The successful retooling, supply base strengthening and commercial updates put Magellan in a more competitive position in 2008.

Magellan entered 2008 with current participation in both high-volume single-aisle programs (Airbus A320 family and Boeing 737 family), the leading military aircraft programs in the U.S.A. and Europe (F15, F18E/F, AH64D and the Eurofighter/Typhoon), a broad range of engine participation on airliners, business jets, helicopters and military aircraft. Participation in the key new programs (A380, B787, F35, A350) is at various stages from in-production to initial design and development. Magellan has been able to maintain its targeted 60:40 revenue split between civil and defence work, strong participation with both Airbus and Boeing, engine participation with four of five targeted engine primes, and full access to the global helicopter market.

Magellan continues to face the investment challenges associated with the launch of multiple new generation programs, competitive pressures of the global distribution of aerospace manufacturing activities, and in the short term, the headwinds of unfavourable foreign exchange rates. These challenges are being offset to some degree by natural hedging through U.S. dollar purchasing, the advancement to production of the A380 and B787 aircraft, and the increased velocity of the F35 program. Magellan has addressed start-up investments for the new programs over the past three years, and has put a plan in place to meet the production ramp-up costs to be faced over the next 2-5 years. Magellan is also well advanced on achieving the cost advantages of the global emerging markets.

On behalf of the Board

Richard A. Neill
Vice Chairman

James S. Butyniec
President and Chief Executive Officer

March 31, 2008

MAGELLAN AEROSPACE CORPORATION

MAGELLAN AEROSPACE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(unaudited)

(Expressed in thousands of dollars, except per share amounts)

	Three-months ended December 31		Twelve-months ended December 31	
	2007	**2006 (restated note 3)**	**2007**	**2006 (restated note 3)**
Revenues	$ 155,544	$ 144,677	$ 597,808	$ 575,223
Cost of revenues	142,648	134,134	538,894	524,201
Gross profit	12,896	10,543	58,914	51,022
Administrative and general expenses	10,725	8,196	46,765	37,575
Facility rationalization (note 4)	-	(751)	-	2,455
Interest	6,616	6,109	24,583	22,374
	17,341	13,554	71,348	62,404
(Loss) income before income taxes	(4,445)	(3,011)	(12,434)	(11,382)
Provision for (recovery of) income taxes				
- Current	(1,210)	181	207	264
- Future	1,714	(1,157)	(1,300)	(3,507)
	504	(976)	(1,093)	(3,243)
(Loss) net income for the period	(4,949)	(2,035)	(11,341)	(8,139)
Retained earnings, beginning of the period	88,096	98,123	95,688	105,427
Dividends on preference shares	(400)	(400)	(1,600)	(1,600)
Net income (loss) for the period	(4,949)	(2,035)	(11,341)	(8,139)
Retained earnings, end of period	$ 82,747	$ 95,688	$ 82,747	$ 95,688
Loss per common share				
Basic and diluted	$ (0.06)	$ (0.03)	$ (0.14)	$ (0.11)

MAGELLAN AEROSPACE CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(Expressed in thousands of dollars)

	Three-months ended December 31		Twelve-months ended December 31	
	2007	**2006 (restated note 3)**	**2007**	**2006 (restated note 3)**
Net loss for the period	$ (4,949)	$ (2,035)	$ (11,341)	$ (8,139)
Other comprehensive loss:				
Net unrealized gain (loss) on translation of net investment in foreign operations (Note 10)	(2,917)	8,523	(25,264)	5,073
Comprehensive (loss) income	$ (7,866)	$ 6,488	$ (36,605)	$ (3,066)

See accompanying notes

MAGELLAN AEROSPACE CORPORATION

MAGELLAN AEROSPACE CORPORATION

CONSOLIDATED BALANCE SHEETS

(unaudited)

(Expressed in thousands of dollars)

	As at December 31 2007	As at December 31 2006 (restated note 3)
ASSETS		
Current		
Cash	$ 4,884	$ 9,896
Accounts receivable	35,659	56,232
Inventories (note 5)	274,011	275,751
Prepaid expenses and other	13,127	9,628
Future income tax assets	6,264	5,914
Total current assets	333,945	357,421
Capital assets, net	245,727	264,801
Other	55,707	52,680
Future income tax assets	14,064	7,068
Total assets	$ 649,443	$ 681,970
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 6)	$ 139,748	$ 142,457
Accounts payable and accrued charges	119,881	128,066
Convertible debentures	13,834	-
Current portion of long-term debt	2,099	2,039
Total current liabilities	275,562	272,562
Long-term debt	27,839	15,902
Future income tax liabilities	16,799	20,785
Convertible debentures	55,950	67,430
Other long-term liabilities	7,366	2,748
Total liabilities	383,516	379,427
Shareholders' equity		
Capital stock (note 7)	234,310	234,171
Contributed surplus	3,249	1,799
Other paid in capital	11,100	11,100
Retained earnings	82,747	95,688
Accumulated other comprehensive loss (note 10)	(65,479)	(40,215)
Total shareholders' equity	265,927	302,543
Total liabilities and shareholders' equity	$ 649,443	$ 681,970

See accompanying notes

MAGELLAN AEROSPACE CORPORATION

MAGELLAN AEROSPACE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	**Three-months ended December 31**		**Twelve-months ended December 31**	
(Expressed in thousands of dollars)	**2007**	**2006 (restated note 3)**	**2007**	**2006 (restated note 3)**
OPERATING ACTIVITIES				
(Loss) net income for the period	$ (4,949)	$ (2,035)	$ (11,341)	$ (8,139)
Add (deduct) items not affecting cash				
Depreciation and amortization	5,481	5,669	22,799	22,472
Loss (gain) on sale of capital assets	5	(3,328)	(1,257)	(5,423)
Write-down of assets	206	277	206	277
Change in deferred revenue	1,155	-	3,544	-
Employee future benefits	(1,745)	516	(6,977)	2,064
Facility rationalization charge (note 4)	-	-	-	5,301
Stock based compensation (note 8)	400	255	1,450	945
Issuance of common shares to the Directors	63	63	63	63
Accretion of convertible debentures	600	570	2,354	2,289
Future income tax (recoveries) provision	1,714	(1,157)	(1,300)	(3,507)
	2,930	830	9,541	16,342
Net change in non-cash working capital items relating to operating activities	14,399	232	(6,491)	(13,766)
Cash provided by (used in) operating activities	17,329	1,062	3,050	2,576
INVESTING ACTIVITIES				
Purchase of capital assets	(6,504)	(10,782)	(22,968)	(30,972)
Proceeds from disposal of capital assets	545	5,739	2,240	9,708
(Decrease) increase in other assets	(1,724)	(875)	1,279	(4,063)
Cash used in investing activities	(7,683)	(5,918)	(19,449)	(25,327)
FINANCING ACTIVITIES				
(Decrease) increase in bank indebtedness	(6,684)	609	11,695	28,138
(Decrease) increase of long-term debt	(367)	506	13,190	5,456
Increase (decrease) in long-term liabilities	343	1,226	(9,780)	(7,895)
Issue of Common Shares	11	10	76	50
Dividends on Preference Shares	(400)	(400)	(1,600)	(1,600)
Cash (used in) provided by financing activities	(7,097)	1,951	13,581	24,149
Effect of exchange rate changes on cash	(1,451)	981	(2,194)	1,072
Net (decrease) increase in cash	1,098	(1,924)	(5,012)	2,470
Cash, beginning of period	3,786	11,820	9,896	7,426
Cash, end of period	$ 4,884	$ 9,896	$ 4,884	$ 9,896

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of dollars except share and per share data)

1. ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by Magellan Aerospace Corporation ("the Corporation") in accordance with generally accepted accounting principles in Canada with respect to preparation of interim financial statements on a basis consistent with those followed in the most recent audited consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report for the year ended December 31, 2007.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at December 31, 2007 and the results of operations and cash flows for the three and nine month periods ended December 31, 2007 and 2006.

2. CHANGE IN ACCOUNTING POLICY

Financial instruments

On January 1, 2007, the Corporation adopted the CICA Handbook Sections 3855, Financial Instruments – Recognition and Measurement, 3865, Hedges, 1530, Comprehensive Income and 3861, Financial Instruments – Disclosure and Presentation. All derivative instruments, including embedded derivatives, are recorded in the statement of financial position at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. Embedded derivatives include elements of contracts whose cash flows move independently from the host contract.

The impact of the change in the accounting policy was not material, as at January 1, 2007.

Section 3855 Financial Instruments – Recognition and Measurement

Under the new standards, all financial instruments are classified into one of the following five categories: held for trading, held to maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated statement of financial liabilities, which are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized costs. Held for trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instruments is derecognized or impaired.

The Corporation has classified its cash and cash equivalents and investments, which are classified as other assets, as held for trading. Accounts receivable are classified as loans and receivables. Accounts payable and long-term debt have been classified as other financial liabilities, all of which are measured at amortized cost.

Section 3865 Hedges

Under the previous standards, derivatives that met the requirements for hedge accounting were generally accounted for on an accrual basis. Under the new standards, in a cash flow hedge relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in accumulated other comprehensive income. The ineffective portion is recognized in net income.

As at January 1, 2007 the Corporation's derivative contracts were not designated as hedges and as a result are recorded on the Consolidated Balance Sheets at their fair value. Any change in the fair value during the period are reported in foreign exchange in the Consolidated Statement of Operations.

Section 1530 Comprehensive Income

Accumulated other comprehensive incomes is included on the consolidated balance sheets as a separate component of shareholders' equity (net of tax), and includes unrealized foreign currency translation gains and losses on self-sustaining foreign operations net of the gains or losses on related hedges. The Corporation now presents a consolidated statement of comprehensive income as part of the consolidated financial statements. As required, comparative consolidated financial statements provided for earlier periods relating to foreign currency translation of self-sustaining foreign operations have been restated to reflect application of this section. All other changes resulting from the adoption of the new standards are recorded on January 1, 2007 without restatement of comparative figures.

3. AMENDED AND RESTATED 2006

Accounting errors and misstatements in accounts receivable were uncovered at one of the Corporation's divisions during the course of an ongoing process to collect outstanding accounts receivable on a timely basis. This prompted an internal investigation that uncovered the overstatement of various assets on the balance sheet resulting from improper accounting and also discovered unsupported and unrecorded transactions. As a result of the accounting irregularities that occurred from 2003 to 2007, the Corporation suffered a pre-tax loss of $5.8 million, net of anticipated insurance proceeds, as the overstated carrying values of the assets were written down to their appropriate values. Currently, the Corporation is engaged in a process to recover a portion of the loss through its $1.5 million all risk crime insurance policy. Although the amounts of the restatements relating to the individual years prior to 2007 were not material in management's opinion, the Corporation has restated those periods, as the cumulative effect of the accounting irregularities was material in 2007.

A loss of $2,158 was recorded in 2007 (2006 – loss $1,159) in relation to the accounting irregularities. The impacts on the Statements of Operations for 2007 and 2006 were an increase of cost of revenues by $1,588 and $249, respectively, and an increase of administrative and general expenses by $570 and $910, respectively. Included in administrative and general expenses is a write-down of assets of $206 and $277, in 2007 and 2006 respectively. The 2006 opening retained earnings balance was also reduced by $1,592.

As a portion of the loss relates to prior year's financial results, the Corporation has restated its 2006 fourth quarter results as follows:

December 31, 2006	**Restated**	**Originally Reported**
Consolidated Statement of Operation		
Cost of revenues	134,134	133,885
Administrative and general expenses	8,196	7,286
Recovery of income taxes	(976)	(576)
Net loss for the period	(2,035)	(1,276)
Consolidated Balance Sheet		
Accounts receivable	56,232	58,066
Inventories	275,751	276,462
Prepaid expenses and other	9,628	10,396
Future income tax assets	7,068	5,829
Retained Earnings	95,688	98,039

4. FACILITY RATIONALIZATION

During 2006, the Corporation undertook a program to rationalize and modernize four of its facilities. As part of this rationalization program, the Corporation sold portions of its surplus real estate in the third and fourth quarter of 2006 and realized gains on the sales of $2,095 and $3,566, respectively. To prepare this real estate for sale, machinery and equipment was disposed of for minimal proceeds. Accordingly, a non-cash charge of $5,301 ($0.04 per share on an after tax basis) was recorded in the financial statements in the second quarter of 2006.

5. INVENTORIES

Due to the long-term contractual periods of the Corporation's contracts, the Corporation may be in negotiation with its customers over amendments to pricing or other terms. Management's assessment of the recoverability of amounts capitalized in inventory may be based on judgements with respect to the outcome of these negotiations. If the negotiations are not successful or the final terms differ from what the Corporation expects, the Corporation may be required to record a loss provision on this contract. The amount of such provision, if any, cannot be reasonably estimated until such amendments are finalized.

6. BANK INDEBTEDNESS

The Corporation has an operating credit facility, with a syndicate of banks, with a Canadian limit of $75,000 plus a US limit of US$90,000 ($164,217 at December 31, 2007). Bank indebtedness of $139,748 [2006 - $142,457] is payable on demand and bears interest at the bankers' acceptance or LIBOR rates, plus 0.875% (5.7% at December 31, 2007 [2006 – 5.9%]). Included in the amount outstanding at December 31, 2007 is US$84,171 [2006 - US$82,325]. At December 31, 2007, the Corporation had drawn $139,748 under the operating credit and had issued letters of credit totalling $1,912 such that $22,557 was unused and available. A fixed and floating charge debenture on accounts receivable, inventories and capital assets is pledged as collateral for the operating loans. The Chairman of the Board of the Corporation has provided a guarantee for the full amount of the operating credit facility.

7. CAPITAL STOCK

The following table summarizes information on share capital and related matters as at December 31, 2007:

	Outstanding	Exercisable
Common shares	90,884,719	
Common shares stock options	4,367,850	899,450
Preferred shares	2,000,000	

The weighted average number of common shares outstanding during the three-month and twelve-month periods ended December 31, 2007 was 90,864,302 and 90,849,253, respectively.

8. STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The maximum number of options for common shares that remain to be granted under this plan is 3,001,103. Options are granted at an exercise price equal to the market price of the Corporation's Common Shares at the time of granting. Options normally have a life of five years with vesting at 20.0% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the option holder's entitlement to fully vest.

The Corporation accounts for stock options issued after January 1, 2003 using the fair value method. Compensation expense recorded during the three-month and twelve-month periods ended December 31, 2007 was $400 and $1,450, respectively [December 31, 2006 - $255 and $945]. In the twelve-month period ended December 31, 2007, there were 1,430,250 stock options issued at an exercise price of $3.20. The fair value of these options was $1.57.

The fair value of stock options is estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.08 %	4.00%
Expected volatility	46 %	46 %
Expected average life of options	5 years	5 years
Expected dividend yield	0%	0 %

The Black-Scholes option pricing model used by the Corporation to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Corporation's employee stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Corporation's black-out policy, which would tend to reduce the fair value of the Corporation's stock options. Changes to the subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

9. SEGMENTED INFORMATION

The Corporation is organized and managed as a single business segment being aerospace and the chief operating decision maker, for the purposes of resource allocations and assessing performance, views the Corporation as a single operating segment.

Capital assets are based on the country in which they are located. Domestic and foreign capital assets consist of:

	As at December 31, 2007				As at December 31, 2006 Restated (note 3)			
	Canada	US	UK	Total	Canada	US	UK	Total
Capital assets	$ 117,945	$ 107,254	$ 20,528	$ 245,727	$ 121,805	$ 120,553	$ 22,443	$ 264,801

Revenue is attributable to countries based on the location of the customers. Domestic and foreign revenues consist of:

	Three-months ended December 31							
	2007				2006			
	Canada	US	UK	Total	Canada	US	UK	Total
Revenue								
Domestic	$ 24,065	$ 39,020	$ 25,598	$ 88,683	$ 25,957	$ 37,500	$ 29,578	$ 93,035
Export	54,811	9,265	2,785	66,861	43,005	8,138	499	51,642
Total revenue	$ 78,876	$ 48,285	$ 28,383	$ 155,544	$ 68,962	$ 45,638	$ 30,077	$ 144,677

	Twelve-months ended December 31							
	2007				2006			
	Canada	US	UK	Total	Canada	US	UK	Total
Revenue								
Domestic	$ 94,269	$ 160,191	$ 113,829	$ 368,289	$ 96,496	$ 153,176	$ 109,998	$ 359,670
Export	195,635	28,139	5,745	229,519	176,809	33,421	5,323	215,553
Total revenue	$ 289,904	$ 188,330	$ 119,574	$ 597,808	$ 273,305	$ 186,597	$ 115,321	$ 575,223

The major customers for the Corporation for the three-month and nine-month periods ended December 31, 2007 are as follows:

	Three-months ended December 31		Twelve-months ended December 31	
	2007	**2006**	**2007**	**2006**
Major Customers				
Canadian operations				
- Number of customers	3	3	3	3
- Percentage of total Canadian revenue	36 %	32 %	37 %	35 %
US operations				
- Number of customers	1	3	1	3
- Percentage of total US revenue	42 %	54 %	39 %	58 %
UK operations				
- Number of customers	1	1	1	1
- Percentage of total UK revenue	66 %	73 %	81 %	80 %

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes unrealized foreign currency translation gains and losses, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self–sustaining foreign operations. The unrealized currency translation loss for the three-month and twelve-month periods ended December 31, 2007 was $2,917 and $25,264, respectively [2006 – gain of $8,523 and $5,073]. This loss is reflected in the consolidated balance sheets and has no impact on the net loss for the period.

11. FINANCIAL INSTRUMENTS

The Corporation's policy is not to utilize derivative financials instruments for trading or speculative purposes. The Corporation may utilize derivative instruments in the management of its foreign currency and interest rate exposures.

[a] Fair Value

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, however, with the exception of the convertible debentures, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

Cash, accounts receivable, bank indebtedness and accounts payable and accrued charges

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of their fair values.

Long-term debt

The fair value of the Corporation's long-term debt, based on current rates for debt with similar terms and maturities, is $28,579 at December 31, 2007.

Convertible Debentures

The fair market value of the Corporation's Convertible Debentures, calculated based on available market data at December 31, 2007 was $69,649.

[b] Credit risk

The Corporation's financial assets that are exposed to credit risk consist primarily of cash and accounts receivable.

The Corporation, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the aerospace industry. These accounts receivable are subject to normal industry credit risks.

[c] Interest rate risk

The Corporation is exposed to significant interest rate cash flow risk in its bank indebtedness As any market change will have an immediate, or almost immediate, impact in the interest paid.

[d] Forward foreign exchange contracts

The Corporation has entered into forward foreign exchange contracts to mitigate future cash flow exposures in U.S. dollars and Norwegian Kroners (NOK). Under these contracts the Corporation is obliged to purchase or sell specific amounts of U.S. dollars and NOK at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in U.S. dollars and Norwegian Kroners.

The Corporation has a foreign exchange contract outstanding at December 31, 2007 as follows:

	Amount	Exchange rate
Maturity – less than 1 year – NOK	26,096	0.1811
Maturity – less than 1 year – U.S. Dollar	$52,100	1.0075

These foreign exchange contracts are recorded in other liabilities at their fair value of $817.

12. EMPLOYEE FUTURE BENEFITS

The total benefit cost in the registered plans for the three-month and nine-month periods ended December 31 includes the following components:

	Three-months ended December 31		Twelve-months ended December 31	
(Expressed in thousands)	**2007**	**2006**	**2007**	**2006**
Current service cost	$ 467	$ 577	$ 1,868	$ 2,310
Interest cost on projected benefit obligations	1,549	1,614	6,280	6,454
Expected returns on plan assets	86	(1,363)	(5,226)	(5,452)
Amortization of net actuarial loss	(445)	-	-	-
Amortization of past service costs	(1,141)	70	(781)	281
Net benefit cost recognized	$ 516	$ 898	$ 2,141	$ 3,593

13. RELATED PARTY TRANSACTIONS

During the three-month and twelve-month periods ended December 31, 2007, the Corporation sold receivables to a corporation wholly owned by a common director in the amount of $83,810 and $228,143, respectively [2006 - $15,549 and $62,455], for a discount of $716 and $2,484, respectively [2006 - $61 and $580] representing an annualized interest rate of 7.5% and 7.5%, respectively [2006 - 7.0% and 8.1%]. Included in this balance, as at December 31, 2007, is a reserve of $5,924 [2006 - $895].

14. SUPPLEMENTARY INFORMATION

Foreign exchange gain or loss on the conversion of foreign currency denominated working capital balances and debt for the three-month and twelve-month periods ended December 31, 2007 was a gain of $54 and a loss of $5,576, respectively [2006 – gain of $3,851 and $4,429].

15. SUBSEQUENT EVENTS

[a] New financing

On January 30, 2008 the Corporation closed a private placement of an aggregate of $20,950 8.5% convertible unsecured subordinated debentures, due January 31, 2010 (the "New Debentures") the proceeds of which were used to fund, in part, the repayment of the $69,985 principal amount of outstanding 8.5% unsecured subordinated debentures (the "Existing Debentures) which matured on January 31, 2008.

The New Debentures are redeemable by Magellan for the first six months of the term at 102.5% of principal value and the holders have no conversion rights. After the first six months of the term, the New Debentures are convertible, at the option of the holder, at any time prior to maturity into common shares of Magellan at a conversion price of $2.00 per share, which is equal to a conversion rate of 500 common shares per $1,000 principal amount of debentures or the issuance on conversion of approximately 10,475,000 common shares in total.

On January 30, 2008, in order to fund the remaining balance of approximately $50,000 on the maturity of the Existing Debentures, a corporation controlled by the Chairman of the Board, provided a loan of $50,000 (the "Original Loan") and a $15,000 bridge loan (the "Bridge Loan") to the Corporation. All of the funds from the Bridge Loan and approximately $35,000 of the funds from the Original Loan were used to repay the balance of the Existing Debentures and the $15,000 additional funds from the Original Loan was provided to the Corporation to retire $15,000 of subordinated debt due to a company with a common director, who is also the owner of all of the shares of such lender. Both the Original Loan and the Bridge Loan bear interest at a rate of 10% per annum calculated and payable monthly and are collateralized and subordinated to the Corporation's existing bank credit facility. The Original Loan is repayable on July 1, 2009 and the Bridge Loan is repayable on July 31, 2008. In addition, in consideration for the provision of additional security for the Corporation's obligations under its existing secured credit facility, the Corporation has increased the standby guarantee fee payable to the Chairman of the Board from 0.1% per annum to 1% per annum of the principal amount guaranteed.

[b] New acquisition

On February 13, 2008 the Corporation acquired 100% of the outstanding common shares of Verdict Aerospace Components Ltd. ("Verdict"), a UK corporation, for a cash purchase price of $4,240. The results of operations will be included in the consolidated financial statements as of January 1, 2008, the effective date of purchase. Verdict is a high precision manufacturer of make to print components and assemblies for the global aerospace industry. Verdict specializes in precision airframe components and assemblies for aerostructures, orbit payloads and missile seeker systems. Management is in the process of finalizing the purchase price allocation.

16. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.

For additional information contact:

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