MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Third Quarter Report
September 30, 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 November 12, 2007, the Corporation released its financial results for the third quarter of 2007. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three-months ended September 30			Nine-months ended September 30		
(Expressed in thousands, except per share amounts)	**2007**	**2006**	**Change**	**2007**	**2006**	**Change**
Revenues	$ 147,926	$ 143,548	3.1 %	$ 442,264	$ 430,546	2.7 %
Gross Profit	$ 14,557	$ 13,052	11.5 %	$ 46,018	$ 40,479	13.7 %
(Loss) net income	$ (2,911)	$ 221	-	$ (6,392)	$ (6,104)	-
Net loss per share	$ (0.04)	$ 0.00	-	$ (0.08)	$ (0.07)	-
EBITDA*	$ 9,603	$ 11,195	-14.2 %	$ 28,346	$ 30,684	-7.6 %
EBITDA* per share	$ 0.11	$ 0.12	-8.3 %	$ 0.31	$ 0.34	-8.8 %

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

The third quarter of 2007 marked a number of transitions towards commencing work on new programs, as well as experiencing continued increases in production rates for Magellan for the mainstay products of the current market. Boeing B787 pre-production activities in support of first flight, certification and entry into production continued to build. Airbus A380 restart preparations began late in the quarter towards first customer deliveries, with a return to production forecast for the end of 2007. Production rates for Airbus A320 and Boeing B737 single-aisle airliners rose to record levels as global demand continues unabated. In addition, business aircraft and helicopters are also in a strong growth period, and industry analysts are forecasting increased volumes through to 2010.

Magellan benefited in the third quarter from the increasing production rates in the single-aisle airliner sector, business aircraft and helicopter sectors. Aerostructure components and assemblies are manufactured for , among others, the A320 and B737 aircraft, whose production rates are increasing rapidly, while aerostructure, aeroengine and landing gear products are delivered to single-aisle airliners, business jets/turbo-props and helicopters. Pre-production test and certification components continued to be delivered to the B787 program, and production unit delivery underwent steady increases in the third quarter. The current delay announced for the B787 program is not expected to impact Magellan's production and delivery plan for the aircraft. The defence sector remains buoyant with orders for spares and new equipment continuing while pre-production aircraft components manufacture for the F35 and F136 engine of the Joint Strike Fighter (JSF) Program continued at a brisk pace across several Magellan plants.

Magellan continued to be impacted unfavourably by the delay in production of the A380 aircraft, however the restart is now scheduled for the fourth quarter of 2007, and activity commenced in Magellan in the third quarter to prepare for the required deliveries in 2008.

Revenues

	Three-months ended September 30			Nine-months ended September 30		
(Expressed in thousands)	**2007**	**2006**	**Change**	**2007**	**2006**	**Change**
Canada	$ 73,247	$ 67,140	9.1 %	$ 211,028	$ 204,343	3.3 %
United States	44,731	47,730	-6.3 %	140,045	140,959	-0.1 %
United Kingdom	29,948	28,678	4.4 %	91,191	85,244	7.0 %
Total Revenue	$ 147,926	$ 143,548	3.1 %	$ 442,264	$ 430,546	2.7 %

Consolidated revenues for the third quarter of 2007 were $147.9 million, an increase of $4.4 million or 3.1% from the third quarter of 2006. This was achieved despite the decline in the value of the U.S. dollar versus the Canadian dollar experienced during the third 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 third quarter would have been $153.2 million ($5.3 million higher) and would have represented an increase of 6.7% over 2006. The Company continues to experience increased customer demands and as a result increased sales on a number of programs.

Gross Profit

	Three-months ended September 30			Nine-months ended September 30		
(Expressed in thousands)	**2007**	**2006**	**Change**	**2007**	**2006**	**Change**
Gross profit	$ 14,557	$ 13,052	11.5 %	$ 46,018	$ 40,479	13.7 %
Percentage of revenue	9.8 %	9.1 %		10.4 %	9.4 %	

Gross profits of $14.6 million (9.8% of revenues) were reported for the third quarter of 2007 compared to $13.1 million (9.1% 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. The decline in the value of the U.S. dollar versus the Canadian dollar during the third quarter of 2007 also had a negative impact on gross margin. Had exchange rates remained the same as in the first quarter of 2007, gross margin would have been approximately $2.7 million higher for the third quarter of 2007.

Administrative and General Expenses

	Three-months ended September 30		Nine-months ended September 30	
(Expressed in thousands)	**2007**	**2006**	**2007**	**2006**
Administrative and general expenses	$ 9,137	$ 9,999	$ 31,672	$ 30,259
Gain on sale of capital assets	(1,281)	(301)	(1,262)	(301)
Foreign exchange loss / (gain)	3,107	(297)	5,630	(579)
Total administrative and general expenses	$ 10,963	$ 9,401	$ 36,040	$ 29,379
Percentage of revenue	7.4 %	6.5 %	8.1 %	6.8 %

Administrative and general expenses were $10.9 million (7.4% of revenues) in the third quarter of 2007 compared to $9.4 million (6.5% of revenues) in the same period of 2006. Included in total administration and general expenses for the third quarter of 2007, is a gain on the sale of capital assets of $1.3 million and a foreign exchange loss of $3.1 million that had a negative impact on administrative and general expenses in the quarter. Without these items, administrative and general expenses were $9.1 million (6.2% of revenues) in the third quarter of 2007 compared to $10.0 million (7.0% of revenues) in the third quarter of 2006.

Interest Expense

	Three-months ended September 30		Nine-months ended September 30	
(Expressed in thousands)	**2007**	**2006**	**2007**	**2006**
Interest on bank indebtedness and other long-term debt	$ 3,191	$ 2,162	$ 9,053	$ 7,174
Convertible debenture interest	1,487	1,487	4,462	4,462
Accretion charge for convertible debt	595	573	1,769	1,719
Discount on sale of accounts receivable	848	975	2,683	2,910
Total interest expense	$ 6,121	$ 5,197	$ 17,967	$ 16,265

Interest expense in the third quarter of 2007 was $6.1 million, $0.9 million higher than the third quarter of 2006 as a result of increased debt levels necessary to support increased production demand.

Provision for (Recovery of) Income Taxes

	Three-months ended September 30		Nine-months ended September 30	
(Expressed in thousands)	**2007**	**2006**	**2007**	**2006**
Provision for (recovery of) current income taxes	$ 484	$ (100)	$ 1,417	$ 83
Provision for (recovery of) future income taxes	(100)	428	(3,014)	(2,350)
Total Provision for (recovery of) income taxes	$ 384	$ 328	$ (1,597)	$ (2,267)
Effective Tax Rate	(15.2) %	59.7 %	20.0 %	27.1 %

There was a provision for income taxes of $0.4 million for the third quarter of 2007, compared to $0.3 million for the third quarter of 2006. The change in effective tax rates is a result of a changing mix of income across the different jurisdictions in which Magellan operates.

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

(Expressed in thousands)	Three-months ended September 30 2007	Three-months ended September 30 2006	Nine-months ended September 30 2007	Nine-months ended September 30 2006
(Loss) net income	$ (2,911)	$ 221	$ (6,392)	$ (6,104)
Interest	6,121	5,197	17,967	16,265
Taxes	384	328	(1,597)	(2,267)
Facility rationalization charge	-	-	-	5,301
Stock based compensation	400	255	1,050	690
Depreciation and amortization	5,609	5,194	17,318	16,799
EBITDA	$ 9,603	$ 11,195	$ 28,346	$ 30,684

EBITDA for the third quarter of 2007 was $9.6 million, a decrease of $1.6 million from the third quarter of 2006. Higher administrative and general expenses offset increased gross profits in the third quarter of 2007 compared to 2006.

Liquidity and Capital Resources

Cash Flow from Operations

(Expressed in thousands)	Three-months ended September 30 2007	Three-months ended September 30 2006	Nine-months ended September 30 2007	Nine-months ended September 30 2006
Decrease (increase) in accounts receivable	$ 3,200	$ 8,831	$ (1,810)	$ 9,457
Decrease (increase) in inventories	2,392	4,229	(20,943)	(15,157)
Decrease (increase) in prepaid expenses and other	490	3,220	(7,951)	1,391
Decrease in accounts payable	(3,247)	(19,197)	(130)	(11,109)
Changes to non-cash working capital balances	$ 2,835	$ (2,917)	$ (30,834)	$ (15,418)
Cash provided by (used in) operating activities	$ 5,132	$ 1,659	$ (21,380)	$ (1,458)

In the quarter ended September 30, 2007, the Corporation generated $5.1 million of cash in its operations, compared to $1.7 million in the third 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 September 30 2007	Three-months ended September 30 2006	Nine-months ended September 30 2007	Nine-months ended September 30 2006
Purchase of capital assets	$ (6,119)	$ (6,047)	$ (16,464)	$ (20,190)
Proceeds from disposals of capital assets	1,342	3,634	1,695	3,969
(Increase) decrease in other assets	(564)	949	(2,229)	(1,640)
Cash used in investing activities	$ (5,341)	$ (1,464)	$ (16,998)	$ (17,861)

In the third quarter of 2007, the Corporation invested $6.1 million in capital assets to upgrade and enhance its capabilities for current and future programs.

Financing Activities

(Expressed in thousands)	Three-months ended September 30 2007	Three-months ended September 30 2006	Nine-months ended September 30 2007	Nine-months ended September 30 2006
(Decrease) increase in bank indebtedness	$ (2,577)	$ 7,051	$ 18,379	$ 27,529
(Decrease) increase of long-term debt	(269)	378	13,557	4,950
Increase (decrease) in long-term liabilities	1,863	340	2,210	(7,697)
Issue of Common Shares	26	14	65	40
Dividends on Preference Shares	(400)	(400)	(1,200)	(1,200)
Cash (used in) provided by financing activities	$ (1,357)	$ 7,383	$ 33,011	$ 23,622

The Corporation renewed its operating credit facility with its existing lenders on March 30, 2007. Under the terms of the renewed 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 $175 [2006 - $155] is paid in consideration for this guarantee. Due to this guarantee, interest is charged at the bankers' acceptance or LIBOR rates, plus 0.875% compared to the rate charged prior to the guarantee of bankers' acceptance or LIBOR rates, plus 4.5%. The net annual savings to the Corporation is approximately $5.3 million assuming an average of $150.0 million borrowed under the operating facility.

On March 30, 2007, the Corporation borrowed $15.0 million by way of a secured promissory note from a corporation with a common director. This note 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 note is collateralized and subordinated to the bank credit facility, thereby assisting the Corporation to remain in compliance with its senior debt arrangement.

The Corporation's 8.5% convertible unsecured subordinated debentures currently outstanding are due January 31, 2008. The Corporation is reviewing a number of options with respect to refinancing these debentures including replacement with another form of debt, amending and extending the terms of the existing convertible debentures with the approval of such debenture holders, or conversion into common shares.

Outstanding Share Data

As at November 12, 2007, the Corporation had 90,853,698 common shares outstanding and 2,000,000 outstanding First Preference Shares Series A.

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. For a more detailed discussion of these potential business risks, readers should review the "Risk Factors" section of the 2006 Annual MD&A filed by the Corporation with the Canadian securities regulatory authorities, which are hereby incorporated by reference.

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 third quarter of 2007 in comparison to the U.S dollar and the GBP.

	Beginning of Quarter	End of Quarter	% Change
USD/CAD	1.0654	0.9948	(6.6)%
GBP/CAD	2.1333	2.0313	(4.8)%

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.

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 production 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 cost and net realizable value, with cost determined on a moving weighted average basis. 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 third 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 September 30, 2007 for further details regarding the adoption of these standards.

Future Changes in Accounting Policies

In June 2007, the Accounting Standards Board issued a new accounting standard, Section 3031 "Inventories", which will replace Section 3030 "Inventories". Section 3031 prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, including allocation of overheads and other costs to inventories, prohibits the use of the last-in, first-out (LIFO) method, and requires the reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales. The new accounting standard is effective, for the Company, for interim and annual financial statements beginning on January 1, 2008. The Company is currently assessing the impact of this new standard on its Consolidated Financial Statements.

In December 2006, the Accounting Standards Board issued Section 1535 "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. The new accounting standard is effective, for the Company, for interim and annual statements beginning on January 1, 2008.

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 September 30, 2007 that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

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

As 2008 approaches, the global aerospace marketplace offers broad opportunity for Magellan in the civil airliner, business aircraft and helicopters, and defence and space sectors. Record production rates in single aisle airliner production in both

Airbus and Boeing provide Magellan with a strong base of ongoing aerostructures work. Three new generation airliners entering the marketplace in 2007-2008 (Airbus A380 and Boeing B787) and 2013 (Airbus A350) provide Magellan with access to new technology and manufacturing processes, new products such as landing gear, and the means to renew production capabilities.

The very strong demand for business jets and helicopters has created a rapidly growing body of work in small to mid-size engines within Magellan's plants. In the defence sector, the Boeing F-18 continues its strong sales performance with the GE 414 engine while recent contracts announced for sales of proprietary defence products show the diversity the company enjoys in this sector. The Joint Strike Fighter, the largest military aircraft program ever undertaken, will enter production over the next several years. The JSF program will bring to Magellan world leading manufacturing technology, strong new relationships with leading American and European customers, and the stability of a multi-decade program.

Magellan also faces 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 heavy weight of unfavourable foreign exchange rates related to the U.S. dollar. The negative impacts of exchange rates on Magellan are being offset to some degree by natural hedging through U.S. dollar purchasing. Magellan has addressed start-up investments for the new programs over the past two 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 Operating Officer

November 12, 2007