



**MAGELLAN**  
**A E R O S P A C E**

**MAGELLAN AEROSPACE CORPORATION**

**Notice of Annual Meeting of Shareholders**

**to be held on May 12, 2009**

**And**

**Proxy Circular**

# MAGELLAN AEROSPACE CORPORATION

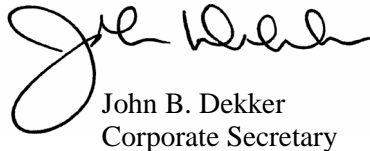
## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that an annual meeting of shareholders of MAGELLAN AEROSPACE CORPORATION (the "Corporation") will be held at The Living Arts Centre, 4141 Living Arts Drive, Mississauga, Ontario, L5B 4B8 on Tuesday, the 12<sup>th</sup> of May, 2009, at 2:00 o'clock in the afternoon (Toronto time) for the following purposes:

1. to receive the consolidated financial statements of the Corporation for its financial year ended December 31, 2008, together with the report of the auditors thereon;
2. to set the number of directors to be elected at nine and to elect directors for the ensuing year;
3. to appoint auditors, with remuneration to be fixed by the directors; and
4. to transact such further or other business as may properly come before the meeting or any adjournment thereof.

**DATED** at Mississauga, Ontario, this 24<sup>th</sup> day of March, 2009.

By Order of the Board



John B. Dekker  
Corporate Secretary

**Notes:**

- (1) Shareholders are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting, or to vote their shares by telephone or Internet by following the instructions on the form of proxy whether or not they are able to attend personally.
- (2) Only holders of Common Shares of the Corporation of record at the close of business on March 27, 2009 will be entitled to vote those Common Shares registered in their respective names at the meeting except to the extent that any such holder has transferred any Common Shares of the Corporation registered in such holder's name after that date and the transferee of such Common Shares establishes proper ownership and requests not later than ten days before the date of the meeting that such transferee's name be included in the list of shareholders eligible to vote at the meeting.

## PROXY CIRCULAR

This Proxy Circular is dated March 24, 2009 and unless otherwise stated all information is current to this date and all dollar figures are in Canadian dollars.

### VOTING INFORMATION

#### Q&A on Proxy Voting

**Q: What am I voting on?**

A: Shareholders are voting on setting the number of directors to be elected at nine and the election of directors to the Board of Magellan Aerospace Corporation (the "Corporation") for 2009, the appointment of auditors for the Corporation, and authorizing the directors to fix the remuneration of the auditors.

**Q: Who is entitled to vote?**

A: Shareholders as at the close of business on March 27, 2009 are entitled to vote. Each Common Share in the capital of the Corporation ("Common Share") is entitled to one vote on those items of business identified in the Notice of Annual Meeting of Shareholders of the Corporation.

If you acquired your shares after March 27, 2009, please refer to the answer to the question "*What if ownership of shares has been transferred after March 27, 2009?*".

**Q: How do I vote?**

A: There are four ways you can vote your shares if you are a registered shareholder. You may vote in person at the meeting or in advance of the meeting by telephone or on the Internet or you may sign the enclosed form of proxy appointing the named persons or some other person you choose, who need not be a shareholder, to represent you as proxyholder and vote your shares at the meeting. If your shares are held in the name of a nominee, please follow the voting instructions provided by your nominee

**Q: What if I plan to attend the meeting and vote in person?**

A: If you are a registered shareholder and plan to attend the meeting on May 12, 2009 and wish to vote your shares in person at the meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Computershare Investor Services Inc., upon arriving at the meeting.

If your shares are held in the name of a nominee, please see the answer to the question "*If my shares are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my shares?*"

**Q: Who is soliciting my proxy?**

A: **The enclosed form of proxy is being solicited by the management of the Corporation** and the associated costs will be borne by the Corporation. The solicitation will be made primarily by mail but may also be made by telephone, in writing or in person by employees of the Corporation.

**Q: What if I sign the form of proxy enclosed with this circular?**

A: Signing the enclosed form of proxy gives authority to James S. Butyniec, President and Chief Executive Officer of the Corporation, or failing him, John B. Dekker, the Corporate Secretary of the Corporation, or to another person you have appointed, to vote your shares at the meeting.

**Q: Can I appoint someone other than these officers to vote my shares?**

A: **Yes. Write the name of this person, who need not be a shareholder, in the blank space provided in the form of proxy.**

It is important to ensure that any other person you appoint is attending the meeting and is aware that he or she has been appointed to vote your shares. Proxyholders should, upon arrival at the meeting, present themselves to a representative of Computershare Investor Services Inc.

**Q: What do I do with my completed proxy?**

A: If you are a registered shareholder, return the proxy to the Corporation's transfer agent, Computershare Investor Services Inc., in the envelope provided so that it arrives no later than 2:00 p.m. (Eastern Time) on Friday, May 8, 2009. This will ensure that your vote is recorded.

**Q: If I change my mind, can I take back my proxy once I have given it?**

A: Yes. If you change your mind and wish to revoke your proxy, prepare a written statement to this effect. The statement must be signed by you or your attorney as authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney of the corporation duly authorized. This statement must be delivered to the Corporate Secretary of the Corporation at the following address no later than 5:00 p.m. (Eastern Time) on Monday, May 11, 2009 or to the Chairman on the day of the meeting, Tuesday, May 12, 2009, or any adjournment of the meeting.

Magellan Aerospace Corporation  
Attention: John B. Dekker, Corporate Secretary  
3160 Derry Road East  
Mississauga, Ontario L4T 1A9  
Fax: (905) 677-5658

**Q: How will my shares be voted if I give my proxy?**

A: The persons named on the form of proxy must vote for or against or withhold from voting your shares in accordance with your directions on any ballot that may be called for, or you can let your proxyholder decide for you. In the absence of such directions, proxies received by management will be voted in favour of setting the number of directors to be elected at nine and the election of directors to the Board, the appointment of auditors, and authorization of the Board to fix their remuneration.

**Q: What if amendments are made to these matters or if other matters are brought before the meeting?**

A: The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders of the Corporation and with respect to other matters which may properly come before the meeting.

As of the time of printing of this Proxy Circular, management of the Corporation knows of no such amendment, variation or other matter expected to come before the meeting. If any other matters properly come before the meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

**Q: How many shares are entitled to vote?**

A: **As of March 24, 2009, there were outstanding 18,209,001 Common Shares of the Corporation. Each registered shareholder has one vote for each Common Share held at the close of business on March 27, 2009.**

To the knowledge of the directors and officers of the Corporation, as of March 24, 2009 no one person or entity beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Common Shares of the Corporation except as set out under the heading "*Voting Shares And Principal Holders Thereof*".

**Q: What if ownership of shares has been transferred after March 27, 2009?**

A: The person who acquired such shares after March 27, 2009 must produce properly endorsed share certificates or otherwise establish that he or she owns the shares and must ask the Corporation no later than ten days prior to the date of the Meeting that his or her name be included in the list of shareholders before the meeting in order to be entitled to vote these shares at the meeting.

**Q: How will the votes be counted?**

A: Except as provided in the Ontario *Business Corporations Act*, each question brought before the meeting is determined by the votes cast on the question.

**Q: Who counts the votes?**

A: The Corporation's transfer agent, Computershare Investor Services Inc., counts and tabulates the proxies. This is done independently of the Corporation to preserve the confidentiality of individual shareholder votes. Proxies are referred to the Corporation only in cases where a shareholder clearly intends to communicate with management or when it is necessary to do so to meet the requirements of applicable law.

**Q: If I need to contact the transfer agent, how do I reach them?**

A: For general shareholder enquiries, you can contact the transfer agent by mail at:

Computershare Investor Services Inc.  
100 University Avenue  
9<sup>th</sup> Floor,  
Toronto, Ontario M5J 2Y1  
or by telephone: at 1-800-564-6253 or 514-982-7555

**Q: If my shares are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my shares?**

A: There are two ways you can vote your shares held by your nominee. As required by Canadian securities legislation, you will have received from your nominee either a request for voting instructions or a form of proxy for the number of shares you hold. For your shares to be voted for you, please follow the voting instructions provided by your nominee. If you wish to vote in person at the meeting, insert your own name in the space provided on the request for voting instructions or form of proxy and return same by following the instructions provided. Do not otherwise complete the form as your vote will be taken at the meeting. Please register with the transfer agent, Computershare Investor Services Inc., upon arrival at the meeting.

## **BUSINESS OF THE MEETING**

### **Financial Statements**

The consolidated financial statements for the year ended December 31, 2008 are included in the 2008 Annual Report mailed to shareholders with the Notice of Annual Meeting of Shareholders and this Proxy Circular.

### **Election of Directors**

The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the Annual Meeting of Shareholders (the "Meeting"). Each of the persons whose name appears below is proposed to be elected as a director of the Corporation to serve until the next annual meeting of the Shareholders or until his successor is elected or appointed. The Board of Directors (or the "Board") of the Corporation proposes that the Board will be comprised of nine members to be elected at the Meeting. Management does not contemplate that any of the persons proposed to be nominated will be unable to serve as a director. If, for any reason, at the time of the Meeting any of the nominees are unable to serve, it is intended that the persons designated in the form of proxy will vote in their discretion for a substitute nominee or nominees.

Each of the directors, except for Larry G. Moeller who was not a director for the period from August 14, 1999 to March 3, 2000, has served continuously as a director since the date he was first elected or appointed, which date is indicated below such director's name. The information below concerning each of the Corporation's directors (except for information relating to the committee on which such director is a member) has been provided by the individual director.

<u>Name and Year First Became Director</u>	<u>Principal Occupation during the preceding five year period</u>	<u>Position with the Corporation</u>	<u>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</u>
N. Murray Edwards <sup>(5)</sup> Calgary/Banff, Alberta, Canada  (1995)	President, Edco Financial Holdings Ltd. (private consulting and management company).	Chairman and Director	5,056,979
Richard A. Neill <sup>(4)(8)</sup> Oakville, Ontario, Canada  (1996)	Vice-Chairman of Magellan.	Vice-Chairman and Director	41,763

<u>Name and Year First Became Director</u>	<u>Principal Occupation during the preceding five year period</u>	<u>Position with the Corporation</u>	<u>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</u>
James S. Butyniec <sup>(9)</sup> Toronto, Ontario, Canada  (2008)	President and Chief Executive Officer of Magellan.	President and Chief Executive Officer	10,739
Hon. William G. Davis <sup>(3)(6)</sup> Brampton, Ontario, Canada  (1989)	Counsel, Torys LLP (law firm).	Director	4,197
William A. Dimma <sup>(1)(2)(7)</sup> Toronto, Ontario, Canada  (1989)	Corporate and Not-For-Profit Director.	Director	6,099
Bruce W. Gowan <sup>(1)(2)(3)</sup> Huntsville, Ontario, Canada  (1990)	Corporate Director.	Director	10,663
Donald C. Lowe <sup>(1)(4)</sup> Toronto, Ontario, Canada  (1992)	Corporate Director.	Director	39,723
Larry G. Moeller <sup>(4)(5)</sup> Calgary, Alberta, Canada  (1995)	President, Kimball Capital Corporation (private investing and consulting company).	Director	246,768
James S. Palmer <sup>(2)(3)</sup> Calgary, Alberta, Canada  (1995)	Chairman, Burnet, Duckworth & Palmer LLP (law firm).	Director	30,385

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Governance and Nominating Committee.
- (3) Member of the Human Resources and Compensation Committee.
- (4) Member of the Health, Environmental and Safety Committee.
- (5) N. Murray Edwards and Larry G. Moeller were each directors of Imperial Metals Corporation, a corporation engaged in mining, oil and gas exploration in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* (Canada) in 2003 which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation and IEI Energy Inc. (was Rider Resources Ltd. which has now been acquired by NuVista Energy Ltd.) both of which trade on the Toronto Stock Exchange. Mr. Moeller is currently a director of Imperial Metals Corporation.
- (6) William G. Davis was a director of Dylex Limited during the period 1995 to May 16, 2001 when he resigned as a result of a change of control transaction. Subsequently Dylex Limited was adjudged bankrupt in September 2001 with an effective date of mid-June 2001. The Trustee in Bankruptcy of Dylex Limited commenced proceedings against the former directors, officers, and legal counsel of Dylex Limited in connection with the change of control transaction. The claim was defended and the matter was settled in January 2006 without admission of liability.
- (7) Mr. Dimma was a director of American Eco Corporation from 1997 until the year 2000. In the year 2000, American Eco went into Chapter 11 of the United States Bankruptcy Code ("Chapter 11") and obtained recognition of the Chapter 11 filing under the *Companies' Creditors Arrangement Act* in Canada. Subsequently American Eco moved to Chapter 7 of the United States Bankruptcy Code and into insolvency. A lawsuit by bondholders against all officers and directors was settled in the amount of the liability insurance outstanding for directors and officers. The lawsuit was launched in 2004 and settled in 2006.
- (8) Richard A. Neill served as President and Chief Executive Officer of Magellan from November 7, 2002 to December 31, 2006. Effective January 1, 2007, Mr. Neill was appointed Vice-Chairman of the Board of Directors.
- (9) Effective January 28, 2008, Mr. Butyniec was appointed President and Chief Executive Officer of the Corporation. Prior thereto Mr. Butyniec was President and Chief Operating Officer from January 1, 2007. Prior thereto Mr. Butyniec was Executive Vice-President and Chief Operating Officer, North America from March 10, 2005 and Executive Vice-President and Chief Operating Officer, Canadian Operations from May 14, 2003. For the prior 5 years he was Vice-President and General Manager of Magellan's subsidiary, Bristol Aerospace Limited.

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

### ***Board of Directors Attendance***

The attendance records for directors at meetings of the Board of Directors or its committees for the year ended December 31, 2008 are set out below:

<b>Director</b>	<b>Number of Meetings Attended / Held</b>				
	<b>Board</b>	<b>Audit</b>	<b>Governance &amp; Nominating</b>	<b>Human Resources &amp; Compensation</b>	<b>Health, Environmental &amp; Safety</b>
N. Murray Edwards	10 of 10	-	-	-	-
Richard A. Neill	10 of 10	-	-	-	1 of 1
James S. Butyniec <sup>(1)</sup>	10 of 10	-	-	-	-
William G. Davis	10 of 10	-	-	3 of 3	-
William A. Dimma	9 of 10	8 of 8	2 of 2	-	-
Bruce W. Gowan	9 of 10	8 of 8	2 of 2	3 of 3	-
Donald C. Lowe	7 of 10	7 of 8	-	-	1 of 1
Larry G. Moeller	10 of 10	-	-	-	1 of 1
James S. Palmer	10 of 10	-	2 of 2	2 of 3	-
M. Douglas Young	7 of 10	-	-	-	-

Note:

(1) As a member of management, Mr. Butyniec does not serve on any of the standing committees of the Board.

### ***Directors' Summary Compensation Table***

The following table sets forth for the year ended December 31, 2008, information concerning the compensation paid to our directors other than directors who are also Named Executive Officers. In this Proxy Circular, Named Executive Officers or NEOs means the President and Chief Executive Officer (the "CEO"), the Vice-President, Finance and Corporate Secretary (the "CFO") and the next three highest paid executive officers of the Corporation, other than the CEO and CFO, for the year ended December 31, 2008, whose total compensation was more than \$150,000. Mr. Richard A. Neil, the Vice-Chairman of the Corporation was a member of management and received no compensation as a director for the year ended December 31, 2008. Mr. Neill's employment with the Corporation ceased as at December 31, 2008.



Name	Total Fees Earned (\$)
N. Murray Edwards	\$25,675
William G. Davis	\$27,700
William A. Dimma	\$30,400
Bruce W. Gowan	\$29,925
Donald C. Lowe	\$28,150
Larry G. Moeller	\$26,125
James S. Palmer	\$27,475
M. Douglas Young <sup>(1)</sup>	\$29,700

Note:

- (1) Mr. Young was not nominated to the Board of Directors at the Annual and Special Meeting held on May 13, 2008 for the ensuing year, however, compensation was paid for meetings attended during the year ended December 31, 2008 as well as a lump sum payment upon resignation as Mr. Young had served in the capacity of a director for more than five years.

During the year ended December 31, 2008, the Corporation amended the compensation payable to its directors and terminated the Directors Stock Plan under which Common Shares were to be issued to non-management directors as part of their compensation. No Common Shares were issued to the directors as remuneration for year ended December 31, 2008. As of July 1, 2008, each director who is not a salaried employee of the Corporation or any of its subsidiary is entitled to be paid an annual fee of \$27,500 per annum for such individual's services as a director. The remuneration is paid quarterly in arrears. Directors are also entitled to reimbursement of their expenses incurred in attending meetings. In addition, directors that have served in such capacity for more than five years are entitled, upon their resignation, to receive a lump sum payment equal to the annual amount then payable to each director for service as a director. Prior to July 1, 2008, the directors were paid an annual fee and they were also entitled to a fee of \$900 for each meeting attended in person of the Board of Directors or of any standing committee and \$450 for each such meeting attended by telephone. The total fees paid for the year ended December 31, 2008 was comprised of remuneration paid for meetings attended by the directors for the first half of the year and a quarterly fee of \$6,875 for the second half of the year.

***Directors' Outstanding Option-Based Awards and Share-Based Awards***

The following table sets forth for each of the Corporation's directors, other than directors who are also Named Executive Officers, all option-based awards outstanding at the end of the year ended December 31, 2008. There are no outstanding share based awards as at December 31, 2008.

	Option-based Awards			
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options
N. Murray Edwards	12,000	\$15.00	December 31, 2009	-
	14,000	\$13.25	December 31, 2010	
	24,000	\$15.40	December 31, 2011	
	30,000	\$16.00	December 31, 2012	
Richard A. Neill	18,000	\$15.00	December 31, 2009	-
	21,000	\$13.25	December 31, 2010	
	24,000	\$15.40	December 31, 2011	
	12,000	\$16.00	December 31, 2012	
William G. Davis	3,000	\$13.25	December 31, 2010	-
William A. Dimma	3,000	\$13.25	December 31, 2010	-
Bruce W. Gowan	3,000	\$13.25	December 31, 2010	-
Donald C. Lowe	3,000	\$13.25	December 31, 2010	-
Larry G. Moeller	3,000	\$15.00	December 31, 2009	-
	3,500	\$13.25	December 31, 2010	
	2,400	\$15.40	December 31, 2011	
	3,000	\$16.00	December 31, 2012	
James S. Palmer	3,000	\$13.25	December 31, 2010	-

### Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The value of vested option-based awards which vested during the year ended December 31, 2008 for any of the Corporation's directors, other than directors who are also Named Executive Officers, is nil based on the closing market price of the Common Shares on December 31, 2008 of \$0.86. There were no share-based awards earned during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008 for any of the Corporation's directors, other than directors who are also Named Executive Officers, is nil.

### Appointment of Auditors

The Board of Directors proposes that the firm of Ernst & Young LLP, Chartered Accountants, of Toronto, Ontario be appointed as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders and that the Board of Directors be authorized to fix the remuneration of the auditors. Ernst & Young LLP have been the auditors of the Corporation for more than five years.

Reference is made to the information under the heading "Audit Committee" in, and the text of the Charter of the Audit Committee attached as Appendix A to the Corporation's Annual Information Form ("AIF") that contains the information required by section 5.1 and Form 52-110F1 of Multilateral Instrument 52-110 – *Audit Committee*, which is hereby incorporated herein by reference. The Corporation's AIF is available on SEDAR at [www.sedar.com](http://www.sedar.com) and a copy is available free of charge, upon request, to any security holder of the Corporation.

### Other Matters

Management does not know of any other matters to be presented to the Meeting. If other matters should be properly presented at the Meeting, the persons named in the accompanying form of proxy will vote the Common Shares represented by such proxy with respect to such matters in accordance with their best judgement.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Human Resources and Compensation Committee*

The Corporation's executive compensation program is administered by the Human Resources and Compensation Committee of the Board of Directors (the "Committee"). As part of its mandate, the Committee has primary responsibility for reviewing compensation and human resources issues and making recommendations to the Board of Directors with respect to the appointment and remuneration of executive officers of the Corporation. The Committee has the responsibility of reviewing and assessing executive management performance and succession planning, reviewing compensation and human resources issues and reviewing the evaluation of the President and Chief Executive Officer (the "CEO") performance and recommending to the Board of Directors the CEO's compensation. The Committee also evaluates the performance of the Corporation's Named Executive Officer and other senior executive officers and reviews the design and competitiveness of the Corporation's compensation plan. During the financial year ended December 31, 2008, the Committee held meetings three times and performed other business by means of a circulated resolution in writing. The Committee reviewed management's recommendation for corporate compensation and benefit plans including proposed salary ranges, bonuses, and stock options; reviewed the performance and compensation of the CEO; reviewed and approved management's recommendation for salaries, budgets, organization and manpower plans, and succession planning; and reviewed and approved directors' compensation.

#### *Executive Compensation Program*

The Corporation's executive compensation reflects the Corporation's desire to attract and retain top level executives required to ensure the success of the Corporation's short and long terms goals, to motivate the executive officers in achieving and exceeding the goals of the Corporation, and to remunerate its executives at a level commensurate with executives with similar levels of responsibility. The basis for compensation to be paid to each Named Executive Officer, including the CEO, consists of a base amount and performance-oriented incentive compensation. Incentive compensation is contingent upon both the short-term and the long-term performance of the Corporation and the Named Executive Officer's contribution towards that performance.

The CEO's annual compensation is determined by the Committee and recommended to the Board of Directors for approval and comprises the components described below. The individual performance of the CEO is measured against the goals, objectives and standards set by the Committee. The goals include both financial and non-financial dimensions, covering performance in the following areas: financial performance; marketing; operations; human resources management; technology and information infrastructure management; strategic planning; and corporate governance. Based on a review of the foregoing, the Committee rates the performance of the CEO as part of his performance review and recommends to the Board of Directors his compensation based on his and the Corporation's performance.

In late 2007, the Corporation engaged independent consultants to review base salary levels for Named Executive Officers of the Corporation for the 2008 compensation. The market executive report from the consultants reviewed the results of surveys for Canadian companies with revenues between \$500 million and \$1 billion to evaluate the competitiveness of the base salary levels of Magellan. The Corporation believes payment of the market rate to its senior executives is necessary to attract and retain top level senior executives. The recommendations of the Committee for base salary levels are presented to the Board of Directors for approval prior to implementation.

## *Executive Compensation Components*

**Base Compensation:** Salary is compensation for discharging job responsibilities and reflects the level of skills and capabilities demonstrated by the executives. Annual salary adjustments take into account the market value of the role and the executive's demonstration of capability during the year.

**Annual Bonus:** Employees, including Named Executive Officers, are eligible for annual incentive awards which are determined by the Committee, subject to approval by the Board of Directors, with reference to the performance of their business unit as well as the Corporation as a whole. Performance is measured by comparing actual results against projected results. Bonuses awarded in 2008 were primarily based on the following defined criteria: actual group wide corporate profit versus budgeted group wide corporate profit, business unit profit and inventory control versus budgeted business unit profit and inventory control, compliance with corporate policies, and achievement of agreed upon performance goals. The Corporation pays annual bonus amounts to encourage superior performance from its Named Executive Officers.

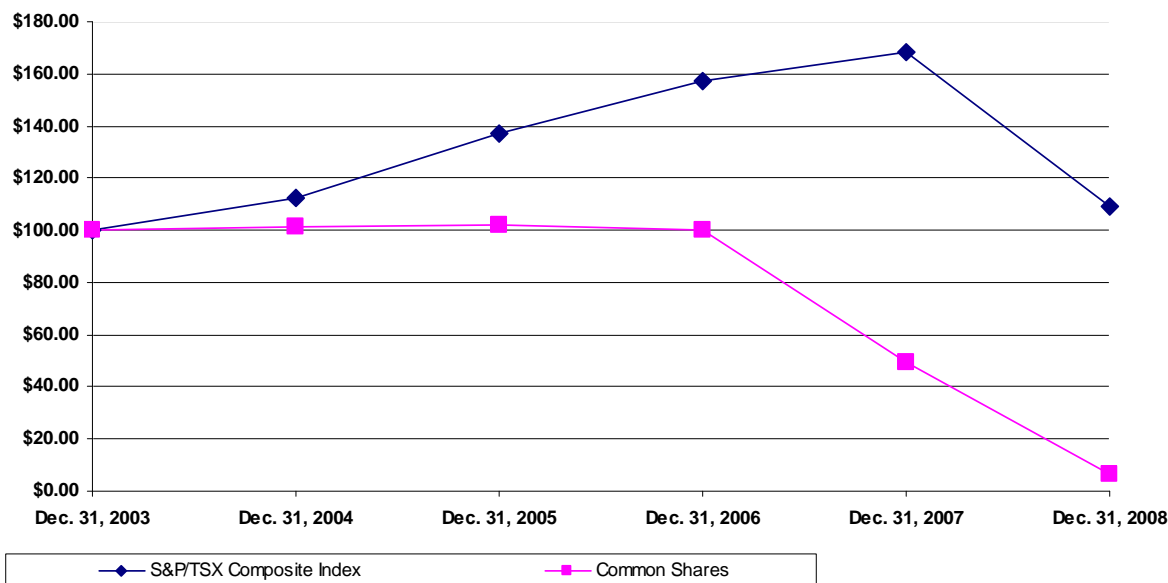
**Option-Based Awards:** The Corporation's Employee Stock Option Plan is administered by the Human Resources and Compensation Committee of the Board of Directors and is designed to give each option holder an interest in preserving and maximizing shareholder value in the long term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance. The Committee has the sole discretion to determine the key employees to whom it recommends that grants of options be made and to determine the terms of the options forming part of such grant. The Committee prepares recommendations on the allocation of stock options and presents these recommendations to the Board of Directors for modification or approval. Any grant by and any determination made by the Committee requires confirmation by the Board of Directors. Due to the sharp decline in trading prices for the Common Shares, there were no stock option grants during 2008.

**Share-Based Awards:** The Employee Share Purchase Program is intended to provide the eligible employees with a way to save for the future and encourage stock ownership to promote the success and the business of the Corporation, and to reward employees in relation to the long-term performance and growth. Eligible employees can make contributions through their regular payroll to purchase Common Shares of the Corporation. This is then matched by the Corporation in the ratio of one Common Share for every two Common Shares purchased by the employees. This program had been terminated effective January 31, 2009.

**Other Compensation:** The Corporation provides benefits and perquisites as part of the compensation package. Benefits are maintained at a level that is considered competitive with similar companies. In addition, the Corporation contributes amounts to defined contribution accounts of the Named Executive Officers which support retention and are in lieu of a corporate pension plan for such persons.

## Performance Graph

The following graph illustrates the Corporation's five year cumulative shareholder return, as measured by the closing price of the Common Shares at the end of each financial year, assuming an initial investment of \$100 on December 31, 2003, compared to the S&P/TSX Composite Index, assuming the reinvestment of dividends where applicable.



	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
S&P/TSX Composite Index <sup>(1)</sup>	\$100.00	\$112.48	\$137.11	\$157.02	\$168.27	\$109.33
Common Shares	\$100.00	\$101.09	\$101.82	\$100.00	\$49.09	\$6.25

Note:

(1) The S&P/TSX Composite Index is the total return index.

Aggregate compensation levels for NEOs have increased on a year-by-year basis over the period 2003 to 2008. These increases are generally consistent with the results of surveys for similar positions for other Canadian companies with revenues between \$500 million and \$1 billion and were considered necessary to ensure the competitiveness of the compensation levels of such Named Executive Officers.

## Summary Compensation Table

The following table sets forth, for the year ended December 31, 2008, information concerning the compensation paid to the Corporation's President and Chief Executive Officer ("CEO") and Vice-President, Finance and Corporate Secretary ("CFO") and the three most highly compensated executive officers, other than the CEO and CFO, at the end of the year ended December 31, 2008 whose total compensation was more than \$150,000 (each a "Named Executive Officer" or "NEO" and, collectively, the "Named Executive Officers" or "NEOs").

Name and Principal Position	Year	Salary (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value <sup>(4)</sup> (\$)	All other compensation <sup>(5)</sup> (\$)	Total compensation <sup>(3)</sup> (\$)
					Annual incentive plans	Long-term incentive plans			
James S. Butyniec <sup>(1)</sup> President and Chief Executive Officer	2008	\$350,000	1,116	-	Note 3	-	-	\$22,750	\$373,866
John B. Dekker Vice President Finance and Corporate Secretary	2008	\$179,791	618	-	Note 3	-	\$18,817	-	\$199,226
Larry A. Winegarden Vice President Corporate Strategy	2008	\$177,458	249	-	Note 3	-	-	\$11,535	\$189,242
Konrad B. Hahnelt Vice President Strategic Global Sourcing	2008	\$161,881	372	-	Note 3	-	-	\$10,522	\$172,775
William A. Matthews Vice President Marketing	2008	\$161,494	-	-	Note 3	-	-	\$10,497	\$171,991

Notes:

- (1) Effective January 28, 2008, Mr. Butyniec was appointed President and Chief Executive Officer of the Corporation.
- (2) Share-based awards represent the value of the Common Shares matched by the Corporation of the Common Shares purchased by the NEOs during the year under the Employee Share Purchase Program, which program has been terminated as of January 31, 2009.
- (3) The bonus earned by each of the NEOs for the year ended December 31, 2008 had not been determined and approved by the Board of Directors as at March 24, 2009.
- (4) Mr. Dekker participates in a defined benefit plan under the Fleet Aerospace Pension Plan.
- (5) Amounts shown relate to the Corporation's contributions to the defined contribution accounts of the NEOs. The aggregate compensation amounts for other benefits and perquisites are worth less than \$50,000 or 10% of a NEO's total salary for the financial year.

The Corporation does not have a defined contribution plan for its Named Executive Officers. In lieu of such a corporate pension plan, the "All Other Compensation" column reflects contributions by the Corporation to each of the NEO's defined contribution accounts of 4% of basic salary except for Mr. Dekker. In addition, each of these NEOs contributes 2% of their basic salary and is eligible to contribute additional pension amount through their regular payroll, of which the Corporation will match up to a maximum of 50% of the NEOs' contributions up to 5% of their basic salary. The Corporation does not control in any manner the defined contribution accounts of the Senior Executive Officers, and is not responsible for any involvement or payout decisions. The vesting period is two years of participation by the NEOs in the defined contribution pension plan.

### Incentive Plan Awards

*Employee Stock Option Plan:* The Corporation maintains the Employee Stock Option Plan (the "Plan"). Eligibility for participation under the Plan is confined to directors, officers and certain employees of the Corporation and its subsidiaries. Stock options to acquire no more than that number of Common Shares which is equal to 2%, in aggregate, of the outstanding Common Shares may be held by directors who are not employees or officers at any time. The number of Common Shares that may be optioned at any time is limited to 11,200,000 in total, and 5% of the outstanding Common Shares with respect to any one participant in the Plan. The Plan provides that the aggregate of the Common Shares

issued to insiders (as defined in the Securities Act (Ontario)) of the Corporation within any one year period under the Plan and issuable to insiders at any time, when combined with all of the Corporation's other security based compensation arrangements, will not exceed 10% of the Corporation's total issued and outstanding Common Shares. The exercise price in respect of any option issued under the Plan shall be fixed by the Board of Directors and may not be less than the then prevailing market price of the Common Shares. Options issued under the Plan vest and may be exercised during a period determined by the Board of Directors which may not exceed 10 years, are non-assignable and terminate immediately upon the termination of the participant's employment for just cause and 30 days after the resignation of the participant or the termination of the participant's employment without just cause. Options issued under the Plan normally have a life of five years with vesting at 20% 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 does not provide financial assistance to option holders exercising options. The Plan may not be amended by the Board without shareholder approval in the case of the following amendments: (A) an amendment to the Plan to increase the maximum number of Common Shares issuable on exercise of options in excess of the limits currently prescribed; (B) to reduce the exercise price of any outstanding options held by insiders; (C) to extend the term of any outstanding option beyond the original expiry date of such options in the case of options held by insiders; (D) to increase the maximum limit on the number of securities that may be issued to insiders under all securities based compensation arrangements to in excess of the 10% of the aggregate of the number of Common Shares issuable to insiders within any one year period under the Plan, and the number of shares reserved for issuance to insiders under the Plan; (E) modify the provisions of the Plan relating to eligibility; or (F) to amend the amending provision of the Plan. There were no grants of stock options for 2008. In 2008, the Board of Directors amended the Plan to provide for an alternative exercise right in favour of option holders to receive cash equal to the excess of the closing price of the Common Shares on the TSX over the exercise price for each option.

*Employee Share Purchase Program:* Eligible employees are allowed to contribute a percentage of their gross salary through regular payroll deduction. The Corporation's investment trustee uses employees' contribution to purchase Common Shares each month at their current market value through the facilities of the Toronto Stock Exchange. An Employee's contribution of, up to 5% of the employee's gross salary, will attract the Corporation's matching contributions. For every two shares the employees purchase, the Corporation will issue one additional share from treasury on the employee's behalf. The program has been terminated effective January 31, 2009.

### **Outstanding Share-Based Awards and Option-Based Awards**

The following table sets forth for each Named Executive Officer all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2008. The Corporation did not issue any stock options under the Employee Stock Option Plan during the year ended December 31, 2008. All unexercised stock options were issued under the Employee Stock Option Plan in prior financial years and have vested and were exercisable as at December 31, 2008. The dollar amounts for the value of unexercised in-the-money-stock options are nil or at December 31, 2008 based on the closing market price of the Common Shares on December 31, 2008 of \$0.86.

	Option-based Awards			
Name	Number of securities underlying unexercised options (#)	Option exercise prices (\$)	Option expiration date	Value of unexercised in-the-money options
James S. Butyniec	7,200 14,000 24,000 30,000	\$15.00 \$13.25 \$15.40 \$16.00	December 31, 2009 December 31, 2010 December 31, 2011 December 31, 2012	-
John B. Dekker	6,000 7,000 8,000 13,000	\$15.00 \$13.25 \$15.40 \$16.00	December 31, 2009 December 31, 2010 December 31, 2011 December 31, 2012	-
Larry A. Winegarden	2,400 4,200 8,000 9,000	\$15.00 \$13.25 \$15.40 \$16.00	December 31, 2009 December 31, 2010 December 31, 2011 December 31, 2012	-
Konrad B. Hahnelt	2,400 2,800 3,200 5,000	\$15.00 \$13.25 \$15.40 \$16.00	December 31, 2009 December 31, 2010 December 31, 2011 December 31, 2012	-
William A. Matthews	2,400 2,800 2,400 3,000	\$15.00 \$13.25 \$15.40 \$16.00	December 31, 2009 December 31, 2010 December 31, 2011 December 31, 2012	-

The number of Common Shares underlying unexercised options includes total number of options vested and unvested for each NEO as the options issued under the Plan have a term of five years with vesting at 20% at the end of the first, second, third, fourth and fifth years from the date of grant.

#### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officers, the value of option-based awards and share-based awards which vested during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James S. Butyniec	-	1,116	Note 1
John B. Dekker	-	618	Note 1
Larry A. Winegarden	-	249	Note 1
Konrad B. Hahnelt	-	372	Note 1
William A. Matthews	-	-	Note 1

Note:

- (1) The bonus earned by each of the NEOs for the year ended December 31, 2008 had not been determined and approved by the Board of Directors as at March 24, 2009.



All unexercised stock options were issued under the Employee Stock Option Plan and have vested in financial years prior to the year ended December 31, 2008. The dollar amounts under "Share-based awards" represents the value of the Common Shares issued to Named Executive Officers under the Employee Share Purchase Program. The non-equity incentive plan dollar amounts are bonus amounts earned for the year ended December 31, 2008.

## Pension Plan Benefits

### *Defined benefit plans*

Mr. Dekker, the CFO, is the sole NEO that participates in the Fleet Aerospace Pension Plan (the "Pension Plan"). On normal retirement, Mr. Dekker is entitled to a monthly pension determined as 1.2% of his highest average earnings times years of credited service (to a maximum of 40% of highest average earnings). Highest average earnings are defined as the average of a person's highest 36 consecutive months of earnings during that person's service with the Corporation. Early retirement is permitted after attaining age 55 and completing two years of the Pension Plan membership. The benefit payable upon early retirement is equal to the normal retirement pension reduced by 0.5% for each month by which retirement precedes Mr. Dekker's normal retirement date, to a maximum of 60 months, and by 0.25% for each month by which early retirement precedes age 60. Pensions are not reduced by Canada Pension Plan payments. The following table summarizes the Corporation's accrued pension obligations and annual pension benefits of the Pension Plan to Mr. Dekker.

Name	Number of years credited service (#)	Annual benefits payable (\$)		Accrued obligation at January 1, 2008 (\$)	Compensatory Change (\$)	Non-compensatory change (\$)	Accrued obligation at December 31, 2008 (\$)
		At December 31, 2008	At age 65				
John B. Dekker	23	49,000	71,000	364,000	13,000	(43,000)	334,000

The accrued pension obligation at January 1, 2008 for Mr. Dekker was \$364,000 as compared to \$334,000 as at December 31 because of changes in actuarial assumptions with respect to the discount rate and the expected long-term rate of return on plan assets. The accrued obligation is the estimated value of the pension obligation to the date indicated using the actuarial assumption and methods that are consistent with the obligations disclosed in the consolidated financial statements. For more information in relation to the quantification of such obligations, see note 17 Defined benefit plans in our consolidated financial statements which are filed on [www.sedar.com](http://www.sedar.com) and which note is hereby incorporated in this Proxy Circular by reference. The compensatory change represents the increase in the pension liability for 2008 related to service cost, compensation changes, higher (lower) than assumptions and the impact of plan changes, if any. The non-compensatory change in the accrued obligation for the period ended December 31, 2008 includes items such as interest on the obligations and the impact of changes in the discount rate assumption.

## Termination and Change of Control Benefits

The NEOs do not have employment contracts or agreements with the Corporation that provide for payments to the NEOs in connection with any termination, resignation, retirement, a change in control of the Corporation or a change in a NEO's responsibilities.

Under the Employee Share Purchase Program, Common Shares representing Magellan's contributions, to the extent not vested, do not vest on a change of control and are forfeited if the NEO terminates his employment. Common Shares are fully vested in the event of retirement by a NEO under

Magellan's retirement plan. The Employee Share Purchase Program has been terminated as of January 31, 2009.

Under the Employee Stock Option Plan, stock options granted which have not vested do not vest on a change of control or on termination of employment.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights  (a)	Weighted-average exercise price of outstanding options, warrants and rights  (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))  (c)
Equity Compensation Plans approved by security holders <sup>(1)</sup>	755,210	\$15.02	914,131
Equity Compensation Plans not approved by security holders	NIL	NIL	NIL

Note:

(1) The only equity compensation plans of the Corporation are the Employee Stock Option Plan and Employee Share Purchase Program described in this Proxy Circular. The Directors Stock Plan had been terminated for the year-ended December 31, 2008.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of Common Shares, of which 18,209,001 Common Shares are issued and outstanding as at March 24, 2009. Each Common Share carries one vote in respect of each matter to be voted upon at the Meeting. Holders of outstanding Common Shares of record at the close of business on March 27, 2009 are entitled to vote at the Meeting except to the extent that a person has transferred any Common Shares after that date and the transferee of such Common Shares establishes proper ownership and requests not later than 10 days before the Meeting that the transferee's name be included in the list of Shareholders eligible to vote at the Meeting.

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

Name and Address of Holder	Class of Shares	Type of Ownership	Number of Common Shares	Percentage of Common Shares
N. Murray Edwards Calgary/Banff, Alberta	Common Shares	Direct and Indirect	5,056,979 <sup>(1)(2)</sup>	27.8%

Notes:

- (1) In addition, Mr. Edwards beneficially owns directly or indirectly \$17.5 million principal amount of 8.5% convertible unsecured subordinated debentures issued by the Corporation on January 30, 2008 and 1,005,000 8% cumulative redeemable convertible first preference shares series A (the "Preferred Shares") issued by the Corporation on May 27, 2005.
- (2) For further information in relation to recent developments involving Mr. Edward's shareholdings, see the Material Change Report dated February 13, 2009 filed on www.sedar.com, which is hereby incorporated by reference.

The directors and senior officers of the Corporation, as a group, hold 5,482,816 Common Shares representing approximately 30.1% of the outstanding voting shares of the Corporation as at March 24, 2009.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The fundamental responsibility of the Board of Directors is to appoint a competent executive team and to oversee the management of the Corporation's business, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner by way of an appropriate system of corporate governance and internal control.

The Board of Directors and management of the Corporation believe that effective corporate governance is essential to enhancing and protecting shareholder value and have monitored and, where appropriate, responded to regulatory developments aimed at improving corporate governance, increasing corporate accountability and enhancing the transparency of public company disclosure. Both National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (the "Disclosure Rule") and National Policy 58-201 - *Corporate Governance Guidelines* (the "Governance Policy") apply to the Corporation. Attached as Schedule "A" is a discussion, which addresses the Corporation's position with respect to corporate governance practices and has been prepared in accordance with the Disclosure Rule.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, proposed director of the Corporation and no associate or affiliate of such informed person or proposed director has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last completed financial year or in any proposed transaction, which, in either case, has materially affected or would materially affect the Corporation or any of its subsidiaries except as described in our Annual Information Form as set forth below.

Reference is made to the following sections of our Annual Information Form which is filed on SEDAR at www.sedar.com: "Recent Developments", "Borrowings", "Interest of Management and Others In Material Transactions" and "Material Contracts", all of which sections are incorporated by reference in this Proxy Circular, and the Material Change Report dated February 13, 2009, which has been filed on SEDAR at www.sedar.com and which is incorporated herein by reference.

## **DIRECTORS' AND OFFICERS' INSURANCE**

Directors' and officers' liability insurance has been purchased by the Corporation for the benefit of the directors and officers of the Corporation and its subsidiaries. The current insurance coverage is for the term November 1, 2008 to November 1, 2009. The premium for such insurance was \$100,998, which was paid by the Corporation. Neither directors nor officers will pay any portion of the premium. The aggregate insurance coverage obtained under the policy is limited to \$20,000,000 for any one loss. The deductible which will be borne by the Corporation is \$1,000,000 in respect of any one loss.


## **ADDITIONAL INFORMATION**

Copies of this Proxy Circular, the Annual Report which contains the consolidated financial statements of the Corporation for the most recently completed fiscal year, the Management Discussion and Analysis and the Annual Information Form may be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) or free of charge upon request from the Secretary of the Corporation at the head office, Magellan Aerospace Corporation, 3160 Derry Road East, Mississauga, Ontario, L4T 1A9. Telephone: (905) 677-1889; Facsimile: (905) 677-5658.

## **APPROVAL**

The contents and the sending of this information circular have been approved by the Board of Directors of the Corporation.

March 24, 2009

A handwritten signature in black ink, appearing to read "John B. Dekker". The signature is fluid and cursive, with a large loop at the beginning.

John B. Dekker  
Corporate Secretary

## SCHEDULE "A"

### CORPORATE GOVERNANCE DISCLOSURE

The Canadian Securities Administrators have approved the governance guidelines set out in National Policy 58-201 *Corporate Governance Guidelines* (the "Governance Policy") and the disclosure of governance practices in accordance with National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the "Disclosure Rule").

The Board of Directors (the "Board") has reviewed the corporate governance practices in the Governance Policy and Multilateral Instrument 52-110 – *Audit Committees* ("MI 52 110") and is of the view that the Corporation complies with substantially all of the recommended practices. The following discussion addresses the Corporation's position with respect to corporate governance practices and has been prepared in accordance with the Disclosure Rule.

#### 1. Board of Directors

- (a) The Board, acting through the Governance and Nominating Committee, is responsible for determining whether or not each director is an "independent" director within the meaning of section 1.4 of MI 52-110. In summary, a director is "independent" under the Corporation's standards as set forth in section 1.4 if the Board determines that the director has no material relationship with the Corporation or any of its affiliates, or with the Corporation's auditors, either directly or indirectly, or is a partner, shareholder or officer of the Corporation's auditor. In addition, certain relationships deem a director not to be "independent". The determinations are based on information concerning the personal, business and other relationships and dealings between the directors and the Corporation. To do this the Committee analyzes the relationships of the directors with the Corporation and its affiliates based on information collected through biographical material, reports and questionnaires completed by the directors. The Board has determined that the following directors are "independent": William G. Davis, William A. Dimma, Bruce W. Gowan, Donald C. Lowe, and James S. Palmer. The Board has determined that all the members of the Audit Committee (William A. Dimma, Bruce W. Gowan and Donald C. Lowe) meet the additional independence requirements for membership on public company audit committees.
- (b) Each of the following directors is not an "independent" director within the meaning of section 1.4 of MI 52-110:
  - (i) N. Murray Edwards has a material relationship with the Corporation.
  - (ii) Larry G. Moeller is an officer of Edco Financial Holdings Ltd, a private company controlled by Mr. Edwards.
  - (iii) Richard A. Neill was the President and Chief Executive Officer of the Corporation until December 31, 2006 and continued to be employed by the Corporation until December 31, 2008.
  - (iv) James S. Butyniec is the President and Chief Executive Officer of the Corporation.
- (c) A majority of the directors are "independent" within the meaning of section 1.4 of MI 52-110.

- (d) The following table sets forth the name of each director of the Company who is presently a director of another issuer that is a reporting issuer and the name of the other issuer. The information below has been provided by each director.

NAME OF THE DIRECTOR	NAME OF THE OTHER ISSUER
N. Murray Edwards	Canadian Natural Resources Limited Ensign Energy Services Inc.
William G. Davis	The First American Corporation FCT Insurance Company Ltd. BPO Properties Ltd. Home Capital Group Inc. Home Trust Company
William A. Dimma	Decision Dynamics Technology Ltd. York University Development Corporation
Bruce W. Gowan	International Water-Guard Industries Inc. Radiant Energy Corporation
Donald C. Lowe	Integrated Asset Management Corp.
Larry G. Moeller	Imperial Metals Corporation Crocotta Energy Inc. Jovian Capital Corporation Protective Products of America Inc.
James S. Palmer	Canadian Natural Resources Limited

- (e) The Board has established a policy of having as part of each meeting of the Board, sessions where the Board meets independently of management and the "independent" directors meet privately. The Board has access to information independent of management through the external auditors.
- (f) N. Murray Edwards is the Chairman of the Board and he is not an "independent" director. The Corporation does not have a lead director. The "independent" directors are all experienced directors, fully versed in corporate governance issues, given an opportunity at each Board meeting to meet independently and encouraged to discuss issues privately.

## 2. Board Mandate

The fundamental responsibility of the Board of Directors is to appoint a competent executive team and to oversee the management of the business, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control.

A copy of the general guidelines of the Board is attached as Appendix "I" hereto.

## 3. Position Descriptions

- (a) **Chairman of the Board:** The Board has developed a written position description for the Chairman of the Board. The fundamental responsibilities of the chairman are to provide leadership, manage the board, act as liaison between management and the Board, and

represent the Corporation to external groups. The chairman is explicitly accountable for ensuring the Board carries out its responsibilities effectively. This includes ensuring that the responsibilities of the Board are well understood by both the Board and management and that the boundaries between the Board and management are clearly understood and respected; the Board works as a cohesive team; resources available to the Board (in particularly timely and relevant information) are adequate to support its work; and a system is in place that provides for maintaining liaison and communication with all directors and committee chairs to co-ordinate input from directors, and optimize the effectiveness of the Board and its committees.

**Chair of Board Committees:** The Board has developed a written position description for the chair of Board committees. The fundamental responsibilities of the committee chair are to manage the business of the committee and ensure that the committee's activities are consistent with, and fulfill, the committee's mandate. In addition, the chairman of each committee is required to: report to the Board at its next meeting following any meeting of the committee or the signing of a written resolution evidencing a decision or recommendation of the committee; ensure that the committee has access to such members of senior management as may be required by the committee; attend every meeting of shareholders and respond to such questions from shareholders as may be put to the chairman of the committee; and provide leadership to enable the committee to act as an effective team in carrying out its responsibilities.

- (b) **President and Chief Executive Officer:** The Board and President and Chief Executive Officer ("CEO") have developed a written position description for the CEO. The CEO's fundamental responsibility is the general direction and management of the business and affairs of the Corporation in accordance with the corporate strategy and objectives approved by the Board, within the authority limitations delegated by the Board. Specific duties are to: develop and execute corporate strategy designed to achieve sustained, profitable growth with an objective of maximizing shareholder value which takes into account, among other things, the opportunities and risks of the business; establish, maintain and regularly review an effective system of internal controls designed to safeguard the Corporation's assets, and the integrity of its financial and other reporting systems; establish and maintain an effective system to identify all significant risks to the Corporation's businesses and ensure that procedures are established to mitigate the impact of the risks in the best interest of shareholders; in conjunction with the Human Resources and Compensation Committee of the Board establish and maintain a comprehensive compensation strategy, including competitive industry positioning, weighting of compensation elements, a system of performance appraisals and the relationship of compensation to performance; establish and maintain appropriate systems to address all applicable regulatory, corporate, securities and other compliance matters, and ensure that due diligence processes and appropriate controls are in place with respect to applicable requirements including, without limitation, certification requirements, regarding the Corporation's financial and other disclosure; ensure that procedures are in place for proper external and internal corporate communications to all stakeholders; establish a system that provides for corporate management succession, compensation and development including monitoring corporate management performance against established objectives; and foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.

#### **4. Orientation and Continuing Education**

The composition of the Board has been stable for the past several years, consisting of directors who are familiar with the industry, or who bring particular expertise to the Board from their professional experience. All new directors are provided with an orientation program that includes the provision of

published and non-published information that details the financial position and describes the business and organizational structures of the Corporation. Directors have toured most of the operating facilities and have had opportunities to meet with corporate and divisional management.

## **5. Ethical Business Conduct**

- (a) The Board has adopted a written code of ethics and business conduct (the "Code") for its directors, officers and employees. The Board has the responsibility of reviewing and monitoring controls and procedures within the Corporation to maintain the integrity and accuracy of its financial reporting, internal controls and disclosure controls, and management information systems, and compliance with its Code. Complaints or questions concerning the Code are directed to the Audit Committee and the Audit Committee reports to the Board. The Board ensures compliance with the Code by requiring directors and management to set an example of ethical conduct. The Board has adopted whistleblower protection procedures which allow employees who feel that a violation of the Code has occurred to report violations on a confidential and anonymous basis. The procedure also allows concerns regarding accounting, internal accounting controls or auditing matters to be reported on a confidential and anonymous basis. Complaints can be made directly to the Chairman of the Audit Committee or the Vice President Human Resources.

No material change report has been filed within the preceding 12 months that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

A copy of the Corporation's Code has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

- (b) To ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has or may have a material interest, the interested director or executive officer discloses his or her interest to the Board and in the absence of such interested director or executive officer, the Board conducts its discussions and deliberations on the matters. If thought fit, a special committee of the Board comprised of non-interested directors is formed and deliberates on such matters with such independent advisors as are thought advisable. In accordance with applicable law, an interested director does not vote on the matter.

## **6. Nomination of Directors**

- (a) The Governance and Nominating Committee is responsible for identifying and recommending candidates for nomination for election as directors based on selection criteria and individual characteristics. As well, the Committee reviews annually the credentials of nominees for re-election as directors against criteria and conflicts of interest, changes in occupation and issues of independence and makes recommendations to the Board on corporate governance matters such as the size and composition of the Board and the structure, responsibility and composition of committees of the Board.
- (b) The Governance and Nominating Committee is composed of all "independent" directors.

## **7. Compensation**

- (a) The Human Resources and Compensation Committee is responsible for reviewing on an annual basis the compensation and benefits paid to the directors, the CEO, the Chairman of the Board and other senior officers of the Corporation.
- (b) The Human Resources and Compensation Committee is composed of all "independent" directors.



- (c) In addition to the responsibilities referred to in Section 7(a), the Human Resources and Compensation Committee is responsible for monitoring executive management's performance assessment and succession planning, reviewing compensation and human resources issues including new benefits, reviewing the evaluation of the CEO's performance and recommending to the Board the CEO's compensation, and reviewing and recommending amendments to the Corporation's stock option plan. The Committee meets at least once a year, may perform certain of its duties during the year by means of circulating resolutions in writing and is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation.
- (d) In 2008 the Human Resources and Compensation Committee did not retain a compensation consultant to assist in determining compensation for any of the directors or officers.

## **8. Other Board Committees**

The Board has four committees: Audit, Governance and Nominating, Human Resources and Compensation, and Health, Environmental and Safety. Each committee has a written mandate. Each committee is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation. All the Committees except the Health, Environmental and Safety Committee are composed of entirely "independent" directors. The Health, Environmental and Safety Committee is composed of a majority of "independent" directors.

The Health, Environmental and Safety Committee has the responsibility of overseeing the development and implementation of health, environmental and safety policies, procedures and guidelines, assessing corporate health, environmental and safety practices and reviewing the Corporation's business plan to ascertain whether health, environmental and safety issues are adequately taken into consideration.

The Audit Committee oversees the integrity of the Corporation's financial reporting, its internal control, disclosure control and internal audit processes, and its compliance with legal and regulatory requirements. The Committee also reviews and assess the qualifications, independence and performance of the Corporation's external auditors. In addition to being "independent", the Board has determined that each member of the Audit Committee is "financially literate", as such term is defined under MI 52-110.

The Governance and Nominating Committee is responsible for developing and maintaining governance principles consistent with high standards of corporate governance. The Governance and Nominating Committee identifies and recommends candidates for nomination to the Board, as described above, monitors the orientation program for new directors and is responsible for developing and instituting processes to assess the performance of the Board, its Committees and individual directors. The Governance and Nominating Committee annually reviews the Corporation's governance practices and disclosures to ensure that the Corporation maintains a high standard.

The Human Resources and Compensation Committee is responsible for assisting the Board in ensuring that human resources strategies support the Corporation's objectives and sustain shareholder value. Section 7 above describes in more detail the responsibilities of the Human Resources and Compensation Committee.

## **9. Assessments**

The Governance and Nominating Committee is responsible for monitoring the effectiveness of the Board and the performance of the directors. The process is facilitated by evaluation forms sent on behalf of the Chair of the Committee to enable individual directors to provide feedback on the effectiveness of the Board and its committees. The Committee assesses the operation of the Board and the committees, the adequacy of information given to directors and processes of the Board and committees. The Committee recommends changes to enhance the performance of the Board based on the responses to the evaluation forms.

## **APPENDIX "I"**

### **MAGELLAN AEROSPACE CORPORATION**

#### **BOARD OF DIRECTORS**

#### **GENERAL GUIDELINES**

##### **GENERAL**

The fundamental responsibility of the Board of Directors is to appoint a competent executive team and to oversee the management of the business, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control.

##### **SPECIFIC**

- Establish and maintain an appropriate system of corporate governance including practices to ensure the Board functions effectively and independently of management, including reserving a portion of all Board and its committee meetings for in camera discussions without management present.
- Appoint the Chief Executive Officer ("CEO") and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- Review the integrity of the CEO and other senior officers and ensure that they foster a corporate culture of ethical practices and integrity.
- Adopt a strategic planning process and approve, on at least an annual basis, and monitor the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the Corporation's business.
- Ensure that a system is in place to identify significant risks to the Corporation and that appropriate systems are in place to manage these risks.
- Ensure that resources are available to implement and maintain an adequate system of internal control and management information systems.
- Ensure that a comprehensive compensation strategy is maintained which includes competitive industry positioning, weighting of compensation elements and relationship of compensation to performance.
- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and financial reporting requirements.
- Ensure that processes are maintained to address applicable regulatory, corporate, securities and other compliance matters, and that due diligence processes and appropriate controls are in place with respect to all applicable requirements including, certification requirements, regarding the Corporation's financial disclosure.
- Maintain a system for corporate communications to all stakeholders.
- Maintain a system for receiving feedback from stakeholders.

- Approve the slate of directors for nomination to the Board and maintain appropriate practices for the regular evaluation of the effectiveness of the Board including Board committees and their respective mandates, and the effectiveness of individual directors.
- Maintain a system authorizing and monitoring the limits of authority delegated to management.
- Approve annual operating and capital budgets.
- Review operating and financial performance results relative to established strategy, budgets, and objectives.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets, or matters of policy, which diverge from the ordinary course of business.
- Ensure that a process is established that adequately provides for management succession planning, including the appointing, training, and monitoring of senior management.
- Describe the expectations and responsibilities with respect to attendance at Board meetings.
- In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-laws and other statutory and regulatory requirements.