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NEWS RELEASE

MAGELLAN AEROSPACE CORPORATION ANNOUNCES FINANCIAL RESULTS

Toronto, Ontario – Aug 11, 2009 – Magellan Aerospace Corporation ("Magellan" of the "Corporation") released its financial results for the second quarter of 2009. All amounts are expressed in Canadian dollars unless otherwise indicated. The results are summarized as follows:

	Three-months ended June 30			Six-months ended June		
(Expressed in thousands, except per share amounts)	**2009**	**2008**	**Change**	**2009**	**2008**	**Change**
Revenues	$ 177,323	$ 172,108	3.0 %	$ 356,611	$ 333,203	7.0 %
Gross Profit	$ 20,120	$ 17,824	12.9 %	$ 41,824	$ 35,145	19.0 %
Net Income	$ 5,349	$ 783	583.1 %	$ 13,272	$ 2,834	368.3 %
Net Income per share – Diluted	$ 0.12	$ 0.02	500.0%	$ 0.37	$ 0.11	236.4%

This press release 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 press release, 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.

The Corporation's performance in the second quarter of 2009 continued to show improvement year over year, generating increased revenues and gross profit over the second quarter 2008. The Corporation has now recorded six consecutive quarters of profitability. Net income for the second quarter of 2009 was higher than second quarter 2008 as the Corporation benefited from a weaker Canadian dollar, versus the United States dollar in the second quarter of 2009 over the second quarter of 2008. Single aisle commercial aircraft continued production at predicted rates and the Corporation also benefited from strong and steady defence activity, in both original equipment and aftermarket activity. Strength in the Corporation's proprietary product sales also continued through the second quarter of 2009.

Revenues in the second quarter of 2009 were marginally lower than in the first quarter, as the effect of the weakness in business aircraft demand started to impact certain Magellan business units. Overall profitability was maintained, however, through the introduction of improved processes and management measures across the Corporation.

As a further challenge, the Corporation foresees the possibility of weaker demand on certain product lines through the remainder of 2009. The global economic environment and the delays to market of key new programs, principally the Airbus A380 and the Boeing 787, are the main factors that warrant caution. Countering these weaknesses is the acceleration of the production of the JSF F-35 program that will be felt initially as early as the fourth quarter of 2009.

To date in 2009, the Corporation has achieved improvements in operating efficiency and capacity in its facilities through the continued transfer of non-core work packages to supplier and emerging market sites. It is also, in parallel, attracting new complex core work into its facilities to exploit the newly generated capacity.

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

Revenues

	Three-months ended June 30			Six-months ended June 30		
(Expressed in thousands)	**2009**	2008	Change	**2009**	2008	Change
Canada	$ **85,589**	$ 79,002	8.3 %	$ **169,581**	$ 151,981	11.6 %
United States	**54,167**	59,064	-8.3 %	**108,740**	113,346	-4.1 %
United Kingdom	**37,567**	34,042	10.4 %	**78,290**	67,876	15.3 %
Total revenue	$ **177,323**	$ 172,108	3.0 %	$ **356,611**	$ 333,203	7.0 %

Consolidated revenues for the second quarter of 2009 were $177.3 million, an increase of $5.2 million or 3.0% over the second quarter of 2008. Increased volumes in the Corporation's proprietary products increased revenues in Canada. In native currency, revenues in the United States declined from the second quarter of 2008 primarily as a result of the reduced requirements on Boeing and Airbus statement of work. Revenues in the United Kingdom increased over revenues in the same period in 2008, despite the decline in the British Pound exchange rate versus the Canadian dollar. Revenues in the United Kingdom in native currency increased by 22% due to increased production activity on Airbus programs. The appreciation of the U.S. dollar and the decline of the British Pound against the Canadian dollar, over the exchange rates prevailing in the second quarter of 2008, contributed, on a net basis, to an increase of $10.5 million in revenues.

Gross Profit

	Three-months ended June 30			Six-months ended June 30		
(Expressed in thousands)	**2009**	2008	Change	**2009**	2008	Change
Gross profit	$ **20,120**	$ 17,824	12.9 %	$ **41,824**	$ 35,145	19.0 %
Percentage of revenue	**11.3 %**	10.4 %		**11.7 %**	10.5 %	

Gross profit of $20.1 million (11.3% of revenues) were reported for the second quarter of 2009 compared to $17.8 million (10.4% of revenues) during the same period in 2008. Gross profit, as a percentage of revenues, increased in part, as a result of the appreciation of the U.S. dollar exchange rate versus the Canadian dollar in the quarter and the realization of price increases over the same period in 2008. Unfavourable product mix and reduced volumes at several plants in the second quarter of 2009, offset the increased margins realized in the second quarter of 2009 over the second quarter of 2008. Had the U.S. dollar and the British Pound exchange rates versus the Canadian dollar in the second quarter of 2009 remained the same as in the second quarter of 2008, gross margin would have been approximately $4.0 million lower for the second quarter of 2009.

Administrative and General Expenses

(Expressed in thousands)	Three-months ended June 30 2009	2008	Six-months ended June 30 2009	2008
Administrative and general expenses	**$ 12,035**	$ 11,133	**$ 22,801**	$ 20,694
Percentage of revenue	**6.8%**	6.5%	**6.4%**	6.2%

Administrative and general expenses were $12.0 million (6.8% of revenues) in the second quarter of 2009 compared to $11.1 million (6.5% of revenues) in the second quarter of 2008.

Other

(Expressed in thousands)	Three-months ended June 30 2009	2008	Six-months ended June 30 2009	2008
Foreign exchange (gain) loss	**$ (3,529)**	$ 534	**$ (5,502)**	$ (1,056)
(Gain) loss on sale of capital assets	**-**	(1,634)	**9**	(1,634)
Other	**$ (3,529)**	$ (1,100)	**$ (5,493)**	$ (2,690)

Other income of $3.5 million in the second quarter of 2009 consisted of realized and unrealized foreign exchange gains (largely on the Corporation's currency contracts) due to the weaker Canadian dollar in comparison to the United States dollar. Other income in the second quarter of 2008 resulted from a gain of $1.6 million on the sale capital assets offset by a foreign exchange loss of $0.5 million.

Interest Expense

Expressed in thousands)	Three-months ended June 30 2009	2008	Six-months ended June 30 2009	2008
Interest on bank indebtedness and long-term debt	**$ 3,219**	$ 3,788	**$ 6,213**	$ 7,195
Convertible debenture interest	**1,350**	444	**1,786**	1,249
Accretion charge for convertible debt	**330**	64	**398**	306
Discount on sale of accounts receivable	**723**	1,187	**1,500**	2,268
Total interest expense	**$ 5,622**	$ 5,483	**$ 9,897**	$ 11,018

Interest expense of $5.6 million in the second quarter of 2009 was higher than the second quarter of 2008 amount of $5.5 million. Convertible debenture interest and the accretion expense in relation to the convertible debentures were higher in the second quarter of 2009 than the comparative quarter in 2008 due to a higher principal amount of convertible debentures outstanding. Lower discount expense on the sale of accounts receivable resulted from decreased amounts of accounts receivables sold in the second quarter of 2009 when compared to the same quarter of 2008. Lower interest rates on bank indebtedness in the second quarter of 2009 when compared to the same quarter of 2008 also resulted in lower interest charges.

Provision for Income Taxes

Expressed in thousands)	Three-months ended June 30 2009	2008	Six-months ended June 30 2009	2008
Provision for current income taxes	**$ 233**	$ 208	**$ 402**	$ 208
Expense of future income taxes	**410**	1,317	**945**	3,081
Total expense of income taxes	**$ 643**	$ 1,525	**$ 1,347**	$ 3,289
Effective Tax Rate	**10.7 %**	66.1 %	**9.2 %**	53.7 %

The Corporation recorded an income tax expense of $0.6 million for the second quarter of 2009, compared to an income tax expense of $1.5 million for the second quarter of 2008. The change in effective tax rates is a result of a changing mix of income across the different jurisdictions in which the Corporation operates. The recognition of previous unrecorded future tax assets derived from temporary differences in Canada also contributed to the lower effective tax rate. Due to the recognition of these previous unrecorded future tax assets, the Corporation's effective tax rate in the current quarter was 10.7% versus a normalized expected tax rate of between 30% - 35%.

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

In addition to the primary measures of earnings and earnings per share in accordance with GAAP, the Corporation includes certain measures in this MD&A, including EBITDA (earnings before interest expense, income taxes, depreciation, amortization and certain non-cash charges). The Corporation has provided these measures because it believes this information is used by certain investors to assess financial performance and EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed and how the results are taxed in the various jurisdictions. Each of the components of this measure are calculated in accordance with GAAP, but EBITDA is not a recognized measure under GAAP, and our method of calculation may not be comparable with that of other companies. Accordingly, EBITDA should not be used as an alternative to net earnings as determined in accordance with GAAP or as an alternative to cash provided by or used in operations.

	Three-months ended June 30		Six-months ended June 30	
Expressed in thousands)	**2009**	2008	**2009**	2008
Net income	**$ 5,349**	$ 783	**$ 13,272**	$ 2,834
Interest	**5,622**	5,483	**9,897**	11,018
Taxes	**643**	1,525	**1,347**	3,289
Stock based compensation	**173**	295	**405**	613
Depreciation and amortization	**9,118**	5,672	**18,417**	11,495
EBITDA	**$ 20,905**	$ 13,758	**$ 43,338**	$ 29,249

EBITDA for the second quarter of 2009 was $20.9 million, compared to $13.8 million in the second quarter of 2008. As previously discussed, the weaker Canadian dollar when compared to the United States dollar in the second quarter of 2009 over the second quarter of 2008 contributed to higher gross profit and other income resulting in increased EBITDA for the current quarter.

Liquidity and Capital Resources

Cash Flow from Operations

	Three-months ended June 30		Six-months ended June 30	
Expressed in thousands)	**2009**	2008	**2009**	2008
(Increase) decrease in accounts receivable	**$ (20,168)**	$ 3,111	**$ (40,184)**	$ (2,236)
Decrease (increase) in inventories	**7,729**	(7,752)	**10,559**	(18,990)
Increase in prepaid expenses and other	**(6,475)**	(652)	**(6,077)**	(312)
(Decrease) increase in accounts payable	**(4,558)**	4,518	**(17,113)**	5,604
Changes to non-cash working capital balances	**(23,472)**	(775)	**(52,815)**	(15,934)
Cash (used in) provided by operating activities	**$ (6,268)**	$ 3,793	**$ (17,328)**	$ (1,951)

In the quarter ended June 30, 2009, the Corporation used $6.3 million of cash in its operations, compared to cash provided by operations of $3.8 million in the second quarter of 2008. Cash was used by increased accounts receivable, increased prepaid expenses and decreased accounts payable. The Corporation has partially offset the use of cash in operating activities through the reduction of inventories in the second quarter of 2009. The increase in accounts receivable resulted from a net decrease in the amount of accounts receivable sold under the Corporation's securitization facilities at the end of the second quarter of 2009 when compared to the same quarter in 2008. One of the Corporation's current securitization facilities in the amount of $20 million expires on December 31, 2009. The Corporation is exploring the options of other securitization programs that may be available to replace the expiring facility.

Investing Activities

Expressed in thousands)	Three-months ended June 30 **2009**	2008	Six-months ended June 30 **2009**	2008
Acquisition of Verdict	**$ –**	$ –	**$ –**	$ (4,240)
Purchase of capital assets	**(7,824)**	(4,696)	**(13,169)**	(9,337)
Proceeds of disposals of capital assets	**88**	2,639	**232**	2,784
(Increase) decrease in other assets	**(1,821)**	142	**(2,269)**	(1,440)
Cash used in investing activities	**$ (9,557)**	$ (1,915)	**$ (15,206)**	$ (12,233)

In the second quarter of 2009, the Corporation invested $7.8 million in capital assets to upgrade and enhance its capabilities for current and future programs.

Financing Activities

Expressed in thousands)	Three-months ended June 30 **2009**	2008	Six-months ended June 30 **2009**	2008
(Decrease) increase in bank indebtedness	**$ (16,666)**	$ 13,352	**$ (2,624)**	$ 27,687
Decrease in loan payable	**–**	(15,000)	**–**	(15,000)
Increase in loan payable	**–**	–	**–**	15,000
Decrease in long-term debt	**(864)**	(850)	**(1,411)**	(16,462)
Increase in long-term debt	**15,000**	–	**15,000**	50,000
Decrease in convertible debentures	**(20,950)**	–	**(20,950)**	(69,985)
Increase in convertible debentures	**39,667**	–	**39,667**	20,778
Decrease in long-term liabilities	**(172)**	(334)	**(272)**	(763)
Issue of Common Shares	**–**	20	**8**	43
Dividends on Preference Shares	**–**	(400)	**–**	(800)
Cash provided by (used in) financing activities	**$ 16,015**	$ (3,212)	**$ 29,418**	$ 10,498

On April 30, 2009, the Corporation amended its operating credit facility with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was decreased to a Canadian dollar limit of $90 million plus a US dollar limit of $85 million, with a maturity date of May 22, 2010. The facility is extendable for unlimited one-year renewal periods by the agreement of the Corporation and the lenders and continues to be guaranteed by the Chairman of the Board of the Corporation. An annual standby guarantee fee in 2009 of 1.35% (2008 – 1.35%) of the guaranteed amount is provided by the Corporation in consideration for this guarantee.

On April 30, 2009, the Corporation also completed the following previously announced financing arrangements:

(a) the purchase by the Chairman of the Corporation, directly or indirectly, of $40 million principal amount of a new issue of 10% Convertible Secured Subordinated Debentures (the "New Convertible Debentures") with a three year term by private placement; and

(b) the extension and restatement of a previous secured subordinated loan from Edco Capital Corporation ("Edco"), which is wholly owned by the Chairman of the Corporation, to the Corporation to increase the principal amount from $50 million to $65 million and to extend the maturity date of the loan to July 1, 2010 in consideration for the payment of a one time fee to Edco equal to 1% of the principal amount of $50 million outstanding and an increase in the interest rate on the loan from 10% to 12% per annum payable monthly in arrears.

(together the "2009 Financing Arrangements")

As a result of a requirement under a change of control provision in the previously issued 8.5% convertible unsecured debentures due January 31, 2010 (the "2008 Debentures"), the Corporation was required to make an offer to purchase the $20.95 million of 2008 Debentures at a price of 102.5% of the principal amount plus accrued and unpaid interest utilizing the proceeds of the 2009 Financing Arrangements. In the second quarter of 2009 the 2008 Debentures were fully repurchased by the Corporation.

Pursuant to a similar change of control definition in the Corporation's outstanding Preference Shares' terms, the Corporation is required to retract its outstanding Preference Shares at a price of $10.00 per share plus accrued and unpaid dividends, unless such retraction contravenes any instrument of indebtedness of the Corporation or the terms of the Ontario Business Corporations Act (the "OBCA"). The Corporation is currently not in the position to retract the Preference Shares as it is prohibited from doing so by the terms of its operating credit facility and any default in the operating credit facility would result in the Corporation being unable to pay its liabilities as they become due and constitute a contravention of the OBCA. Accordingly, the Preference Shares continue to be classified as equity instruments. In addition, dividends for the period ending April 30, 2009 totalling $0.4 million have not been declared and remain cumulative as at June 30, 2009. Subsequent to June 30, 2009, dividends for the period ending July 31, 2009 totalling $0.4 million have also not been declared and remain cumulative.

Share Data

As at July 31, 2009, the Corporation had 18,209,001 common shares outstanding, 2,000,000 outstanding First Preference Shares Series A convertible into 1,333,333 common shares and $40.0 million convertible debentures convertible into 40,000,000 common shares. The dilutive weighted average number of common shares outstanding, resulting from the potential common shares issuable on the conversion of the convertible debentures, for the three and six month periods ending June 30, 2009 were 48,209,001 and 35,349,726 respectively.

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 more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Company Overview" in Management's Discussion and Analysis for the quarter ended June 30, 2009 and to the information under "Risks Inherent in Magellan's Business" in the Annual Information Form for the year ended December 31, 2008, which is filed with SEDAR (www.sedar.com).

Changes in Accounting Policies

On January 1, 2009, the Corporation adopted CICA Handbook 3064, "Goodwill and Intangible Assets". This new section replaces the existing standards for "Goodwill and Other Intangible Assets" (CICA Handbook Section 3062) and "Research and Development Costs" (CICA Handbook Section 3450). The new standard (i) states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria; (ii) provides guidance on the recognition of internally generated intangible assets including research and development costs; and (iii) carries forward the current requirements of Section 3062 for subsequent measurement and disclosure of intangible assets and goodwill. The adoption of this new section did not have a material impact on the Corporation's consolidated financial statements.

On January 20, 2009, the Emerging Issues Committee ["EIC"] of the AcSB issued EIC Abstract 173, which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation adopted this EIC on January 20, 2009 and applied the EIC retrospectively, without restatement of prior years to all financial assets and financial liabilities measured at fair value. The adoption of this new EIC did not have a material impact on its consolidated financial statements.

Future Changes in Accounting Policies

Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

Section 1582 will be converged with IFRS 3, "Business Combinations". Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements", for non-controlling interests. Section 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests.

Section 1582 applies to acquisitions made from January 1, 2011 in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be "improbable", will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity. Net income will be calculated without deduction for the non-controlling interest. Rather, net income will be allocated between the controlling and non-controlling interests.

These new standards will become effective in 2011.

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be converged with International Financial Reporting Standards ("IFRS") effective January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The transition from Canadian GAAP to IFRS will be applicable to the Corporation for the first quarter of 2011 where current and comparative financial information will be prepared in accordance with IFRS. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of the transition to IFRS at the changeover date. The International Accounting Standard Board will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Corporation's financial results will only be measured once all the IFRS applicable at the conversation date are known.

The Corporation commenced its IFRS conversion efforts during 2008. The transition project consists of several elements: planning; awareness raising and training; assessment; design; and implementation. With the assistance of external consultants, the Corporation has conducted sessions to raise awareness in its efforts to transition to IFRS. As part of planning, the Corporation completed a high level assessment of the major differences between Canadian GAAP and IFRS. During 2009, work has been initiated relating to assessment and design. This involves detailed evaluation of the differences on recognition, measurement and disclosures between Canadian GAAP and IFRS, and design of solutions for the conversion to IFRS. The assessment and design also entails establishment of issue-specific work teams to focus on generating alternatives and making recommendations in identified areas related to IFRS recognition, measurement and disclosures. The Corporation will establish a communications plan, develop staff training programs, and evaluate the impacts of the IFRS transition on other business activities.

<u>Outlook</u>

The Corporation has a cautious outlook for the balance of 2009 and 2010. The Corporation anticipates that the business aircraft sector will reach its bottom late in 2009 and, by the end of 2010, will begin a gradual recovery. It is also expected that 2010 and beyond will see a modest reduction in single aisle commercial aircraft production if travel demand is not restored in future years to previous levels of travel.

Defence spending is forecasted to be stable through 2011-2012 in both new aerospace equipment and in the aftermarket. The transition from legacy programs to new replacement programs is underway in the United States and Europe, and the Corporation anticipates new work in key new programs commencing in late 2009 and early 2010. The new work falls within the core areas of the Corporation, will introduce newer technologies, and is anticipated to have extensive production runs.

To offset somewhat the slowing demand for single aisle commercial aircraft, the Corporation has exposure to anticipated growth sectors of the global aerospace industry, in terms of the Boeing 787, the Airbus 380 and the Joint Strike Fighter. The Corporation has captured opportunities on these new civil and defence programs, has continued to modernize its facilities and update its capabilities, and has taken measures to hopefully address contingencies that may arise during the economic uncertainty of 2009 and 2010. Notwithstanding these opportunities, a major challenge will face the Corporation financially should the Canadian dollar continue to strengthen against the U.S. dollar.

Magellan Aerospace Corporation is one of the world's most integrated and comprehensive aerospace industry suppliers. Magellan designs, engineers, and manufactures aeroengine and aerostructure assemblies and components for aerospace markets, advanced products for military and space markets, and complementary specialty products. Magellan is a public company whose shares trade on the Toronto Stock Exchange (TSX: MAL), with operating units throughout Canada, the United States and the United Kingdom.

This release should be read in conjunction with the Corporation's audited financial statements and accompanying notes, Management's Discussion and Analysis contained in the Corporation's Annual Report, the Annual Information Form and with the Corporation's unaudited quarterly financial statements and accompanying notes and the quarterly Management's Discussion and Analysis which is filed with SEDAR (www.sedar.com).

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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

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

	Three-months ended June 30		Six-months ended June 30	
	2009	2008	**2009**	2008
Revenues	**$ 177,323**	$ 172,108	**$ 356,611**	$ 333,203
Cost of revenues	**157,203**	154,284	**314,787**	298,058
Gross Profit	**20,120**	17,824	**41,824**	35,145
Administrative and general expenses	**12,035**	11,133	**22,801**	20,694
Other	**(3,529)**	(1,100)	**(5,493)**	(2,690)
Interest	**5,622**	5,483	**9,897**	11,018
	14,128	15,516	**27,205**	29,022
Income before income taxes	**5,992**	2,308	**14,619**	6,123
Provision for income taxes				
Current	**233**	208	**402**	208
Future	**410**	1,317	**945**	3,081
	643	1,525	**1,347**	3,289
Net income	**$ 5,349**	$ 783	**$ 13,272**	$ 2,834
Net income per share				
Basic	**0.27**	0.02	**0.69**	0.11
Diluted	**0.12**	0.02	**0.37**	0.11

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

(Expressed in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2009	2008	**2009**	2008
Retained earnings, beginning of the period	**$ 67,675**	52,242	**$ 59,752**	$ 82,747
Effect of change in accounting policy	**–**	–	**–**	(32,156)
Adjusted retained earnings, beginning of period	**67,675**	52,242	**59,752**	50,591
Dividends	**–**	(400)	**–**	(800)
Net income	**5,349**	783	**13,272**	2,834
Retained earnings, end of the period	**$ 73,024**	$ 52,625	**$ 73,024**	$ 52,625

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

(Expressed in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2009	2008	**2009**	2008
Net income	**$ 5,349**	$ 783	**$ 13,272**	$ 2,834
Other comprehensive income (loss):				
Unrealized (loss) gain on translation of financial statements of self-sustaining foreign operations	**(7,719)**	(998)	**(2,804)**	4,300
Comprehensive (loss) income	**$ (2,370)**	$ (215)	**$ 10,468**	$ 7,134

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION

CONSOLIDATED BALANCE SHEETS

(unaudited)		As at June 30 2009		As at December 31 2008
(Expressed in thousands of dollars)				
ASSETS				
Current				
Cash	**$**	**2,378**	$	5,362
Accounts receivable		**106,762**		67,435
Inventories		**166,527**		178,474
Prepaid expenses and other		**16,949**		10,717
Future income tax assets		**4,084**		5,097
Total current assets		**296,700**		267,085
Capital assets		**273,747**		277,207
Technology rights		**31,063**		32,567
Deferred development costs		**64,594**		69,225
Other assets		**16,435**		15,970
Future income tax assets		**9,630**		8,643
Total long-term assets		**395,469**		403,612
Total assets	**$**	**692,169**	$	670,697
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Bank indebtedness	**$**	**170,960**	$	177,766
Accounts payable and accrued charges		**108,720**		125,116
Current portion of long-term debt		**2,108**		52,321
Total current liabilities		**281,788**		355,203
Long-term debt		**75,768**		11,803
Future income tax liabilities		**12,521**		11,392
Convertible debentures		**37,852**		20,544
Other long-term liabilities		**7,631**		7,947
Total long-term liabilities		**133,772**		51,686
Shareholders' equity				
Capital stock		**234,389**		234,381
Contributed surplus		**4,396**		3,991
Other paid in capital		**13,565**		11,645
Retained earnings		**73,024**		59,752
Accumulated other comprehensive loss		**(48,765)**		(45,961)
Total shareholders' equity		**276,609**		263,808
Total liabilities and shareholders' equity	**$**	**692,169**	$	670,697

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) *(Expressed in thousands of dollars)*	**Three-months ended June 30**		**Six-months ended June 30**	
	2009	**2008**	**2009**	**2008**
OPERATING ACTIVITIES				
Net income	**$ 5,349**	$ 783	**$ 13,272**	$ 2,834
Add (deduct) items not affecting cash				
Depreciation and amortization	**9,118**	5,672	**18,417**	11,495
Net gain (loss) on sale of capital asset	**–**	(1,634)	**9**	(1,634)
Employee future benefits	**1,672**	(2,009)	**1,821**	(2,867)
Deferred revenue	**152**	80	**220**	155
Stock based compensation	**173**	295	**405**	613
Accretion of convertible debentures	**330**	64	**398**	306
Future income tax expense	**410**	1,317	**945**	3,081
	17,204	4,568	**35,487**	13,983
Net change in non-cash working capital items relating to operating activities	**(23,472)**	(775)	**(52,815)**	(15,934)
Cash (used in) provided by operating activities	**(6,268)**	3,793	**(17,328)**	(1,951)
INVESTING ACTIVITIES				
Acquisition of Verdict	**–**	–	**–**	(4,240)
Purchase of capital assets	**(7,824)**	(4,696)	**(13,169)**	(9,337)
Proceeds from disposal of capital assets	**88**	2,639	**232**	2,784
(Increase) decrease in other assets	**(1,821)**	142	**(2,269)**	(1,440)
Cash used in investing activities	**(9,557)**	(1,915)	**(15,206)**	(12,233)
FINANCING ACTIVITIES				
(Decrease) increase in bank indebtedness	**(16,666)**	13,352	**(2,624)**	27,687
Decrease in loan payable	**–**	(15,000)	**–**	(15,000)
Increase in loan payable	**–**	–	**–**	15,000
Decrease in long-term debt	**(864)**	(850)	**(1,411)**	(16,462)
Increase in long-term debt	**15,000**	–	**15,000**	50,000
Decrease in convertible debentures	**(20,950)**	–	**(20,950)**	(69,985)
Increase in convertible debentures	**39,667**	–	**39,667**	20,778
(Decrease) in long-term liabilities	**(172)**	(334)	**(272)**	(763)
Issuance of common shares	**–**	20	**8**	43
Dividends on preference shares	**–**	(400)	**–**	(800)
Cash provided by (used in) financing activities	**16,015**	(3,212)	**29,418**	10,498
Effect of exchange rate changes on cash	**122**	(59)	**132**	264
Net increase (decrease) in cash during the period	**312**	(1,393)	**(2,984)**	(3,422)
Cash, beginning of period	**2,066**	2,855	**5,362**	4,884
Cash, end of period	**$ 2,378**	$ 1,462	**$ 2,378**	$ 1,462