MAGELLAN
AEROSPACE

Management's Discussion and Analysis

This Management Discussion and Analysis ("MD&A") has been prepared as of May 14, 2010, and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and notes thereto for the three month period ended March 31, 2010 and with the audited financial statements and notes thereto for the year ended December 31, 2009. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts are in Canadian dollars unless otherwise noted.

The consolidated financial statements and MD&A for the year ended December 31, 2009 are available on the Corporation's website at www.magellan.aero and on SEDAR at www.sedar.com.

Overview

In the first quarter of 2010, the Corporation, at the revenue line, continued the steady performance demonstrated in 2009, diminished by significant foreign exchange impacts of weakened U.S. dollar and British Pound values when compared to the Canadian dollar. Revenue generation and gross profits were slightly less in the first quarter of 2010 than those generated in the first quarter of 2009. The results in the first quarter of 2010 were impacted by increased efficiencies in production, continued demand in all subsectors of the aerospace market, except business aircraft, and improved cost controls across the Corporation.

Major international projects to field new aircraft and engines in both the civil and defence aircraft and defence products demonstrated critical progress, during the first quarter of 2010, towards full scale production. The Boeing 787 program followed up its first flight in the fourth quarter of 2009 with successful tests of critical safety elements of the aircraft, and has accomplished a series of steps toward certification of the aircraft in accordance with its planned dates in 2010. The Airbus 350XWB program has made progress towards finalizing design, configuration, and production plans to meet scheduled first flights in 2011. The F-35 Joint Strike Fighter program has demonstrated a number of key successes in its test flying, and has established a revised low rate initial production plan that will bring the program to full scale production only 13 months beyond original planning dates. Several military helicopter programs are in full production of upgraded variants or new aircraft. The Corporation has secured participation on each of these programs that will provide accelerating production rates over the next few years. In addition, the Corporation has specific repair, overhaul or spare parts participation in both civil and defence sectors.

The Corporation continues to achieve increased efficiencies as new technology, equipment, and knowledge is generated across all operating sites. Operations are progressing towards the manufacturing and support of higher level core products, and moving out non-core work to local and emerging market sites. Business development continues to tighten the focus of capturing activities to increase the level of core activity within the operating sites, and the value-added delivery to the Corporation's key customers.

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 March 31 Expressed in thousands of dollars	**2010**	2009	Change
Canada	$ **98,784**	$ 83,992	17.6%
United States	**46,066**	54,573	(15.6)%
United Kingdom	**33,052**	40,723	(18.8)%
Total revenue	**177,902**	179,288	(0.8)%

Consolidated revenues for the first quarter of 2010 were $177.9 million, a decrease of $1.4 million or 0.8% lower than the first quarter of 2009. Volumes in the first quarter of 2010 in Canada increased over those achieved in the first quarter of 2009. Increased revenue in Canada resulted from the recognition of revenue on the Corporation's electric power generation project in Ghana which commenced in the last quarter of 2009. In US dollars, revenues in the United States increased by 1.4% over the first quarter of 2009 primarily due to increased demand in the current quarter over Q1 2009 from some of the Corporation's major customers. Revenues in the United Kingdom, in British Pounds, in the current quarter decreased over revenues in the same period in 2009 by 10.5% as customer demands in the quarter had declined when compared to Q1

2009. The increase in the Canadian dollar against the US dollar and the British Pound , over the exchange rates prevailing in the first quarter of 2009, contributed, on a net basis, to a decrease of $25.6 million in revenues quarter over quarter.

Gross Profit

Three months ended March 31 Expressed in thousands of dollars		**2010**		2009	Change
Gross profit	$	**20,428**	$	21,704	(5.9)%
Percentage of revenue		**11.5%**		12.1 %	

Gross profit of $20.4 million (11.5% of revenues) was reported for the first quarter of 2010 down from $21.7 million (12.1% of revenues) during the same period in 2009. Gross profit in the first quarter of 2010 was lower than the first quarter of 2009 as a result of reduced margins achieved from the Canadian operations as the decline in the US dollar in comparison to the Canadian dollar impacted revenues. The decline in both the US dollar and the British Pound against the Canadian dollar, over the exchange rates prevailing in the first quarter of 2009, contributed, on a net basis, to a decrease of $8.4 million in gross profit in the first quarter of 2010 versus the first quarter of 2009. The Corporation continues its efforts, through process improvements, to achieve efficiencies in production to help mitigate the continuing effects of the strength of the Canadian dollar against the US dollar and the British Pound.

Administrative and General Expenses

Three months ended March 31 Expressed in thousands of dollars		**2010**		2009
Administrative and general expenses	**$**	**9,689**	$	10,766
Percentage of revenue		**5.4%**		6.0%

Administrative and general expenses were $9.7 million (5.4% of revenues) in the first quarter of 2010 compared to $10.8 million (6.0% of revenues) in the first quarter of 2009.

Other

Three months ended March 31 Expressed in thousands of dollars		**2010**		2009
Foreign exchange loss (gain)	**$**	**1,485**	$	(1,973)
(Gain) loss on sale of capital assets		**(3)**		9
Other		**1,482**		(1,964)

Other expense of $1.5 million in the first quarter of 2010 consisted of realized and unrealized foreign exchange losses due to the stronger Canadian dollar in comparison to the US dollar. Other income in the first quarter of 2009 resulted largely from a foreign exchange gain of $2.0 million.

Interest Expense

Three months ended March 31 Expressed in thousands of dollars		**2010**		2009
Interest on bank indebtedness and long-term debt	**$**	**3,995**	$	2,994
Convertible debenture interest		**986**		436
Accretion charge for convertible debt		**146**		68
Discount on sale of accounts receivable		**133**		777
Total interest expense		**5,260**		4,275

Interest expense of $5.3 million in the first quarter of 2010 was higher than the first quarter of 2009 amount of $4.3 million. Increased interest on bank indebtedness and long-term debt resulted from higher borrowing spreads incurred and higher levels of long-term debt outstanding during the first quarter of 2010 when compared to the first quarter of 2009. Convertible debenture interest and the accretion charge in relation to the convertible debentures were higher in the first quarter of 2010 than the comparative quarter in 2009 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 first quarter of 2010 when compared to the same quarter of 2009.

Provision for Income Taxes

Three months ended March 31 Expressed in thousands of dollars		2010		2009
(Recovery of) provision for current income taxes	**$**	**(242)**	$	169
Future income taxes expense		**1,143**		535
Total expense of income taxes		**901**		704
Effective Tax Rate		**22.5%**		8.2%

The Corporation recorded an income tax expense of $0.9 million for the first quarter of 2010, compared to an income tax expense of $0.7 million for the first quarter of 2009. 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 22.5% versus a normalized expected annual tax rate of 30% to 35%.

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

In addition to the primary measures of net income and net income per share in accordance with GAAP, the Corporation includes certain measures in this MD&A, including EBITDA (net income 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 is calculated in accordance with GAAP, but EBITDA is not a recognized measure under GAAP, and the Corporation's method of calculation may not be comparable with that of other companies. Accordingly, EBITDA should not be used as an alternative to net income as determined in accordance with GAAP or as an alternative to cash provided by or used in operations.

Three months ended March 31 Expressed in thousands of dollars		2010		2009
Net income	**$**	**3,096**	$	7,923
Interest		**5,260**		4,275
Taxes		**901**		704
Stock based compensation		**170**		232
Depreciation and amortization		**8,922**		9,299
EBITDA		**18,349**		22,433

EBITDA for the first quarter of 2010 was $18.4 million, compared to $22.4 million in the first quarter of 2009.

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Liquidity and Capital Resources

Cash Flow from Operations

Three months ended March 31 Expressed in thousands of dollars		2010		2009
Increase in accounts receivable	$	(7,616)	$	(20,016)
Decrease in inventories		4,223		2,830
Decrease in prepaid expenses and other		12,738		398
Decrease in accounts payable		(9,377)		(12,555)
Changes to non-cash working capital balances		**(32)**		(29,343)
Cash provided by (used in) operating activities		**12,497**		(11,060)

In the quarter ended March 31, 2010, the Corporation generated $12.5 million of cash in its operations, compared to a usage of cash of $11.1 million in the first quarter of 2009. Cash was generated through positive income, decreased inventory and prepaid expenses. The Corporation has partially offset the generation of cash in operating activities through the reduction in accounts payable and an increase in accounts receivable in the first quarter of 2010. The increase in accounts receivable during the three month period resulted from increased sales in the quarter when compared to the fourth quarter of 2009. Increased receivables in 2009 resulted from a net decrease in the amount of accounts receivable sold under the Corporation's securitization facilities at the end of the first quarter of 2009. The decrease in prepaid expenses and other and the decrease in accounts payable is largely due to the recognition of advances received and advance made on the electric power generation plant in Ghana.

Investing Activities

Three months ended March 31 Expressed in thousands of dollars		2010	2009
Purchase of capital assets	$	(2,325)	(5,345)
Proceeds of disposals of capital assets		101	144
Increase in other assets		(2,462)	(448)
Cash used in investing activities		**(4,686)**	(5,649)

In the first quarter of 2010, the Corporation invested $2.3 million in capital assets to upgrade and enhance its capabilities for current and future programs.

Financing Activities

Three months ended March 31 Expressed in thousands of dollars		2010		2009
(Decrease) increase in bank indebtedness	$	(7,998)	$	14,042
Decrease in long-term debt		(1,052)		(547)
Increase (decrease) in long-term liabilities		47		(100)
Issue of Common Shares		–		8
Dividends on Preference Shares		(400)		–
Cash (used in) provided by financing activities		**(9,403)**		13,403

On March 26, 2010, 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 $105 million plus a US dollar limit of $70 million, with a maturity date of May 21, 2011. 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. On March 26, 2010 the annual standby guarantee fee provided by the Corporation in consideration for this guarantee was reduced from 1.35% to 1.15% (2009 – 1.35%) of the guaranteed amount.

The terms of the amended operating credit facility permit the Corporation to (i) repay the $65 million secured subordinated loan from Edco Capital Corporation (the "Original Loan") in whole or in part and (ii) retract up to 20% ($4 million) of the Corporation's 8% cumulative redeemable first preference shares series A (the "Preference Shares") on each of April 30 and October 31 (or the next business day if that day is not a business day) of each year starting with April 30, 2010, together with accrued and unpaid dividends on the shares to be retracted provided there is no current default or event of default under the operating credit facility and after the repayment of the Original Loan and the payment of the retraction amount the Corporation has at least $25.0 million in availability under the operating credit facility. Any permitted retraction amount not used on any prior date can be carried forward to future retraction dates. As a result, subject to such limitation under the operating credit facility and to applicable laws, the Corporation will retract on each of April 30 and October 31, beginning April 30, 2010, any Preference Shares tendered for retraction up to the permitted percentage of Preference Shares. As at March 31, 2010, $8.0 million Preference Shares have been classified as a current liability and remaining $12.0 million have been classified as a long-term liability.

On April 30, 2010, the Corporation completed the retraction of approximately 20% or 399,994 of its 2,000,000 Preference Shares as was permissible under the amended operating credit facility. Effective as of the Retraction Date, the holders of these Preference Shares ceased to be holders of these Preference Shares and were entitled to receive the retraction price of $10.00 for each Preference Share held plus accrued and unpaid dividends on the shares to be retracted.

Share Data

As at April 30, 2010, the Corporation had 18,209,001 common shares outstanding, 1,600,006 outstanding First Preference Shares Series A convertible into 1,066,670 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 month period ending March 31, 2010 was 58,209,001.

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.

The Corporation faces risks from downturns in the domestic and global economies

Market events and conditions in 2008 and 2009, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions; have caused significant volatility to commodity prices. These market conditions are expected to remain challenging in 2010 due to the slow pace of recovery in many economies. The Corporation cannot predict the depth or duration of downturns in the domestic and global economies nor the effects on markets that the Corporation serves, particularly the airline industry. The Corporation's ability to increase or maintain its revenues and operating results may be impaired as a result of negative general economic conditions. The current economic uncertainty renders estimates of future revenues and expenditures even more difficult than usual to formulate. The future direction of the overall domestic and global economies could have a significant impact on the Corporation's overall financial performance and impair the value of its Common Shares.

Weak capital markets reduce our financial flexibility and may result in less than optimal financing results.

As a result of the weakened global economic situation, the Corporation will have restricted access to capital and increased borrowing costs. Although Magellan's business and asset base have not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, our ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the aerospace industry and Magellan's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Corporation's ability to make capital investments may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Alternatively, the Corporation may need to issue additional Common Shares or other convertible securities from treasury at low prices to refinance existing debt or to finance the capital costs of significant projects or may wish to borrow to finance significant projects to accomplish Magellan's long-term objectives on less than optimal terms or in excess of its optional capital structure.

Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to fund its projected capital expenditures. However, if cash flow from operating activities is lower than expected or capital costs for these projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for the Corporation's capital expenditure plans may affect it in a materially adverse manner.

The Corporation's debt is significant and needs to be refinanced and such refinancing may not be available.

The Corporation and its subsidiaries have significant debt obligations. The degree to which this indebtedness could have consequences on the Corporation's prospects include the effect of such debts on the ability to obtain additional financing for working capital, capital expenditures or acquisitions, the portion of available cash flow that will need to be dedicated to repayment of principal and interest on indebtedness, thereby reducing funds available for expansion and operations, and the Corporation's vulnerability to economic downturn and its ability to withstand competitive pressure. If the Corporation is unable to meet its debt obligations, it may need to consider refinancing or adopting alternative strategies to reduce or delay capital expenditures, selling assets or seeking additional equity capital.

The Corporation amended and restated its Bank Facility Agreement with its existing lender on March 26, 2010. Under the terms of the Bank Facility Agreement, the Corporation has an operating credit facility, expiring on May 21, 2011, and extendable for unlimited one-year periods by agreement of the Corporation and the lenders. The Corporation's Bank Facility Agreement also requires the Corporation to maintain specified financial ratios. The Corporation's ability to meet the financial ratios can be affected by events beyond the Corporation's control, and there can be no assurance that the Corporation will be able to meet the ratios. There is no assurance that the Bank Facility Agreement will be renewed every year or that the terms of renewal will not be materially adverse to the Corporation. This credit facility is fully guaranteed by Mr. Edwards, a director and Chairman of the Board of the Corporation. There is also no assurance that Mr. Edward's guarantee, if required, will be available beyond the term of the current commitment which ends on May 21, 2011. There is no assurance that Magellan will be in compliance with its bank covenants at all times during the upcoming twelve months due to unforeseen events or circumstances, some of which are outlined in this "*Risks and Uncertainties*".

Factors that have an adverse impact on the aerospace industry may adversely affect the Corporation's results of operations.

The majority of the Corporation's gross profit and operating income is derived from the aerospace industry. The Corporation's aerospace operations are focused on engineering and manufacturing aircraft components on new aircraft, selling spare parts and performing repair and overhaul services on existing aircraft and aircraft components. Therefore, the Corporation's business is directly affected by economic factors and other trends that affect the Corporation's customers in the aerospace industry, including a possible decrease in outsourcing by aircraft operators and original equipment manufacturers ("OEMs"), decreased demand for air travel or projected market growth that may not materialize or be sustainable. When these economic and other factors adversely affect the aerospace industry, they tend to reduce the overall customer demand for the Corporation's products and services, which decreases the Corporation's operating income. Economic and other factors, both internal to the aerospace industry or general economic factors that might affect the aerospace industry may have an adverse impact on the Corporation's results of operations.

Cancellations, reductions or delays in customer orders may adversely affect the Corporation's results of operations.

The Corporation's overall operating results are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. A large portion of the Corporation's operating expenses is relatively fixed. Because several of the Corporation's operating locations typically do not obtain long-term purchase orders or commitments from customers, the Corporation must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon discussions with customers as to their anticipated future requirements. These historic patterns may be disrupted by many factors, including changing economic conditions, inventory adjustments, work stoppages or labour disruptions. Cancellations, reductions or delays in orders by a customer or group of customers could have a material adverse effect on the Corporation's business, financial condition and results of operations.

A reduction in defence spending by the United States or other countries could result in a decrease in revenue.

The Corporation relies on sales to military customers particularly in the United States. A significant reduction in military expenditures by the United States or other countries with which the Corporation has contracts could materially adversely affect the Corporation's business and financial condition. The loss or significant reduction in government funding of a large program in which the Corporation participates could also materially adversely affect sales and income.

Fluctuations in the value of foreign currencies could result in currency exchange losses.

A portion of the Corporation's revenues and expenses are not currently denominated in Canadian Dollars, and it is expected that some revenues and expenses will continue to be based in currencies other than the Canadian Dollar. Therefore, fluctuations in the Canadian Dollar exchange rate will impact the Corporation's results of operations and financial condition from period to period. In addition, such fluctuations affect the translation of the Corporation's results for purposes of its consolidated financial statements. The Corporation's activities to manage its currency exposure may not be successful. The following table demonstrates the change in the Canadian Dollar in the first quarter of 2010 in comparison to the U.S Dollar and the GBP.

	Beginning of Quarter	End of Quarter	% Change
USD/CAD	1.0510	1.0158	(3.3)%
GBP/CAD	1.6918	1.5422	(8.8)%

The resulting foreign exchange gains or losses are included in net income or loss and other comprehensive income or loss in the period. The Corporation cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on Magellan's business, results of operations, and financial condition.

The agreements with labour unions representing certain of the Corporation's employees are subject to renewal.

The Corporation is party to collective bargaining agreements throughout its business, which are subject to expiration at various times in the future. If the Corporation is unable to renew all agreements as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances that could have a material adverse effect on its business.

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risks Inherent in Magellan's Business" in the Annual Information Form, which is filed on SEDAR at www.sedar.com.

Critical Accounting Estimates

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

Inventories

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

Revenue Recognition
Revenues from certain long-term contracts are recognized on a percentage of completion basis. The percentage complete is calculated based upon contract costs incurred to date compared with total estimated contract costs. The percentage complete is then applied to total anticipated contract revenue to determine the period's revenue.

Recognized revenues and margins are subject to revisions as the contract progresses to completion. We conduct quarterly reviews, and a detailed annual review as part of our annual budget process, of our estimated costs to complete, percentage-of-completion estimates and revenues and margins recognized, on a contract-by-contract basis. The effect of any revision is accounted for by way of a cumulative catch-up adjustment in the period in which the revision takes place.

If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in the period in which the negative gross margin is identified

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

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

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

The Corporation estimates future income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax basis as determined under applicable tax legislation. The Corporation records a valuation allowance against its future income tax assets when it believes that it is not "more likely than not" that such assets will be realized. This valuation allowance can either be increased or decreased where, in the view of management, such change is warranted.

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

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.

The Corporation has adopted these standards as of January 1, 2010 and the adoption of these standards did not have an impact on the Corporation's consolidated financial statements.

Future Changes in Accounting Policies

The Corporation will adopt the following accounting standards recently issued by the CICA:

Multiple Deliverable Revenue Arrangements

In January 2010, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements ("EIC-175"). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. These new standards are effective for the Corporation's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Corporation is assessing the impact of the new standards on its consolidated financial statements.

International Financial Reporting Standards

In February 2009, 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. 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.

IFRS Transition Plan

The Corporation commenced its IFRS conversion efforts during 2009. The transition project consists of four elements: planning and awareness rising; assessment; design; and implementation. Resources have been deployed and project management and governance practices are implemented to ensure a timely transition to IFRS. The progresses made to date are as follows:

Planning and awareness raising – As part of planning, the Corporation completed a high level assessment of the major differences between Canadian GAAP and IFRS. Key differences were identified which assisted in the development of the project plan as well as prioritization of issues that would have significant impact to the Corporation. With the assistance of external consultants, the Corporation has conducted sessions to raise awareness in its efforts to transition to IFRS. Throughout 2010, several training sessions were conducted at the business unit level in order to increase awareness and knowledge of the transition to IFRS. Training sessions will continue to be conducted in 2010 as planned.

Assessment and design – Detailed evaluation of the differences on recognition, measurement and disclosures between Canadian GAAP and IFRS was initiated in 2009 and continues in 2010. The impact to systems, processes, internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), and other business activities have been incorporated into the detailed analysis. Efforts to design solutions for the transition to IFRS are ongoing in 2010. As a result of the transition to IFRS, we anticipate that the adoption of IFRS accounting standards will have an impact on processes, procedures and controls. Although impacts are anticipated, to date, we have not made changes nor have made any decisions to make changes that materially affect, or are reasonably likely to materially affect Magellan's ICFR in fiscal 2010.

Implementation – During the implementation phase leading up to the transition date, new IFRS updates are monitored and any changes that are relevant to the Corporation are identified and addressed. The Corporation is continuing the activities related to selecting and finalizing IFRS 1 and accounting policy choices, restating comparative information, testing, review and sign off will occur throughout 2010 and expects these activities to continue to the early part of 2011.

Results of the Detailed GAAP Assessment
While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. 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 conversion date are known. Preliminary analysis of some of the impacts of transition to IFRS on specific areas is detailed in the 2009 Management Discussion and Analysis. The Corporation continues to analyze additional potential accounting differences and will provide discussion on the impact of the differences identified as they arise.

Outlook

The economic outlook for the global aerospace market is stabilizing in most sectors and geographic regions. Generally, the North American aerospace market is stable to strong in many ways, with isolated problem areas, and weak economic growth across areas such as the United States. However, there are a number of measures that indicate on both the global and local level that the industry is growing. Some Airlines have returned to profitability in the passenger subsector, and increasingly in freight hauling. They are consolidating for strength rather than survival, and the marketplace is supportive of those who are seen to provide value, whether price or service. Globally, soft spots remain due to struggling economies or artificially supported industries, but on balance, the large global airlines are leading the growth.

As there is a strong link between the health of economies and the health of airlines, the growth in the global passenger and freight activity is encouraging, and more so for the manufacturing industries that depend on this growth. Demand for new aircraft in the civil airline sector remains stronger than expected. It is intensified by the aging fleets and ecological pressures that require lighter, cleaner and more economical aircraft and engines. Although production rates were reduced slightly in 2009, increases have already been announced in first quarter, 2010, for implementation in late 2010 and 2011. In addition, order rates are returning to more traditional levels, following slowness during the global economic crisis.

Defence has continued to be strong in North America, and will continue to expand in the aerospace sector as a transition from "Cold War" to irregular warfare requirements proceeds. This trend should expand globally through the attraction of the new aircraft, engines and systems developed to enhance capabilities. Restoration and upgrade of utility aircraft and helicopters to replenish resources after heavy use over the past decade is opening large opportunities in these areas, and may also flow to other western nations. Large new programs include the F-35 Joint Strike Fighter program, the new aerial refuelling tanker program, a number of new helicopter programs, of upgrade and replacement, and associated engine developments.

Additional Information and Continuous Disclosure

Updated information on the Corporation, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

Forward Looking Statements

This Management and Discussion Analysis contain 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.

May 17, 2010