MAGELLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine month periods ended September 30, 2015, and the audited annual consolidated financial statements for the year ended December 31, 2014 (available on SEDAR at www.sedar.com). Unless otherwise noted, all financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the three month period ended September 30, 2015 relative to the three month period ended September 30, 2014. The information contained in this report is as at November 10, 2015. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward looking statements under the heading "Overview", "Results of Operations", "Liquidity and Capital Resources", "Future Changes in Accounting Policies" and "Outlook". In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to the production performance of Magellan's assets and competition throughout the aerospace industry and continuation of the current regulatory and tax regimes in the jurisdictions in which the Corporation operates, and necessarily involve known and unknown risks and uncertainties, including the business risks discussed in this MD&A, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Except as required by law, the Corporation does not undertake to update any forward-looking information in this document whether as to new information, future events or otherwise.

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP. Throughout this discussion, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not generally accepted earnings measures and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA to net income (loss) reported in accordance with IFRS are included in this MD&A.

1. Overview

A summary of Magellan's business and significant updates

Magellan is a diversified supplier of components to the aerospace industry and in certain circumstances for power generation projects. Through its wholly owned subsidiaries, Magellan designs, engineers, and manufactures aeroengine and aerostructure components for aerospace markets, advanced products for defence and space markets, and complementary specialty products. The Corporation also supports the aftermarket through supply of spare parts as well as performing repair and overhaul services and supplies in certain circumstances parts and equipment for power generation projects.

The Corporation's strategy has been to focus on several core competencies within the aerospace industry. These include precision machining of a wide variety of aerospace material, composites, complex high technology magnesium and aluminum alloy castings, repair and overhaul technologies and design of structures. The Corporation is now seeking to leverage these core competencies by achieving growth in applications where these abilities are critical in meeting customer needs.

During the third quarter of 2015, the Corporation reported the progress on a previously announced contract with MacDonald, Dettwiler and Associates Ltd. ("MDA"), a prime contractor for Canada's RADARSAT Constellation Mission ("RCM"). Magellan has achieved key milestones in the contract with the delivery of the structure for the first two payload modules to MDA. These major assemblies will house the electronics for the radar payload being developed by MDA. They were designed and built by Magellan Aerospace, Winnipeg, the company's centre of excellence for space systems. The

Corporation has been contracted by MDA to deliver three spacecraft buses, including three payload modules, for the Canadian Space Agency's RCM mission.

The Corporation also announced on September 15, 2015, that it had entered into an international partnership agreement with the Student Spaceflight Experiment Program ("SSEP"). This is a US-based program launched by the National Center for Earth and Space Science Education that gives students the ability to design and propose microgravity experiments to fly in low Earth orbit on the International Space Station. As an international partner, Magellan increases the opportunity for more communities to participate in SSEP and sees this funding as an investment in the youth of Canada.

On October 5, 2015, Magellan announced that it had been awarded a follow on contract to provide nose and main landing gear assemblies to Messier-Bugatti Dowty for major commercial aircraft customers. These complex machined components are manufactured in Magellan Aerospace, New York and Magellan Aerospace, Kitchener and are expected to generate USD $80.0 million in revenues for the period of 2017 through 2021.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2014 Annual Report available on www.sedar.com.

2. Results of Operations

A discussion of Magellan's operating results for the third quarter ended September 30, 2015

The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which include the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation. The Corporation continues to provide services to the Power Generation segment; however, the Corporation has removed the disclosure of this segment as the activity in relation to these services were not material in the three and nine month periods ended September 30, 2015 and, at present, they are not expected to be material in future periods.

Increased revenues were reported by the Corporation in the third quarter of 2015 of $236.2 million when compared to the third quarter of 2014 of $202.5 million. Gross profit and net income for the third quarter of 2015 were $39.9 million and $18.5 million, respectively, an increase from the third quarter of 2014 gross profit of $31.7 million and net income of $13.0 million.

Consolidated Revenue

	Three month period ended September 30			**Nine month period ended September 30**		
Expressed in thousands of dollars	**2015**	2014	Change	**2015**	2014	Change
Canada	**81,114**	73,794	9.9%	**237,960**	243,596	(0.02)%
United States	**83,925**	67,589	24.2%	**251,357**	203,385	23.6%
Europe	**71,168**	61,159	16.4%	**209,582**	187,113	12.0%
Total revenues	**236,207**	202,542	16.6%	**698,899**	634,094	10.2%

Consolidated revenues for the third quarter of 2015 of $236.2 million were 16.6% higher than revenues of $202.5 million in the third quarter of 2014. Revenues in Canada in the third quarter of 2015 increased 9.9% from the same period in 2014 as the Corporation benefited from the weakening of the Canadian dollar against the US dollar during the quarter. On a constant currency basis, Canadian revenues in the current quarter remained consistent with those reported in the third quarter of 2014. Decreased revenues earned on proprietary products in the current quarter were offset by higher volumes on various defence and commercial platforms. Revenues increased by 24.2% in the United States in the third quarter of 2015 in comparison to the third quarter of 2014 primarily as a result of increased production rates on a number of the Corporation's commercial aircraft programs and the appreciation of the United States dollar in comparison to the Canadian dollar. On a constant currency basis, revenues in the United States increased by 20.8% in the third quarter of 2015 over the same period in 2014. European revenues in the third quarter of 2015 increased 16.4% over revenues in the same period in 2014. The business acquisition of Euravia Engineering & Supply Co. ("Euravia") in the second quarter of 2015 and the strengthening of the British pound in comparison to the Canadian dollar were the primary contributors to the increased revenues in Europe in the third quarter of 2015 when compared to the same period in 2014. On a constant currency basis, revenues in the third quarter of 2015 in Europe increased by 12.2% over the same period in 2014.

Gross Profit

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2015**	2014	Change	**2015**	2014	Change
Gross profit	**39,855**	31,651	25.9%	**119,545**	95,624	25.0%
Percentage of revenues	**16.9%**	15.6%		**17.1%**	15.1%	

Gross profit of $39.9 million (16.9% of revenues) was reported for the third quarter of 2015 compared to $31.7 million (15.6% of revenues) during the same period in 2014. The strengthening year over year of the United States dollar and British pound against the Canadian dollar increased gross profit in the third quarter of 2015 over the same period in 2014. Efficiency gains from increased volumes and a favourable mix of revenues across the Corporation's geographic locations also contributed to the increase quarter over quarter. During the current quarter, gross margin was negatively impacted by additional amortization expense of $712 recorded in relation to intangible assets recognized as a result of the business acquisition of Euravia.

Administrative and General Expenses

	Three month period ended September 30			Nine month period ended September 30		
Expressed in thousands of dollars	**2015**	2014	Change	**2015**	2014	Change
Administrative and general expenses	**13,608**	12,608	7.9%	**41,326**	35,880	15.2%
Percentage of revenues	**5.8%**	6.2%		**5.9%**	5.7%	

Administrative and general expenses were $13.6 million (5.8% of revenues) in the third quarter of 2015 compared to $12.6 million (6.2% of revenues) in the third quarter of 2014. Administrative and general expenses increased during the current quarter relative to the same quarter of the prior year largely as a result of the effect on translation of the strengthening United States dollar and British pound exchange rates against the Canadian dollar and the recognition of additional expenses as a result of the business acquisition of Euravia. The increase quarter over quarter was partially offset by a reduction in administrative expenses in the third quarter of 2015 over the same period in 2014, as the prior year included a one-time charge of $0.8 million for a bad debt provision.

Other

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Foreign exchange gain	**(222)**	(397)	**(150)**	(83)
Loss on disposal of property, plant and equipment	**89**	39	**565**	803
Total other	**(133)**	(358)	**415**	720

Other income of $0.1 million in the third quarter of 2015 consisted of realized and unrealized foreign exchange gains, partially offset by losses recorded on the disposal of property, plant and equipment.

Interest Expense

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Interest on bank indebtedness and long-term debt	**1,118**	1,273	**3,091**	3,704
Accretion charge on borrowings and long-term debt	**242**	203	**722**	1,563
Discount on sale of accounts receivable	**227**	183	**659**	558
Total interest expense	**1,587**	1,659	**4,472**	5,825

Interest expense of $1.6 million in the third quarter of 2015 was slightly lower than the third quarter of 2014 amount of $1.7 million. Interest on bank indebtedness and long-term debt decreased quarter over quarter as the Corporation did not incur guarantee fees on the operating credit facility during the third quarter of 2015.

Provision for Income Taxes

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Current income tax expense	**1,521**	1,355	**5,803**	3,593
Deferred income tax expense	**4,739**	3,355	**13,577**	10,889
Income tax expense	**6,260**	4,710	**19,380**	14,482
Effective tax rate	**25.2%**	26.6%	**26.4%**	27.2%

The Corporation recorded an income tax expense of $6.3 million in the third quarter of 2015 as compared to an income tax expense of $4.7 million in the third quarter of 2014. The change in effective tax rates quarter over quarter is a result of a changing mix of income across the different jurisdictions in which the Corporation operates. The increase in deferred income tax expense in the third quarter of 2015 consisted primarily of changes in temporary differences in various jurisdictions.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2015			2014				2013
Expressed in millions of dollars, except per share amounts	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenues	**236.2**	234.4	228.3	208.9	202.5	221.0	210.5	195.9
Income before taxes	**24.8**	21.8	26.8	23.9	17.7	18.8	16.7	21.0
Net Income	**18.5**	16.2	19.2	17.9	13.0	13.6	12.1	16.8
Net Income per share								
Basic and diluted	**0.32**	0.28	0.33	0.31	0.22	0.23	0.21	0.29
EBITDA	**37.8**	33.5	37.4	34.7	28.3	30.2	27.1	31.0

The Corporation reported its highest quarterly revenues in its history in the third quarter of 2015. Revenues and net income reported in the quarterly information were impacted positively by the fluctuations in the Canadian dollar exchange rate in comparison to the United States dollar and British pound. The United States dollar/Canadian dollar exchange rate in the third quarter of 2015 fluctuated reaching a low of 1.2425 and a high of 1.3066. During the third quarter of 2015, the British pound relative to the Canadian dollar fluctuated reaching a low of 1.9540 and a high of 2.0888. Had the foreign exchange rates remained at levels experienced in the third quarter of 2014, reported revenues in the third quarter of 2015 would have been lower by $29.4 million.

In the third, second and first quarters of 2015, movements of the US dollar and British pound in relation to the Canadian dollar favourably impacted net income. Somewhat offsetting the favourable transactional currency movement in the second quarter of 2015, the Corporation recorded a loss on translation of its foreign currency liabilities within Canada and Europe. In the fourth quarter of 2013 the Corporation recognized a reversal of previous impairment losses against intangible assets relating to various commercial aircraft programs and in the fourth quarter of 2013 and 2014 the Corporation recognized previously unrecognized investment tax credits.

4. Reconciliation of Net Income to EBITDA

A description and reconciliation of certain non-IFRS measures used by management

In addition to the primary measures of earnings and earnings per share (basic and diluted) in accordance with IFRS, the Corporation includes EBITDA (earnings before interest expense, income taxes and depreciation and amortization) in this quarterly MD&A. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that 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 IFRS, but EBITDA is not a recognized measure under IFRS, 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 IFRS or as an alternative to cash provided by or used in operations.

	Three month period ended September 30		**Nine month period ended September 30**	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Net income	**18,533**	13,032	**53,952**	38,717
Interest	**1,587**	1,659	**4,472**	5,825
Taxes	**6,260**	4,710	**19,380**	14,482
Depreciation and amortization	**11,383**	8,876	**30,832**	26,574
EBITDA	**37,763**	28,277	**108,636**	85,598

EBITDA for the third quarter of 2015 was $37.8 million, compared to $28.3 million in the third quarter of 2014, an increase of 33.5% on a year-over-year basis. Increased gross profit in the third quarter of 2015 resulted in higher EBITDA when compared to the third quarter of 2014.

5. Liquidity and Capital Resources

A discussion of Magellan's cash flow, liquidity, credit facilities and other disclosures

The Corporation's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from its credit facility and accounts receivable securitization program, and long-term debt and equity capacity. Principal uses of cash are to fund liabilities as they become due, finance capital expenditures, fund debt repayments, pay dividends and provide flexibility for new investment opportunities. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital projects exceed current estimates, or if the Corporation incurs major unanticipated expenses, it may be required to seek additional capital in the form of debt or equity or a combination of both.

Cash Flow from Operations

	Three month period ended September 30		**Nine month period ended September 30**	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Decrease (increase) in accounts receivable	**2,707**	299	**(21,224)**	(16,385)
Increase in inventories	**(4,792)**	(5,314)	**(12,551)**	(9,060)
Increase in prepaid expenses and other	**(975)**	(1,831)	**(2,691)**	(2,198)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(8,063)**	4,044	**6,090**	(1,194)
Changes in non-cash working capital balances	**(11,123)**	(2,802)	**(30,376)**	(28,837)
Cash provided by operating activities	**22,407**	20,284	**65,439**	43,943

In the quarter ended September 30, 2015, the Corporation generated $22.4 million in cash from operations, compared to $20.3 million in the third quarter of 2014. Cash was generated mainly by increased gross profit and decreased accounts receivable offset in part by increased inventories and prepaid expenses and decreased accounts payable and accrued liabilities.

Investing Activities

	Three month period ended September 30		**Nine month period ended September 30**	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
Acquisition	**313**	-	**(50,149)**	-
Purchase of property, plant and equipment	**(7,883)**	(7,252)	**(22,863)**	(18,782)
Proceeds of disposals of property plant and equipment	**161**	115	**460**	445
(Increase) decrease in intangibles and other assets	**(4,881)**	3,907	**(8,414)**	(4,864)
Cash used in investing activities	**(12,290)**	(3,230)	**(80,966)**	(23,201)

The Corporation's capital expenditures for the third quarter of 2015 were $7.9 million compared to $7.3 million in capital expenditures in the third quarter of 2014. Capital expenditures were incurred primarily to enhance the Corporation's manufacturing capabilities in various geographies and to support new customer programs. Increased expenditures for intangibles and other assets related primarily to deposits made on capital equipment during the third quarter of 2015.

Financing Activities

	Three month period ended September 30		Nine month period ended September 30	
Expressed in thousands of dollars	**2015**	2014	**2015**	2014
(Decrease) increase in bank indebtedness	**(2,760)**	(10,030)	**38,355**	(14,157)
(Decrease) increase in debt due within one year	**(1,313)**	1,154	**1,979**	7,299
Decrease in long-term debt	**(1,035)**	(1,194)	**(4,990)**	(3,709)
Increase in long-term debt	**-**	-	**276**	-
(Decrease) increase in long-term liabilities and provisions	**(944)**	87	**(176)**	(342)
Increase (decrease) in borrowings	**34**	524	**218**	(10)
Common share dividend	**(3,202)**	(2,329)	**(9,605)**	(6,985)
Cash (used in) provided by financing activities	**(9,220)**	(11,788)	**26,057**	(17,904)

On September 30, 2014, the Corporation amended its operating credit agreement with its existing lenders. Under the terms of the amended agreement, the maximum amount available under the operating credit facility was amended to a Canadian dollar limit of $95.0 million (down from $115.0 million) plus a US dollar limit of US$35.0 million, and the addition of a British pound limit of £11.0 million with a maturity date of September 30, 2018. The operating credit agreement also includes a Canadian $50.0 million uncommitted accordion provision which provides the Corporation with the option to increase the size of the operating credit facility. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the operating credit agreement, the guarantee of the operating credit facility by the Chairman of the Board of the Corporation, which had supported the Corporation since 2005, was released.

As at September 30, 2015 the Corporation has made contractual commitments to purchase $12.7 million of capital assets.

Dividends

During the third quarter of 2015, the Corporation declared and paid quarterly cash dividends of $0.055 per common share representing an aggregating dividend payment of $3.2 million.

Subsequent to September 30, 2015 the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.0575 per common share. The dividend will be payable on December 31, 2015 to shareholders of record at the close of business on December 10, 2015.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of Preference Shares, issuable in series, and an unlimited number of common shares. As at October 31, 2015, 58,209,001 common shares were outstanding and no Preference Shares were outstanding.

6. Financial Instruments

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. The Corporation had no material forward foreign exchange contracts outstanding as at September 30, 2015.

Off Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

7. Related Party Transactions

A summary of Magellan's transactions with related parties

During the three month period ended September 30, 2014, the Corporation paid guarantee fees in the amount of $0.2 million to the Chairman of the Board of the Corporation. Upon renewal of the operating credit facility on September 30, 2014, the guarantee provided by the Chairman of the Board of the Corporation was released.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

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 help 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 "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2014 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2014, which have been filed with SEDAR at www.sedar.com.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2015 and have been applied in preparing the consolidated interim financial statements.

Employee Benefits
In November 2013, Defined Benefit Plans: Employee Contributions was issued to amend IAS 19, *Employee Benefits*. These narrow scope amendments simplify the accounting for contributions to defined benefit plans. These amendments are effective for annual periods beginning on, or after, July 1, 2014, with earlier application permitted. As at January 1, 2015, the Corporation adopted the amendments and there was no material impact on the condensed interim financial statements.

Operating Segments
The Annual Improvements to IFRSs 2010-2012 included amendments to IFRS, *Operating Segments*. This standard has been amended to require (i) disclosure of judgements made by a company's management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when a measure of segment is reported to the Chief Operating Decision Maker. These amendments are effective for annual periods beginning on or after July 1, 2014. As at January 1, 2015, the Corporation adopted this pronouncement and there was no material impact on the condensed interim financial statements.

10. Future Changes in Accounting Policies

A description of new accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the interim period ended September 30, 2015, and have not been applied in preparing these condensed consolidated interim financial statements. These changes are not yet adopted by the Corporation and could have an impact on future periods. These changes are described in detail in the Corporation's 2014 audited annual consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*
    - On September 11, 2015, the IASB confirmed the deferral of the effective date of the standard by one year to January 1, 2018 by issuing a formal amendment to the revenue standard.
- IFRS 9, *Financial Instruments*
- Amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*
- Amendments to IFRS 11, *Joint Arrangements*
- Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*

The Corporation is in the process of evaluating the impact of adopting these standards on the Corporation's consolidated financial statements.

11. Critical Accounting Estimates

A description of accounting estimates that are critical to determining Magellan's financial results

In the 2014 audited annual consolidated financial statements and management's discussion and analysis, the Corporation identified the accounting policies and estimates that are critical to the understanding of the business and results of operations. Please refer to note 1 to the audited annual consolidated financial statements for the year ended December 31, 2014 for a discussion regarding the critical accounting estimates.

12. Controls and Procedures

A description of Magellan's disclosure controls and internal controls over financial reporting

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at September 30, 2015 that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

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

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

13. Outlook

The outlook for Magellan's business in 2015

Market analysts continue to look for signs that commercial aerospace OEM's are overbuilding aircraft during this unprecedented growth cycle. They suggest that passenger traffic growth rates will be hard pressed to match global seat capacity growth and that airlines may extend the lives of less fuel-efficient aircraft due to prolonged low oil prices. Boeing and Airbus maintain that they have strong order backlogs aligned with future demand and that airlines are taking a longer term view with respect to more fuel-efficient aircraft. It is also said that since low fuel prices and low interest rates represent a tailwind for airline profitability, it increases the opportunity for airlines to invest in newer aircraft. Regardless of which prediction is correct, the industry is confident in the backlog strength, and in any case, saying that aircraft scheduled for delivery within any 24 month period are typically quite secure due to pre-delivery payment obligations.

The Corporation regularly assesses its market position and exposure due to prevailing market segment trends and it believes that its current strategies reflect a sound and appropriate approach to achieving a long term vision of profitable growth.

Boeing's current narrow-body forecast has the 737 build rate going from the current 42 per month to 47 per month in 2017, and 52 per month in 2018. Airbus' A320 production rate is also at 42 aircraft per month and is ramping to 50 aircraft per month beginning in the first quarter of 2017.

In the wide-body market, the Airbus A350XWB rate is planned to exceed 10 per month by 2018, with the A350-900 representing approximately 75% of that rate. Airbus' A380 is currently at 2.7 per month. Their A330 rate is still planned to be reduced to 5.5 aircraft per month, from the current 8.5 aircraft per month. Boeing's B777X is scheduled to begin production in 2017 with the first aircraft delivery in 2020. Their B777 production rate continues at 8.3 per month. But it is anticipated that a modest reduction to 7 aircraft per month in 2016 is being considered. The B787 rate is planned to go from 10 per month to 12 per month in 2016. Boeing will reduce the 747 build rate to 1 aircraft per month in the first quarter 2016 due to the softening cargo market. The 767 build rate is still planned to reach 2 aircraft per month by the second quarter of 2016.

In the regional market, a clear definition of what is considered to be a regional aircraft today is becoming somewhat blurred by individual carrier's strategies with respect to the number of seats they fly, whether they fly a turboprop or turbofan aircraft, or whether or not they are a low cost carrier. Today, the future growth in this particular market lies primarily in the 90 – 110 seat jet segment. It appears this will be dominated over the next 10 years by Embraer with their new E2 series of aircraft, as they are expected to garner approximately 54% market share. By comparison, the next largest market share is Bombardier with 11%. Contrary to the regional jet segment growth, the forecast for the regional turboprop segment is more or less flat in the near term, and generally in decline over the next 10 year period.

The bifurcation of the business jet market continues but may be finally showing signs of re-balancing. Large cabin manufacturers considerably outperformed light/medium jet manufacturers in 2013 and 2014, but demand is now improving for light and medium jets in the US as the economy improves. The market for these is most heavily concentrated in the US. Higher corporate profits are beginning to unlock latent demand that was curbed due to economic uncertainty. Current forecasts suggest a gradual growth in the overall market during the next 5 years.

In the defense market, the US is the largest customer of North American defense contractors, but the question remains; where will the trough settle given the US budget uncertainty? A positive effect of the budget uncertainty is that some legacy platforms such as F15 and F18 may see additional orders and an extended service life. Also, some predict a stimulus for the defense market generated by the 2016 US presidential election. Analysts indicate that within seven out of nine presidential election years since 1980, defense spending was strong. The Bank of America's Merrill Lynch stated in a recent report: "the president is the most significant factor that affects defense spending". Another potential stimulus may come from pressure on the US due to increased defense spending by countries like China. Finally, an acknowledged strategy by defense contractors to help mitigate US budget cuts has been to increase Foreign Military Sales (FMS) on certain programs. Unfortunately, the international defense market is becoming more competitive with examples such as Brazil choosing to buy 36 SAAB Grippen fighters over Boeing's F/A 18 Super Hornet and Kuwait buying 22 Eurofighter Typhoons. This is making it tougher to gain those additional FMS sales.

Regarding the F-35 Lightening II, Lockheed Martin is planning to deliver 45 F-35's in 2015, and is expecting to reach a rate of approaching 170 aircraft per year, from assembly sites in the US, Italy and Japan, by 2020. There are over 150 aircraft in the field today. Numerous program milestones were achieved this past quarter. Some of these achievements include the attainment of initial operational capability for the F-35B variant in July, the inaugural European flight of the first F-35 assembled in Italy's final assembly checkout facility, and the rollout of the first F-35 aircraft for the Norwegian Armed Forces. Magellan has commenced activities supporting the increased rate production at the Magellan divisions producing F-35 components.

The Corporation has been investing capital and resources in support of the F-35 program since 2002. With the recent Federal election, the incoming government has made statements that are not supportive of maintaining the previous government's position on the future procurement of the F-35. In the event the Canadian government does not proceed with this planned procurement, the Corporation anticipates that current and potential new work opportunities could be significantly reduced or eliminated. Magellan currently employs approximately 150 people in direct support of the F-35 program, expected to increase by three to four times as the F-35 achieves full production rates over the next few years.

Finally addressing the civil helicopter industry, a recent Flight International article reported that optimism persists within this market despite falling sales. The rapid decline in oil prices led to a rapid market downturn which now appears more prolonged than initially expected. While the light/medium helicopter segment was the first victim, the heavy helicopter segment has now been affected with Sikorsky's S92 and Airbus' H225 being hit the hardest. Despite the market conditions, manufacturers are still developing new programs, banking on the market returning to strength and on operators believing that more efficient super-medium models will allow higher load factors.