MAGELLAN AEROSPACE CORPORATION

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2015

MARCH 18, 2016

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ADVISORY

In the interest of providing the shareholders and potential investors of Magellan Aerospace Corporation ("Magellan" or the "Corporation") with information regarding the Corporation, including management's assessment of the Corporation's future plans and operations, this Annual Information Form and certain documents incorporated by reference into this Annual Information Form contain 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 Magellan's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seeks", "anticipates", "budgets", "plans", "continues", "estimates", "expects", "forecasts", "may", "will", "projects", "predicts", "potential", "targeting", "intends", "could", "might", "should", "believes" and similar expressions and also appear under the following headings: "*General Development of the Business – Business Matters*" as to, the quantity of certain products of the Corporation expected to be delivered pursuant to certain contracts, potential revenues from certain contracts, the investments in certain technologies that the Corporation intends to make, duration of certain contracts, the expected timing of the commencement or completion of certain projects and other matters; and "*Narrative Description of the Business*" as to outlook for the aerospace industry and future business opportunities for Magellan. The projections, expectations, estimates, assumptions and beliefs contained in such forward looking statements necessarily involve known and unknown risks and uncertainties which may cause the Corporation's actual performance and financial results in future periods to differ materially from any projections, expectations, estimates, assumptions and beliefs of future performance or results expressed or implied by such forward looking statements. These risks, assumptions and uncertainties include, among other things, such risks, assumptions and uncertainties described in this Annual Information Form and in documents incorporated by reference into this Annual Information Form and the Corporation's other reports and filings with the Canadian securities authorities. Magellan believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be. Accordingly, shareholders and potential investors are cautioned that events or circumstances could cause actual results to differ materially from those predicted.

In addition to the forward-looking statements identified above, this Annual Information Form, and the documents incorporated by reference, contains forward-looking statements pertaining to the following:

- projections of market prices and costs;
- supply and demand for products and services in the aerospace industry;
- expectations regarding the ability to raise capital;
- treatment under governmental regimes;
- expectations regarding foreign exchange fluctuations and changes to interest rate;
- revenues, timing of receipts and duration of multi year supply contracts; and
- capital expenditure programs.

The actual results could differ materially from those results anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- the consequences of downturns in the domestic and global economies;
- the state of the North American, European and Asian economy in general and the aerospace industry in particular;
- cancellations, reductions or delays in customer orders;
- reductions in defence spending by domestic and foreign governments;
- any inability of the Corporation to obtain and maintain key supplier status with original equipment manufacturers;
- the impact of potentially volatile capital markets on the Corporation's financial results;
- foreign exchange fluctuations;
- the level of indebtedness or inability to refinance indebtedness;

- the inability to renegotiate agreements with labour unions and the impact of any potential labour disruptions resulting therefrom;
- the inability to obtain additional financing when needed on acceptable terms;
- the loss of one of the Corporation's key customers;
- the expectations of customer unit deliveries not being achieved;
- competition for, among other things, capital, supply contracts and skilled personnel;
- the inability of the Corporation to keep pace with technological developments in its industry;
- the expectations of anticipated return on capital commitments not being achieved;
- the costs of complying with new or more stringent governmental regulation;
- the inability of the Corporation to successfully compete in competitive bidding processes;
- the inability of the Corporation to successfully negotiate long-term contracts;
- interest rate fluctuations;
- exposure to environmental liabilities;
- fluctuations in availability and prices of raw materials;
- unforeseen costs associated with warranty claims;
- the Corporation's risk management strategy may not be effective;
- changes in estimates used in accounting for long term contracts;
- the inability to make future dividend payments due to factors not within the control of the Corporation; and
- the other factors discussed under *"Risks Inherent in Magellan's Business"*.

The actual results could differ materially from those results anticipated in these forward-looking statements as a result of the assumptions set forth below and elsewhere in this Annual Information Form being incorrect:

- interest rates incurred on the Corporation's borrowing facility and any future indebtedness;
- foreign exchange rates;
- the continuance of current tax, environmental and other laws;
- the continuance of contracts to manufacture goods and the customers' delivery projections and Magellan's relationship with certain of its key customers;
- inflation rates in the jurisdictions where Magellan conducts its business;
- the success in improving results at underperforming business units; and
- no labour disruptions during the year.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Magellan does not undertake any obligation to publicly update or revise any forward-looking statements except as required by securities laws or regulators.

All dollar amounts in this Annual Information Form are expressed in Canadian dollars unless specifically designated to be in United States dollars or British pounds.

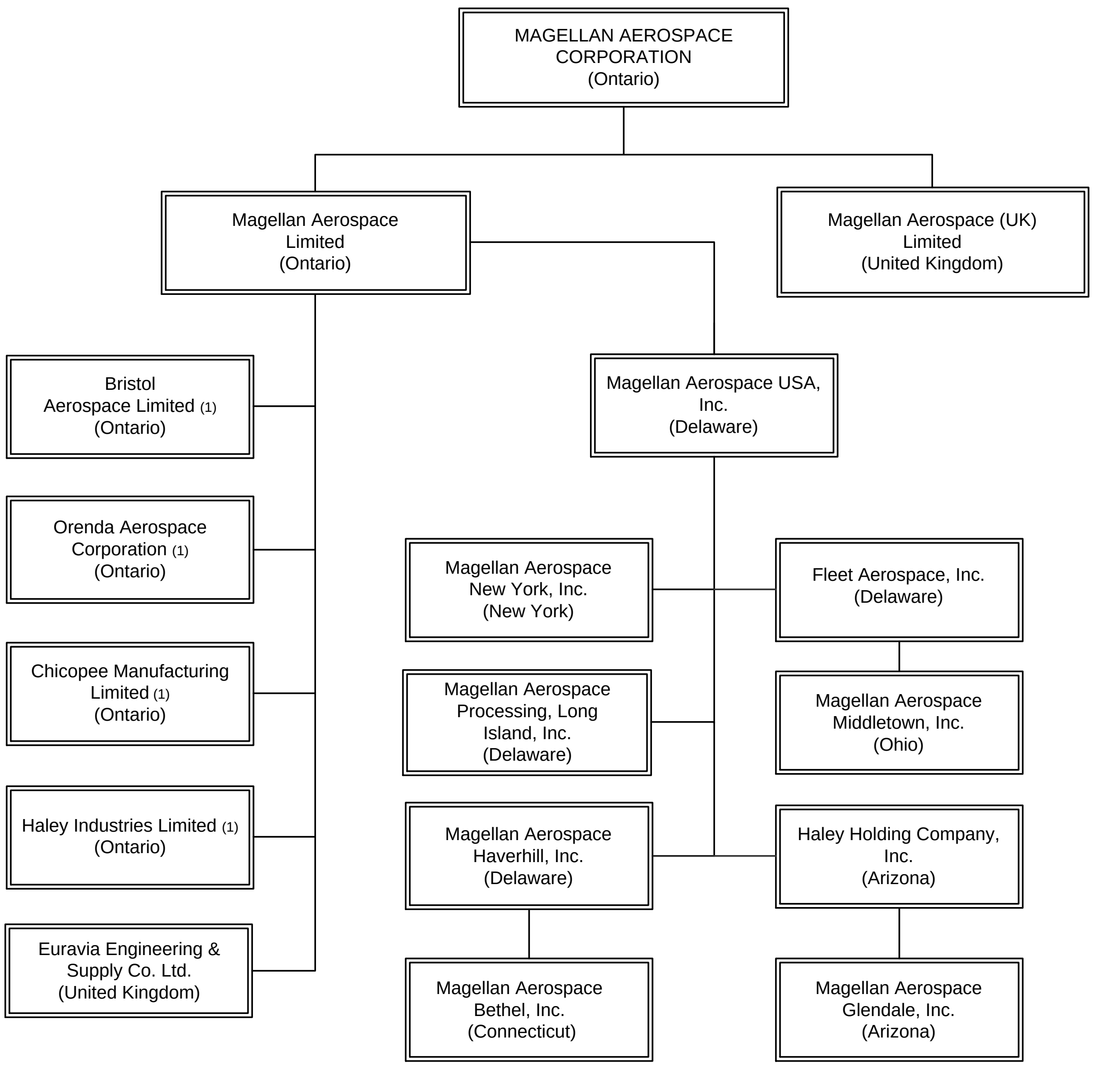
THE CORPORATION

Incorporation of the Issuer

Magellan Aerospace Corporation was incorporated on February 15, 1996 under the *Business Corporations Act* (Ontario). On October 17, 1996 the Corporation changed its name to Magellan Aerospace Corporation. Magellan's common shares (the "Common Shares") were consolidated on the basis of one consolidated common share for five pre-consolidated common shares effective May 21, 2008. The Corporation's registered office and head office is located at 3160 Derry Road East, Mississauga, Ontario, L4T 1A9.

Corporate Structure

The following chart shows Magellan's material subsidiaries and their respective holding companies, all wholly owned, directly or indirectly, and their respective jurisdiction of incorporation as at December 31, 2015. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets or revenue did not represent more than 10% of the Corporation's consolidated revenues as at or for the year ended December 31, 2015, have not been explicitly outlined in the following chart. The Corporation's consolidated financial statements for year-ended December 31, 2015 have been filed on SEDAR (www.sedar.com).



Note:

(1) These corporations carry on business as directed by, and as agent on behalf of, Magellan Aerospace Limited.

GENERAL DEVELOPMENT OF THE BUSINESS

Business Matters

The following comprises a description of the development of the Corporation's business over the last three completed financial years.

2013

On June 17, 2013, Magellan signed a Memorandum of Agreement ("MOA") with BAE Systems for work on the F-35 Lightning II program ("F-35 program"). Under the MOA Magellan will produce more than 1,000 sets of horizontal tails for the Conventional Take Off and Landing ("CTOL") variant of the F-35 program over a 20-year period. The MOA formalizes the continuation of the strategic relationship between BAE Systems and Magellan. Magellan produces F-35A horizontal tail assemblies using components that require advanced composite manufacturing, machining capabilities, and strict quality standards. The majority of the components used for the assembly are produced at various Magellan's facilities. The F-35A horizontal tail production under the MOA has a potential value of over $1.2 billion over the life of the program.

On September 4, 2013 Magellan was awarded a $110 million contract from MacDonald, Dettwiler and Associates Ltd. of Richmond, British Columbia for the RADARSAT Constellation Mission ("RCM") satellite bus manufacture. The RCM is comprised of three low earth orbit spacecraft, each carrying a C-band Synthetic Aperture Radar payload. RCM is a Canadian Space Agency mission that will provide twenty-four-hour-a-day C-Band data to augment and extend the data that RADARSAT-2 users currently rely on. The mission will support maritime surveillance (ship detection, ice monitoring and oil spill detection), disaster management and ecosystem monitoring. The primary areas of coverage are Canada and its surrounding Arctic, Pacific and Atlantic maritime areas. The launch is planned in 2018.

On September 30, 2013, Magellan announced the first launch of its MAC-200 Bus on the Cascade SmallSat and IOnospheric Polar Explorer ("CASSIOPE") satellite from the Vandenberg Air Force Base, California on a Falcon 9 launch vehicle. CASSIOPE is a multi-purpose mission carrying 8 unique instruments to conduct space environment research, collectively called Enhanced Polar Outflow Probe and advanced telecommunications technology demonstration (termed Cascade).

On October 16, 2013, Magellan completed the first ship set of F-35A horizontal tail assemblies produced at its Winnipeg manufacturing division, which were successfully installed onto the aircraft at Lockheed Martin's final assembly line in Fort Worth, Texas. This successful installation of Magellan's F-35A horizontal tail assemblies was a key program milestone for the Corporation.

An announcement was made on November 8, 2013 that an agreement had been reached between Airbus and Magellan securing a major work package on the Airbus A350 XWB. The package, which is an addition to other supply contracts Magellan has on the A350 XWB, consists of a series of machined and assembled structural components for the fuselage structure in this aircraft which supports the cabin storage bins and aircraft systems and is expected to be worth approximately US$45 million over the period from 2014 through 2017.

2014

The Corporation announced on January 22, 2014 that an agreement had been reached between Airbus and Magellan securing a significant work package to manufacture and supply complex, 5-axis machined wing ribs for Airbus' single aisle A320 product family including the A320neo. This additional work package complements the existing A320 wing ribs manufactured by Magellan. The work package is expected to generate revenues of approximately US$20 million over the period from 2014 through 2018. Magellan invested in a new high-speed, 5-axis machining centre located in its facility in Greyabbey, Northern Ireland, enhancing the capabilities of the existing machining facilities.

On March 3, 2014, Magellan announced that the first Magellan-manufactured horizontal tail assembly installed on an F-35A Lightning II aircraft was successfully flown for the first time on February 26, 2014. The Magellan horizontal tail assembly flew on aircraft AF-46, an F-35 CTOL variant, from Lockheed Martin's final assembly line in Fort Worth, Texas. The first flight of this Canadian-manufactured tail assembly marked an important milestone for Magellan as a major Canadian supplier to the international F-35 program.

Magellan announced on April 7, 2014 the award of a contract for engine repair and overhaul for the F404 engine that powers Canada's fleet of CF-188 Hornet aircraft. The one-year contract renewal, which was competitively bid, commenced on April 1, 2014, and included an option for an additional year. The work is carried out at Magellan's facility in Mississauga, Ontario and is expected to generate sales of approximately $55 million over the two year period, if renewed. Under the terms of the contract, the Corporation will provide maintenance, engineering, material management, provision of field service representatives, and publication support for the CF-188 F404 engine and ancillary components.

The Corporation announced on May 20, 2014 that, in partnership with the University of Manitoba, an advanced satellite integration facility ("ASIF") will be established in Winnipeg, Manitoba. With the support of Western Economic Diversification Canada, the facility will be shared and jointly operated by Magellan and the University of Manitoba and will create a unique and innovative hub that will bring together industry and academia in the research, development, and the construction and testing of satellite buses and components. Magellan's facility in Winnipeg, Manitoba will be home to the ASIF and will be large enough to accommodate the simultaneous assembly, integration and testing of three satellite buses. Magellan will invest more than $2 million in the project that will contribute to the construction of the facility, multi-year program funding, and the establishment of an Industrial Research Chair in the area of satellite development within the Faculty of Engineering at the University of Manitoba.

On July 30, 2014, Magellan announced it was selected to provide landing gear kits to Boeing Commercial Airplanes ("Boeing") for the B737 MAX aircraft. The new B737 MAX family will replace the present 737 Next Generation family of aircraft that are currently in production at Boeing. The manufacture and integration of the landing gear kits will be carried out at Magellan's New York facilities, which have operations in both Corona, New York and Long Island, New York. Magellan expects that this contract could generate revenues up to US$50 million annually over the ten year contract period Magellan's New York facilities are focused on hard metal machining and the provision of high volume kitted part families that are delivered directly to prime aircraft manufacturers.

An announcement was made on September 30, 2014 that the Black Brant IX rocket, manufactured by Magellan's facility in Winnipeg, Manitoba, was successfully launched from the NASA Wallops Flight Facility in Wallops Island, Virginia in the early morning of August 28, 2014 at 5:40 a.m. The launch mission was a test of a new sub-payload deployment method for suborbital rockets and also included the release of vapor tracers in space. The launch and vapor tracers, which help measure the wind in the transition region between the Earth's atmosphere and space, could be seen from as far away as western Pennsylvania, southern New Jersey, West Virginia, and Myrtle Beach. The Black Brant was launched by Orbital Sciences Corporation under contract from the NASA Sounding Rockets Program Office. Magellan's Winnipeg facility is a pioneer in Canada's space industry and has been designing and manufacturing Black Brant sounding rockets for more than 50 years.

The Corporation announced on October 3, 2014 the first anniversary of its MAC-200 Bus on the Cascade SmallSat and IOnospheric Polar Explorer (CASSIOPE) mission in space. The mission was developed and implemented by Canadian industry led by MacDonald, Dettwiler and Associates Ltd., as prime contractor, with important contributions from the Canadian industry team, which includes Magellan. The mission launched on September 29, 2013, carrying eight science instruments, collectively called Enhanced Polar Outflow Probe, as well as a second payload for advanced telecommunications technology demonstration (termed Cascade). The two payloads were assembled into Magellan's MAC-200 satellite bus and have been operating in space for more than one year.

2015

On January 6, 2015, Magellan announced the signing of a 10-year agreement with Pratt & Whitney Canada, a United Technologies Company, for the supply of complex magnesium and aluminum castings. The castings will be produced primarily by Magellan's facility in Haley, Ontario, with several being produced at its Glendale, Arizona facility. The agreement is expected to represent approximately $250 million in revenue for Magellan from 2014 through 2023. Pratt & Whitney Canada has been a key customer of Magellan's Haley facility in Ontario for more than 50 years.

An announcement was made on March 4, 2015, that Magellan and the University of Manitoba unveiled their new ASIF Facility at Magellan's facility in Winnipeg, Manitoba. The facility will support research, development, construction and testing of satellite systems and components. The facility was constructed in an existing 6,000-square-foot area, large enough to accommodate up to three satellites at various stages of assembly with sufficient ceiling height for high crane lifting requirements. The ASIF is an ISO Class 8 cleanroom facility that will satisfy the requirements of current and future satellite programs initiated by the Government of Canada. The facility expansion was funded by an investment of $2.4 million from Western Economic Diversification Canada. Magellan invested $1.5 million which includes $0.6 million for the establishment of an Industrial Research Chair in the area of satellite development within the Faculty of Engineering at the University of Manitoba, and contributed to the construction of the facility, multi-year research and development and educational funding.

Magellan announced on April 6, 2015 that it opened a new, advanced, precision machining facility in Mielec, Poland. The facility will initially specialize in the production of small to medium size components for the aerospace market, and will be further expanded to incorporate precision assembly and aeroengine machining.

On April 29, 2015 Magellan announced it was awarded an option year related to the contract for engine repair and overhaul of the F404 engine that powers Canada's fleet of CF-188 Hornet aircraft. The one-year, follow-on option year commenced on April 1, 2015, and has projected value added revenue of $16 million. The work will be carried out at Magellan's facility in Mississauga, Ontario. Under the terms of the contract, the Corporation will provide maintenance, engineering, material management, provision of field service representatives, and publication support for the CF-188 F404 engine and ancillary components.

The Corporation announced on May 15, 2015 that it acquired Euravia Engineering & Supply Co. Limited ("Euravia"). Euravia is an aviation company that provides maintenance, repair and overhaul solutions for a wide range of aircraft and helicopter gas turbine engines. Euravia, located in Kelbrook, Lancashire, UK, has an established international reputation for delivering high quality, cost effective engine support. Euravia holds 19 international approvals supporting over 150 civil and defence customers in 50 different countries. The acquisition complements Magellan's existing repair and overhaul capability in North America.

On June 29, 2015, Euravia, a wholly-owned subsidiary of Magellan, announced it was selected to provide PT6T and PT6C engine maintenance, repair and overhaul solutions for Petroleum Air Services. The initial contract period expires at the end of 2016, with an option to renew for an additional two years. It is expected that this contract will generate US$6 million over a three year period if the option is renewed.

The Corporation announced on September 15, 2015 the delivery of the first two RCM payload module structures to Macdonald, Dettwiler and Associates Ltd. ("MDA"). These major assemblies will house the electronics for the radar payload being developed by MDA. They were designed and built by Magellan's facility in Winnipeg, Manitoba. Magellan has been contracted by MDA to deliver three spacecraft buses, including three payload modules, for the Canadian Space Agency's RCM mission.

Magellan also announced on September 15, 2015, that it had entered into an international partnership agreement with the Student Spaceflight Experiment Program. This US-based programme was launched by the National Center for Earth and Space Science Education and provides 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 the Student Spaceflight Experiment Program and sees this funding as an investment in the youth of Canada.

On October 5, 2015, the Corporation announced it was awarded a follow on contract to provide nose and main landing gear components and kitted assemblies to Messier-Bugatti-Dowty for major commercial aircraft customers. The complex machined components are manufactured in Magellan's facilities in New York, New York and Kitchener, Ontario, which are Magellan's facilities geared for high velocity, hard metal machining and kitting. The contract represents US$80 million in sales for the period of 2017 through 2021.

Magellan announced on November 16, 2015 that it, through a wholly owned subsidiary, Magellan Aerospace Processing, Long Island, Inc., acquired substantially all the assets of Lawrence Ripak Co. Inc. and Ripak Aerospace Processing LLC ("Ripak"), an aerospace processing facility located in Long Island, New York. For more than 60 years Ripak has been in business providing a full range of non-destructive test services, anodizing, plating, painting, shot peening and other processing to over four hundred customers worldwide.

The acquisition of Ripak establishes a North American capability in processing that adds capacity and is complementary to Magellan's existing processing facilities in the UK, Poland and India. Magellan Aerospace Processing, Long Island, Inc. will conduct business under the trade name of Ripak Aerospace Processing.

2016

On March 1, 2016, Magellan announced that a Wire Strike Protection System™ ("WSPS™") will soon be available for the Robinson R66 helicopter platform with the anticipated issuance of a Supplemental Type Certificate (STC) in the first quarter of 2016. The WSPS™ is designed to provide a measure of protection for helicopters in level flight in the event of an encounter with horizontally strung wires and cables, using the concept of guiding wires over the fuselage into high tensile steel cutting blades. The basic WSPS™ is comprised of an upper cutter, lower cutter, and a windshield deflector. The R66 WSPS™ kit is expected to be available for new R66 helicopters commencing in the fall of 2016. Internal provisions for the R66 WSPS™ platform will be available as an option from Robinson on new helicopters and will allow for easy installation of the exterior kit. A comprehensive aftermarket kit, including the internal provisions, will be available to retrofit older R66 helicopters from Magellan's authorized distributors.

Financing Matters

On January 31, 2008, Edco Capital Corporation ("Edco"), a corporation controlled by, the Chairman of the Board of Directors of the Corporation (the "Board") provided loans aggregating $65 million (the "Secured Subordinated Loan") to Magellan. The proceeds of the Secured Subordinated Loan were used to retire debt. The Secured Subordinated Loan was renewed on March 26, 2010 to July 1, 2011, providing for interest at 11% per annum and for the payment of a one-time extension fee to Edco of 1% of the principal amount of the loan. Edco also extended an option to Magellan exercisable on or before July 1, 2011 to renew the loan for a further one year period on payment of an additional extension fee of 1% of the principal amount of the loan on certain conditions. On April 28, 2011, the extension and restatement of the Secured Subordinated Loan was completed. The interest rate was decreased from 11% per annum to 7.5% per annum commencing July 1, 2011 and the loan extended to July 1, 2013 in consideration of the payment of a fee to Edco equal to 1% of the principal amount outstanding on July 1, 2011. On December 21, 2012, the Secured Subordinated Loan was extended to January 1, 2015 in consideration of the payment of a fee to Edco equal to 0.75% of the principal amount outstanding on December 21, 2012. The Corporation had the right to repay the Secured Subordinated Loan at any time without penalty. The original principal amount of $65 million was prepaid in the amount of $35 million during 2010, 2011 and 2012. During the twelve month period ended December 31, 2013, the Corporation repaid the Secured Subordinated Loan by $30 million resulting in an ending balance of $nil.

The Bank Facility Agreement (as defined under "Material Contracts") was amended on December 21, 2012 pursuant to which Magellan and the lenders agreed to reduce the maximum available under the operating credit facility to Cdn$115 million (down from Cdn$125 million) and US$35 million (down from US$50 million) and the maturity date was extended to December 21, 2014. The Bank Facility Agreement also includes a Cdn$50 million uncommitted accordion provision which provides Magellan with the option to increase the size of the operating credit facility to $200 million. The facility is extendible for unlimited one-year renewal periods, subject to mutual consent of the syndicate of lenders and the Corporation. The operating credit facility was fully guaranteed by Mr. Edwards in consideration of a payment by the Corporation of an annual fee equal to 0.50% (down from 0.63%) of the loan amount (payable monthly).

On September 30, 2014, Magellan announced the Corporation amended the Bank Facility Agreement pursuant to which Magellan and the lenders agreed to adjust the maximum amounts available under the operating credit facility to Cdn$95 million (down from Cdn$115 million), US$35 million and £11 million British Pounds. Under the terms of the amended Bank Facility Agreement, the operating credit facility expires on September 30, 2018. The Bank Facility Agreement also includes a Cdn$50 million uncommitted accordion provision which provides Magellan with the option to increase the size of the operating credit facility to $200 million. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. Pursuant to the amendment of the Bank Facility Agreement, the guarantee of the facility by Mr. Edwards, which had supported the Corporation since 2005, was released. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by US$10 million ($13.8 million at December 31, 2015). The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expired on March 4, 2016.

Significant Acquisitions

During the year ended December 31, 2015, the Corporation did not complete any acquisitions that would be considered significant pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*.

NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Overview

The aerospace supplier industry differs from traditional manufacturing industries in a number of material respects. An aerospace manufacturer develops relatively small quantities of highly specialized products on a contract basis. Accordingly, an aerospace manufacturer is more like a contractor, hired to complete a very customized and specialized project to the specifications of a customer. The up-front costs in developing such products that are incurred prior to the completion of the first production unit can be significant. Up-front costs generally include engineering, design and manufacture of tooling, and test units required for certification. These up-front costs of developing products are typically borne by the manufacturer, and are recovered when the project reaches the production phase, usually on an amortization basis over the projected program life. See "*Risks Inherent in Magellan's Business – Customer unit deliveries may not reach the number projected when the basis for amortization of non-recurring costs is established*".

The business carried on by the Corporation involves firm contracts generally having terms of three to ten years. Component products and systems supplied are related to end-product sales by the Corporation's customers, and in accordance with industry practice, are generally subject to termination, modification or reduction at the option of the Corporation's customers. However, if a program is so terminated, the terms of the underlying contracts generally provide that the Corporation will be reimbursed for its allowable costs to the date of termination plus any proportionate amount of profits attributable to the work actually performed. Products that are delivered directly to the end-user generally involve contracts for specific quantities over specific time periods, and are less likely to experience variations to the terms.

Many new aircraft and aircraft engine programs require that major suppliers become risk-sharing partners, meaning that the cost of design, development and engineering work associated with the development of the aircraft or the aircraft engine is partially born by the supplier, usually in exchange for a life-time agreement to supply those critical parts once the aircraft or the aircraft engine is in production. In the event that the aircraft or the aircraft engine fails to reach the production stage, inadequate numbers of units are produced, or actual sales otherwise do not meet projections, the Corporation may incur significant costs without any corresponding revenues. See "*Risks Inherent in Magellan's Business - Most of the Corporation's contracts are subject to competitive bidding. If the Corporation is unable to successfully compete in the bidding process, the Corporation's results of operations could suffer*".

The aerospace industry is highly regulated in most countries, including Canada, the United States and the United Kingdom, by specialized government agencies. The Corporation must be certified in such jurisdictions and, in some cases, by individual original equipment manufacturers in order to engineer and service parts and components used in specific aircraft models. See "*Risks Inherent in Magellan's Business – The Corporation may incur significant expenses to comply with new or more stringent governmental regulation*".

Business Overview

In 2015 the Corporation operated substantially all of its activities under the Aerospace segment.

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

The Corporation's principal strategy is to focus on selected core competencies within the aerospace industry. These include design and manufacture of aircraft structural components, precision machining of a wide variety of aerospace metal alloys, composites, complex high technology magnesium and aluminium alloy castings, integration of complex assemblies, and repair and overhaul technologies. The Corporation seeks to leverage these core competencies where these abilities are critical to meet customer needs.

The Corporation supplies design engineering and aerostructures products to an international customer base in the commercial and defence markets. Components are manufactured to aerospace tolerances using conventional and high-speed automated equipment. Capabilities also include precision casting of engine and airframe mounted components. Within the aeroengines product grouping, the Corporation manufactures complex cast, fabricated and machined gas turbine engine components, both static and rotating, and integrated nacelle components, flow paths and engine exhaust systems for some of the world's leading aeroengines manufacturers. The Corporation also performs repair and overhaul services for jet engines, and nacelle components and supplies in certain circumstances parts and equipment for power generation projects. The Corporation also supplies systems and design engineering to develop and sell proprietary space and rocket motor systems to a global customer base. Management believes that Magellan's dedication to technological innovation combined with low cost sourcing from emerging markets will position Magellan attractively to capture targeted complex assembly programs.

Locations and Core Capabilities

The Corporation operates 19 plants, 4 of which are located in Canada, 7 plants in the United States and 8 plants in 6 separate locations in Europe. The Corporation believes that the available capacity at its facilities is sufficient to meet its current and anticipated manufacturing requirements as indicated by contract requirements and current growth trends in the industry.

Location	Approximate Size	Core Capabilities
Canada		
Winnipeg, Manitoba	92,900 square meters	Manufacture of composite structures and engine components for aircraft Manufacture of rocket systems, satellites and other proprietary products
Kitchener, Ontario	7,500 square meters	Machining of medium and large aerospace components
Haley, Ontario	27,300 square meters	Production of precision magnesium and aluminium castings for the aerospace industry
Mississauga, Ontario	69,700 square meters	Manufacture of components for commercial, regional and military jet engines Repair and overhaul of military aircraft engines Manufacture, repair and overhaul of gas turbine and other industrial components
United States		
Middletown, Ohio	17,700 square meters	Manufacture of jet engine nacelle, exhaust components, and heat-resistant space products
Bethel, Connecticut	2,000 square meters	Machining of jet engine components

Location	Approximate Size	Core Capabilities
United States		
Corona, New York	8,200 square meters	Manufacture and assembly of complex components and sub-assemblies for commercial and military aircraft and helicopters
Bohemia, New York	13,200 square meters	
Long Island, New York	8,400 square meters	Metal finishing treatment services and non-destructive testing for aerospace products
Haverhill, Massachusetts	10,400 square meters	Manufacture of critical rotating and non-rotating engine components for commercial and military use
Glendale, Arizona	25,300 square meters	Production of small to medium magnesium and aluminium castings for the aerospace industry
Europe		
Wrexham, United Kingdom	14,492 square meters	Design and manufacture of airframe components
Bournemouth, United Kingdom	8,370 square meters	Precision machining of commercial aerospace products
Blackpool, United Kingdom	5,675 square meters	Precision machining of commercial and defence aerospace products
Greyabbey, United Kingdom	5,500 square meters	Precision machining of commercial and defence aerospace products
Lancashire, United Kingdom	7,305 square meters	Supply and overhaul of aircraft and helicopter engines and airborne ancillary power units
Mielec, Poland	8,700 square meters	Precision machining of commercial aerospace products and metal finishing treatment services for aerospace products

Production and Services

Magellan is a diversified supplier of components to the aerospace industry and in certain circumstances parts and equipment for power generation products. Through its wholly owned subsidiaries, Magellan designs, engineers, and manufactures aeroengine and aerostructure components for aerospace markets, including 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. The Corporation relies on a mix of commercial and defence aerospace programs. The power generation product is a specialty product complementary to the Corporation's principal aerospace business.

Specialized Skill and Knowledge

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 aluminium alloy castings, repair and overhaul technologies and design of structures. The Corporation seeks to leverage these core competencies where these abilities are critical in meeting customer needs. See "*Risks inherent in Magellan's Business –The Corporation may need to expend significant capital to keep pace with technological developments in its industry."*

Competitive Conditions

Competition for airframe and engine parts and assemblies comes primarily from companies in Europe, Asia, India, and North and South America. Aircraft manufacturers continue to develop their supply chains by increasing the amount of outsourcing to suppliers with design and supply-base management capabilities, and reducing the number of commodity suppliers. The Corporation strives to develop relationships with its most important customers based on the value it can provide: design, engineering, integration and assembly, supply-base management, emerging market sourcing and other measures to improve value for customers. Currently the global commercial aerospace market is reaching record levels of production based on the need to replace older aircraft with new more fuel efficient models and on passenger travel growth in Asia and the Middle East. Backlogs have continued to increase as airlines update their fleets with new fuel-efficient aircraft to remain competitive. The current business jet market is stable and as a result is more predictable. China has liberalized its air space which has led to the growth in business jet aircraft due to the increasing number of wealthy individuals in that country. The Middle East is expected to follow the same pattern. However, given the caution and restraint that continue to prevail in corporate spending, this market is not expected to return to the peak production levels experienced in the past. Overall, recovery in the business jet market is expected to be gradual in its year-to-year growth. The global defence market, while restrained, has stabilized. The primary driver to defence spending in 2015 reflects the demands on various countries that are affected by the current turmoil in Eastern Europe and the Middle East. It is expected that primary defence contractors will continue to focus their efforts on securing business opportunities in the commercial aerospace market place. These efforts can mitigate the impact of defence reduction on their businesses and this will create additional competitive challenges internationally.

The Corporation's sole product for the Power Generation Project segment is an electric power generation project in the Republic of Ghana that was substantially completed on March 31, 2013. In 2014, the Corporation signed an amendment to the original Project contract which increased the statement of work for the Project. While a number of power generation project opportunities are being considered, at this time the Corporation does not have any other committed projects.

See *"Risks Inherent in Magellan's Business – A reduction in defence spending by the United States or other countries could result in a decrease in revenue"* and "*Risks Inherent in Magellan's Business – Competitive Pressures may adversely affect the Corporation"*.

Raw Materials and Components

The Corporation is continuing its efforts to utilize the buying power of its customer base, where possible, in order to reduce or minimize the increase in cost of bought-in materials and parts. While raw materials such as aluminium and titanium are typically supplied on long-term agreements, in general, supply and costs are somewhat out of the Corporation's control. Magellan procures raw materials and components necessary to fulfill contractual requirements at competitive prices from the global marketplace. To the extent possible, Magellan includes price escalation formulas and other clauses in contracts with its customers to share the risk of price increases in, or lack of availability of, raw materials and components. See "*Risks Inherent in Magellan's Business – Fluctuations in availability and prices of raw materials used in production may adversely impact the financial results of the Corporation."*

Markets and Economic Dependence

The markets for the Corporation's aerospace products are primarily in Canada, the United States, the United Kingdom and other parts of Europe. The Corporation serves both the commercial and defence aerospace markets. In 2015, for the Aerospace segment, 75% of sales were derived from commercial markets (2014 – 77%, 2013 – 73%) while 25% of sales related to defence markets (2014 – 23%, 2013 – 27%).

In 2015, the total revenues for the number of principal customers accounting for more than 10% of the consolidated revenues and the total revenues in each of Canada, the United States and Europe from the operations of the Corporation's business was approximately 37%.

For the year ended December 31, 2015, direct sales to Boeing represented approximately 17% of total Corporation revenues and are expected to remain at approximately the same level of total Corporation revenues in 2016. In 2015, direct sales to Airbus represented approximately 20% of total Corporation revenues and are expected to remain at approximately the same level of total Corporation revenues in 2016. See "*Risks Inherent in Magellan's Business - The loss of one of the Corporation's key customers could have a material adverse effect on the Corporation*".

Environmental Matters

Environmental protection requirements

The Corporation's manufacturing activities are subject to environmental laws and regulations associated with risks to the environment and human health in each of Canada, the United States, the United Kingdom, and the European Union. Legislation at country, provincial and state levels provides for restrictions and prohibitions on emissions, discharges and releases of various substances produced in association with manufacturing operations. It is expected legislation will become more stringent and necessitate additional environmental controls. There are several initiatives under review by the Corporation to ensure that it meets new or changing legislated requirements. These initiatives include, but are not limited to, replacement of trichloroethylene used for degreasing, greenhouse gas reduction, toxic reduction planning, and improved waste management.

Environmental policies and programs

The Corporation's environmental policy affirms its commitment to identify the environmental aspects and impacts of its operations and ensure compliance with all applicable environmental laws and regulations. To this end, each facility of the Corporation has been instructed to establish an environmental management system in accordance with ISO 14001 that provides the framework for setting environmental objectives and targets and establishing environmental programs that are consistent with the Corporation's commitment to prevention of pollution and continual improvement. Appropriate levels of environmental control, including operational controls, documented procedures, training, monitoring and measuring, and pollution control equipment are put in place to manage the environmental aspects of the Corporation.

The Corporation's environmental council, comprised of the corporate environmental representative and an environmental representative from each of the operating sites, meets regularly to:

- Provide early warning of new or changing legislative requirements,
- Standardize methods based on best practice to better manage environmental risk, minimize waste, and identify cost-saving opportunities,
- Improve overall corporate environmental performance, and
- Encourage environmental stewardship amongst its business partners, including suppliers.

See "*Risks Inherent in Magellan's Business – Any exposure to environmental liabilities may adversely affect the Corporation*".

Environmental oversight

The Environmental and Health & Safety Committee ("Committee") of the Board is established to assist the Board in the review of policies and programs for management of environmental and health & safety matters. The mandate of the Committee identifies the major responsibilities and functions of the committee as follows:

- Act in an advisory capacity to the Board,
- Assess management's environmental and health and safety policies and practices and ensure that remedial plans and programs are carried out and adequate reserves are in place,
- Oversee the Corporation's performance in environmental and health and safety matters and review management's report on the Corporation's compliance or non-compliance with applicable environmental, health and safety regulatory requirements,

- Monitor trends, and review current and emerging policy in the area of environment and health and safety,
- Ensure management’s commitment to minimize the impact of the Corporation’s businesses on the environment through a program of continual improvement in environmental and health and safety performance, achieved by implementing a feasible and comprehensive environmental and health and safety policy with measurable and achievable targets as resources become available and technology improves, and
- Ensure that processes are in place to annually evaluate the performance of the Committee and its mandate and to report thereon to the Board.

The Committee holds meetings at least annually with a portion of every meeting reserved for in-camera discussion without the President and Chief Executive Officer, or any other member of management being present.

Employees

The number of employees employed by the Corporation as of December 31, 2015 was approximately 3,800 employees in Canada, the United States and Europe. Approximately 37% of the Corporation's employees are unionized. During the year ended December 31, 2015, two labour agreements at two of the Corporation’s facilities which expired during 2015 were successfully re-negotiated with contract periods ending in 2018. One labour agreement, which expired on December 31, 2015, is currently in negotiations. Five labour agreements at five of the Corporation’s facilities expire in the second half of 2016. See *"Risks Inherent in Magellan's Business - The agreements with labour unions representing certain of the Corporation's employees are subject to renewal"*.

Foreign Operations

Magellan sells products and services in the global marketplace and has manufacturing facilities in Canada, the United States, and Europe. See “*Narrative Description of the Business – Markets and Economic Dependence” and* "*Risks Inherent in Magellan's Business - Fluctuations in the value of foreign currencies could result in currency exchange losses*".

Further Information

For more information in relation to the business and development of business of Magellan, reference is made to the information under "Overview" in Management Discussion and Analysis for the year ended December 31, 2015 which is filed on SEDAR at www.sedar.com and which information is hereby incorporated by reference.

RISKS INHERENT IN MAGELLAN'S BUSINESS

The following risks and uncertainties apply to the Corporation:

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 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. The price of fuel in the past has increased the pressure on the operating margins of aircraft companies which reduces their ability to finance capital expenditures. Constraints in the credit market may reduce the ability of airlines and others to purchase new aircraft, negatively affecting the demand for the Corporation's products. 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 and external to the aerospace industry might affect the aerospace industry and may have an adverse impact on the Corporation's results of operations. More specifically, a number of additional external risk factors may include the financial condition of the airline industry, commercial aerospace customers and government aerospace customers; government policies related to import and export restrictions and business acquisition; changing priorities and possible spending cuts by government agencies; government support for export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which we compete. In addition, acts of terrorism, natural disasters, global health risks, political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of the Corporation’s products.

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

Potential loss due to unfavourable economic conditions, such as a macroeconomic downturn in key markets, could result in potential buyers postponing the purchase of the Corporation’s products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, discontinued production of certain products, termination of employees and adverse impacts on the Corporation’s suppliers.

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. Economic uncertainty renders estimates of future revenues and expenditures more difficult 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 may impact the value of its Common Shares.

The Corporation may be unable to successfully achieve or maintain "key supplier" status with OEMs, and may be required to risk capital to achieve key supplier status.

Many OEMs are moving toward developing strategic partnerships with their key suppliers. Each key supplier provides an array of integrated services including purchasing, warehousing and assembly for OEM customers. The Corporation has been designated as a key supplier by some OEMs and is striving to achieve a higher level of integrated supply with other OEMS. In order to achieve key status, the Corporation may need to expand the Corporation's existing capacities or capabilities, and there is no assurance that the Corporation will be able to do so.

Many new aircraft and aircraft engine programs require that major suppliers become risk-sharing partners, meaning that the cost of design, development and engineering work associated with the development of the aircraft or the aircraft engine is partially born by the supplier, usually in exchange for a life-time agreement to supply those critical parts once the aircraft or the aircraft engine is in production. In the event that the aircraft or the aircraft engine fails to reach the production stage, inadequate number of units is produced, or actual sales otherwise do not meet projections, the Corporation may incur significant costs without any corresponding revenues.

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

Over the last several years, heightened sovereign debt issues in the European Union have created instability and volatility in the international credit and financial markets and have caused a number of countries in the European Union to focus on their respective recurring yearly deficit budgeting practices, resultant aggregate debt levels and to implement austerity measures. Likewise concerns about the national debt issue in the United States and actions taken by the government of the United States has led to reductions in spending, including defence spending. The United States defence spending for 2015 remained constrained consistent with the previous year’s budget. In addition, the governments in Canada and other countries have recognized the need to reduce defence spending. Worldwide spending on defence in 2016 to date, while restrained, has stabilized. The primary driver to defence spending in 2016 to date continues to reflect the demands on various countries that are affected by the current turmoil in Eastern Europe and the Middle East.

The United States is the principal purchaser under the F-35 program which represents a significant item in their budget. Canada is also a participant in the F-35 program and has invested in an Advanced Composite Manufacturing Facility at Magellan's Winnipeg facility, primarily in support of the F-35 program. The Canadian government has also announced plans to consider other options for replacing its aging CF-18 fighter jets. In addition, other countries who are part of the F-35 program have announced plans to delay orders for the F-35 aircraft. This is somewhat balanced by recent announcements of new foreign military sales.

The Corporation relies on sales to defence customers particularly in the United States. A significant reduction in defence expenditures by the United States or other countries with which the Corporation has material contracts, such as the F-35 program, 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, such as the F-35 program, could also materially adversely affect sales and earnings.

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

A large 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.

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.

Competitive pressures may adversely affect the Corporation.

The Corporation competes in the aerospace industry primarily in support of OEMs and the manufacturers that supply them, some of which are divisions or subsidiaries of OEMs, and other large companies that manufacture aircraft components and subassemblies. Competition for the repair and overhaul of aerospace components comes from three primary sources: OEMs, major commercial airlines and other independent repair and overhaul companies. Some of the competitors' financial and other resources and name recognition are substantially greater than the Corporation's and constitute significant competitive advantages. There can be no assurance that Magellan will be able to compete successfully against current and future competitors or that the competitive pressures that Magellan faces will not adversely affect the Corporation's operating revenues and, in turn, the Corporation's business 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. During the year ended December 31, 2015, two labour agreements at two of the Corporation's facilities which expired during 2015 were successfully re-negotiated with contract periods ending in 2018. One labour agreement, which expired on December 31, 2015 is currently in negotiations. Five labour agreements at five of the Corporation's facilities expire in the second half of 2016. If the Corporation is unable to renew all agreements as they become subject to renegotiation in the future, it could result in work stoppages and other labour disturbances which could have a material adverse effect on its business.

The Corporation may need additional financing for acquisitions and capital expenditures and additional financing may not be available on acceptable terms.

A key element of the Corporation's strategy has been, and continues to be, internal growth and growth through the acquisition of additional companies and product lines engaged in the aerospace industry. In order to grow internally, the Corporation may need to make significant capital expenditures and may need additional capital to do so. The Corporation's ability to grow is dependent upon, and may be limited by, among other things, availability under the credit facilities and by particular restrictions contained therein and the Corporation's other financing arrangements. In that case, additional funding sources may be needed, and the Corporation may not be able to obtain the additional capital necessary to pursue its internal growth and acquisition strategy or, if the Corporation can obtain additional financing, the additional financing may not be on financial terms which are satisfactory to it.

The loss of one of the Corporation's key customers could have a material adverse effect on the Corporation.

For the year ended December 31, 2015, direct sales to Boeing represented approximately 17% of total Corporation revenues and are expected to remain at approximately the same level of consolidated revenues in 2016. In 2015, direct sales to Airbus represented approximately 20% of total Corporation revenues and are expected to remain at approximately the same level of consolidated revenues in 2016. The loss of either of these customers or any significant decline in purchasing by either customer from the Corporation could have a material adverse impact on the Corporation.

Customer unit deliveries may not reach the number projected when the basis for amortization of non-recurring costs is established.

The Corporation relies on customers' delivery projections to determine the number of units over which to amortize non-recurring costs. Should deliveries not reach the number projected, any unamortized balance that remains would then need to be written off which could have a material adverse impact on the Corporation.

The Corporation may need to expend significant capital to keep pace with technological developments in its industry.

The aerospace industry is constantly undergoing development and change and it is likely that new products, equipment and methods of repair and overhaul service will be introduced in the future. In order to keep pace with any new developments, the Corporation may need to expend significant capital to purchase new equipment and machinery or to train the Corporation's employees in the new methods of production and service. In addition, the Corporation makes significant expenditures for the research and development of new products and services. The Corporation may not be successful in developing new products and these capital expenditures may have a material adverse effect on the Corporation.

The ability to make future dividend payments may be impacted by factors not within the control of the Corporation.

The amount of future cash dividends paid by the Corporation, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in sales, capital expenditure requirements, debt service requirements, operating costs, foreign exchange rates, and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends and covenants in the Bank Facility Agreement. In addition, any of the other risks noted herein may have an impact on the Corporation's ability to pay future dividends. Depending on these and various other factors, many of which will be beyond the control of the Corporation, the dividend policy of the Corporation from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

The market value of the Common Shares may deteriorate if cash dividends are reduced or suspended. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by the Corporation and potential legislative and regulatory changes. Dividends may be reduced during periods of weaker financial performance and any decision by the Corporation to finance capital expenditures using cash flow from operating activities.

The Corporation may not be able to successfully negotiate long-term contracts to eliminate losses.

From time to time circumstances under which long-term contracts are negotiated change and require amendments so the Corporation does not incur a loss. If negotiations are not successful or the final terms are different from what the Corporation expects, the Corporation may be required to record a loss provision on these contracts which may be materially adverse to the Corporation. The amount of such provision, if any, cannot be reasonably estimated until such amendments are finalized.

The Corporation may not realize the Corporation's anticipated return on capital commitments made to expand its capabilities.

From time to time, the Corporation makes significant capital expenditures to implement new processes and to increase both efficiency and capacity. Some of these projects require additional training for the Corporation's employees and not all projects may be implemented as anticipated. If any of these projects do not achieve the anticipated increase in efficiency or capacity, the Corporation's returns on these capital expenditures may not be as expected.

The Corporation may incur significant expenses to comply with new or more stringent governmental regulation.

The aerospace industry is highly regulated in most countries by specialized government agencies. The Corporation must be certified in such jurisdictions and, in some cases, by individual OEMs in order to engineer and service parts and components used in specific aircraft models. If any of the Corporation's material authorizations or approvals were revoked or suspended, the Corporation's operations would be adversely affected. New or more stringent governmental regulations may be adopted, or industry oversight heightened, in the future, and the Corporation may incur significant expenses to comply with any new regulations or any heightened industry oversight.

The Corporation's debt may need to be refinanced and such refinancing may not be available.

The Corporation and its subsidiaries have 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 its Bank Facility Agreement with its existing lender on September 30, 2014. Under the terms of the Bank Facility Agreement, the Corporation has an operating credit facility, expiring on September 30, 2018. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The Corporation's Bank Facility Agreement also requires the Corporation to maintain specified bank covenants. For more information, see "*Borrowings – Bank Credit Facility*". 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 bank covenants. There is no assurance that the Bank Facility Agreement will be renewed upon expiry or that the terms of renewal will not be materially adverse to the Corporation. There is no assurance that Magellan will be in compliance with its bank covenants during the upcoming twelve months due to unforeseen events or circumstances, some of which are outlined in this "*Risks Inherent in Magellan's Business*".

Credit ratings and access to the capital markets may be impacted by a number of matters, including those set forth in this Annual Information Form, and a number of external factors beyond the Corporation's control.

Most of the Corporation's contracts are subject to competitive bidding. If the Corporation is unable to successfully compete in the bidding process, the Corporation's results of operations could suffer.

The Corporation obtains most of its contracts through a competitive bidding process that subjects it to the risk that it will expend substantial time and effort on the design, development and marketing of proposals for contracts that may not be awarded to it. The Corporation is sometimes required to bid on programs in advance of the completion of the prime vehicle or system design. This creates a risk that it will experience unforeseen technological difficulties and cost overruns. The Corporation cannot ensure that it will continue to win competitively awarded contracts at the same rate as in the past.

Information technology risk may adversely impact the Corporation's operations.

The Corporation places significant reliance on information technology for information and processing that support financial, regulatory, administrative and commercial operations. In addition, the Corporation relies upon telecommunication services to interface with its global operations, customers and business partners. The failure of any such systems for a significant time period could have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation may be affected by interest rate fluctuations.

The majority of the Corporation's debt bears interest at variable rates. Consequently, the Corporation is sensitive to fluctuations in interest rates and increases in interest costs may adversely and materially affect the Corporation's financial results.

Potentially volatile capital markets may reduce the Corporation's financial flexibility and may result in less than optimal financing results.

As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Corporation's 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 optimal 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.

Any exposure to environmental liabilities may adversely affect the Corporation.

The Corporation's business, operations and facilities are subject to numerous stringent federal, provincial, state, local and foreign environmental laws and regulations in Canada, the United States and the European

Union. The Corporation is required to maintain certificates of approval, permits or licenses with respect to its water discharges, air emissions, generation of wastes, and land fill sites, as applicable. The regulatory body in charge of environmental matters conducts periodic compliance reviews and the Corporation engages in regular monitoring and measuring of its environmental aspects and impacts. From time to time due to non-compliance matters that arise, containment, mitigation and remedial orders are received, which require action by the Corporation. The Corporation commits financial and technical resources as it deems necessary, including outside consultants, to develop action plans in accordance with the requirements of the various jurisdictions within which it operates.

The current political climate may lead to new environmental laws and programs setting reduction for discharges into the environment, which may be costly or not possible for the Corporation to meet, and thereby result in cost, penalties or charges to the Corporation.

The Corporation operates in various jurisdictions where there are legislative initiatives relating to greenhouse gas ("GHG") emissions being considered or adopted. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As signatories to the United Nations Framework Convention on Climate Change (the "UNFCCC") and as participants to the 2015 Paris Climate Conference, the Governments of Canada and the United States, and the European Union (together with the other countries involved) have pledged to work together to limit global temperature rise resulting from GHG emissions to a goal of less than 2° Celsius and to pursue efforts to limit below 1.5° Celsius, through implementing successive nationally determined contributions. The GHG emission reduction pledges are not binding, however, and most countries have not announced how they intend to meet the commitments agreed to at the 2015 Paris Climate Conference. The various GHG policies and clean air initiatives have resulted in continued uncertainty surrounding the timing and scope of climate change regulations and a continuing patchwork of regulatory initiatives. If enacted, these may adversely affect the Corporation's financial condition and results of operations. Notwithstanding the current regulatory uncertainty, Magellan has established its corporate carbon footprint and committed to a GHG reduction target that meets the most stringent current legislative requirements of the United Kingdom.

Legislation at country, provincial and state levels provide for restrictions and prohibitions on emissions, discharges and releases of various substances produced in association with manufacturing operations. It is expected legislation will become more stringent and necessitate additional environmental controls. There are several initiatives under review by the Corporation to ensure that it meets the new legislated requirements. These initiatives include, but are not limited to, greenhouse gas reduction, replacement of trichloroethylene used for degreasing, and monitoring of substance releases from products exported to the European Union. As legislation evolves and enforcement of the laws and regulations become more rigorous, the Corporation may be required to incur additional significant capital, and operating expenditures to comply, which could have a material adverse effect on the Corporation's financial condition. As an example, sulphur hexafluoride is widely in use as a cover gas in the casting industry, including the Corporation's casting operations in Glendale, Arizona and Haley, Ontario. This substance has an inherently high global warming potential and is a major contributor to the Corporation's GHG emissions. The Corporation is actively testing alternatives and new technology, however given the uncertainty in climate change legislation, it may be costly or not possible for the Corporation to meet legislated reductions and timelines before proven alternatives are in place.

As a result of historic releases of trichloroethylene, the Corporation, with regulatory body approval, has implemented remedial systems in Winnipeg, Manitoba; Mississauga, Ontario; Fort Erie, Ontario; Bournemouth, Great Britain; and Charlotte, North Carolina to address trichloroethylene-impacted groundwater. These remedial systems have been in operation for a number of years with capital costs already incurred and ongoing operating expenses. Although management believes that the Corporation's operations and facilities are in material compliance with environmental laws and regulations, future changes in these laws, regulations or interpretations thereof or the nature of the Corporation's operations may require the Corporation to make significant additional capital expenditures to ensure compliance in the future, which may adversely affect the financial condition of the Corporation. Furthermore, neighbouring parties have been made aware of potential off-site impacts of trichloroethylene and environmental investigations at the Winnipeg, Manitoba; Mississauga, Ontario; Fort Erie, Ontario and the Corona site in New York. Negotiations with the neighbouring property owners have precluded the need for off-site remediation. Actual liability to the Corporation remains highly uncertain due to unknown timing and extent of remediation and other corrective actions that may be required, and the liability of the Corporation not being known in proportion to other potentially responsible parties and the extent to which such costs are recoverable from third parties.

Fluctuations in availability and prices of raw materials used in production may adversely impact the financial results of the Corporation.

The main raw materials purchased by the Corporation are aluminium and titanium. Supply and cost of these materials is somewhat outside the Corporation's control. Difficulty in procuring raw materials in sufficient quantities and in a timely fashion, along with cost increases for these materials, could have a material adverse affect on the Corporation's operations and financial condition.

Potential for unforeseen costs associated with warranty claims.

Some of the products manufactured by the Corporation are complex and sophisticated and may contain defects despite having in place procedures and processes to detect and correct any defects before shipment to its customers. Errors may be found in the Corporation's products after they are delivered to the customers. As a result, the Corporation may be exposed to legal claims relating to the products it manufactures or the loss of customers. In addition, due to the nature of the Corporation's business, the Corporation may be subject to liability claims involving its products or products for which it provides services. The Corporation maintains product liability insurance for its business. However, there is potential that the insurance coverage will not be sufficient to cover all relevant claims. Furthermore, there is no assurance that the Corporation will be able to obtain insurance coverage at acceptable levels and costs in the future. The occurrence of errors, failures, and claims could adversely affect the Corporation's operation results and business.

Competitive market for skilled labour may adversely impact the Corporation's operation.

The Corporation's success and growth will depend, in part, on its ability to attract and retain the necessary skilled labour. The Corporation's inability to attract and retain skilled labour, particularly engineers, machinists and programmers, could adversely affect its operations, financial results, and ability to attract and retain work.

The Corporation's risk management strategy may not be effective to the risks faced by the Corporation.

The Corporation maintains policies of insurance of the types and in the amounts that are comparable to companies of similar sizes and industry. The Corporation's risk management programs and claims handling and litigation processes utilize internal professionals and external technical expertise. If this risk management strategy is not effective to mitigate the risks faced by the Corporation, these risks could have a material adverse affect on the business, results of operations, financial condition and liquidity.

Changes in estimates used in accounting for long term contracts could adversely affect the Corporation's future results.

Accounting for long term contracts requires judgment related to assessing risks, estimating contract revenues and costs and making assumptions for schedule and technical issues. Due to the size and nature of the Corporation's contracts, average unit cost for products produced is determined based on the estimated total production costs for a predetermined program quantity. Program quantities are established based on management's assessment of market conditions and foreseeable demand at the beginning of the production stage for each program, taking into consideration both customer provided and independent data. Management conducts regular reviews of its cost estimates and program quantities, however, changes in underlying assumptions, circumstances or estimates concerning quantities or change in the market conditions, along with not realizing estimated total production costs, may adversely affect future financial performance.

DIVIDENDS

During 2013 the Corporation paid quarterly cash dividends on 58,209,001 Common Shares of $0.03 per Common Share on September 30, 2013 and December 31, 2013 representing aggregate dividends paid in 2013 of approximately $3.5 million. During 2014 the Corporation paid quarterly cash dividends on 58,209,001 Common Shares of $0.04 per Common Share on March 31, 2014, June 30, 2014 and September 30, 2014 and $0.055 per Common Share on December 31, 2014 representing aggregate dividends paid in 2014 of approximately $10.2 million. During 2015 the Corporation paid quarterly cash dividends on 58,209,001 Common Shares of $0.055 per Common Share on March 31, 2015, June 30, 2015 and September 30, 2015 and $0.0575 per Common Share on December 31, 2015 representing aggregate dividends paid in 2015 of approximately $13.0 million. In the first quarter of 2016, the Corporation declared cash dividends of $0.0575 per Common Share payable on March 31, 2016 to shareholders of the record at the close of business on March 11, 2016.

The declaration of dividends is at the discretion of the Board and is approved quarterly. Any decision to pay dividends on the Corporation's Common Shares will be made on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. The Corporation's Bank Facility Agreement restricts the amount of dividends that can be declared and paid.

See "*Risks Inherent in Magellan's Business – Potentially volatile capital markets may reduce the Corporation's financial flexibility and may result in less than optimal financing results*", "*Risks Inherent in Magellan's Business – The Corporation's debt may need to be refinanced and such financing may not be available*" and "*Risks inherent in Magellan's Business – The ability to make future dividend payments may be impacted by factors not within the control of the Corporation*".

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Magellan has authorized for issuance an unlimited number of Common Shares of which 58,209,001 Common Shares were outstanding as at December 31, 2015. The holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of Magellan; to receive dividends as and when declared by the Board on the Common Shares as a class, and subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes; and in the event of any liquidation, dissolution or winding-up of Magellan, whether voluntary or involuntary, or any other distribution of the assets of Magellan among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of Magellan ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the shares of any other class of shares of Magellan ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of Magellan as are available for distribution.

Preference Shares

Magellan also has authorized an unlimited number of Preference Shares which may at any time or from time to time be issued in one or more series. Before any Preference Shares of a particular series are issued, the Board shall, by resolution, fix the number of Preference Shares that will form such series and shall, subject to the limitations set out in the Corporation's articles, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the Preference Shares of such series. The Preference Shares of each series shall rank on parity with the Preference Shares of every other series with respect to accumulated dividends and return of capital. The Preference Shares are entitled to a preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. As at December 31, 2015 there were no Preference Shares outstanding.

BORROWINGS

The Corporation had the following financing arrangement as at December 31, 2015:

Bank Credit Facility

The Corporation has an operating credit facility pursuant to the Bank Facility Agreement, which was amended in September 2014, with a Canadian dollar limit of $95 million, a US dollar limit of $35 million and British Pound limit of £11 million (approximately $166 million in aggregate at December 31, 2015) which expires on September 30, 2018. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The Bank Facility Agreement also includes a Cdn$50 million uncommitted accordion provision which will provide Magellan with the option to increase the size of the operating credit facility to approximately $200 million. The guarantee of the facility by the Chairman of the Board, which had supported the Corporation since 2005, was released at the time the Bank Facility Agreement was amended in September 2014. The credit agreement was amended on December 4, 2015 to include a short term bridge credit facility that increased the operating credit facility by US$10 million ($13.8 million at December 31, 2015). The bridge credit facility, which was arranged to enhance liquidity following the Ripak acquisition, expired on March 4, 2016. Magellan has agreed in the amended Bank Facility Agreement to maintain a fixed charge coverage ratio, total leverage ratio and to limit capital expenditures, the failure of which will create an event of default pursuant to the Bank Facility Agreement. The fixed charge coverage ratio is the ratio of (a) earnings before interest, taxes, depreciation and amortization less unfinanced capital expenditures less cash taxes less distributions permitted by the lenders, to (b) the sum of scheduled principal payments paid plus interest expense plus capital lease payments made. The total leverage ratio is ratio of (a) total indebtedness as at such time to (b) EBITDA (defined as net income before interest, income taxes, depreciation and amortization), for the most recently completed four financial quarters. The Corporation has agreed that its capital expenditures and dividend payments will not exceed specified amounts agreed upon with the lenders.

See *"Risks Inherent in Magellan's Business – The Corporation's debt may need to be refinanced and such refinancing may not be available".* For more information in relation to the Bank Facility Agreement, reference is made to Note 10 of the Corporation's consolidated financial statements for the year ended December 31, 2015 filed on SEDAR at www.sedar.com, which note is incorporated by reference into this Annual Information Form and see "G*eneral Development of the Business – Financing Matters*", "*Material Contracts*" and "*Interest of Management and Others in Material Transactions*".

MARKET FOR SECURITIES

The Corporation's Common Shares are listed and posted for trading on the TSX under the symbol "MAL".

The following chart shows the high and low closing prices and the aggregate volumes traded of the Common Shares on the TSX for each month in 2015:

Month	Low ($)	High ($)	Volume
January	11.34	13.75	376,802
February	13.08	14.65	387,382
March	11.91	14.20	612,978
April	13.07	14.30	427,012
May	13.50	17.75	939,809
June	16.15	18.15	644,688
July	15.94	19.20	1,064,266
August	13.71	20.25	1,475,426
September	15.16	17.38	541,607
October	15.54	18.36	447,996
November	15.72	18.48	528,716
December	15.17	16.95	585,792

DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of the Corporation, the offices held by them in the Corporation, their principal occupations and the year each director first became a director are set out below. Each of the directors, except for Larry G. Moeller, who was not a director for the period from August 14, 1999 to March 3, 2000, has served continuously as a director since the date he was first elected or appointed, which date is indicated below such director's name. The present term of each director will expire immediately prior to the election of directors at the next annual meeting of shareholders, which is scheduled for May 10, 2016. All of the directors are nominees for election at such annual meeting. Each of the directors and officers has been engaged in their principal occupation or in other capacities with the same firm or organization for the past five years, except as disclosed in the notes to the following table. The information below concerning each of the Corporation's directors (except for information relating to the committee on which such director is a member) has been provided by the individual director.

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

To the knowledge of management of the Corporation, no proposed director of the Corporation has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director of the Corporation.

Director's Name, Province/State and Country of Residence and Year First Became Director	Office Held	Principal Occupation
N. MURRAY EDWARDS (4) London, United Kingdom (1995)	Chairman of the Board and Director	Corporate Director/Investor December 2015 to present and prior thereto, President, Edco Financial Holdings Ltd. (private consulting and management company)
JAMES S. BUTYNIEC (6) Ontario, Canada (2008)	Vice Chairman and Director	Vice Chairman , Magellan Aerospace Corporation
PHILLIP C. UNDERWOOD (7) Ontario, Canada (2015)	Director	President and Chief Executive Officer, Magellan Aerospace Corporation
BETH M. BUDD BANDLER (2)(5) Ontario, Canada (2014)	Director	President, Beth Bandler Professional Corporation (private legal and business practice)
HON. WILLIAM G. DAVIS (3) Ontario, Canada (1989)	Director	Counsel, Davis Webb LLP (Brampton law firm)

Director's Name, Province/State and Country of Residence and Year First Became Director	Office Held	Principal Occupation
WILLIAM A. DIMMA (1)(2) Ontario, Canada (1989)	Director	Corporate Director
BRUCE W. GOWAN (1)(2)(3)(4)(8) Ontario, Canada (1990)	Director	Corporate Director
LARRY G. MOELLER (5)(9) Alberta, Canada (1995)	Director	President, Kimball Capital Corporation (private consulting and management company)
STEVEN SOMERVILLE (1)(3)(4)(5)(10)(11) Ontario, Canada (2013)	Director	President, Kerr Industries Limited (private vehicle equipment installation company) Co-President, Spectrum Capital Partners Inc. (private equity investment company)

Notes:

(1) Member of the Audit Committee.
(2) Member of the Governance Committee.
(3) Member of the Human Resources and Compensation Committee.
(4) Member of the Pension Committee.
(5) Member of the Environmental and Health & Safety Committee.
(6) Mr. Butyniec served as President and Chief Executive Officer of the Corporation from January 28, 2008 to May 12, 2014 and Chief Executive Officer from May 13, 2014 to December 31, 2014. Effective January 1, 2015, Mr. Butyniec was appointed Vice Chairman of the Board.
(7) Effective January 1, 2015, Mr. Underwood was appointed President and Chief Executive Officer of the Corporation. Mr. Underwood served as President of the Corporation from May 13, 2014 to December 31, 2014 and prior to that was the Vice President, European Operations of the Corporation from 2003 to 2014. The Board appointed Mr. Underwood as a director of the Corporation on March 20, 2015.
(8) Mr. Gowan was a director of a private company, resigning effective November 29, 2015. The company was ordered into receivership on December 21, 2015 pursuant to an order of the Ontario Superior Court of Justice.
(9) Mr. Moeller was a director of Protective Products of America, Inc. when such corporation and its subsidiaries filed on January 13, 2010 voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Florida, Fort Lauderdale Division. On January 14, 2010, the shares of such corporation were suspended from trading on the TSX and were delisted on February 19, 2010 for failure to meet continued listing requirements.
(10) Mr. Somerville was appointed President of Kerr Industries Limited effective February 22, 2016. Mr. Somerville was Co-President of Spectrum Capital Partners Inc. from 2012 to 2016. Prior to that Mr. Somerville was President of Bank of Montreal Capital Corporation from 2001 to 2012.
(11) Mr. Somerville was a director, resigning effective June 30, 2014, of CanAm Coal Corporation. The corporation and its subsidiaries filed on May 28, 2015 voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Alabama. On May 7, 2015 and on May 8, 2015, the Alberta Securities Commission and British Columbia Securities Commission, respectively, issued cease trade orders in connection with the CanAm Coal Corporation's failure to file its audited consolidated financial statements for the year-ended December 31, 2014 and its related management discussion and analysis and management certifications. On May 7, 2015 the shares of CanAm Coal Corporation were suspended from trading on the TSX Venture Exchange for failure to meet continued listing requirements.

Executive Officer's Name and Province/State and Country of Residence	Office Held	Principal Occupation
PHILLIP C. UNDERWOOD(1) Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer, Magellan Aerospace Corporation
ELENA M. MILANTONI(2) Ontario, Canada	Chief Financial Officer and Corporate Secretary	Chief Financial Officer and Corporate Secretary, Magellan Aerospace Corporation
MARK ALLCOCK (3) Ontario, Canada	Vice President, Information Technology	Vice President, Information Technology, Magellan Aerospace Corporation
JO-ANN C. BALL Ontario, Canada	Vice President, Human Resources	Vice President, Human Resources, Magellan Aerospace Corporation
LARRY A. WINEGARDEN Ontario, Canada	Vice President, Corporate Strategy	Vice President, Corporate Strategy, Magellan Aerospace Corporation
KAREN YOSHIKI-GRAVELSINS Ontario, Canada	Vice President, Corporate Stewardship and Operational Excellence	Vice President, Corporate Stewardship and Operational Excellence, Magellan Aerospace Corporation
DANIEL R. ZANATTA Ontario, Canada	Vice President, Business Development, Marketing and Contracts	Vice President, Business Development, Marketing and Contracts, Magellan Aerospace Corporation

Notes:

(1) Effective January 1, 2015 Mr. Underwood was appointed President and Chief Executive Officer of the Corporation. From May 13, 2014 to December 31, 2014, Mr. Underwood was President of the Corporation. Prior to that, Mr. Underwood was Vice President, European Operations.

(2) Effective January 1, 2016, Ms. Milantoni was appointed Chief Financial Officer and Corporate Secretary of the Corporation. From January 1, 2014 to December 31, 2015, Ms. Milantoni was Vice President, Finance and Treasurer. Prior to that, Ms. Milantoni was Corporate Controller and Treasurer.

(3) Effective January 1, 2015, Mr. Allcock was appointed Vice President, Information Technology. From June 2012 to December 31, 2014, Mr. Allcock was Director of Information Technology ("IT"), European Operations. From December 2008 to July 2011, Mr. Allcock was Head of IT at Boots Contract Manufacturing Ltd.

As at March 18, 2016, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 45,358,788 Common Shares representing approximately 78.0% of the outstanding Common Shares of the Corporation.

Circumstances may arise where members of the Board serve as directors or officers of corporations which are in competition to the Corporation's interests. No assurances can be given that opportunities identified by such Board members will be provided to the Corporation.

The *Business Corporations Act* (Ontario) (the "Act") provides that in the event that a director has an interest in a contract or proposed contract or agreement with the Corporation, the director shall disclose his interest in such contract or agreement and shall not attend any part of the meeting of directors during which the contract or transaction is discussed and not vote on any matter in respect of such contract or agreement unless otherwise provided under such Act. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of such Act.

AUDIT COMMITTEE

The Audit Committee's Charter

The Board has established an audit committee (the "Audit Committee") with the responsibility for monitoring the Corporation's systems and procedures for financial reporting, risk management and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved by the Board. The current Charter of the Audit Committee is set out in full in Appendix "A" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is composed of the following three members: William A. Dimma, Bruce W. Gowan and Steven Somerville. Each of the Audit Committee members is independent and financially literate within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110") which means that each of them (i) has no direct or indirect material relationship with the Corporation, other than being one of its directors, and (ii) has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's consolidated financial statements.

Relevant Education and Experience

Each member of the Audit Committee has developed considerable experience and expertise related to financial and accounting matters which are relevant to the performance of their respective responsibilities as an Audit Committee member. More particularly, each of them has developed and acquired (i) an understanding of the accounting principles used by the Corporation to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as Audit Committee members.

William A. Dimma

Mr. Dimma is the Chairman of the Audit Committee. Mr Dimma has been a director of the Corporation since 1989 and a member and chairman of the Audit Committee since 1995.

Mr. Dimma received an engineering degree (B.A. Sc.) from the University of Toronto, an M.B.A. from York University, and a D.B.A. from Harvard University. He is also a P.Eng. and an ICD.D.

Bruce W. Gowan

Mr. Gowan, a Chartered Professional Accountant, has been a director of the Corporation since 1990, a member of the Audit Committee since 2000 and was Chief Financial Officer of the Corporation during the period 1983 to 1999.

Mr. Gowan completed his academic requirements for his Chartered Professional Accountancy designation, Ontario, through Queen's University.

Steven Somerville

Mr. Somerville has been a director of the Corporation since 2013 and a member of the Audit Committee since 2014. Mr. Somerville is an experienced business executive.

Mr. Somerville holds a Bachelor of Arts (Economics) degree and an MBA with distinction from the Ivey School of Business, University of Western Ontario. He is also an ICD.D.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all permitted audit, audit–related and non-audit services to be performed by Ernst & Young LLP, the Corporation's external auditors.

External Auditor Service Fees

The following is the aggregate fees billed by the Corporation's external auditors, Ernst & Young LLP in each of the last two fiscal years by category of services provided:

	Fiscal year ended December 31	
	2015	2014
Audit fees	$1,487,100	$1,440,000
Audit-related fees	10,750	46,335
Tax fees	85,400	80,625
All other fees	Nil	Nil
Total	$1,583,250	$1,566,960

Audit Fees. Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

Audit-Related Fees. Audit-related fees are for assurance and related services, such as due diligence services that traditionally are performed by the external auditor.

Tax Fees. Tax fees are principally for assistance in tax compliance, tax advisory services on research and development credits and transfer pricing.

All Other Fees. All other fees are fees paid to the Corporation's external auditor that are not audit fees, audit-related fees or tax fees.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that the Corporation is or was a party to, or that any of the Corporation’s property is or was the subject of, during the most recently completed financial year, that were or are material to the Corporation, and there are not such material legal proceedings that management is currently aware of that are contemplated.

There were not: (a) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year; (b) other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the Corporation's last three completed financial years or during the current financial year as of March 18, 2016, no director or executive officer of the Corporation, or any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the Corporation's outstanding voting securities, or an associate or affiliate of any of the foregoing persons or companies, had or has any material interest, direct or indirect, in any transaction with the Corporation that has materially affected or will materially affect the Corporation other than as described herein and below.

1. On April 28, 2011, Mr. Edwards, the Chairman of the Board, agreed to fully guarantee and secure the obligations of Magellan under the Bank Facility Agreement until April 28, 2013. The fee payable to Mr. Edwards was 0.63% per annum ($1.4 million was paid for year ended December 31, 2011) of the principal amount guaranteed. On December 21, 2012, the maturity date of the operating credit facility was extended to December 21, 2014 and continued to be fully guaranteed by Mr. Edwards in consideration of the continued payment by the Corporation to Mr. Edwards of an annual fee, payable monthly, equal to 0.50% per annum ($ 1.1 million, $0.8 million and $0.6 million were paid for years ended December 31, 2012, 2013 and 2014 respectively) of the principal amount guaranteed. On September 30, 2014 the maturity date of the operating credit facility was extended to September 30, 2018 and the guarantee of the facility by Mr. Edwards was released. For additional information, reference is made to "*General Development of the Business – Financing Matters*", "*Borrowings – Bank Credit Facility*", "*Material Contracts*" and Note 25 to the Corporation's consolidated financial statements for the year ended December 31, 2015 which have been filed on SEDAR at www.sedar.com and which is incorporated herein by reference.

2. On April 28, 2011, the Secured Subordinated Loan was restated and extended to July 1, 2013 on the same terms and conditions except that the interest rate was reduced from 11% to 7.5% per annum in consideration of the payment of a one-time extension fee of 1% of the principal amount outstanding as of July 1, 2011. On December 21, 2012, the Secured Subordinated Loan was extended to January 1, 2015 on the same terms and conditions in consideration of the payment of a fee to Edco equal to 0.75% of the principal amount outstanding as of December 21, 2012. The Corporation had the right to prepay the Secured Subordinated Loan at any time without penalty. During 2012 and 2013, the Corporation prepaid the Secured Subordinated Loan by $65 million resulting in an ending balance of $nil. The Secured Subordinated Loan was secured by subordinated mortgages on two of Magellan's real properties. For additional information as to the terms of the Secured Subordinated Loan, see "*General Development of the Business – Financing Matters"*.

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

Name and Address of Holder	Class of Shares	Type of Ownership	Number of Common Shares	Percentage of Common Shares
N. Murray Edwards London, United Kingdom	Common Shares	Direct and Indirect	43,056,979	74.0%

MATERIAL CONTRACTS

The only material contract of the Corporation that was entered into within the most recently completed financial year, or entered into before the most recently completed financial year which is still in effect, other than contracts entered into in the ordinary course of business, is the amended and restated credit agreement dated September 30, 2014 (the "Bank Facility Agreement") between Magellan and a number of lenders. See "*General Development of the Business – Financing Matters*" and "*Borrowings – Bank Credit Facility*".

For more information, see Note 10 to the Corporation's consolidated financial statements for the year ended December 31, 2015 filed on SEDAR at www.sedar.com and which is incorporated herein by reference.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., Toronto, Ontario is the transfer agent and registrar for the Corporation's Common Shares.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by the Corporation during, or related to, its most recently completed financial year other than Ernst & Young LLP, the Corporation's external auditors. Ernst & Young LLP is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information relating to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's voting shares and corporate governance matters relating to the Corporation will be contained in the Corporation's Management Information Circular which relates to the annual meeting of shareholders of the Corporation to be held on Tuesday, May 10, 2016. Additional financial information is provided in the Corporation's consolidated financial statements for the year ended December 31, 2015 and management's discussion and analysis which have been filed on SEDAR at www.sedar.com.

Copies of the management information circular, the consolidated financial statements, including any interim financial statements, management's discussion and analysis, additional copies of this Annual Information Form, any other documents incorporated therein by reference may be obtained upon request from the Secretary of the Corporation at the head office, Magellan Aerospace Corporation, 3160 Derry Road East, Mississauga, Ontario, L4T 1A9. Telephone: (905) 677 1889; Facsimile: (905) 677 5658.

APPENDIX "A"

MAGELLAN AEROSPACE CORPORATION

CHARTER OF THE AUDIT COMMITTEE

MANDATE

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Magellan Aerospace Corporation (the "Corporation") to assist the Board in its oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting, and disclosure practises followed by the Corporation and its subsidiaries.

The Committee's primary duties and responsibilities are to:

- Review and assess management's identification of principal financial risks and monitor the process to manage such risks.
- Review and assess management's overall process to identify principal risks that could affect the achievement of the Corporation's business plans.
- Monitor and report on the integrity of the Corporation's financial statements, financial reporting processes and systems of internal controls regarding financial reporting and accounting compliance and compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.
- Select and recommend to the Board for appointment by the shareholders, the Corporation's external auditors and the fee of the external auditors.
- Pre-approve all audit and non-audit services to be provided by the Corporation's external auditors consistent with all applicable laws and establish the fees and other compensation to be paid to the external auditors.
- Oversee the work of the external auditors.
- Monitor the independence and performance of the Corporation's external auditors.
- Monitor the performance of the internal audit processes.
- Establish procedures for the receipt, retention, response to and treatment of complaints, including confidential anonymous submissions by the Corporation's employees, regarding accounting, internal control or auditing matters.
- Provide an avenue of communication among the external auditors, management, the internal auditing function, and the Board.
- Report to the Board.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct management to particular areas of examination.

MAJOR RESPONSIBILITIES AND FUNCTIONS

Review Procedures

Review the Committee's Charter at least annually and approve a summary of the Committee's composition and responsibilities in the Corporation's annual report or other public disclosure documentation. Ensure the processes are in place to annually evaluate the performance of the Committee and report to the Board on the results of such evaluation.

Annual Financial Statements

1. Review the Corporation's annual audited financial statements and related documents prior to their filing or distribution. Such review to include:

    (a) A review with the external auditors and management of the annual financial statements and related footnotes including significant issues and disclosures regarding accounting policies and practices and any changes thereto.

    (b) A review with the external auditors and management of the use of off-balance sheet financing, if any, including management's risk assessment and adequacy of disclosure.

    (c) A review with the external auditors of the audit plan and the results of the audit including any significant changes required in the audit plan.

    (d) A review of any significant disagreements between the external auditors and management encountered during the course of the audit, including any restrictions on the scope of the external auditors' work or access to required information.

    (e) A review of other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

2. Review and formally recommend approval to the Board of the Corporation's:

    (a) Year-end audited financial statements and disclosures.

    (b) Annual earnings press releases.

    (c) Management's Discussion and Analysis.

    (d) Annual Information Form.

    (e) All prospectuses and information circulars as to financial information provided therein.

Quarterly Financial Statements

1. Review with management and the external auditors and recommend for approval to the Board the Corporation's:

    (a) Quarterly unaudited financial statements and related documents, including management's discussion and analysis and interim earnings press releases.

    (b) Any significant changes to the Corporation's accounting principles.

Other Financial Filings and Public Documents

1. Review financial information contained in any filings with the securities regulators or news releases related thereto and consider whether the information is consistent with the information contained in the financial statements of the Corporation.

Internal Control Environment

1. Ensure that management and the external auditors provide to the Committee an annual report on the Corporation's financial control environment as it pertains to the Corporation's financial reporting process and controls.

2. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation.

3. Review the effectiveness of the overall process for identifying the principal risks affecting the achievement of business plans and provide the Committee's view to the Board.

4. Review, in consultation with management and the external auditors, the degree of coordination in management's audit plans relating to the internal control environment and the external auditors audit plan and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit effort to assure completeness of coverage and the effective use of audit resources. Any recommendations made by the auditors for the strengthening of internal controls shall be reviewed and discussed with management.

5. Review the hedging and risk management policies and procedures of the Corporation.

6. Review legal and regulatory matters that may have a material impact on the interim or annual financial statements, related Corporation compliance policies and programs and reports received from regulators.

7. Review policies and procedures with respect to officers' and directors' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the external auditors.

8. Review all related party transactions between the Corporation and any officers or directors.

9. Review incidents of fraud, illegal acts and conflicts of interest.

10. Oversee the internal audit function including:

    (a) Reviewing the annual internal audit plan including risk assessment, the location and activities elected to insure appropriate involvement in the control systems and financial reporting, time and cost budgets, resources (both personnel and technological) and organizational reporting structure;

    (b) Reviewing internal audit progress, findings, recommendations and follow up actions;

    (c) Private discussions as to internal audit independence, co-operation received from management, interaction with external audit and any unresolved material disagreements with management;

    (d) Annual approval of internal audit mandates;

    (e) Monitoring of compliance with the Corporation’s code of conduct.

External auditors

1. Meet quarterly with the external auditors to review amongst other things the quarterly and annual financial statements of the Corporation and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chairman of the Committee or by a majority of the members of the Committee.

2. Review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) requesting, receiving and reviewing, no less than annually, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation and its affiliates, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.

3. Review:

   (a) The external auditor's performance, and make a recommendation to the Board regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors.

   (b) The terms of engagement of the external auditors together with their proposed fees.

   (c) External audit plans and results.

   (d) Any other related audit engagement matters.

   (e) The engagement of the external auditors to perform non-audit services, if any, together with the fees therefor, and the impact thereof, on the independence of the external auditors.

4. Consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors, including a review of management consulting services and related fees provided by the external auditors compared to those of other audit firms.

Other matters

1. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.

2. Report Committee actions to the Board with such recommendations, as the Committee may deem appropriate.

3. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

4. Perform such other functions as required by law, the Corporation's mandate or By-laws, or the Board.

5. Consider any other matters referred to it by the Board.

6. Nothing contained in this charter is intended to transfer to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Corporation's financial statements are complete

and accurate and are in accordance with generally accepted accounting principles, or to design or implement an effective system of internal controls. Such matters are the responsibility of management and the independent external auditors, as the case may be. Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditors.

OPERATION OF COMMITTEE

Reporting

The Committee shall report to the Board following each meeting of the Committee.

Composition of Committee

The Committee shall consist of not less than 3 nor more than 5 directors all of whom shall qualify as independent directors. All members of the Committee shall have the financial literacy to be able to read and understand the Corporation's financial statements and to understand the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. In addition, the Committee's composition, including the qualifications and experience of its members, shall comply with the applicable requirements of the Toronto Stock Exchange ("TSX"), the Ontario Securities Commission (the "OSC") and other securities regulatory authorities to which the Corporation may be subject, as adopted or in force or amended from time to time. The Board will consider the appropriateness of the application of all TSX guidelines and OSC rules and recommendations regarding the composition of the Committee.

Appointment of Committee Members

Members of the Committee shall be appointed by the Board at a meeting, typically held immediately after the annual shareholders' meeting, provided that any member may be removed or replaced at any time by the Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board.

Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

Chairman

The Chairman of the Board, based on the recommendation of the Corporate Governance and Nominating Committee, will recommend an independent director as Chairman of the Committee to the Board for approval.

If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.

The Chairman presiding at any meeting shall not have a casting vote.

Secretary

The Committee shall appoint a Secretary who need not be a member of the Committee or a director of the Corporation. The Secretary shall keep minutes of the meetings of the Committee.

Committee Meetings

The Committee shall meet at least quarterly at the call of the Chairman. In addition, a meeting may be called by any director or by the external auditors.

Committee meetings may be held in person, by video-conference, by means of telephone or by any combination of any of the foregoing.

Notice of Meeting

Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by e-mail to each member of the Committee and to external auditors at least 48 hours prior to the time fixed for such meeting.

A member may in any manner waive notice of the meeting. Attendance of a member at the meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

Quorum

A majority of committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

Attendance at Meetings

The President and Chief Executive Officer, the Chief Financial Officer, the Vice President Finance, the head of internal audit and any other senior financial employees as the Committee may invite are expected to be available to attend meetings, but a portion of every meeting will be reserved for in-camera discussion without members of management, being present.

The Committee should meet, on a regular basis and without management present, with the head of internal audit, the external auditors, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.

The Committee may by specific invitation have other resource persons in attendance.

The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.

Minutes

Minutes of Committee meetings shall be sent to all Committee members and to the external auditors.

Engaging Outside Resources

The Committee is empowered to engage outside resources, as it deems advisable, at the expense of the Corporation.