MAGELLAN AEROSPACE

QUARTERLY REPORT MARCH 31, 2024

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and the notes thereto for the three month period ended March 31, 2024, and the audited annual consolidated financial statements for the year ended December 31, 2023 (available on SEDAR at www.sedarplus.ca). Unless otherwise noted, all financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the three month period ended March 31, 2024 relative to the three month period ended March 31, 2023. The information contained in this report is as at April 30, 2024. All financial references are in Canadian dollars unless otherwise noted.

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

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

1. Overview

A summary of Magellan's business and significant updates

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, controlled entity and joint venture, 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.

Magellan operates substantially all of its activities in one reportable segment, Aerospace, which is viewed as one segment by the chief operating decision-makers for the purpose of resource allocations, assessing performance and strategic planning. The Aerospace segment includes the design, development, manufacture, repair and overhaul, and sale of systems and components for defence and civil aviation.

The Industry and the Supply Chain

Though global air travel has seen signs of recovery with both domestic and international revenue passenger kilometers, on a combined basis, approaching pre-COVID 19 pandemic levels, Magellan's financial results and operations continue to be influenced by overhanging impacts from the pandemic. These impacts include customer build rate adjustments (and the impact on production scheduling), higher input prices for goods and services, limited availability of products, disruptions to supply chains and labour shortages. Magellan continues to manage these impacts and strives to mitigate their effect on Magellan's operations, supply chain, and most importantly the health and safety of its employees.

In the first three months of 2024, 65.1% of revenues were derived from commercial markets while 34.9% of revenues related to defence markets.

Business Update
On February 28, 2024, Magellan announced an agreement between Magellan Aerospace (UK) Limited and Airbus to continue to supply major structural wing components for Airbus' single aisle family of aircraft. The high-strength, lightweight components will be delivered from Magellan's leading-edge long bed machining centre in our Wrexham facility from January 2024. The agreement focuses on the production of precision-machined wing spars for use on the A320 family of aircraft. Wing spars are large, machined components that provide support and strength to the wing structure. Magellan will expand its industry-leading long bed machining capability at the Wrexham facility to ensure continued delivery of quality products that meet the expectations of the customer.

For additional information, please refer to the "Management's Discussion and Analysis" section of the Corporation's 2023 Annual Report available on www.sedarplus.ca.

2. Results of Operations

A discussion of Magellan's operating results for the first quarter ended March 31, 2024

The Corporation reported revenue in the first quarter of 2024 of $235.2 million, an $11.8 million or 5.3% increase from the first quarter of 2023 revenue of $223.4 million. Gross profit and net income for the first quarter of 2024 were $23.8 million and $6.3 million, respectively, in comparison to gross profit of $22.3 million and net income of $3.9 million for the first quarter of 2023.

Consolidated Revenue

	Three month period ended March 31		
Expressed in thousands of dollars	**2024**	2023	Change
Canada	**91,928**	98,106	(6.3)%
United States	**67,999**	56,434	20.5%
Europe	**75,316**	68,836	9.4%
Total revenues	**235,243**	223,376	5.3%

Revenues in Canada decreased 6.3% in the first quarter of 2024 compared to the corresponding period in 2023, primarily due to reduced revenues in the defence and space product portfolio.

Revenues in the United States increased by 20.5% in the first quarter of 2024 compared to the first quarter of 2023, mainly due to volume increases for fighter and wide body aircraft, higher casting product revenues and favourable foreign exchange impacts due to the strengthening of the United States dollar relative to the Canadian dollar.

European revenues in the first quarter of 2024 increased 9.4% compared to the corresponding period in 2023 primarily driven by volume increases for wide body aircraft, and favourable foreign exchange impacts as the United States dollar strengthened relative to the British pound.

Gross Profit

	Three month period ended March 31		
Expressed in thousands of dollars	**2024**	2023	Change
Gross profit	**23,817**	22,262	7.0%
Percentage of revenues	**10.1%**	10.0%	

Gross profit of $23.8 million for the first quarter of 2024 was $1.5 million higher than the $22.3 million gross profit for the first quarter of 2023, and gross profit as a percentage of revenues of 10.1% for the first quarter of 2024 increased from the 10.0% recorded in the same period in 2023. The gross profit in the current quarter increased from the same quarter in the prior year as a result of volume increases and contract rehabilitations on certain programs in addition to favourable product mix, offset in part by supply chain disruptions and material cost increases.

Administrative and General Expenses

Three month period

		ended March 31	
Expressed in thousands of dollars	**2024**	2023	Change
Administrative and general expenses	**14,237**	14,347	(0.8)%
Percentage of revenues	**6.1%**	6.4%	

Administrative and general expenses as a percentage of revenues of 6.1% for the first quarter of 2024 were lower on a nominal basis than the same period of 2023. Administrative and general expenses decreased $0.1 million or 0.8% to $14.2 million in the first quarter of 2024 compared to $14.3 million in the first quarter of 2023 mainly due to decreases in pension and professional services expenses, offset in part by increases in technology related expenses.

Restructuring

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Restructuring	**-**	244

Restructuring in 2023 was primarily related to ongoing costs associated with the closure of the Bournemouth facility and dismantling its former operations.

Other

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Foreign exchange (gain) loss	**(734)**	1,222
Loss (gain) on disposal of property, plant and equipment	**24**	(19)
Other	**(202)**	-
Total other	**(912)**	1,203

Other for the first quarter of 2024 included a $0.7 million foreign exchange gain compared to a $1.2 million foreign exchange loss in the first quarter of the prior year. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange gain or loss recorded in a quarter.

Other for the first quarter of 2024 also includes a $0.2 million settlement gain relating to the settlement of various pension obligations in conjunction with the purchase of group annuity contracts related to the Corporation's defined benefit pension plans.

Interest Expense

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Interest on bank indebtedness and long-term debt	**709**	173
Accretion charge on long-term debt and borrowings	**175**	226
Accretion charge for lease liabilities	**369**	407
Discount on sale of accounts receivable	**57**	-
Total interest expense	**1,310**	806

Total interest expense of $1.3 million in the first quarter of 2024 increased by $0.5 million compared to the first quarter of 2023, mainly due to higher interest on bank indebtedness and long-term debt as a result of increased interest rates and higher principal amounts borrowed in the quarter as compared to the prior year.

Provision for Income Taxes

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Current income tax expense	**3,494**	4,433
Deferred income tax recovery	**(623)**	(2,631)
Total income tax expense	**2,871**	1,802
Effective tax rate	**31.3%**	31.8%

Income tax expense for the three months ended March 31, 2024 was $2.9 million, representing an effective income tax rate of 31.3% compared to 31.8% for the same period of 2023. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in mix of income and loss across the different jurisdictions in which the Corporation operates and the reversal of temporary differences.

3. Selected Quarterly Financial Information

A summary view of Magellan's quarterly financial performance

	2024	2023						2022
Expressed in millions of dollars, except per share amounts	**Mar 31**	Dec 31	Sep 30	Jun 30	**Mar 31**	Dec 31	Sep 30	Jun 30
Revenues	**235.2**	223.5	213.0	219.7	223.4	193.1	191.1	192.7
Income (loss) before taxes	**9.2**	4.4	4.7	6.1	5.7	(20.9)	2.5	1.2
Net income (loss)	**6.3**	(0.3)	3.7	1.9	3.9	(20.8)	0.6	0.5
Net income (loss) per share								
Basic and diluted	**0.11**	(0.00)	0.06	0.03	0.07	(0.36)	0.01	0.01
EBITDA[1]	**21.7**	15.9	17.7	19.3	18.3	(8.5)	14.7	14.0
Adjusted EBITDA[1]	**21.7**	16.4	18.5	19.5	18.6	(4.8)	14.8	14.0

[1] EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 4 the "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for more information.

Revenues and net income in the quarter were impacted by the movements of the Canadian dollar relative to the United States dollar and British pound, when the Corporation translates its foreign operations to Canadian dollars. Further, the movements in the United States dollar relative to the British pound impact the Corporation's United States dollar exposures in its European operations. During the periods reported, the average quarterly exchange rate of the United States dollar relative to the Canadian dollar fluctuated between a high of 1.3619 in the fourth quarter of 2023 and a low of 1.2663 in the second quarter of 2022. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.7103 in the first quarter of 2024 and hit a low of 1.5350 in the third quarter of 2022. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.2680 in the first quarter of 2024 and hit a low of 1.1747 in the fourth quarter of 2022.

Revenue for the first quarter of 2024 of $235.2 million was higher than that in the first quarter of 2023. The average quarterly exchange rate of the United States dollar relative to the Canadian dollar in the first quarter of 2024 was 1.3488 versus 1.3518 in the same period of 2023. The average quarterly exchange rate of the British pound relative to the Canadian dollar moved from 1.6429 in the first quarter of 2023 to 1.7103 during the current quarter. The average quarterly exchange rate of the British pound relative to the United States dollar increased from 1.2154 in the first quarter of 2023 to 1.2680 in the current quarter.

The Corporation's results through-out fiscal 2022 and 2023 were negatively impacted by the continued effects of the COVID-19 pandemic via reduced volumes and supply chain disruptions. The decrease in profitability in the fourth quarter of 2022 was mainly the result of the effect of inflation in materials, supplies, utilities and labour; and supply chain disruptions which impacted production of goods resulting in production system inefficiencies and lower absorption of manufacturing supplies. These impacts, although not as significant, continued to impact the results in 2023. Compared to the second quarter of 2022, the Corporation has seen modest, albeit uneven, growth in quarterly revenues as global air travel continues to recover to pre COVID-19 levels.

4. Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

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

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Net income	**6,311**	3,860
Interest	**1,310**	806
Taxes	**2,871**	1,802
Depreciation and amortization	**11,206**	11,864
EBITDA	**21,698**	18,332
Add back:		
Restructuring	**—**	244
Adjusted EBITDA	**21,698**	18,576

Adjusted EBITDA in the first quarter of 2024 increased $3.1 million or 16.8% to $21.7 million in comparison to $18.6 million in the same quarter of 2023 mainly as a result of higher net income driven largely by volume increases, contract rehabilitations and favourable product mix, higher interest and taxes, and lower depreciation and amortization expenses.

5. Liquidity and Capital Resources

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

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

Cash Flow from Operations

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Decrease (increase) in trade receivables	**2,382**	(29,213)
Increase in contract assets	**(5,250)**	(3,821)
Increase in inventories	**(7,513)**	(11,999)
Increase in prepaid expenses and other	**(934)**	(285)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(1,567)**	17,312
Increase (decrease) in contract liabilities	**15,148**	(4,189)
Changes to non-cash working capital balances	**2,266**	(32,195)
Cash provided by (used in) operating activities	**19,827**	(18,367)

For the three months ended March 31, 2024, operating activities provided $19.8 million of cash compared to $18.4 million used in the first quarter of 2023. Changes in non-cash working capital items provided cash of $2.3 million, $34.4 million higher when compared to the usage of $32.2 million in the prior year. This increase is largely attributable to decreases in accounts receivables from timing of customer payments, increases in contract liabilities due to timing of customer deposits offset in part by increases in contract assets and inventories, and decreases in accounts payable, accrued liabilities and provisions primarily driven by timing of material purchases and supplier payments.

Investing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Purchase of property, plant and equipment	**(6,295)**	(3,563)
Proceeds of disposal of property plant and equipment	**7**	166
Increase in intangible and other assets	**(1,240)**	(662)
Cash used in investing activities	**(7,528)**	(4,059)

Investing activities used $7.5 million of cash for the first quarter of 2024 compared to $4.1 million of cash used in the same quarter of the prior year, an increase of $3.4 million in investing activities due to higher spending on intangible and other assets and higher levels of investment in property, plant and equipment.

Financing Activities

	Three month period ended March 31	
Expressed in thousands of dollars	**2024**	2023
Decrease in bank indebtedness	**(6,662)**	—
Decrease in long-term debt	**(540)**	(540)
Lease liability payments	**(1,371)**	(1,386)
Decrease in borrowings subject to specific conditions, net	**(1,276)**	(1,323)
Decrease in long-term liabilities and provisions	**(67)**	—
Common share repurchases	**(384)**	(208)
Common share dividends	**(1,429)**	(1,436)
Cash used in financing activities	**(11,729)**	(4,893)

Financing activities used $11.7 million of cash in the first quarter of 2024 compared to $4.9 million of cash used in the same quarter of the prior year. In the current quarter, cash usage was mainly for the repayment of bank indebtedness, the payment of common share dividends, lease liability payments and decreases in borrowings subject to specific conditions.

On June 14, 2023, the Corporation extended its Bank Credit Facility Agreement ("2023 Credit Facility") with a syndicate of lenders for an additional two-year period expiring on June 30, 2025. The 2023 Credit Facility provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of $75 million. The 2023 Credit Facility also includes a $75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to $150 million. Extensions of the 2023 Credit Facility are subject to mutual consent of the syndicate of lenders and the Corporation. At March 31, 2024, there were drawings under the 2023 Credit Facility of $26.9 million, including letters of credit totaling $3.6 million.

As at March 31, 2024, the Corporation had contractual commitments to purchase $10.5 million of capital assets.

Dividends
During the first quarter of 2024, the Corporation declared and paid a quarterly cash dividend of $0.025 per common share representing an aggregating dividend payment of $1.4 million.

Subsequent to March 31, 2024, the Corporation announced that its Board of Directors had declared a quarterly cash dividend on its common shares of $0.025 per common share. The dividend will be payable on June 28, 2024 to shareholders of record at the close of business on June 14, 2024. The Board of Directors of the Corporation continues to review its dividends on a quarterly basis to ensure that the dividend declared balances the return of capital to shareholders while maintaining adequate financial flexibility and funds available for growth initiatives.

Normal Course Issuer Bid
On May 25, 2023, the Corporation's application to extend its normal course issuer bid ("2023 NCIB") was approved, which allows the Corporation to purchase up to 2,868,106 common shares between May 27, 2023 and May 26, 2024. During the first quarter of 2024, the Corporation purchased 49,456 common shares for cancellation at a volume weighted average price of $7.76 per common share at a cost of $0.4 million.

Outstanding Share Information

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at April 30, 2024, 57,163,773 common shares were outstanding and no preference shares were outstanding.

6. Financial Instruments

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts (forwards and collars), the Corporation is obligated to purchase specified amounts of currency at predetermined dates and exchange rates if certain conditions are met. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. A number of these contracts are designated as cash flow hedges.

As at March 31, 2024, foreign exchange contracts of USD $16.2 million and GBP 23.5 million were outstanding with a mark-to-market fair value gain of less than $0.1 million. In addition, the Corporation had foreign exchange collar contracts outstanding of USD $55.2 million, which extend to June 2025, with a mark-to-market fair value loss of $1.7 million.

As at March 31, 2024, the Corporation has $1.7 million of derivative liabilities as the fair value of its derivative contracts [December 31, 2023 - $1.3 million] in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

Off-Balance Sheet Arrangements

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

7. Related Party Transactions

A summary of Magellan's transactions with related parties

For the three month period ended March 31, 2024, the Corporation had no material transactions with related parties as defined in IAS 24, *Related Party Disclosures*.

8. Risk Factors

A summary of risks and uncertainties facing Magellan

The Corporation manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without hindering the ability to maximize returns. Management has procedures to help identify and manage significant operational and financial risks.

For more information in relation to the risks inherent in Magellan's business, reference is made to the information under "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2023 and to the information under "Risks Inherent in Magellan's Business" in the Corporation's Annual Information Form for the year ended December 31, 2023, which have been filed with SEDAR at www.sedarplus.ca.

9. Changes in Accounting Policies

A description of accounting standards adopted in the current year

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2023 and have been applied in preparing the consolidated interim financial statements.

- Amendments to IAS 1 - *Presentation of Financial Statements*, clarifying the requirements for classifying liabilities as current or non-current. The amendments help to determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. These amendments also clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within 12 months. The adoption of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

- Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*, specifying the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The adoption of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

- Amendments to IAS 7 and IFRS 7 - *Supplier Finance Arrangements*, requiring specific disclosure to be presented to enhance current disclosure requirements, which are intended to assist users of the financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The adoption of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

The IASB has issued the following new standard that has not yet been adopted by the Corporation and could have an impact on future periods. The Corporation is currently assessing the potential impact on its consolidated financial statements.

- IFRS 18, *Presentation and Disclosure in Financial Statements* replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements presentation and disclosure.

10. Critical Accounting Estimates

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

In the 2023 audited annual consolidated financial statements and management's discussion and analysis, the Corporation identified the accounting policies and estimates that are critical to the understanding of the business and results of operations. Please refer to note 2 to the audited consolidated financial statements for the year ended December 31, 2023 for a discussion regarding the critical accounting estimates.

11. Controls and Procedures

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

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer and Chief Financial Officer (or individuals performing similar functions as a chief executive officer or chief financial officer) are required to certify as at March 31, 2024 that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

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

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

12. Outlook

The outlook for Magellan's business in 2024

Airbus delivered 142 aircraft in Q1 2024, received net orders of 170 aircraft and closed the quarter with an order backlog of 8,626 aircraft. Comparatively, Boeing delivered 83 aircraft, received net orders of 125 aircraft and closed the quarter with an order backlog of 6,259 aircraft.

Airbus' A320 program build rate is currently at 56 aircraft per month, is planned to reach 62 aircraft per month by the end of 2024 and then 75 aircraft per month by 2026. The A330 build rate is currently at 3.3 aircraft per month with plans to go to 4 aircraft per month in Q3 2024, while the A350 is at 6 aircraft per month with plans to go to 10 aircraft per month in 2026. The A220 build rate is at 7.5 aircraft per month and is planned at 14 aircraft per month in 2026.

When the 737MAX door plug incident occurred, Boeing was transitioning 737 aircraft production from 31 to 38 aircraft per month. The FAA has capped the rate at 38 aircraft, although media reports suggest actual build rates in Q1 2024 were significantly lower. Boeing have stated that they are maintaining the supply chain at 38 aircraft per month. There were no deliveries of the 777 in Q1 2024 due to a shortage of engines. The engine manufacturer, General Electric, is coordinating engine production and delivery schedules with Boeing and airline customers. Boeing's 767 production continues at a rate of 3 aircraft per month, while the 787 build rate is transitioning to 5 aircraft per month.

Both Boeing and Airbus have healthy aircraft order backlogs, which reflect the strong market demand for new commercial aircraft.

In the defence market, US Congress passed the FY 2024 budget, which provides funding of USD $43.6 billion for aircraft procurement, including a USD $3 billion boost over the original request. Programs benefiting are Boeing's P8 Maritime Patrol aircraft and CH47 Chinook helicopter, Sikorsky's H-60 helicopter, Bell-Boeing's V22 Tiltrotor aircraft and Lockheed's C130J Tactical Transport aircraft. Boeing also secured a production contract from the US Navy for a final F/A-18E/F Super Hornet fighter buy. This order will allow Boeing to extend F/A-18 production into 2027, which is two years beyond the previously announced 2025 production end.

Pratt & Whitney received full funding for its Engine Core Upgrade program, which is to provide capability enhancements for its F135 engine and which ends a long-running debate over the future of the F-35 propulsion with an entirely new engine. This budget also includes funding for further development of a sixth-generation fighter under the US Air Force ("USAF") program known as Next Generation Air Dominance ("NGAD").

The downside of this budget revealed USAF plans to purchase fewer total Boeing F-15EXs, and slow the pace of Lockheed Martin F-35 and Boeing T-7A trainer acquisitions. According to the USAF, "this budget request sustains the modernization momentum of operational imperatives while taking a measured risk in the near term." Funds are re-directed towards the USAF's sixth-generation fighter development initiative and the associated effort to build autonomous combat fighters.

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	Notes	Three month period ended March 31 2024	 2023
Revenues	8	**235,243**	223,376
Cost of revenues		**211,426**	201,114
Gross profit		**23,817**	22,262
Administrative and general expenses		**14,237**	14,347
Restructuring		—	244
Other		**(912)**	1,203
Income before interest and income taxes		**10,492**	6,468
Interest		**1,310**	806
Income before income taxes		**9,182**	5,662
Income tax expense (recovery):			
Current	9	**3,494**	4,433
Deferred	9	**(623)**	(2,631)
		2,871	1,802
Net income		**6,311**	3,860
Other comprehensive income (loss):			
Items that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation		**8,984**	3,434
Unrealized (loss) gain on foreign currency contract hedges		**(269)**	768
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial income on defined benefit pension plans, net of tax	5	—	175
Comprehensive income		**15,026**	8,237
Net income per share			
Basic and diluted	6	**0.11**	0.07

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (expressed in thousands of Canadian dollars)	Notes	March 31 2024	December 31 2023
Current assets			
Cash		**2,215**	1,494
Trade and other receivables		**210,615**	211,364
Contract assets		**75,077**	69,052
Inventories		**269,186**	258,448
Prepaid expenses and other		**11,524**	10,441
		568,617	550,799
Non-current assets			
Property, plant and equipment		**361,918**	359,722
Right-of-use assets		**26,135**	26,857
Investment properties		**6,679**	6,632
Intangible assets		**37,201**	37,402
Goodwill		**22,627**	22,159
Other assets	5	**13,638**	13,126
Deferred tax assets		**8,437**	8,376
		476,635	474.274
Total assets		**1,045,252**	1,025,073
Current liabilities			
Bank indebtedness		**9,145**	15,534
Accounts payable, accrued liabilities and provisions		**143,323**	142,713
Contract liabilities	8	**43,179**	27,960
Debt due within one year		**8,790**	9,439
		204,437	195,646
Non-current liabilities			
Lease liabilities		**23,883**	24,314
Borrowings subject to specific conditions		**22,963**	24,166
Other long-term liabilities and provisions	5	**6,104**	6,089
Deferred tax liabilities		**37,235**	37,441
		90,185	92,010
Equity			
Share capital		**249,930**	250,147
Contributed surplus		**2,044**	2,044
Other paid in capital		**13,565**	13,565
Retained earnings		**451,667**	446,952
Accumulated other comprehensive income		**30,047**	21,332
Equity attributable to equity holders of the Corporation		**747,253**	734,040
Non-controlling interest		**3,377**	3,377
		750,630	737,417
Total liabilities and equity		**1,045,252**	1,025,073

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (expressed in thousands of Canadian dollars)	Attributable to equity holders of the Corporation							
	Share capital	Contributed surplus	Other paid in capital	Retained earnings	Foreign currency translation	Total	Non-controlling interest	Total equity
December 31, 2022	251,104	2,044	13,565	442,979	18,661	728,353	3,377	731,730
Net income for the period	—	—	—	3,860	—	3,860	—	3,860
Other comprehensive income for the period	—	—	—	175	4,202	4,377	—	4,377
Common share repurchases	(123)	—	—	(85)	—	(208)	—	(208)
Common share dividends	—	—	—	(1,436)	—	(1,436)	—	(1,436)
March 31, 2023	250,981	2,044	13,565	445,493	22,863	734,946	3,377	738,323
December 31, 2023	250,147	2,044	13,565	446,952	21,332	734,040	3,377	737,417
Net income for the period	—	—	—	6,311	—	6,311	—	6,311
Other comprehensive income for the period	—	—	—	—	8,715	8,715	—	8,715
Common share repurchases	(217)	—	—	(167)	—	(384)	—	(384)
Common share dividends	—	—	—	(1,429)	—	(1,429)	—	(1,429)
March 31, 2024	249,930	2,044	13,565	451,667	30,047	747,253	3,377	750,630

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (expressed in thousands of Canadian dollars)	Notes	**Three month period ended March 31** **2024**	2023
Cash flow from operating activities			
Net income		**6,311**	3,860
Amortization/depreciation of intangible assets, right-of-use assets and property, plant and equipment		**11,206**	11,864
Loss (gain) on disposal of property, plant and equipment		**24**	(19)
Decrease in defined benefit plans		**255**	489
Accretion of financial liabilities		**544**	633
Deferred taxes		**(624)**	(2,981)
Income on investments in joint ventures		**(155)**	(18)
Changes to non-cash working capital		**2,266**	(32,195)
Net cash provided by (used in) operating activities		**19,827**	(18,367)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(6,295)**	(3,563)
Proceeds from disposal of property, plant and equipment		**7**	166
Increase in intangible and other assets		**(1,240)**	(662)
Net cash used in investing activities		**(7,528)**	(4,059)

Cash flow from financing activities			
Decrease in bank indebtedness		**(6,662)**	—
Decrease in debt		**(540)**	(540)
Lease liability payments		**(1,371)**	(1,386)
Decrease in borrowings subject to specific conditions, net		**(1,276)**	(1,323)
Decrease in long-term liabilities and provisions		**(67)**	—
Common share repurchases		**(384)**	(208)
Common share dividends	6	**(1,429)**	(1,436)
Net cash used in financing activities		**(11,729)**	(4,893)
Increase (decrease) in cash during the period		**570**	(27,319)
Cash at beginning of the period		**1,494**	40,940
Effect of exchange rate differences		**151**	186
Cash at end of the period		**2,215**	13,807

See accompanying notes to interim condensed consolidated financial statements

MAGELLAN AEROSPACE CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, expressed in thousands of dollars except share and per share data)

NOTE 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Magellan Aerospace Corporation (the "Corporation" or "Magellan") is a publicly listed company incorporated in Ontario, Canada under the Ontario Business Corporations Act and its shares are listed on the Toronto Stock Exchange ("TSX"). The registered and head office of the Corporation is located at 3160 Derry Road East, Mississauga, Ontario, Canada, L4T 1A9.

The Corporation is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, controlled entity and joint venture, 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 the supply of spare parts as well as through repair and overhaul services.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Corporation's consolidated financial statements and the notes thereto for the year ended December 31, 2023, except for the new accounting pronouncements which have been adopted as disclosed in note 3.

These unaudited interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2023, which are available at www.sedarplus.ca and on the Corporation's website at www.magellan.aero.

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates and
assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates could require a material change in the interim condensed consolidated financial statements in future periods.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on April 30, 2024.

NOTE 3. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Corporation adopted the following accounting standards and amendments that were effective January 1, 2024.

- Amendments to IAS 1 - Presentation of Financial Statements, clarifying the requirements for classifying liabilities as current or non-current. The amendments help to determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. These amendments also clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within 12 months. The adoption of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

- Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*, specifying the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The adoption of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

- Amendments to IAS 7 and IFRS 7 - *Supplier Finance Arrangements*, requiring specific disclosure to be presented to enhance current disclosure requirements, which are intended to assist users of the financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The adoption of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

The IASB has issued the following new standard that has not yet been adopted by the Corporation and could have an impact on future periods. The Corporation is currently assessing the potential impact on its consolidated financial statements.

- IFRS 18, *Presentation and Disclosure in Financial Statements* replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements presentation and disclosure.

NOTE 4. BANK INDEBTEDNESS

The Corporation has a multi-currency operating credit facility with a syndicate of banks, with a Canadian dollar limit of $75,000. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a $75,000 uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. On June 14, 2023 the Corporation extended its credit facility for an additional two-year period expiring on June 30, 2025. Indebtedness under the facility bears interest at the bankers' acceptance or adjusted Secured Overnight Financing Rate ("SOFR") rates plus 1.00%. A fixed and floating charge debenture on accounts receivable, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

As at March 31, 2024, the Corporation had drawn $26,899 [December 31, 2023 - $26,310] under the operating credit facility, including letters of credit totaling $3,593 [December 31, 2023 - $3,561] such that $48,101 [December 31, 2023 – $48,690] was available to be drawn on.

NOTE 5. EMPLOYEE FUTURE BENEFITS

The Corporation has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to substantially all of its employees.

The employee benefit reflected in the interim condensed consolidated statement of financial position is as follows:

	March 31 2024	December 31 2023
Included in Other Assets - Pension Benefit Plans	2,065	2,321
Included in Other long-term liabilities and provisions - Other Benefit Plan	(738)	(773)
	1,327	1,548

The discount rate assumption used in determining the obligation for pension and other benefit plans is selected based on a review of current market interest rates of high-quality, fixed rate debt securities adjusted to reflect the duration of the expected future cash outflows for pension benefit payments. As a result of changes in the market interest rates of high-quality, fixed rate debt securities, the Corporation increased the assumed discount rate for the Canadian pension plans to 4.90% as at March 31, 2024 from the 4.65% rate used in calculating the pension obligation as at December 31, 2023. The return on plan assets was above the expected return during the three month period ended March 31, 2024. The change in the discount rate assumption, the difference between the actual and expected rate of return on the plan assets and the effect of asset ceiling resulted in a Nil impact on actuarial gains recorded in other comprehensive income (loss) in the first quarter of 2024.

In April 2023, the Corporation purchased annuity contracts for a portion of the Corporation's defined benefit pension plans using plan assets and settled various benefit plan obligations resulting in the recognition of a settlement loss of $644 in the second quarter of 2023. The adjustment period for this transaction expired in the first quarter of 2024 and the Corporation has recognized a settlement gain of $203 associated with the refund of various premiums associated with the transaction.

NOTE 6. SHARE CAPITAL

Net income per share

	Three month period ended March 31	
	2024	2023
Net income	6,311	3,860
Weighted average number of shares (in thousands)	57,200	57,439
Basic and diluted net income per share	0.11	0.07

Dividends
On March 28, 2024, the Corporation paid quarterly dividends on 57,183,359 common shares of $0.025 per common share, amounting to $1,429 in the aggregate.

Subsequent to March 31, 2024, the Corporation declared dividends to holders of common shares in the amount of $0.025 per common share payable on June 28, 2024, for shareholders of record at the close of business on June 14, 2024.

Normal Course Issuer Bid
On May 25, 2023, the Corporation's application to extend a normal course issuer bid ("2023 NCIB") was approved, which allows the Corporation to purchase up to 2,868,106 common shares between May 27, 2023 and May 26, 2024. During the first quarter of 2024, the Corporation purchased 49,456 common shares for cancellation for $384. During the first quarter of 2023, the Corporation purchased 29,700 common shares for cancellation under the program for $208.

NOTE 7. FINANCIAL INSTRUMENTS

Fair value hierarchy
The Corporation's financial assets and liabilities recorded at fair value on the interim condensed consolidated statement of financial position have been categorized into three categories based on a fair value hierarchy. The fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Fair values
The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

Cash, trade and other receivables, contract assets, accounts payable and accrued liabilities and contract liabilities
Due to the short period to maturity of these instruments, the carrying values as presented in the interim condensed consolidated statement of financial positions approximate their fair values.

Foreign exchange contracts
The Corporation enters into foreign exchange forward and collar contracts to hedge highly probable future transactions. Under these contracts the Corporation is obliged to purchase or sell specific amounts of currency – generally either the United States dollar ("USD") or British Pound ("GBP") - at predetermined dates and exchange rates if certain conditions are met. A number of these contracts are designated as cash flow hedges.

As at March 31, 2024, the Corporation had foreign exchange collar contracts as follows:

Maturity	Notional Amount	Floor	Ceiling	Carrying Value	Line item in the statement of financial position
June 2025	USD$27,600	1.2500	1.3245	$906	Accounts payable, accrued liabilities and provisions
June 2025	USD$27,600	1.2500	1.3300	$805	Accounts payable, accrued liabilities and provisions

As at March 31, 2024, the Corporation also had foreign exchange forward contracts outstanding in the amount of USD$16,200 [December 31, 2023 – USD$16,200] and GBP 23,540 [December 31, 2023 – GBP 23,540] with a derivative asset carrying value of $51.

As at March 31, 2024, the Corporation has $1,660 of net derivative liabilities [December 31, 2023 – $1,315], included in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position. For the three months ended March 31, 2024, a loss of $269, net of taxes of $76, was recorded in other comprehensive income for the effective portion of cash flow hedges. In accordance with the fair value hierarchy of financial instruments, the derivatives are considered Level 2.

Long-term debt
As at March 31, 2024, the carrying amount of the Corporation's long-term debt of $2,877 [December 31, 2023 – $3,348] approximates its fair value. The fair value was determined by discounting the expected future cash flow based on current rate for debt with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy. The current portion of Long-Term debt is included in Debt due within one year on the interim condensed consolidated statement of financial position.

Borrowings subject to specific conditions
As at March 31, 2024, the Corporation has recognized $24,353 [December 31, 2023 – $25,442] as the amount repayable to Canadian government agencies. The contributions are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales. The fair value was determined by discounting the expected future royalty payments based on the prevailing market rate for borrowings with similar terms and maturities, and is categorized as Level 2 in the fair value hierarchy. The current portion of this repayable amount is included in Accounts payable, accrued liabilities and provisions on the interim condensed consolidated statement of financial position.

NOTE 8. SEGMENTED INFORMATION

Operating segments are defined as components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which includes the design, development, manufacture, repair and overhaul and sale of systems and components for defence and civil aviation.

Corporation's primary sources of revenue

	Three month period ended March 31	
	2024	2023
Sale of goods	190,961	177,671
Services	44,282	45,705
	235,243	223,376

Timing of revenue recognition based on transfer of control

	Three month period ended March 31	
	2024	2023
At a point of time	137,956	124,263
Over time	97,287	99,113
	235,243	223,376

Advance payments received for contracts in progress in excess of revenue recognized were recorded as contract liabilities on the interim condensed consolidated statement of financial position. As at March 31, 2024, contract liabilities were $43,179 [December 31, 2023 – $27,960].

Revenues from the Corporation's two largest customers accounted for 37.7% of total sales for the three month period ended March 31, 2024 [March 31, 2023 – three largest customers accounted for 34.2% of total sales for the three month period ended].

Corporation's revenue information split by geographic segment

	Three month period ended March 31	
	2024	2023
Revenue		
Canada	91,928	98,106
United States	67,999	56,434
Europe	75,316	68,836
	235,243	223,376

Export revenue[1]

Canada	60,660	63,484
United States	15,023	10,193
Europe	19,356	16,857
	95,039	90,534

[1]Export revenue is attributed to countries based on the location of the customers

Corporation's long-lived assets split by geographic segment

	March 31 2024	December 31 2023
Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
Canada	153,857	156,623
United States	144,646	144,232
Europe	149,378	145,285
	447,881	446,140

NOTE 9. TAXATION

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in, adjusted for the main permanent differences identified. The effective tax rate for the three month period ended March 31, 2024 was 31.3% [31.8% for the three month period ended March 31, 2023]. The difference between the effective tax rate and the standard tax rate is primarily attributable to the change in mix of income across the different jurisdictions in which the Corporation operates.

NOTE 10. MANAGEMENT OF CAPITAL

The Corporation's objective is to maintain a capital base sufficient to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Corporation's shareholders' equity and interest bearing debt, including the debt and equity components of the convertible debentures.

Total managed capital as at March 31, 2024 of $759,275 [December 31, 2023 – $752,922] is comprised of shareholders' equity attributable to equity holders of the Corporation of $747,253 [December 31, 2023 – $734,040] and interest-bearing debt of $12,022 [December 31, 2023 – $18,882].

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares through the normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. There were no changes in the Corporation's approach to capital management during the period.

NOTE 11. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business activities, the Corporation may be involved in litigation and claims, with or without merit, with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although, it is not possible to accurately estimate the extent of the potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

At March 31, 2024, capital commitments in respect of purchase of property, plant and equipment totalled $10,537 [December 31, 2023 – $8,400], all of which had been ordered. There were no other ma