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 audited consolidated financial statements and the notes thereto for the years ended December 31, 2024 and 2023 prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "IFRS"), and the Annual Information Form for the year ended December 31, 2024 (available on SEDAR+ at www.sedarplus.ca). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the year ended December 31, 2024, relative to the year ended December 31, 2023. The information contained in this report is as at March 7, 2025. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward–looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward-looking statements under the heading "Overview," "2024 and Recent Updates," "Outlook," "Results of Operations," "Liquidity and Capital Resources," "Risk Factors," "Critical Accounting Estimates" and "Future Changes in Accounting Policies." In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "forecasts," "believes," "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 in 2024 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 Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to EBITDA (defined as earnings before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings before interest expense, income taxes, depreciation and amortization, goodwill impairment and restructuring), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA and Adjusted EBITDA are not generally accepted earnings measures and should not be considered as alternative measures 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 2024 events

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

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 Corporation supplies both the commercial and defence sectors of the Aerospace segment. In the commercial sector, the Corporation is active in the large commercial jet, business jet, regional aircraft, and helicopter markets. On the defence side, the Corporation provides parts and services for major military aircraft.

Within the Aerospace segment, the Corporation has two major product groupings: aerostructures and aeroengines. Aerostructure and aeroengine products are used both in new aircraft and for spares and replacement parts.

Within the aerostructures product grouping, the Corporation supplies international customers by producing components using conventional and high-speed automated machining centres. Capabilities include precision casting of airframe-mounted components. Management believes that Magellan's dedication to technological innovation combined with low cost sourcing from emerging markets will position the Corporation to capture targeted complex assembly programs.

Within the aeroengines product grouping, the Corporation manufactures complex castings, fabricated and machined gas turbine engine components, both static and rotating, integrated nacelle components, flow path and engine exhaust systems for the world's leading aeroengine manufacturers. The Corporation also performs repair and overhaul services for jet engines and related components.

The Industry and the Supply Chain

Industry wide travel in 2024 has recovered, with both domestic and international revenue passenger kilometers, on a combined basis, exceeding pre-COVID 19 pandemic levels, Magellan's 2024 financial results and operations continue to be influenced by persistent challenges, including supply chain delays, labour shortages, labour disruptions and higher input prices for goods and services, but these challenges are stabilizing. Magellan continues to manage these impacts and strives to mitigate their effect on Magellan's operations.

In 2024, 65% of revenues were derived from commercial markets (2023–63%, 2022–62%) while 35% of revenues related to defence markets (2023–37%, 2022–38%).

2024 and Recent Updates

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.

On May 7, 2024, Magellan announced that it would provide Black Brant vehicles and hardware to Peraton in support of the NASA Sounding Rocket Program. Under the terms of the five-year agreement Magellan will supply NASA's annual requirements and could generate revenues up to a maximum of $75 million.

On May 24, 2024, Magellan renewed its normal course issuer bid ("2024 NCIB") which allows the Corporation to purchase for cancellation up to 2,857,469 of its common shares during the 12-month period commencing May 28, 2024 and ending May 27, 2025 through facilities of the Toronto Stock Exchange ("TSX") or other alternative Canadian trading systems.

On July 25, 2024, Magellan announced the signing of a Memorandum of Understanding ("MOU") with Aequs Private Limited ("Aequs") to explore the development of a business plan for a jointly owned engine maintenance, repair and overhaul ("MRO") business in the Aequs Special Economic Zone, at Belagavi in Karnataka, India. Under the terms of this MOU, Magellan and Aequs will work together to evaluate the market for business, commercial and military aircraft engine MRO services, to develop a comprehensive business plan that expands our existing partnership into the MRO sector through this exciting new project.

On August 12, 2024, Magellan announced the signing of significant long-term agreements with Pratt & Whitney, an RTX business. These important contracts renew existing agreements and cover the supply of complex castings used on a number of legacy and new engine programs. Magellan's Haley, Ontario facility and its Glendale, Arizona facility will produce the castings.

On October 10, 2024 Magellan, along with the University of Manitoba ("UM"), the Canadian Department of National Defence's science and technology organization, Defence Research and Development Canada ("DRDC"), and the United Kingdom's Defence Science and Technology Laboratory ("DSTL") announced a new space domain awareness microsatellite. The Little

Innovator in Space Situational Awareness ("LISSA") satellite is a $0.9 million contract option with DRDC to add a companion nanosatellite to the Redwing mission being built by Magellan. LISSA will be integrated with the Redwing satellite and will be deployed from Redwing sometime after launch, once the two spacecraft have achieved an orbit at the designated altitude.

Labour Matters
The Corporation employs 3,723 employees; of these, approximately 1,358 are unionized and are covered by collective bargaining agreements. The Corporation maintains constructive relationships with its unions and strives to achieve mutually beneficial relationships while maintaining cost competitiveness when negotiating extensions of expiry dates or renewals of the collective agreements. The Corporation is currently in negotiations regarding a number of such extensions or renewals and it expects all negotiations will result in extensions of expiry dates, renewals of the agreements, or some other mutually satisfactory agreement as applicable.

Financing Matters
The Corporation has a multi-currency global operating credit facility provided by a syndicate of lenders to Magellan for a maximum aggregate amount of $75 million (the "2023 Credit Facility"). The 2023 Credit Facility also includes a $75 million uncommitted accordion provision, which provides Magellan with the option to increase the maximum aggregate amount of the credit to $150 million. The 2023 Credit Facility expires on June 30, 2025.

2. OUTLOOK

The outlook for Magellan's business in 2025

Commercial Aerospace Market

The International Air Transport Association ("IATA") reported that industry-wide travel had increased by 8.6% year-on-year ("YoY") by December 2024, concluding a record-breaking year. Domestic traffic grew by 5.5% YoY, with China and India leading the growth at 12.3% and 6.0% YoY respectively. International travel grew by 10.6% YoY by December 2024 with Asia Pacific and European carriers contributing to most of the net increase in traffic. IATA stated that "looking to 2025, there is every indication that demand for travel will continue to grow, albeit at a moderated pace of 8.0% that is more aligned with historical averages."

During 2024, the aerospace manufacturing industry continued to tackle persistent challenges, as supply chain delays, labor shortages, labor disruptions and market interruptions affected the industry's ability to fully capitalize on the pent-up demand. Encouragingly, by the end of the year, there were signs that things were beginning to stabilize, especially as engine deliveries were improving and Boeing restarted production.

Boeing and Airbus both closed 2024 with record order backlogs. Airbus closed with a backlog of 8,658 aircraft after securing gross orders for 878 aircraft, while Boeing closed with a backlog of 6,245 aircraft after securing orders for 569 aircraft. Boeing's order backlog was bolstered significantly in December, after receiving a major order from Pegasus Airlines for up to 200 of their 737-10 MAX aircraft, consisting of 100 firm orders plus 100 order options. In that same month, Boeing began staging the restart of aircraft production following the end of the machinists strike in November. Boeing issued a revised production schedule, which indicated that the 737-production rate would reach 38 aircraft per month by May 2025, followed by an increase to 57 aircraft per month by 2027. Increases beyond 38 aircraft per month remains subject to FAA directives. Build rate for the 777 is at 3 aircraft per month with flight-testing of the new 777-9 model back under way. The 787 build rate returned to 5 aircraft per month from a temporary reduction to 3 aircraft per month in 2024 and the 767 is running at 3 aircraft per month. Boeing delivered 348 aircraft in 2024 which was a reduction from their 2023 deliveries of 528 aircraft.

Airbus delivered 766 aircraft in 2024 which was down from their original target of 800 aircraft, however still higher than 2023 deliveries of 735 aircraft. Their A320 single aisle production rate did not reach 61 aircraft per month as planned, however forecasts suggest it will be at 57 to 60 aircraft per month within the first half of 2025 and then 68 aircraft per month by year-end. Build rate for the A220 is at 8 aircraft per month, and is expected to increase to 14 aircraft per month by 2026. The A330 build rate is at 4 aircraft per month while the A350 build rate is at 6 aircraft per month.

Defence Aerospace Market

In the defence market, the outlook remains unchanged with a strong demand continuing to provide manufacturers with secure order books for the foreseeable future. Rising geopolitical tensions have brought considerable attention to defence readiness and has therefore prompted countries to increase their defence expenditures. European defence spending continues on a steep incline, particularly as NATO appears to be concluding that the 2% of GDP target for defence spending is likely not sufficient considering the current environment. In all, the projected revenues associated with global defence aircraft production is forecast to increase by over 50% over the period from 2023 to 2032 according to the AeroDynamic Advisory group. The group reported that fighters and rotorcraft make up the majority of global military output, however trainers and bombers have the fastest year over year growth rates. Specifically the trainer/light attack segment is projected to grow at an 11% CAGR from 2024 to 2032. The fighter market continues to be especially strong as aging fleets and aircraft utilization drive growth while the outlook for legacy aircraft remains strong in the short term.

Lockheed's F-35 Lightning II fighter aircraft itself represents 40% of total fighter production and deliveries. The global fleet of F-35 Lightning II fighters now exceeds 1,100 aircraft, as order bookings continue for the industry's largest defence program. In November, Romania joined the F-35 Lightning II program, by signing a Letter of Offer and Acceptance for 32 fighters. Also in December 2024, the Pentagon and Lockheed agreed in principle upon a price for the next 145 F-35 fighters to be completed by June 2027. In 2024, Lockheed delivered 110 fighters to the U.S. and its partners.

As global military forces advance technologically with new fighter aircraft, there is a rise in demand for skilled and trained pilots, leading to an overall increase in the demand for advanced training equipment and aircraft to train on. Leading platforms in this segment are Boeing/Saab's T-7A Red Hawk and Korean Aerospace Industries' T-50 Golden Eagle with both aircraft utilizing GE F404 engines.

Market Outlook Conclusion

The global need for defense fleet modernization continues to fuel strong demand for new aircraft. Growth in this sector is expected to remain strong as nations prioritize defense readiness and fleet upgrades in their annual budgets. In the commercial market, Boeing and Airbus reported record order backlogs in 2024, driven by increasing demand for domestic and international commercial passenger travel. Although having been reforecast several times, peak single aisle aircraft build rates are still projected to reach unprecedented levels, possibly exceeding 130 aircraft per month combined between Boeing and Airbus. There is cautious optimism that the industry may be finally stabilizing, paving the way for an expected stronger year in 2025—contingent, of course, on potential new challenges, such as U.S. trade tariffs.

3. SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for 2024, 2023 and 2022

Expressed in millions of dollars, except per share information	**2024**	2023	2022
Revenues	**942.4**	879.6	764.6
Net income (loss) for the year	**35.5**	9.2	(21.7)
Net income (loss) per common share—Basic and Diluted	**0.62**	0.16	(0.38)
EBITDA[1]	**96.7**	71.2	31.6
EBITDA[1] per common share—Basic and Diluted	**1.69**	1.24	0.55
Adjusted EBITDA[1]	**96.7**	73.0	35.5
Adjusted EBITDA[1] per common share—Basic and Diluted	**1.69**	1.27	0.62
Total assets	**1,146.3**	1,032.3	1,010.9
Total non–current liabilities	**105.7**	92.0	97.6

[1]EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 5 the "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" section for more information.

For 2024, aerospace activity had recovered but supply chain shortages and inflationary pressures which began in 2021 continued to have an impact on the Corporation's results albeit less so than 2023 as impacts began to stabilize. Revenues for the year ended December 31, 2024, increased from both 2023 and 2022 levels. The increase in revenues from 2023 was primarily attributable to pricing increases, increased volumes in single aisle, wide body and casting products and favorable foreign exchange impacts. Net income increased in 2024 from 2023 mainly due to higher gross profit attributable to volume and price increases and lower other expenses offset in part by higher material and manufacturing costs.

During 2024 and 2023, the Corporation paid dividends on common shares amounting to $5.7 million in each year.

4. RESULTS OF OPERATIONS

A discussion of Magellan's operating results for 2024 and 2023

Consolidated revenues for the year ended December 31, 2024 were $942.4 million, a 7.1% increase from the $879.6 million achieved in 2023. Gross profit and net income were $107.9 million and $35.5 million for the year ended December 31, 2024, respectively, in comparison to gross profit of $89.0 million and net income of $9.2 million for the year ended December 31, 2023.

Consolidated Revenues

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023	Change
Canada	**357,769**	364,275	(1.8)%
United States	**262,645**	234,234	12.1%
Europe	**321,954**	281,108	14.5%
Total revenues	**942,368**	879,617	7.1%

Revenue in Canada decreased 1.8% in 2024 compared to the prior year mainly due to lower casting product revenues as a result of labour disruptions.

Revenue in the United States in 2024 was 12.1% higher than 2023 mainly due to higher casting product revenues, increased aircraft engine shaft revenues and favourable foreign exchange impacts resulting from the strengthening of the United States dollar relative to the Canadian dollar.

European revenue in 2024 increased 14.5% compared to the prior year primarily driven by higher revenues for single aisle and wide body aircraft parts and net favourable foreign exchange impact resulting from the strengthening of the British Pound relative to the Canadian dollar.

Consolidated revenues are impacted by the fluctuation of the United States dollar and British pound against the Canadian dollar when the Corporation translates its foreign operations to Canadian dollars. Further, the fluctuation of the British pound relative to the United States dollar impacts the performance of the Corporation's European operations. If the average exchange rates for both the United States dollar and British pound experienced in 2023 remained constant in 2024, consolidated revenues for 2024 would have been lower by 1.3%.

Gross Profit

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023	Change
Gross profit	**107,889**	88,991	21.2%
Percentage of revenue	**11.4%**	10.1%	

Gross profit was $107.9 million in 2024, $18.9 million higher than the $89.0 million of gross profit in 2023. Gross profit as a percentage of revenues of 11.4% for 2024 increased from the 10.1% recorded in 2023. The increase in profitability is mainly the result of volume increases, contract rehabilitations on certain programs and favourable product mix, offset in part by price increases on purchased materials and supplies.

Administrative and General Expenses

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023	Change
Administrative and general expenses	**56,935**	57,296	(0.1)%
Percentage of revenue	**6.0%**	6.5%	

Administrative and general expenses as a percentage of revenue were 6.0% in 2024 as compared to 6.5% in 2023. Administrative and general expenses of $56.9 million in 2024 were $0.4 million or 0.1% lower than $57.3 million in the prior year due to lower salary and benefit costs.

Restructuring

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Workforce reduction	**–**	458
Closure costs	**–**	1,280
Restructuring	**–**	1,738

During 2023, the Corporation incurred $1.2 million of restructuring costs related to the closure of its Bournemouth manufacturing facilities in the United Kingdom in implementing its previously announced restructuring plan to reorganize its European operations. An additional $0.5 million was incurred in 2023 for other workforce reduction and restructuring efforts.

Other

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Foreign exchange (gain) loss	**(2,682)**	4,865
Loss on disposal of property, plant and equipment	**218**	17
Gain on disposal of investment properties	**–**	(20)
(Gain) loss on pension settlement	**(203)**	433
Other	**1,655**	39
Other	**(1,012)**	5,334

Included in other is a foreign exchange gain of $2.7 million in 2024 compared to a loss of $4.9 million in 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 during the year.

Other also includes pension settlement gains of $0.2 million [2023 – loss of $0.4 million] 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

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Interest on bank indebtedness and long-term debt	**1,541**	1,237
Accretion charge on long-term debt and borrowings	**770**	843
Accretion charge for lease liabilities	**1,580**	1,378
Discount on sale of trade receivables	**289**	231
Interest expense	**4,180**	3,689

Total interest costs of $4.2 million for 2024 increased by $0.5 million from $3.7 million in 2023 primarily due to higher interest charges on bank indebtedness and long-term debt from higher interest rates on higher principal amounts borrowed and higher lease accretion charges.

Income Taxes

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Current income tax expense	**16,665**	11,974
Deferred income tax recovery	**(4,365)**	(287)
Income tax expense	**12,300**	11,687
Effective tax rate	**25.7%**	55.8%

The Corporation recorded an income tax expense of $12.3 million in 2024 on pre-tax income of $47.8 million, representing an effective tax rate of 25.7%, compared to an income tax expense of $11.7 million on pre-tax income of $20.9 million, representing an effective tax rate of 55.8% in 2023.

During 2024 and 2023, the Corporation recognized investment tax credits totaling $1.1 million and $1.9 million, respectively, as a reduction of cost of revenues, as the Corporation has determined that it will be able to benefit from these investment tax credits. The change in effective tax rate and current and deferred income tax expenses year over year was primarily due to the change in the mix of income and loss across the different jurisdictions in which the Corporation operates and the reversal of temporary differences.

5. 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 (earnings before interest, income taxes and depreciation and amortization) and Adjusted EBITDA (earnings 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.

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Net income	**35,486**	9,247
Add back:		
Interest	**4,180**	3,689
Taxes	**12,300**	11,687
Depreciation and amortization	**44,717**	46,622
EBITDA	**96,683**	71,245
Add back:		
Restructuring	**–**	1,738
Adjusted EBITDA	**96,683**	72,983

Adjusted EBITDA increased $23.7 million or 32.5% to $96.7 million for the year ended 2024, compared to $73.0 million in 2023 mainly as a result of the gross margin improvements and reduced other expenses.

6. SELECTED QUARTERLY FINANCIAL INFORMATION

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars except per share information				**2024**				2023
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	Mar 31	Jun 30	Sep 30	Dec 31
Revenues	**235.2**	**242.9**	**223.5**	**240.7**	223.4	219.7	213.0	223.5
Income before taxes	**9.2**	**9.9**	**9.3**	**19.4**	5.7	6.1	4.7	4.4
Net income (loss)	**6.3**	**7.5**	**5.8**	**15.9**	3.9	1.9	3.7	(0.3)
Net income (loss) per common share								
Basic and Diluted	**0.11**	**0.13**	**0.10**	**0.28**	0.07	0.03	0.06	(0.00)
EBITDA[1]	**21.7**	**21.9**	**21.5**	**31.6**	18.3	19.3	17.7	15.9
Adjusted EBITDA[1]	**21.7**	**21.9**	**21.5**	**31.6**	18.6	19.5	18.5	16.4

[1]EBITDA and Adjusted EBITDA are not IFRS financial measures. Please see Section 5 the "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" section 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 1.3990 in the fourth quarter of 2024 and a low of 1.3412 in the third quarter of 2023. The average quarterly exchange rate of the British pound relative to the Canadian dollar reached a high of 1.7922 in the fourth quarter of 2024 and hit a low of 1.6429 in the first quarter of 2023. The average quarterly exchange rate of the British pound relative to the United States dollar reached a high of 1.3011 in the third quarter of 2024 and hit a low of 1.2154 in the first quarter of 2023. Had exchange rates remained at levels experienced in 2023, reported revenues in 2024 would have been lower in the second, third and fourth quarters of 2024 by $2.1 million, $2.8 million and $7.9 million, respectively, and there would have been a nominal impact on the first quarter of 2024.

The Corporation's results in 2023 continued to be impacted by supply chain disruptions for material supplies and inflation in materials, supplies, utilities and labour. These impacts, which continued into 2024, have stabilized and are having a smaller impact. Movements in foreign exchange rates in the fourth quarter of 2024, contract negotiations and volume increases have positively impacted net income in the quarter.

7. 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 receivables securitization program, and long-term debt and equity capacity. Principal uses of cash are to fund liabilities as they become due, finance capital expenditures, fund debt repayments, repurchase common shares, pay dividends and provide flexibility for new investment opportunities. Based on current funds available and expected cash flow from operating activities, management believes that the Corporation has sufficient funds available to meet its liquidity requirements at any point in time. However, if cash from operating activities is lower than expected or capital costs for 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.

In 2024, $99.3 million of cash was provided by operations, $35.1 million was used in investing activities and $17.6 million was used in financing activities.

Cash Flow from Operating Activities

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Decrease (increase) in account receivables	**8,141**	(41,962)
Increase in contract assets	**(10,204)**	(4,120)
Increase in inventories	**(12,753)**	(32,020)
Increase in prepaid expenses and other	**(737)**	(382)
(Decrease) increase in accounts payable, accrued liabilities and provisions	**(11,048)**	9,502
Increase (decrease) in contract liabilities	**46,097**	(8,242)
Net change in non-cash working capital items	**19,496**	(77,224)
Net cash provided by (used in) operating activities	**99,287**	(17,300)

The Corporation provided $99.3 million of cash in 2024 from operating activities, compared to $17.3 million used in the prior year. Changes in non-cash working capital items provided cash of $19.5 million in 2024 as compared to $77.2 million used in the prior year. The favourable movement of non-cash working capital balances was largely attributable to decreases in accounts receivable from timing of customer payments, lower increases in inventories due to timing of production and shipment, and increases in contract liabilities due to timing of collection of funds offset in part by decreases in accounts payable, accrued liabilities and provisions primarily driven by timing of supplier payments.

Cash Flow from Investing Activities

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
Purchase of property, plant and equipment	**(36,096)**	(19,166)
Proceeds from disposal of property, plant and equipment	**47**	212
Proceeds from disposal of investment properties	**–**	354
Decrease (increase) in intangibles and other assets	**948**	(5,094)
Net cash used in investing activities	**(35,101)**	(23,694)

Investing activities for 2024 used $35.1 million of cash compared to $23.7 million in the prior year, an increase of $11.4 million. The increase in cash usage was primarily due to higher levels of investment in property, plant and equipment offset largely by decreases in intangible asset spend and decreases in long-term receivables and deposits recorded in other assets.

Cash Flow from Financing Activities

Twelve–months ended December 31, expressed in thousands of dollars	**2024**	2023
(Decrease) increase in bank indebtedness	**(4,372)**	22,674
Decrease in long-term debt	**(720)**	(2,136)
Lease liability payments	**(6,076)**	(5,637)
Increase in borrowings subject to specific conditions, net	**9**	691
Decrease in long-term liabilities and provisions	**(53)**	(16)
Common share repurchases	**(689)**	(1,622)
Common share dividends	**(5,715)**	(5,734)
Net cash (used in) provided by financing activities	**(17,616)**	8,220

Financing activities used $17.6 million of cash in 2024 compared to providing $8.2 million in 2023. The increase in cash usage was primarily due to decreases in bank indebtedness.

Contractual Obligations

As at December 31, 2024, expressed in thousands of dollars	**Less than 1 year**	**1–3 Years**	**4–5 Years**	**After 5 Years**	**Total**
Bank indebtedness	19,857	–	–	–	19,857
Long-term debt	2,863	–	–	–	2,863
Lease liabilities	6,488	13,518	12,244	13,248	45,498
Borrowings subject to specific conditions	1,391	3,022	3,598	25,660	33,671
Other long-term liabilities	22	7,528	176	3,423	11,149
Total Contractual Obligations	**30,621**	**24,068**	**16,018**	**42,331**	**113,038**

On June 14, 2023, the Corporation extended its 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.

As at December 31, 2024, the Corporation had made contractual commitments to purchase $30.9 million of capital assets [2023 - $8.4 million]. In addition, the Corporation had purchase commitments, largely for materials required for the normal course of operations, of $427.6 million as at December 31, 2024 [2023 - $379.8 million]. The Corporation plans to fund all of these commitments with operating cash flow and the existing Credit Facility.

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 March 7, 2025, 57,138,580 common shares were outstanding and no preference shares were outstanding. More information on the Corporation's share capital is provided in note 21 of the Corporation's consolidated financial statements for the year ended December 31, 2024.

For each year ending December 31, 2024 and 2023, the Corporation paid dividends on its common shares of $5.7 million. Quarterly dividend payments were $0.025 per share in both 2024 and 2023.

In the first quarter of 2025, the Corporation declared dividends of $0.025 per common share payable on March 31, 2025, to shareholders of record at the close of business on March 19, 2025.

Normal Course Issuer Bid

On May 25, 2022, the Corporation announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "2022 NCIB"). The 2022 NCIB allowed for the purchase of up to 2,886,455 common shares, over a twelve-month period commencing May 27, 2022 and ending May 26, 2023. On May 25, 2023, the Corporation's second NCIB application was approved (the "2023 NCIB"). The 2023 NCIB allows for the purchase of up to 2,868,106 common shares over a twelve-month period commencing May 27, 2023 and ending May 26, 2024. On May 24, 2024, the Corporation's third NCIB application was approved (the "2024 NCIB"). The 2024 NCIB allows the Corporation to purchase up to 2,857,469 common shares over a twelve-month period commencing May 28, 2024 and ending May 27, 2025.

During the year ended December 31, 2024, 92,217 shares were purchased for cancellation for $689 at a volume weighted average price paid of $7.47 per common share. During the year ended December 31, 2023, 214,937 shares were purchased for cancellation for $1,622 at a volume weighted average price paid of $7.55 per common share.

8. FINANCIAL INSTRUMENTS

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts, the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. The Corporation has applied IFRS 9 on a prospective basis for hedge accounting. The Corporation's qualifying hedging relationships as at December 31, 2024 qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. As at December 31, 2024, the Corporation entered into forward foreign exchange contracts to purchase US dollars of $4.0 million and British pounds of £23.5 million over a period of one month commencing December 2024 at exchange rates of $1.4360 and $1.7972 Canadian dollars, respectively. Under these contracts the Corporation is obliged to purchase specific amounts at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in US dollars, and British pounds.

The Corporation conversely entered into foreign currency collar contracts as follows:

Maturity	Notional amount	Floor	Ceiling	Carrying value	Line item in the statement of financial position
June 2025	US$10.8 million	1.2500	1.3245	$1.2 million	Accounts payable, accrued liabilities and provisions
June 2025	US$10.8 million	1.2500	1.3300	$1.1 million	Accounts payable, accrued liabilities and provisions

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.

9. RELATED PARTY TRANSACTIONS

A summary of Magellan's transactions with related parties

During the year, the Corporation incurred consulting and cost recovery fees of $0.2 million [2023 – $0.2 million] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

10. RISK FACTORS

A summary of risks and uncertainties facing Magellan

Magellan operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. The Corporation's senior management identifies key risks and has processes in place to help monitor, manage, and mitigate these risks. Additional information about the Corporation, including risks and uncertainties about Magellan's business, is provided in the Corporation's Annual Information Form dated March 7, 2025 which is available on SEDAR+ at www.sedarplus.ca.

11. SIGNIFICANT ACCOUNTING ESTIMATES

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

The preparation of consolidated financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses recorded during the reporting period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could be material. The Corporation reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The significant estimates and judgements utilized in preparing the Corporation's consolidated financial statements impact the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies.

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

Financial instruments

The valuation of the Corporation's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 23 to the consolidated financial statements.

Impairment of goodwill and non-financial assets

In determining whether a long-lived asset is impaired, the Company has to exercise judgement and make estimates in assessing (1) whether an event or indicator has occurred that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount (which in the case of value-in-use is the net present value of future cash flows of the continued use of the asset); and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate.

The recoverable amounts of goodwill, intangible assets and property, plant and equipment are based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU or group of CGUs.

In order to estimate the recoverable amount, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgements and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the consolidated statements of financial position to its estimated fair value. Assumptions, judgements and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporation's business strategy or internal forecasts. Although the Corporation believes the assumptions, judgements and estimates made in the past have been reasonable and appropriate, different assumptions, judgements and estimates could materially affect the recoverable amount of the assets being evaluated and the Corporation's reported financial results.

Deferred taxes

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Leases

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease. The lease term is estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise the termination option. Both qualitative and quantitative assumptions are considered when deriving the value of the economic incentive.

The Corporation makes judgements in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the Corporation with the right to substantially all of the economic benefits from the use of the asset.

Judgements are made by the Corporation in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate that the Corporation would have to pay to borrow at a similar term and with a similar security.

Income (loss) on completion of contracts

To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data.

Repayable government grants

The forecast repayment of grants received from government authorities is based on future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

12. CHANGES IN ACCOUNTING POLICIES

A description of accounting standards adopted in 2024

The following amendments to accounting standards were adopted by the Corporation in the current year. The implementation of these amendments to the standards did not have a significant impact on the Corporation's consolidated 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 twelve months.

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.

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.

13. 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 are required to certify as at December 31, 2024 that they are responsible for establishing and maintaining, and have assessed the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting.

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

In preparation for this certification, Magellan has dedicated resources in place to document and evaluate the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting. As of December 31, 2024, an evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Corporation's disclosure controls and internal controls over financial reporting, as those terms are defined in National Instrument 52-109. Based on that evaluation, the Corporation's management concluded that the Corporation's design and operating disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2024.

No changes were made in the Corporation's internal control over financial reporting during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information relating to Magellan Aerospace Corporation, including the Corporation's Annual Information Form is on SEDAR+ at www.sedarplus.ca.