



MAGELLAN
A E R O S P A C E

MAGELLAN AEROSPACE CORPORATION

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2023**

MARCH 8, 2024

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ITEM 1. GENERAL INFORMATION

Except as otherwise indicated in this Annual Information Form ("AIF"), the information contained herein is given as of December 31, 2023. All amounts in this AIF are expressed in Canadian dollars unless specifically designated to be in United States dollars, or British pounds and all financial information reflected herein is determined on the basis of, and prepared in accordance with Part I of the CPA Canada Handbook – Accounting and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

In this AIF, reference is made to EBITDA (defined as net income before interest, income taxes, depreciation and amortization), which the Corporation considers to be an indicative measure of operating performance and a metric to evaluate profitability. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating this measure, the Corporation's EBITDA may not be directly comparable with similarly titled measures used by other companies.

In the interest of providing the shareholders and potential investors of Magellan Aerospace Corporation ("Magellan", "we", "us", "our" or the "Corporation") with information regarding the Corporation, including management's assessment of the Corporation's future plans and operations, this AIF and certain documents incorporated by reference into this AIF, contain forward-looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or Magellan's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seeks", "anticipates", "budgets", "plans", "continues", "estimates", "expects", "forecasts", "may", "will", "projects", "predicts", "potential", "targeting", "intends", "could", "might", "should", "believes" and similar expressions.

These statements may appear under the following headings: "*General Development of the Business*" as to the quantity of certain products the Corporation expects to be delivered pursuant to certain contracts, potential revenues and timing of receipts therefrom, the investments in certain technologies the Corporation intends to make, the duration of certain contracts, the expected timing of the commencement or completion of certain projects and other matters; "*Narrative Description of the Business*" as to outlook for the aerospace industry, supply and demand for products and services in the aerospace industry and projections of market prices and costs, changes in laws, rules and regulations, and future business opportunities for Magellan; and "*Risks Inherent in Magellan's Business*" as to expectations regarding the ability to raise capital, capital expenditure programs and expectations regarding foreign exchange fluctuations and changes to interest rates. The projections, expectations, estimates, assumptions and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the effect of new or continuing global health, geopolitical and military events on the Corporation's operations, customers, supply chain, the aerospace industry and the economy in general, which may cause the Corporation's actual performance and financial results in future periods to differ materially from any projections, expectations, estimates, assumptions and beliefs of future performance or results expressed or implied by such forward-looking statements.

The risks, assumptions and uncertainties include, among other things, such risks, assumptions and uncertainties described in this AIF and in documents incorporated by reference into this AIF and the Corporation's other reports and filings with Canadian securities authorities. Magellan believes the expectations reflected in those forward-looking statements are reasonable and reflect the current views and expectations of the Corporation with respect to its performance, business and future events; however no assurance can be given that these expectations will prove to be correct; and any such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon. Any of such statements are made as at the date of this AIF or as at the date specified in the documents incorporated by reference into this AIF, as the case may be. The Corporation assumes no future obligation to update these forward-looking statements except as required by law.

Accordingly, shareholders and potential investors are cautioned that events or circumstances could cause actual results of the Corporation to differ materially from those predicted or anticipated in such forward-looking statements in its analysis of applicable risk factors. See "*Risks Inherent in Magellan's Business*".

The actual results could differ materially from those results anticipated in these forward-looking statements as a result of the assumptions on the following made in this AIF being incorrect:

- Foreign exchange rates;
- The continuance of current tax, environmental and other laws;
- The continuance of contracts to manufacture goods and the customers' delivery projections and Magellan's relationship with certain of its key customers;
- Inflation rates in the jurisdictions where Magellan conducts its business;
- The success in improving results at underperforming business units;
- There being no labour disruptions; and
- Interest rates incurred on the Corporation's indebtedness.

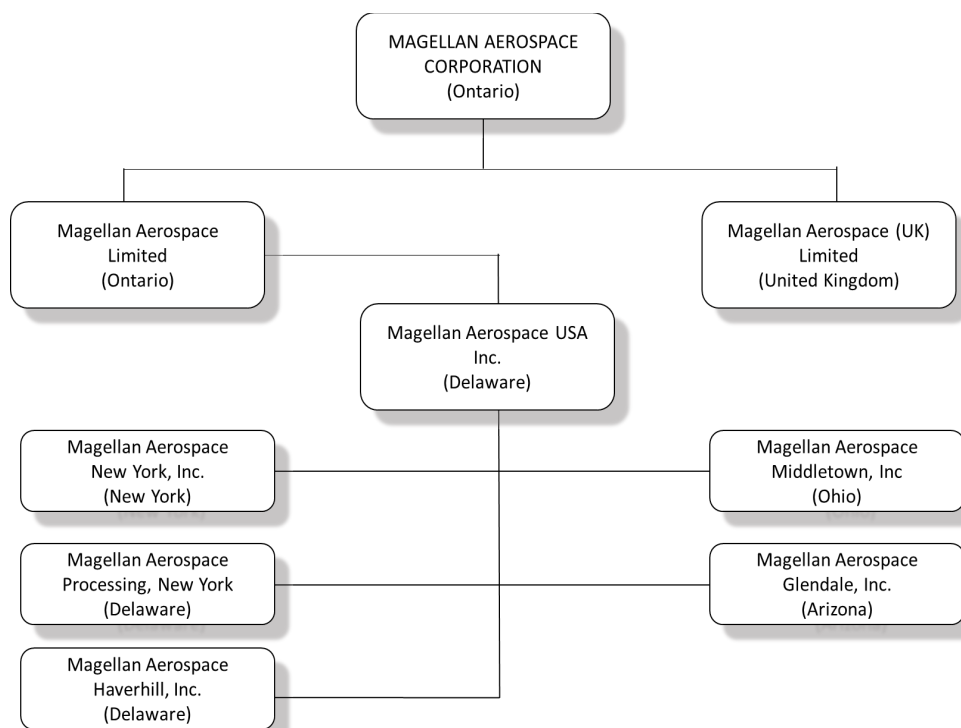
ITEM 2. THE CORPORATION

Incorporation of the Issuer

Magellan Aerospace Corporation was incorporated on February 15, 1996 under the *Business Corporations Act* (Ontario). The Corporation's registered office and head office is located at 3160 Derry Road East, Mississauga, Ontario, L4T 1A9.

Corporate Structure

The following chart shows Magellan's material subsidiaries and their respective holding companies, all wholly owned, directly or indirectly, and their respective jurisdiction of incorporation as at December 31, 2023. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets or whose revenue did not represent more than 10% of the Corporation's consolidated revenues as at or for the year ended December 31, 2023, have not been explicitly outlined in the following chart. The Corporation's consolidated financial statements for the year-ended December 31, 2023 have been filed on SEDAR+ (www.sedarplus.ca).



ITEM 3. GENERAL DEVELOPMENT OF THE BUSINESS

Business Matters

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

Highlights of the 2021 fiscal year

On January 14, 2021, the Corporation announced that Raytheon Missiles & Defense awarded the Corporation a contract for the supply of complex missile fin components. These heat-tolerant surface control assemblies will be manufactured at Magellan's facility in Middletown, Ohio, with deliveries continuing through 2024. The value of this agreement is approximately \$61.4 million. Magellan has participated in the Standard Missile ("SM") program for more than 20 years, supplying dorsal fins for various configurations, including the SM-3 and SM-6. These defensive missiles provide area defence to the U.S. Military against theater ballistic missiles, aircraft and cruise missiles.

On March 16, 2021, the Corporation announced that it had renewed for five additional years its agreement with Avio Aero, a GE Aviation Company, for the supply of magnesium and aluminum castings. The castings will be produced primarily at Magellan's Haley, Ontario facility, with several also being produced at its Glendale, Arizona facility.

On March 31, 2021, Magellan announced an agreement with The Boeing Company ("Boeing") on a contract extension for the supply of landing gear kits and other complex structural components for the 737, 767, and 777 airplanes. Magellan has made significant investments in manufacturing technology and personnel at all its facilities substantially improving its global competitiveness. Magellan's solution for Boeing, employs a vertical integration strategy utilizing its global resources located in Kitchener, New York City, and India.

On May 25, 2021, Magellan announced that the TSX had approved its notice of intention to make the NCIB ("2021 NCIB") to purchase for cancellation up to 2,886,455 of the Corporation's issued and outstanding Common Shares, through the facilities of the Exchange and/or through alternate trading systems in Canada upon which the Common Shares are traded. The NCIB commenced on May 27, 2021 and expired on May 26, 2022.

On June 21, 2021, the Corporation announced a contract extension between Magellan Aerospace (UK) Limited and Airbus SAS ("Airbus") for the supply of aluminum and titanium structural wing components from Magellan UK's facilities located throughout Europe and India. This contract renewal is comprised of precision machined details and assemblies for use on the A320 and A330 aircraft.

Highlights of the 2022 fiscal year

On February 9, 2022, Magellan announced it had been awarded a contract from MDA Ltd. ("MDA") to provide spacecraft avionics for their next Earth observation mission named CHORUS. The new spacecraft builds on MDA's RADARSAT heritage and will continue the work of RADARSAT-2, which remains operational serving its worldwide customer base. The avionics subsystems for CHORUS will be developed at Magellan's Winnipeg facility, home of western Canada's Advanced Satellite Integration Facility. Magellan has expertise in the development of satellite buses and spacecraft avionics. For MDA's CHORUS mission, Magellan will be responsible for the design, manufacture, test, and delivery of the bus avionics system for the C-band Synthetic Aperture Radar satellite. The bus avionics include the satellite bus power control and distribution, communications, attitude control, orbit determination, and on-board telemetry data collection. Key avionics deliverables include Magellan's Power Control Unit and Command and Data Handling Unit.

On April 26, 2022, the Corporation announced it signed a long-term agreement with General Electric Aviation ("GE") for the repair and overhaul of major components for the GE F414-GE-400 engine, which powers Boeing's F/A-18 Block III Super Hornet fighter jet. Finished components will be delivered from Magellan's facility in Winnipeg, Manitoba. The five-year agreement is the latest milestone in a strong and continuing relationship between the companies that dates back more than 50 years.

On May 2, 2022, the Corporation announced it reached a five-year agreement with Safran Landing Systems (“Safran”) to manufacture complex machined landing gear components. The agreement includes the continued manufacture and processing of Magellan’s current work statement and additional new components, all for commercial aircraft platforms. Deliveries will take place from Magellan’s North American facilities in New York, New York and Kitchener, Ontario. Magellan and Safran have established a solid working relationship over the years, delivering quality and on-time landing systems for major customers. Magellan provides complex hard metal machining expertise and engineering design input, in supporting the Safran team on new product developments.

On May 17, 2022, Magellan announced a contract for the manufacture of charges for an innovative new fracturing technology that uses solid rocket propellant as an alternative to using hydraulic fracking. RocketFrac Services Ltd. (“RocketFrac”) and Magellan partnered to develop a new fracturing technology that couples RocketFrac’s patent-pending downhole tool with a new and specifically formulated propellant under an exclusive global license from Magellan. All of the charges will be manufactured and delivered from Magellan’s Winnipeg facility by the end of 2022. The oil and gas sector is actively pursuing new technologies that can address concerns with water use, groundwater protection, and other environmental concerns that are common to traditional hydraulic fracturing. The RocketFrac tool is designed to apply the pressure generated by the solid propellant to a specific portion of the well. This approach requires no water and increases production mobility via radial fracturing of the rock. Magellan is eager to apply its aerospace energetic material expertise to new opportunities in non-traditional sectors.

On May 25, 2022, Magellan announced that the TSX had accepted the notice filed by Magellan to make a NCIB (“2022 NCIB”) to purchase for cancellation up to 2,886,455 of the Corporation’s issued and outstanding Common Shares through the facilities of the TSX or alternative trading systems during the twelve month period commencing on May 27, 2022 and ending on May 26, 2023.

On October 11, 2022, the Corporation announced a contract award from Sikorsky Aircraft Corporation (“Sikorsky”), a Lockheed Martin Company for low rate initial production (LRIP) of assemblies to support the production of the CH-53K® LRIP configuration helicopter. The multi-year, multimillion dollar agreement will be delivered from Magellan’s New York facility commencing in 2023. The contract consists of hard metal, machined deliverables for the U.S. Marine Corps (USMC) for the production of the CH-53K King Stallion, the next generation heavy-lift helicopter being produced to replace the CH-53E Super Stallion. The CH-53K achieved initial operating capability in 2022 and is on track to deploy to the fleet in 2024. The USMC plans to deploy the first CH-53K Marine Expeditionary Unit detachment in fiscal year 2024. The USMC’s procurement objective is 200 helicopters.

On November 22, 2022, Magellan announced the award of a multi-year contract from Lockheed Martin Corporation (“LMC”) for complex machined titanium components for all three variants of the F-35 aircraft. This multimillion dollar contract will be carried out at Magellan’s facility in Kitchener, Ontario over the period of 2023 to 2027. The contract is for shipsets of machined wing tie bars for the aircraft’s leading edge flap. Magellan’s Kitchener facility has industry-leading expertise in titanium machining operations and world-class machining capability, with an emphasis on high speed machining of hard metals such as titanium, Inconel and stainless steel.

On December 9, 2022, Magellan announced that it will continue producing F-35 Lightning II (“F-35”) horizontal tail assemblies under an agreement with BAE. This significant, multi-year agreement is the continuation of a contract awarded to Magellan by BAE and will further Magellan’s participation on BAE’s global program. Magellan and BAE have been working together to produce horizontal tails for BAE’s global F-35 program for more than a decade, signing the original Letter of Intent for this agreement in 2006. Both companies have made significant investment in facilities, technologies and training to ensure the successful delivery of these flight-critical assemblies to F-35 prime contractor LMC. The horizontal tail assemblies produced at Magellan’s facility in Winnipeg, will be used on the CTOL variant of the F-35. Magellan is targeting to produce more than 1,000 ship sets of horizontal tail assemblies over the life of the F-35 program.

Highlights of the 2023 fiscal year

On January 10, 2023, Magellan released a statement applauding the Government of Canada’s announcement that it had reached a final agreement to acquire 88 F-35 fighter jets for the Royal Canadian Air Force (“RCAF”). By selecting the F-35, Canada is continuing a relationship that was established between the original partnering nations for the

development of the F-35. The announcement secures significant benefits to the Canadian aerospace industry. To date, Canadian companies have been awarded high value contracts as part of the F-35 global supply chain amounting to USD \$2.7 billion as a result of Canada's partnership in the F-35 program. The Canadian economy is anticipated to benefit by more than \$16.9 billion over the life of the program.

On March 6, 2023, Magellan announced the signing of a significant long-term agreement ("LTA") extension with Collins Aerospace ("Collins"), a Raytheon Technologies business, to manufacture complex magnesium and aluminum castings for various military and commercial aerospace platforms. The castings will be produced by Magellan's facilities in Haley, Ontario and Glendale, Arizona. The extension of this LTA with Collins renews the framework for strategic alignment with Magellan; in addition to F-15, F-16, and F-18 castings for Collins legacy programs, the agreement also encompasses the supply of castings to support F-35 Lightning II, KC-46, A320neo, 787 and 777X programs.

On March 10, 2023, Magellan announced a contract with the Government of Canada to design, build, launch, and operate the Redwing microsatellite. Directed by the Department of National Defence's science and technology organization, Defence Research and Development Canada ("DRDC"), the \$15.8 million Redwing contract represents the next generation of spacecraft technology for space domain awareness technology demonstration. When launched in 2026, Redwing will perform space object tracking to characterize an increasingly congested orbital environment, observe higher detail on space objects, and provide near real-time tasking to respond to evolving space events.

On May 25, 2023, Magellan renewed its normal course issuer bid ("2023 NCIB") which allows the Corporation to purchase for cancellation up to 2,868,106 of its Common Shares during the 12-month period commencing May 27, 2023 and ending May 26, 2024 through facilities of the Toronto Stock Exchange or other alternative Canadian trading systems.

On May 30, 2023, Magellan announced the signing of a contract extension with Boeing, providing for the continued manufacture of large and complex nacelle exhaust systems for the Boeing 767 program. The fabricated metallic assemblies will be produced and delivered from Magellan's facility in Middletown, Ohio. The continuation of this agreement with Boeing will ensure the continued supply by Magellan of acoustic plug and nozzle exhaust assemblies for the Boeing 767 program. Magellan utilizes internally manufactured metallic honeycomb in the production process. The metallic honeycomb is manufactured utilizing materials suitable for higher temperatures and offers advantages in weight savings and acoustic attenuation.

On June 23, 2023, the Corporation extended its \$75 million bank credit facility for an additional 2 year period expiring on June 30, 2025. Refer to the "Liquidity and Capital Resources" section below for more information on the credit facility.

On December 19, 2023, Magellan announced an agreement with the Canadian government for the provision of LUU-2 illumination flares for the RCAF. The \$39 million, four-year contract commences in 2024 and involves the manufacture, assembly and delivery of LUU-2 flares from Magellan's Winnipeg propellant plant in Manitoba, Canada.

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 under the Bank Credit Facility Agreement (as defined under "*Borrowings - Bank Credit Facility*"). The Bank Credit Facility Agreement 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 Bank Credit Facility Agreement expires on June 30, 2025. Any extensions of the maturity date are subject to mutual consent of the lenders and the Corporation.

Significant Acquisitions

During the year ended December 31, 2023 the Corporation did not complete any acquisitions that would be considered "significant" for purposes of National Instrument 51-102 – *Continuous Disclosure Obligations*.

ITEM 4. NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Overview

The aerospace and defence industry is a highly specialized industry employing leading edge technologies and materials to manufacture, repair and overhaul commercial and defence aircraft, aircraft engines and related systems for a global customer base. The typical aerospace manufacturing supplier is contracted to produce relatively small quantities of complex products according to unique customer specifications. Up-front costs incurred in developing such products prior to delivering the first production unit can be significant and generally include engineering, design and manufacture of tooling, and test units required for certification. Such costs are often borne by the manufacturer and recovered on an amortization basis beginning with the production phase of the program and continuing through the program life. See *"Risks Inherent in Magellan's Business – Customer unit deliveries may not reach the number projected when the basis for amortization of non-recurring costs is established"*.

The business carried on by the Corporation primarily involves firm-fixed price contracts which generally have terms of between three to ten years. Certain contracts provide for annual inflationary price adjustments to help offset any material cost increases and labour cost increases, the latter of which is adjusted by an agreed index such as CPI. In accordance with industry practice, contracts are typically subject to changes in quantity and delivery dates at the sole option of the Corporation's customers, with limited recourse available to the Corporation. However, if a program is terminated, contract terms provide the Corporation an opportunity to claim for allowable costs incurred up to the date of termination, plus a proportionate amount of profit attributable to the work performed.

It is common for OEM's to expect major suppliers to become risk-sharing partners on new aircraft and aircraft engine programs, meaning that the total cost of design, development and engineering work associated with the development of the aircraft or the aircraft engine is partially born by the supplier. This is usually agreed to in exchange for a life-of-program contract. If the aircraft or the aircraft engine fails to reach the production stage, or inadequate numbers of units are produced, or actual sales otherwise do not meet projections, the Corporation may realize insufficient program revenues over which to amortize such costs. See *"Risks Inherent in Magellan's Business - Customer unit deliveries may not reach the number projected when the basis for amortization of nonrecurring costs is established"*. Also see *"Risks Inherent in Magellan's Business - Most of the Corporation's contracts are subject to competitive bidding. If the Corporation is unable to successfully compete in the bidding process, the Corporation's results of operations could suffer"*.

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

Business Overview

Magellan is a supplier of complex, engineered products and services for aerospace companies around the world, delivering value to its customers and stakeholders by leveraging the diverse capabilities of its global resources. One of the Corporation's principal strategies is to concentrate on core competencies that align with its customer's needs and to become involved in the early stages of new programs to secure long-term participation in such programs. The Corporation seeks to balance its participation across the customer base, as well as across the different aerospace and defence sectors in order to manage market risk.

Typical products that the Corporation manufactures for the aeroengine market are complex cast, machined and fabricated gas turbine engine components, both static and rotating, as well as integrated nacelle components, and engine exhaust systems for some of the world's leading aeroengine manufacturers.

The Corporation also performs repair and overhaul of aircraft engines and engine nacelle components. For the aerostructure market, the Corporation supplies landing gear systems, wing ribs, spars and skins, bulkheads and fuselage components, tailcone assemblies, composite wing and fairing structures, horizontal and vertical

stabilizers and crown modules. The Corporation also performs systems and design engineering services to develop and sell proprietary space and rocket propulsion systems to a global customer base.

Alignment with customer strategies and the Corporation's dedication to technological innovation, combined with low cost sourcing, are primary elements of the Corporation's strategy to grow market share.

Locations and Core Capabilities

The Corporation believes that the available capacity at its facilities is sufficient to meet its current and anticipated manufacturing requirements as indicated by contract requirements and current growth trends in the industry. The following table sets out the locations of Magellan's primary subsidiaries, controlled entity and divisional sites:

Location	Core Capabilities
Canada	
Winnipeg, Manitoba	Manufacture of composite structures and engine components for aircraft Manufacture of rocket systems, satellites and other proprietary products
Kitchener, Ontario	Machining and assembly of medium and large aerospace components
Haley, Ontario	Production of precision magnesium and aluminium castings for the aerospace industry
Mississauga, Ontario	Manufacture of components for commercial, regional and military jet engines Repair and overhaul of military and commercial aircraft engines
United States	
Middletown, Ohio	Manufacture of jet engine nacelle, exhaust components and heat-resistant space products
Queens, New York	Manufacture and assembly of complex components and sub-assemblies for commercial and military aircraft and helicopters
Long Island, New York	Metal finishing treatment services and non-destructive testing for aerospace products
Haverhill, Massachusetts	Manufacture of critical rotating and non-rotating engine components for commercial and military use
Glendale, Arizona	Production of precision small to medium magnesium and aluminium castings for the aerospace industry Maintenance, repair and overhaul of engines and manufacture of components for space industry
Europe	
Wrexham, United Kingdom	Precision machining and assembly of commercial aerospace products and metal finishing treatment services for aerospace products
Blackpool, United Kingdom	Precision machining of commercial and defence aerospace products
Greyabbey, United Kingdom	Precision machining of commercial and defence aerospace products
Lancashire, United Kingdom	Supply and overhaul of aircraft and helicopter engines and airborne ancillary power units, aircraft engineering and design consultancy, engine sales, exchange and leasing services
Mielec, Poland	Precision machining of commercial aerospace products and metal finishing treatment services for aerospace products
Marigane, France	Precision machining of commercial aerospace products and metal finishing treatment services for aerospace products
India	
Bengaluru, India	Precision machining and assembly of commercial aerospace products
Tumakuru, India	Precision machining and assembly of commercial aerospace products

Production and Services

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly-owned subsidiaries and controlled entity, 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 supply of spare parts as well as performing repair and overhaul services. The Corporation relies on a mix of commercial and defence aerospace programs.

Specialized Skill and Knowledge

The Corporation requires employees with specialized skills and knowledge in order to compete in the aerospace industry. These include skills required to perform precision machining of a wide variety of aerospace materials, to manufacture and assemble aerostructures, to assemble complex engine components, to manufacture highly complex magnesium and aluminium alloy castings, to perform repair and overhaul of engines and associated components and to design certain aerospace structures. The Corporation also invests in leading technologies in order to advance its capabilities and to maintain a competitive advantage. See *"Risks inherent in Magellan's Business – The Corporation may need to expend significant capital to keep pace with technological developments in its industry"*.

As the aerospace industry volumes increase to meet higher commercial and defence market demand, labour shortages continue to impact certain regions where the Corporation operates. While the Corporation attempts to manage such shortages, risks remain that these may adversely affect operations. See *"Risks inherent in Magellan's Business - Competitive market for skilled labour may adversely impact the Corporation's operations"*.

Competitive Conditions

Competition for airframe and engine components and assemblies occurs primarily between companies situated in North and South America, Asia and Europe. The competitive landscape can change for a number of reasons, including through vertical integration strategies, and mergers and acquisitions which shift the market advantage from one manufacturer to another, thereby influencing customers' make/buy decisions. Various customers are also "reshoring" or "localizing" their supply chains to minimize risk and potential disruptions to their manufacturing operations which, by its basic nature, changes the competitive environment. Finally, as disruptive technologies such as additive manufacturing, electric/hybrid-electric propulsion and hypersonic solutions evolve, aerospace and defense companies are evolving their strategies toward acquisitions that allow them to control the competition and expand into new markets. Magellan continually undertakes to align its strategies with the changing marketplace and develop relationships with its customers based on the best value it can provide. See *"Risks Inherent in Magellan's Business – Competitive Pressures may adversely affect the Corporation"*.

Raw Materials and Components

Magellan procures various raw materials and components from a global marketplace in order to fulfill its contractual requirements. Price and availability of raw materials are primarily driven by external factors in global commodity markets. To the extent possible, Magellan includes price adjustment formulas and other clauses within customer contracts to help mitigate or limit the risk of price increases, and/or of raw materials and component shortages. Depending on specific circumstances, such clauses may not be sufficient to mitigate the impact upon Magellan's business and therefore other actions may need to be taken. See *"Risks Inherent in Magellan's Business – Fluctuations in availability and prices of raw materials used in production may adversely impact the financial results of the Corporation"*.

Intangible Properties

At December 31, 2023, the Corporation had \$22.0 million of goodwill related to acquisitions. At December 31, 2023, the Corporation had \$37 million of intangibles related to customer lists, brands, technical processes, and application software. Customer lists are amortized over a 5 year period, technical processes are amortized over

a 15 year period, and application software over a 10 year period. Brands of \$8.5 million with indefinite useful lives assets are not subject to amortization.

For more information in relation to the Intangible Properties, reference is made to Note 11 of the Corporation's consolidated financial statements for the year ended December 31, 2023 filed on SEDAR+ at (www.sedarplus.ca), which note is incorporated by reference into this AIF.

Markets and Economic Dependence

The primary markets for the Corporation's aerospace products are Canada, the United States, the United Kingdom and other parts of Europe. The Corporation serves both the commercial and defence aerospace markets. In 2023, 63% of revenues were derived from commercial markets (2022 – 62%, 2021 – 52%) while 37% of revenues related to defence markets (2022 – 38%, 2021 – 48%).

In 2023, revenues to the Corporation's principal customers represented approximately 36.5% of the Corporation's consolidated revenues. Principal customers are customers of the Corporation that individually represented more than 10% of such revenues.

Commercial Market

Growth in this market segment can largely be predicted based on global passenger air travel trends and by the health of the global economy. From a passenger travel perspective, the International Air Transport Association (IATA) reported that, industry-wide travel had essentially recovered to within 1% of 2019 levels by November 2023. Domestic air travel figures exceeded 2019 levels by 6.7% whereas international travel was still below by 5.5%. IATA also reported that airline net profits for 2023 were expected come in at 2.6%, an extraordinary recovery considering the major losses of recent years.

Commercial aircraft manufacturers have been continually increasing aircraft build rates in response to the growing demand. However, the industry experienced a number of setbacks in 2023, such as production rate interruptions caused by a series of problems encountered with Boeing's 737 Max aircraft. There have also been titanium supply issues and a quality issue discovered in Pratt & Whitney's PW1100G engine that powers A320neo's.

Boeing and Airbus both reported increased order backlogs in 2023. Airbus set three new industry records. The first was by reaching a record order backlog of 8,598 aircraft, the second was by securing the highest gross orders of 2,319 aircraft in a year, and lastly recording the highest net new orders of 2,094 aircraft in a year. Boeing also set a new company all-time backlog record of 6,216 aircraft.

Direct sales to Airbus in 2023 by Magellan represented approximately 25.0% of total Corporation revenues with the A320, A321, A330 and A350 aircraft programs being key programs for the Corporation.

For the year ended December 31, 2023, Magellan's direct sales to Boeing represented approximately 11.5% of total Corporation revenues, with the 737, 767 and 777 aircraft programs being key programs for the Corporation.

Defence Market

Defence market demand is driven primarily by geopolitical climates and government defence budgets. Current rising geopolitical tensions have brought attention to defence readiness and has therefore prompted numerous countries to increase their military expenditures, with some announcing long term plans to increase spending over periods of up to a decade. The US defence budget request for fiscal year 2024 compared to fiscal year 2022, is nearly USD\$100 billion (13.4%) higher. Europe has seen the steepest year-on-year increase in military expenditures in at least 30 years, as governments in the region replenish national stockpiles depleted by donations sent to Ukraine.

The fighter market segment is experiencing a particularly strong performance as aging fleets, aircraft utilization and the ramp up of the F-35 program drive year over year growth. While the F-35 dominates fighter production owing to its 40% share of global fighter deliveries, the outlook for legacy aircraft such as the F-15E, F/A18-E/F Super Hornet, and the F-16 fighters remains strong in the short term. According to Forecast International's

“Fighter Aircraft Analysis”, manufacturers of fighter aircraft are forecast to build over 3,431 fighters between 2024 and 2032.

The defence rotorcraft market segment is expected to grow at a 4.1% CAGR from 2025 to 2030. Legacy programs such as AH-64 Apache, H-60 Blackhawk and V-22 Tiltrotor will remain consistently strong up to the end of this decade when new generation aircraft will begin to enter the market. The light military segment will be the market’s fastest growing segment as new programs, such as the US Army’s Future Long Range Assault Aircraft (FLRAA) program, enter into production.

The overall defence market is forecast to remain strong at least through 2029, according to the AeroDynamic advisory group.

See *"Risks Inherent in Magellan's Business – Cancellations, reductions or delays in customer orders may adversely affect the Corporation's results of operations"*. And *"Risks Inherent in Magellan's Business - The loss of one of the Corporation's key customers could have a material adverse effect on the Corporation."*

Environmental, Social and Governance Matters

The Corporation’s commitment to environmental sustainability, socially responsible programs and practices, and ethical governance has long been embedded in the Corporation’s culture and how its business is conducted, as guided by its Code of Ethics and Business Conduct. The Corporation has established an environmental, social, and governance (“ESG”) task force that includes gathering and sharing data critical to sustainability efforts. Reporting on the Corporation’s ESG priorities and issues allows the Corporation to evaluate its progress and identify areas of excellence and opportunities for improvement.

The Corporation’s task force leads this initiative through benchmarking against its key competitors and for topics and indicators within recognized ESG disclosure standards and global reporting frameworks. The Board of Directors of the Corporation (the “Board”) and Board Committees have responsibility for oversight of ESG.

The key ESG priorities and plans of action of the Corporation include ensuring robust systems are in place for the disclosure of its performance on human rights, diversity and inclusion, pay equity, health and safety, scope 1 and 2 emissions, environmental protection, energy, water and waste management, supply chain management, community outreach, and data stewardship.

Environmental policies and programs

The Corporation’s environmental policy affirms its commitment to identify the environmental aspects and impacts of its operations and ensure compliance with all applicable environmental laws and regulations. To this end, under the direction of the Board, the Corporation maintains ISO 14001 certifications at each of its manufacturing facilities. It has developed an environmental management system that provides the framework for setting environmental objectives and targets and establishing environmental programs that are consistent with the Corporation’s commitment to prevent pollution and continually improve. Appropriate levels of environmental control, including operational controls, documented procedures, training, monitoring and measuring and pollution control equipment are put in place to manage the environmental aspects of the Corporation.

The Corporation has been tracking its scope 1 and scope 2 greenhouse gasses emissions since 2008 following GHG protocol and has established a GHG emission target of 55% reduction by 2030. In its most current report of 2022, the Corporation reported a CO2 equivalents reduction of 65% against the 2008 baseline. The Corporation maintains a schedule for third-party verification of its emissions demonstrating its commitment to comprehensive and transparent emissions accounting.

The Corporation’s environmental, health and safety council meets regularly to:

- Provide early warning of applicable new or changing legislative requirements,
- Review environmental, health and safety objectives, track performance against targets, and improve overall corporate performance,
- Standardize methods based on best practice to better manage environmental, health and safety risk, minimize waste, conserve water usage, and identify other cost-saving opportunities,
- Improve overall corporate environmental, health and safety performance, and

- Encourage environmental, health and safety stewardship amongst its business partners, including suppliers and contractors.

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

Environmental oversight

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

- Act in an advisory capacity to the Board,
- Assess management's environmental and health and safety policies and practices and ensure that remedial plans and programs are carried out and adequate reserves are in place,
- Oversee the Corporation's performance in environmental and health and safety matters and review management's report on the Corporation's compliance or non-compliance with applicable environmental, health and safety regulatory requirements,
- Monitor trends and review current and emerging policy in the area of environment, health and safety,
- Ensure management's commitment to minimize the impact of the Corporation's businesses on the environment through a program of continual improvement in environmental, health and safety performance, achieved by implementing a feasible and comprehensive environmental, health and safety policy with measurable and achievable targets as resources become available and technology improves, and
- Ensure that processes are in place to annually evaluate the performance of the EHS Committee and its mandate and to report thereon to the Board.

The EHS Committee holds meetings at least annually with a portion of every meeting reserved for in-camera discussion.

Employees

The Corporation employs 3,850 employees; of these, approximately 1,400 are unionized and are covered by 15 collective bargaining agreements. The Corporation maintains constructive relationships with its unions and strives to achieve mutually beneficially 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. See *"Risks Inherent in Magellan's Business - The agreements with labour unions representing certain of the Corporation's employees are subject to renewal"*.

Foreign Operations

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

Further Information

For more information in relation to the business and development of Magellan, reference is made to the information under "Overview" in Management Discussion and Analysis for the year ended December 31, 2023 which is filed on SEDAR+ at (www.sedarplus.ca) and which information is hereby incorporated by reference.

ITEM 5. RISKS INHERENT IN MAGELLAN'S BUSINESS

Magellan operates in an industry segment which presents a variety of risk factors and uncertainties. The risks and uncertainties described below are those that the Corporation currently believes could materially affect its business activities, financial condition, cash flows, results of operations and reputation, but are not necessarily the only risks and uncertainties that we face. If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows, results of operations and reputation could be materially adversely affected.

Operational Risk

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

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

Availability of raw materials used in production may adversely impact the financial results of the Corporation.

The Corporation's manufacturing operations are dependent on a number of suppliers, located in numerous countries around the world, for the delivery of raw materials. Certain of Magellan's suppliers are specialized in what they deliver with limited options for alternative suppliers. Disruptions in the supply chain can impact Magellan's ability to deliver on schedule. Moreover, failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect the ability to meet commitments to customers, in particular if the Corporation is unable to purchase the key components and parts from those suppliers upon agreed terms or in a cost-effective manner and if alternative suppliers cannot be found on commercially acceptable terms in a timely manner. The Corporation may not be able to recover any costs or liability that it may incur (including liability to customers) as a result of any such failure from the applicable supplier, which could have a material adverse effect on the financial condition, results of operations and reputation of the Corporation.

Magellan's dependence on foreign suppliers and subcontractors and its global operations subjects the Corporation to a variety of risks and uncertainties. All direct suppliers must comply with Magellan's standard terms and conditions, which formalizes expectations with respect to suppliers' business standards, and is designed to ensure that each of the Corporation's suppliers' operations are conducted in a legal, ethical, and responsible manner. However, the Corporation does not control its independent suppliers or those indirect suppliers and companies with whom they do business and cannot guarantee their compliance with the Corporation's standard terms and conditions and with applicable laws and regulations or that violations will be reported to Magellan in a timely manner. Any violation of applicable laws and regulations or failure to use ethical business practices by one or more third-party subcontractors or suppliers, including laws and regulations related to, among other things, labour practices, health and safety, and environmental protection, could also materially adversely affect Magellan's business and reputation and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on the Corporation.

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

As people across all industries re-assess their lives and careers as a result of the COVID-19 pandemic, companies have experienced increased attrition, which has resulted in an increased competition for talent and challenges for the hiring and retaining of skilled employees by the Corporation. Since the Corporation requires

specialized skills and knowledge to compete in the aerospace industry, a highly competitive market for skilled labour may adversely impact the Corporation's operations in the form of a shortage of labour, increased labour costs and the inability to manufacture and deliver goods in a timely manner.

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

The Corporation relies on customers' delivery projections, market forecast providers, and various other market information sources to determine the number of units over which to amortize non-recurring costs. Unpredictable world events can reduce the accuracy of market forecasts provided by information sources and therefore may affect aircraft and engine build rates used in the Corporation's various business cases. Should deliveries not reach the number projected or there is a cancellation of an aircraft program, any unamortized balance that remains would then need to be written off which could have a material adverse impact on the Corporation.

Acquisitions and growth strategy could adversely affect the Corporation.

The Corporation will continue to seek growth organically and through acquisitions. These acquisitions may expose the Corporation to new geographical, political, operational, cultural and financial risks. There can be no assurance that the Corporation will be able to identify, acquire, obtain the required regulatory approvals, or profitably manage additional businesses without substantial expenses, delays or other operational, regulatory, or financial problems. As well, significant demands may be placed on management or cause subsequent difficulties related to the integration of new businesses, products or technologies, posing risks that are difficult to forecast and could adversely affect the Corporation's growth and profitability.

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

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

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

For the year ended December 31, 2023, direct sales to Boeing represented approximately 11.5% of total Corporation revenues and the direct sales to Airbus represented approximately 25% of total Corporation revenues. The loss of either of these customers or any significant decline in purchasing by either customer from the Corporation could have a material adverse impact on the current and forecasted financial results of the Corporation.

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

The aerospace industry is continually undergoing advancements through the introduction of new technologies, materials, products, manufacturing methods, equipment and methods of repair and overhaul. In order to keep pace with any new developments, the Corporation may need to expend significant capital to purchase new equipment and machinery or to train the Corporation's employees in the new methods of production and service. In addition, the Corporation makes significant expenditures for the research and development of new products and services. The Corporation may not be successful in developing new products and these capital expenditures may have a material adverse effect on the Corporation. Furthermore, disruptive technologies such as additive

manufacturing or aircraft electrification could potentially impact future demand for existing components that are core to the Corporation's business.

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

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

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

Most major OEMs develop strategic partnerships with their key suppliers expecting them to provide an array of integrated services including purchasing, warehousing and assembly. The Corporation has been designated as a key supplier by certain of its customers and aims to achieve the same status with others. In order to achieve or maintain key supplier status, the Corporation may need to expand existing capacities or capabilities; however, there is no assurance that the Corporation will be able to do so.

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

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

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

Potential for unforeseen costs associated with warranty claims.

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

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

Approximately 1,400 employees are represented by unions and are covered by 15 collective bargaining agreements. Each collective bargaining agreement has a unique expiration date. While the Corporation maintains positive relationships with its respective unions, renegotiations of the collective bargaining agreements could result in work disruption, including work stoppages or work slowdowns. Should a work stoppage occur, it could interrupt the Corporation's manufacturing or service operations at the impacted location which in turn could adversely affect service to its customers and its financial performance.

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

The Corporation places significant reliance on information technology for information and processing that supports financial, regulatory, administrative and commercial operations. Magellan's business also requires the appropriate and secure utilization of sensitive information belonging to third parties such as aircraft OEMs, national defence forces and customers. The Corporation relies upon telecommunication services to interface with its global operations, customers and business partners. Any disruption to the Corporation's information technology and telecommunication services, including those caused by projects to improve its information technology systems, if not anticipated and appropriately mitigated, could disrupt Magellan's business and impair its ability to effectively provide products and related services to its customers and could have a material adverse effect on the Corporation's business. The Corporation could also be subject to systems failures, including network, software or hardware failures, whether caused by the Corporation, third-party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Cyber security threats are evolving and include, but are not limited to, malicious software, unauthorized attempts to gain access to sensitive, confidential or otherwise protected information related to Magellan or its products, customers or suppliers, or other acts that could lead to disruptions in its business. Any such failures could cause loss of data and interruptions or delays in the Corporation's business, cause Magellan to incur remediation costs, subject it to claims and could potentially damage its reputation. In addition, the failure or disruption of the Corporation's communications or utilities could cause interruption or suspend its operations or otherwise adversely affect the Corporation's business. The Corporation's property and business interruption insurance may be inadequate to compensate for all losses that may occur as a result of any system or operational failure or disruption which would adversely affect the Corporation's business, results of operations and financial condition.

Any exposure to environmental liabilities may adversely affect the Corporation.

The Corporation's business, operations and facilities are subject to numerous environmental laws and regulations in Canada, the United States, the United Kingdom, Asia and the European Union. The Corporation is required to maintain certificates of approval, permits or licenses with respect to its water discharges, air emissions, generation of wastes and land fill sites, as applicable. The regulatory bodies in charge of environmental matters conduct periodic compliance reviews and the Corporation engages in regular monitoring and measuring of its environmental aspects and impacts. From time to time due to non-compliance matters that arise, containment, mitigation and remedial orders are received, which require action by the Corporation. The Corporation commits financial and technical resources as it deems necessary, including retaining outside consultants, to develop action plans in accordance with the requirements of the various jurisdictions in which it operates.

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

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

Legislation at country, provincial and state levels provide for restrictions and prohibitions on emissions, discharges and releases of various substances produced in association with manufacturing operations. It is expected legislation will become more stringent over time and necessitate additional environmental controls. There are several initiatives under review by the Corporation to ensure that it meets the new legislated

requirements. These initiatives include, but are not limited to, greenhouse gas reduction, replacement of chlorinated solvents used for degreasing, toxic substances reduction, including hexavalent chromium, and monitoring of substance releases from products exported to the European Union. As legislation evolves and enforcement of the laws and regulations becomes more rigorous, the Corporation may be required to incur additional significant capital and operating expenditures to comply, which could have a material adverse effect on the Corporation's financial condition. The Corporation is actively testing alternatives and new technology; given the uncertainty in climate change legislation, it may be costly or not possible for the Corporation to meet legislated reductions and timelines before proven alternatives are in place.

As a result of historic releases of trichloroethylene, the Corporation, with regulatory approval, has implemented remedial systems in Winnipeg, Manitoba; Mississauga, Ontario; Fort Erie, Ontario; and Bournemouth, Great Britain to address trichloroethylene-impacted groundwater. These remedial systems have been in operation for a number of years with capital costs already incurred and ongoing maintenance and operating expenses. Although management believes that the Corporation's operations and facilities are in material compliance with environmental laws and regulations, future changes in these laws, regulations or interpretations thereof or the nature of the Corporation's operations may require the Corporation to make significant additional capital expenditures to ensure compliance in the future, which may adversely affect the financial condition of the Corporation. Furthermore, neighbouring property owners to the Corporation's sites at Winnipeg, Manitoba; Mississauga, Ontario; Fort Erie, Ontario and Queens, New York have been made aware of potential off-site impacts of trichloroethylene and environmental investigations at those sites. Negotiations with the neighbouring property owners have precluded the need for off-site remediation.

Uncertainties also apply to Magellan's former operations in Torrance, California as Magellan Aerospace, Middletown, Inc. is named as one of a number of third party defendants for contribution and cost recovery under the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980. Actual liability to the Corporation remains highly uncertain due to unknown timing and extent of remediation costs and other corrective actions that may be required including, the unknown proportion of liability attributable to the Corporation (if any) as compared to the proportion of liability attributable to other potentially responsible parties and the extent to which such costs are recoverable from third parties.

Increased public awareness and growing concerns about climate change and the global transition to a low carbon economy could result in a broad range of impacts and may adversely impact the Corporation.

Increased public awareness and growing concerns about climate change and the global transition to a low carbon economy could result in a broad range of impacts, including potential strategic, reputational and structural related risks for the Corporation and its business partners, and the emergence and evolution of additional environmental and climate change regulations, frameworks, and guidance. Increasing regulatory expectations create a new set of compliance risks that need to be managed. Global climate change also results in regulatory risks which vary according to the national and local requirements implemented by each jurisdiction where the Corporation operates.

In addition, concerns about the environmental impacts of air travel, the "anti-flying" movement and tendencies towards "green" travel initiatives have contributed to higher levels of scrutiny with respect to emissions which could have the effect of reducing demand for air travel and could materially adversely impact the Corporation's aviation business and reputation. As part of our environmental, social and governance values, and recognizing our role in the full life cycle assessment of air transportation, Magellan has committed to reducing CO2 emissions by 55% by 2030 against a 2008 baseline and a longer term goal of net zero by 2050; should Magellan not achieve these objectives, it could have an adverse impact on the Corporation's reputation.

The Corporation may be affected by the continued scrutiny regarding ESG matters.

The evolving expectations on ESG matters may pose risks to the Corporation's market and financial outlooks, cost of capital, branding, reputation, global supply chain, and business continuity, which may impact its ability to achieve long-term strategies. The increased public awareness and growing concerns about climate change and the global transition to a low carbon economy may result in a broad range of impacts, including potential strategic, reputational and structural related risks for the Corporation and its stakeholders and the emergence and evolution of additional environmental and climate change regulations, frameworks and guidance. The increased regulatory expectations and evolving reforms pertaining to mandatory ESG-related disclosures create a new set of compliance risks. Increasing reporting expectations also adds pressure to secure reliable and precise ESG data

and to deploy robust data collection processes with effective controls that will allow external verification in the future. The Corporation could be impacted if there is a lack of precise and complete data. As stakeholder perceptions pertaining to social and governance approaches continue to evolve, failure to adequately monitor the interest of various stakeholders and to sufficiently address evolving expectations related to corporate culture, business conduct and ethics, transparency, socially responsible programs and practices, health and safety, as well as, diversity and inclusion, among other things, could affect the Corporation's profitability and reputation.

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

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

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

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

General Economic Risk

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

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

The Corporation cannot predict the depth or duration of downturns in the domestic and global economies nor the effects on markets that the Corporation serves, particularly the airline industry. The Corporation's ability to increase or maintain its revenues and operating results may be impaired as a result of negative general global economic conditions including, without limitation, inflation, interest rates, general levels of economic activity, fluctuations in the market prices of securities, participation by other investors in the financial markets, economic uncertainty, national and international political circumstances, natural disasters, public health crises, pandemics and other events outside of the Corporation's control. There are also significant uncertainties surrounding the economic impacts of global military conflicts, prolonged inflationary pressures on the price the Corporation pays for the goods and services it acquires or contracts, and the possibility of an economic recession. Such economic uncertainties render estimates of future revenues and expenditures more difficult to formulate. The future direction of the overall domestic and global economies could have a significant impact on the Corporation's overall financial performance and may impact the value of its Common Shares.

Pandemics, including the COVID-19 pandemic, have caused, and may in future cause disruptions in the Corporation's operations, market volatility and economic disruption, which could adversely affect the Corporation's results.

Effects and changes to the economy and markets since the COVID-19 pandemic continue to negatively impact the global economy and the global air transportation environment, disrupt global supply chains, significantly

increase inflation, impact workforce availability and demands, and create economic uncertainty and disruption of financial markets. While emergency measures that were enacted by governments worldwide to contain the spread of the virus during earlier periods of the COVID-19 pandemic, including the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential businesses, have been lifted or eased, an increase in new infections or the spread of new variants of COVID-19 could cause some governments to reinstate such measures.

In addition, any other significant outbreak, epidemic or pandemic of contagious diseases in any geographic area in which the Corporation operates could result in a similar, or worse, public health and safety crisis that could significantly disrupt global health, economic, market and labour conditions, and create varying degrees of slowdowns in the global economy and recessions. Any of the foregoing could bring about new or exacerbate existing disruptions to businesses in Canada and globally, resulting in uncertainty and a challenging economic environment, which could in turn have a material negative impact on the Corporation's business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods. A global health crisis of a similar scale or scope as the COVID-19 pandemic may also have the effect of heightening other risks and uncertainties disclosed and described in this AIF.

Business Environment Risk

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

The Corporation's gross profit is derived from the aerospace industry. The Corporation's aerospace operations are focused on engineering and manufacturing aircraft components for new manufactured aircraft, and selling spare parts and performing repair and overhaul services on existing aircraft and aircraft components. Therefore, the Corporation's business is directly affected by economic factors and other trends that affect the Corporation's customers in the aerospace industry, including possible changes in sourcing strategies by aircraft operators and OEMs, decreased demand for air travel or projected market growth that may not materialize or be sustainable or the grounding of specific aircraft models by regulatory authorities. Since fuel prices are a significant cost factor for aircraft operators, any sizeable price increases can affect their operating margins and reduce their ability to finance capital expenditures. Constraints in the credit market may reduce the ability of airlines and others to purchase new aircraft, negatively affecting the demand for the Corporation's products. When these economic and other factors adversely affect the aerospace industry, they tend to reduce the overall customer demand for the Corporation's products and services, which decreases the Corporation's operating income.

Economic and other factors both internal and external to the aerospace industry might affect the aerospace industry and may have an adverse impact on the Corporation's results of operations. More specifically, a number of additional external risk factors may include the financial condition of the airline industry, commercial aerospace customers and government aerospace customers; government policies related to import and export restrictions and business acquisitions; changing priorities and possible spending cuts by government agencies; government support for export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which the Corporation competes. In addition, acts of terrorism, natural disasters, and global health risks including new pandemics, political instability or the outbreak of war or continued hostilities in certain regions of the world could adversely affect global travel and result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of the Corporation's products.

The Ukraine-Russia military conflict and any restrictive actions that may be taken by countries in response thereto, such as sanctions or export controls.

Since February 24, 2022, the United States, Canada and the United Kingdom, in coordination with European and NATO allies have issued broad financial and economic sanctions and export control limitations against Russia and against certain persons and entities. Additional sanctions or other measures may be imposed by the global community, and counteractive measures may be taken by the Russian government, or other entities in Russia or governments or other entities outside of Russia. The impacts of the imposed sanctions are being monitored on an ongoing basis by the Corporation and industry in general. In particular, the Corporation's customers have taken actions to lessen the impact on the supply of titanium materials originally sourced from Russia. Of greater concern is the potential impact of changes in world economic markets and the follow-on effects on the aerospace industry. The Corporation cannot predict the outcome of the conflict or the end of any sanctions imposed nor can it predict the resulting economic fallout, therefore the corresponding impact on the Corporation remains uncertain.

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

A portion of the Corporation's revenue is derived from global defence markets. Although the United States and other countries currently remain committed to increased defence spending, annual budgets are subject to changes in government, political climates and spending priorities. A loss or significant reduction in government funding of a large program in which the Corporation participates, could materially affect revenues and earnings.

The Corporation's diversified sales portfolio helps to reduce the impact that a reduction in defence spending on the part of any government or governments could have. Notwithstanding this, there can be no assurances that the Corporation's' diversification strategies will be sufficient to mitigate any negative impacts caused by a reduction in defence spending.

Political uncertainty could result in a decrease in revenues or have other material adverse effects on the Corporation.

Significant political events can cast uncertainty on global financial and economic markets and depending upon the nature of the event can directly affect the aerospace market. New economic policies, immigration policies, trade agreements, and defense strategies implemented by the United States could materially impact the Corporation's markets. New tax legislation or changes to existing tax laws in the United States or other legislative changes could present future challenges to non-U.S. corporations. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, there could be an adverse effect on the Corporation's ability to market its products and services internationally, or an increase in costs for goods and services required for the Corporation's operations, or reduced access to skilled labour, resulting in a negative impact on the Corporation's business, operations, financial conditions and the market value of its Common Shares.

Competitive pressures and industry consolidation may adversely affect the Corporation.

The Corporation competes in the aerospace industry primarily in support of OEMs and the manufacturers that supply them, some of which are divisions or subsidiaries of OEMs, and other large companies that manufacture aircraft components and subassemblies. Competition for the repair and overhaul of aerospace components comes from three primary sources: OEMs, major commercial airlines and other independent repair and overhaul companies. Some of the competitors' financial and other resources and name recognition are substantially greater than that of the Corporation and which constitute a significant competitive advantage. There can be no assurance that Magellan will be able to compete successfully against current and future competitors or that the competitive pressures that Magellan faces will not adversely affect the Corporation's operating revenues and, in turn, the Corporation's business and financial condition.

The aerospace and defence industry may undergo increased consolidation through mergers and acquisitions and vertical integration for various reasons. Such changes may affect any or all levels of the supply chain including the Corporation's customers, competitors and suppliers. Consolidation among Magellan's customers may result in delays in awarding new contracts and losses of existing business. Consolidation among the Corporation's competitors may result in larger competitors with greater resources and market share leverage, which could adversely affect the Corporation's ability to compete successfully. Consolidation among Magellan's suppliers may result in fewer sources of supply and increased costs to the Corporation.

Regulatory and Legal Risk

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

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

Financing Risk

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

As future capital expenditures will be financed out of cash generated from operations, borrowings and possible equity issuances, the Corporation's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the aerospace industry and Magellan's securities in particular.

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

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

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

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

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

The Corporation is party to the Bank Credit Facility Agreement with a syndicate of lenders. Under the terms of the Bank Credit Facility Agreement, the lenders have made an operating credit facility available to the Corporation that expires on June 30, 2025. Any extensions of the operating credit facility are subject to mutual consent of the lenders and the Corporation. The Bank Credit Facility Agreement requires the Corporation to maintain certain financial and non-financial covenants. For more information, see "*Borrowings – Bank Credit Facility*". The Corporation's ability to meet the financial ratios can be affected by events beyond the Corporation's control and there is no assurance that the Corporation will be able to meet its bank covenants due to unforeseen events or circumstances, some of which are outlined elsewhere in "*Risks Inherent in Magellan's Business*". Also there is no assurance that the Bank Credit Facility Agreement will be renewed upon expiry or that the proposed terms of renewal would be regarded as commercially reasonable by the Corporation.

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

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

A key element of the Corporation's strategy has been, and continues to be, internal growth and growth through the acquisition of additional companies and product lines engaged in the aerospace industry. In order to grow internally, the Corporation may need to make significant capital expenditures and may need additional capital to do so. The Corporation's ability to grow is dependent upon, and may be limited by, among other things, availability under the credit facilities and by particular restrictions contained therein and the Corporation's other financing

arrangements. In that case, additional funding sources may be needed, and the Corporation may not be able to obtain the additional capital necessary to pursue its internal growth and acquisition strategy or, if the Corporation is able to obtain additional financing, the additional financing may not be on financial terms which are satisfactory to it.

The ability to make distributions to shareholders may be impacted by factors not within the control of the Corporation.

The payment of dividends, the repurchase of Common Shares under the Corporation's NCIB program, and other cash or capital returns to its shareholders, if any, are subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including operating cash flows, sources of capital, the satisfaction of solvency tests and other financial requirements, and the Corporation's operations and financial results. Depending on these and various other factors, many of which are beyond the Corporation's control, future cash dividends or distributions to shareholders could be reduced or suspended entirely.

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

Market Risk

The Corporation may be affected by interest rate fluctuations.

The majority of the Corporation's debt bears interest at variable rates. Consequently, the Corporation's future cash flows are exposed to fluctuations from changing interest rates arising from debt obligations indexed to variable interest rates. For these items, cash flows and interest costs could be impacted by a change in benchmark interest rates such as Secured Overnight Financing Rate ("SOFR"), Sterling Overnight Index Average ("SONIA"), or Canadian Overnight Report Rate Average ("CORRA") and may adversely and materially affect the Corporation's financial results.

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

The Corporation's financial results are reported in Canadian dollars, though a large portion of the Corporation's revenues and expenses are in foreign currencies, primarily US dollars or British pounds. It is expected that a portion of revenues and expenses will continue to be based in foreign currencies. In situations where the Corporation is not fully hedged, fluctuations in the Canadian dollar exchange rate to foreign currencies will impact the Corporation's results of operations and financial condition from period to period. In addition, such fluctuations could affect the translation of the Corporation's results and profitability shown in its consolidated financial statements. The Corporation also may not be able to manage its currency exposure on commercially reasonable terms.

Commodity price risk

The Corporation is exposed to commodity price risk relating principally to fluctuations in the cost of materials used, such as aluminum, advanced aluminum alloy, titanium, magnesium, rare earths and other materials that are used to manufacture products, and which represent a significant portion of cost of sales. Magellan does not maintain significant inventories of raw materials and components and parts. The prices and availabilities of raw materials and components and parts may vary significantly from period to period due to factors such as, without limitation, consumer demand, supply, market conditions, geopolitical factors, climate change and costs of raw materials. In particular, raw materials required for operations, may be subject to pricing cyclicality and periodic shortages from time to time. The Corporation cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and Magellan may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Inflation risk

Global economies in which the Corporation and its suppliers operate, and in which Magellan's customers reside, have experienced broad significant inflationary pressures over the past two years, and future inflationary pressures remains fluid and uncertain. The business is exposed to inflation risk relating to fluctuations in costs and revenue for orders received but for which the delivery will take place in the future. Fluctuations in inflation rates could nevertheless have a significant impact on the future profitability of the Corporation if the inflation rate assumption used varies from the actual inflation rate, and this is a particularly acute risk in respect of large long-term contracts which may have an impact on Magellan's results for several years. The inability to recover, in whole or in part, the increase in costs from inflationary pressures may have a material adverse impact on Magellan's business, financial condition and results of operations.

ITEM 6. DISTRIBUTIONS

Dividends

The Corporation paid dividends of \$0.105 per Common Share in all four quarters of fiscal 2021 representing aggregate dividends paid of approximately \$24.2 million.

In the fiscal year of 2022, the Corporation paid dividends of \$0.105 per Common Share in the first quarter, \$0.08 per Common Share in the second quarter, \$0.05 per Common Share in the third quarter, and \$0.025 per Common Share in the fourth quarter of fiscal 2022 representing aggregate dividends paid in the fiscal year of \$15.0 million.

The Corporation paid dividends of \$0.025 per Common Share in all four quarters of fiscal 2023 representing aggregate dividends paid of approximately \$5.7 million.

In the first quarter of 2024, the Corporation declared dividends of \$0.025 per Common Share payable on March 31, 2024 to shareholders of record at the close of business on March 15, 2024.

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

Normal Course Issuer Bid and Share Purchases for Cancellation

2021 NCIB

On May 27, 2021, the Corporation's application for renewal of its NCIB was approved by the TSX that provided for the purchase for cancellation of up to 2,886,455 Common Shares of the Corporation during the 12 month period from May 27, 2021 until May 26, 2022. No Common Shares were repurchased for cancellation during that period under the NCIB.

2022 NCIB

On May 25, 2022, the Corporation's application for a further renewal of its NCIB was approved by the TSX to allow for the purchase for cancellation of up to 2,886,455 Common Shares, over a 12-month period commencing May 27, 2022 and ending May 26, 2023. The Corporation repurchased for cancellation 351,580 Common Shares for \$2.6 million at a volume weighted average price paid of \$7.25 per Common Share.

2023 NCIB

On May 25, 2023, the Corporation's application for a further renewal of its NCIB was approved by the TSX to allow for the purchase of up to 2,868,106 Common Shares, over a 12-month period commencing May 27, 2023 and ending May 26, 2024. During the year ended December 31, 2023, 132,704 Common shares were purchased for cancellation for \$1.0 million at a volume weighted average price paid of \$7.40 per Common Share.

All purchases for cancellation of Common Shares are made on the open market through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction plus brokerage fees in accordance with applicable exchange policies.

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

ITEM 7. GENERAL DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Magellan has authorized for issuance an unlimited number of Common Shares of which 57,183,634 Common Shares were outstanding as at the date hereof. The holders of Common Shares are entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of Magellan; to receive dividends as and when declared by the Board on the Common Shares as a class, and subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes; and in the event of any liquidation, dissolution or winding-up of Magellan, whether voluntary or involuntary, or any other distribution of the assets of Magellan among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of Magellan ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the shares of any other class of shares of Magellan ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of Magellan as are available for distribution.

Preference Shares

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

ITEM 8. BORROWINGS

The Corporation has the following financing arrangement on the date hereof:

Bank Credit Facility

On June 14, 2023, the Corporation entered into an agreement (as it may be amended from time to time, the "Bank Credit Facility Agreement") with a syndicate of banks that provides for a multi-currency operating credit facility up to a limit of \$75 million. The Bank Credit Facility Agreement also includes an uncommitted accordion provision which provides the Corporation the option to increase the size of the operating credit facility by \$75 million. Under the terms of the Bank Credit Facility Agreement, the operating credit facility expires on June 30, 2025.

Under the Bank Credit Facility Agreement, Magellan agrees to maintain a prescribed fixed charge coverage ratio and total leverage ratio, the failure of which will create an event of default pursuant to the Bank Credit Facility Agreement. The fixed charge coverage ratio is the ratio of (a) earnings before interest, taxes, depreciation and amortization less cash taxes less distributions permitted by the lenders, to (b) the sum of scheduled principal payments paid plus interest expense plus capital lease payments made. The total leverage ratio is the ratio of (a) total indebtedness as at such time to (b) EBITDA (defined as net income before interest, income taxes, depreciation and amortization) for the most recently completed four financial quarters. As of December 31, 2023, the Corporation was in compliance with these covenants.

See "*Risks Inherent in Magellan's Business – The Corporation's debt may need to be refinanced and such refinancing may not be available*". For more information in relation to the Bank Credit Facility Agreement, reference is made to Note 12 of the Corporation's consolidated financial statements for the year ended December 31, 2023 filed on SEDAR+ at (www.sedarplus.ca), which note is incorporated by reference into this AIF and see "*General Development of the Business – Financing Matters*" and "*Material Contracts*".

ITEM 9. MARKET FOR SECURITIES

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

The following chart shows the high and low closing prices and the aggregate volumes traded of the Common Shares on the TSX for each month in 2023:

Date	Low	High	Volume Traded
January	8.09	9.85	184,018
February	8.70	9.52	130,346
March	7.02	9.50	236,202
April	6.76	7.59	201,641
May	7.03	7.95	108,376
June	7.50	8.43	104,196
July	7.76	8.43	127,529
August	7.05	8.15	445,155
September	7.02	7.75	122,691
October	7.03	7.65	91,457
November	7.25	8.15	174,537
December	7.34	8.09	193,232

ITEM 10. DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and executive officers of the Corporation, the offices held by them in the Corporation, their principal occupations and the year each director first became a director are set out below. Each of the directors, except for Larry G. Moeller, who was not a director for the period from August 14, 1999 to March 3, 2000, has served continuously as a director since the date they were first elected or appointed, which date is indicated below such director's name. The present term of each director will expire immediately prior to the election of directors at the next annual meeting of shareholders, which is scheduled for April 30, 2024. Except as set out in the notes to the table below, all of the directors are nominees for election at such annual meeting. Each of the directors and executive officers has been engaged in their principal occupation or in other capacities with the same firm or organization for the past five years, except as disclosed in the notes to the following table. The information below concerning each of the Corporation's directors (except for information relating to the committee on which such director is a member) has been provided by the individual director.

To the knowledge of the Corporation, except as disclosed in the notes to the following table, no proposed director of the Corporation is, or has been in the last ten years, a director, chief executive officer or chief financial officer of an issuer (including the Corporation) that: while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days and (b) was subject to an event that resulted, after that person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days.

To the knowledge of the Corporation, except as disclosed in the notes to the following table, no proposed director of the Corporation is, or has been within the last ten years, a director or executive officer of any issuer (including the Corporation) that, while that person acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

Director's Name, Province/State and Country of Residence and Year First Became Director	Office Held	Principal Occupation
N. MURRAY EDWARDS ⁽⁴⁾ St. Moritz, Switzerland 1995	Chairman of the Board and Director	Corporate Director/Investor
PHILLIP C. UNDERWOOD Ontario, Canada 2015	Director	President, Chief Executive Officer and Director, Magellan Aerospace Corporation
BETH M. BUDD BANDLER ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ Ontario, Canada 2014	Director	President, Beth Bandler Professional Corporation (private legal and business practice)
LARRY G. MOELLER ⁽³⁾⁽⁵⁾ Alberta, Canada 1995	Director	President, Kimball Capital Corporation (private consulting and management company)
STEVEN SOMERVILLE ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾⁽⁷⁾ Ontario, Canada 2013	Director	President, CCM Capital Corporation (private consulting and management company)
JAMES P. VEITCH ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁸⁾ Alberta, Canada 2021	Director	Director, Partner Two Corp. (private consulting company)

(1) Member of the Audit Committee.

(2) Member of the Governance and Nominating Committee.

(3) Member of the Human Resources and Compensation Committee.

(4) Member of the Pension Committee.

(5) Member of the Environmental and Health & Safety Committee

(6) Mr. Somerville was a director of CanAm Coal Corporation and resigned effective June 30, 2014. The company and its subsidiaries filed on May 28, 2015 voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Alabama. On May 7, 2015 and on May 8, 2015, the Alberta Securities Commission and British Columbia Securities Commission, respectively, issued cease trade orders in connection with the CanAm Coal Corporation's failure to file its audited consolidated financial statements for the year-ended December 31, 2014 and its related management discussion and analysis and management certifications. On May 7, 2015 the shares of CanAm Coal Corporation were suspended from trading on the TSX Venture Exchange for failure to meet continued listing requirements.

(7) Mr. Somerville was appointed President of CCM Capital Corporation on January 1, 2023. Prior to that, Mr. Somerville served as President of Kerr Industries Limited.

(8) Since August 1, 2018, Mr. Veitch has served as Director of Partner Two Corp.

Executive Officer's Name, Province/State and Country of Residence	Office Held	Principal Occupation
PHILLIP C. UNDERWOOD Ontario, Canada	President and Chief Executive Officer	President, Chief Executive Officer, Magellan Aerospace Corporation
ELENA M. MILANTONI ⁽¹⁾ Ontario, Canada	Chief Financial Officer	Chief Financial Officer, Magellan Aerospace Corporation
IAN ROBERTS ⁽²⁾ Ontario, Canada	Vice President, Information Technology	Vice President, Information Technology Magellan Aerospace Corporation
MICHAEL GRIBE ⁽³⁾ Ontario, Canada	Vice President, Human Resources	Vice President, Human Resources Magellan Aerospace Corporation
KAREN YOSHIKI- GRAVELSINS Ontario, Canada	Vice President, Corporate Stewardship and Operational Excellence	Vice President, Corporate Stewardship and Operational Excellence, Magellan Aerospace Corporation
HAYDN R. MARTIN	Vice President, Business Development, Marketing and Contracts	Vice President, Business Development, Marketing and Contracts, Magellan Aerospace Corporation

(1) Ms. Milantoni was appointed Corporate Secretary of the Corporation on November 5, 2021.

(2) Effective July 19, 2021, Mr. Roberts joined Magellan Aerospace Corporation, and was appointed Vice President, Information Technology. Prior to that, Mr. Roberts served as Vice President of Shared Services and Chief Information Officer at Ontario Power Generation.

(3) Effective January 24, 2022, Mr. Gripe joined Magellan Aerospace Corporation, and was appointed Vice President, Human Resources. Prior to that, Mr. Gripe served in management positions in energy and petrochemical, mining, retailing and manufacturing industries.

The directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 45,314,470 Common Shares representing approximately 79.2% of the outstanding Common Shares of the Corporation.

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

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

ITEM 11. AUDIT COMMITTEE

The Audit Committee's Charter

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

Composition of the Audit Committee

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

Relevant Education and Experience

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

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

Steven Somerville

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

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

James P. Veitch

Mr. Veitch has been a director of the Corporation since 2021 and a member of the Audit Committee since 2021. Mr. Veitch is an experienced business executive with over twenty-five years in the financial industry in institutional sales.

Beth M. Budd Bandler

Mrs. Bandler has been a director of the Corporation since 2014 and a member of the Audit Committee since 2022. Mrs. Bandler is an experienced business executive with many years of experience in various industries providing a variety of legal, governance, and HR services to international companies.

Mrs. Bandler holds a Bachelor of Science and Master of Science (Applied) from McGill University, a LL.B., J.D., from Osgoode Hall Law School, York University and is a Chartered Director.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all permitted audit, audit-related and non-audit services to be performed by the Corporation's external auditors. BDO Canada LLP were first appointed by the Board as the auditors of the Corporation effective October 17, 2022 as the successor auditors to Ernst & Young LLP.

External Auditor Service Fees

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

	Fiscal year ended December 31	
	2023	2022 ⁽¹⁾⁽²⁾
Audit fees	\$1,190,404	\$1,046,665
Audit-related fees	16,049	Nil
Tax fees	3,531	
Total	\$1,212,007	\$1,052,627

Notes:

- (1) Ernst & Young, LLP was the Corporation's auditor until October 14, 2022. The fees billed for audit fees were \$46,615, audit-related fees nil, and tax fees \$5,962, totaling \$52,677 in fiscal year 2022.
- (2) BDO Canada, LLP fees billed for audit fees were \$1,000,050, audit-related fees nil, tax fees nil, totaling \$1,000,050 in fiscal year 2022.

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

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

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

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

ITEM 12. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that the Corporation is or was a party to, or that any of its property is or was the subject of, during the Corporation's most recent financial year, nor are any such legal proceedings known to the Corporation to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of the Corporation.

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

ITEM 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

Name and Address of Holder	Class of Shares	Type of Ownership	Number of Common Shares	Percentage of Common Shares
N. Murray Edwards St. Moritz, Switzerland	Common Shares	Direct and Indirect	43,056,979	75.3%

ITEM 14. MATERIAL CONTRACTS

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

For more information, see Note 13 to the Corporation's consolidated financial statements for the year ended December 31, 2023 filed on SEDAR+ at www.sedarplus.ca and which is incorporated herein by reference.

ITEM 15. TRANSFER AGENT AND REGISTRAR

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

ITEM 16. INTERESTS OF EXPERTS

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

ITEM 17. ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR+ at www.sedarplus.ca. Additional information relating to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's voting shares and corporate governance matters relating to the Corporation will be contained in the Corporation's Management Information Circular which relates to the annual meeting of shareholders of the Corporation to be held on Tuesday, April 30, 2024. Additional financial information is provided in the Corporation's consolidated financial statements for the year ended December 31, 2023 and management's discussion and analysis, both of which have been filed on SEDAR+ at www.sedarplus.ca.

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

APPENDIX "A"

MAGELLAN AEROSPACE CORPORATION

CHARTER OF THE AUDIT COMMITTEE

MANDATE

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

The Committee's primary duties and responsibilities are to:

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

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

MAJOR RESPONSIBILITIES AND FUNCTIONS

Review Procedures

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

Annual Financial Statements

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

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

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

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

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

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

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

Year-end audited financial statements and disclosures.

Annual earnings press releases.

Management's Discussion and Analysis.

Annual Information Form.

All prospectuses and information circulars as to financial information provided therein.

Quarterly Financial Statements

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

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

Any significant changes to the Corporation's accounting principles.

Other Financial Filings and Public Documents

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

Internal Control Environment

1. Ensure that management and the external auditors provide to the Committee an annual report on the Corporation's financial control environment as it pertains to the Corporation's financial reporting process and controls.
2. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation.
3. Review the effectiveness of the overall process for identifying the principal risks affecting the achievement of business plans and provide the Committee's view to the Board.
4. Review, in consultation with management and the external auditors, the degree of coordination in management's audit plans relating to the internal control environment and the external auditors audit plan and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit effort to assure completeness of coverage and the effective use of audit resources. Any recommendations made by the auditors for the strengthening of internal controls shall be reviewed and discussed with management.
5. Review the hedging and risk management policies and procedures of the Corporation.
6. Review legal and regulatory matters that may have a material impact on the interim or annual financial statements, related Corporation compliance policies and programs and reports received from regulators.
7. Review policies and procedures with respect to officers' and directors' expense accounts and perquisites, including their use of corporate assets and consider the results of any review of these areas by the internal auditor or the external auditors.
8. Review all related party transactions between the Corporation and any officers or directors.
9. Review incidents of fraud, illegal acts and conflicts of interest.
10. Oversee the internal audit function including:
 - (a) Reviewing the annual internal audit plan including risk assessment, the location and activities elected to ensure appropriate involvement in the control systems and financial reporting, time and cost budgets, resources (both personnel and technological) and organizational reporting structure;
 - (b) Reviewing internal audit progress, findings, recommendations and follow up actions;
 - (c) Private discussions as to internal audit independence, co-operation received from management, interaction with external audit and any unresolved material disagreements with management;
 - (d) Annual approval of internal audit mandates;
 - (e) Monitoring of compliance with the Corporation's code of conduct.

External auditors

1. Meet quarterly with the external auditors to review amongst other things the quarterly and annual financial statements of the Corporation and have the external auditors be available to attend Committee meetings or portions thereof at the request of the chairman of the Committee or by a majority of the members of the Committee.
2. Review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence,

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

3. Review:

- (a) The external auditor's performance, and make a recommendation to the Board regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors.
 - (b) The terms of engagement of the external auditors together with their proposed fees.
 - (c) External audit plans and results.
 - (d) Any other related audit engagement matters.
 - (e) The engagement of the external auditors to perform non-audit services, if any, together with the fees therefor, and the impact thereof, on the independence of the external auditors.
4. Consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors, including a review of management consulting services and related fees provided by the external auditors compared to those of other audit firms.

Other matters

- 1. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.
- 2. Report Committee actions to the Board with such recommendations, as the Committee may deem appropriate.
- 3. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
- 4. Perform such other functions as required by law, the Corporation's mandate or By-laws, or the Board.
- 5. Consider any other matters referred to it by the Board.
- 6. Nothing contained in this charter is intended to transfer to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to design or implement an effective system of internal controls. Such matters are the responsibility of management and the independent external auditors, as the case may be. Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditors.

OPERATION OF COMMITTEE

Reporting

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

Composition of Committee

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

Appointment of Committee Members

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

Vacancies

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

Chairman

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

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

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

Secretary

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

Committee Meetings

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

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

Notice of Meeting

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

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

Quorum

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

Attendance at Meetings

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

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

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

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

Minutes

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

Engaging Outside Resources

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