

Mr. N. Murray Edwards  
Director and Chairman  
Magellan Aerospace Corporation  
3160 Derry Road East,  
Mississauga, Ontario L4T1A9

Dear Mr. Edwards:

It is this writer's belief that Magellan Aerospace Corporation has a significant long term financial exposure on an A340 Contract – stateside – see attached.

The subject contract was grossly underbid. At last count it was also grossly under-costed. I can find no mention of the potential impact anywhere in your financial reporting.

A conservative estimate of that level of exposure could be \$50 Million U.S.

This writer recommends that you task Mr. William A. Dimma with an audit of the subject A340 Estimate At Completion (EAC) – at your U.S. Subsidiary.

If significant improvements are shown in that 1800 Engine Set EAC at Cumulative Unit Break Points – then he should say “Show me the Plans to Get There”. A series of 3 What If Scenarios – Should be generated from the Audit – Best Case, Most Likely, Most Pessimistic – A340 EAC's – so that you are aware of the potential exposure here for Magellan Aerospace.

Good Hunting!

A Friend.