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BIGGEST DEALS MINING

Mexico major drawcard for US\$8.2 billion mega deal

Goldcorp takeover of Glamis seals stellar year for Telfer

KRISENDRA BISETTY

Kevin McArthur could be forgiven a little deal fatigue.

The president and CEO of Vancouver's **Goldcorp Inc.**, just 100 days into his new job, is digesting more than \$10 billion in acquisitions made in the space of just a year.

A huge chunk of that, of course, was what got McArthur into the Goldcorp (TSX:G; NYSE:GG) saddle in the first place – the US\$8.2 billion all-stock buy-out of Nevada-based **Glamis Gold Ltd.**, his former company.

"I wasn't looking for that job," McArthur admitted in an interview. As it turned out, his new role was a requirement, along with Vancouver being retained as its corporate head office, of then Goldcorp president and CEO, **Ian Telfer**.

Water played a big role in the coming together of the two mining industry veterans. First, in June 2006, during a brief encounter during a fishing trip on B.C.'s Langara Island. Then, two months later, when Telfer was at his lakeside cottage in Muskoka, Ontario, and McArthur was staying at a nearby property owned by then Glamis director **Ken Williamson**.

"He came across the lake in his boat and tied up, and we spent a better part of the morning and into the afternoon discussing the possibilities of putting our companies together," recalled McArthur. "And it looked like all of the elements were right for that deal to really take place at that time."

The deal strengthened Goldcorp's reserves – the attraction for Goldcorp was Glamis' newly acquired **Penasquito gold-silver-zinc-lead project** in Mexico which, when fully developed, will be the country's biggest mine. Glamis had acquired **Penasquito** in May 2006 through its US\$1 billion takeover of Vancouver-based **Western Silver Corp.**

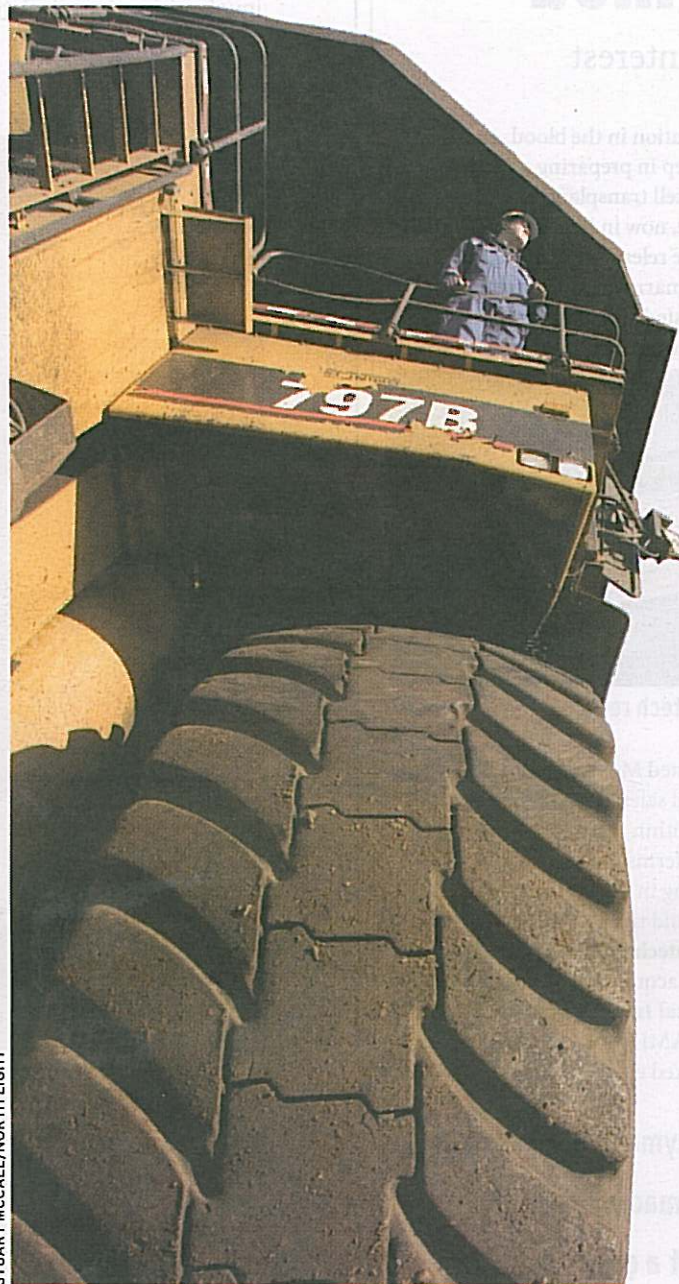
The Glamis deal also gave the expanded Goldcorp a dozen operations spread across the Americas, from Canada to Mexico, with just under three million ounces of annual gold production.

But, two years' earlier, the picture was quite different.

At the time, Telfer was the boss of **Wheaton River Minerals Ltd.**, which was courting then Toronto-based Goldcorp, when a US\$3.4 billion hostile takeover bid for Goldcorp from Glamis almost derailed the proposed merger.

Glamis lost its bid for Goldcorp then, but it was left to Telfer – Goldcorp's president and CEO following the eventual Wheaton merger in early 2005 – to welcome his former adversary into the fold last November. The move saw Telfer become chairman of the board.

Not before some intense manoeuvrings, though, to reduce the



STUART MCCALL/NORTH LIGHT

"big bid/ask spread" at the time, and to investigate what the mega-deal meant in the way of ounces per share, earnings per share, cash costs per share, as well as net asset value per share.

The deal was thrashed out over two days at a remote Seattle hotel where five-member technical SWAT teams from both sides worked on the due diligence.

"A lot of the merger activity was based on the fact that a lot of these companies are sitting on so much cash"

– Brian Tang, Fundamental Research Corp.

Goldcorp's financial advisers were **Merrill Lynch Canada Inc.** and **CIBC World Markets Inc.**, and its strategic advisors were **GMP Securities L.P.**, **BMO Capital Markets**, **Canaccord Capital Corp.** and **Genuity Capital Markets**. **Cassels Brock & Blackwell LLP** and **Dorsey & Whitney LLP** provided the legal counsel.

But the out-of-town meeting was



Above: Goldcorp president and CEO Kevin McArthur

Left: a Caterpillar 797B mining truck operated by Finning International Inc. at Albian Sands, Alberta

Before the blockbuster Glamis tie-up, Goldcorp started 2006 with two mega-deals in their own right: a US\$1.6 billion acquisition of the Canadian assets of former Vancouver miner, **Placer Dome Inc.**, which was taken over the year before by Toronto's **Barrick Gold Corp.**, and the **Éléonore gold project** from **Virginia Gold Mines Inc.**, in a deal worth US\$420 million.

That year also saw **Kinross Gold Corp.**'s US\$3.1 billion agreement to purchase Vancouver intermediate gold producer **Bema Gold Corp.**, and **First Quantum Minerals Ltd.** acquiring control of London-based **Adastra Minerals Inc.**

Last year, copper producer **First Quantum** had net sales of US\$1 billion, an increase of 146% compared to 2005. Net earnings jumped 171% to a record US\$414.4 million.

2006 was a record year for mining mergers and acquisitions, said **Brian Tang**, president of Vancouver based independent equity firm **Fundamental Research Corp.**

"A lot of the merger activity was based on the fact that a lot of these companies are sitting on so much cash," said Tang.

The firm believes, however, that while the bull commodity market remains strong for precious metals, it may be close to an end for base metals, a development that's likely to cool down some of the frenzied mining M&A activity in the year ahead. ■

Kinross Gold's deal to purchase Vancouver gold producer Bema Gold **US\$3.1 billion**