

# MINING

## GOLDCORP 'TO INVEST THROUGH THE DRILLBIT'

### END OF ACQUISITION SPREE

BY CAMERON FRENCH

**Goldcorp Inc.**, which has been struggling to increase profit in the wake of recent acquisitions, plans to ratchet down expenses and avoid more costly acquisitions as it tries to build reserves.

At a presentation for investors yesterday, company officials said they planned to "invest through the drillbit", as they shift gears from a recent acquisition spree that was capped off last year with the US\$7.5-billion takeover of Glamis Gold.

"In a perfect world we'd never do another deal, because it's always more efficient and inexpensive to find ounces through the drillbit, and we're going to make every effort to do that," said Chuck Jeannes, vice-president of corporate development.

Mr. Jeannes said the Vancouver-based company would be opportunistic with acquisitions, focusing on high-quality assets, but warned not to expect any blockbuster deals. "There's not going to be any surprises for you," he said.

The miner's results have fallen short of analysts' expectations in each of the last two quarters.

The company completed the Glamis acquisition last November, and also snapped up some assets from Placer Dome last year, part of a flurry of acquisitions in the sector as gold prices have charged well above US\$600 per ounce.

Holding down costs has been a key challenge for miners, as energy costs have climbed, while a shortage of labour has forced companies to pay a premium to staff operations.

Chief executive Kevin McArthur said costs are a focus for the company as it tries to raise a share price that has underperformed its Canadian peers with a 12.5% decline so far this year. He said Goldcorp is one of the lowest-cost multimillion-ounce producers and has reserves focused in politically stable countries.

Cash costs this year are projected at US\$150 an ounce, and over the next five years should stay below US\$200 an ounce, he said.

"I tell mines if they have to miss, miss on ounces, not on costs," he said. "Shareholders want increased margins."

Officials admitted that a scarcity of high-quality gold assets means that base metal production may have to play a larger part of the company's revenue picture in the future, considered a negative as gold companies generally receive a superior valuation from investors.

However, with prices for base metals at or around record highs, amid low inventories and strong demand from China, Mr. Jeannes said that companies are increasingly forced to consider the prospect of trading valuation for sustainable revenue.

*Reuters*

**GOLDCORP INC.**

**Ticker G/TSX**

**Close \$29.08, down 24¢**

**Volume 2,736,502**

**Avg. 6-month vol. 4,308,074**

**Rank in FP500 265**