

M&A Quarterly Report – Q1/08

Overview

Lingering credit concerns and economic uncertainty in the U.S. and Canada continued to weigh on M&A activity in Canada in the first quarter of 2008. Based on the data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, the value of announced transactions in Q1 was \$24.3B (338 transactions), compared to \$53B (449 transactions) in the prior quarter, and \$61.5B (523 transactions) in Q1 of 2007. This reflected a continuation of the weakness exhibited in the third and fourth quarters of 2007, with transaction volumes now in decline for seven of the past nine months.

Notwithstanding this downward trend, Q1 M&A activity

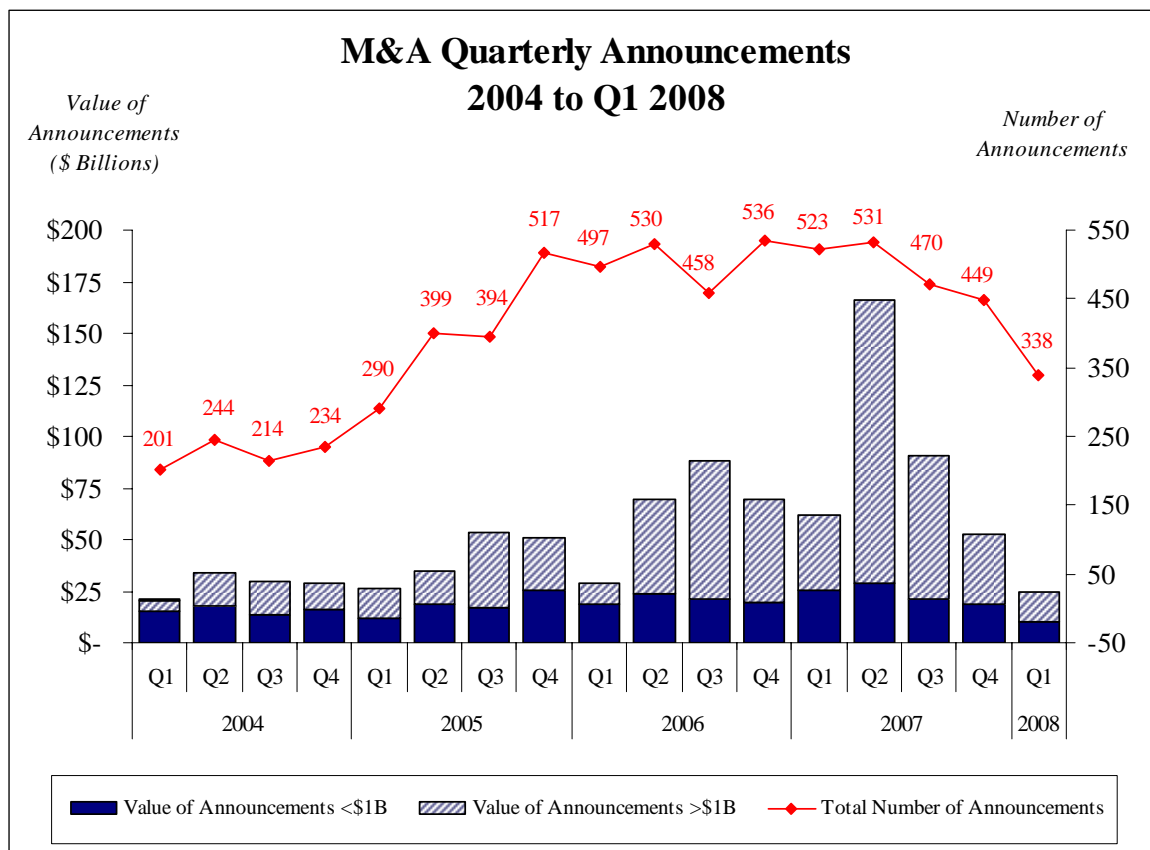
was fairly respectable and remained above the levels prior to the start of the M&A boom in early 2005. This was due in part to healthy activity in the mid-market (transactions between \$1M and \$500M), which continued to account for over 70% of all M&A activity.

Industry Activity

The **Industrial Products** and **Oil & Gas** sectors were the most active in the quarter, producing 91 and 70 transactions respectively, or close to 50% of all M&A volumes in aggregate. The value of new announcements within the Industrial Products space totalled \$2.9B, the largest of which was the \$1.3B takeover-bid of **MacDonald Dettwiler and Associates Ltd.**'s space division by **Alliant**

Techsystems, Inc. In early April, the Harper government rebuffed the acquisition, and gave Alliant 30 days to respond to the decision.

The Oil & Gas sector was the largest contributor to transaction value with \$7.4B in new deals, led by the takeover of **CHC Helicopter Corporation** by **First Reserve Corporation**, a Greenwich, Connecticut-based private equity group. The next largest transaction in the sector was **Sherritt International Corporation**'s \$729M proposal to acquire all of the units of **Royal Utilities Income Fund** that it does not already own, followed by the \$560M acquisition of **Rider Resources Ltd.** by **NuVista Energy Ltd.**, both based in Calgary.



Mega-Deals

The appetite for large “mega” deals (transactions greater than \$1B) shrank in the first quarter, with seven new announcements (worth \$14B) compared to 12 in the prior quarter (\$34B) and 13 (\$36B) over the same period last year. Despite the decline in mega deal activity from the lofty levels reached in Q2 of last year, first quarter results were respectable in comparison to historical levels. The largest transaction in the quarter was the \$3.7B acquisition of Richmond, B.C.-based CHC Helicopter Corporation by First Reserve Corporation. In another notable transaction, **Goldcorp Inc.** divested its 48% interest in **Silver Wheaton Corp.** in a secondary offering valued at \$1.6B.

Financial Groups

Activity involving financial groups continued to be muted in the first quarter but demonstrated more life compared to activity levels in the prior quarter. Between January and March, five transactions worth \$5.1B were announced, vs. only two new announcements valued at \$2.6B in Q4. Transactions involving financial groups were led by First Reserve Corporation’s acquisition of CHC Helicopter noted above, followed by the sale of Royal Utilities Income Fund by **Ontario Teachers’ Pension Plan Board**, also previously mentioned. In two of the quarter’s five transactions, the financial group played the role of either the seller, or the target.

Cross-Border Activity

Cross-border activity in the first quarter declined commensurately with overall M&A volumes, but remained a key driver of activity in Canada representing 40% of all M&A transactions. In fact, the three largest transactions in the quarter had an international component to them, and included the takeover of CHC Helicopter, **TransCanada Corporation**’s acquisition of a 2,480 megawatt generating facility from **National Grid plc**, and **Barrick Gold Corporation**’s purchase of **Rio Tinto plc**’s 40% interest in the Cortez Joint Venture in Nevada. The United States continued to be Canada’s most active international M&A partner, and for the second consecutive quarter, Canadian-led acquisitions of foreign companies exceeded foreign-led takeovers of Canadian corporations in terms of both transaction volume and total value.

ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO MARCH 31

INDUSTRY GROUPS	2008		2007	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	91	2,892	98	15,967
Oil & Gas	70	7,429	85	8,786
Metals & Minerals	40	2,360	68	2,528
Real Estate	28	1,339	113	7,677
Financial Services	23	1,982	43	9,148
Consumer Products	19	707	39	851
Merchandising	19	217	33	1,559
Transportation & Environmental Services	11	221	10	253
Utilities	11	3,517	10	5,098
Gold	10	3,224	5	546
Communications & Media	10	183	14	4,071
Paper & Forest	6	210	4	3,977
Pipelines	0	0	1	1,060
TOTAL	338	24,281	523	61,521
<i>Technology Watch:</i> (subsector of Ind. Prod.)	14	268	18	1,486

CROSS-BORDER TRANSACTIONS: Y-T-D TO MARCH 31

	2008		2007		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	92	9,195	152	19,058	
Cdn Co's from Foreigners	3	91	5	4,827	
Total	95	9,286	157	23,885	
Top Foreign Target Country of Canadian Acquirors					
United States	47	7,809	United States	95	16,128
Foreigners Acquiring					
Canadian Companies	29	6,329	44	20,584	
Foreign Co's from Cdn	13	588	9	990	
Total	42	6,917	53	21,574	
Top Foreign Acquiror of Canadian Located Companies					
United States	20	5,951	United States	27	10,893

BREAKDOWN OF ACTIVITY: Y-T-D TO MARCH 31

Size	2008				2007			
	# of Deals	%	Value \$ Millions	%	# of Deals	%	Value \$ Millions	%
Undisclosed	81	24	N/A		75	14	N/A	
1m-100m	227	67	4,407	18	374	72	6,771	11
101m-250m	15	4	2,392	10	33	6	5,378	9
251m-500m	6	2	2,269	9	16	3	5,253	9
501m-1b	2	1	1,289	5	12	2	8,371	14
>1b	7	2	13,922	57	13	2	35,747	58

Largest Transactions Announced During Q1 2008

VALUE	NAME	ROLE	ANNOUNCED
\$ 3,700,000,000	CHC Helicopter Corporation First Reserve Corporation	Target Acquiror	22-Feb-08
US\$ 2,800,000,000	2,480-MW Ravenswood generating facility TransCanada Corporation National Grid plc	Target Acquiror Vendor	31-Mar-08
US\$ 1,695,000,000	Cortez joint venture in Nevada Barrick Gold Corporation Rio Tinto plc	Target Acquiror Vendor	21-Feb-08
\$ 1,566,000,000	Silver Wheaton Corp. Goldcorp Inc.	Target Vendor	31-Jan-08
\$ 1,373,000,000	Peak Gold Ltd. Metallica Resources Inc. New Gold Inc.	Target Target Acquiror	31-Mar-08
\$ 1,370,000,000	Phillips, Hager & North Investment Management Ltd. Royal Bank of Canada	Target Acquiror	21-Feb-08
\$ 1,325,000,000	Information Systems and Geospatial Services operations Alliant Techsystems Inc. MacDonald, Dettwiler and Associates Ltd.	Target Acquiror Vendor	10-Jan-08
\$ 728,888,000	Royal Utilities Income Fund Sherritt International Corporation Ontario Teachers' Pension Plan	Target Acquiror Vendor	18-Mar-08
\$ 560,000,000	Rider Resources Ltd. NuVista Energy Ltd.	Target Acquiror	7-Jan-08
US\$ 477,000,000	Boston office towers Brookfield Properties Corporation	Target Acquiror	17-Jan-08
\$ 461,504,502	Cyries Energy Inc. Iteration Energy Ltd.	Target Acquiror	21-Jan-08
\$ 428,500,000	Retail properties Crombie Real Estate Investment Trust Empire Company Limited	Target Acquiror Vendor	25-Feb-08
US\$ 303,000,000	Mexican power generation assets American International Group, Inc. Ontario Teachers' Pension Plan TransAlta Corporation	Target Acquiror Acquiror Vendor	20-Feb-08
\$ 306,500,000	Addenda Capital Inc. Co-operators General Insurance Company	Target Acquiror	25-Feb-08
\$ 274,000,000	Spectra Energy Income Fund Spectra Energy Corp	Target Acquiror	4-Mar-08

The information above and on preceding pages is a summary of Crosbie & Company Inc.'s analysis of each quarter's M&A activity. The data is compiled from Financial Post Crosbie: Mergers & Acquisitions in Canada, the most extensive database on M&A activity in Canada. To subscribe to Financial Post Crosbie: Mergers & Acquisitions in Canada contact CanWest Interactive Inc. (phone 416-442-2121; toll free 1-800-661-7678; e-mail helpdesk@canwest.com).