

M&A Quarterly Report – Q3/06

Overview

The Canadian M&A market continues to grow in the third quarter, pushing the year-to-date and quarterly transaction figures to record highs. Based on data compiled from the *Financial Post Crosbie: Mergers & Acquisitions in Canada* database, there were 420 transactions worth \$90.3 billion during the third quarter of 2006 compared to 517 transactions worth \$68.9 billion in the previous quarter and 398 transactions worth \$53.7 billion in the third quarter of 2005. The appeal of Canadian resources coupled with record prices continues to fuel a highly acquisitive environment. Strategic consolidating acquisitions drove the largest transactions during the quarter

while financial groups were markedly less visible. Total transaction value achieved a new quarterly record with the shift of the Inco deal into the quarter. The total value of \$90.3 billion eclipsed the previous high of \$79.1 billion recorded during the technology boom in the second quarter of 2000.

Mega-Deals

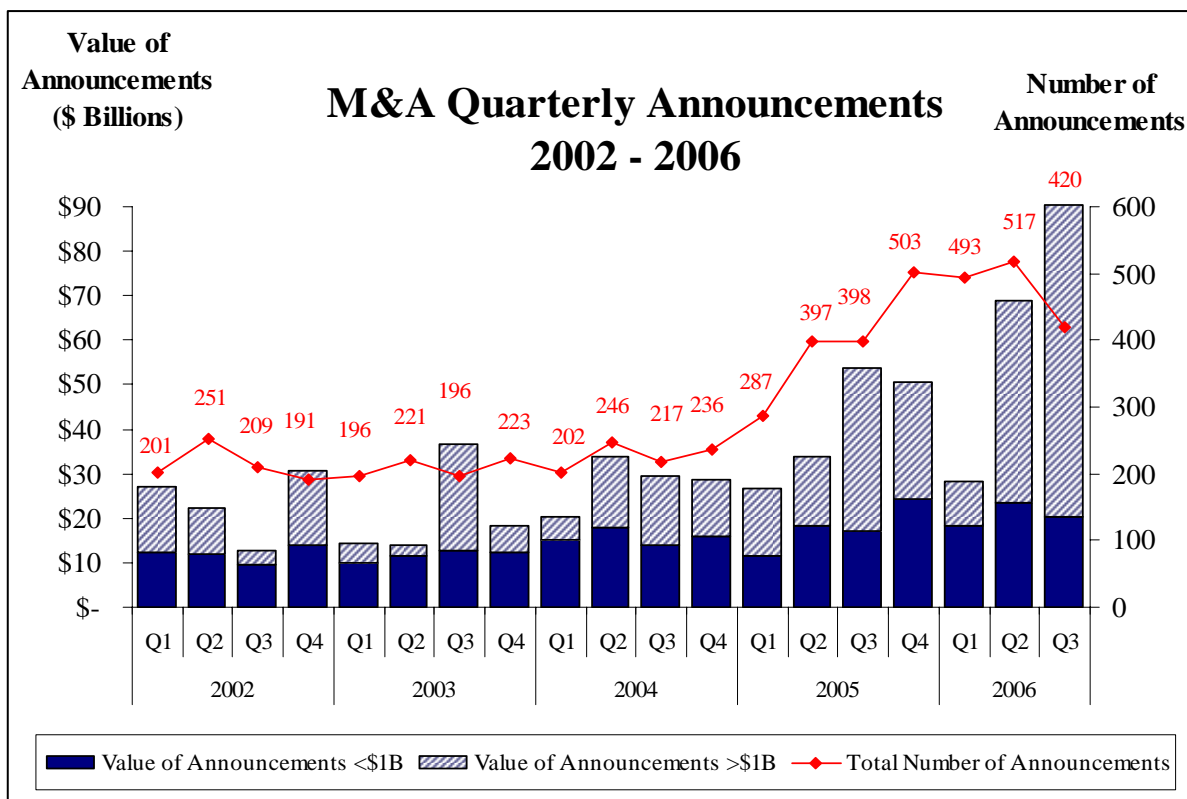
There were 18 mega-deals (transactions valued over \$1 billion) during the third quarter representing a total value of \$69.8 billion. This compares to 10 transactions worth \$45.2 billion in the previous quarter and 12 transactions worth \$36.4 billion in the third quarter of 2005. The mega-deals in the third quarter were about equal to the total value

of transactions during the second quarter of 2006 of \$68.9 billion.

The segment of the market below \$100 million in transaction value remained very active with 315 transactions worth \$5.5 billion, slightly below the level of activity we saw in the second quarter with 389 transactions valued at \$7.6 billion but still well above the average quarterly activity seen during the pre-2005 period and continues to drive overall M&A activity.

Industry Activity

Mining & Minerals was the second most active sector with 55 transactions valued at \$23.8 billion, up from the revised 49 transactions valued at \$20.7 billion in the previous quarter.



Inco Limited, which initiated a frenzy in the sector when it made a bid for fellow Canadian mining giant **Falconbridge Limited**, was eventually itself purchased by **Compania Vale do Rio Doce** for \$19.9 billion over bids from **Teck Cominco Limited** and **Phelps Dodge Corporation**.

Oil & Gas continued to be an active sector with 91 transactions valued at \$17.0 billion. The largest transaction of this sector saw **Canadian Natural Resources Limited** acquire **Anadarko Petroleum Corporation's** Western Canadian subsidiary, **Anadarko Canada Corporation** for \$4.6 billion. Other significant Oil & Gas mega-deals include acquisitions by **Addax Petroleum Corporation**, **Harvest Energy Trust**, **Pengrowth Energy Trust** and **Denison Mines**.

The **Gold** sector saw a significant increase in activity during the third quarter with 14 transactions valued at \$15.1 billion fuelled by strong market prices. Canadian companies **Goldcorp**, **Barrick Gold** and **IAMGOLD** all made billion-dollar-plus acquisitions during the quarter while Barrick Gold also unloaded its interest in its **South Deep Gold Mine** for \$1.7 billion. The value of transactions in the sector made up 16% of total transactions, significantly higher than the 1% recorded in the second quarter of 2006 and the third quarter of 2005.

Technology

M&A in the **Technology** sector got a boost during the quarter with approximately \$7.6 billion in acquisitions. The largest transaction of the sector, and one of the largest deals of the quarter, was California-based **AMD's** \$6.2 billion acquisition of **ATI Technologies**.

Cross-Border Activity

Cross-border transactions continued to be a significant driver of overall M&A activity, representing 80% of total deal value and 35% of total deal volume during the first nine months of 2006. There were 501 cross border transactions totalling \$150.2 billion in the three quarters of 2006 compared to 371 transactions worth \$81.9 billion for the same period last year.

ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO SEPT. 30

INDUSTRY GROUPS	2006		2005	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Consumable Fuels	292	38,529	237	32,108
Industrial Products	285	16,060	190	9,409
Real Estate	222	22,985	201	11,258
Metals & Minerals	159	48,368	55	8,302
Merchandising	93	13,675	90	3,692
Consumer Products	82	2,961	87	6,474
Financial Services	80	8,595	58	14,176
Transportation & Environmental Services	55	4,214	41	3,714
Utilities	49	5,981	50	16,823
Communications & Media	49	4,749	35	4,083
Gold	34	16,004	17	952
Paper & Forest	29	5,301	18	2,632
Pipelines	1	6	3	357
TOTAL	1,430	187,428	1,082	113,980
<i>Technology Watch:</i> (subsector of Ind. Prod.)	42	7,847	15	999

CROSS-BORDER TRANSACTIONS: Y-T-D TO SEPT. 30

	2006		2005		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	334	50,017	256	20,981	
Cdn Co's from Foreigners	29	9,229	21	7,495	
Total	363	59,246	277	28,476	
Top Foreign Target Country of Canadian Acquirors					
United States	181	37,681	United States	163	13,652
Foreigners Acquiring					
Canadian Companies	95	81,959	60	30,023	
Foreign Co's from Cdn	43	8,948	34	23,419	
Total	138	90,907	94	53,442	
Top Foreign Acquirer of Canadian Located Companies					
United States	61	32,039	United States	38	17,276

BREAKDOWN OF ACTIVITY: Y-T-D TO SEPT. 30

Size	2006				2005			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	261	18	N/A		158	15	N/A	
1m-100m	994	70	18,351	10	781	72	14,967	13
101m-250m	81	6	12,843	7	67	6	10,210	9
251m-500m	36	3	13,905	7	32	3	11,366	10
501m-1b	26	2	18,409	10	18	2	12,708	11
>1b	32	2	123,921	66	26	2	64,731	57

Largest Transactions Announced During Q3 2006

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$ 19,873,000,000	Inco Limited Companhia Vale do Rio Doce	Target Acquiror	14-Aug-06
US\$ 8,743,000,000	Glamis Gold Ltd. Goldcorp Inc.	Target Acquiror	31-Aug-06
US\$ 5,400,000,000	ATI Technologies Inc. Advanced Micro Devices, Inc.	Target Acquiror	24-Jul-06
US\$ 4,075,000,000	Anadarko Canada Corporation Canadian Natural Resources Limited Anadarko Petroleum Corporation	Target Acquiror Vendor	14-Sep-06
US\$ 3,400,000,000	The Jean Coutu Group (PJC) USA, Inc. Rite Aid Corporation The Jean Coutu Group (PJC) Inc.	Target Acquiror Vendor	24-Aug-06
US\$ 3,300,000,000	Weyerhaeuser fine papers business Domtar Inc. Weyerhaeuser Company	Target Acquiror Vendor	23-Aug-06
\$ 3,300,000,000	Summit Real Estate Investment Trust ING Groep N.V.	Target Acquiror	30-Aug-06
US\$ 2,800,000,000	Intrawest Corporation Fortress Investment Group LLC	Target Acquiror	11-Aug-06
US\$ 1,700,000,000	NovaGold Resources Inc. Barrick Gold Corporation	Target Acquiror	24-Jul-06
\$ 1,837,000,000	EuroZinc Mining Corporation Lundin Mining Corporation	Target Acquiror	21-Aug-06
US\$ 1,525,000,000	South Deep gold mine in South Africa Gold Fields Limited Barrick Gold Corporation	Target Acquiror Vendor	11-Sep-06
\$ 1,700,000,000	CHUM Limited BCE Inc.	Target Acquiror	12-Jul-06
US\$ 1,460,000,000	NS Group Incorporated IPSCO Inc.	Target Acquiror	11-Sep-06
\$ 1,605,000,000	Pan-Ocean Energy U.K. Limited PanAfrican Energy Corporation (Mauritius) Limited Addax Petroleum Corporation Pan-Ocean Energy Corporation Limited	Target Target Acquiror Vendor	20-Jul-06
\$ 1,600,000,000	North Atlantic Refining Limited Harvest Energy Trust Vitol Refining Group B.V.	Target Acquiror Vendor	23-Aug-06
\$ 1,335,000,000	Cambior Inc. IAMGOLD Corporation	Target Acquiror	14-Sep-06

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).