

GOLDCORP INC  
Form 6-K  
March 07, 2006

**FORM 6-K**  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16**  
**of the Securities Exchange Act of 1934**

For the month of March 2006

**Goldcorp Inc.**

(Translation of registrant's name into English)

Suite 1560, 200 Burrard Street  
Vancouver, British Columbia V6C 3L6 Canada  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:  
Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDCORP INC.

By: /s/ Anna M. Tudela  
Name: Anna M. Tudela  
Title: Assistant Corporate Secretary and  
Manager, Legal

Date: March 6, 2005

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Toronto Stock Exchange: G

New York Stock Exchange: GG

**ANNUAL EARNINGS INCREASE 460% TO \$286 MILLION;  
RECORD FOURTH QUARTER EARNINGS OF \$102 MILLION**

(All figures are in US dollars unless stated otherwise)

**Vancouver, British Columbia March 5, 2006 GOLDCORP INC. (GG:NYSE; G:TSX)** is pleased to announce its 2005 annual and fourth quarter results, highlights of which are:

**Record net earnings of \$286 million (\$0.91 per share) for 2005, an increase of 460% compared with \$51 million (\$0.27 per share) in 2004.**

**Record fourth quarter net earnings of \$102 million (\$0.30 per share), compared to 2004 earnings of \$15 million (\$0.08 per share).**

**2005 gold production increased to 1,136,300 ounces (2004 628,000 ounces) and gold sales more than tripled to 1,344,600 ounces at a total cash cost of \$22 per ounce (2004- 427,600 ounces at \$115 per ounce).**

**Fourth quarter gold sales of 307,300 ounces at a total cash cost of minus \$73 per ounce, compared with 2004 sales of 113,800 ounces at a total cash cost of \$127 per ounce.**

**Operating cash flows for the year increased to \$466 million, or \$1.48 per share (2004 \$53 million, or \$0.28 per share). Operating cash flows for the fourth quarter were \$137 million, or \$0.40 per share (2004 \$22 million, or \$0.12 per share).**

**Goldcorp will acquire certain Placer Dome assets from Barrick, and the Éléonore gold project in Quebec as a result of the transaction with Virginia Gold Mines; both of which are expected to close April 1, 2006.**

**Total gold production in 2006 from the combined Goldcorp and Placer assets on an annualized basis is expected to be approximately 2 million ounces at a total cash cost of less than \$150 per ounce.**

Ian Telfer, President and Chief Executive Officer of Goldcorp, said, "The record breaking earnings and production results are indicative of the Company's ability to deliver value through successful acquisitions. With the expected acquisition of Placer's assets combined with organic growth, Goldcorp will remain the fastest growing, lowest cost multimillion ounce gold producer, with production expected to double from 2005 to 2007."

A conference call will be held Monday, March 6 at 11:00 a.m. (ET) to discuss these results. You may join the call by dialing toll free 1-888-789-0089 or (416) 695-9753 for calls from outside Canada and the US.

The conference call will be recorded and you can listen to a playback of the call after the event by dialing 1-888-509-0081 or (416) 695-5275. A live and archived audio webcast will be available on the website at [www.goldcorp.com](http://www.goldcorp.com).

**Cautionary Note Regarding Forward Looking Statements**

This press release contains forward-looking statements, within the meaning of the United States Private Securities Litigation Reform Act of 1995 and similar Canadian legislation. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, silver and copper, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as plans, expects or does not expect, is expected, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Goldcorp to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the integration of acquisitions; risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, silver and copper; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in (a) the section entitled Description of the Business Risk Factors in Goldcorp's annual information form for the year ended December 31, 2004, and (b) the section entitled Description of the Business Risk Factors in Wheaton River Minerals Ltd.'s annual information form for the year ended December 31, 2004. Although Goldcorp has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Goldcorp does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

For further information, please contact:

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Management's Discussion and Analysis  
of Financial Condition and Results of Operations  
For the Year Ended December 31, 2005

*This Management's Discussion and Analysis should be read in conjunction with Goldcorp's audited consolidated financial statements for the year ended December 31, 2005 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis contains forward-looking statements that are subject to risk factors set out in a cautionary note contained herein. All figures are in United States dollars unless otherwise noted. This Management's Discussion and Analysis has been prepared as of March 3, 2006.*

**2005 HIGHLIGHTS**

**Record net earnings of \$286 million (\$0.91 per share), compared to \$51 million (\$0.27 per share) in 2004.**

**Operating cash flows increased substantially to \$466 million, compared to \$53 million in 2004.**

**Gold production increased to 1,136,300 ounces (2004 628,000 ounces) and gold sales more than tripled to 1,344,600 ounces (2004 427,600 ounces).**

**Record low total cash costs of \$22 per ounce (net of by-product copper and silver credits), compared to \$115 per ounce in 2004. (note 1)**

**Dividends paid of \$151 million for the year.**

**Cash and cash equivalents at December 31, 2005 totalled \$562 million (December 31, 2004 \$333 million).**

**Completion of the acquisition of Wheaton River Minerals Ltd. ( Wheaton ) in April 2005, creating the world's lowest-cost million ounce gold producer.**

**On October 30, 2005, Goldcorp entered into an agreement with Barrick Gold Corporation ( Barrick ) to acquire certain mining assets and interests. Barrick has offered to acquire all the outstanding shares of Placer Dome Inc. ( Placer ) for approximately \$10.1 billion in shares and cash and, upon closing of Barrick's transaction with Placer, Goldcorp has agreed to purchase from Barrick certain of Placer's Canadian operations and other assets for cash of approximately \$1.485 billion, subject to adjustment. On March 3, 2006, Barrick owned approximately 94% of the shares of Placer and is proceeding with a compulsory acquisition to acquire the remaining outstanding shares. The Goldcorp transaction is expected to close during April, 2006.**

**On December 5, 2005, Goldcorp announced that it had entered into an agreement with Virginia Gold Mines to acquire the Éléonore gold project in Quebec. Total consideration is approximately \$445 million, to be satisfied by issuing 19.6 million common shares of Goldcorp. The transaction is expected to close during April 2006.**

- 1) The Company has included a non-GAAP performance measure, total cash cost per gold ounce, throughout this document. The Company reports total cash costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning, and is a non-GAAP measure. The Company follows the recommendations of the Gold Institute standard. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.



## OVERVIEW

Goldcorp is a leading gold producer engaged in gold mining and related activities including exploration, extraction, processing and reclamation. As a result of the successful acquisition of Wheaton on February 14, 2005, the Company's assets are comprised of the Red Lake gold mine in Canada, a 37.5% interest in the Alumbrera gold/copper mine in Argentina, the Luismin gold/silver mines in Mexico, the Peak gold mine in Australia, and the Wharf gold mine in the United States. Significant development projects as at December 31, 2005 include the expansion of the existing Red Lake mine, the Los Filos/Bermejil gold project in Mexico and the Amapari gold project in northern Brazil. Goldcorp also owns a 59% interest in Silver Wheaton Corp ( Silver Wheaton ), a publicly traded silver mining company (see Subsequent Events).

Goldcorp is listed on the New York Stock Exchange (symbol: GG) and the Toronto Stock Exchange (symbol: G). In addition, the Company has five series of share purchase warrants which trade on the Toronto Stock Exchange; two of which also trade on the New York Stock Exchange. The Series A, B and C share purchase warrants replaced the former Wheaton share purchase warrants as of April 15, 2005, adding to the two previously existing series of Goldcorp share purchase warrants.

Goldcorp's strategy is to provide its shareholders with superior returns from high quality assets. The Company has a strong and liquid balance sheet and has not hedged or sold forward any of its future gold production.

Goldcorp is the world's lowest cost million ounce gold producer. Production in 2006 is expected to approximate 2 million ounces of gold on an annualized basis, at a total cash cost of less than \$150 per ounce, following the acquisition of Placer assets from Barrick.

## ACQUISITION OF WHEATON RIVER MINERALS LTD

On December 6, 2004, Goldcorp and Wheaton announced a proposed transaction which provided for Goldcorp to make a take-over bid for Wheaton on the basis of one Goldcorp share for every four Wheaton shares. On December 29, 2004, Goldcorp mailed the Goldcorp Take-over Bid Circular to the Wheaton shareholders.

On February 8, 2005, Goldcorp announced a special \$0.50 per share cash dividend would be payable to existing Goldcorp shareholders should shareholders approve by majority Goldcorp's take-over bid for Wheaton and Wheaton shareholders tender the minimum two-thirds bid requirement. The payment of the special dividend also resulted in an adjustment to the exchange ratio of Goldcorp's outstanding warrants - an increase in entitlement from 2.0 to 2.08 Goldcorp shares per warrant.

On February 10, 2005, at a special meeting, Goldcorp shareholders approved the issuance of additional Goldcorp common shares to effect the acquisition of Wheaton. As of February 14, 2005, the effective date of the acquisition, approximately 70% of the outstanding Wheaton common shares were tendered to Goldcorp's offer. With conditions met, the special \$0.50 per share cash dividend, totalling approximately \$95 million, was paid on February 28, 2005. As of March 31, 2005, Goldcorp held approximately 82% of the outstanding Wheaton common shares and by April 15, 2005, 100% had been acquired. Consideration amounted to \$1,887 million satisfied by the issue of 143.8 million Goldcorp shares at a price of \$13.13 per share. In addition, each Wheaton warrant or stock option, which gave the holder the right to acquire common shares of Wheaton, was exchanged for a warrant or stock option of Goldcorp, giving the holder the right to acquire common shares of Goldcorp on the same basis as the exchange of Wheaton common shares for Goldcorp common shares.

This business combination has been accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and Wheaton as the acquiree in accordance with CICA 1581 *Business Combinations*. The consolidated financial statements include 82% of Wheaton's operating results for the period February 15, 2005 to April 15, 2005, and 100% of the results thereafter.

The purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed, with goodwill assigned to specific reporting units, based on management's best estimates and taking into account all available information at the time of



acquisition as well as applicable information at the time the consolidated financial statements were prepared. This process was performed in accordance with recent accounting pronouncements relating to Mining Assets and Business Combinations (Emerging Issues Committee Abstract 152).

An independent valuation of the significant assets acquired was completed in February, 2006, supporting management's allocation of the purchase consideration.

#### SUMMARIZED ANNUAL FINANCIAL RESULTS

	<b>2005</b> <i>(note 1)</i>	2004	2003
<b>Revenues</b> (\$000 s)	<b>\$ 896,400</b>	\$ 191,000	\$ 262,600
<b>Gold produced</b> (ounces)	<b>1,136,300</b>	628,000	602,800
<b>Gold sold</b> (ounces)	<b>1,344,600</b>	427,600	677,900
<b>Average realized gold price</b> (per ounce)	<b>\$ 452</b>	\$ 409	\$ 367
<b>Average London spot gold price</b> (per ounce)	<b>\$ 444</b>	\$ 409	\$ 364
<b>Earnings from operations</b> (\$000 s)	<b>\$ 419,100</b>	\$ 86,000	\$ 137,100
<b>Net earnings</b> (\$000 s)	<b>\$ 285,700</b>	\$ 51,300	\$ 98,800
<b>Earnings per share</b>			
Basic	<b>\$ 0.91</b>	\$ 0.27	\$ 0.54
Diluted	<b>\$ 0.83</b>	\$ 0.27	\$ 0.53
<b>Cash flow from operating activities</b> (\$000 s)	<b>\$ 465,800</b>	\$ 53,100	95,200
<b>Total cash costs</b> (per gold ounce) <i>(note 2)</i>	<b>\$ 22</b>	\$ 115	\$ 100
<b>Dividends paid</b> (\$000 s)	<b>\$ 151,000</b>	\$ 53,100	\$ 28,400
<b>Cash and cash equivalents</b> (\$000 s)	<b>\$ 562,200</b>	\$ 333,400	\$ 379,000
<b>Total assets</b> (\$000 s)	<b>\$4,066,000</b>	\$ 701,500	\$ 638,500

(1) Includes, with the exception of net earnings, 100% of Wheaton's operating results for the period subsequent to February 14, 2005, the date of acquisition. Net earnings include 82% of Wheaton's operating results from February 15, 2005 to April 15, 2005 and 100% from April 16, 2005 onwards.

(2) The calculation of total cash costs per ounce of gold for Peak and Alumbreira is net of by-product copper sales revenue and for Luismin is net of by-product silver sales revenue of \$3.90 per silver ounce sold to Silver Wheaton.

#### Review of Annual Financial Results:

Goldcorp was transformed during February, 2005 by the acquisition of Wheaton, which resulted in a substantial increase in revenues, gold production and sales, earnings, cash flows and assets. Also during 2005, the Company discontinued its previous practice of holding back from sale approximately one-third of mine production. As a result,

2005 gold sales include approximately 220,000 ounces of gold from inventory produced, but not sold, in 2004.

**Quarterly Financial Review**

	<b>2005</b>				
	Q1 (note 1)	Q2 (note 1)	Q3	Q4	Total (note 1)
<b>Revenues</b> (\$000 s)	<b>\$122,800</b>	<b>\$301,600</b>	<b>\$203,700</b>	<b>\$268,300</b>	<b>\$ 896,400</b>
<b>Gold produced</b> (ounces)	275,400	281,000	283,700	296,200	1,136,300
<b>Gold sold</b> (ounces)	217,500	543,100	276,700	307,300	1,344,600
<b>Average realized gold price</b> (per ounce)	\$ 430	\$ 432	\$ 444	\$ 492	\$ 452
<b>Earnings from operations</b> (\$000 s)	<b>\$ 53,700</b>	<b>\$162,400</b>	<b>\$ 87,000</b>	<b>\$116,000</b>	<b>\$ 419,100</b>
<b>Net earnings</b> (\$000 s)	<b>\$ 29,500</b>	<b>\$ 98,000</b>	<b>\$ 56,500</b>	<b>\$101,700</b>	<b>\$ 285,700</b>
<b>Earnings per share</b>					
Basic (note 2)	\$ 0.12	\$ 0.30	\$ 0.17	\$ 0.30	\$ 0.91
Diluted (note 2)	\$ 0.11	\$ 0.28	\$ 0.15	\$ 0.27	\$ 0.83
<b>Cash flow from operating activities</b> (\$000 s)	<b>\$ 80,200</b>	<b>\$163,900</b>	<b>\$ 84,800</b>	<b>\$136,900</b>	<b>\$ 465,800</b>
<b>Total cash costs</b> (per gold ounce) (note 3)	<b>\$ 94</b>	<b>\$ 52</b>	<b>\$ 9</b>	<b>\$ (73)</b>	<b>\$ 22</b>

- (1) Includes, with the exception of net earnings, 100% of Wheaton's operating results for the period subsequent to February 14, 2005, the date of acquisition. Net earnings include 82% of Wheaton's operating results from February 15, 2005 to April 15, 2005 and 100% from April 16, 2005 onwards.
- (2) Sum of quarterly earnings per share may not equal twelve month total due to rounding of quarterly figures.
- (3) The calculation of total cash costs per ounce for Peak and Alumbreira is net of by-product copper sales revenue and Luismin is net of by-product silver sales revenue of \$3.90 per silver ounce sold to Silver Wheaton.

	<b>2004</b>				
	Q1	Q2	Q3	Q4	Total
<b>Revenues</b> (\$000 s)	<b>\$ 48,300</b>	<b>\$ 40,500</b>	<b>\$ 50,400</b>	<b>\$ 51,800</b>	<b>\$191,000</b>
<b>Gold produced</b> (ounces)	159,300	138,600	163,800	166,300	628,000
<b>Gold sold</b> (ounces)	107,400	93,600	112,800	113,800	427,600
<b>Average realized gold price</b> (per ounce)	\$ 411	\$ 393	\$ 399	\$ 432	\$ 409
<b>Earnings from operations</b> (\$000 s)	<b>\$ 26,700</b>	<b>\$ 16,400</b>	<b>\$ 22,800</b>	<b>\$ 20,100</b>	<b>\$ 86,000</b>
<b>Net earnings</b> (\$000 s)	<b>\$ 17,300</b>	<b>\$ 9,200</b>	<b>\$ 9,900</b>	<b>\$ 14,900</b>	<b>\$ 51,300</b>

**Earnings per share**

Basic	\$ 0.09	\$ 0.05	\$ 0.05	\$ 0.08	\$ 0.27
Diluted	\$ 0.09	\$ 0.05	\$ 0.05	\$ 0.08	\$ 0.27

**Cash flow from operating activities**

(\$000 s)	\$ (3,500)	11,900	22,300	22,400	53,100
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<b>Total cash costs (per gold ounce)</b>	<b>\$ 100</b>	<b>\$ 116</b>	<b>\$ 121</b>	<b>\$ 127</b>	<b>\$ 115</b>
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## Review of Quarterly Financial Results:

Net earnings for the fourth quarter of 2005 were \$102 million or \$0.30 per share, compared with \$15 million or \$0.08 per share in 2004. Net earnings increased significantly, primarily due to the acquisition of Wheaton on February 14, 2005, together with higher realized metal prices and a dilution gain on Silver Wheaton of \$19 million. Effective April 1, 2005, the Company discontinued its previous practice of holding back from sale approximately one-third of mine production. As a result, the results for the second quarter of 2005 include the sale of approximately 276,000 ounces of gold from inventory produced in prior quarters. During the fourth quarter of 2004, negative cash flow from operations was due primarily to the payment of cash taxes.

**RESULTS OF OPERATIONS****2005**

	Red Lake	Alumbrera <i>(note 1,2)</i>	Luisma <i>(note 1,3)</i>	Amapari <i>(note 1,4)</i>	Peak <i>(note 1,5)</i>	Wharf	Wheaton <i>(note 1)</i>	Corporate, Silver other and eliminations <i>(note 1)</i>	<b>Total</b>
<b>Revenues</b> (\$000 s)	\$ 362,000	\$ 299,200	\$ 90,700	\$	\$ 58,800	\$ 37,100	\$ 65,700	(\$17,100)	\$ <b>896,400</b>
<b>Gold produced</b> (ounces)	616,400	192,600	145,300		119,500	62,500			<b>1,136,300</b>
<b>Gold sold</b> (ounces)	814,200	180,300	148,600		120,700	80,800			<b>1,344,600</b>
<b>Average realized gold price</b> (per ounce)	\$ 442	\$ 462	\$ 448		\$ 462	\$ 446	\$	\$	\$ <b>452</b>
<b>Earnings (loss) from operations</b> (\$000 s)	\$ 242,900	\$ 134,400	\$ 19,700	\$	\$ 17,000	\$ 3,900	\$ 19,500	(\$18,300)	\$ <b>419,100</b>
<b>Total cash costs</b> (per gold ounce)	\$ 93	\$ (643)	\$ 119		\$ 228	\$ 304	\$	\$	\$ <b>22</b>

**2004**

	Red Lake	Wharf	Corporate	Total
<b>Revenues</b> (\$000 s)	\$ 152,200	\$ 26,100	\$ 12,700	\$ 191,000
<b>Gold produced</b> (ounces)	551,900	76,100		628,000
<b>Gold sold</b> (ounces)	365,300	62,300		427,600
<b>Average realized gold price</b> (per ounce)	\$ 409	\$ 408	\$	\$ 409
<b>Earnings (loss) from operations</b> (\$000 s)	\$ 102,700	\$ 3,600	(\$ 20,300)	\$ 86,000
<b>Total cash costs</b> (per gold ounce)	\$ 92	\$ 255	\$	\$ 115

- (1) Includes 100% of Wheaton operating results for the period subsequent to February 14, 2005, the date of acquisition.
- (2) Includes Goldcorp's 37.5% share of the results of Alumbrera. The calculation of total cash costs per ounce of gold for Alumbrera is net of by-product copper sales revenue.

- (3) All Luismin silver is sold to Silver Wheaton at a price of \$3.90 per ounce. The calculation of total cash costs per ounce of gold is net of by-product silver sales revenue.
- (4) Gold produced of 24,700 ounces and gold sold of 18,600 ounces at Amapari has not been included in the above results of operations as Amapari was not in commercial production until January 1, 2006.
- (5) The calculation of total cash costs per ounce of gold at Peak is net of by-product copper sales revenue.

## OPERATIONAL REVIEW

### Red Lake Mine

Operating Data	2005				Total 2005	Total 2004
	Q1	Q2	Q3	Q4		
Tonnes of ore milled	59,400	60,600	58,500	56,900	<b>235,400</b>	246,800
Average mill head grade (grams/tonne)	104	79	74	72	<b>82</b>	77
Average recovery rate	97%	97%	97%	97%	<b>97%</b>	97%
Gold produced (ounces)	198,500	142,800	153,700	121,400	<b>616,400</b>	551,900
Gold sold (ounces)	127,400	408,500	147,900	130,400	<b>814,200</b>	365,300
Average realized gold price (per ounce)	\$ 429	\$ 433	\$ 440	\$ 489	<b>\$ 442</b>	\$ 409
Total cash costs (per ounce)	\$ 81	\$ 81	\$ 110	\$ 126	<b>\$ 93</b>	\$ 92

### Financial Data

(in thousands)

Revenues	\$ 56,000	\$ 176,900	\$ 65,400	\$ 63,700	<b>\$ 362,000</b>	\$ 152,200
Earnings from operations	\$ 39,200	\$ 129,100	\$ 36,900	\$ 37,700	<b>\$ 242,900</b>	\$ 102,700

The Red Lake mine had another strong year, producing 616,400 ounces of gold at a total cash cost of \$93 per ounce, compared with 551,900 ounces of gold at a total cash cost of \$92 per ounce in 2004. The average mill feed grade was 82 grams/tonne (2004 77 grams/tonne) and recoveries were maintained at 97%. The higher grades in 2005 were offset by the effect of a 7% stronger Canadian dollar relative to the United States dollar compared to 2004, leaving total cash costs virtually unchanged. Prior to March 31, 2005, the Company had adopted a policy of holding back from sale approximately one-third of mine production. This policy was discontinued effective April 1, 2005, and the gold bullion inventory was sold during the second quarter of 2005. Current year gold sales of 814,200 ounces included 199,300 ounces of gold from inventory held at the beginning of the year.

During the year, significant progress was made relating to underground development work required to connect the new shaft to the existing mine. This development work is ahead of schedule, which will allow completion prior to the shaft reaching its full depth. The shaft was advanced by 710 metres in 2005, bringing the depth to 1,408 metres as at December 31, 2005. On surface, the haul road has been upgraded and the new ore loading facility and conveyor near the mill were erected. Completion of the new shaft and related infrastructure is on track for completion in late 2007, with the expanded mill to be ready for operation in mid 2007.

During the year, a comprehensive strategic review of the mine, including the new shaft and related infrastructure, was completed with the goal of optimizing the value of future mine cash flows. A detailed plan was adopted that will reduce capital costs and provide many operational benefits to the mine. The revised plan includes completing the new shaft to a depth of 1,950 meters and connecting the existing underground workings with a decline at the 43 level. The lower mine (below 37 level) will now be completely trackless, allowing far greater flexibility. The small volume of truck haulage using the deeper ramp system will still allow access to a depth of at least 2,600 meters with cost effective capital and operating costs. In conjunction with these concept changes, the mine ventilation is to be further upgraded to accommodate higher mine production and increasing regulatory standards.

As part of the overall project optimization, the mill throughput rate will be expanded by 25% to approximately 1,130 tonnes per day instead of the previously planned expansion rate of 900 tonnes per day. The new shaft has an ultimate hoisting capacity of 3,630 tonnes per day, so it will not be a constraint under the revised plan. As a result of these enhancements, total capital expenditures for the new shaft and surface facilities are estimated to be Cdn \$196 million,

of which Cdn \$96 million remains outstanding.

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The new shaft design will allow for sinking to greater depths in the future, as warranted, without impacting normal shaft hoisting operations. The new plan also allows for earlier positioning of exploration drill locations much lower in the mine to facilitate more effective and less expensive deeper exploration.

Planning to integrate the Red Lake mine with the Campbell mine, to be acquired from Placer Dome, has already commenced. As part of its strategic goal to consolidate the Red Lake mining area, Goldcorp has acquired a 10% interest in Wolfden Resources Inc, a company with substantial prospective land holdings in the region.

During 2005, the Company paid income tax instalments of \$9 million. Income taxes payable at December 31, 2005 amounted to approximately \$60 million, which were paid in February 2006.

**Alumbreira Mine** (Goldcorp interest 37.5%)

Operating Data	2005						Total 2005	Total 2004
	Q1	Q1 (six weeks) (note 1)	Q2	Q3	Q4	Q4		
Tonnes of ore mined	3,235,300	1,725,600	3,442,900	2,527,400	3,308,900	<b>11,004,800</b>	12,068,400	
Tonnes of waste removed	7,190,200	3,540,800	7,535,900	8,188,600	7,667,800	<b>26,933,100</b>	29,797,100	
Ratio of waste to ore	2.2	2.1	2.2	3.2	2.3	<b>2.4</b>	2.5	
Tonnes of ore milled	3,430,200	1,735,800	3,450,000	3,255,900	3,591,800	<b>12,033,500</b>	13,257,600	
Average mill head grade								
Gold (grams/tonne)	0.56	0.55	0.58	0.60	0.77	<b>0.63</b>	0.72	
Copper (%)	0.49%	0.46%	0.56%	0.57%	0.65%	<b>0.58%</b>	0.56%	
Average recovery rate								
Gold (%)	77%	78%	77%	77%	79%	<b>78%</b>	77%	
Copper (%)	90%	89%	91%	89%	91%	<b>90%</b>	90%	
Gold produced (ounces)	47,600	23,700	48,900	48,100	71,900	<b>192,600</b>	237,700	
Copper produced (thousands of pounds)	32,800	17,200	39,000	36,300	46,800	<b>139,300</b>	145,900	
Gold sold (ounces)	50,200	15,200	47,700	48,200	69,200	<b>180,300</b>	226,500	
Copper sold (thousands of pounds)	30,000	10,000	33,900	38,600	49,500	<b>132,000</b>	139,200	
Average realized price	\$ 417	\$ 452	\$ 422	\$ 452	\$ 498	<b>\$ 462</b>	\$ 415	

Gold (per ounce)									
Copper (per pound)	\$ 1.62	\$ 1.62	\$ 1.59	\$ 1.85	\$ 2.28	\$ <b>1.94</b>	\$ 1.36		
Total cash costs (per gold ounce) (note 2)	\$ (389)	\$ (397)	\$ (442)	\$ (594)	\$ (871)	\$ <b>(643)</b>	\$ (371)		

**Financial Data**

(in thousands)		(note 1)							
Revenues	\$ 61,200	\$ 21,200	\$ 65,600	\$ 81,500	\$ 130,900	\$ <b>299,200</b>	\$ 262,100		
Earnings from operations	\$ 32,600	\$ 9,000	\$ 26,300	\$ 36,000	\$ 63,100	\$ <b>134,400</b>	\$ 145,800		

- (1) Alumbreira's operations are included in Goldcorp's operating results for the period subsequent to February 14, 2005, the date of acquisition of Wheaton. Alumbreira was not owned by Goldcorp during 2004, data shown is for comparative purposes only.
- (2) The calculation of total cash costs per ounce of gold for Alumbreira is net of by-product copper sales revenue. If copper production were treated as a co-product, average total cash costs at Alumbreira for the year ended December 31, 2005 would be \$166 per ounce of gold and \$0.83 per pound of copper (December 31, 2004 \$167 per ounce of gold and \$0.50 per pound of copper).

During fiscal 2005, Alumbreira established a new record for tonnes of ore milled, primarily as a result of on-going productivity improvements assisted by the flotation plant expansion completed during 2004.

Average gold grades mined decreased approximately 13% compared with 2004, in line with plan, and are expected to be 10% higher in 2006. Copper grades were in line with 2004 as were gold and copper metallurgical recoveries.

Average realized gold and copper prices were 11% and 43% higher, respectively, compared to 2004. Operating costs for the year were adversely affected by inflationary pressures, primarily a doubling of copper concentrate treatment and refining charges, a 36% increase in ocean freight costs, a 60% increase in fuel costs and a 20% increase in electricity, compared with 2004. The effect of the increased costs was offset by higher realized copper prices, resulting in total cash costs of minus \$643 per ounce of gold, compared with minus \$371 per ounce in 2004. In accordance with the Company's revenue recognition policy, metal sales prices are subject to adjustment on final settlement. This can be a factor in causing average realized prices to differ from average spot prices.

Alumbrera had an excellent fourth quarter, with higher average grades and excellent recoveries. Record shipments of concentrates were also achieved for the quarter.

In August 2005, Alumbrera announced an increase in ore reserves of more than 10%, which added 500,000 ounces of gold and 375 million pounds of contained copper (Goldcorp's share 188,000 ounces of gold and 141 million pounds of copper). Further intensive in-pit resource definition work will be performed with the objective of adding additional ore reserves in 2006. In conjunction with the exploration work, open pit trials of multiple benching and pre-splitting continues to produce excellent results in the upper benches of the mine, further reinforcing the possible opportunities to optimize the pit ore recovered and reduce waste rock volumes.

Initial work has begun on an 8% throughput expansion of the concentrator to a 40 million tonne per annum milling capacity through the installation of a 6.7MW ball mill and ancillary equipment. Orders for major long lead time equipment were placed in 2005. The capital cost of the concentrator expansion is estimated at \$16 million (Goldcorp's share \$6 million) with commissioning expected by the end of 2006.

During 2004, Alumbrera accrued cash taxes payable of \$46 million (Goldcorp's share), which were paid in May 2005. Goldcorp's share of Alumbrera cash taxes accrued for 2005 amounted to \$62 million of which \$33 million remain to be paid in May 2006.

Earnings from operations of Alumbrera are presented after depreciating the fair value of Alumbrera's assets related to the Wheaton acquisition, whereas the 2004 figures presented for comparative purposes only include depreciation related to the original costs of the assets.

**Luismin Mines**

<b>Operating Data</b>	<b>2005</b>					<b>Total</b>	<b>Total</b>
	Q1	Q1 <i>(six weeks)</i> <i>(note 1)</i>	Q2	Q3	Q4	<b>2005</b>  <i>(note 1)</i>	2004  <i>(note 1)</i>
Tonnes of ore milled	199,000	100,800	218,700	244,100	250,600	<b>814,200</b>	790,100
Average mill head grade							
Gold (grams/tonne)	6.59	6.58	6.23	5.55	5.57	<b>5.94</b>	5.58
Silver (grams/tonne)	394	328	362	332	298	<b>343</b>	297
Average recovery rate							
Gold (%)	95%	96%	95%	94%	94%	<b>95%</b>	97%
Silver (%)	88%	90%	91%	88%	88%	<b>89%</b>	91%
Gold produced (ounces)	40,000	20,400	41,800	41,000	42,100	<b>145,300</b>	132,500
Silver produced (ounces)	1,894,000	961,500	1,974,400	2,005,700	1,855,700	<b>6,797,300</b>	6,665,500
Gold sold (ounces)	38,300	23,300	44,000	39,100	42,200	<b>148,600</b>	132,100
Silver sold (ounces)	1,974,000	1,314,800	1,976,400	2,003,800	1,812,300	<b>7,107,300</b>	6,674,500
Average realized price							
Gold (per ounce)	\$ 428	\$ 430	\$ 427	\$ 440	\$ 486	<b>\$ 448</b>	\$ 410
Silver (per ounce) <i>(note 2)</i>	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	<b>\$ 3.90</b>	\$ 5.93
Total cash costs per gold ounce <i>(note 2)</i>	\$ 86	\$ 80	\$ 115	\$ 118	\$ 145	<b>\$ 119</b>	\$ 97

**Financial Data**

<i>(in thousands)</i>	<i>(note 1)</i>						
Revenues	\$ 22,900	\$ 13,800	\$ 25,600	\$ 24,300	\$ 27,000	\$ <b>90,700</b>	\$ 91,500
Earnings from operations	\$ 5,500	\$ 4,000	\$ 4,500	\$ 4,500	\$ 6,700	\$ <b>19,700</b>	\$ 42,200

(1) Luismin's results are included in Goldcorp's operating results for the period subsequent to February 14, 2005, the date of acquisition of Wheaton. Luismin was not owned by Goldcorp during 2004, data shown is for comparative

purposes only.

- (2) Subsequent to October 15, 2004, all Luismin silver is sold to Silver Wheaton at a price of \$3.90 per ounce. The calculation of total cash costs per ounce of gold is net of by-product silver sales revenue of \$3.90 per silver ounce (pro forma basis prior to October 15, 2004).

During 2005, Luismin achieved record production for the second consecutive year. Luismin continues to invest in infrastructure and exploration at the San Dimas mine, which has allowed for access to better grades and increased haulage efficiency. During the year, the mill capacity was increased by 30% to 2,100 tonnes per day. This, together with improved ore grades, resulted in an increase in gold production by 25% (silver 16%), compared to 2004 on a full year over year basis. Cash costs were higher during 2005 compared to 2004, due primarily to fuel and labour cost pressures, as well as under-utilization of mill capacity.

Exploration activities continued throughout the year, confirming the continuity of the veins 175 meters below the current mining levels of the high grade zones in the Central Block at San Dimas, and a new breccia-type ore body discovered in the Nukay mine. Proven and probable reserves were increased by 21%, compared with 2004, after taking into account production during the year. Subsequent to December 31, 2005, Silver Wheaton agreed to amend its existing silver contract with Luismin resulting in an increase in ownership of Silver Wheaton by Goldcorp to 62% (refer to Subsequent Events section).

Earnings from operations of Luismin are presented after depreciating the fair value of Luismin's assets related to the Wheaton acquisition, whereas the 2004 figures presented for comparative purposes only include depreciation related to the original costs of the assets. In addition, the prior year earnings from operations included approximately nine months of silver sales at spot prices, prior to Luismin entering into a contract with Silver Wheaton under which silver is sold to Silver Wheaton at \$3.90 per silver ounce.

**Peak Mine**

Operating Data	2005					Total 2005 <i>(note 1)</i>	Total 2004 <i>(note 1)</i>
	Q1	Q1 <i>(six weeks)</i> <i>(note 1)</i>	Q2	Q3	Q4		
Tonnes of ore milled	167,300	82,600	148,700	165,200	176,600	<b>573,100</b>	663,400
Average mill head grade							
Gold (grams/tonne)	5.95	6.22	6.94	6.67	8.26	<b>7.09</b>	7.40
Copper (%)	0.61%	0.58%	0.46%	0.28%	0.65%	<b>0.50%</b>	0.58%
Average recovery rate							
Gold (%)	90%	91%	89%	88%	93%	<b>90%</b>	90%
Copper (%)	80%	82%	71%	60%	84%	<b>74%</b>	79%
Gold produced (ounces)	29,000	15,100	29,700	31,100	43,600	<b>119,500</b>	142,700
Copper produced (thousands of pounds)	1,819	864	1,065	579	2,111	<b>4,619</b>	6,695
Gold sold (ounces)	27,800	17,300	26,200	27,200	50,000	<b>120,700</b>	139,700
Copper sold (thousands of pounds)	1,612	1,612	734	505	1,826	<b>4,677</b>	6,361
Average realized price							
Gold (per ounce)	\$ 422	\$ 423	\$ 449	\$ 442	\$ 493	<b>\$ 462</b>	\$ 413
Copper (per pound)	\$ 1.36	\$ 1.36	\$ 1.71	\$ 1.53	\$ 1.88	<b>\$ 1.70</b>	\$ 1.38
Total cash costs per gold ounce <i>(note 2)</i>	\$ 278	\$ 272	\$ 241	\$ 246	\$ 192	<b>\$ 228</b>	\$ 192

**Financial Data**

(in thousands)	<i>(note 1)</i>						
Revenues	\$ 12,100	\$ 8,000	\$ 11,500	\$ 12,300	\$ 27,000	<b>\$ 58,800</b>	\$ 63,000
Earnings from operations	\$ 1,700	\$ 1,700	\$ 1,900	\$ 2,100	\$ 11,300	<b>\$ 17,000</b>	\$ 23,800

(1) Peak's operations are included in Goldcorp's operating results for the period subsequent to February 14, 2005, the date of acquisition of Wheaton. Peak was not owned by Goldcorp during 2004, data shown is for comparative purposes only.

(2) The calculation of total cash costs per ounce of gold is net of by-product copper sales revenue. The Peak mine sold 120,700 ounces of gold for the period subsequent to February 14, 2005, the date of acquisition of Wheaton (2004 139,700 gold ounces). Plant capacity was successfully increased by 6% to 700,000 tonnes per annum in July 2005, and mill improvements resulted in better ore processing control, providing improved recoveries in the fourth quarter. These improvements, combined with higher copper prices, produced total cash costs of \$228 per gold ounce for the year (2004 \$192/oz), despite inflationary cost pressures and lower average grades, compared with 2004. Significant improvements were made to the operation during the year, including successful construction and commissioning of the New Cobar underground mine, and plant upgrades and de-bottlenecking. During 2006, the main priority is to increase mill throughput to use full plant capacity of 700,000 tonnes per annum with the aim to ramp up to 750,000 tonnes per annum in 2007. Exploration work and delineation drilling continues to focus on New Cobar, Upper Peak and Perseverance Zone D, where additional resources have been discovered during the year. Earnings from operations of Peak are presented after depreciating the fair value of Peak's assets related to the Wheaton acquisition, whereas the 2004 figures presented for comparative purposes only include depreciation related to the original costs of the assets.

**Wharf Mine**

Operating Data	2005				Total 2005	Total 2004
	Q1	Q2	Q3	Q4		
Tonnes of ore mined	646,000	584,300	755,500	775,600	<b>2,761,400</b>	3,049,000
Tonnes of ore processed	656,000	561,100	773,900	644,300	<b>2,635,300</b>	3,036,000
Average grade of gold processed (grams/tonne)	1.10	0.99	1.04	0.95	<b>1.00</b>	0.96
Average recovery rate (%)	75%	75%	75%	75%	<b>75%</b>	75%
Gold produced (ounces)	17,700	16,400	11,200	17,200	<b>62,500</b>	76,100
Gold sold (ounces)	34,300	15,700	15,300	15,500	<b>80,800</b>	62,300
Average realized gold price (per ounce)	\$ 431	\$ 429	\$ 444	\$ 497	<b>\$ 446</b>	\$ 408
Total cash costs (per ounce)	\$ 282	\$ 291	\$ 307	\$ 366	<b>\$ 304</b>	\$ 255

**Financial Data**

(in thousands)

Revenues	\$ 14,900	\$ 7,000	\$ 7,000	\$ 8,200	<b>\$ 37,100</b>	\$ 26,100
Earnings from operations	\$ 2,000	\$ 600	\$ 500	\$ 800	<b>\$ 3,900</b>	\$ 3,600

The Wharf Mine produced 62,500 ounces of gold in 2005 (2004 76,100 ounces). Gold sales were 80,800 ounces, compared to 62,300 ounces in 2004. The increase in gold sales is due to the discontinuance of the Company's previous policy of holding back from sale approximately one-third of mine production. Current year gold sales included 22,000 ounces of gold held as inventory at December 31, 2004.

Total cash costs were \$304 per ounce in 2005, compared to \$255 per ounce during 2004, primarily as a result of lower tonnes processed and State taxes on gold sales, resulting from higher realized gold prices.

Mine operations will continue throughout 2006 at the Trojan pit and are then expected to cease in the second quarter of 2007. Gold will continue to be produced from the heap leach pads throughout 2007.

The on-going progressive reclamation practice is an important aspect of the successful mine site rehabilitation program at the Wharf and Golden Reward properties. As part of the ongoing program, approximately 26 acres of disturbed land were reclaimed in the Trojan pit area in 2005.



**Silver Wheaton Corp.** (Goldcorp interest 59%)  
(100% figures shown)

Operating Data	2005						2005	2004
	Q1	Q1 (six weeks) (note 1)	Q2	Q3	Q4	Total (note 1)	Total (note 1)	
Ounces of silver purchased								
Luismin	1,974,000	1,314,800	1,976,400	2,003,800	1,812,300	<b>7,107,300</b>	1,387,300	
Zinkgruvan	330,800	223,300	476,200	531,000	335,600	<b>1,566,100</b>	240,500	
Total	2,304,800	1,538,100	2,452,600	2,534,800	2,147,900	<b>8,673,400</b>	1,627,800	
Ounces of silver sold								
Luismin	1,974,000	1,314,800	2,088,000	2,003,800	1,812,300	<b>7,218,900</b>	1,387,300	
Zinkgruvan	349,000	226,400	580,400	531,000	335,600	<b>1,673,400</b>	117,800	
Total	2,323,000	1,541,200	2,668,400	2,534,800	2,147,900	<b>8,892,300</b>	1,505,100	
Average realized silver price (per ounce)	\$ 6.92	\$ 7.04	\$ 7.22	\$ 7.13	\$ 7.30	\$ <b>7.31</b>	\$ 7.30	
Total cash costs (per silver ounce)	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ <b>3.90</b>	\$ 3.90	
<b>Financial Data</b> (in thousands)		(note 1)						
Revenues	\$ 16,000	\$ 10,900	\$ 19,300	\$ 18,100	\$ 17,400	\$ <b>65,700</b>	\$ 11,000	
Earnings from operations	\$ 5,300	\$ 3,300	\$ 5,400	\$ 5,100	\$ 5,700	\$ <b>19,500</b>	\$ 4,300	

(1) Silver Wheaton's operations are included in Goldcorp's operating results for the period subsequent to February 14, 2005, the date of acquisition of Wheaton. Silver Wheaton was not owned by Goldcorp during 2004, data shown is for comparative purposes only.

Goldcorp acquired a 65% interest in Silver Wheaton, a publicly traded company, on the acquisition of Wheaton effective February 15, 2005. Goldcorp's ownership was diluted to 59% in December 2005 following the issuance of additional shares by Silver Wheaton to outside interests. Silver Wheaton has agreements to purchase all of the silver produced by Goldcorp's Luismin mines in Mexico and Lundin Mining Corporation's Zinkgruvan mine in Sweden for a per ounce cash payment of the lesser of \$3.90 and the prevailing market price, subject to adjustment. Subsequent to December 31, 2005, Silver Wheaton agreed to amend its existing silver contract with Luismin resulting in an increase in ownership to 62% (refer to Subsequent Events section).

Earnings from operations of Silver Wheaton are presented after depreciating the fair value of Silver Wheaton's assets related to the Wheaton acquisition, whereas the 2004 figures presented for comparative purposes only include depreciation related to the original costs of the assets.

**PROJECT DEVELOPMENT REVIEW**

**Amapari Project**

Project commissioning continued during the fourth quarter of 2005, focusing on consistently achieving the design throughput rates for the crushing, agglomeration and stacking systems. During the fourth quarter, 532,000 tonnes of ore grading 2.68 grams/tonne (contained gold of 45,900 ounces) were stacked on the heap leach pads and placed under irrigation. Mining of ore and pre-stripping of waste continued during the fourth quarter from five pits, with 3.6 million tonnes of waste removed and 550,000 tonnes of ore mined. During the year, 918,000 tonnes of ore were stacked on the heap leach pads, grading 2.54 grams/tonne (contained gold of 74,800 ounces) and 7.4 million tonnes of waste were mined. The mining fleet is now fully equipped, with all large haul trucks commissioned and put into operation. During the fourth quarter, commissioning also continued on the hydrometallurgical plant, with a total of 24,700 ounces of gold poured, and construction of the main workshop, reclaimer and spent ore conveyor system was also completed. Commercial production was achieved effective January 1, 2006.

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At December 31, 2005, direct construction costs for the project totaled \$83 million. These costs continued to be negatively impacted by the strong Brazilian currency, which has appreciated against the United States dollar by 32% since construction commenced. This currency appreciation, together with oil and steel price increases, has increased total costs by approximately \$29 million above budget. Also, additional expenditures of \$27 million have been incurred, which were originally anticipated in 2006 and future years, in order to increase mining flexibility. These expenditures primarily relate to additional mining fleet and pre-stripping costs.

Infill drilling in the main pit continues to assist long term open pit and underground mine planning. Exploration activities continue at Urucum East and ground geophysical surveys have commenced at Timbo where a 3 km trend of prospective terrain was previously outlined. Exploration work programs consisting of mapping and sampling were undertaken on three other projects within the 120 kilometer long tenement package.

#### **Los Filos/Bermejal Project**

On March 31, 2005, Goldcorp completed the acquisition of the 2.4 million ounce Bermejal gold deposit in Mexico for cash consideration of \$70 million, from a joint venture of Industrias Peñoles S.A. de C.V. and Newmont Mining Corporation. The Bermejal gold deposit is located just 2 kilometres south of Goldcorp's Los Filos gold deposit. The Company plans to develop the two deposits as a single operation with two open pits and one single heap leach pad facility. A detailed engineering study for the combined project will be completed during the first quarter of 2006. Several primary infrastructure development activities commenced during 2005 such as upgrading the existing road and construction of power and water supply systems, which are expected to be completed during March 2006.

Pre-stripping of the Los Filos pit was commenced, with the arrival of the mine equipment for this pit. All of the mine equipment required for the Bermejal pit, as well as all the major process equipment, was ordered during the year in order to secure adequate delivery dates.

Environmental permits for infrastructure works and the development of both pits have been obtained. Environmental impact assessments, which include the new pad area and both pits, as well as the land use change technical study and the environmental risk analysis have been approved by the Mexican Government Agency. All significant permits required have now been received.

Capital expenditures to December 31, 2005 amounted to \$84 million and commercial production is projected to commence at the end of the first quarter of 2007.

#### **EXPENSES**

(in thousands)	<b>2005</b>	2004	2003
Depreciation and depletion	<b>\$135,264</b>	\$21,387	\$25,225
Corporate administration	<b>29,943</b>	10,367	10,303
Exploration	<b>8,035</b>	6,701	3,006

Depreciation and depletion, which relates to mining activities, increased to \$135 million for the year, compared to \$21 million in 2004 and \$25 million in 2003, primarily as a result of the acquisition of Wheaton mining assets effective February 15, 2005 and the resulting fair value allocation to those assets.

Corporate administration costs increased during 2005, compared to the same period in 2004 and 2003, due primarily to increased corporate activity relating to the Wheaton acquisition and the consolidation of Wheaton's operating results in 2005.

**OTHER INCOME (EXPENSE)**

(in thousands)	2005	2004	2003
Interest and other income	\$ 9,244	\$ 9,354	\$ 8,905
Stock option expense	(13,876)	(5,081)	(2,275)
Gain on foreign exchange	474	211	(1,164)
Gain (loss) on marketable securities, net	10,142	(9,006)	10,230
Dilution gain	18,732		
Corporate transaction costs	(3,592)		
	\$ 21,124	\$ (4,522)	\$ 15,696

As a result of the acquisition of Wheaton, Goldcorp stock options which existed at December 31, 2004 became fully vested during the first quarter of 2005 and were expensed in the amount of \$5.3 million. During the year, the Company granted 5,095,000 stock options vesting over a period of three years, with a fair value of \$20.4 million. Of this, stock option expense of \$7.9 million has been recognized in the year, \$8.4 million will be recognized in 2006, \$3.3 million in 2007 and \$0.8 million in 2008.

During the current year, the Company realized gains on disposal of marketable securities held of \$10.1 million. In 2004, the Company recorded a \$9.0 million provision for decline in the value of marketable securities while in 2003, the Company recorded gains of \$10.2 million. During 2005, the Company disposed of certain non-core assets, including industrial minerals and oil and gas operations, for a net gain of approximately \$0.5 million, included in other income.

During the fourth quarter of 2005 Silver Wheaton, a publicly traded company, completed a private placement of shares with third parties, which resulted in a dilution in Goldcorp's share interest from 65% to 59%. As a result of the dilution in share ownership, a dilution gain of \$18.7 million arose, being the difference between the Company's share of the proceeds and the underlying equity of the shares involved.

Corporate transaction costs in 2005, pertaining to the acquisition of Wheaton, in the amount of \$3.6 million relate to severance and restructuring of insurance policies, which may not be capitalized as acquisition costs under current accounting standards and thus have been expensed.

**INCOME AND MINING TAXES**

Income and mining taxes for the year ended December 31, 2005 totalled \$142.4 million, approximately 34% of earnings before taxes and dilution gain. In 2004, income and mining taxes were \$30.1 million, or 37% of earnings before taxes. (2003 - \$54.0 million or 37%).

The lower effective tax rate during 2005 is due to the lower statutory tax rates applicable to the Wheaton operations.

The statutory tax rate at Goldcorp's Canadian operations is approximately 40% while the combined statutory tax rate at the Wheaton operations is approximately 30%.

**NON-CONTROLLING INTERESTS**

During the year ended December 31, 2005, Goldcorp acquired an 82% interest in Wheaton, which resulted in an 18% non-controlling interest in the amount of \$141.9 million. During the period February 15 to April 15, 2005, the non-controlling interest's share of Wheaton's net earnings was \$3.5 million. Goldcorp acquired the 18% non-controlling interest's share of Wheaton on April 15, 2005.

A further non-controlling interest, in the amount of \$54.9 million, arose as a result of the Wheaton acquisition with respect to Wheaton's 65% ownership of its subsidiary, Silver Wheaton. This interest decreased to 59% during the year, following the issuance of

additional shares by Silver Wheaton to non-controlling interests. The non-controlling interests, share of Silver Wheaton net earnings for the year ended December 31, 2005 amounted to \$8.6 million.

#### **NON-GAAP MEASURE PRO FORMA ADJUSTED NET EARNINGS**

Pro Forma Adjusted Net Earnings when used with respect to Goldcorp net earnings for the year ended December 31, 2005, refers to net earnings that include 100% of the earnings of Goldcorp and Wheaton for the full year, adjusted for certain items that management of Goldcorp believes facilitates the evaluation of future operations. Pro Forma Adjusted Net Earnings excludes non-recurring stock option expenses and corporate transaction costs (including investment banking, legal, and other fees relating to the acquisition of Wheaton) and includes adjustments for gold bullion withheld or sold during the period and estimated additional depreciation and depletion. Management believes that such adjustments are appropriate. Pro Forma Adjusted Net Earnings should not be construed as an alternative to net earnings determined in accordance with Canadian generally accepted accounting principles ( GAAP ). For a reconciliation of Pro Forma Adjusted Net Earnings to net earnings, based on the financial statements prepared in accordance with GAAP, see Reconciliation of Pro Forma Adjusted Net Earnings to Net Earnings . Pro Forma Adjusted Net Earnings is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP, and may differ from methods by which other companies calculate such measures and, accordingly, such measures as used herein may not be comparable to similarly titled measures used by other companies. Further, the pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future.

#### **Reconciliation of Pro Forma Adjusted Net Earnings to Net Earnings**

(in thousands)	<b>2005</b>	2004	2003
Net earnings	<b>\$285,698</b>	\$51,347	\$ 98,804
Non-controlling interest in Wheaton ( <i>note 1</i> )	<b>3,548</b>		
Wheaton:			
Results for January 1 – February 14, 2005 ( <i>note 2</i> )	<b>17,145</b>		
Estimated additional depreciation and depletion ( <i>note 3</i> )	<b>(4,383)</b>		
	<b>302,008</b>	51,347	98,804
Corporate transaction costs ( <i>note 4</i> )	<b>6,099</b>		
Bullion adjustments ( <i>note 5</i> )	<b>(39,392)</b>	32,900	(13,100)
Pro forma adjusted net earnings	<b>\$268,715</b>	\$84,247	\$ 85,704

- (1) Add back non-controlling interest arising from Goldcorp only owning 82% of Wheaton between February 15 and April 15, 2005.
- (2) Includes 100% of Wheaton earnings from January 1 to February 14, 2005, adjusted for the non-recurring corporate transaction costs incurred by Wheaton to effect the merger.
- (3) Represents estimated additional depreciation and depletion if Wheaton had been acquired on January 1, 2005.
- (4) Represents adjustment for the non-recurring corporate transaction costs incurred by Goldcorp to effect the merger. This includes stock option expenses incurred from the immediate vesting of all unvested options as a result of the transaction.
- (5)

Represents adjustment to recognize earnings on all gold bullion withheld from sale, or sold, during the period. During the second quarter of 2005 the Company decided to abandon its previous policy to withhold gold bullion production and sold its bullion inventory.

**Reconciliation of Pro Forma Adjusted Basic Earnings per Share**

The number of shares used in the computation of pro forma adjusted basic earnings per share is as follows:

(in thousands)	2005	2004	2003
Weighted-average number of Goldcorp shares outstanding for the period	<b>314,292</b>	189,723	183,574
Adjustment to reflect acquisition of 100% of Wheaton, effective January 1, 2005	<b>21,631</b>		
Pro forma weighted average number of shares outstanding for period	<b>335,923</b>	189,723	183,574
Pro forma adjusted net earnings	<b>\$ 268,715</b>	\$ 84,247	\$ 85,704
Pro forma adjusted basic earnings per share	<b>\$ 0.80</b>	\$ 0.44	\$ 0.47

**NON-GAAP MEASURE TOTAL CASH COST PER GOLD OUNCE CALCULATION**

The Company has included a non-GAAP performance measure, total cash cost per gold ounce, throughout this document. The Company reports total cash costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning, and is a non-GAAP measure. The Company follows the recommendations of the Gold Institute standard. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following table provides a reconciliation of total cash costs per ounce to the financial statements:

(in thousands, except gold ounces sold and per ounce amounts)	2005	2004	2003
Operating expenses per financial statements	<b>\$ 304,032</b>	\$ 66,601	\$ 86,963
Industrial minerals operating expense	<b>(9,881)</b>	(11,723)	(11,747)
Treatment and refining charges on concentrate sales	<b>49,376</b>		
By-product silver and copper sales, and other	<b>(304,788)</b>	(3,535)	(3,267)
Non-cash adjustments	<b>(9,548)</b>	(2,168)	(4,156)
Total cash costs	<b>\$ 29,191</b>	\$ 49,175	\$ 67,793
Divided by gold ounces sold	<b>1,344,600</b>	427,600	677,900
<b>Total cash costs per ounce</b>	<b>\$ 22</b>	\$ 115	\$ 100

**LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2005 the Company held cash and cash equivalents of \$562 million (December 31, 2004 \$333 million) and working capital of \$555 million (December 31, 2004 \$400 million).

In the opinion of management, the working capital at December 31, 2005, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis.

Total assets increased to \$4,066 million at December 31, 2005 from \$702 million at December 31, 2004, primarily as a result of the acquisition of Wheaton. The Wheaton acquisition, financed by the issuance of Goldcorp common shares, resulted in an increase in total assets of \$3,069 million, an increase in total liabilities of \$860 million, and an increase in shareholders' equity of \$2,209 million. Mining interests increased by \$2,502 million, representing the fair value of Wheaton's mining properties acquired, and goodwill was

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recorded of \$149 million. Future income tax liabilities of \$632 million were accrued on the acquisition and will be amortized to income as the related mining interests are depreciated. Accounting for income taxes uses the liability method which takes into consideration the differences between accounting and tax values of all assets and liabilities. In particular, on business acquisitions, the Company grosses up the value of mining interests acquired to reflect the recognition of future income tax liabilities for the tax effect of such differences.

During the year, the Company generated operating cash flows of \$466 million compared with \$53 million during 2004. The favourable non-cash operating working capital movement of \$47 million during the year ended December 31, 2005 primarily resulted from the second quarter sale of the gold bullion inventory, and accrued taxes of \$93 million as at December 31, 2005, to be paid in 2006. Conversely, a negative non-cash operating working capital movement of \$49 million during the year ended December 31, 2004 was largely due to cash tax payments.

The acquisition of Wheaton during 2005 resulted in net cash acquired of \$132 million after cash payments of acquisition costs. In January 2005, the Company invested cash of \$70 million to acquire the Bermejal property in Mexico. During the year ended December 31, 2005, the Company invested a total of \$278 million in mining interests, including \$58 million at Red Lake, \$125 million at the Luismin operations, \$64 million at Amapari and \$20 million at Peak.

Cash dividend payments for the year totalled \$151 million, primarily due to the payment of a special \$0.50 per share cash dividend, totalling approximately \$95 million, during the first quarter. The Company paid a monthly dividend of \$0.015 per share, resulting in cash dividend payments for the year of \$56 million.

As of March 3, 2006, there were 341 million common shares of the Company issued and outstanding and 13.6 million stock options outstanding under its share option plan. In addition, the Company had 7 million share purchase warrants outstanding (exchangeable for 14.5 million common shares) and 161.5 million Series A, B and C share purchase warrants outstanding (exchangeable for 40.4 million common shares), issued in exchange for existing Wheaton share purchase warrants.

#### *Derivative instruments*

The Company employs, from time to time, interest rate and Canadian dollar forward and option contracts to manage exposure to fluctuations in metal prices and foreign currency exchange rates.

#### *Contractual obligations*

Commitments exist at Red Lake, Alumbrera, Luismin, Amapari, and Peak until 2007 for capital expenditures of approximately \$122 million. The Company rents premises and leases equipment under operating leases that expire over the next five years. Operating lease expense in 2005 was \$7,570,000 (2004 \$5,267,000; 2003 \$6,672,000). Following is a schedule of future minimum rental and lease payments required:

(in thousands)

2006	\$10,292
2007	3,676
2008	2,570
2009	559
2010	14
	17,111
Thereafter	
Total minimum payments required	\$17,111

*Related party transactions*

During the year ended December 31, 2005, Goldcorp sold its holdings in three marketable securities to a company owned by Robert R. McEwen, the former non-Executive Chairman and CEO of Goldcorp. These were non-brokered transactions which were executed at market value based on the average of the TSX closing price for the ten trading days prior to the sale agreements, resulting in gains totalling approximately \$4 million. During the year, the Company sold its share ownership of Lexam Explorations Inc. to a company owned by Mr. McEwen for proceeds of \$0.3 million.

**RISKS AND UNCERTAINTIES**

The main risks that can affect the profitability of the Company include changes in metal prices, currency fluctuations, government regulation, foreign operations and environmental.

*Metal prices*

Profitability of the Company depends on metal prices for gold, silver and copper. A 10% change in the gold, silver or copper prices would impact 2006 budgeted net earnings by approximately 21%, 2% or 5%, respectively, excluding the impact of the Placer assets to be acquired.

Gold, silver and copper prices are affected by numerous factors such as the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold, silver and copper-producing countries throughout the world.

*Currency fluctuations*

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Gold, silver and copper are sold in US dollars and the Company's costs are incurred principally in US dollars, Canadian dollars, Mexican pesos, Argentine pesos, Australian dollars and Brazilian reals. The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold, silver and copper production and capital expenditure in US dollar terms. From time to time, the Company transacts currency hedging to reduce the risk associated with currency fluctuations. There is no assurance that its hedging strategies will be successful. Currency hedging may require margin activities. Sudden fluctuations in currencies could result in margin calls that could have an adverse effect on the Company's financial position.

*Government regulation*

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could increase the cost of operations.

*Foreign operations*

The Company's operations are currently conducted in Mexico, Argentina, Australia and Brazil, and as such the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Mexico, Argentina, Australia and Brazil could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

#### *Environmental*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company could be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Management has identified the following critical accounting policies and estimates. Note 2 of the Company's consolidated financial statements describes all of the significant accounting policies.

#### *Income and mining taxes*

The provision for income and mining taxes is based on the liability method. Future taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those future income tax assets that it believes will, more likely than not, fail to be realized.

#### *Mining Interests*

Mining interests are the most significant assets of the Company, representing \$2,981 million at December 31, 2005, and represent capitalized expenditures related to the exploration and development of mining properties and related plant and equipment. Capitalized costs are depreciated and depleted using either a unit-of-sale method over the estimated economic life of the mine to which they relate, or using the straight-line method over their estimated useful lives.

The costs associated with mining properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were

acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

*Reclamation and Closure Costs Obligations*

Reclamation and closure costs obligations have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the fair value of liabilities for reclamation and closure costs obligations in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset.

*Goodwill and impairment testing*

The acquisition of Wheaton was accounted for using the purchase method whereby assets acquired and liabilities assumed were recorded at their fair market values as of the date of acquisition and any excess of the purchase price over such fair value was recorded as goodwill. Goodwill was identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit.

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

*Investment in Alumbra*

The Company has joint control over Alumbra through certain matters requiring unanimous consent in the shareholders' agreement and, therefore, has proportionately consolidated its 37.5% share of the financial statements of Alumbra from February 15, 2005. On this basis, the Company records its 37.5% share of the assets, liabilities, revenues and expenses of Alumbra in these consolidated financial statements.

Pursuant to Multilateral Instrument 52-109 Certification of Disclosures in Issuers' Annual and Interim Filings, management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2005 and found them to meet required standards.

**RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS**

In April 2005 the CICA issued Section 1530, Comprehensive Income. This Section establishes standards for reporting and display of comprehensive income. It does not address issues of recognition or measurement for comprehensive income and its components. The mandatory effective date for the new Section is for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations.

In 2005 the CICA issued Section 3855, Financial Instruments, Recognition and Measurement. This Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The following four fundamental decisions serve as cornerstones underlying this Section:

- 1) financial instruments and non-financial derivatives represent rights or obligations that meet the definitions of assets or liabilities and should be reported in financial statements;
- 2) fair value is the most relevant measure for financial instruments and the only relevant measure for derivative financial instruments;
- 3) only items that are assets or liabilities should be reported as such in financial statements; and
- 4) special accounting for items designated as being part of a hedging relationship should be provided only for qualifying items.

The mandatory effective date for the new Section is for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations.

During 2005, the CICA also issued Section 3861, Financial Instruments - Disclosure and presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The presentation paragraphs deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The disclosure paragraphs deal with information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments. This Section also deals with disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them and management's policies for controlling those risks. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations. In April 2005 the CICA issued Section 3865, Hedges. This Section establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. This Section is based on the same four fundamental decisions that serve as cornerstones to Financial Instruments - Recognition and Measurement, Section 3855- above. Accordingly, this Section does not affect whether a financial instrument or other derivative is reported in the financial statements. The special accounting permitted by this Section does not affect the requirement that all derivative financial instruments be measured at fair value. This Section generally does not permit gains or losses on hedging items to be deferred in the balance sheet as if they were assets or liabilities. This Section contains requirements that specify when a hedge may qualify for special accounting. The mandatory effective date for the new Section is for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations.

In 2005 the CICA issued Section 3831, Non-Monetary Transactions. The main feature of this Section is a general requirement to measure an asset or liability exchanged or transferred in a non-monetary transaction at fair value, unchanged from the requirement in former CICA Section 3830. However, an asset exchanged or transferred in a non-monetary transaction is measured at its carrying amount when:

the transaction lacks commercial substance;

the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;

neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or

the transaction is a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

The commercial substance criterion replaces the culmination of the earnings process criterion in former Section 3830. The new requirements are effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006. Management does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations.

In April 2005, the CICA issued Section 3051, Investments which continues to establish standards for accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. Section 3051 also contains new guidance on when an other-than-temporary decline in value of an investment remaining subject to the Section has occurred. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management does not expect the adoption of this standard to have a material effect on the Company's consolidated financial position and results of operations. On March 2, 2006, the CICA issued EIC 160, Stripping Costs Incurred in the Production Phase of a Mining Operation. The Emerging Issues Committee reached a consensus that stripping costs should be accounted for according to the benefit received by the entity. Generally, stripping costs should be accounted for as variable production costs that should be included in the costs of the inventory produced (that is, extracted) during the period that the stripping costs are incurred. However, stripping costs should be capitalized if the stripping activity can be shown to represent a betterment to the mineral property. A betterment occurs when the stripping activity provides access to sources of reserves that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. The Committee reached a consensus that capitalized stripping costs should be amortized in a rational and systematic manner over the reserves that directly benefit from the specific stripping activity. In the mining industry, the unit of production method is generally the appropriate method. The Committee noted that the reserves used to amortize capitalized stripping costs will normally differ from those used to amortize the mineral property and related life-of-mine assets as the stripping costs may only relate to a portion of the total reserves. The accounting treatment as described in this Abstract should be applied to stripping costs incurred in fiscal years beginning on or after July 1, 2006, and may be applied retroactively. The Company is currently evaluating the implications of this announcement.

#### **OUTLOOK**

Goldcorp is the world's lowest cost million ounce gold producer. Production in 2006 is expected to approximate 2 million ounces of gold on an annualized basis, at a total cash cost of less than \$150 per ounce, following the acquisition of certain Placer assets from Barrick.

#### **SUBSEQUENT EVENTS**

- (a) On October 30, 2005, Goldcorp entered into an agreement with Barrick Gold Corporation ( Barrick ) to acquire certain mining assets and interests. Barrick has offered to acquire all the outstanding shares of Placer Dome Inc. ( Placer Dome ) for approximately \$10.1 billion in shares and cash and, in a separate agreement, upon closing of Barrick's transaction with Placer Dome, Goldcorp has agreed to purchase from Barrick certain of Placer Dome's Canadian and other assets for cash of approximately \$1.485 billion, subject to adjustment. On March 3, 2006, Barrick owned approximately 94% of Placer Dome and is proceeding with a compulsory acquisition to acquire the remaining outstanding shares. The Goldcorp transaction is expected to close on April 1, 2006, following Barrick's acquisition of 100% of the Placer Dome common shares.

Subject to any required consents and government approvals, Goldcorp will acquire Placer Dome's interests in the Campbell, Porcupine and Musselwhite gold mines in Ontario, and the La Coipa gold/silver mine in Chile. Goldcorp will also acquire a 40% interest in the Pueblo Viejo gold development project in the Dominican Republic, together with Placer Dome's interest in its Canadian exploration properties, including the Mount Milligan copper/gold deposit in British Columbia.

In order to fund this proposed transaction, Goldcorp intends to use a portion of its current cash balances, \$500 million from its existing revolving credit facilities, and new credit facilities of \$900 million. The new \$900 million credit facilities will be unsecured, and amounts drawn down will incur interest at LIBOR plus 0.625% to 1.125% per annum dependent upon the Company's leverage ratio, increasing by an additional 0.125% per annum if the total amount drawn under this facility exceeds \$450 million. Undrawn amounts will be subject to a 0.15% to 0.25% per annum commitment fee dependent on the Company's leverage ratio. All amounts drawn will be required to be refinanced or repaid within two years of the closing date.

This business combination will be accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and the Placer Dome operations as the acquiree. The results of operations of the acquired assets will be included in the consolidated financial statements of Goldcorp from the date of acquisition. After consummation of the proposed acquisition of Placer Dome operations and assets, Goldcorp will complete an exercise to value the identifiable assets and liabilities acquired, including any goodwill that may arise.

- (b) On December 5, 2005, the Company announced that it has entered into an agreement with Virginia Gold Mines Inc. ( Virginia ) to acquire Virginia's Éléonore gold project in Quebec pursuant to a plan of arrangement involving Virginia. Under the agreement, shareholders of Virginia will receive 0.4 of a Goldcorp common share and 0.5 of a share in a new public exploration company for each issued and outstanding Virginia share. Virginia will be acquired by Goldcorp and Goldcorp will retain the Éléonore project. The new public exploration company will hold all other assets of Virginia, including net working capital, cash to be received prior to closing from the exercise of Virginia options and warrants, its non-Éléonore exploration assets and a sliding scale 2% net smelter return royalty on the Éléonore project. The transaction is valued at approximately \$445 million. Goldcorp will issue 19.6 million common shares pursuant to the transaction, representing approximately 5% of the total common shares outstanding after giving effect to this transaction. Completion of the transaction is subject to approval by Virginia shareholders and receipt of regulatory approvals and is expected to close during April 2006.
- (c) On February 13, 2006, Goldcorp announced that it has agreed to amend its existing silver purchase agreement with Silver Wheaton, in connection with Goldcorp's plans to substantially increase its investment in exploration and development at its San Dimas mine in Mexico.

Under the existing silver purchase agreement dated October 15, 2004, Silver Wheaton is entitled to purchase all of the silver produced by Goldcorp's Mexican operations, Luismin, for a per ounce cash payment of the lesser of US\$3.90 and the prevailing market price (subject to an inflationary adjustment commencing in 2007). Further, Luismin is required to deliver a minimum of 120 million ounces over the 25 year contract period and Silver Wheaton is obligated to pay 50% of any capital expenditures made by Luismin at its mining operations in excess of 110% of the projected capital expenditures outlined in the agreement.

Goldcorp and Silver Wheaton have agreed to amend the existing agreement, increasing the minimum number of ounces of silver to be delivered over the 25 year contract period by 100 million ounces, to 220 million ounces, and waiving any capital expenditure contributions previously required to be paid by Silver Wheaton. In consideration for these amendments, Silver Wheaton will issue to Goldcorp 18 million common shares representing 9.8% of the outstanding shares of Silver Wheaton, and a US\$20 million promissory note, increasing Goldcorp's ownership to 62%, or 126 million common shares of Silver Wheaton. Goldcorp does not have any present intention to acquire ownership of, or control over, any additional securities of Silver Wheaton. The total consideration of US\$150 million is equal to the approximate value of Silver Wheaton's share of the future capital expenditures estimated over the remaining life of the existing agreement.

- (d) On February 23, 2006, Silver Wheaton announced that it had agreed to purchase 4.75 million ounces of silver per year, for a period of 20 years, from Glencore International AG, equivalent to the production from their Yauliyacu



mining operations in Peru. With this acquisition, Silver Wheaton is expected to have annual silver sales of over 15 million ounces in 2006, increasing to 20 million ounces by 2009 and thereafter.

Silver Wheaton will pay an upfront payment of US\$285 million, comprised of US\$245 million in cash and a US\$40 million promissory note, and US\$3.90 per ounce of silver delivered under the contract (subject to an inflationary adjustment after three years).

Yauliyacu is a low-cost silver/lead/zinc mine located in central Peru which has been in continuous operation for more than 100 years and is expected to produce an average of 6 million ounces of silver per year during the term of the contract. In the event that silver produced at Yauliyacu in any year totals less than 4.75 million ounces, the amount sold to Silver Wheaton in subsequent years will be increased to make up for the shortfall, so long as production allows.

During the term of the contract, Silver Wheaton will have a right of first refusal on any future sales of silver streams from the Yauliyacu mine and a right of first offer on future sales of silver from any other mine currently owned by Glencore. In addition, Silver Wheaton will also have an option to extend the 20 year term of the silver purchase agreement in five year increments, on substantially the same terms as the existing agreement, subject to an adjustment related to silver price expectations at the time and other factors.

In order to fund the US\$245 million cash consideration, Silver Wheaton intends to use cash on hand of US\$120 million, together with US\$125 million of bank debt.

Closing of the transaction is subject to execution of definitive agreements and receipt of all regulatory approvals and third-party consents, including acceptance by the Toronto Stock Exchange. The transaction is expected to close by March 15, 2006.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Management's Discussion and Analysis release contains forward-looking statements, within the meaning of the United States Private Securities Litigation Reform Act of 1995 and similar Canadian legislation. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, silver and copper, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as plans, expects or does not expect, is expected, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or various words and phrases or state that certain actions, events or results may, could, would, might or will be taken, occur or achieved. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Goldcorp to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the integration of acquisitions; risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, silver and copper; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in (a) the section entitled Description of the Business Risk Factors in Goldcorp's annual information form for the year ended December 31, 2004, and (b) the section entitled Description of the Business Risk Factors in Wheaton River Minerals Ltd.'s annual information form for the year ended December 31, 2004. Although Goldcorp has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events

could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Goldcorp does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Readers should refer to the respective annual information forms of Goldcorp and Wheaton River Minerals Ltd., each for the year ended December 31, 2004, and other continuous disclosure documents filed by Goldcorp since January 1, 2005 available at [www.sedar.com](http://www.sedar.com), for this detailed information, which is subject to the qualifications and notes set forth therein.

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Consolidated Statements of Earnings  
 Years Ended December 31  
 (US dollars and shares in thousands, except per share amounts)

	Note	2005	2004	2003
<b>Revenues</b>		<b>\$896,408</b>	\$191,016	\$262,642
Operating expenses		<b>304,032</b>	66,601	86,963
Depreciation and depletion		<b>135,264</b>	21,387	25,225
<b>Earnings from mine operations</b>		<b>457,112</b>	103,028	150,454
Corporate administration		<b>29,943</b>	10,367	10,303
Exploration		<b>8,035</b>	6,701	3,006
<b>Earnings from operations</b>		<b>419,134</b>	85,960	137,145
Other income (expense)				
Interest and other income		<b>9,244</b>	9,354	8,905
Stock option expense	14	<b>(13,876)</b>	(5,081)	(2,275)
Gain (loss) on foreign exchange		<b>474</b>	211	(1,164)
Gain (loss) on marketable securities, net		<b>10,142</b>	(9,006)	10,230
Dilution gain	13	<b>18,732</b>		
Corporate transaction costs	6	<b>(3,592)</b>		
		<b>21,124</b>	(4,522)	15,696
<b>Earnings before taxes and non-controlling interests</b>		<b>440,258</b>	81,438	152,841
Income and mining taxes	7	<b>142,370</b>	30,091	54,037
Non-controlling interests	13	<b>12,190</b>		
<b>Net earnings</b>		<b>\$285,698</b>	\$ 51,347	\$ 98,804
<b>Earnings per share</b>	14			
Basic		<b>\$ 0.91</b>	\$ 0.27	\$ 0.54
Diluted		<b>0.83</b>	0.27	0.53
<b>Weighted-average number of shares outstanding</b>				
Basic		<b>314,292</b>	189,723	183,574
Diluted		<b>345,394</b>	193,685	188,179

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheets  
At December 31  
(US dollars in thousands)

	Note	2005	2004
<b>Assets</b>			
Current			
Cash and cash equivalents		\$ 562,188	\$333,375
Gold bullion (market value: \$nil; 2004 \$96,363)			33,895
Marketable securities (market value: \$16,086; 2004 \$31,006)		11,264	22,873
Accounts receivable		75,160	7,197
Income and mining taxes receivable		2,774	12,269
Future income and mining taxes	7	26,558	
Inventories and stockpiled ore	8	77,182	15,329
Other		17,225	1,735
		772,351	426,673
Mining interests	9	2,980,762	264,949
Goodwill	9	142,654	
Silver contract	5	74,639	
Stockpiled ore	8	51,063	
Long-term investments (market value: \$41,056; 2004 \$nil)		33,563	
Other		10,950	9,896
		\$4,065,982	\$701,518
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		\$ 97,523	\$ 25,507
Income and mining taxes payable		93,287	
Future income and mining taxes	7		1,149
		190,810	26,656
Future income and mining taxes	7	728,079	70,610
Reclamation and closure cost obligations	11	57,724	26,403
Future employee benefits and other	12	7,005	
		983,618	123,669
Non-controlling interests	13	108,601	
<b>Shareholders Equity</b>			
Capital stock	14	2,653,751	386,703
Cumulative translation adjustment		101,927	107,741
Retained earnings		218,085	83,405
		2,973,763	577,849

**\$4,065,982**      \$701,518

Commitments and contingencies (*note 17*)

Subsequent events (*note 19*)

The accompanying notes form an integral part of these consolidated financial statements.

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Consolidated Statements of Cash Flows  
Years Ended December 31  
(US dollars in thousands)

	Note	2005	2004	2003
<b>Operating Activities</b>				
Net earnings		\$ 285,698	\$ 51,347	\$ 98,804
Reclamation expenditures	11	(3,598)	(744)	(346)
Items not affecting cash				
Depreciation and depletion		135,264	21,387	25,225
(Gain) loss on marketable securities, net		(10,142)	9,006	(10,230)
Future income taxes		7,118	18,599	4,123
Stock option expense	14	13,876	5,081	2,275
Non-controlling interests	13	12,190		
Dilution gain	13	(18,732)		
Other		(2,942)	(2,881)	(2,208)
Change in non-cash working capital	15	47,024	(48,692)	(22,477)
Cash generated by operating activities		465,756	53,103	95,166
<b>Investing Activities</b>				
Mining interests		(277,510)	(56,125)	(74,528)
Acquisition of Wheaton River Minerals Ltd, net of cash acquired	3	132,446		
Acquisition of Bermejal property	4	(70,010)		
Purchase of marketable securities		(8,205)	(22,594)	(88,823)
Proceeds on sale of marketable securities		36,034	4,639	94,134
Long-term investments		(33,563)		
Purchase of gold bullion				(8,160)
Proceeds on sale of purchased bullion				45,112
Other			987	(859)
Cash applied to investing activities		(220,808)	(73,093)	(33,124)
<b>Financing Activities</b>				
Common shares issued		44,014	3,520	26,979
Dividends paid to common shareholders		(151,018)	(53,071)	(28,375)
Shares issued by subsidiary to non-controlling interests		86,737		
Other		(1,228)		
Cash applied to financing activities		(21,495)	(49,551)	(1,396)
<b>Effect of exchange rate changes on cash</b>		<b>5,360</b>	<b>23,962</b>	<b>57,475</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>228,813</b>	<b>(45,579)</b>	<b>118,121</b>
Cash and cash equivalents, beginning of year		333,375	378,954	260,833

<b>Cash and cash equivalents, end of year</b>	<b>\$ 562,188</b>	\$333,375	\$378,954
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Supplemental cash flow information (*note 15*)

The accompanying notes form an integral part of these consolidated financial statements.

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Consolidated Statements of Shareholders' Equity  
 Years Ended December 31  
 (US dollars, shares and warrants in thousands)

	Common Shares <i>Shares</i>	Capital Stock		Stock Options	Cumulative Translation Adjustment	Retained Earnings	Total
		Amount	Share Purchase Warrants				
At January 1, 2003	182,390	\$ 332,738	\$ 16,110	\$	\$ (14,627)	\$ 14,700	\$ 348,921
Stock options exercised	6,884	26,979					26,979
Fair value of stock options issued and vested				2,275			2,275
Dividends declared						(50,146)	(50,146)
Unrealized gain on translation of non-US dollar denominated accounts					80,909		80,909
Net earnings						98,804	98,804
At December 31, 2003	189,274	359,717	16,110	2,275	66,282	63,358	507,742
Stock options exercised	706	3,529		(9)			3,520
Fair value of stock options issued and vested				5,081			5,081
Dividends declared						(31,300)	(31,300)
Unrealized gain on translation of non-US dollar denominated accounts					41,459		41,459
Net earnings						51,347	51,347
At December 31, 2004	189,980	363,246	16,110	7,347	107,741	83,405	577,849
Issued pursuant to Wheaton acquisition ( <i>note 3</i> )	143,771	1,887,431	290,839	30,794			2,209,064
Stock options exercised and restricted share units issued	2,556	32,224		(7,647)			24,577

Share purchase warrants exercised	3,335	39,824	(20,121)				19,703
Fair value of stock options issued and vested, and restricted share units vested				13,938			13,938
Share issue costs		(234)					(234)
Dividends declared						(151,018)	(151,018)
Unrealized loss on translation of non-US dollar denominated accounts					(5,814)		(5,814)
Net earnings						285,698	285,698
At December 31, 2005	339,642	\$2,322,491	\$286,828	\$44,432	\$101,927	\$218,085	\$2,973,763

Shareholders Equity (*note 14*)

The accompanying notes form an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements  
 Years Ended December 31, 2005, 2004 and 2003  
 (in United States dollars, tabular amounts in thousands)

## 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Goldcorp Inc ( Goldcorp or the Company ) is a leading gold producer engaged in gold mining and related activities including exploration, extraction, processing and reclamation. As a result of the successful acquisition of Wheaton River Minerals Ltd ( Wheaton ) during the year (note 3), the Company's assets are comprised of the Red Lake gold mine in Canada, a 37.5% interest in the Alumbreira gold/copper mine in Argentina, the Luismin gold/silver mines in Mexico, the Peak gold mine in Australia, and the Wharf gold mine in the United States. Significant development projects include the expansion of the existing Red Lake mine, the Los Filos/Bermejil gold project in Mexico and the Amapari gold project in northern Brazil. Goldcorp also owns a 59% interest in Silver Wheaton Corp ( Silver Wheaton ), a publicly traded silver mining company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ( Canadian GAAP ).

### (a) Basis of presentation

These consolidated financial statements reflect the results of Goldcorp's Red Lake and Wharf mines, together with an 82% interest in those of Wheaton from February 15 to April 15, 2005 and 100% thereafter (note 3).

The principal mining properties of Goldcorp are listed below:

Mining properties	Location	Ownership interest	Status	Operations and development projects owned
Red Lake mine ( Red Lake )	Canada	100%	Consolidated	Red Lake mine
Minera Alumbreira Ltd ( Alumbreira )	Argentina	37.5%	Proportionately consolidated	Alumbreira mine
Luismin SA de CV ( Luismin )	Mexico	100%	Consolidated	San Dimas, San Martin and Nukay mines and Los Filos/Bermejil development project
Peak Gold Mines Pty Ltd ( Peak )	Australia	100%	Consolidated	Peak mine
Wharf gold mine ( Wharf )	United States	100%	Consolidated	Wharf mine
Mineraçao Pedra Branco do Amapari Ltda ( Amapari )	Brazil	100%	Consolidated	Amapari development project
Silver Wheaton Corp ( Silver Wheaton )	Canada	59%	Consolidated	Silver contracts in Mexico and Sweden

### (b) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

(c) Revenue recognition

Revenue from the sale of metals is recognized in the accounts when title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Refining and treatment charges are netted against revenue for sales of metal concentrate.

(d) Investment in Alumbreira

The Company has joint control over Alumbreira through certain matters requiring unanimous consent in the shareholders' agreement and, therefore, has proportionately consolidated its 37.5% share of the financial statements of Alumbreira from February 15, 2005. On this basis, the Company records its 37.5% share of the assets, liabilities, revenues and expenses of Alumbreira in these consolidated financial statements.

(e) Cash and cash equivalents

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days.

(f) Marketable securities

Marketable securities are carried at the lower of cost or market value.

(g) Inventories and stockpiled ore

Work-in-process inventories, stockpiled ore and finished goods are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Supplies are valued at the lower of average cost or replacement cost.

(h) Mining Interests

Mining interests represent capitalized expenditures related to the exploration and development of mining properties and related plant and equipment. Capitalized costs are depreciated and depleted using either a unit-of-sale method over the estimated economic life of the mine to which they relate, or using the straight-line method over their estimated useful lives.

The costs associated with mining properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value allocated to reserves is depreciated on a unit-of-sale method over the estimated recoverable proven and probable reserves at the mine. The resource value represents the property interests that are believed to potentially contain mineralized material such as inferred material within pits; measured, indicated, and inferred resources with insufficient drill spacing to qualify as proven and probable reserves; and inferred resources in close proximity to proven and probable reserves. Exploration potential represents the estimated mineralized material contained within (i) areas adjacent to existing reserves and mineralization located within the immediate mine area; (ii) areas outside of immediate mine areas that are not part of measured, indicated, or inferred resources; and (iii) greenfields exploration potential that is not associated with any other production, development, or exploration stage property, as

described above.

Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When it is determined that a property is not economically viable the capitalized costs are written-off.

Exploration costs incurred to the date of establishing that a property is economically recoverable are charged to earnings. Further development expenditures are capitalized to the property.

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Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued. Mine development costs incurred to maintain current production are included in operating expenses.

Upon sale or abandonment the cost of the property and equipment, and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are included in operations.

The Company reviews and evaluates its mining properties for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

(i) Goodwill

Acquisitions are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

(j) Silver contract

Contracts for which settlement is called for in silver are recorded at cost. The cost of this asset is separately allocated to reserves, resources and exploration potential. The value allocated to reserves is depreciated on a unit-of-sale basis over the estimated recoverable reserves at the mine corresponding to the specific contract.

Evaluations of the carrying values of each contract are undertaken at least annually to determine if estimated undiscounted future net cash flows are less than the carrying value. Estimated undiscounted future net cash flows are calculated using estimated production, sales prices and purchase costs. If it is determined that the undiscounted future net cash flows from an operation are less than the carrying value then a write-down is recorded with a charge to operations.

(k) Long-term investments

Long-term investments are carried at cost. When a decline in market value that is other than temporary has occurred, these investments are written down to provide for the loss.

(l) Income and mining taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Upon business acquisitions, the liability method results in a gross up of mining interests to reflect the recognition of the future tax liabilities for the tax effect of such differences.

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Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a future tax asset (a valuation allowance) is recorded against any future tax asset if it is not likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the tax rate changes.

(m) Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, or changes in laws and regulations. Changes in estimated discount rates are reviewed annually or as new information becomes available.

(n) Non-controlling interests

Non-controlling interests exist on less than wholly-owned subsidiaries of the Company and represents the outside interest's share of the carrying values of the subsidiaries. When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the underlying equity of the shares involved.

(o) Foreign currency translation

Prior to April 1, 2005, the Canadian dollar was determined to be the measurement currency of the Company's Canadian operations and these operations have been translated into United States dollars up until this date using the current rate method as follows: all assets and liabilities are translated into United States dollars at the exchange rate prevailing at the balance sheet date; all revenue and expense items are translated at the average rate of exchange for the period; and the resulting translation adjustment is recorded as a cumulative translation adjustment (CTA), a separate component of shareholders' equity. Subsequent to the change in measurement currency described below, the CTA balance will remain the same until reporting units which gave rise to the CTA balance is disposed of or retired. In addition, unrealized gains and losses due to movements in exchange rates on cash balances held in foreign currencies are shown separately on the Consolidated Statements of Cash Flows.

Due to the Wheaton acquisition and related changes, including holding a greater proportion of the Company's cash in United States dollars, it has been determined that as of April 1, 2005, the United States dollar is the reporting and measurement currency of the Company's Canadian operations and therefore these operations have been translated using the temporal method from that date onward. All operations outside of Canada, including those of Wheaton, previously applied the United States dollar as their reporting and measurement currency and therefore translated their operating results using the temporal method. Under this method, foreign currency monetary assets and liabilities are translated into United States dollars at the exchange rates prevailing at the balance sheet date; non-monetary assets denominated in foreign currencies are translated using the rate of exchange at the transaction date; foreign currency transactions are translated at the United States dollar rate prevailing on the transaction dates; and foreign exchange gains and losses are included in the determination of earnings.



(p) Earnings per share

Earnings per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the period. Diluted earnings per share are calculated using the treasury method which requires the calculation of diluted earnings per share by assuming that outstanding share purchase options, warrants, and restricted share units with an average market price that exceeds the average exercise prices of the options and warrants for the year, are

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exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the period.

(q) Stock-Based Compensation

The Company applies the fair value method of accounting for all stock option awards. Under this method the Company recognizes a compensation expense for all stock options awarded to employees since January 1, 2003, based on the fair value of the options on the date of grant which is determined by using an option pricing model. The fair value of the options is expensed over the vesting period of the options. Stock options issued to employees before January 1, 2003 were accounted for using the settlement method and accordingly, no compensation expense has been recorded.

(r) Financial instruments

The Company employs, from time to time, interest rate and Canadian dollar forward and option contracts to manage exposure to fluctuations in interest rates and foreign currency exchange rates.

(s) Comparative amounts

Certain comparative information has been reclassified to conform to the current period's presentation.

### 3. BUSINESS COMBINATION

On December 6, 2004, Goldcorp and Wheaton announced a proposed transaction which provided for Goldcorp to make a take-over bid for Wheaton on the basis of one Goldcorp share for every four Wheaton shares. On December 29, 2004, Goldcorp mailed the Goldcorp Take-over Bid Circular to the Wheaton shareholders.

On February 8, 2005, Goldcorp announced a special \$0.50 per share cash dividend would be payable to existing Goldcorp shareholders should shareholders approve by majority Goldcorp's take-over bid for Wheaton and Wheaton shareholders tender the minimum two-thirds bid requirement. The payment of the special dividend also resulted in an adjustment to the exchange ratio of Goldcorp's outstanding warrants – an increase in entitlement from 2.0 to 2.08 Goldcorp shares per warrant.

On February 10, 2005, at a special meeting, Goldcorp shareholders approved the issuance of additional Goldcorp common shares to effect the acquisition of Wheaton. As of February 14, 2005, the effective date of acquisition, approximately 70% of the outstanding Wheaton common shares were tendered to Goldcorp's offer, satisfying the minimum two-thirds bid requirement under the terms of the Goldcorp offer. With conditions met, the special \$0.50 per share cash dividend, totaling approximately \$95 million, was paid on February 28, 2005.

As of March 31, 2005, Goldcorp held approximately 82% of the outstanding Wheaton common shares and by April 15, 2005, 100% had been acquired. In addition, each Wheaton warrant or stock option, which gave the holder the right to acquire common shares of Wheaton, was exchanged for a warrant or stock option of Goldcorp, giving the holder the right to acquire common shares of Goldcorp on the same basis as the exchange of Wheaton common shares for Goldcorp common shares.

This business combination has been accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and Wheaton as the acquiree in accordance with CICA Handbook Section 1581 *Business Combinations*. These consolidated financial statements include 82% of Wheaton's operating results for the period February 15 to April 15, 2005, and 100% of the results thereafter.



The allocation of the purchase price of the shares of Wheaton is summarized in the following table:

**Purchase price**

Common shares of Goldcorp issued to acquire 100% of Wheaton (143.8 million shares)	\$ 1,887,431
Share purchase warrants of Goldcorp in exchange for those of Wheaton (174.8 million warrants)	290,839
Stock options of Goldcorp in exchange for those of Wheaton (4.9 million options)	30,794
Acquisition costs	25,959
	<b>\$2,235,023</b>
Net assets acquired:	
Cash and cash equivalents	\$ 168,663
Marketable securities	4,348
Other non-cash operating working capital	810
Mining interests	2,502,116
Silver contract	77,489
Stockpiled ore, non-current	55,286
Other long-term assets	3,767
Future income taxes, net	(631,789)
Reclamation and closure costs obligations	(24,457)
Future employee benefits	(5,296)
Other liabilities	(10,258)
Non-controlling interest in Silver Wheaton (35%) (note 13)	(54,908)
Net identifiable assets	2,085,771
Residual purchase price allocated to goodwill (note 9)	149,252
	<b>\$2,235,023</b>

A total of 143.8 million Goldcorp shares were issued to acquire a 100% interest in the shares of Wheaton at a price of \$13.13 per share. This issue price is the five-day average share price of Goldcorp common shares at February 8, 2005, reduced by the amount of the special dividend.

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed, with goodwill assigned to specific reporting units, based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared. This process was performed in accordance with recent accounting pronouncements relating to Mining Assets and Business Combinations (Emerging Issues Committee Abstract 152).

An independent valuation of the significant assets acquired was completed in February, 2006, supporting management's allocation of the purchase consideration.

**4. ACQUISITION**

On March 31, 2005, Goldcorp completed the acquisition of the Bermejtal gold deposit in Mexico for cash consideration of US\$70 million from a joint venture of Industrias Peñoles SA de CV and Newmont Mining Corporation. The Bermejtal gold deposit is located two kilometres south of Goldcorp's Los Filos gold deposit. The

Company plans to develop the two deposits as a single project, the Los Filos/Bermejil project, and a detailed engineering study for the combined project is scheduled to be completed in March, 2006.

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## 5. SILVER CONTRACT

Silver Wheaton has an agreement to purchase all of the silver produced by Lundin Mining Corporation's Zinkgruvan mine in Sweden for a per ounce cash payment of the lesser of \$3.90 and the prevailing market price, subject to adjustment. The carrying value of the silver contract at December 31, 2005 is \$74,639,000 which is being amortized on a unit-of-sale basis.

## 6. CORPORATE TRANSACTION COSTS

Certain costs associated with the restructuring of Goldcorp's Toronto office, following the acquisition of Wheaton, including severance and restructuring of insurance policies, may not be capitalized as acquisition costs under current accounting standards. These costs have been expensed in the amount of \$3,592,000 for the year ended December 31, 2005.

## 7. INCOME AND MINING TAXES

	2005	2004	2003
Current income tax expense	<b>\$135,252</b>	\$11,492	\$49,914
Future income tax expense	<b>7,118</b>	18,599	4,123
	<b>\$142,370</b>	\$30,091	\$54,037

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2005	2004	2003
Earnings before income taxes	<b>\$440,258</b>	\$81,438	\$152,841
Canadian federal and provincial income tax rates	<b>38.5%</b>	40.0%	40.0%
Income tax expense based on above rates	<b>169,450</b>	32,575	61,136
Increase (decrease) in income taxes due to:			
Provincial mining taxes	<b>20,695</b>	7,460	11,855
Non-deductible expenditures	<b>6,197</b>	2,016	904
Resource allowance	<b>(17,480)</b>	(9,009)	(13,784)
Lower statutory tax rates on earnings of foreign subsidiaries	<b>(15,627)</b>	(191)	(28)
Dilution gain not subject to tax	<b>(7,210)</b>		
Foreign exchange and other permanent differences	<b>(6,543)</b>		
Mining duties deduction	<b>(2,343)</b>	(1,468)	(3,266)
Non-taxable portion of realized capital (gains) losses	<b>(2,618)</b>	1,787	(2,325)
Canadian exploration expenses recognized	<b>(1,715)</b>		
Realization of tax asset not previously recognized	<b>(1,357)</b>	(920)	
Other	<b>921</b>	(2,159)	(455)
	<b>\$142,370</b>	\$30,091	\$54,037



The components of future income taxes are as follows:

	2005	2004
Future income and mining tax assets		
Non-capital losses	\$ 13,216	\$ 111
Deductible temporary differences and other	49,818	22,202
Value of future income tax and mining assets	63,034	22,313
Recoverable asset taxes	1,491	
Valuation allowance	(14,557)	(12,032)
	49,968	10,281
Future income and mining tax liabilities		
Total taxable temporary differences	(751,489)	(82,040)
Future income and mining tax liabilities, net	\$(701,521)	\$(71,759)
Presented on the Consolidated Balance Sheets as:		
Future income and mining tax assets	\$ 26,558	\$
Future income and mining tax liabilities	(728,079)	(71,759)
Future income and mining tax liabilities, net	\$(701,521)	\$(71,759)

*Tax Loss Carry Forwards*

At December 31, 2005, the Company had non-capital losses available for tax purposes in foreign jurisdictions of \$37,527,000 net of valuation allowance, that expire from 2006 to 2015.

## 8. INVENTORIES AND STOCKPILED ORE

	2005	2004
Supplies	\$ 25,071	\$ 4,146
Finished goods	16,699	644
Work in process	29,122	10,539
Stockpiled ore	57,353	
	128,245	15,329
Less: non-current stockpiled ore	51,063	
	\$ 77,182	\$ 15,329

Non-current stockpiled ore is comprised of lower grade ore at Alumbreira, which will be processed later in the mine life.





## 9. MINING INTERESTS

	2005			2004		
	Cost	Accumulated depreciation and depletion	Net	Cost	Accumulated depreciation and depletion	Net
Mining properties	\$2,532,984	\$ 205,223	\$2,327,761	\$287,715	\$ 134,429	\$153,286
Plant and equipment	794,895	141,894	653,001	223,662	111,999	111,663
	\$3,327,879	\$ 347,117	\$2,980,762	\$511,377	\$ 246,428	\$264,949

A summary by property of the net book value is as follows:

	Mining properties			Plant and equipment	Total 2005	Total 2004
	Depletable	Non-depletable	Total			
Red Lake mine, Canada	\$184,218	\$	\$ 184,218	\$105,274	\$ 289,492	\$252,149
Alumbrera mine, Argentina	420,425	35,456	455,881	268,782	724,663	
Luismin mines, Mexico (i)	148,436	613,886	762,322	80,348	842,670	
Peak mine, Australia	33,358	109,609	142,967	26,058	169,025	
Amapari project, Brazil		183,714	183,714	85,018	268,732	
Los Filos/Bermejil project, Mexico		337,386	337,386	84,434	421,820	
El Limón and other projects, Mexico		254,217	254,217	1,995	256,212	
Wharf mine, United States	6,098		6,098	87	6,185	7,897
Corporate and other	958		958	1,005	1,963	4,903
	\$793,493	\$ 1,534,268	\$2,327,761	\$653,001	\$2,980,762	\$264,949

(i) Included in the carrying value of Luismin mines is the value of mining properties attributable to the Silver Wheaton silver contract of the following amounts:

	Mining properties			Plant and equipment	Total 2005	Total 2004
	Depletable	Non-depletable	Total			
Silver interests	\$32,872	\$ 167,149	\$200,021	\$	\$200,021	\$

The goodwill allocated to the Company's reporting units and included in the respective operating segment assets is shown below:

	December 31 2004	Additions	Dilution of ownership	December 31 2005
Luismin	\$	\$ 74,252	\$	\$ 74,252
Silver Wheaton		75,000	(6,598)	68,402
	\$	\$ 149,252	\$ (6,598)	\$ 142,654

#### 10. BANK CREDIT FACILITIES

- (a) The Company has an Aus\$5,000,000 (\$3,668,000), unsecured, revolving working capital facility for its Peak mine operations of which \$nil was drawn down at December 31, 2005. The loan bears interest related to the Australian Treasury Bill rate plus 1.5% per annum.
- (b) During 2005, the Company cancelled a \$300 million acquisition facility and a \$75 million revolving working capital facility, both of which were undrawn.
- (c) On July 29, 2005, Goldcorp entered into a \$500 million revolving credit facility with a syndicate of five lenders. The facility is unsecured and available to finance acquisitions and for general corporate purposes. Amounts drawn incur interest at LIBOR plus 0.625% to 1.125% per annum dependent upon the Company's leverage ratio, increasing by an additional 0.125% per

annum if the total amount drawn under this facility exceeds \$250 million. Undrawn amounts are subject to a 0.15% to 0.25% per annum commitment fee dependent on the Company's leverage ratio. All amounts drawn are required to be refinanced or repaid by July 29, 2010. The facility is undrawn as at December 31, 2005.

## 11. RECLAMATION AND CLOSURE COST OBLIGATIONS

The Company's asset retirement obligations consist of reclamation and closure costs for both active and inactive mines. The present value of obligations relating to active mines is currently estimated at \$49,890,000 (2004 \$21,204,000) reflecting payments for approximately the next 55 years. The present value of obligations relating to inactive mines is currently estimated at \$7,834,000 (2004 \$5,199,000) reflecting payments for approximately the next 10 years. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs.

The liability for reclamation and closure cost obligations at December 31, 2005 is \$57,724,000 (2004 \$26,403,000). The undiscounted value of this liability is \$78,227,000 (2004 \$39,399,000). An inflation rate assumption of 2% has been used. An accretion expense component of \$8,149,000 (2004 \$1,329,000) has been charged in 2005 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 5%. Changes to the reclamation and closure cost balance during the year are as follows:

	2005	2004
Reclamation and closure cost obligations January 1	\$26,403	\$21,850
Arising on acquisition of Wheaton ( <i>note 3</i> )	24,457	
Reclamation expenditures	(3,598)	(744)
Accretion expense	8,149	1,329
Revisions in estimates and liabilities incurred	2,313	3,968
Reclamation and closure cost obligations December 31	\$57,724	\$26,403

## 12. FUTURE EMPLOYEE BENEFITS AND OTHER

Future employee benefits and other consist of a defined benefit pension plan for certain Mexican employees and certain future employee benefits for Australian and Canadian employees.

## 13. NON-CONTROLLING INTERESTS

On February 14, 2005, Goldcorp acquired an 82% interest in Wheaton (*note 3*) which resulted in the recording of an 18% non-controlling interest of \$141,850,000. During the period February 15 to April 15, 2005, the non-controlling interest's share of Wheaton's net earnings was \$3,548,000. During the same period, Wheaton issued common shares to non-controlling interests from the exercise of stock options and warrants in the amount of \$3,255,000. Goldcorp acquired the remaining 18% non-controlling interest's share of Wheaton on April 15, 2005.

A further non-controlling interest arose as a result of the Wheaton acquisition with respect to Wheaton's 65% ownership of its subsidiary, Silver Wheaton. This interest decreased to 59% during the year following the issuance of additional shares by Silver Wheaton to non-controlling interests. This dilution of the Company's interest gave rise to a gain of \$18,732,000 which has been recognized in income for the current year.



The detail of this non-controlling interest in Silver Wheaton is as follows:

At January 1, 2005		\$
Arising upon acquisition of Wheaton		54,908
Shares issued to non-controlling interests, net	\$ 83,482	
Less: increase in net assets attributable to Goldcorp	(48,307)	
Add: Book value of dilution of Goldcorp's share of net assets	9,876	45,051
		99,959
Share of net earnings of Silver Wheaton		8,642
At December 31, 2005		\$ 108,601

Subsequent to December 31, 2005, the Company's ownership interest in Silver Wheaton will increase to 62% following the issuance to the Company of 18 million common shares and a \$20 million promissory note (*note 19*).

Total non-controlling interest for the year on the statement of earnings is comprised of \$8,642,000 related to Silver Wheaton and \$3,548,000 related to Wheaton for the period February 15 to April 15, 2005.

#### 14. SHAREHOLDERS' EQUITY

	2005	2004
Common shares	\$2,322,491	\$363,246
Share purchase warrants (a)	286,828	16,110
Stock options (b)	44,432	7,347
	\$2,653,751	\$386,703

At December 31, 2005, the Company had 339,642,000 common shares outstanding (December 31, 2004 189,980,000). Refer to the Consolidated Statements of Shareholders' Equity for movement in capital stock.

##### (a) Share Purchase Warrants

The payment of a special dividend (*note 3*) during February 2005 resulted in an adjustment to the exchange ratio of Goldcorp's warrants outstanding prior to the acquisition of Wheaton – an increase in entitlement from 2.0 to 2.08 Goldcorp shares per warrant. Upon completion of the Wheaton transaction on April 15, 2005, Goldcorp issued 174.8 million Series A, B and C share purchase warrants to the former Wheaton share purchase warrant holders. Each share purchase warrant is exercisable for 0.25 Goldcorp common shares at prices ranging from C\$1.65 to C\$3.10 (or C\$6.60 to C\$12.40 for four share purchase warrants which are exchangeable for one Goldcorp common share), with expiry dates ranging from 2007 to 2008.

The following table summarizes information about the share purchase warrants outstanding at December 31, 2005:

Warrants	Common shares to be received
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(in thousands of warrants and shares)	outstanding and exercisable	Exercise price	Exchange ratio	upon exercise of warrants	Effective price per share	Expiry date
<b>US dollar Warrants</b>	3,991	\$ 25.00	2.08	8,302	\$ 12.02	April 30, 2007
<b>Canadian dollar Warrants</b>						
Series A and C	97,371	C\$ 1.65	0.25	24,343	C\$ 6.60	May 30, 2007
Series B	64,133	3.10	0.25	16,033	12.40	August 25, 2008
Share purchase warrants	3,000	20.00	2.08	6,240	9.62	May 13, 2009
				46,616	C\$ 9.00	

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## (b) Stock Options

On May 15, 2005, shareholders approved the Company's 2005 Stock Option Plan which allows for up to 12.5 million stock options, with a maximum exercise period of ten years, to be granted to employees, officers and consultants.

The Company recognizes a compensation expense for all stock options awarded since January 1, 2003, based on the fair value of the options on the date of grant which is determined by using an option pricing model with the following assumptions: risk-free interest rate of 3% (2004 4%); dividend yield of 1% (2004 1%); volatility factor of the expected market price of the Company's common stock of 30% (2004 42%); and a weighted average expected life of the options of four years (2004 five years). The fair value of the options is expensed over the vesting period of the options. No compensation expense had been recorded for stock options issued before January 1, 2003. As a result of the acquisition of Wheaton, all Goldcorp stock options which existed at December 31, 2004 became fully vested during the first quarter of 2005 and were expensed in the amount of \$5,320,000. On April 15, 2005, as a result of the Wheaton acquisition, Wheaton stock options with a fair value of \$30,794,000 were converted to 4.9 million Goldcorp stock options, all of which are fully vested and are exercisable at prices ranging from C\$2.28 to C\$15.68, with expiry dates ranging from 2006 to 2010.

In addition, during the year, the Company granted 5,095,000 stock options which vest over a period of three years, are exercisable at prices ranging from C\$19.23 to C\$23.39 per option, expire in 2015, and have a total fair value of \$20,338,000. Compensation expense of \$7,905,000 has been recognized during the year and the remainder will be recognized as the stock options vest.

(in thousands, except per option amounts)	Outstanding	Weighted Average Exercise Price
At January 1, 2003	10,890	C\$ 6.92
Granted	2,176	17.62
Exercised	(6,884)	(5.21)
Cancelled	(170)	(9.64)
At January 1, 2004	6,012	12.68
Granted	1,335	16.89
Exercised	(706)	(6.64)
Cancelled	(497)	(16.47)
At December 31, 2004	6,144	13.98
Issued in connection with acquisition of Wheaton	4,917	9.52
Granted	5,095	19.31
Exercised	(2,545)	(10.11)
Cancelled	(34)	(17.66)
At December 31, 2005	13,577	C\$ 15.08



The following table summarizes information about the options outstanding at December 31, 2005:

Exercise Prices (C\$)	Options Outstanding			Options Exercisable		
	Options Outstanding (000 s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Options Outstanding and Exercisable (000 s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
\$2.05 \$3.90	468	C\$3.00	2.7	468	C\$3.00	2.7
\$4.40 \$7.68	1,395	6.10	2.2	1,395	6.10	2.2
\$11.40 \$13.00	3,725	12.55	4.7	3,725	12.55	4.7
\$14.80 \$16.87	1,278	16.52	7.7	1,278	16.52	7.7
\$17.50 \$19.46	6,603	18.84	9.0	2,146	18.02	8.1
\$23.39 \$23.80	108	23.44	9.6	13	23.80	7.9
	13,577	C\$15.08	6.8	9,025	C\$12.97	5.6

(c) Restricted Share Units

On May 15, 2005, shareholders approved the Company's Restricted Share Unit Plan which allows for up to 500,000 restricted share units to be granted to employees, directors and consultants.

On June 29, 2005, the Company granted 31,500 restricted share units to the non-executive Directors of the Company, which vest over a period of two years from the grant date. The Company will record compensation expense totalling \$495,000 over the two year vesting period. Compensation expense of \$227,000 has been recognized in 2005 and the remainder will be recognized as the restricted share units vest.

(d) Diluted Earnings per Share

The following table sets forth the computation of diluted earnings per share:

	2005	2004	2003
<b>Earnings available to common shareholders</b>	<b>\$285,698</b>	\$ 51,347	\$ 98,804
<b>Weighted average shares outstanding</b>	<b>314,292</b>	189,723	183,574
Effect of dilutive securities:			
Stock options	3,249	1,153	1,747
Warrants	27,832	2,809	2,858
Restricted share units	21		
Adjusted weighted average shares and assumed conversions	<b>345,394</b>	193,685	188,179
<b>Earnings per share</b>			
Basic	<b>\$ 0.91</b>	\$ 0.27	\$ 0.54

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Diluted **0.83** 0.27 0.53  
The following lists the stock options excluded from the computation of diluted earnings per share because the exercise prices exceeded the average fair market value of the common shares for the period:

	<b>2005</b>	2004	2003
Stock options	<b>108</b>	1,804	34

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## (e) Pro forma Earnings

The following is the Company's pro forma earnings with the fair value method applied to all options issued since January 1, 2002:

	2005	2004	2003
<b>Net earnings</b>	<b>\$285,698</b>	\$51,347	\$98,804
Net additional compensation expense related to fair value of stock options	<b>(320)</b>	(1,433)	(3,923)
<b>Pro forma earnings</b>	<b>\$285,378</b>	\$49,914	\$94,881
<b>Pro forma earnings per share</b>			
Basic	<b>\$ 0.91</b>	\$ 0.26	\$ 0.52
Diluted	<b>0.83</b>	0.26	0.50

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

	2005	2004	2003
<b>Change in non-cash operating working capital</b>			
Gold bullion	<b>\$ 33,895</b>	\$(27,986)	\$ 8,122
Accounts receivable	<b>(23,676)</b>	2,377	(4,882)
Income and mining taxes receivable	<b>12,269</b>		
Inventories and stockpiled ore	<b>(10,046)</b>	9,710	(3,825)
Accounts payable and accrued liabilities	<b>6,216</b>	(4,990)	4,120
Income and mining taxes payable	<b>37,621</b>	(27,790)	(25,959)
Other	<b>(9,255)</b>	(13)	(53)
	<b>\$ 47,024</b>	\$(48,692)	\$(22,477)
<b>Non-cash financing and investing activities</b>			
Shares issued on acquisition of Wheaton	<b>\$1,887,431</b>	\$	\$
Warrants issued in exchange for those of Wheaton	<b>290,839</b>		
Options issued in exchange for those of Wheaton	<b>30,794</b>		
<b>Operating activities included the following cash payments</b>			
Income taxes paid	<b>\$ 90,581</b>	\$ 39,584	\$ 75,875
Interest paid			

**16. SEGMENTED INFORMATION**

The Company's reportable operating segments are summarized in the table below.

	2005								Total
	Red Lake	Alumbrera (note 1)	Luismin (note 1)	Amapari (note 1)	Peak (note 1)	Wharf	Wheaton (note 1)	Corporate, Silver other and eliminations (note 1)	
Revenues	\$ 362,026	\$ 299,225	\$ 90,696	\$	\$ 58,790	\$ 37,057	\$ 65,700	\$ (17,086)	\$ <b>896,408</b>
Depreciation and depletion	36,723	59,018	16,170		8,572	7,583	9,488	(2,290)	<b>135,264</b>
Earnings (loss) from operations	242,906	134,459	19,743		16,990	3,893	19,489	(18,346)	<b>419,134</b>
Expenditures for mine interests	57,915	6,597	124,801	64,077	20,229	3,349	187	355	<b>277,510</b>
Total assets	297,794	933,429	1,446,489	288,265	146,362	41,878	480,510	431,255	<b>4,065,982</b>

(1) Includes results for the period subsequent to February 14, 2005, the date of acquisition of Wheaton.

	2004				2003			
	Red Lake	Wharf	Corporate, other and eliminations	Total	Red Lake	Wharf	Corporate, other and eliminations	Total
Revenues	\$ 152,198	\$ 26,121	\$ 12,697	\$ <b>191,016</b>	\$ 224,033	\$ 24,921	\$ 13,688	\$ <b>262,642</b>
Depreciation and depletion	14,814	6,003	570	<b>21,387</b>	18,980	5,876	369	<b>25,225</b>
Earnings (loss) from operations	102,673	3,584	(20,297)	<b>85,960</b>	152,969	102	(15,926)	<b>137,145</b>
Expenditures for mine interests	49,547	6,126	452	<b>56,125</b>	65,191	8,470	867	<b>74,528</b>
Total assets	282,801	35,050	383,667	<b>701,518</b>	204,955	29,812	403,756	<b>638,523</b>

The geographical distribution of the above segments is as follows:

Canada Red Lake and Corporate

Argentina Alumbrera

Mexico Luismin (includes Luismin mines, Los Filos/Bermejil project, El Limón and other projects)

Brazil Amapari

Australia Peak

United States Wharf



**17. COMMITMENTS AND CONTINGENCIES**

- (a) Commitments exist at Red Lake, Alubrera, Luismin, Amapari, and Peak until 2007 for capital expenditures of approximately \$122 million. The Company rents premises and leases equipment under operating leases that expire over the next five years. Operating lease expense in 2005 was \$7,570,000 (2004 \$5,267,000; 2003 \$6,672,000). Following is a schedule of future minimum rental and lease payments required:

2006	\$10,292
2007	3,676
2008	2,570
2009	559
2010	14
	17,111
Thereafter	
Total minimum payments required	\$17,111

- (b) During the year ended December 31, 2005, Goldcorp was served with Statements of Claim with respect to a class action against, among others, the Company and certain of its directors. The plaintiffs are seeking an unspecified amount of damages as a result of stock options granted in September 2004. The claims allege that the defendants acted on material non-public information at the time of the option grants. The Company believes that the allegations are unfounded and intends to vigorously defend these claims.
- (c) Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

**18. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2005, Goldcorp sold its holdings in three marketable securities to a company owned by Robert McEwen, the former non-Executive Chairman and CEO of Goldcorp. These were non-brokered transactions which were executed at market value based on the average of the TSX closing price for the ten trading days prior to the sale agreements, resulting in gains totaling approximately \$4 million. During the year ended December 31, 2005, the Company sold its share ownership of Lexam Explorations Inc to a company owned by Mr McEwen for proceeds of \$0.3 million.

## 19. SUBSEQUENT EVENTS

- (a) On October 30, 2005, Goldcorp entered into an agreement with Barrick Gold Corporation ( Barrick ) to acquire certain mining assets and interests. Barrick has offered to acquire all the outstanding shares of Placer Dome Inc ( Placer Dome ) for approximately \$10.1 billion in shares and cash and in a separate agreement, upon closing of Barrick's transaction with Placer Dome, Goldcorp has agreed to purchase from Barrick certain of Placer Dome's Canadian and other assets for cash of approximately \$1.485 billion, subject to adjustment. On March 3, 2006, Barrick owned approximately 94% of Placer Dome and is proceeding with a compulsory acquisition to acquire the remaining outstanding shares. The Goldcorp transaction is expected to close on April 1, 2006, following Barrick's acquisition of 100% of the Placer Dome common shares.

Subject to any required consents and government approvals, Goldcorp will acquire Placer Dome's interests in the Campbell, Porcupine and Musselwhite gold mines in Ontario, and the La Coipa gold/silver mine in Chile. Goldcorp will also acquire a 40% interest in the Pueblo Viejo gold development project in the Dominican Republic, together with Placer Dome's interest in its Canadian exploration properties, including the Mount Milligan copper/gold deposit in British Columbia.

In order to fund this proposed transaction, Goldcorp intends to use a portion of its current cash balances, \$500 million from its existing revolving credit facilities, and new credit facilities of \$900 million. The new \$900 million credit facilities will be unsecured, and amounts drawn down will incur interest at LIBOR plus 0.625% to 1.125% per annum dependent upon the Company's leverage ratio, increasing by an additional 0.125% per annum if the total amount drawn under this facility exceeds \$450 million. Undrawn amounts will be subject to a 0.15% to 0.25% per annum commitment fee dependent on the Company's leverage ratio. All amounts drawn will be required to be refinanced or repaid within two years of the closing date.

This business combination will be accounted for as a purchase transaction, with Goldcorp being identified as the acquirer and the Placer Dome operations as the acquiree. The results of operations of the acquired assets will be included in the consolidated financial statements of Goldcorp from the date of acquisition. After consummation of the proposed acquisition of Placer Dome operations and assets, Goldcorp will complete an exercise to value the identifiable assets and liabilities acquired, including any goodwill that may arise in the acquisition.

- (b) On December 5, 2005, the Company announced that it has entered into an agreement with Virginia Gold Mines Inc ( Virginia ) to acquire Virginia's Éléonore gold project in Quebec pursuant to a plan of arrangement involving Virginia. Under the agreement, shareholders of Virginia will receive 0.4 of a Goldcorp common share and 0.5 of a share in a new public exploration company for each issued and outstanding Virginia share. Virginia will be acquired by Goldcorp and Goldcorp will retain the Éléonore project. The new public exploration company will hold all other assets of Virginia, including net working capital, cash to be received prior to closing from the exercise of Virginia options and warrants, its non-Éléonore exploration assets and a sliding scale 2% net smelter return royalty on the Éléonore project. Based on the 10-day weighted average trading price for Goldcorp's common shares on the Toronto Stock Exchange of C\$24.70, the transaction is valued at approximately \$445 million. Goldcorp will issue 19.6 million common shares pursuant to the transaction, representing approximately 5% of the total common share outstanding after giving effect to this transaction. Completion of the transaction is subject to approval by Virginia shareholders and receipt of regulatory approvals and is expected to close during April, 2006.
- (c) On February 13, 2006, Goldcorp announced that it has agreed to amend its existing silver purchase agreement with Silver Wheaton, in connection with Goldcorp's plans to substantially increase its investment in exploration and development at its San Dimas mine in Mexico.

Under the existing silver purchase agreement dated October 15, 2004, Silver Wheaton is entitled to purchase all of the silver produced by Goldcorp's Mexican operations, Luismin, for a per ounce cash payment of the lesser of US\$3.90 and the prevailing market price (subject to an inflationary adjustment commencing in 2007). Further, Luismin is required to deliver a minimum of 120 million ounces over the 25 year contract period and Silver Wheaton is obligated to pay 50% of any capital



expenditures made by Luismin at its mining operations in excess of 110% of the projected capital expenditures outlined in the agreement.

Goldcorp and Silver Wheaton have agreed to amend the existing agreement, increasing the minimum number of ounces of silver to be delivered over the 25 year contract period by 100 million ounces, to 220 million ounces, and waiving any capital expenditure contributions previously required to be paid by Silver Wheaton. In consideration for these amendments, Silver Wheaton will issue to Goldcorp 18 million common shares representing 9.8% of the outstanding shares of Silver Wheaton, and a US\$20 million promissory note, increasing Goldcorp's ownership to 62%, or 126 million common shares of Silver Wheaton. Goldcorp does not have any present intention to acquire ownership of, or control over, any additional securities of Silver Wheaton. The total consideration of US\$150 million is equal to the approximate value of Silver Wheaton's share of the future capital expenditures estimated over the remaining life of the existing agreement.

- (d) On February 23, 2006, Silver Wheaton announced that it had agreed to purchase 4.75 million ounces of silver per year, for a period of 20 years, from Glencore International AG, equivalent to the production from their Yauliyacu mining operations in Peru. With this acquisition, Silver Wheaton is expected to have annual silver sales of over 15 million ounces in 2006, increasing to 20 million ounces by 2009 and thereafter.

Silver Wheaton will pay an upfront payment of US\$285 million, comprised of US\$245 million in cash and a US\$40 million promissory note, and US\$3.90 per ounce of silver delivered under the contract (subject to an inflationary adjustment after three years).

Yauliyacu is a low-cost silver/lead/zinc mine located in central Peru which has been in continuous operation for more than 100 years and is expected to produce an average of 6 million ounces of silver per year during the term of the contract. In the event that silver produced at Yauliyacu in any year totals less than 4.75 million ounces, the amount sold to Silver Wheaton in subsequent years will be increased to make up for the shortfall, so long as production allows.

In order to fund the US\$245 million cash consideration, Silver Wheaton intends to use cash on hand of US\$120 million, together with US\$125 million of bank debt.

Closing of the transaction is subject to execution of definitive agreements and receipt of all regulatory approvals and third-party consents, including acceptance by the Toronto Stock Exchange. The transaction is expected to close by March 15, 2006.

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