Companhia Vale do Rio Doce
Form 20-F
May 13, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 20-F
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2007
Commission file number: 001-15030
COMPANHIA VALE DO RIO DOCE
(Exact name of Registrant as specified in its charter)
Federative Republic of Brazil
(Jurisdiction of incorporation or organization)
Fabio de Oliveira Barbosa, Chief Financial Officer
fax: +55 21 3814 8820
Avenida Graça Aranha, No. 26
20030-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive offices)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Preferred class A shares of Vale, no par value per share	New York Stock Exchange*
American Depositary Shares (evidenced by American depositary receipts), each representing one preferred class A share of Vale	New York Stock Exchange
Common shares of Vale, no par value per share	New York Stock Exchange*
American Depositary Shares (evidenced by American depositary receipts), each representing one common share of Vale	New York Stock Exchange
6.875% Guaranteed Notes due 2036, issued by Vale Overseas	New York Stock Exchange
8.250% Guaranteed Notes due 2034, issued by Vale Overseas	New York Stock Exchange
6.250% Guaranteed Notes due 2017, issued by Vale Overseas	New York Stock Exchange
6.250% Guaranteed Notes due 2016, issued by Vale Overseas	New York Stock Exchange
5.500% Mandatorily Convertible Guaranteed Notes due 2010, series RIOP, issued by Vale Capital	New York Stock Exchange
5.500% Mandatorily Convertible Guaranteed Notes due 2010, series RIO, issued by Vale Capital	New York Stock Exchange

* Shares are not listed for trading, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the New York Stock

Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None
The number of outstanding shares of each class of stock of Vale as of December 31, 2007 was:

2,999,797,716 common shares, no par value per share
1,919,516,400 preferred class A shares, no par value per share
12 golden shares, no par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes þ No o

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP þ International Financial Reporting Standards as issued by the International Accounting Standards Board o Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o Noþ

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PRESENTATION OF FINANCIAL INFORMATION

We have prepared our financial statements appearing in this annual report in accordance with generally accepted accounting principles in the United States (U.S. GAAP), which differ in certain respects from accounting practices adopted in Brazil (Brazilian GAAP). Brazilian GAAP is determined by the requirements of Law No. 6,404, dated December 15, 1976, as amended, which we refer to as the Brazilian Corporation Law, and the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM.

We also publish Brazilian GAAP financial statements and use them for reports to Brazilian shareholders, CVM filings, determining dividend payments and determining our tax liability. In December 2007, significant changes were made to the Brazilian Corporate Law to permit Brazilian GAAP to converge with International Financial Reporting Standards (IFRS). The changes will take effect for the fiscal year ended December 31, 2008. The impact on the BR GAAP income statement could include: a change in the means of calculating and amortizing goodwill, the recognition of exchange variations by foreign subsidiaries, the accounting for joint ventures and affiliates, and related tax effects. Detailed regulation outlining the impact on BR GAAP and transition requirements is not yet available.

Our financial statements and the other financial information appearing in this annual report have been translated from Brazilian reais into U.S. dollars on the basis explained in Note 3 to our financial statements, unless we indicate otherwise.

References to *real,* *reais* or R$ are to Brazilian *reais* (plural) and to the Brazilian *real* (singular), the official currency of Brazil. References to U.S. dollars or US$ are to United States dollars.

Unless otherwise specified, we use metric units.

References to Vale are to Companhia Vale do Rio Doce. References to us or we are to Vale and, except where the context otherwise requires, its consolidated subsidiaries. References to Inco are to Inco Limited, which we acquired in October 2006. We changed Inco s name to Vale Inco Limited (Vale Inco) in November 2007.

References to our ADSs or American Depositary Shares include both our common American Depositary Shares (our common ADSs), each of which represents one common share of Vale, and our preferred American Depositary Shares (our preferred ADSs), each of which represents one preferred class A share of Vale. American Depositary Shares are represented by American depositary receipts (ADRs) issued by the depositary.

FORWARD-LOOKING STATEMENTS

This annual report contains statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Many of those forward-looking statements can be identified by the use of forward-looking words such as anticipate, believe, could, expect, shoul plan, intend, estimate and potential, among others. Those statements appear in a number of places and include statements regarding our intent, belief or current expectations with respect to:

- our direction and future operation;
- the implementation of our principal operating strategies, including our potential participation in privatization, acquisition or joint venture transactions or other investment opportunities;
- our acquisition or divestiture plans;
- the implementation of our financing strategy and capital expenditure plans;
- the exploration of mineral reserves and development of mining facilities;
- the depletion and exhaustion of mines and mineral reserves;
- trends in commodity prices and demand for commodities;
- the future impact of competition and regulation;
- the declaration or payment of dividends;
- industry trends, including the direction of prices and expected levels of supply and demand;
- other factors or trends affecting our financial condition or results of operations; and
- the factors discussed under *Item 3. Key information Risk factors*.

We caution you that forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors. These risks and uncertainties include factors relating to (a) the countries in which we operate, especially Brazil and Canada, (b) the global economy, (c) the financial markets, (d) the iron ore and nickel businesses and their dependence on the global steel industry, which is cyclical in nature, and (e) the highly competitive industries in which we operate. For additional information on factors that could cause our actual results to differ from expectations reflected in forward-looking statements, see *Item 3. Key information Risk factors*. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments. All forward-looking statements attributed to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement, and you should not place undue reliance on any forward-looking statement.

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PART I

Item 1. ***Identity of directors, senior management and advisors***

Not applicable.

Item 2. ***Offer statistics and expected timetable***

Not applicable.

Item 3. ***Key information***

SELECTED FINANCIAL DATA

The tables below present selected consolidated financial information as of and for the periods indicated. You should read this information together with our consolidated financial statements appearing in this annual report.

Statement of income data

	For the year ended December 31,				
	2003	**2004**	**2005**	**2006**	**2007**
			(US$million)		
Net operating revenues	US$ 5,350	US$ 8,066	US$ 12,792	US$ 19,651	US$ 32,242
Cost of products and services	(3,128)	(4,081)	(6,229)	(10,147)	(16,463)
Selling, general and administrative expenses	(265)	(452)	(583)	(816)	(1,245)
Research and development	(82)	(153)	(277)	(481)	(733)
Other expenses	(231)	(257)	(271)	(570)	(607)
Operating income	1,644	3,123	5,432	7,637	13,194
Non-operating income (expenses):					
Financial income (expenses)	(249)	(589)	(437)	(1,011)	(1,297)
Foreign exchange and monetary gains, net	242	65	299	529	2,559
Gain on sale of investments	17	404	126	674	777
Subtotal	10	(120)	(12)	192	2,039
Income before income taxes, equity results and minority interests	1,654	3,003	5,420	7,829	15,233
Income taxes charge	(297)	(749)	(880)	(1,432)	(3,201)
Equity in results of affiliates and joint ventures and change in provision for gains on equity investments	306	542	760	710	595
Minority interests	(105)	(223)	(459)	(579)	(802)
Change in accounting practice for asset retirement obligations	(10)				
Net income	US$ 1,548	US$ 2,573	US$ 4,841	US$ 6,528	US$ 11,825
Total cash paid to shareholders (1)	US$ 675	US$ 787	US$ 1,300	US$ 1,300	US$ 1,875

(1) Consists of total cash paid to shareholders, whether classified as dividends or interest on shareholders equity, during the period.

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Basic and diluted earnings per share

	For the year ended December 31, (1)				
	2003	2004	2005	2006	2007
	(US$, except as noted)				
Basic and diluted earnings per share:(2)					
Per common share	0.34	0.56	1.05	1.35	2.41
Per preferred share	0.34	0.56	1.05	1.35	2.41
Per common share underlying convertible notes					3.51
Per preferred share underlying convertible notes					3.30
Weighted average number of shares outstanding (in thousands) (3):					
Common shares	2,943,216	2,943,216	2,943,216	2,943,216	2,943,216
Preferred shares	1,662,856	1,662,864	1,662,864	1,908,852	1,889,171
Treasury common shares underlying convertible notes					34,510
Treasury preferred shares underlying convertible notes					18,478
Total	4,606,072	4,606,080	4,606,080	4,852,068	4,885,375
Distributions to shareholders per share (4):					
In US	0.14	0.17	0.28	0.27	0.39
In *reais*	R$ 0.41	R$ 0.49	R$ 0.67	R$ 0.58	R$ 0.74

(1) We carried out two-for-one forward stock splits in September 2007 and in May 2006 and a three-for-one forward stock split in August 2004. Share and per-share amounts for all periods give retroactive effect to all forward

stock splits.

(2) Diluted earnings per share for 2007 include preferred shares and common shares underlying the mandatorily convertible notes due in 2010, which were issued in June 2007.

(3) Each common American depositary share represents one common share and each preferred American depositary share represents one preferred share.

(4) Our distributions to shareholders may be classified as either dividends or interest on shareholders equity. In 2003, all distributions were classified as interest on shareholders equity. In 2004, 2005, 2006 and 2007, part of the distribution was classified as interest on shareholders equity and part as dividends.

Balance sheet data

	At December 31,				
	2003	2004	2005	2006	2007
	(US$ million)				
Current assets	US$ 2,474	US$ 3,890	US$ 4,775	US$ 12,940	US$ 11,380
Property, plant and equipment, net	6,484	9,063	14,166	38,007	54,625
Investments in affiliated companies and joint ventures and other investments	1,034	1,159	1,672	2,353	2,922
Other assets	1,442	1,603	2,031	7,626	7,790
Total assets	US$ 11,434	US$ 15,715	US$ 22,644	US$ 60,926	US$ 76,717
Current liabilities	US$ 2,253	US$ 2,455	US$ 3,325	US$ 7,312	US$ 10,083
Long-term liabilities (1)	1,201	1,867	2,410	10,008	13,195
Long-term debt (2)	2,767	3,214	3,714	21,122	17,608
Total liabilities	6,221	7,536	9,449	38,442	40,886
Minority interest	329	788	1,218	2,811	2,555
Stockholders equity:					
Capital stock	2,869	3,209	5,868	8,119	12,306
Additional paid-in capital	498	498	498	498	498
Mandatorily convertible notes common ADSs					1,288
Mandatorily convertible notes preferred ADSs					581
Reserves and retained earnings	1,517	3,684	5,611	11,056	18,603
Total shareholders equity	4,884	7,391	11,977	19,673	33,276
Total liabilities and shareholders equity	US$ 11,434	US$ 15,715	US$ 22,644	US$ 60,926	US$ 76,717

(1) Excludes long-term debt.

(2) Excludes current portion of long-term debt.

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RISK FACTORS

Risks relating to our business

A decline in demand for steel would adversely affect our business.

Demand for our most important products depends on global demand for steel. Iron ore and iron ore pellets, which together accounted for 44.2% of our 2007 gross revenues, are used to produce carbon steel. Nickel, which accounted for 30.3% of our 2007 gross revenues, is used mainly to produce stainless steel. Demand for steel depends heavily on global economic conditions, but it also depends on a variety of regional and sectoral factors, and demand for stainless steel is partly independent of demand for carbon steel. The prices of different steels and the performance of the global steel industry are highly cyclical, and these business cycles in the steel industry affect demand and prices for our products.

In recent years, growing worldwide demand for carbon steel has led to strong demand and rising prices for iron ore and iron ore pellets. However, in the event of a sustained decline in prices or sales volumes for iron ore and iron ore pellets would have a material adverse effect on our revenues and earnings. Consolidation in the steelmaking industry may lead to backward integration, which could reduce the global seaborne trade of iron ore.

Growing demand for stainless steel has contributed to strong demand and rising prices for nickel, leading to record-high nickel prices in the second quarter of 2007. In response to high prices, producers and consumers of stainless steel have been shifting to stainless steels with lower nickel content. A sustained decline in austenitic stainless steel production, which could potentially result from a technological development that reduces the amount of nickel required in stainless steel, would have a material adverse effect on our revenues from nickel.

Adverse economic developments in our principal markets, especially China, could reduce demand for our products, leading to lower revenues and profitability.

The global economy is the primary driver of demand in the global market for minerals and metals. In recent years, China has been the main driver of minerals and metals demand and of our sales increases. In 2007, China represented approximately 49% of the global demand for seaborne iron ore, 24.2% of global demand for nickel, 33% for aluminum and 26.3% for copper.

The percentage of our gross revenues attributable to sales to customers in China was 17.7% in 2007. The percentage of our gross revenues attributable to sales to customers from Asian countries other than China was 23.3% in 2007. The percentage of our gross revenues attributable to sales to European customers was 22.1% in 2007. A weakened global economy or a weakened economy in specific markets where we sell our products, such as China, could reduce demand for our products, leading to lower revenues and profitability.

The prices of nickel, aluminum and copper, which are actively traded on world commodity exchanges, are subject to significant volatility.

Nickel, aluminum and copper are sold in an active global market and traded on commodity exchanges, such as the London Metal Exchange and the New York Mercantile Exchange. Prices for these metals are subject to significant fluctuations and are affected by many factors, including actual and expected global macroeconomic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory, investments by commodity funds and others and actions of participants in the commodity markets. Prices for these metals are more volatile than contractual prices for products such as iron ore, iron ore pellets and metallurgical coal, because they respond more quickly to actual and expected changes in market conditions.

Increased substitution of primary nickel could adversely affect our nickel business.

Demand for primary nickel may be negatively impacted by the substitution of primary nickel with other materials in current applications. Scrap nickel competes directly with primary nickel as a source of nickel for use in the production of stainless steel, and the choice between them is largely driven by their relative prices and availability. In 2007, the stainless steel scrap ratio is estimated to have remained unchanged compared to 2006, at 48%. Nickel pig iron, a product developed by Chinese steel and alloy makers that utilizes low-grade lateritic nickel ores, competes with other nickel sources in the production of stainless steel. In 2007, nickel pig iron represented an estimated 6% of world primary nickel supply, compared to 2% in 2006.

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A reduction of global demand for Brazilian steel or agriculture products could reduce the demand for our logistics services.

The Brazilian agriculture and steel industries are currently the primary drivers of demand for our logistics services to customers. The percentage of our logistics revenues attributable to these industries was 83.9% in 2007. A reduction in world demand for Brazilian steel or agricultural products could reduce demand for our logistics services and harm the profitability of our logistics business.

We may not be able to successfully integrate our acquired businesses.

We have grown our business in part through acquisitions, and some of our future growth may also stem from acquisitions. We may not be able to successfully integrate acquired businesses or generate the cost savings and synergies anticipated, which could negatively affect our financial condition and results of operations.

The mining industry is intensely competitive, and we may have difficulty effectively competing with other mining companies in the future.

Intense competition characterizes the global mining industry. We compete with a large number of mining companies. Some of them possess substantial mineral deposits at locations closer to our principal customers. Competition from other producers may result in our loss of market share and revenues.

Demand for our products in peak periods may outstrip our production capacity, rendering us unable to satisfy customer demand.

Our ability to rapidly increase production capacity to satisfy increases in demand for our products is limited. In periods when customer demand exceeds our production capacity, we may meet excess customer demand by reselling iron ore, iron ore pellets or nickel purchased from joint ventures or unrelated parties. If we are unable to satisfy excess customer demand in this way, we may lose customers. We may be unable to complete expansion and greenfield projects in time to take advantage of the current high levels of worldwide demand for iron ore and nickel.

We have been operating at or above full capacity in our iron ore systems since 2003. As a result, disruptions in operations in any part of our integrated systems, or maintenance programs that require more time than expected, could result in lower volumes and lower revenues. In addition, operating at or above full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our logistics systems.

Political, economic, regulatory and social conditions in the countries in which we operate or have projects could adversely impact our business and the market price of our securities.

Our financial performance may be negatively affected by general economic, political, regulatory and social conditions in countries in which we have significant operations or projects, particularly Brazil, Canada, Indonesia, Australia, New Caledonia and Mozambique. Actual or potential political changes and changes in economic policy may undermine investor confidence, result in economic slowdowns and otherwise adversely affect the economic and other conditions under which we operate in ways that could have a material adverse effect on our business. Governments in emerging economies such as Brazil, Indonesia and New Caledonia frequently intervene in the economy and occasionally make substantial changes in policy that could adversely affect exchange rates, inflation, interest rates, rates of taxes or royalties and the economic and regulatory environment in which we operate. In New Caledonia, a planned referendum in 2014 may result in New Caledonia becoming fully independent from France, which could result in significant political and economic changes in New Caledonia and may adversely affect our Goro project. See *Item 4. Information on the company Regulatory matters Mining regulation.*

Acts by protestors may hamper our mining and logistics operations and projects.

Protestors have taken actions to disrupt our operations and projects, and they may continue to do so in the future. For example, in New Caledonia, in the past protestors caused physical damage to our Goro project and have impeded the construction of the marine pipeline. Although we vigorously defend ourselves against illegal acts, while supporting the communities living near our operations, future attempts by protestors to harm our operations could adversely affect our business.

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Our projects are subject to risks that may result in increased costs or delay or prevent their successful implementation.

We are investing heavily to further increase our production capacity, logistics capabilities and to expand the scope of minerals we produce. Our expansion and mining projects are subject to a number of risks that may adversely affect our growth prospects and profitability, including the following:

We may encounter delays or higher than expected costs in obtaining the necessary equipment or services to build and operate a project.

Our efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including a reliable power supply.

We may fail to obtain, or experience delays or higher than expected costs in obtaining, the required permits to build a project.

Changes in market conditions or regulations may make a project less profitable than expected at the time we initiated work on it.

Adverse mining conditions may delay and hamper our ability to produce the expected quantities of minerals.

Some of our development projects are located in regions where tropical diseases, AIDS, malaria, yellow fever and other contagious diseases are a major public health issue and pose health and safety risks to our employees. If we are unable to ensure the health and safety of our employees, our business may be adversely affected.

Our principal shareholder has significant influence over our company.

At December 31, 2007, Valepar S.A. owned 53.3% of our outstanding common stock and 32.5% of our total outstanding capital. For a description of our ownership structure, see *Item 7. Major shareholders and related party transactions Major shareholders Principal shareholder*. As a result of its share ownership, Valepar can control the outcome of any action requiring shareholder approval, except for the appointment of certain directors and certain members of our fiscal council. Moreover, the Brazilian government owns 12 golden shares granting it limited veto power over certain actions that we could otherwise take. For a detailed description of the Brazilian government s veto power by virtue of its ownership of these golden shares, see *Item 10. Additional information Common shares and preferred shares General*.

Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.

We operate in a global environment, and our activities straddle multiple jurisdictions and complex regulatory frameworks with increased enforcement activities worldwide. Our governance and compliance processes, which include the review of internal control over financial reporting, may not prevent future breaches of law, accounting or governance standards. We may be subject to breaches of our Code of Ethical Conduct, business conduct protocols and instances of fraudulent behavior and dishonesty by our employees, contractors or other agents. Our failure to comply with applicable laws and other standards could subject us to fines, loss of operating licenses and reputational harm.

Many of our operations depend on joint ventures or consortia, and our business could be adversely affected if our partners fail to observe their commitments.

We currently operate important parts of our pelletizing, nickel, bauxite, coal and steel businesses through joint ventures with other companies. Important parts of our electricity business are operated through consortia. Our forecasts and plans for these joint ventures and consortia assume that our partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial personnel. If any of our partners fails to observe its commitments, the affected joint venture or consortium may not be able to operate in accordance with its business plans, or we may have to increase the level of our investment to implement these plans. For more information about our joint ventures, see *Item 4. Information on the company Lines of business*.

Our operations depend on authorizations from regulatory agencies in many jurisdictions, and changes in regulations could adversely affect our business.

Our operations depend on authorizations from and concessions by governmental regulatory agencies of the countries in which we operate, and we are subject to laws and regulations in many jurisdictions that can change at any time. Changes in laws and regulations may require modifications to our technologies and operations and result in unanticipated capital expenditures. For example, in Indonesia, the pending new mining legislation could have a material adverse effect on our PT Inco operations. For details about the authorizations and concessions upon which our operations activities depend, see *Item 4. Information on the company Regulatory matters*.

Environmental, health and safety regulation may adversely affect our business.

Our operations often involve the use, handling, disposal and discharge of hazardous materials into the environment or the use of natural resources, and nearly all aspects of our operations and development projects around the world are subject to environmental, health and safety regulation. Such regulation requires us to obtain operating licenses, permits and other approvals and to conduct environmental assessments prior to initiating projects or undertaking significant changes to existing operations. Difficulties in obtaining licenses may lead to construction delays or cost increases, and in some cases may lead us to abandon a project. Environmental regulation also imposes standards and controls on activities relating to mining, exploration, development, production, reclamation, closure, and the refining, distribution and marketing of our products. Such regulation may give rise to significant costs and liabilities. In addition, community activist groups and other stakeholders may increase demands for environmentally-sustainable development, which could entail significant costs and reduce our profitability.

Environmental regulation in many countries in which we operate has become stricter in recent years, and it is possible that more regulation or more aggressive enforcement of existing regulations will adversely affect us by imposing restrictions on our activities, creating new requirements for the issuance or renewal of environmental licenses, raising our costs or requiring us to engage in expensive reclamation efforts. For example, in Brazil, environmental protection laws restrict our ability to expand operations without undertaking extensive conservation efforts. They also impose fees on development in protected areas, and many Brazilian states are considering implementing water usage fees, while one state, São Paulo, in which we do not have any operations is already charging water usage fees. In Canada, we may be required to conduct investigations or undertake remediation efforts in connection with elevated levels of metals in the soils near our Canadian facilities, which may involve significant expenditures. In addition, compliance with sulphur dioxide emissions limits could have an adverse impact on nickel production levels to the extent we are required to operate our facilities at reduced levels to comply with such limits or are unable to bank or trade sufficient emission allowances in emissions trading markets. For more information on environmental, health and safety regulation applicable to our operations, see *Item 4. Information on the company Regulatory matters Environmental regulation* and *Item 8. Financial information Legal proceedings*.

Our reserve estimates may materially differ from mineral quantities that we may be able to actually recover; our estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.

Our reported ore reserves are estimated quantities of ore and minerals that we have determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. As a result, no assurance can be given that the indicated amount of ore will be recovered or that it will be recovered at the rates we anticipate. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves.

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We may not be able to replenish our reserves, which could adversely affect our mining prospects.

We engage in mineral exploration, which is highly speculative in nature, involves many risks and frequently is nonproductive. Our exploration programs, which involve significant capital expenditures, may fail to result in the expansion or replacement of reserves depleted by current production. If we do not develop new reserves, we will not be able to sustain our current level of production beyond the remaining lives of our existing mines.

Even if we discover mineral deposits, we remain subject to drilling and production risks, which could adversely affect the mining process.

Once mineral deposits are discovered, it can take a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. Substantial time and expenditures are required to:

- establish mineral reserves through drilling;

- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;

- obtain environmental and other licenses;