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FREEPORT-MCMORAN INC

FORM 10-K
(Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 1-9916



Freeport-McMoRan Copper & Gold Inc.

(Exact name of registrant as specified in its charter)

Delaware	**74-2480931**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One North Central Avenue **Phoenix, Arizona**	**85004-4414**
(Address of principal executive offices)	(Zip Code)

(602) 366-8100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.10 per share	New York Stock Exchange
7% Convertible Senior Notes due 2011 of the registrant	New York Stock Exchange
6¾% Mandatory Convertible Preferred Stock, par value $0.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act ☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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 ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): ☑ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☑ No

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $11.4 billion on February 17, 2009, and approximately $44.8 billion on June 30, 2008.

Common stock issued and outstanding was 411,669,247 shares on February 17, 2009, and 383,956,672 shares on June 30, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for our 2009 annual meeting of stockholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this report.

FREEPORT-McMoRan COPPER & GOLD INC.

TABLE OF CONTENTS

	Page
Part I	1
Items 1. and 2. Business and Properties	1
Item 1A. Risk Factors	40
Item 1B. Unresolved Staff Comments	55
Item 3. Legal Proceedings	55
Item 4. Submission of Matters to a Vote of Security Holders	57
Executive Officers of the Registrant	57
Part II	58
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	58
Item 6. Selected Financial Data	60
Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk	64
Item 8. Financial Statements and Supplementary Data	117
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	182
Item 9A. Controls and Procedures	182
Item 9B. Other Information	182
Part III	182
Item 10. Directors, Executive Officers and Corporate Governance	182
Item 11. Executive Compensation	182
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	182
Item 13. Certain Relationships and Related Transactions, and Director Independence	182
Item 14. Principal Accounting Fees and Services	182
Part IV	183
Item 15. Exhibits, Financial Statement Schedules	183
Signatures	S-1
Index to Financial Statements	F-1
Exhibit Index	E-1

PART I

Items 1. and 2. Business and Properties.

All of our periodic reports filed with the Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, through our web site, www.fcx.com, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports. These reports and amendments are available through our web site as soon as reasonably practicable after we electronically file or furnish such material to the SEC.

References to "we," "us" and "our" refer to Freeport-McMoRan Copper & Gold Inc. (FCX) and its consolidated subsidiaries, including, except as otherwise stated, Phelps Dodge Corporation (Phelps Dodge) and its subsidiaries, which we acquired on March 19, 2007. References to "Notes" refer to the "Notes to Consolidated Financial Statements" included herein (see Item 8. "Financial Statements and Supplementary Data").

GENERAL

We are a leading international mining company with headquarters in Phoenix, Arizona. We are one of the world's largest copper, gold and molybdenum mining companies in terms of reserves and production. Our portfolio of assets includes the Grasberg minerals district in Indonesia, which contains the largest single recoverable copper reserve and the largest single gold reserve of any mine in the world based on the latest available reserve data provided by third-party industry consultants; significant mining operations in North and South America; and the Tenke Fungurume development project in the Democratic Republic of Congo (DRC).

As a mining company, our principal assets are our reserves. At December 31, 2008, consolidated recoverable proven and probable reserves totaled 102.0 billion pounds of copper, 40.0 million ounces of gold, 2.48 billion pounds of molybdenum, 266.6 million ounces of silver and 0.7 billion pounds of cobalt. Approximately 35 percent of our copper reserves were in Indonesia, approximately 31 percent were in South America, approximately 28 percent were in North America and approximately six percent were in Africa. Approximately 96 percent of our gold reserves were in Indonesia, with our remaining gold reserves located in South America. Our molybdenum reserves are primarily in North America (approximately 85 percent), with our remaining molybdenum reserves in South America (refer to "Ore Reserves").

Our mining revenues for 2008 include sales of copper (approximately 76 percent), molybdenum (approximately 14 percent) and gold (approximately seven percent). We currently have five operating copper mines in North America, four in South America and the Grasberg minerals district in Indonesia. We also have one operating primary molybdenum mine in North America. During 2008, approximately 60 percent of our consolidated copper production was from our Grasberg, Morenci and Cerro Verde mines, and more than half of our mined copper was sold in concentrate, approximately 27 percent as rod (principally from our North America operations) and approximately 19 percent as cathodes. For 2008, approximately 55 percent of our consolidated molybdenum production was from the Henderson molybdenum mine and approximately 45 percent was produced as a by-product primarily at our North America copper mines. We also produce gold as a by-product at our copper mines, primarily at the Grasberg minerals district in Indonesia, which accounted for approximately 90 percent of our consolidated gold production for 2008. Refer to "Mines" for further discussion of our mining operations.

Prior to March 19, 2007, we operated our Grasberg mine in Indonesia and our wholly owned copper smelting and refining operation at Atlantic Copper in Spain. On March 19, 2007, we acquired Phelps Dodge, a fully integrated producer of copper and molybdenum with mines in North and South America, and several development projects, including Tenke Fungurume in the DRC, which we believe is one of the world's highest potential copper and cobalt concessions. After completion of the Phelps Dodge acquisition, our business strategy was focused on repaying acquisition-related debt, defining the potential of our resources and developing expansion and growth plans to deliver additional volumes to a growing marketplace. During 2007, we repaid $10.0 billion in term loans using a combination of equity proceeds and internally generated cash flows. Because of the significant reduction in debt and historically high prices for copper, molybdenum and gold, our financial policy during most of 2008 was designed to use our cash flow to invest in growth projects with anticipated high rates of return and to return excess cash flows to shareholders in the form of dividends and share purchases. In response to the severity of the decline in copper and molybdenum prices and the deterioration of economic conditions and credit environment during fourth-quarter 2008, we revised our near-term business strategy to protect liquidity while preserving our large mineral resources and growth options for the long term. For additional information, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In North America, we currently have five operating copper mines – Morenci, Sierrita, Bagdad and Safford in Arizona, and Tyrone in New Mexico. In addition, the Chino mine in New Mexico was placed on care-and-maintenance status in December 2008. All of these operations are wholly owned, except for Morenci, an unincorporated joint venture, in which we own an 85 percent undivided interest. In addition to copper, the Morenci, Sierrita and Bagdad mines produce molybdenum as a by-product.

In South America, we have four operating copper mines – Cerro Verde in Peru, and Candelaria, Ojos del Salado and El Abra in Chile. We own a 53.56 percent interest in Cerro Verde, an 80 percent interest in both Candelaria and Ojos del Salado and a 51 percent interest in El Abra. In addition to copper, the Cerro Verde mine produces molybdenum concentrate as a by-product and the Candelaria and Ojos del Salado mines produce gold and silver as by-products.

In Indonesia, PT Freeport Indonesia operates the Grasberg minerals district. We have joint venture agreements with Rio Tinto plc (Rio Tinto), an international mining company, with respect to a portion of our mining activities in Indonesia, as described in the "Mines" section. We own 90.64 percent of PT Freeport Indonesia and the Government of Indonesia owns the remaining 9.36 percent interest. Our Grasberg minerals district also produces significant quantities of gold and silver as by-products. PT Freeport Indonesia also owns 25 percent of PT Smelting, a smelting and refining company in Gresik, Indonesia.

We produce molybdenum at our wholly owned Henderson molybdenum mine in Colorado, which is the largest primary producer of molybdenum in the world. Additionally, we own the Climax molybdenum mine in Colorado which is currently on care-and-maintenance status.

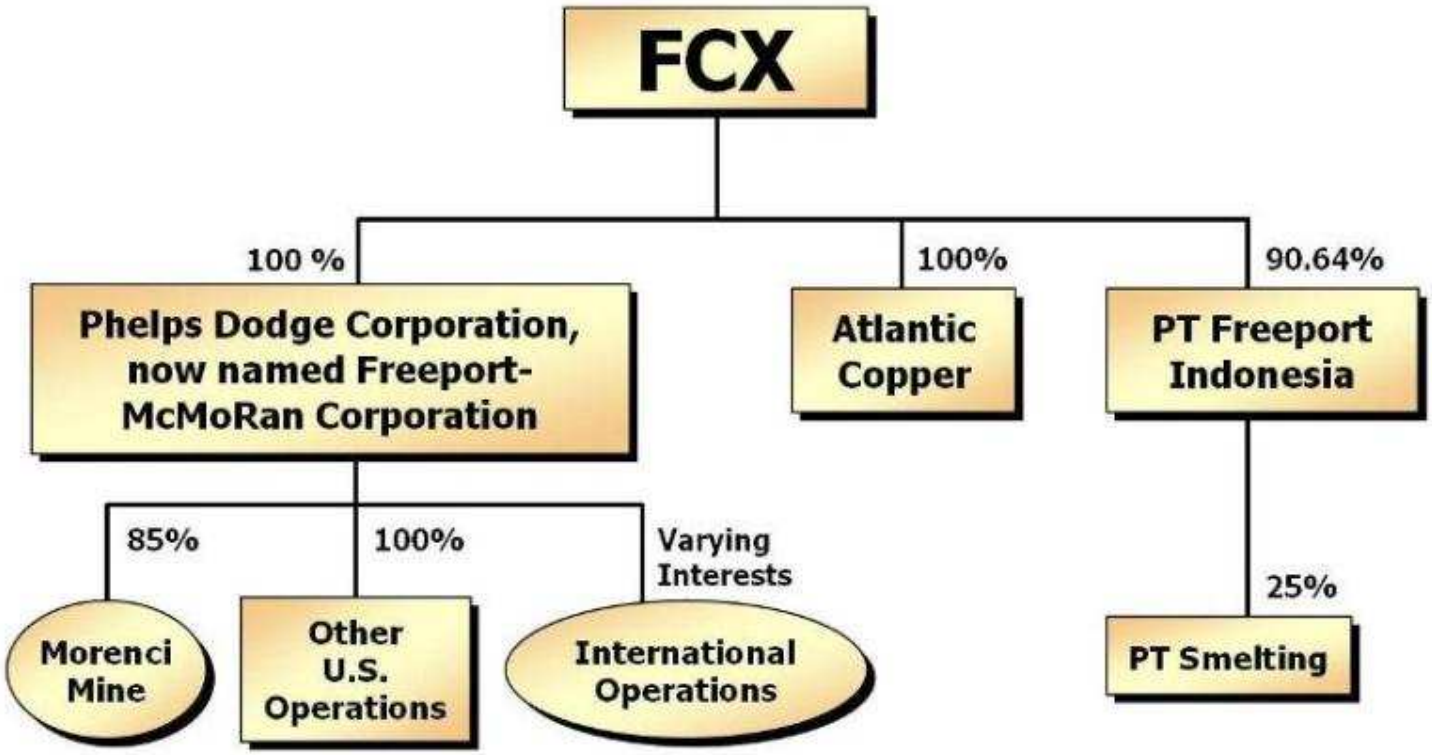
In addition to our operating mines, we have several significant mines in development. In Indonesia, we are developing our underground mines. In Africa, we hold an effective 57.75 percent interest in the Tenke Fungurume copper and cobalt concession in the DRC. The Tenke Fungurume mine will produce copper and cobalt and is expected to commence mining operations in the second half of 2009.

For information about our operating segments and financial data by geographic area refer to Note 19 – "Business Segments."

The locations of our operating mines and the Tenke Fungurume development project are shown on the map below.



The diagram below shows our corporate structure.



COPPER, MOLYBDENUM AND GOLD

Our mines primarily produce copper, molybdenum and gold. A brief discussion of the production and sales of these metals appears below; discussion of markets and prices for these metals appears in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Copper
Copper, in the form of copper cathode, is an internationally traded commodity, and its prices are determined by the major metals exchanges – New York Mercantile Exchange (COMEX), the London Metals Exchange (LME) and the Shanghai Futures Exchange (SHFE). Prices on these exchanges generally reflect the worldwide balance of copper supply and demand and can be volatile and cyclical.

Our copper ores are generally processed either by smelting and refining or by solution extraction and electrowinning (SX/EW). In the smelting process, ore is crushed and further treated to produce a copper concentrate with an average copper content of about 30 percent. Copper concentrate is then smelted (subjected to extreme heat) to produce copper anodes, which weigh between 800 and 900 pounds and have an average copper content of 99.5 percent. The anodes are further treated by electrolytic refining to produce copper cathodes, which weigh between 100 and 350 pounds and have a copper content of 99.99 percent.

In the SX/EW process, copper is extracted from ore by dissolving it with a weak sulfuric acid solution. The copper content of the solution is increased in two additional solution-extraction stages and then the copper-bearing solution undergoes an electrowinning process to produce cathode that is 99.99 percent copper.

Our copper cathodes are used as the raw material input for copper rod, brass mill products and for other uses. In general, demand for copper reflects the rate of underlying world economic growth, particularly in industrial production and construction. According to Brook Hunt, a widely followed independent metals market consultant, copper’s end-use markets (and their estimated shares of total consumption) are:

Construction	35%
Electrical applications	32%
Industrial machinery	12%
Transportation	11%
Consumer products	10%

Molybdenum
Molybdenum is a key alloying element in steel and the raw material for several chemical-grade products used in catalysts, lubrication, smoke suppression, corrosion inhibition and pigmentation. Molybdenum as a high-purity metal is also used in electronics such as flat-panel displays and in super alloys used in aerospace. First end-user segments for molybdenum include:

Construction steel	35%
Stainless steel	25%
Chemicals	14%
Tool and high-speed steel	9%
Cast iron	6%
Molybdenum metal	6%
Super alloys	5%

Molybdenum is currently not traded on any public exchange. Reference prices for molybdenum are available in several publications, including Platts *Metals Week* , *Ryan's Notes and Metal Bulletin* .

Gold
Gold is used for jewelry, coinage and bullion as well as various industrial and electronic applications. Gold can be readily sold on numerous markets throughout the world. Benchmark prices are generally based on London Bullion Market Association quotations.

PRODUCTS AND SALES

Copper Products
We are one of the world's leading producers of copper concentrate, cathode and continuous cast copper rod. For 2008, more than half of our copper was sold in concentrate, approximately 27 percent as rod (principally from our North America operations) and approximately 19 percent as cathodes.

Copper Concentrate . Through 2008, we produced copper concentrate at eight mines, of which PT Freeport Indonesia is our largest producer. In 2008, approximately 56 percent of PT Freeport Indonesia's concentrate was refined at affiliated smelters, Atlantic Copper and PT Smelting.

Copper concentrate was also produced at our Morenci, Sierrita and Bagdad mines in Arizona and our Chino mine in New Mexico, which was generally shipped to our Miami smelter in Arizona. In South America we produced copper concentrate at our Cerro Verde mine in Peru and our Candelaria and Ojos del Salado mines in Chile. In late 2008, we suspended production of concentrates at Chino and plan to suspend concentrate production at Morenci in first-quarter 2009 in response to current market conditions.

Copper Cathode . Through 2008, we produced copper cathode at two electrolytic refineries and nine mines. Our refineries are located in El Paso, Texas, and Huelva, Spain. PT Smelting also produces copper cathode. We produced SX/EW cathode from our Morenci, Sierrita, Bagdad, Chino, Safford, Tyrone and Miami mines in North America and our Cerro Verde and El Abra mines in South America. In the second half of 2009 we will begin SX/EW production at our Tenke Fungurume mine in the DRC .

Continuous Cast Copper Rod . We manufacture continuous cast copper rod at our facilities in El Paso, Texas; Norwich, Connecticut and Miami, Arizona. In late 2008, we permanently closed our Chicago, Illinois, rod mill.

Other Copper Products . We produce specialty copper products at our Bayway operations in Elizabeth, New Jersey. These products include specialty copper alloys in the forms of rod, bar and strip. We manufacture electrode wire (for use in welding steel cans) at our Norwich, Connecticut and El Paso, Texas, facilities. We also produce copper sulfate pentahydrate (for use in agricultural and industrial applications) at our facility in Sierrita, Arizona.

Copper Sales
North America . The majority of the copper produced at our North America copper mines and refined in our El Paso refinery is consumed at our rod plants in El Paso, Texas; Norwich, Connecticut and Miami, Arizona. The remainder of our North America copper production is sold in the form of copper cathode or copper concentrate to third parties. Generally, copper rod and cathode are sold to wire and cable fabricators and brass mills under

United States (U.S.) dollar-denominated, annual contracts. Cathode and rod contract prices are generally based on the prevailing COMEX monthly average spot price for the month of shipment and include a premium.

South America . Production from our South America copper mines is generally sold as copper concentrate or copper cathode under U.S. dollar-denominated, annual and multi-year contracts. Cerro Verde sells approximately 70 percent of its production as concentrate and the rest as cathode. Some of Cerro Verde's cathode is sold under annual contract terms to South American customers. A portion of Cerro Verde's and Candelaria's concentrate production is sold at market rates to Atlantic Copper. A majority of our Ojos del Salado concentrate production is sold to local Chilean smelters. El Abra's cathode production is sold primarily under annual or multi-year contracts to Asian or European rod or brass mill customers, or to merchants. The remainder of the cathode and concentrate production is primarily sold under long-term contracts to external customers, largely located in Asia, with the balance sold on a spot basis.

Our South America sales are priced based on the LME monthly average spot price. Cathode sales are generally priced in the month of arrival and generally include a premium. Substantially all of our concentrate sales are priced in the third calendar month following the month of arrival at the buyer's facilities. Revenues from South America concentrate sales are recorded net of treatment and refining charges. Treatment and refining charges are fees paid to smelters and refiners and are generally negotiated annually. Moreover, because a portion of the metals contained in copper concentrates is unrecoverable from the smelting process, our revenues from concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. These allowances are a negotiated term of our contracts and vary by customer.

Indonesia . PT Freeport Indonesia sells its production in the form of copper concentrate, which contains significant quantities of by-product gold and silver, under U.S. dollar-denominated sales agreements, with more than half of PT Freeport Indonesia's production sold to Atlantic Copper and PT Smelting. We sell substantially all of our budgeted production of copper concentrates under long-term contracts. In general, our concentrate sales are priced on the basis of the LME average spot price for the third calendar month following the month of arrival at the buyer's facilities.

PT Freeport Indonesia has a long-term contract to provide Atlantic Copper with approximately 55 percent of its current concentrate requirements at market prices.

PT Freeport Indonesia's contract with PT Smelting provides for the supply of 100 percent of the copper concentrate requirements necessary to produce 205,000 metric tons of copper annually (essentially the smelter's original design capacity) on a priority basis. Refer to "Smelting Facilities" for further discussion.

We anticipate that PT Freeport Indonesia will sell approximately 50 percent of its annual concentrate production to Atlantic Copper and PT Smelting in 2009. A summary of PT Freeport Indonesia's aggregate percentage concentrate sales to PT Smelting, Atlantic Copper and to other parties for the last three years follows:

	2008	2007	2006
PT Smelting	41%	39%	27%
Atlantic Copper	15%	25%	23%
Other parties	44%	36%	50%
	100%	100%	100%

PT Freeport Indonesia's sales to PT Smelting represented approximately eight percent of our consolidated revenues in 2008, 11 percent of our consolidated revenues in 2007 and approximately 21 percent of our consolidated revenues in 2006. No other customer accounted for more than 10 percent of our consolidated revenues in any of the three years ended December 31, 2008.

Revenues from our Indonesia concentrate sales are recorded net of royalties (refer to "Mines – Indonesia – Contracts of Work"), and treatment and refining charges (including price participation charges, if applicable, based on the market prices of metals). Similar to our South America mines, Indonesia concentrate sales are net of allowances for unrecoverable metals. PT Freeport Indonesia sells a small amount of copper concentrates in the spot market.

Europe . Atlantic Copper sells copper cathode directly to rod and brass mills, primarily located in Europe. Atlantic

Copper has occasionally sold copper cathode to merchants. Copper cathode is generally sold under annual contracts and priced based on the LME average spot price for the month of arrival.

Molybdenum Products and Sales
We are the world's largest producer of molybdenum and molybdenum-based chemicals. In addition to production from our Henderson molybdenum mine, we have produced by-product molybdenum at our Morenci, Sierrita and Bagdad mines in Arizona, our Chino mine in New Mexico and our Cerro Verde mine in Peru. However, in December 2008 we temporarily curtailed the molybdenum circuit at Morenci, and in 2009 we plan to temporarily curtail the molybdenum circuits at Chino and Cerro Verde.

The majority of our molybdenum concentrates are processed in our own conversion facilities. Technical-grade oxide is produced from molybdenum concentrates in Sierrita, Arizona; Fort Madison, Iowa and Rotterdam, the Netherlands. Ferromolybdenum is produced from technical-grade oxide in Stowmarket, United Kingdom through a metallothermic reduction process. High-quality molybdenum concentrates are converted into molybdenum chemicals at Fort Madison, Iowa and Rotterdam, the Netherlands. Approximately 90 percent of our expected 2009 molybdenum sales are expected to be priced at prevailing market prices.

Gold Products and Sales
Gold and other by-products are primarily sold as a component of our copper concentrate or in slimes, which are a by-product of the smelting and refining process. Gold generally is priced at the average London Bullion Market Association price for a specified month near the month of shipment.

For an allocation of our consolidated revenues by geographic area, refer to Note 19 – "Business Segments."

MINES

Curtailed Facilities
The following table summarizes the temporary curtailments announced in late 2008 and early 2009 in response to current market conditions. For additional information, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Facility	Date of Announcement	Announced Reductions
Copper		
North America		
• Morenci	December 2008 and January 2009	25 percent reduction in mining and crushed-leach rates in December 2008 and an additional reduction in January 2009 for a total 50 percent reduction in mining and crushed-leach rates
• Chino	December 2008	Suspension of mining and milling activities
• Safford	December 2008	50 percent reduction in mining and stacking rates
• Tyrone	December 2008	50 percent reduction in mining rate
• Miami	December 2008	Deferral of restart of the Miami mine
South America		
• Candelaria/ Ojos del Salado	January 2009	Reduction in mining rates
Molybdenum		
• Henderson	November 2008	25 percent reduction in mining and milling rates
• Climax	November 2008	Deferral of restart of the Climax mine
• Morenci	January 2009	Suspension of molybdenum by-product production
• Cerro Verde	January 2009	Suspension of molybdenum by-product production

As a result of these curtailments, copper production is expected to be reduced by 400 million pounds in 2009 and 800 million pounds in 2010 and molybdenum production is expected to be reduced by 20 million pounds in 2009 and 40 million pounds in 2010, compared with our previously announced October 2008 estimated production for

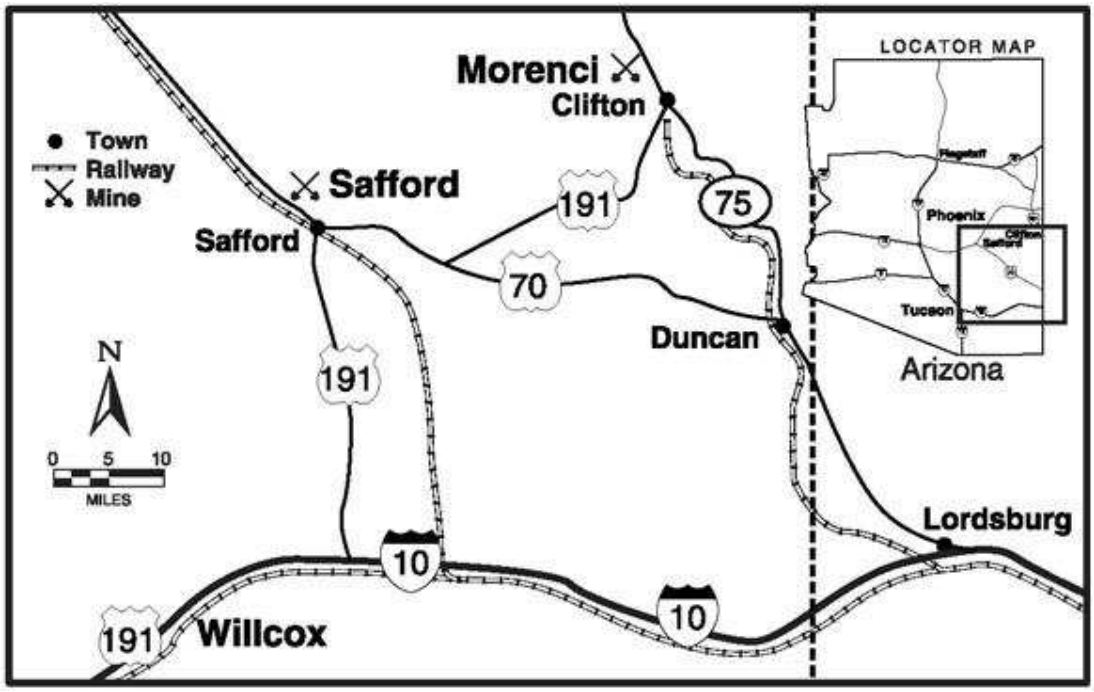
2009 and 2010. Projected copper production is expected to be 3.9 billion pounds in 2009 and 3.8 billion pounds in 2010. Projected molybdenum production is expected to be 60 million pounds in both 2009 and 2010. The affected mine sites will be idling or reducing utilization of a portion of their equipment fleets in connection with these curtailments.

We are continuing to closely monitor market conditions and may make further reductions to our production and sales plans.

Following are maps and descriptions of our North America (including Molybdenum operations), South America and Indonesia mining operations and the Tenke Fungurume development project in Africa.

North America
In the U.S., most of the land occupied by our copper and molybdenum mines, concentrators, SX/EW facilities, smelter, refinery, rod mills, molybdenum roasters, processing facilities and the Climax technology center is generally owned by us or is located on unpatented mining claims owned by us. Certain portions of our Sierrita, Bagdad, Miami, Tyrone, Chino, Cobre and Henderson operations are located on government-owned land and are operated under a Mine Plan of Operations or other use permit. The Sierrita operation leases property adjacent to its mine upon which its electrowinning tank house is located. The lease expires in May 2009, but we expect to exercise the option to renew for an additional five years. Various federal and state permits or leases on government land are held for purposes incidental to mine operations.

Morenci



Morenci, the largest copper mine in North America, is an open-pit copper mining complex located in Greenlee County, Arizona, approximately 50 miles northeast of Safford on U.S. Highway 191. The site is accessible by a paved highway and a railway spur. We own an 85 percent undivided interest in Morenci, with the remaining 15 percent owned by affiliates of Sumitomo Corporation. Each partner takes in kind its share of Morenci's production. The open-pit mine has been in continuous operation since 1939 and previously was mined through underground workings. The Morenci mine is a porphyry copper deposit that has oxide and secondary sulfide mineralization, and primary sulfide mineralization. The predominant oxide copper mineral is chrysocolla. Chalcocite is the most important secondary copper sulfide mineral with chalcopyrite as the dominant primary copper sulfide.

The Morenci operation consists of a 49,000 metric ton-per-day concentrator that produces copper and molybdenum concentrate, an 80,000 metric ton-per-day crushed-ore leach pad and stacking system, a large low-grade run-of-mine (ROM) leaching system, four SX plants, and three EW tank houses that produce copper cathode. Total EW tank house capacity is approximately 916 million pounds of copper per year. Copper production for 2008 was 737 million pounds, including our partner's share. In response to weak market conditions during fourth-quarter 2008 and January 2009, we revised our operating plans to reflect a 50 percent reduction in the mining and crushed leach rates at Morenci. The available mining fleet consists of 145 235-metric ton haul trucks loaded by 18 shovels with bucket sizes ranging from 47 to 55 cubic meters, which are capable of moving over 1,000,000 metric tons of material per day.

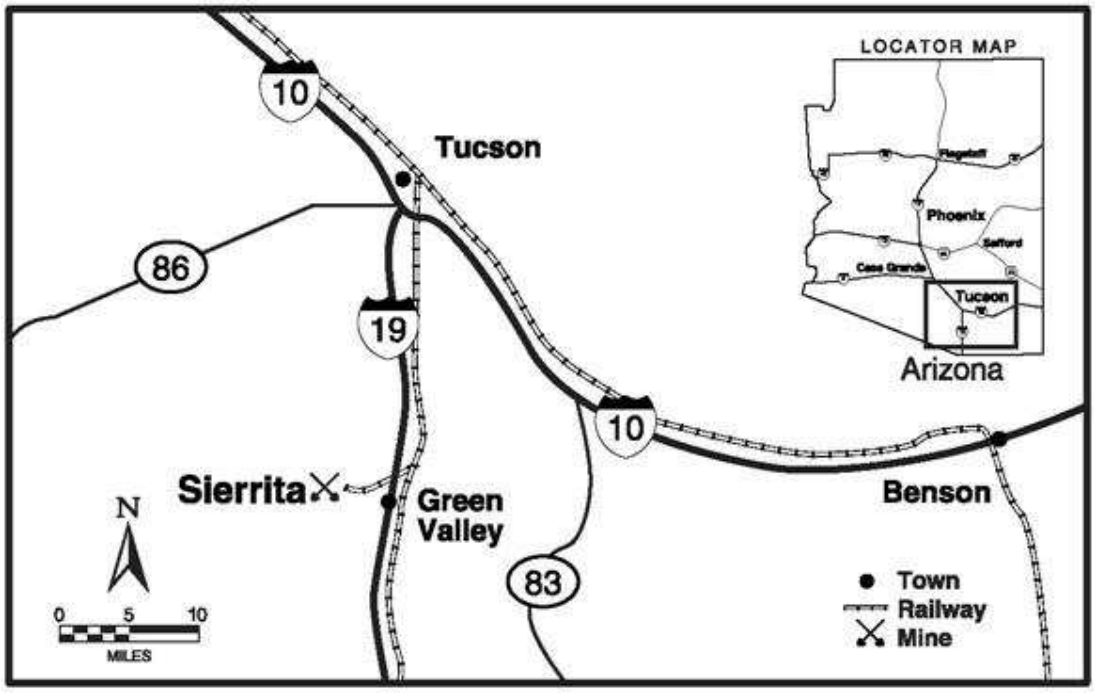
The concentrate leach, direct-electrowinning facility at Morenci was commissioned in third-quarter 2007. The concentrate-leach project included the restart of a mill, which added 115 million pounds of copper production

capacity per year. We plan to temporarily curtail production at this facility in first-quarter 2009 as part of our revised operating plan.

Morenci is located in a desert environment with rainfall averaging 13 inches per year. The highest bench elevation is 1,950 meters above sea level and the ultimate pit bottom is expected to have an elevation of 900 meters above sea level. The Morenci operation encompasses approximately 53,944 acres, comprising 47,609 acres of patented mining claims and other fee lands, 5,914 acres of unpatented mining claims, and 421 acres of land held by state or federal permits, easements and rights-of-way.

Morenci receives electrical power from Tucson Electric Power Company, Arizona Public Service and the Luna Energy facility in Deming, New Mexico (in which we own a one-third interest). Although we believe the Morenci operation has sufficient water sources to support currently planned mining operations, we are a party to litigation that could adversely affect our water rights at Morenci and at our other properties in Arizona. Refer to Item 3. “Legal Proceedings,” for information concerning the status of these proceedings.

Sierrita



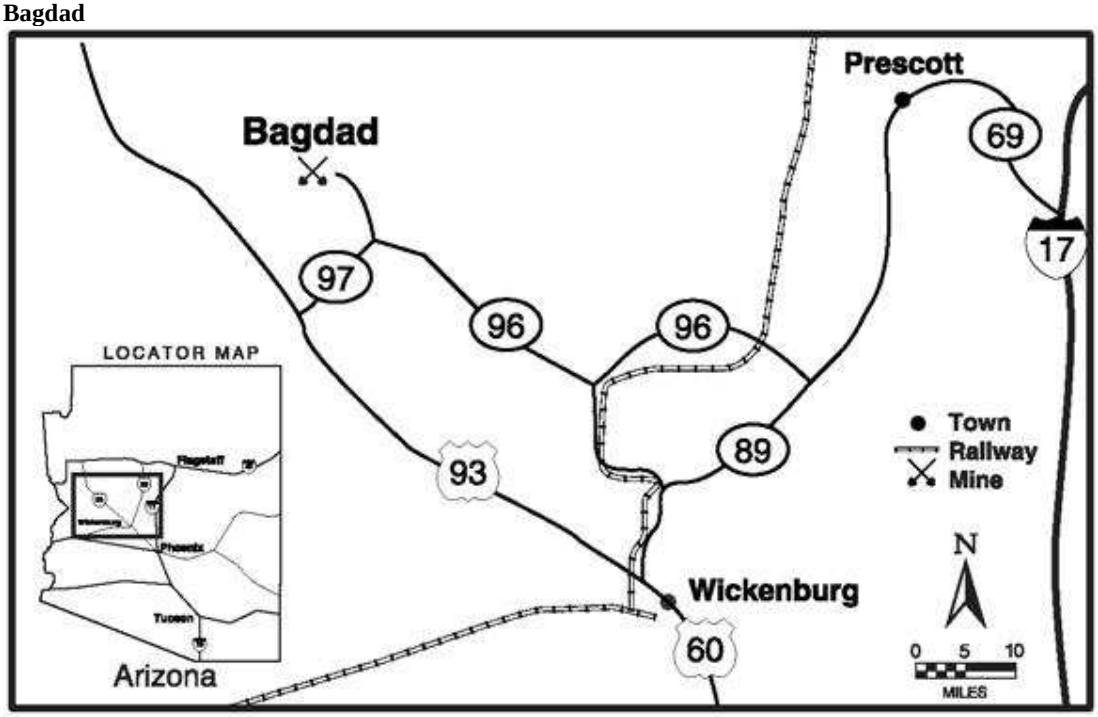
Sierrita is an open-pit copper and molybdenum mining complex located in Pima County, Arizona, approximately 20 miles southwest of Tucson and seven miles west of the town of Green Valley and Interstate Highway 19. The site is accessible by a paved highway and by rail. The mine has been in operation since 1959. The Sierrita mine is a porphyry copper deposit that has oxide and secondary sulfide mineralization, and primary sulfide mineralization. The predominant oxide copper minerals are malachite, azurite and chrysocolla. Chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite are the dominant primary sulfides.

The Sierrita operation consists of a 102,000 metric ton-per-day concentrator, two molybdenum roasters and a rhenium processing facility. The facility produces copper and molybdenum concentrates. Sierrita also produces copper from a ROM oxide-leaching system. Cathode copper is plated at the Twin Buttes EW facility, that has a design capacity of approximately 50 million pounds of copper per year. In 2004, a copper sulfate crystal plant began production. The facility has the capacity to produce 40 million pounds of copper sulfate per year. The molybdenum facility consists of a leaching circuit, two molybdenum roasters and a packaging facility. The molybdenum facilities process Sierrita concentrate, concentrate from our other mines and concentrate from third-party sources. Copper production for 2008 was 188 million pounds and molybdenum production was 20 million pounds. The available mining fleet has the capacity to move an average of 200,000 metric tons of material per day using 24 210- to 235-metric ton haul trucks loaded by five shovels with bucket sizes ranging from 21 to 47 cubic meters.

Sierrita is located in a desert environment with rainfall averaging 12 inches per year. The highest bench elevation is 1,350 meters above sea level and the ultimate pit bottom is expected to be 550 meters above sea level. The Sierrita operation encompasses approximately 22,890 acres, comprising 14,426 acres of patented mining claims and other fee lands, 5,870 acres of unpatented mining claims (includes 3,748 acres overlaying federal minerals on previously counted fee lands) and 2,194 acres of leased lands.

Sierrita receives electrical power through long-term contracts with the Tucson Electric Power Company. Although we believe the Sierrita operation has sufficient water resources to support currently planned mining operations, we are a party to litigation that could adversely affect our water rights at Sierrita and at our other properties in Arizona. Refer to Item 3. “Legal Proceedings,” for information concerning the status of these proceedings.

Bagdad



Bagdad is an open-pit copper and molybdenum mining complex located in Yavapai County in west-central Arizona. It is approximately 60 miles west of Prescott and 100 miles northwest of Phoenix. The property can be reached by Arizona Highway 96, which ends at the town of Bagdad. The closest railroad siding is at Hillside, Arizona, approximately 24 miles southeast on Arizona Highway 96. The open-pit mining operation has been ongoing since 1945, and prior mining was conducted through underground workings. The Bagdad mine is a porphyry copper deposit that has oxide and secondary sulfide mineralization, and primary sulfide mineralization. The predominant oxide copper minerals are chrysocolla, malachite and azurite. Chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite are the dominant primary sulfides.

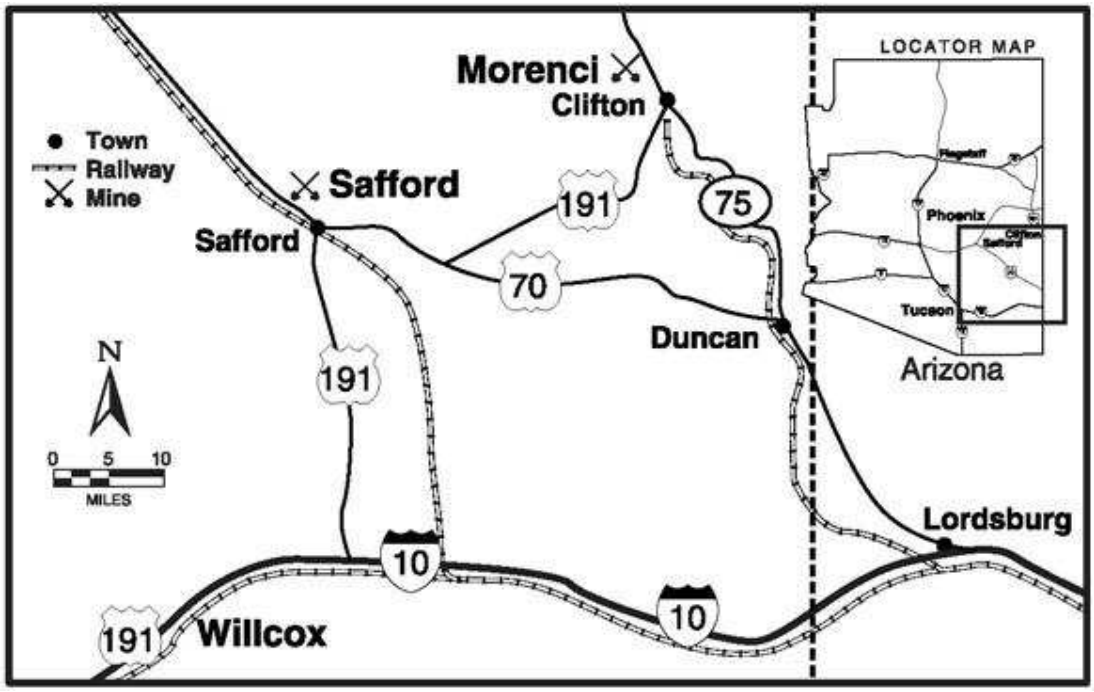
The Bagdad operation consists of a 75,000 metric ton-per-day concentrator that produces copper and molybdenum concentrates, and an SX/EW plant that produces up to 25 million pounds per year of copper cathode from solution generated by low-grade ROM. Copper production for 2008 was 227 million pounds and molybdenum production was eight million pounds. The available mining fleet has the capacity to move in excess of 180,000 metric tons of material per day using 24 235-metric ton haul trucks loaded by five shovels with bucket sizes ranging from 40 to 56 cubic meters.

In 2002, Bagdad constructed a high-temperature, concentrate-leaching demonstration plant designed to recover commercial-grade copper cathode from chalcopyrite concentrates. The facility is the first of its kind in the world to use high-temperature, pressure leaching to process chalcopyrite concentrates. In first-quarter 2009, the conversion of this facility to a molybdenum concentrate leach facility will be completed and is expected to increase our annual capacity to upgrade molybdenum sulfide to an oxide by approximately 20 million pounds.

Bagdad is located in a desert environment with rainfall averaging 15 inches per year. The highest bench elevation is 1,200 meters above sea level and the ultimate pit bottom is expected to be 475 meters above sea level. The Bagdad operation encompasses approximately 21,743 acres, comprising 21,143 acres of patented mining claims and other fee lands, and 600 acres of unpatented mining claims.

Bagdad receives electrical power from Arizona Public Service Company. Although we believe the Bagdad operation has sufficient water resources to support currently planned mining operations, we are a party to litigation that could adversely affect our water rights at Bagdad and at our other properties in Arizona. Refer to Item 3. “Legal Proceedings,” for information concerning the status of these proceedings.

Safford



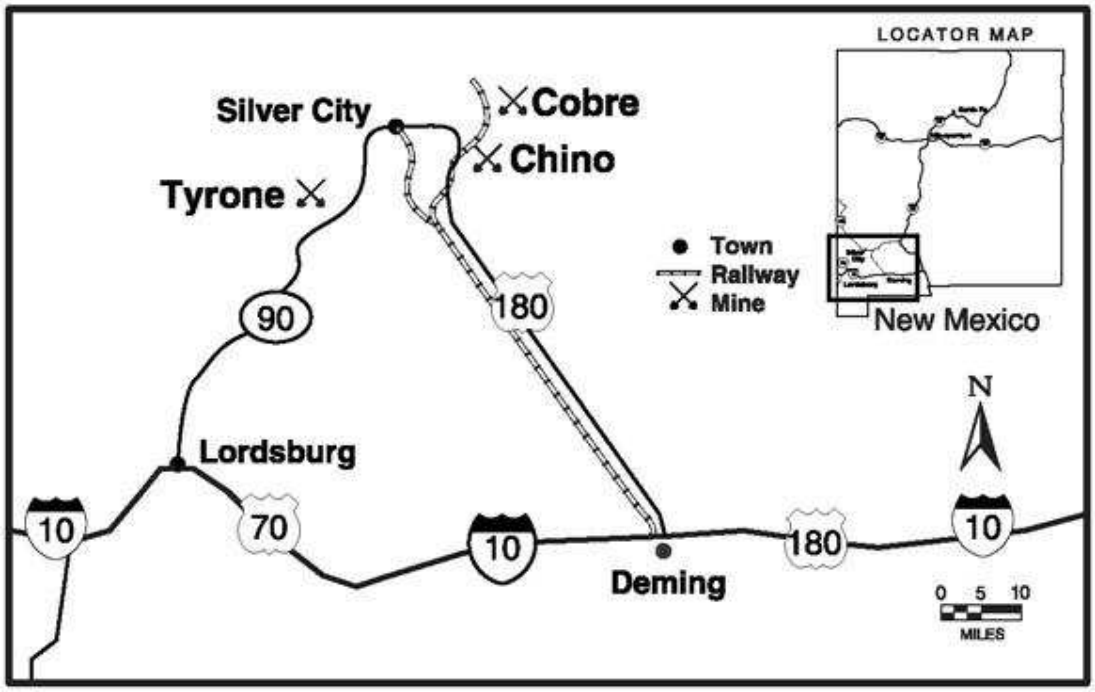
Safford is an open-pit copper mining complex located in Graham County, Arizona, approximately eight miles north of the town of Safford and 170 miles east of Phoenix. The site is accessible by paved county road off U.S. Highway 70. Initial production commenced in late 2007 with production ramping up to full production capacity in the second half of 2008. The Safford mine includes two copper deposits that have oxide mineralization overlaying primary copper sulfide mineralization. The predominant oxide copper minerals are chrysocolla and copper-bearing iron oxides with the predominant copper sulfide material being chalcopyrite.

The property is a mine-for-leach project and produces copper cathodes. The operation consists of two open pits feeding a crushing facility with a capacity of 103,000 metric tons per day of crushed ore. The crushed ore is delivered to a single leach pad by a series of overland and portable conveyors. Leach solutions feed an SX/EW facility with a capacity of 240 million pounds of copper per year. Copper production for 2008 was 133 million pounds. In response to weak market conditions during fourth-quarter 2008 and January 2009, we revised our operating plans to reflect a 50 percent reduction in mining and stacking rates at Safford. The available mining fleet consists of 23 235-metric ton haul trucks loaded by four shovels with bucket sizes ranging from 31 to 34 cubic meters, which are capable of moving an average of approximately 285,000 metric tons of material per day.

Safford is located in a desert environment with rainfall averaging 10 inches per year. The highest bench elevation is 1,250 meters above sea level and the ultimate pit bottom is expected to have an elevation of 750 meters above sea level. The Safford operation encompasses approximately 24,957 acres, comprising 20,994 acres of patented lands, 3,932 acres of unpatented lands and 31 acres of land held by federal permit.

The Safford operation’s electrical power is provided by Morenci Water and Electric Company, a wholly owned subsidiary of FCX, through the transmission systems of Southwest Transmission Cooperative, a subsidiary of Arizona Electric Power Cooperative, Inc., with most of the power sourced from the Luna Energy facility. Although we believe the Safford operation has sufficient water resources to support currently planned mining operations, we are a party to litigation that could adversely impact the water rights at Safford and at our other properties in Arizona. Refer to Item 3. “Legal Proceedings,” for information concerning the status of these proceedings.

Tyrone


LOCATOR MAP
Silver City
Cobre
Chino
Tyrone
Town
Railway
Mine
New Mexico
90
180
N
Lordsburg
10
70
10
Deming
180
10
0 5 10
MILES

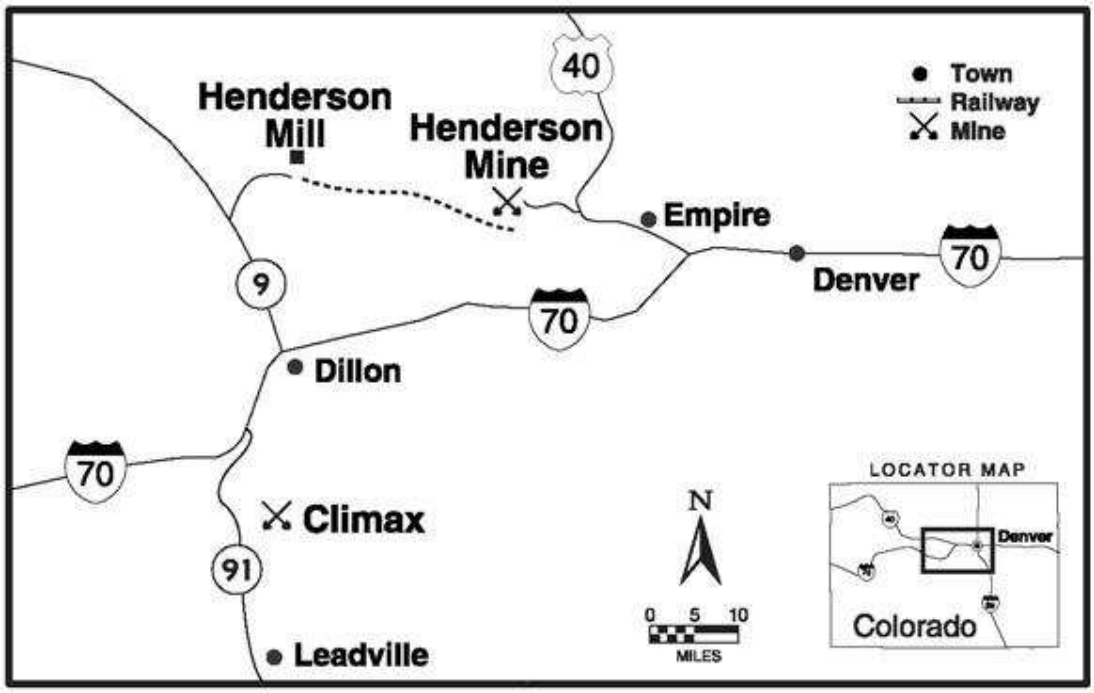
Tyrone is an open-pit copper mining complex located in southwestern New Mexico in Grant County, approximately 10 miles south of Silver City, New Mexico, along State Highway 90. The site is accessible by paved road. The open-pit mine has been in operation since 1967. The Tyrone mine is a porphyry copper deposit. Mineralization is predominantly secondary sulfide consisting of chalcocite.

Copper processing facilities consist of an SX/EW operation with a maximum capacity of 168 million pounds of copper cathodes per year. Copper production for 2008 was 76 million pounds. In response to weak market conditions during fourth-quarter 2008 and January 2009, we revised our operating plan to reflect a 50 percent reduction in the mining rate at Tyrone. The available mining fleet has the capacity to move an average of 120,000 metric tons of material per day using 22 190-metric ton haul trucks loaded by three shovels with bucket sizes ranging from 22 to 54 cubic meters. Historically, ore production has occurred from numerous open pits throughout the site. Mining is currently ongoing in a single, large, central open pit.

Tyrone is located in a desert environment with rainfall averaging 16 inches per year. The highest bench elevation is 2,000 meters above sea level and the ultimate pit bottom is expected to have an elevation of 1,500 meters above sea level. The Tyrone operation encompasses approximately 35,200 acres, comprising 18,755 acres of patented mining claims and other fee lands, and 16,445 acres of unpatented mining claims (includes 1,116 acres overlaying federal minerals on previously counted fee lands).

Tyrone receives electrical power from the Luna Energy facility and from the open market. Tyrone also has the ability to self-generate power. We believe the Tyrone operation has sufficient water resources to support currently planned mining operations.

Henderson



The Henderson molybdenum mine is located approximately 42 miles west of Denver, Colorado, off U.S. Highway 40. Nearby communities include the towns of Empire, Georgetown and Idaho Springs. The Henderson mill site is located approximately 15 miles west of the mine and is accessible from Colorado State Highway 9. The Henderson mine and mill are connected by a 10-mile conveyor tunnel under the Continental Divide and an additional five-mile surface conveyor. The tunnel portal is located five miles east of the mill. The mine has been in operation since 1976. The Henderson mine is a porphyry molybdenum deposit with molybdenite as the primary sulfide mineral.

The Henderson operation consists of a large block-cave underground mining complex feeding a 36,000 metric ton-per-day concentrator. Henderson has the capacity to produce approximately 40 million pounds of molybdenum per year. The majority of the molybdenum concentrate produced is shipped to our Fort Madison, Iowa, processing facility. Molybdenum production for 2008 was 40 million pounds. In response to weak market conditions during fourth-quarter 2008, we revised our operating plans to reflect an approximate 25 percent reduction in Henderson's annual production. The available underground mining equipment fleet consists of 20 nine-metric ton load-haul-dump (LHD) units and eight 36- and 73-metric ton haul trucks, which feed a gyratory crusher feeding a series of three overland conveyors to the mill stockpiles.

The Henderson mine is located in a mountain region with the main access shaft at 3,180 meters above sea level. The main production levels are currently at elevations of 2,200 and 2,350 meters above sea level. This region experiences significant snowfall during the winter months.

The Henderson mine and mill operations encompass approximately 11,878 acres, comprising 11,843 acres of patented mining claims and other fee lands, and a 35-acre easement with the U.S. Forest Service for the surface portion of the conveyor corridor.

Henderson operations receive electrical power through long-term contracts with Xcel Energy and natural gas through long-term contracts with BP Energy, with Xcel Energy as the transporter. We believe the Henderson operation has sufficient water resources to support currently planned mining operations.

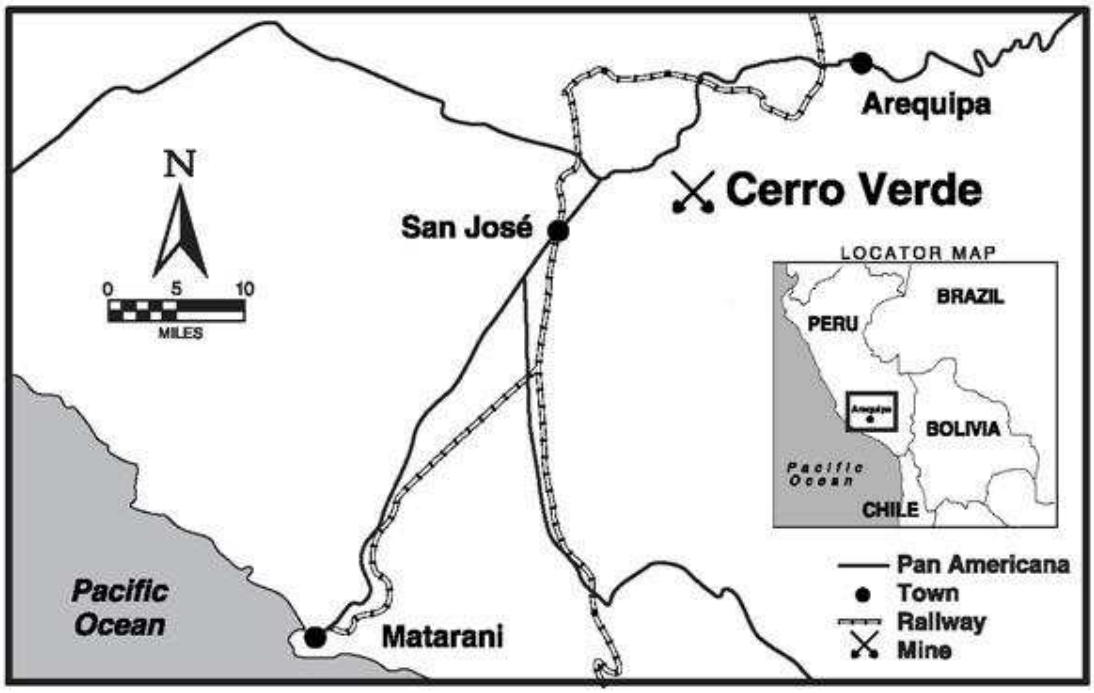
Non-Operating Mines

In addition to the currently operating mines described above, we have four non-operating copper mines in Arizona: Ajo, Bisbee, Miami and Tohono; two in New Mexico: Chino (with limited residual copper production from leaching operations) and Cobre; and the Climax molybdenum mine in Colorado, all of which are currently on care-and-maintenance status. In November 2008, in response to current market conditions, we announced suspension of construction activities associated with the restart of the Climax molybdenum mine and placed the Chino mine on care-and-maintenance status in December 2008. The remainder of these mines have been on care-and-maintenance status for several years and would require significant capital investment to return them to operating status. Several of the Arizona and New Mexico mines continue to produce copper cathode from stockpiles. Copper production in 2008 from these mines totaled 180 million pounds.

South America

At our operations in South America, mine properties and facilities are controlled through mining claims or concessions under the general mining laws of the relevant country. The claims or concessions are owned or controlled by the operating companies in which we or our subsidiaries have an ownership interest. Roads, power lines and aqueducts are controlled by easements.

Cerro Verde



Cerro Verde is an open-pit copper and molybdenum mining complex located 20 miles southwest of Arequipa, Peru. The site is accessible by paved highway. We have a 53.56 percent ownership interest in Cerro Verde. The remaining 46.44 percent is held by SMM Cerro Verde Netherlands B.V. (21.0 percent), Compañia de Minas Buenaventura S.A.A. (18.5 percent) and other shareholders whose shares are publicly traded on the Lima Stock Exchange (6.94 percent). The Cerro Verde mine has been in operation since 1976.

The Cerro Verde mine is a porphyry copper deposit that has oxide and secondary sulfide mineralization, and primary sulfide mineralization. The predominant oxide copper minerals are brochantite, chrysocolla, malachite and copper “pitch.” Chalcocite and covellite are the most important secondary copper sulfide minerals. Chalcopyrite and molybdenite are the dominant primary sulfides.

Cerro Verde’s current operation consists of an open-pit copper mine, concentrator and SX/EW leaching facilities. Leach copper production is derived from a 39,000 metric ton-per-day crushed leach facility and a ROM leach

system. This leaching operation has a capacity of approximately 200 million pounds of copper per year. A 108,000 metric ton-per-day concentrator was completed in late 2006 and began processing of sulfide ore in the fourth quarter of 2006. Copper production for 2008 was 694 million pounds.

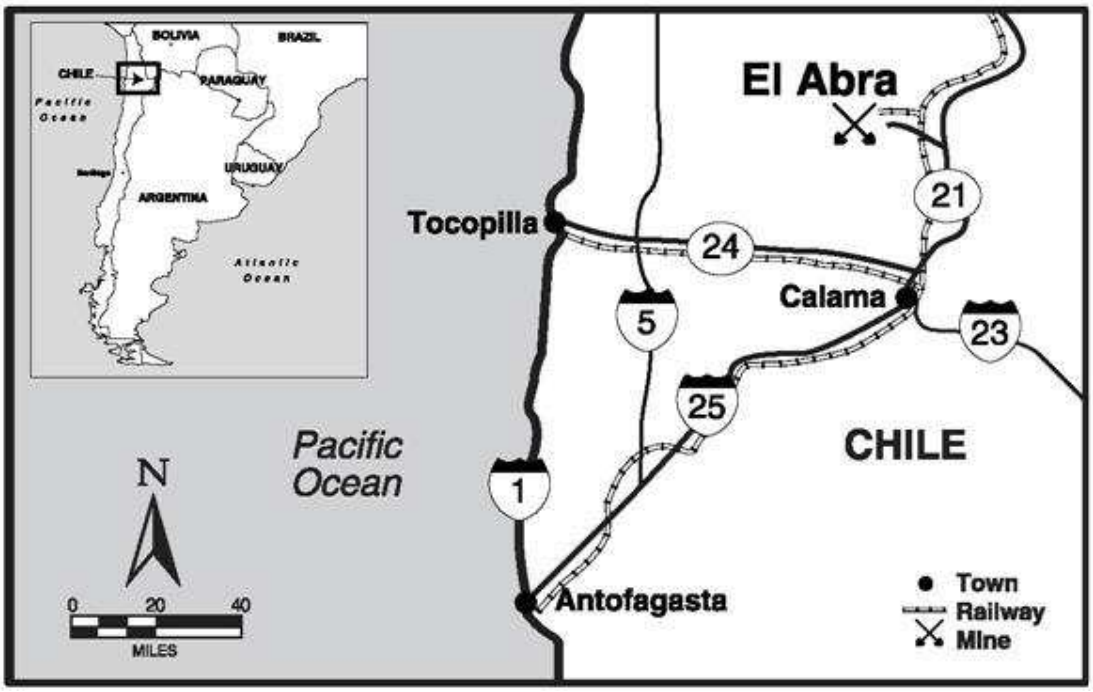
Cerro Verde has sufficient equipment to move an average of 295,000 metric tons of material per day using an available fleet of 29 180-metric ton and 230-metric ton haul trucks loaded by five shovels with bucket sizes ranging in size from 21 to 46 cubic meters.

Approximately one-third of Cerro Verde's copper cathode production is sold locally and the remaining copper cathodes and concentrate production are transported approximately 70 miles by truck and rail to the Pacific Port of Matarani for shipment to international markets.

Cerro Verde is located in a desert environment with rainfall averaging 1.5 inches per year and is in an active seismic zone. The highest bench elevation is 2,900 meters above sea level and the ultimate pit bottom is expected to be 2,000 meters above sea level. Cerro Verde has a mining concession covering approximately 157,007 acres plus 24 acres of owned property and 79 acres of rights-of-way outside the mining concession area.

Cerro Verde receives electrical power under long-term contracts with Electroperu and Empresa de Generación Eléctrica de Arequipa. The existing freshwater intake and supply system on the Rio Chili was expanded for the Cerro Verde concentrator project. Cerro Verde's participation in the Pillones Reservoir Project has secured water rights that we believe will be sufficient to support Cerro Verde's currently planned operations. However, rainfall in 2008 was below normal and the rainy season in 2009, which ends in March, has been below normal. Reservoir levels are currently about half of the five-year average for this time of year.

El Abra



El Abra is an open-pit copper mining complex located 47 miles north of Calama in Chile's El Loa province, Region II. The site is accessible by paved highway and by rail. We own a 51 percent interest in El Abra. The remaining 49 percent interest is held by the state-owned copper enterprise Corporación Nacional del Cobre de Chile (CODELCO). The mine has been in operation since 1996.

The El Abra mine is a porphyry copper deposit that has oxide and sulfide mineralization. The predominant oxide copper minerals are chrysocolla and pseudomalachite. There are lesser amounts of copper-bearing clays and tenorite. The predominant primary sulfide copper minerals are bornite and chalcopyrite. There is a minor amount of secondary sulfide mineralization as chalcocite.

The El Abra operation consists of an open-pit copper mine and an SX/EW facility with a capacity of 500 million pounds of copper cathode per year from a 120,000 metric ton-per-day crushed leach circuit and a similar-sized, ROM leaching operation. Copper production for 2008 was 366 million pounds. The mining operation has sufficient equipment to move an average of 223,000 metric tons per day using an available fleet of 26 220-metric ton haul trucks loaded by four shovels with buckets ranging in size from 26 to 41 cubic meters.

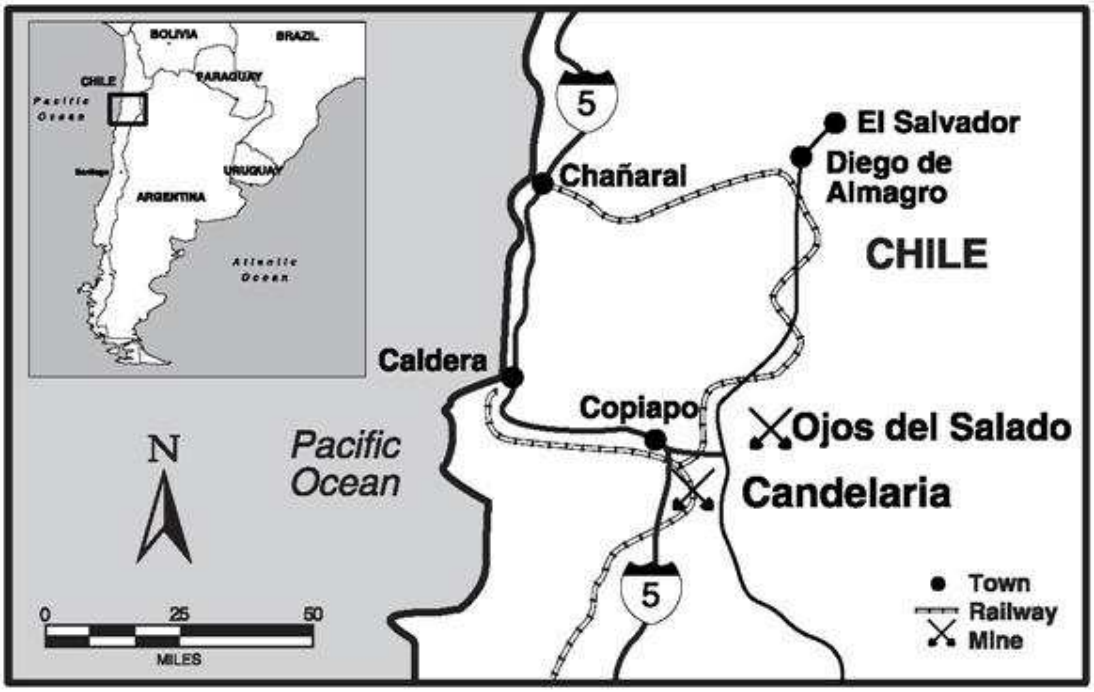
We have the opportunity to develop a large sulfide deposit at El Abra that will extend the mine life by over 10 years. Copper production from the sulfide deposit is estimated to average approximately 325 million pounds per

year, replacing the depleting oxide production. We had previously planned to begin development of this project in 2009 to reach full production in 2012; however, in response to current market conditions, we are deferring construction activities on this project. We will continue to assess the timing of this project and will be prepared to proceed with construction activities when market conditions improve. Total initial capital for the project is estimated to approximate $450 million.

El Abra is located in a desert environment with rainfall averaging less than one inch per year and is in an active seismic zone. The highest bench elevation is 4,180 meters above sea level and the ultimate pit bottom is expected to be 3,410 meters above sea level. El Abra controls a total of 110,268 acres of mining claims covering the ore deposit, stockpiles, process plant, and water wellfield and pipeline. In addition, El Abra has acquired land surface rights for the road between the processing plant and the mine, the water wellfield, power transmission lines and for the water pipeline from the Salar de Ascotán. Acquisition of additional land surface area required for the future development of the sulfide project is in process.

El Abra currently receives electrical power under a contract with Electroandina, which will expire at the end of 2017. We believe El Abra has sufficient water rights to support currently planned operations.

Candelaria and Ojos del Salado



Candelaria . Candelaria is an open-pit and underground copper mining complex located approximately 12 miles south of Copiapó in northern Chile's Atacama province, Region III. The site is accessible by two maintained dirt roads, one coming through the Tierra Amarilla community and the other off of Route 5 of the International Pan-American Highway. We have an 80 percent ownership interest in Candelaria. The remaining 20 percent interest is owned by affiliates of the Sumitomo Corporation. The open-pit copper mine has been in operation since 1993 and the underground copper mine has been in operation since 2005.

The Candelaria mine is an iron oxide, copper/gold deposit. Primary sulfide mineralization consists of chalcopyrite.

The Candelaria operation consists of an open-pit copper mine and a 6,000 metric ton-per-day underground copper mine, which is mined by sublevel stoping, feeding a 75,000 metric ton-per-day concentrator. On average, open-pit mining operations move 210,000 metric tons of material per day using an available fleet of 48 225-metric ton haul trucks loaded by six shovels with bucket sizes ranging from 13 to 43 cubic meters. Copper concentrates are transported by truck to the Punta Padrones port facility located in Caldera, approximately 50 miles northwest of the mine. Copper production for 2008 was 383 million pounds and gold production was 98,000 ounces. In early 2009, we revised our operating plan to reduce the mining rate at Candelaria.

Candelaria is located in a desert environment with rainfall averaging less than one inch per year and is in an active seismic zone. The highest bench elevation is 675 meters above sea level and the ultimate pit bottom is expected to be 30 meters below sea level. The Candelaria property encompasses approximately 13,390 acres, including approximately 544 acres for the port facility in Caldera. The remaining property consists of mineral rights owned by us in which the surface is not owned but controlled by us, which is consistent with Chilean law.

Candelaria receives electrical power through long-term contracts with Empresa Eléctrica Guacolda S.A., a local energy company. Candelaria's water supply comes from well fields in the area of Tierra Amarilla and Copiapó that draw water from the Copiapó River aquifer. Because of rapid depletion of that aquifer in recent years, ongoing studies are addressing the adequacy of this water supply for Candelaria's currently planned operations.

Ojos del Salado . Ojos del Salado consists of two underground copper mines (Santos and Alcaparrosa) and a 3,800 metric ton-per-day concentrator. The operation is located approximately 10 miles east of Copiapó in northern Chile's Atacama province, Region III, and is accessible by paved highway. We have an 80 percent ownership interest in Ojos del Salado. The remaining 20 percent interest is owned by affiliates of the Sumitomo Corporation. The Ojos del Salado operation began commercial production in 1929.

The Ojos del Salado mines are iron oxide and copper/gold deposits. Primary sulfide mineralization consists of chalcopyrite.

The Ojos del Salado operation has a capacity of 3,800 metric tons per day of ore from the Santos underground mine and 4,000 metric tons per day from the Alcaparrosa underground mine. The ore from both mines is mined by sublevel stoping, since both the ore and enclosing rocks are competent. The broken ore is removed from the stopes using scoops and loaded into an available fleet of 18 28-metric ton trucks, which transport the ore to the surface. The ore from the Santos mine is hauled directly to the Ojos del Salado mill for processing, and the ore from the Alcaparrosa mine is reloaded into five 54-metric ton trucks and hauled 12 miles to the Candelaria mill for processing. The Ojos del Salado concentrator has the capacity to produce over 30 million pounds of copper and 9,000 ounces of gold per year. Copper production for 2008 was 63 million pounds and gold production was 16,000 ounces. In early 2009, we revised our operating plan to reduce the mining rate at Ojos del Salado. Tailings from the Ojos del Salado mill are pumped to the Candelaria tailings facility for final deposition. The Candelaria facility has sufficient capacity for the remaining Ojos del Salado tailings in addition to Candelaria's tailings.

Ojos del Salado is located in a desert environment with rainfall averaging less than one inch per year and is in an active seismic zone. The highest underground level is at an elevation of 500 meters above sea level, with the lowest underground level at 150 meters above sea level. The Ojos del Salado mineral rights encompass approximately 15,815 acres, which includes approximately 6,784 acres of owned land in and around the Ojos del Salado underground mines and plant site. The remaining property consists of mineral rights owned by us in which the surface is not owned but controlled by us, which is consistent with Chilean law.

Ojos del Salado receives electrical power through long-term contracts with Empresa Eléctrica Guacolda S.A. Ojos del Salado's water supply comes from the Copiapó River aquifer. Because of rapid depletion of this aquifer in recent years, ongoing studies are addressing the adequacy of this water supply for Ojos del Salado's currently planned operations.

Indonesia

Ownership

PT Freeport Indonesia is a limited liability company organized under the laws of the Republic of Indonesia and incorporated in Delaware. We directly own 81.28 percent of PT Freeport Indonesia, 9.36 percent indirectly through our wholly owned subsidiary, PT Indocopper Investama, and the Government of Indonesia owns the remaining 9.36 percent.

In July 2004, we received a request from the Indonesian Department of Energy and Mineral Resources that we offer to sell shares in PT Indocopper Investama to Indonesian nationals at fair market value. Refer to Note 16 – "Commitments and Guarantees" for additional discussion.

In 1996, we established joint ventures with Rio Tinto plc (Rio Tinto), an international mining company with headquarters in London, England. One joint venture covers PT Freeport Indonesia's mining operations in Block A and gives Rio Tinto, through 2021, a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver in Block A, and, after 2021, a 40 percent interest in all production from Block A. Operating, nonexpansion capital and administrative costs are shared proportionately

between PT Freeport Indonesia and Rio Tinto based on the ratio of (a) the incremental revenues from production from our expansion completed in 1998 to (b) total revenues from Block A, including production from PT Freeport Indonesia's previously existing reserves. PT Freeport Indonesia receives 100 percent of the cash flow from specified annual amounts of copper, gold and silver through 2021, calculated by reference to its proven and probable reserves as of December 31, 1994, and 60 percent of all remaining cash flow. PT Freeport Indonesia records its joint venture interest using the proportionate consolidation method. Under the joint venture agreements, virtually all of the 2008 cash flows from PT Freeport Indonesia's operations were attributed to PT Freeport Indonesia.

Contracts of Work

Through a Contract of Work (COW) with the Government of Indonesia, PT Freeport Indonesia conducts its current exploration and mining operations in Indonesia. The COW governs our rights and obligations relating to taxes, exchange controls, royalties, repatriation and other matters, and was concluded pursuant to the 1967 Foreign Capital Investment Law, which expresses Indonesia's foreign investment policy and provides basic guarantees of remittance rights and protection against nationalization, a framework for economic incentives and basic rules regarding other rights and obligations of foreign investors. Specifically, the COW provides that the Government of Indonesia will not nationalize or expropriate PT Freeport Indonesia's mining operations. Any disputes regarding the provisions of the COW are subject to international arbitration. We have experienced no disputes requiring arbitration during the 40 years we have operated in Indonesia.

PT Freeport Indonesia's COW covers both Block A, which was first included in a 1967 COW that was replaced by a new COW in 1991, and Block B in which we gained rights in 1991. The initial term of our COW expires in December 2021, but we can extend it for two 10-year periods subject to Indonesian government approval that cannot be withheld or delayed unreasonably. The COW allows us to conduct exploration, mining and production activities in the 24,700-acre Block A area, located in Papua. All of PT Freeport Indonesia's proven and probable mineral reserves and current mining operations are located in Block A. Under the COW, PT Freeport Indonesia also conducts exploration activities (which had been suspended, but resumed in 2007) in the approximate 500,000-acre Block B area, in Papua. We originally had the rights to explore 6.5 million acres in Block B, but pursuant to the COW we have only retained the rights to approximately 500,000 acres following significant geological assessment.

PT Freeport Indonesia pays a copper royalty under its COW that varies from 1.5 percent of copper net revenue at a copper price of $0.90 or less per pound to 3.5 percent at a copper price of $1.10 or more per pound. The COW royalty rate for gold and silver sales is 1.0 percent.

A large part of the mineral royalties under Government of Indonesia regulations are designated to the provinces from which the minerals are extracted. In connection with our fourth concentrator mill expansion completed in 1998, PT Freeport Indonesia agreed to pay the Government of Indonesia additional royalties (royalties not required by our COW) to provide further support to the local governments and the people of the Indonesia province of Papua. The additional royalties are paid on production exceeding specified annual amounts of copper, gold and silver expected to be generated when PT Freeport Indonesia's milling facilities operate above 200,000 metric tons of ore per day. The additional royalty for copper equals the COW royalty rate and for gold and silver equals twice the COW royalty rates. Therefore, PT Freeport Indonesia's royalty rate on copper net revenues from production above the agreed levels is double the COW royalty rate, and royalty rates on gold and silver sales from production above the agreed levels are triple the COW royalty rates. PT Freeport Indonesia's share of the combined royalties, including the additional royalties which became effective January 1, 1999, totaled $113 million in 2008, $133 million in 2007 and $126 million in 2006.

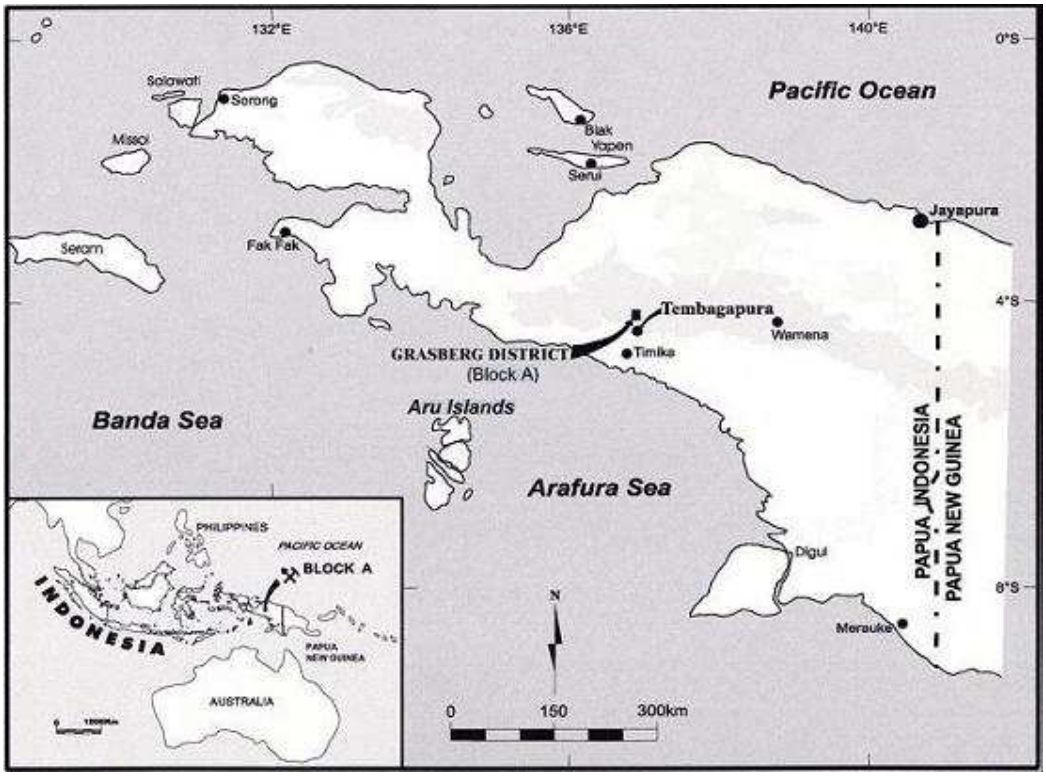
PT Irja Eastern Minerals (Eastern Minerals), of which we own 100 percent, conducts exploration under a separate COW in an area covering approximately 450,000 acres in Papua.

Under a joint venture agreement through PT Nabire Bakti Mining, we conduct exploration activities under a separate COW in an area covering approximately 500,000 acres in five parcels contiguous to PT Freeport Indonesia's Block B and one of Eastern Minerals' blocks.

In 2008, Indonesia enacted a new mining law, which will operate under a licensing system as opposed to the COW system that applies to PT Freeport Indonesia and Eastern Materials. The new law indicates that existing COWs will be honored but that certain provisions should be adjusted to conform to the new law. It is not clear

what adjustments, if any, may be requested by the Government of Indonesia, but we are committed to continuing to honor and abide by the terms of our COW and the Government has consistently indicated that it will honor all existing contracts.

Grasberg Minerals District



PT Freeport Indonesia operates in the remote highlands of the Sudirman Mountain Range in the province of Papua, Indonesia, which is on the western half of the island of New Guinea. We and our predecessors have conducted exploration and mining operations in Block A since 1967 and have been the only operator of these operations. We currently have two mines in operation: the Grasberg open pit and the Deep Ore Zone (DOZ) underground block cave.

Grasberg Open Pit . We began open-pit mining of the Grasberg ore body in 1990. Open-pit operations are expected to continue through 2015, at which time the Grasberg underground mining operations are scheduled to begin. Production is currently at the 3,295- to 4,285-meter elevation level and totaled 49.0 million metric tons of ore in 2008 and 57.5 million metric tons of ore in 2007, which provided 67 percent of our 2008 mill feed and 75 percent of our 2007 mill feed. Remaining mill feed comes from our DOZ mine.

The current Grasberg equipment fleet consists of over 500 units. At December 31, 2008, the larger mining equipment directly associated with production included an available fleet of 157 haul trucks with payloads ranging from approximately 215 metric tons to 330 metric tons and 19 shovels with bucket sizes ranging from 30 cubic meters to 42 cubic meters, which in 2008 moved an average of 669,000 metric tons per day.

Grasberg crushing and conveying systems are integral to the mine and provide the capacity to transport up to 225,000 metric tons per day of Grasberg ore to the mill and 135,000 metric tons per day of overburden to the overburden stockpiles. The remaining ore and overburden is moved by haul trucks.

Deep Ore Zone . The DOZ ore body lies vertically below the now depleted Intermediate Ore Zone. We began production from the DOZ ore body in 1989 using open stope mining methods, but we suspended production in 1991 in favor of production from the Grasberg deposit. Production resumed in September 2000 using the block-cave method. Production is at the 3,110-meter elevation level and totaled 23.1 million metric tons of ore in 2008 and 19.5 million metric tons in 2007.

During 2008, we completed over 16,000 meters of development drifting in support of the block-cave mining method for the DOZ mine. Further expansion of the DOZ operation to 80,000 metric tons of ore per day is under way with completion targeted by 2010. The success of the development of the DOZ mine, one of the world's

largest underground mines, provides confidence in the future development of PT Freeport Indonesia's large-scale undeveloped underground ore bodies.

The DOZ mine fleet consists of over 185 pieces of mobile heavy equipment, which in 2008 moved an average of 63,000 metric tons of ore per day. The primary mining equipment directly associated with production and development includes an available fleet of 50 LHD units and 19 haul trucks. Our production LHD units typically carry approximately 11 metric tons of ore. Using ore passes and chutes, the LHD units transfer ore into 55-ton capacity haul trucks. The trucks dump into two gyratory crushers and the ore is then conveyed to the surface stockpiles.

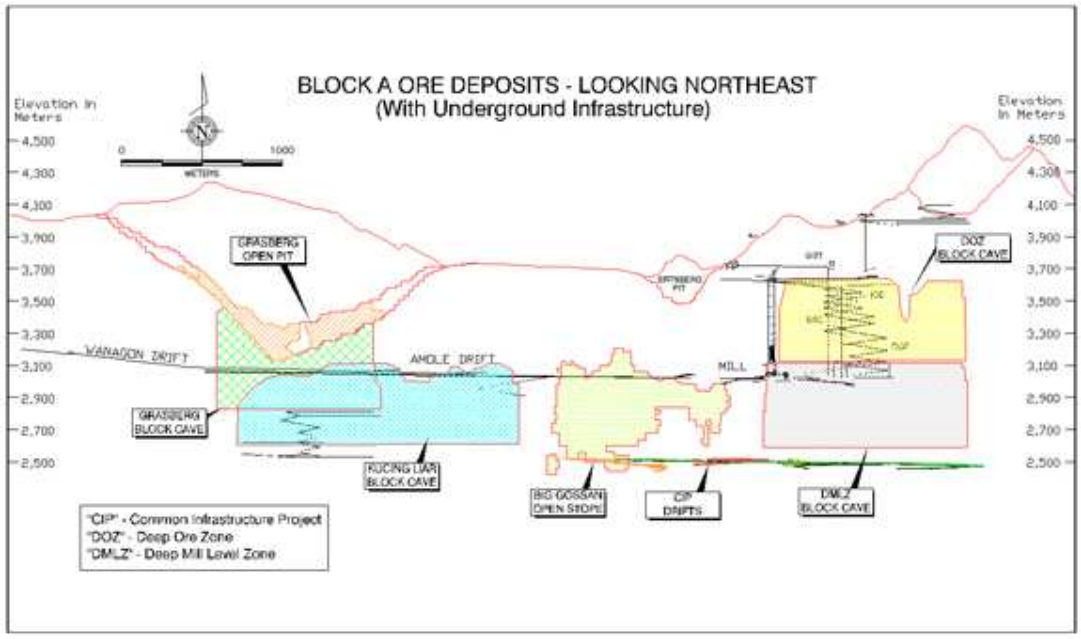
PT Freeport Indonesia's total production for 2008 was 1.1 billion pounds of copper and 1.2 million ounces of gold.

Our principal source of power for all our Indonesian operations is a coal-fired power plant that we built in conjunction with our fourth concentrator mill expansion. Diesel generators supply peaking and backup electrical power generating capacity. A combination of naturally occurring mountain streams and water derived from our underground operations provides water for our operations. Our Indonesian operations are in an active seismic zone and experience average annual rainfall of approximately 200 inches.

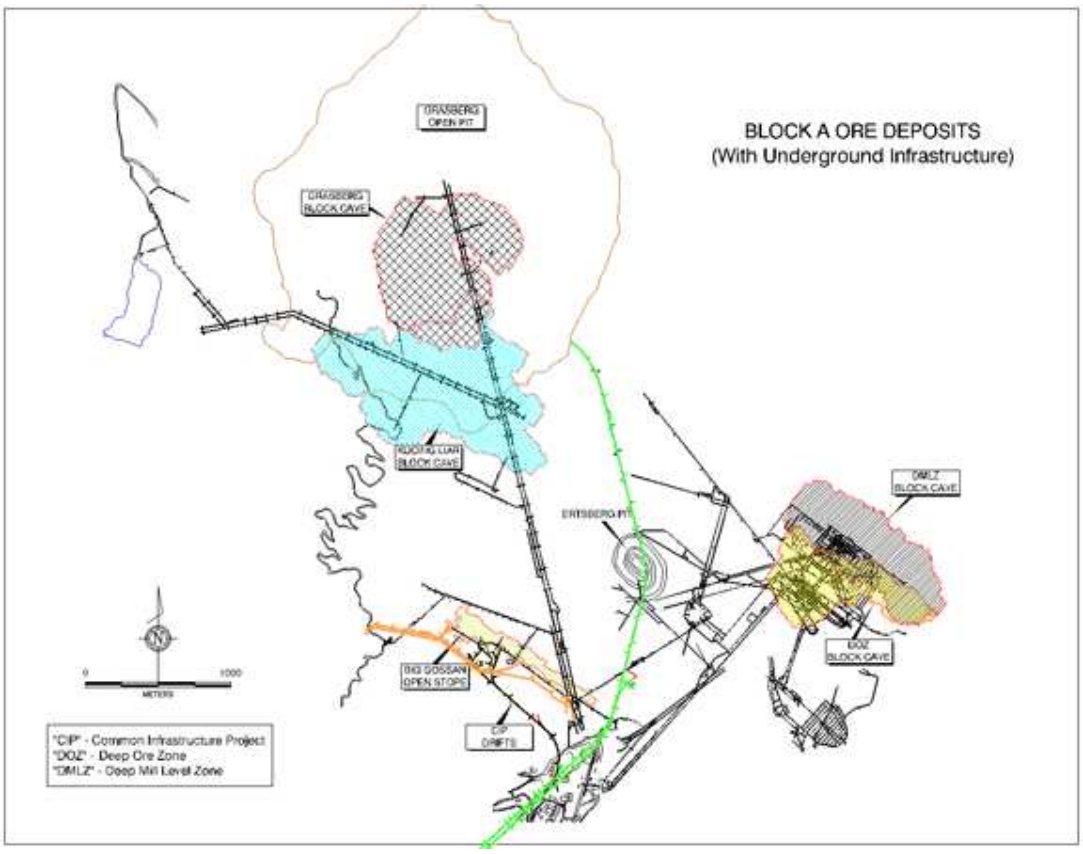
Description of Ore Bodies . Our Indonesia ore bodies are located within and around two main igneous intrusions, the Grasberg monzodiorite and the Ertsberg diorite. The host rocks of these ore bodies include both carbonate and clastic rocks that form the ridge crests and upper flanks of the Sudirman Range, and the igneous rocks of monzonitic to dioritic composition that intrude them. The igneous-hosted ore bodies (the Grasberg open pit and block cave, and the DOZ block cave) occur as vein stockworks and disseminations of copper sulfides, dominated by chalcopyrite and, to a much lesser extent, bornite. The sedimentary-rock hosted ore bodies occur as "magnetite-rich, calcium/magnesian skarn" replacements, whose location and orientation are strongly influenced by major faults and by the chemistry of the carbonate rocks along the margins of the intrusions.

The copper mineralization in these skarn deposits is also dominated by chalcopyrite, but higher bornite concentrations are common. Moreover, gold occurs in significant concentrations in all of the district's ore bodies, though rarely visible to the naked eye. These gold concentrations usually occur as inclusions within the copper sulfide minerals, though, in some deposits, these concentrations can also be strongly associated with pyrite.

The following diagram indicates the relative elevations (in meters) of our reported ore bodies.



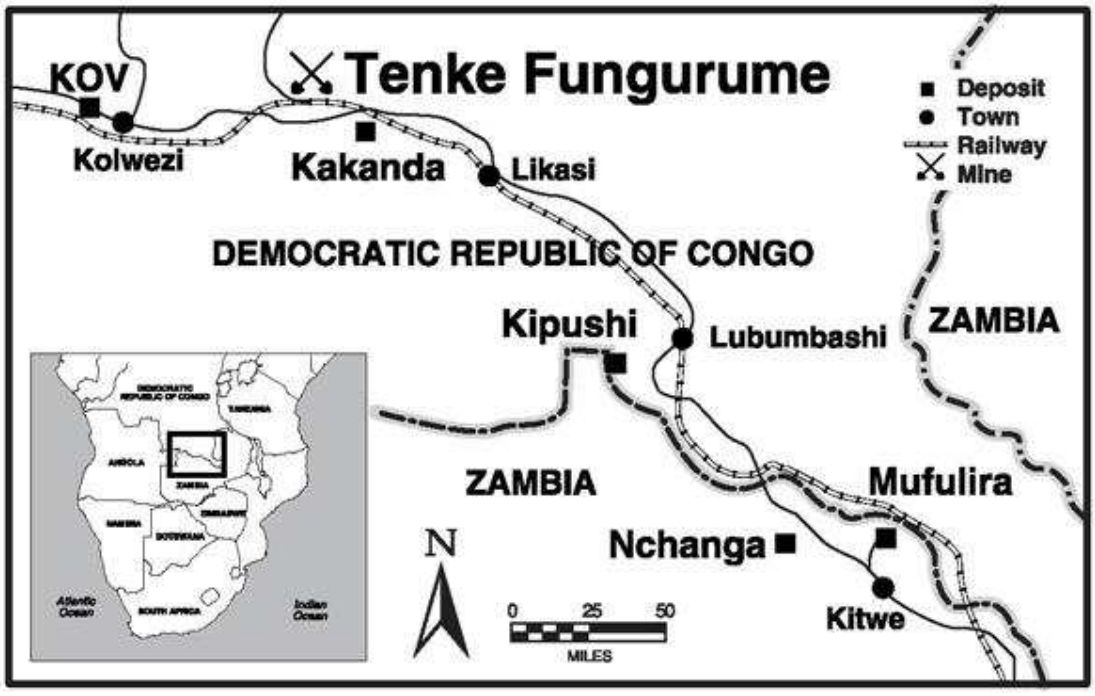
The following map, which encompasses an area of approximately 42 square kilometers (approximately 16 square miles), indicates the relative positions and sizes of our reported ore bodies and their locations.



Africa

We are developing the initial project at Tenke Fungurume in the DRC. At Tenke Fungurume, mine properties and facilities are controlled through mining concessions under general mining laws. The concessions are owned or controlled by operating companies in which we or our subsidiaries have an ownership interest.

Tenke Fungurume



The Tenke Fungurume deposits are located in the Katanga province of the DRC approximately 110 miles northwest of Lubumbashi. The deposits are accessible by unpaved roads and by rail. We hold an effective 57.75 percent interest in the concessions through our interest in Tenke Fungurume Mining, S.A.R.L., a company incorporated under the laws of the DRC and are the operator of the project. The remaining ownership interests

are held by Tenke Mining Corp. (TMC), which is owned by Lundin Mining Corporation (an effective 24.75 percent) and La Générale des Carrières et des Mines (Gécamines), which is wholly owned by the Government of the DRC (17.5 percent). We are responsible for funding 70 percent of project development costs and are also responsible for financing our partner's share of certain cost overruns on the initial project. Gecamines has an undilutable carried interest and is not responsible for funding any project costs. In accordance with the terms of the agreement, Gecamines will receive asset transfer payments totaling $100 million, $70 million of which has already been paid and the remainder of which will be paid over a period of approximately three years.

The Tenke Fungurume deposits are sediment-hosted copper and cobalt deposits with oxide, mixed oxide-sulfide and sulfide mineralization. The dominant oxide minerals are malachite, pseudomalachite and heterogenite. Important sulfide minerals consist of bornite, carrollite, chalcocite and chalcopyrite.

Copper and cobalt will be recovered through an agitation-leach plant capable of processing 8,000 metric tons of ore per day. Construction activities are well advanced and initial production is targeted during the second half of 2009 Annual production in the initial years is expected to approximate 250 million pounds of copper and 18 million pounds of cobalt. The initial project is based on mining and processing ore reserves approximating 119 million metric tons with an average grade of 2.6 percent copper and 0.35 percent cobalt. We expect the results of drilling activities will enable future expansion of initial production rates. The timing of these expansions will depend on a number of factors, including general economic and market conditions. The current equipment fleet includes 8 five-cubic meter front-end loaders, 29 45-metric ton haul trucks, surface miners, production drills, sampling machines and crawler dozers.

Tenke Fungurume is located in a tropical region; however, temperatures are moderated by its higher altitudes. Weather in this region is characterized by a dry season and a wet season, each lasting about six months with average rainfall of 47 inches per year. The highest bench elevation is expected to be 1,480 meters above sea level and the ultimate pit bottom is expected to be 1,270 meters above sea level. The Tenke Fungurume deposits are located within four concessions totaling 394,455 acres.

Tenke Fungurume has entered into long-term power supply and infrastructure funding agreements with La Société Nationale d'Electricité (SNEL), the state-owned electric utility company serving the region. The results of a recent water exploration program, as well as the regional geological and hydro-geological conditions, indicate that adequate water is available for the project, and for hydro-electric generation during the expected life of the operation.

In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession. Refer to Note 16 – "Commitments and Guarantees" for additional discussion.

During October 2008, fighting between rebel groups and the national Congolese army erupted in the DRC and hostilities have continued in the eastern province of North Kivu, which is more than 1,000 kilometers from our project site and not easily accessible by road. This conflict has resulted in increased instability in the DRC. We will continue to monitor the situation while continuing with our development project.

PRODUCTION DATA

For comparative purposes, operating data shown below for the years ended December 31, 2007, 2006, 2005 and 2004, combines our historical data with Phelps Dodge pre-acquisition data. As the pre-acquisition operating data represent the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

COPPER	**Years Ended December 31,**				
(millions of recoverable pounds)	2008	2007 [a]	2006 [a]	2005 [a]	2004 [a]
MINED COPPER (FCX's net interest in %)					
North America					
Morenci (85%) [b]	626	687	693	680	715
Bagdad (100%)	227	202	165	201	220
Sierrita (100%)	188	150	162	158	155
Chino (100%)	155	190	186	210	183
Safford (100%)	133	1	-	-	-
Tyrone (100%)	76	50	64	81	86
Miami (100%)	19	20	19	25	20
Tohono (100%)	2	3	5	5	-
Other (100%)	4	17	11	5	5
Total North America	1,430	1,320[c]	1,305	1,365	1,384
South America					
Cerro Verde (53.56%)	694	594	222	206	195
Candelaria/Ojos del Salado (80%)	446	453	429	421	461
El Abra (51%)	366	366	482	464	481
Total South America	1,506	1,413[c]	1,133	1,091	1,137
Indonesia					
Grasberg (90.64%) [d]	1,094	1,151	1,201	1,456	997
Consolidated	**4,030**	**3,884**	**3,639**	**3,912**	**3,518**
Less minority participants' share	693	653	537	543	512
Net	**3,337**	**3,231**	**3,102**	**3,369**	**3,006**
GOLD					
(thousands of recoverable ounces)					
MINED GOLD (FCX's net interest in %)					
North America (100%) [b]	14	15	19	17	13
South America (80%)	114	116[e]	112	117	122
Indonesia (90.64%) [d]	1,163	2,198	1,732	2,789	1,456
Consolidated	**1,291**	**2,329**	**1,863**	**2,923**	**1,591**
Less minority participants' share	132	229	184	284	160
Net	**1,159**	**2,100**	**1,679**	**2,639**	**1,431**
MOLYBDENUM					
(millions of recoverable pounds)					
MINED MOLYBDENUM (FCX's net interest in %)					
Henderson (100%)	40	39[f]	37	32	28
By-product – North America (100%) [b]	30	30	31	30	29
By-product – Cerro Verde (53.56%)	3	1	-	-	-
Consolidated	**73**	**70**	**68**	**62**	**57**
Less minority participants' share	1	-	-	-	-
Net	**72**	**70**	**68**	**62**	**57**

a. For comparative purposes, operating data for the years ended December 31, 2007, 2006, 2005 and 2004, combines our historical data with Phelps Dodge pre-acquisition data. As the pre-acquisition data represent the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.
b. Amounts are net of Morenci's 15 percent joint venture partner interest.

c. Includes North America copper production of 258 million pounds and South America copper production of 259 million pounds for Phelps Dodge's pre-acquisition results.
d. Amounts are net of Grasberg's joint venture partner's interest, which varies in accordance with terms of the joint venture agreement.
e. Includes gold production of 21 thousand ounces for Phelps Dodge's pre-acquisition results.
f. Includes molybdenum production of 14 million pounds for Phelps Dodge's pre-acquisition results.

SALES DATA

For comparative purposes, operating data shown below for the years ended December 31, 2007, 2006, 2005 and 2004, combines our historical data with Phelps Dodge pre-acquisition data. As the pre-acquisition operating data represent the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	Years Ended December 31,				
COPPER (millions of recoverable pounds)	2008	2007 [a]	2006 [a]	2005 [a]	2004 [a]
MINED COPPER (FCX's net interest in %)					
North America					
Morenci (85%) [b]	646	693	692	680	715
Bagdad (100%)	226	200	165	209	224
Sierrita (100%)	184	157	161	165	158
Chino (100%)	174	186	186	209	183
Safford (100%)	107	-	-	-	-
Tyrone (100%)	71	53	64	81	86
Miami (100%)	20	24	19	29	22
Tohono (100%)	2	3	5	5	-
Other (100%)	4	16	11	5	5
Total North America	1,434	1,332[c]	1,303	1,383	1,393
South America					
Cerro Verde (53.56%)	701	587	214	205	196
Candelaria/Ojos del Salado (80%)	455	447	425	421	467
El Abra (51%)	365	365	487	467	482
Total South America	1,521	1,399[c]	1,126	1,093	1,145
Indonesia					
Grasberg (90.64%) [d]	1,111	1,131	1,201	1,457	992
Consolidated	**4,066**	**3,862**	**3,630**	**3,933**	**3,530**
Less minority participants' share	699	647	535	545	513
Net	**3,367**	**3,215**	**3,095**	**3,388**	**3,017**
Consolidated sales from mines	4,066	3,862	3,630	3,933	3,530
Purchased copper	483	650	736	821	866
Total consolidated sales	**4,549**	**4,512**	**4,366**	**4,754**	**4,396**
Average realized price per pound	$2.69	$3.22[e]	$2.80[e]	$1.66[e]	$1.33
GOLD (thousands of recoverable ounces)					
MINED GOLD (FCX's net interest in %)					
North America (100%) [b]	16	21	19	18	12
South America (80%)	116	114[f]	111	117	122
Indonesia (90.64%) [d]	1,182	2,185	1,736	2,790	1,443
Consolidated	**1,314**	**2,320**	**1,866**	**2,925**	**1,577**
Less minority participants' share	134	228	185	285	159
Net	**1,180**	**2,092**	**1,681**	**2,640**	**1,418**
Consolidated sales from mines	1,314	2,320	1,866	2,925	1,577
Purchased gold	2	6	12	12	20
Total consolidated sales	**1,316**	**2,326**	**1,878**	**2,937**	**1,597**
Average realized price per ounce	$861	$682	$566[g]	$454	$411
MOLYBDENUM (millions of recoverable pounds)					
Consolidated sales from mines	**71**	**69**[h]	**69**	**60**	**63**
Less minority participants' share	1	-	-	-	-

Net	**70**	**69**	**69**	**60**	**63**
Consolidated sales from mines	71	69	69	60	63
Purchased molybdenum	8	9	8	13	13
Total consolidated sales	**79**	**78**	**77**	**73**	**76**
Average realized price per pound	$30.55	$25.87	$21.87	$25.89	$12.71

a. For comparative purposes, operating data for the years ended December 31, 2007, 2006, 2005 and 2004, combines our historical data with Phelps Dodge pre-acquisition data. As the pre-acquisition data represent the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.
b. Amounts are net of Morenci's joint venture partner's 15 percent interest.
c. Includes North America copper sales of 283 million pounds and South America copper sales of 222 million pounds for Phelps Dodge's pre-acquisition results.
d. Amounts are net of Grasberg's joint venture partner's interest, which varies in accordance with terms of the joint venture agreement.
e. Before charges for hedging losses related to copper price protection programs, amounts were $3.27 per pound for 2007, $3.08 per pound for 2006 and $1.76 per pound for 2005.
f. Includes gold sales of 18 thousand ounces for Phelps Dodge's pre-acquisition results.
g. Amount was approximately $606 per ounce before a loss on redemption of our Gold-Denominated Preferred Stock, Series II.
h. Includes molybdenum sales of 17 million pounds for Phelps Dodge's pre-acquisition results.

DEVELOPMENT PROJECTS AND EXPLORATION

We have several projects and potential opportunities to expand our production volumes, extend our mine lives and develop large-scale underground ore bodies. In response to the sharp declines in copper and molybdenum prices and the deterioration of the economic environment during fourth-quarter 2008, we have deferred most of our project development activities, including incremental expansions in North and South America, the planned restart of the Miami mine, development of the El Abra sulfide project and the restart of the Climax molybdenum mine, and have also reduced capital spending at Tenke Fungurume and in Indonesia. For further discussion of our development projects and exploration activities, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In addition to current development project activities for the Common Infrastructure project, the Grasberg Block Cave, the Big Gossan underground mine and the DOZ expansion discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," we have additional long-term underground mine development projects in the Grasberg minerals district for the Deep Mill Level Zone and Kucing Liar ore bodies, which are discussed below and are based on our latest mine plans and proven and probable reserves as of December 31, 2008.

The Mill Level Zone and Deep Mill Level Zone ore bodies are reported as one ore body as the Deep Mill Level Zone. The Deep Mill Level Zone lies directly below the DOZ mine at the 2,590-meter elevation. This ore represents the downward continuation of mineralization in the Ertsberg East Skarn system and neighboring Ertsberg porphyry. Drilling efforts continue to determine the extent of this ore body. We expect to mine the Deep Mill Level Zone using a block-cave method near completion of mining at the DOZ. We expect to complete the feasibility study on this ore body in the second half of 2009. Pre-feasibility estimates of aggregate capital costs for the Deep Mill Level Zone are expected to aggregate $1.3 billion.

The Kucing Liar ore body lies on the southern flank of and underneath the southern portion of the Grasberg open pit at the 2,605-meter elevation level. We expect to mine the Kucing Liar ore body using the block-cave method. Pre-feasibility studies for the development of the Kucing Liar ore body indicate aggregate capital costs of approximately $1.4 billion. A feasibility study is expected to commence during 2009.

Based on our current estimates, we expect aggregate expenditures for underground mine development to average approximately $350 million annually during the next 15 years. In addition, these costs will be shared with Rio Tinto in accordance with our joint venture agreement.

Considering the long-term nature of these projects, actual costs could differ materially from these estimates.

In addition to the mine development costs above, our current mine development plans include approximately $3 billion of capital expenditures at our processing facilities to optimize the handling of underground ore types once Grasberg open-pit operations cease. We continue to review our mine development and processing plans to maximize the value of our reserves.

RESEARCH

Following our acquisition of Phelps Dodge in March 2007, we conduct research and development programs relating to technology for exploration for minerals, mining and recovery of metals from ores, concentrates and solutions, smelting and refining of copper, metal processing, reclamation and remediation, and product and engineered

materials development. Most of our research is conducted at our technology centers in Safford and Sahuarita, Arizona. Expenditures for research and development programs, together with contributions to industry and government-supported research programs, totaled $44 million in 2008 and $33 million in 2007. Expenditures are expected to be substantially lower in 2009 in connection with company-wide steps to reduce expenditures in response to lower copper and molybdenum prices.

SMELTING FACILITIES

Atlantic Copper , S.A. Atlantic Copper is our wholly owned copper smelter and refinery located in Huelva, Spain. Atlantic Copper completed the last expansion of its production capacity in 1997. The design capacity of the smelter is 290,000 metric tons of copper per year and the refinery currently has a capacity of 260,000 metric tons of copper per year. We have no present plans to expand Atlantic Copper's production capacity. Atlantic Copper's facilities are located on land concessions from the Huelva, Spain port authorities. The smelter and refinery concessions expire in 2022, and the office and warehouse concessions expire in 2014.

During 2008, Atlantic Copper treated 1,028,100 metric tons of concentrate and scrap and produced 259,900 metric tons of copper anodes and 257,100 metric tons of copper cathodes. During 2007, Atlantic Copper treated 952,300 metric tons of concentrate and scrap and produced 256,100 metric tons of copper anodes and 243,600 metric tons of copper cathodes. In June 2007, Atlantic Copper completed a scheduled 23-day maintenance turnaround. Major maintenance turnarounds typically occur approximately every 12 years for Atlantic Copper, with significantly shorter term maintenance turnarounds occurring in the interim. The next scheduled maintenance activity at Atlantic Copper is in 2011.

Atlantic Copper purchased approximately 45 percent of its 2008 concentrate requirements from PT Freeport Indonesia and approximately 12 percent from our South America mines at market prices. Atlantic Copper has experienced no significant operating problems.

We made no capital contributions to Atlantic Copper from 2005 through 2008; however, we contributed $202 million to Atlantic Copper in 2004. In addition, we loaned $190 million to Atlantic Copper in 2004 and Atlantic Copper repaid $60 million in 2008. The funds were used to improve Atlantic Copper's financial structure during its 2004 major maintenance turnaround and during a period of extremely low rates for treatment and refining charges. Our net investment in Atlantic Copper through December 31, 2008, was approximately $138 million.

PT Smelting . PT Freeport Indonesia's 1991 COW required us to construct or cause to be constructed a smelter in Indonesia if we and the Indonesian government determined that such a project would be economically viable. In 1995, following the completion of a feasibility study, we entered into agreements relating to the formation of PT Smelting, an Indonesian company, and the construction of the copper smelter in Gresik, Indonesia. PT Freeport Indonesia, Mitsubishi Materials Corporation (Mitsubishi Materials), Mitsubishi Corporation (Mitsubishi) and Nippon Mining & Metals Co., Ltd. (Nippon) own 25 percent, 60.5 percent, 9.5 percent, and 5 percent, respectively, of the outstanding PT Smelting common stock. PT Smelting owns and operates the smelter and refinery in Gresik, Indonesia.

During 2006, PT Smelting completed an expansion of its production capacity to 275,000 metric tons of copper per year from 250,000 metric tons. PT Freeport Indonesia's contract with PT Smelting provides for the supply of 100 percent of the copper concentrate requirements necessary for PT Smelting to produce 205,000 metric tons of copper annually (essentially the smelter's original design capacity) on a priority basis. For the first 15 years of PT Smelting's commercial operations, beginning December 1998, PT Freeport Indonesia agreed that the combined treatment and refining charges (fees paid to smelters by miners) would approximate market rates, but will not fall below specified minimum rates. The minimum rate, applicable to the period April 27, 2008 to April 27, 2014, is to be determined annually and to be sufficient to cover PT Smelting's annual cash operating costs (net of credits and including costs of debt service) for 205,000 metric tons of copper. The maximum rate is $0.30 per pound. The agreement is an amendment to the long-term contract, which is pending approval from the Department of Energy and Mineral Resources of the Government of Indonesia. PT Freeport Indonesia also sells copper concentrate to PT Smelting at market rates, which are not subject to a minimum or maximum rate, for quantities in excess of 205,000 metric tons of copper annually.

During 2008, PT Smelting treated 978,100 metric tons of concentrate and produced 261,300 metric tons of copper anodes and 253,400 metric tons of copper cathodes. During 2007, PT Smelting treated 976,300 metric tons of concentrate and produced 277,100 metric tons of copper anodes and 256,900 metric tons of copper

cathodes. Lower volumes of anodes in 2008, compared to 2007, primarily reflect a 25-day maintenance turnaround in the second quarter of 2008. Major maintenance turnarounds typically occur approximately every four years for PT Smelting, with significantly shorter term maintenance turnarounds in the interim.

Miami Smelter . We own and operate a smelter at our Miami, Arizona mining operation. The Miami mine is currently on care-and-maintenance status, but the smelter continues to process concentrate primarily from our Morenci, Bagdad and Sierrita mines. The smelter has been in production for over 80 years and has been upgraded during that period to implement new technologies, to improve production and to comply with current air quality standards. Concentrate processed through the smelter totaled approximately 719,000 metric tons in 2008 and 759,000 metric tons in 2007. The Miami smelter completed a 40-day major maintenance turnaround in February 2009. Major maintenance turnarounds typically occur approximately every 29 months for Miami, with significantly shorter term maintenance turnarounds in the interim. Sulfuric acid is a by-product of smelting concentrates, and the Miami smelter is the most significant source of sulfuric acid for our domestic leaching operations.

OTHER PROPERTIES

Rod & Refining O perations. Our Rod & Refining operations consist of conversion facilities located in North America including a refinery in El Paso, Texas; rod mills in El Paso, Texas, Norwich, Connecticut and Miami, Arizona; and a specialty copper products facility in Bayway, New Jersey. We refine our anode copper production from our smelter in Miami, Arizona, along with purchased anodes, at our El Paso refinery. The El Paso refinery has an annual production capacity of about 900 million pounds of copper cathode, which is sufficient to refine all the copper anode we produce at Miami. Our El Paso refinery also produces nickel carbonate, copper telluride, and autoclaved slimes material containing gold, silver, platinum and palladium.

Molybdenum C onversion F acilities. We process molybdenum concentrates at our conversion plants in the U.S. and Europe into such products as technical-grade molybdic oxide, ferromolybdenum, pure molybdic oxide, ammonium molybdates, molybdenum disulfide and molybdenum metal powder. We operate molybdenum roasters in Sierrita, Arizona; Fort Madison, Iowa; and Rotterdam, the Netherlands.

The conversion facility located at our Sierrita mine consists of two molybdenum roasters that process molybdenum concentrates produced at our mines and on a toll basis for third parties. The facility produces molybdenum oxide and related products.

The Fort Madison, Iowa, facility consists of two molybdenum roasters, a sulfuric acid plant, a metallurgical (technical oxide) packaging facility, and a chemical conversion plant, which includes a wet-chemicals plant, sublimation equipment and molybdenum disulfide processing and packaging. In the chemical plant, molybdic oxide is further refined into various high-purity molybdenum chemicals for a wide range of uses by chemical and catalyst manufacturers. In addition to metallurgical oxide products, the Fort Madison facility produces ammonium dimolybdate, pure molybdic oxide, ammonium heptamolybdate, ammonium octamolybdate, sodium molybdate, sublimed pure molybdic oxide and molybdenum disulfide.

The Rotterdam conversion facility consists of a molybdenum roaster, sulfuric acid plant, metallurgical packaging facility and chemical conversion plant. The plant produces metallurgical products primarily for third parties. Ammonium dimolybdate and pure molybdic oxide are produced in the wet-chemicals plant.

We also produce ferromolybdenum for worldwide customers at our conversion plant located in Stowmarket, United Kingdom. The plant is operated both as an internal and external customer tolling facility.

SOURCES AND AVAILABILITY OF RAW MATERIALS

Energy (including electricity, diesel fuel, coal and natural gas), sulfuric acid and water are the principal raw materials used in our operations. Most of our energy is obtained from third parties under long-term contracts. For additional information, refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Sulfuric acid is used in the SX/EW process and is produced as a by-product of the smelting process at our smelters. Sulfuric acid needs in excess of the sulfuric acid produced by our operations are purchased from third parties as needed.

Our mining operations require significant quantities of water for mining, ore processing and related support facilities. Our operations in North and South America are in areas where water is scarce and competition among users for continuing access to water is significant. Continuous production at our mines is dependent on our ability to maintain our water rights and claims and defeat claims adverse to our current water uses in legal proceedings.

In North America, under state law, our water rights give us only the right to use public waters for a statutorily defined beneficial use at a designated location. In Arizona, we are a participant in two active general stream adjudications in which for 30 years the State of Arizona has been attempting to quantify and prioritize surface water claims in two of the state's largest river systems that include three of our operating mines (Morenci, Sierrita and Safford) and which may also affect our Bagdad mine in Arizona. Groundwater is not subject to adjudication in Arizona, but is subject to the doctrine of reasonable use, which requires balancing the utility of the use against the gravity of the harm to others who have rights in the same aquifer; however, wells may be subject to adjudication to the extent they are found to produce or affect surface water. In Colorado, our surface water and groundwater rights are subject to adjudication and we are involved in legal proceedings to resolve disputes regarding priority of administration of rights, including priority of some of our rights for the Climax mine. Our surface water and groundwater rights are fully licensed or have been fully adjudicated in New Mexico.

In South America, water for our mining operations at Candelaria and Ojos del Salado is drawn from the Copiapó River aquifer. Because of rapid depletion of this aquifer in recent years, ongoing studies are addressing the adequacy of this water supply for our mining operations planned at these sites. Water for our Cerro Verde processing operations comes from renewable sources through a series of storage reservoirs. Rainfall in 2008 was below normal and the rainy season in 2009, which ends in March, has thus far been below normal. Reservoirs are currently about half of the last five-year average for this time of year.

Although we believe our mining operations have sufficient water rights, the loss of water rights for any of our mines, in whole or in part, or shortages of water to which we have rights, could require us to curtail or shut down mining operations. Additionally, we have not yet secured adequate water rights to support all of our potential expansion projects and our inability to secure those rights could prevent us from pursuing some of those expansion opportunities. See Item 1A. "Risk Factors."

COMPETITION

We are one of the world's largest copper, gold and molybdenum mining companies in terms of reserves and production. With respect to copper, which generated approximately 76 percent of our mining revenues in 2008, the top 10 producers comprise approximately 55 percent of total worldwide mined copper production. We currently rank second among those producers at approximately 10 percent of total worldwide estimated mined copper production. Our competitive position is based on the quality and grade of our ore bodies and our ability to manage costs compared with other producers. We have a diverse portfolio of mining operations with varying ore grades and cost structures. Our costs are driven by the location, grade and nature of our ore bodies and the input costs, including energy, labor and equipment. The metals markets are cyclical and our ability to maintain our competitive position over the long term is based on our ability to acquire and develop quality deposits, hire and retain a skilled workforce and to manage our costs.

LABOR MATTERS

At December 31, 2008, we employed approximately 29,300 people. Additionally, there are approximately 10,300 contractor employees working at our Grasberg minerals district and approximately 400 contractor employees at Atlantic Copper. Employees represented by unions are listed below, with the approximate number of employees represented and the expiration date of the applicable union agreements.

Location	Number of Unions	Number of Union-Represented Employees	Expiration Date
PT Freeport Indonesia – Indonesia	1	5,650	October 2009
Tenke Fungurume – DRC	2	2,525	May 2010
Cerro Verde – Peru	1	1,014	August 2011
Candelaria – Chile	2	463	October 2009
El Abra – Chile	2	566	July 2012
Chino – New Mexico	1	231	November 2009
Atlantic Copper – Spain	2	179	December 2007 [a]
Stowmarket – United Kingdom	1	36	May 2011
Bayway – New Jersey	1	53	April 2010
Rotterdam – The Netherlands	2	57	March 2011
Aurex – Chile	1	32	February 2010

a. The contract has been provisionally extended and is currently being renegotiated.

FM Services Company (FM Services), a wholly owned subsidiary of FCX, furnishes certain executive, administrative, financial, accounting, legal, tax and similar services to us. As of December 31, 2008, FM Services had 184 employees. FM Services employees also provide these services to two other publicly traded companies.

ENVIRONMENTAL AND RECLAMATION MATTERS

The costs of complying with environmental laws is a fundamental and substantial cost of our business. For information about environmental regulation, litigation and related costs, please see Item 1A. “Risk Factors - Environmental Risks;” Item 3. “Legal Proceedings;” Note 1 – “Summary of Significant Accounting Policies - Environmental Expenditures and Asset Retirement Obligations;” and Note 15 – “Contingencies - Environmental and Asset Retirement Obligations.”

COMMUNITY AND HUMAN RIGHTS

We have adopted policies that govern our working relationships with the communities where we operate that are designed to guide our practices and programs in a manner that respects basic human rights and the culture of the local people impacted by our operations. We continue to make significant expenditures on community development, education, training and cultural programs, which include:

- comprehensive job training programs
- basic education programs
- public health programs, including malaria control
- agricultural assistance programs
- small and medium enterprise development programs
- cultural preservation programs
- water and sewage treatment projects
- clean water access
- charitable donations

In December 2000, we endorsed the joint U.S. State Department-British Foreign Office Voluntary Principles on Human Rights and Security (“Voluntary Principles”). Several major natural resources companies and international human rights organizations participated in developing the Voluntary Principles and have endorsed them. We participated in developing these principles and they are incorporated into our human rights policy.

We believe that our social and economic development programs are responsive to the issues raised by the local communities near our areas of operation and should help us maintain good relations with the surrounding communities and avoid disruptions of mining operations. Nevertheless, social and political instability in the area

may adversely impact our mining operations. See Item 1A. – “Risk Factors.”

South America. Cerro Verde has provided a variety of community support projects over the years. During 2006, as a result of discussions with local mayors in the Arequipa region, Cerro Verde agreed to contribute to the design and construction of domestic water and sewage treatment plants for the benefit of the region. These facilities are being designed in a modular fashion so that initial installations can be readily expanded in the future. We have funded approximately 150 million Peruvian nuevo soles (approximately $49 million) as of December 31, 2008 to a designated bank account to be used for financing Cerro Verde’s share of the construction costs of these facilities.

During 2006, the Peruvian government announced that all mining companies operating in Peru will make annual contributions to local development funds for a five-year period when copper prices exceed certain levels that are adjusted annually. The contribution is equal to 3.75 percent of after-tax profits, of which 2.75 percent is contributed to a local mining fund and 1.00 percent to a regional mining fund. Cerro Verde’s contributions totaled $28 million in 2008 and $49 million in 2007.

Indonesia. In 1996, PT Freeport Indonesia established the Freeport Partnership Fund for Community Development (formerly the Freeport Fund for Irian Jaya Development), through which PT Freeport Indonesia has made available funding and technical assistance to support the economic, health, education and social development of the area. PT Freeport Indonesia has committed through 2011 to provide one percent of its annual revenue for the development of the local people in its area of operation through the Partnership Fund. Our share of contributions to the Partnership Fund totaled $34 million in 2008, $48 million in 2007 and $44 million in 2006. Our joint venture partner, Rio Tinto, also contributes to this fund and, including their share, the contributions totaled $35 million in 2008, $53 million in 2007 and $48 million in 2006.

The Amungme and Kamoro Community Development Organization (*Lembaga Pembangunan Masyarakat Amungme dan Kamoro* or LPMAK) oversees disbursement of the program funds we contribute to the Partnership Fund. LPMAK is governed by a board of commissioners and a board of directors, which are comprised of representatives from the local Amungme and Kamoro tribal communities, government leaders, church leaders, and one representative of PTFI on each board. The Amungme and Kamoro people are original inhabitants of the land in our area of operations.

Security Matters in Indonesia . Consistent with our COW in Indonesia and the requirement to protect our employees and property, we have taken appropriate steps to provide a safe and secure working environment. As part of its security program, PT Freeport Indonesia maintains its own internal security department, which performs functions such as protecting company facilities, monitoring the shipment of company goods through the airport and terminal, assisting in traffic control and aiding rescue operations. PT Freeport Indonesia’s civilian security employees (numbering approximately 750) are unarmed and perform duties consistent with their internal security role. PT Freeport Indonesia’s share of costs for its internal civilian security department totaled approximately $22 million for 2008, $17 million for 2007 and $14 million for 2006. The security department has received human rights training and each member is required to certify his or her compliance with our human rights policy.

PT Freeport Indonesia, and all businesses and residents of Indonesia, rely on the Government of Indonesia for the maintenance of public order, upholding the rule of law and the protection of personnel and property. The Grasberg minerals district has been designated by the Government of Indonesia as one of Indonesia’s vital national assets. This designation results in the police and to a lesser extent, the military, playing a significant role in protecting the area of our operations. The Government of Indonesia is responsible for employing police and military personnel and directing their operations.

From the outset of PT Freeport Indonesia’s operations, the government has looked to PT Freeport Indonesia to provide logistical and infrastructure support and assistance for these necessary services because of the limited resources of the Indonesian government and the remote location of and lack of development in Papua. PT Freeport Indonesia’s financial support for the Indonesian government security institutions assigned to the operations area represents a prudent response to its requirements to protect its workforce and property, better ensuring that personnel are properly fed and lodged, and have the logistical resources to patrol PT Freeport Indonesia’s roads and secure its operating area. In addition, provision of such support and oversight is consistent with PT Freeport Indonesia’s obligations under the COW, reflects our philosophy of responsible corporate citizenship, and is in keeping with our commitment to pursue practices that will promote human rights.

PT Freeport Indonesia's share of support costs for the government-provided security, currently involving approximately 1,850 Indonesian government security personnel located in the general area of our operations, was $8 million for 2008, $9 million for 2007 and $9 million for 2006. This supplemental support consists of various infrastructure and other costs, such as food, housing, fuel, travel, vehicle repairs, allowances to cover incidental and administrative costs, and community assistance programs conducted by the military and police. PT Freeport Indonesia's capital costs for associated infrastructure was less than $1 million for each of the three years ended December 31, 2008.

As reported in January 2006, we have received and responded to requests from U.S. governmental authorities related to PT Freeport Indonesia's support of Indonesian security institutions. We are cooperating fully with these requests.

Africa. Tenke Fungurume has committed to assist the communities living within its concession in the Katanga province of the DRC. Initiatives that have commenced over the past two years include the building of two schools and the remodeling of a third, development of over 30 community water wells, construction of roads, implementation of a malaria control program, agricultural support programs to local farmers, and support for the development of local small and medium enterprises. Additionally, we have committed to contribute a portion of net sales revenue from production to a community development fund to assist the local communities with development of local infrastructure and related services, such as those pertaining to health, education and economic development. This fund will be a platform to work jointly with the local government and community to further assist them to fulfill their local development plans, meet basic community needs and promote good governance.

Similar to our operations in Indonesia, Tenke Fungurume is required to engage government security institutions to assist with security matters at its concession area. In this regard, Tenke Fungurume provides food, housing, monetary allowances and logistical support as well as direct payments to the government for the provision of the security assigned to the concession area.

ORE RESERVES

Recoverable proven and probable reserves summarized below and detailed on the following pages have been calculated as of December 31, 2008, in accordance with Industry Guide 7 as required by the Securities and Exchange Act of 1934. Proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance of other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term "reserve," as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "proven reserves" means reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (2) grade and/or quality are computed from the results of detailed sampling; and (3) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term "probable reserves" means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Our reserve estimates are based on the latest available geological and geotechnical studies. We conduct ongoing studies of our ore bodies to optimize economic values and to manage risk. We revise our mine plans and estimates of recoverable proven and probable mineral reserves as required in accordance with the latest available studies. Our estimates of recoverable proven and probable reserves are prepared by and are the responsibility of our employees, and a majority of these estimates are reviewed and verified by independent experts in mining, geology and reserve determination. Estimated recoverable proven and probable reserves were determined using long-term average prices of $1.60 per pound for copper, $550 per ounce for gold, $8.00 per pound for molybdenum, $12.00 per ounce for silver and $10.00 per pound for cobalt. The London spot metal prices for the past three years averaged $3.15 per pound for copper and $724 per ounce for gold, and molybdenum prices for the past three years averaged approximately $28 per pound.

	Recoverable Proven and Probable Reserves [a] at December 31, 2008				
	Copper (billion pounds)	**Gold** (million ounces)	**Molybdenum** (billion pounds)	**Silver** (million ounces)	**Cobalt** (billion pounds)
North America	28.3	0.2	2.08	56.7	-
South America	32.2	1.3	0.40	77.5	-
Indonesia	35.6	38.5	-	132.4	-
Africa	5.9	-	-	-	0.7
Consolidated basis [b]	**102.0**	**40.0**	**2.48**	**266.6**	**0.7**
Net equity interest [c]	**82.4**	**36.2**	**2.30**	**223.9**	**0.4**

a. Recoverable proven and probable reserves are estimated metal quantities from which we expect to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that we estimate can be economically and legally extracted or produced at the time of the reserve determination. Recoverable reserves include estimated recoverable copper totaling 2.8 billion pounds in leach stockpiles and 1.1 billion pounds in mill stockpiles, including our joint venture partner's interest in the Morenci mine.

b. Consolidated basis reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and at the Grasberg minerals district in Indonesia.

c. Net equity interest reserves represent estimated consolidated basis metal quantities further reduced for minority interest ownership.

Recoverable Proven and Probable Reserves
Estimated at December 31, 2008

		Proven Reserves						Probable Reserves					
			Average Ore Grade						Average Ore Grade				
	Processing Method	Million metric tons	Copper %	Gold g/t	Moly %	Silver g/t	Cobalt %	Million metric tons	Copper %	Gold g/t	Moly %	Silver g/t	Cobalt %
North America													
Morenci	Mill	181	0.55	-	0.023	-	-	4	0.61	-	0.023	-	-
	Crushed leach	371	0.58	-	-	-	-	19	0.55	-	-	-	-
	ROM leach	2,133	0.20	-	-	-	-	105	0.23	-	-	-	-
Sierrita	Mill	1,325	0.26	-[d]	0.029	1.49	-	142	0.24	-[d]	0.024	1.35	-
	ROM leach	4	0.19	-	-	-	-	2	0.16	-	-	-	-
Bagdad	Mill	591	0.36	-[d]	0.021	1.79	-	175	0.31	-[d]	0.019	1.51	-
	ROM leach	142	0.18	-	-	-	-	143	0.12	-	-	-	-
Safford	Crushed leach	239	0.46	-	-	-	-	211	0.29	-	-	-	-
Tyrone	ROM leach	289	0.30	-	-	-	-	45	0.23	-	-	-	-
Henderson	Mill	141	-	-	0.176	-	-	8	-	-	0.176	-	-
Chino	Mill	43	0.63	0.05	0.016	0.76	-	4	0.58	0.04	0.017	0.71	-
	ROM leach	83	0.48	-	-	-	-	13	0.34	-	-	-	-
Miami	ROM leach	74	0.44	-	-	-	-	17	0.35	-	-	-	-
Climax [a]	Mill	63	-	-	0.201	-	-	102	-	-	0.142	-	-
Cobre [a]	ROM leach	71	0.40	-	-	-	-	2	0.23	-	-	-	-
		5,750	**0.29**	-[d]	**0.016**	**0.53**		**992**	**0.23**	-[d]	**0.023**	**0.46**	-
South America													
Cerro Verde	Mill	486	0.47	-	0.018	2.83	-	2,249	0.34	-	0.013	2.05	-
	Crushed leach	110	0.56	-	-	-	-	81	0.48	-	-	-	-
	ROM leach	39	0.28	-	-	-	-	58	0.35	-	-	-	-
El Abra	Crushed leach	477	0.56	-	-	-	-	149	0.52	-	-	-	-
	ROM leach	291	0.32	-	-	-	-	203	0.33	-	-	-	-
Candelaria	Mill	368	0.55	0.11	-	1.97	-	23	0.54	0.11	-	1.91	-
Ojos del Salado	Mill	5	1.23	0.30	-	2.95	-	3	0.98	0.24	-	2.34	-
		1,776	**0.49**	**0.02**	**0.005**	**1.19**	-	**2,766**	**0.36**	-[d]	**0.010**	**1.69**	-
Indonesia													
Grasberg open pit	Mill	213	0.99	1.29	-	2.55	-	171	0.95	1.03	-	2.56	-
Deep Ore Zone [b]	Mill	97	0.67	0.66	-	3.41	-	185	0.59	0.68	-	2.75	-
Grasberg block cave [a]	Mill	288	1.21	1.16	-	3.65	-	719	0.94	0.66	-	3.37	-
Kucing Liar [a]	Mill	156	1.32	1.15	-	7.51	-	285	1.20	1.06	-	6.57	-
Deep Mill Level Zone [a,c]	Mill	59	1.00	0.78	-	4.94	-	435	0.88	0.74	-	4.40	-
Big Gossan [a]	Mill	9	2.50	1.30	-	16.72	-	47	2.18	1.16	-	14.16	-
		822	**1.11**	**1.11**	-	**4.30**	-	**1,842**	**0.97**	**0.79**	-	**4.25**	-
Africa													
Tenke Fungurume [a]	Agitation leach	**59**	**2.62**	-	-	-	**0.374**	**60**	**2.67**	-	-	-	**0.317**
Total		**8,407**	**0.43**	**0.11**	**0.012**	**1.05**	**0.003**	**5,660**	**0.56**	**0.26**	**0.009**	**2.29**	**0.003**

a. Undeveloped reserves requiring significant capital investment to bring into production.
b. In 2007, we combined the Deep Ore Zone and the Erstberg Ore Zone reserves, which we now refer to as the Deep Ore Zone.
c. In 2007, we combined the Mill Level Zone and the Deep Mill Level Zone reserves, which we now refer to as the Deep Mill Level Zone.
d. Grade not shown because of rounding.

The reserve table above and the tables on pages 32 to 37 and 39 utilize the following abbreviations:

- g/t – grams per metric ton
- Moly – Molybdenum

- ROM – Run of Mine

Recoverable Proven and Probable Reserves
Estimated at December 31, 2008

			Average Ore Grade					Recoveries [a]				
	Processing Method	Proven and Probable Million metric tons	Copper %	Gold g/t	Moly %	Silver g/t	Cobalt %	Copper %	Gold %	Moly %	Silver %	Cobalt %
North America												
Morenci	Mill	185	0.55	-	0.023	-	-	77.3	-	29.8	-	-
	Crushed leach	390	0.58	-	-	-	-	76.3	-	-	-	-
	ROM leach	2,238	0.20	-	-	-	-	41.2	-	-	-	-
Sierrita	Mill	1,467	0.25	-[b]	0.029	1.48	-	82.0	60.0	83.4	50.0	-
	ROM leach	6	0.18	-	-	-	-	51.0	-	-	-	-
Bagdad	Mill	766	0.35	-[b]	0.021	1.73	-	84.6	60.0	72.3	50.0	-
	ROM leach	285	0.15	-	-	-	-	26.1	-	-	-	-
Safford	Crushed leach	450	0.38	-	-	-	-	65.8	-	-	-	-
Tyrone	ROM leach	334	0.29	-	-	-	-	58.7	-	-	-	-
Henderson	Mill	149	-	-	0.176	-	-	-	-	86.7	-	-
Chino	Mill	47	0.62	0.04	0.016	0.75	-	78.3	60.0	38.2	50.0	-
	ROM leach	96	0.47	-	-	-	-	67.4	-	-	-	-
Miami	ROM leach	91	0.43	-	-	-	-	63.0	-	-	-	-
Climax	Mill	165	-	-	0.165	-	-	-	-	88.6	-	-
Cobre	ROM leach	73	0.39	-	-	-	-	65.4	-	-	-	-
		6,742										
South America												
Cerro Verde	Mill	2,735	0.37	-	0.014	2.19	-	86.0	-	47.1	28.2	-
	Crushed leach	191	0.53	-	-	-	-	79.3	-	-	-	-
	ROM leach	97	0.32	-	-	-	-	44.7	-	-	-	-
El Abra	Crushed leach	626	0.55	-	-	-	-	54.8	-	-	-	-
	ROM leach	494	0.32	-	-	-	-	28.0	-	-	-	-
Candelaria	Mill	391	0.55	0.11	-	1.97	-	90.9	79.0	-	76.4	-
Ojos del Salado	Mill	8	1.12	0.27	-	2.68	-	90.3	67.1	-	58.5	-
		4,542										
Indonesia												
Grasberg open pit	Mill	384	0.97	1.17	-	2.55	-	85.8	83.2	-	44.4	-
Deep Ore Zone	Mill	282	0.62	0.67	-	2.98	-	84.2	75.9	-	57.0	-
Grasberg block cave	Mill	1,007	1.02	0.81	-	3.45	-	85.6	67.7	-	60.6	-
Kucing Liar	Mill	441	1.24	1.09	-	6.90	-	85.3	45.6	-	38.4	-
Deep Mill Level Zone	Mill	494	0.89	0.75	-	4.47	-	86.0	76.7	-	62.7	-
Big Gossan	Mill	56	2.23	1.18	-	14.57	-	92.2	67.8	-	64.3	-
		2,664										
Africa												
Tenke Fungurume	Agitation leach	**119**	2.64	-	-	-	0.35	84.8	-	-	-	76.5
Total		**14,067**										

a. Recoveries are net of estimated mill and smelter losses.
b. Grade not shown because of rounding.

Recoverable Proven and Probable Reserves
Estimated at December 31, 2008

	FCX's Interest	Processing Method	Recoverable Reserves: Copper billion lbs.	Gold million ozs.	Moly billion lbs.	Silver million ozs.	Cobalt billion lbs.
North America							
Morenci	85%	Mill	1.7	-	0.03	-	-
		Crushed leach	3.8	-	-	-	-
		ROM leach	4.0	-	-	-	-
Sierrita	100%	Mill	6.8	0.1	0.77	34.9	-
		ROM leach	-	-	-	-	-
Bagdad	100%	Mill	5.0	0.1	0.25	21.3	-
		ROM leach	0.3	-	-	-	-
Safford	100%	Crushed leach	2.5	-	-	-	-
Tyrone	100%	ROM leach	1.3	-	-	-	-
Henderson	100%	Mill	-	-	0.50	-	-
Chino	100%	Mill	0.5	-	0.01	0.5	-
		ROM leach	0.7	-	-	-	-
Miami	100%	ROM leach	0.5	-	-	-	-
Climax	100%	Mill	-	-	0.53	-	-
Cobre	100%	ROM leach	0.4	-	-	-	-
			27.5	0.2	2.09	56.7	-
Recoverable metal in stockpiles			2.3	-	-	-	-
100% operations			29.8	0.2	2.09	56.7	-
Consolidated basis [a]			**28.3**	**0.2**	**2.08**	**56.7**	-
Net equity interest [b]			**28.3**	**0.2**	**2.08**	**56.7**	-
South America							
Cerro Verde	53.56%	Mill	18.9	-	0.39	54.4	-
		Crushed leach	1.7	-	-	-	-
		ROM leach	0.3	-	-	-	-
El Abra	51%	Crushed leach	4.2	-	-	-	-
		ROM leach	1.0	-	-	-	-
Candelaria	80%	Mill	4.3	1.1	-	18.6	-
Ojos del Salado	80%	Mill	0.2	-	-	0.3	-
			30.6	1.1	0.39	73.3	-
Recoverable metal in stockpiles			1.6	0.2	0.01	4.2	-
100% operations			32.2	1.3	0.40	77.5	-
Consolidated basis [a]			**32.2**	**1.3**	**0.40**	**77.5**	-
Net equity interest [b]			**18.4**	**1.0**	**0.22**	**47.2**	-
Indonesia							
Grasberg open pit	(c)	Mill	7.1	12.0	-	14.0	-
Deep Ore Zone	(c)	Mill	3.3	4.6	-	15.4	-
Grasberg block cave	(c)	Mill	19.4	17.7	-	67.7	-
Kucing Liar	(c)	Mill	10.3	7.1	-	37.6	-
Deep Mill Level Zone	(c)	Mill	8.3	9.1	-	44.5	-
Big Gossan	(c)	Mill	2.5	1.4	-	16.7	-
			50.9	51.9	-	195.9	-
Recoverable metal in stockpiles			-	-	-	-	-
100% operations			50.9	51.9	-	195.9	-
Consolidated basis [a]			**35.6**	**38.5**	**-**	**132.4**	-
Net equity interest [b]			**32.3**	**35.0**	**-**	**120.0**	-
Africa							
Tenke Fungurume	57.75%	Agitation leach	5.9	-	-	-	0.7
100% operations			5.9	-	-	-	0.7
Consolidated basis [a]			**5.9**	**-**	**-**	**-**	**0.7**
Net equity interest [b]			**3.4**	**-**	**-**	**-**	**0.4**
TOTAL – 100% operations			**118.8**	**53.4**	**2.49**	**330.1**	**0.7**
TOTAL – Consolidated basis [a]			**102.0**	**40.0**	**2.48**	**266.6**	**0.7**
TOTAL – Net equity interest [b]			**82.4**	**36.2**	**2.30**	**223.9**	**0.4**

a. Consolidated basis represents estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and at the Grasberg minerals district in Indonesia.

b. Net equity interest represents estimated consolidated basis metal quantities further reduced for minority interest ownership.

c. Our joint venture agreement with Rio Tinto provides that PT Freeport Indonesia will receive cash flow from specified annual amounts of copper, gold and silver through 2021, calculated by reference to its proven and probable reserves as of December 31, 1994, and 60 percent of all remaining cash flow.

In defining our open-pit reserves, we apply a “variable cutoff grade” strategy. The objective of this strategy is to maximize the net present value of our operations. We use a break-even cutoff grade to define the in-situ reserves for our underground ore bodies. The break-even cutoff grade is defined for a metric ton of ore as that equivalent copper grade, once produced and sold, that generates sufficient revenue to cover all operating and administrative costs associated with our production.

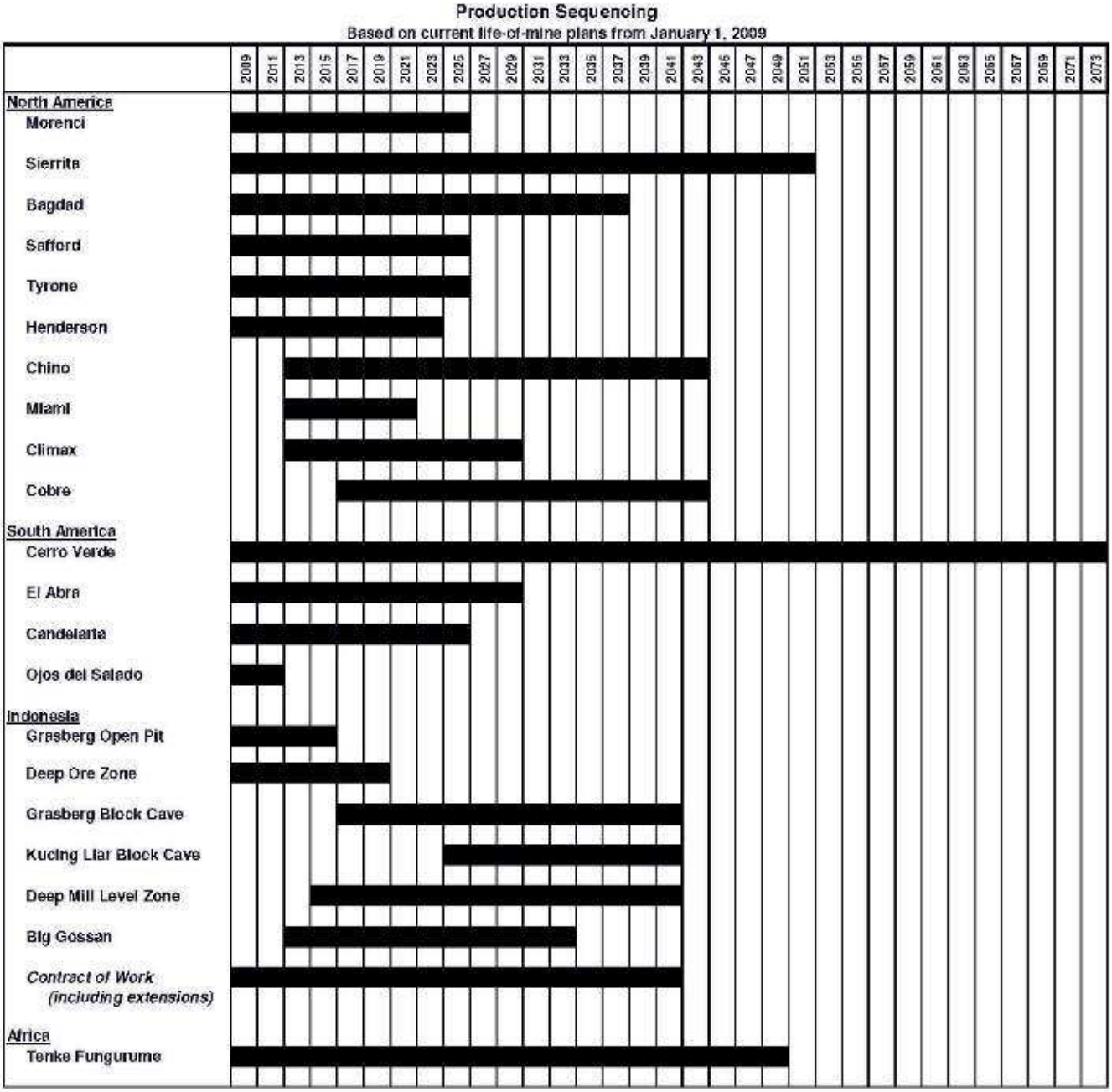
Our copper mines may contain other commercially recoverable metals, such as gold, molybdenum, silver and cobalt. We value all commercially recoverable metals in terms of a copper equivalent percentage to determine a single break-even cutoff grade. Copper equivalent percentage is used to express the relative value of multi-metal ores in terms of one metal. The calculation expresses the relative value of the ore using estimates of contained metal quantities, metals prices as used for reserve determination, recovery rates, treatment charges and royalties. Our molybdenum properties use a molybdenum cutoff grade. The table below shows the minimum cutoff grade by process for each of our existing ore bodies as of December 31, 2008:

	Copper Equivalent Cutoff Grade (Percent)			Moly Cutoff Grade (Percent)
	Mill	Crushed or Agitation Leach	ROM Leach	Mill
North America				
Morenci	0.27	0.23	0.10	N/A
Sierrita	0.24	N/A	0.07	N/A
Bagdad	0.24	N/A	0.08	N/A
Safford	N/A	0.12	N/A	N/A
Tyrone	N/A	N/A	0.05	N/A
Henderson	N/A	N/A	N/A	0.12
Chino	0.28	N/A	0.10	N/A
Miami	N/A	N/A	0.04	N/A
Climax	N/A	N/A	N/A	0.06
Cobre	N/A	N/A	0.10	N/A
South America				
Cerro Verde	0.14	0.24	0.18	N/A
El Abra	N/A	0.20	0.07	N/A
Candelaria	0.21	N/A	N/A	N/A
Ojos del Salado	0.81	N/A	N/A	N/A
Indonesia				
Grasberg open pit	0.53	N/A	N/A	N/A
Deep Ore Zone	0.59	N/A	N/A	N/A
Grasberg block cave	0.51	N/A	N/A	N/A
Kucing Liar	0.73	N/A	N/A	N/A
Deep Mill Level Zone	0.55	N/A	N/A	N/A
Big Gossan	1.37	N/A	N/A	N/A
Africa				
Tenke Fungurume	N/A	1.50	N/A	N/A

Drill hole spacing data is used by mining professionals, such as geologists and geological engineers, in determining the suitability of data coverage (on a relative basis) in a given deposit type and mining method scenario so as to achieve a given level of confidence in the resource estimate. Drill hole spacing is only one of several criteria necessary to establish resource classification. Drilling programs are typically designed to achieve an optimum sample spacing to support the level of confidence in results that apply to a particular stage of development of a mineral deposit. The following table sets forth the average drill hole spacing for proven and probable ore reserves by process type:

		Average Spacing in Meters			
		Proven		Probable	
	Mining Unit	Mill	Leach	Mill	Leach
North America					
Morenci	Open Pit	86	86	122	122
Sierrita	Open Pit	69	33	115	75
Bagdad	Open Pit	86	86	122	122
Safford	Open Pit	N/A	61	N/A	122
Tyrone	Open Pit	N/A	86	N/A	86
Henderson	Block Cave	38	N/A	85	N/A
Chino	Open Pit	43	86	86	122
Miami	Open Pit	N/A	61	N/A	91
Climax	Open Pit	61	N/A	122	N/A
Cobre	Open Pit	N/A	61	N/A	91
South America					
Cerro Verde	Open Pit	50	50	100	100
El Abra	Open Pit	N/A	75	N/A	120
Candelaria	Open Pit	35	N/A	70	N/A
Ojos del Salado	Sublevel Stoping	25	N/A	50	N/A
Indonesia					
Grasberg	Open Pit	36	N/A	92	N/A
Deep Ore Zone	Block Cave	20	N/A	51	N/A
Grasberg	Block Cave	47	N/A	80	N/A
Kucing Liar	Block Cave	39	N/A	97	N/A
Deep Mill Level Zone	Block Cave	21	N/A	89	N/A
Big Gossan	Open Stope	13	N/A	42	N/A
Africa					
Tenke Fungurume	Open Pit	N/A	50	N/A	100

The following chart illustrates our current plans for sequencing and producing the December 31, 2008, proven and probable reserves at each of our ore bodies and the years in which we currently expect production of each ore body to begin and end. The chart also shows the term of PT Freeport Indonesia's COW. Production volumes are typically lower in the first few years for each ore body as development activities are ongoing and as the mine ramps up to full production, and production volumes may also be lower as the mine reaches the end of its life. The ultimate timing of the start of production from our undeveloped mines is dependent upon a number of factors, including the results of our exploration and development efforts, and may vary from the dates shown below. In addition, we develop our mine plans based on maximizing the net present value from the ore bodies.



Mill and Leach Stockpiles

Mill and leach stockpiles generally contain lower-grade ores that have been extracted from the ore body and are available for copper recovery. For mill stockpiles, recovery is through milling, concentrating, smelting and refining or, alternatively, by concentrate leaching. For leach stockpiles, recovery is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities.

Because it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, reasonable estimation methods are employed. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grades of material delivered to mill and leach stockpiles.

Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be extracted into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production-scale process), historical trends and other factors, including mineralogy of the ore and rock type. Ultimate recovery of copper contained in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including type of copper recovery, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 70 percent of the copper ultimately recoverable may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates are monitored continuously, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

Following are our stockpiles and the estimated recoverable copper contained within those stockpiles as of December 31, 2008:

Recoverable Copper in Stockpiles

	Millions of Metric Tons	Average Grade (%)	Recovery Rate (%)	Recoverable Copper (Billion Pounds)
Mill stockpiles				
Cerro Verde	56	0.49	81.7	0.5
Candelaria	88	0.41	82.6	0.6
Subtotal	144	0.44	82.3	1.1
Leach stockpiles				
Morenci	4,422	0.25	1.9	0.5
Sierrita	647	0.15	13.6	0.3
Bagdad	385	0.28	3.8	0.1
Safford	47	0.38	33.9	0.1
Tyrone	944	0.28	2.0	0.1
Chino	1,623	0.25	12.6	1.2
Miami	433	0.39	1.9	0.1
Cerro Verde	336	0.54	3.2	0.1
El Abra	252	0.33	18.0	0.3
Subtotal	9,089	0.27	5.2	2.8
Total 100% basis				**3.9**
Consolidated basis [a]				**3.8**
Net equity interest [b]				**3.3**

a. Consolidated basis represents estimated metal quantities after reduction for our joint venture partner's interest in the Morenci mine in North America.

b. Net equity interest represents estimated consolidated basis metal quantities further reduced for minority interest ownership.

MINERALIZED MATERIAL

We hold various properties containing mineralized material that we believe could be brought into production should market conditions warrant. However, permitting and significant capital expenditures would be required before operations could commence at these properties. Mineralized material is a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support the reported tonnage and average metal grades. Such a deposit may not qualify as recoverable proven and probable reserves until legal and economic feasibility are confirmed based upon a comprehensive evaluation of development costs, unit costs, grades, recoveries and other material factors. Estimated mineralized materials as presented on the following page were assessed using prices of $2.00 per pound of copper, $750 per ounce of gold and $12.00 per pound of molybdenum. At these prices mineralized material totals 12.0 billion metric tons on a consolidated basis. Using a copper price of $1.60 per pound, estimated mineralized material on a consolidated basis would approximate 3.9 billion metric tons with an average copper grade of 0.56 percent.

Mineralized Material
Estimated at December 31, 2008

		Milling Material				Leaching Material		Total Mineralized Material			
	FCX's Interest	Million metric tons	Copper %	Gold g/t	Moly %	Million metric tons	Copper %	Million metric tons	Copper %	Gold g/t	Moly %
North America											
Morenci	85%	304	0.38	-	-	1,950	0.22	2,254	0.24	-	-
Sierrita	100%	2,154	0.21	-	0.022	24	0.16	2,178	0.20	-	0.022
Bagdad	100%	460	0.33	-	0.019	131	0.10	591	0.28	-	0.014
Safford	100%	219	0.57	-	-	38	0.27	257	0.53	-	-
Tyrone	100%	-	-	-	-	320	0.32	320	0.32	-	-
Henderson	100%	65	-	-	0.126	-	-	65	-	-	0.126
Chino	100%	411	0.48	-	0.013	104	0.16	515	0.41	-	0.010
Miami	100%	-	-	-	-	52	0.45	52	0.45	-	-
Climax	100%	448	-	-	0.170	-	-	448	-	-	0.170
Cobre	100%	3	0.94	-	-	-	-	3	0.94	-	-
Ajo	100%	639	0.36	-	-	-	-	639	0.36	-	-
Cochise/Bisbee	100%	-	-	-	-	301	0.44	301	0.44	-	-
Lone Star	100%	-	-	-	-	767	0.44	767	0.44	-	-
Sanchez	100%	-	-	-	-	209	0.29	209	0.29	-	-
Tohono	100%	247	0.68	-	-	280	0.67	527	0.68	-	-
South America											
Cerro Verde	53.56%	191	0.29	-	0.012	20	0.35	211	0.29	-	0.011
El Abra	51%	802	0.40	-	-	371	0.32	1,173	0.37	-	-
Candelaria [a]	80%	144	0.52	0.12	-	-	-	144	0.52	0.12	-
Indonesia											
Grasberg district [b]	54.38% [f]	2,601	0.58	0.52	-	-	-	2,601	0.58	0.52	-
Africa											
Tenke Fungurume [c]	57.75%	62	3.72	-	-	26	4.16	88	3.85	-	-
Total 100% basis		**8,750**				**4,593**		**13,343**			
Consolidated basis [d]		**7,663**				**4,301**		**11,964**			
Net equity interest [e]		**6,981**				**4,099**		**11,080**			

a. Candelaria stated tonnage also includes 1.7 grams of silver per metric ton.

b. Grasberg stated tonnage also includes 3.4 grams of silver per metric ton.

c. Tenke Fungurume stated tonnage also includes 0.29 percent cobalt.

d. Consolidated basis represents estimated mineralized material after reduction for our joint venture partners' interest in the Morenci mine in North America and at the Grasberg minerals district in Indonesia.

e. Net equity interest represents estimated consolidated basis mineralized material further reduced for minority interest ownership.

f. FCX's interest in the Grasberg minerals district reflects our 60 percent joint venture ownership, further reduced by minority interest ownership.

Item 1A. Risk Factors

This report contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are all statements other than statements of historical facts, such as statements regarding anticipated production volumes, unit net cash costs, sales volumes, ore grades, milling rates, commodity prices, development and capital expenditures, mine production and development plans, availability of power, water, labor and equipment, environmental reclamation and closure cost and plans, environmental liabilities and expenditures, litigation liabilities and expenses, dividend payments, reserve estimates, political, economic and social conditions in our areas of operations and exploration efforts and results. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update or revise any forward-looking statements. Readers are cautioned that forward-looking statements are not guarantees of future performance and actual results may differ materially from those projected, anticipated or assumed in the forward-looking statements. Important factors that could cause our actual results to differ materially from those anticipated in the forward-looking statements include the following.

Financial risks

Extended declines in the market prices of copper, gold and/or molybdenum could continue to adversely affect our earnings and cash flows and, if sustained, could eventually adversely affect our ability to repay debt. Fluctuations in the market prices of copper, gold and molybdenum can cause significant volatility in our financial performance and can adversely affect the trading prices of our debt and equity securities.

Our earnings and cash flows are affected significantly by the market prices of copper and, to a lesser extent, gold and molybdenum. The world market prices of these commodities have fluctuated historically and are affected by numerous factors beyond our control. Copper prices have declined significantly from their recent historically high levels. Exchange inventories have increased significantly since the first half of 2008. After averaging $3.61 per pound for the first nine months of 2008, London Metal Exchange (LME) spot copper prices declined to a four-year low of $1.26 per pound in December 2008 and the LME spot copper price closed at $1.41 per pound on January 30, 2009. The price of molybdenum averaging approximately $33 per pound for the first nine months of 2008, declining to a four-year low of $8.75 per pound in November 2008 and was $9.30 per pound on January 30, 2009. Gold prices averaged approximately $872 per ounce for 2008 and closed at $920 per ounce on January 30, 2009. An extended decline in the market price of these commodities could (1) adversely affect our earnings and cash flows, (2) adversely affect our ability to repay our debt and meet our other fixed obligations, and (3) depress the trading prices of our common and preferred stock and of our publicly traded debt securities.

In addition, substantially all of our copper concentrate sales and some of our copper cathode sales are provisionally priced at the time of shipment, subject to final pricing at a specified future date based on LME or New York Merchantile Exchange (COMEX) prices on that date. Accordingly, in times of falling copper prices, our revenues during a quarter are negatively affected by lower prices received for sales priced at current market rates and also from a decrease related to the final pricing of provisionally priced sales in prior periods.

If the market prices for the metals we produce fall below our production costs for a sustained period of time, we may have to further revise our operating plans, including further curtailing production, reducing operating costs and capital expenditures and discontinuing certain exploration and development programs. We may be unable to decrease our costs in an amount sufficient to offset reductions in revenues, and may incur losses.

World copper prices have historically fluctuated widely. During the three years ended December 31, 2008, LME daily closing spot prices ranged from $1.26 to $4.08 per pound for copper. World copper prices are affected by numerous factors beyond our control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations, including China, which has become the largest consumer of refined copper in the world;
- available supplies of copper from mine production and inventories;
- sales by holders and producers of copper;
- demand for industrial products containing copper;

- investment activity, including speculation, in copper as a commodity;
- the availability and cost of substitute materials; and
- currency exchange fluctuations, including the relative strength or weakness of the U.S. dollar.

World gold prices have historically fluctuated widely. During the three years ended December 31, 2008, the daily closing prices on the London spot market ranged from $525 to $1,011 per ounce for gold. World gold prices are affected by numerous factors beyond our control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations, including China;
- global or regional political or economic crises;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold by central banks and other holders;
- demand for jewelry containing gold; and
- investment activity, including speculation, in gold as a commodity.

Molybdenum prices also fluctuate widely. Molybdenum demand depends primarily on the global steel industry, which uses the metal as a hardening and corrosion inhibiting agent. Approximately 80 percent of molybdenum production is used in this application. The remainder is used in specialty chemical applications such as catalysts, water treatment agents and lubricants. Approximately 50 percent of global molybdenum production is a by-product of copper mining, which is relatively insensitive to molybdenum prices. Decreased demand for molybdenum during the fourth quarter of 2008 resulted in a sudden and sharp decline in molybdenum prices. During the three years ended December 31, 2008, the *Metals Week* Dealer Oxide weekly average price for molybdenum ranged from $8.75 to $33.88 per pound. Molybdenum prices are affected by numerous factors beyond our control, including:

- the worldwide balance of molybdenum demand and supply;
- rates of global economic growth, especially construction and infrastructure activity that requires significant amounts of steel;
- the volume of molybdenum produced as a by-product of copper production;
- inventory levels;
- currency exchange fluctuations, including the relative strength or weakness of the U.S. dollar; and
- production costs of U.S. and foreign competitors.

The agreements governing our indebtedness require us to meet certain financial tests and other covenants and as a result may limit our flexibility in the operation of our business and our ability to pay dividends on our common stock.

We incurred significant debt to fund a portion of the cash consideration paid to acquire Phelps Dodge. As of December 31, 2008, the outstanding principal amount of our indebtedness was $7.4 billion. The agreements governing our indebtedness restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness;
- engage in transactions with affiliates;
- create liens on our assets;
- make payments in respect of equity issued by us or our subsidiaries, including the payment of dividends on our common stock;
- make investments in, or loans, to entities that we do not control, including joint ventures;
- sell assets;
- merge with or into other companies;
- enter into sale and leaseback transactions;
- enter into unrelated businesses;
- enter into agreements or arrangements that restrict the ability of certain of our subsidiaries to pay dividends or other distributions;
- prepay indebtedness; and
- enter into hedging transactions other than in the ordinary course of business.

In addition, our senior credit facilities require that we meet certain financial tests at any time that borrowings are outstanding under our revolving credit facility, including a leverage ratio test (Total Debt to Consolidated EBITDA, as those terms are defined in the facility, for the preceding four quarters cannot exceed 5.0 to 1.0 on the last day of any fiscal quarter) and a secured leverage ratio test (Total Secured Debt to Consolidated EBITDA, as those terms are defined in the facility, for the preceding four quarters cannot exceed 3.0 to 1.0 on the last day of any fiscal quarter). During periods in which copper, gold or molybdenum prices or production volumes, or other conditions reflect the adverse impact of cyclical market trends or other factors, we may not be able to comply with the applicable financial covenants.

Our senior credit facilities, the $6.0 billion 8.25%, 8.375%, and floating rate senior notes and the 6⅞% senior notes contain covenants that limit our ability to make certain payments. These restrictions vary among the instruments, but generally limit our ability to pay certain dividends on common and preferred stock, repurchase or redeem common and preferred equity, prepay subordinated debt and make certain investments. At December 31, 2008, the most restrictive of these covenants allowed for such payments up to a limit that exceeded $5 billion.

Our obligations under our senior credit facilities are (i) guaranteed by substantially all of our domestic subsidiaries and (ii) secured by a pledge of (a) 100 percent of the equity in substantially all of our domestic subsidiaries and (b) 66.5 percent of the equity in substantially all of our first tier foreign subsidiaries.

Any failure to comply with the restrictions of our senior credit facilities, senior notes or any agreement governing our other indebtedness, after giving effect to any applicable grace period, may result in an event of default. Such default may allow the creditors to accelerate the related debt, which may trigger cross-acceleration or cross-default provisions in other debt agreements. Our assets and cash flow would not be sufficient to fully repay borrowings under our debt instruments that are accelerated upon an event of default.

If we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, our senior credit agreements at maturity or in the event of a default, the lenders under our senior credit facilities could terminate their commitments thereunder, cease making further loans, declare all borrowings outstanding (together with accrued interest and other fees) immediately due and payable and institute foreclosure proceedings against the security. Any such actions could negatively affect our financial condition and results of operations.

Under U.S. federal and state laws that require closure and reclamation plans for our mines, we are required to provide financial assurance sufficient to allow a third party to implement those plans if we are unable to do so. The U.S. Environmental Protection Agency (EPA) and state agencies may seek financial assurance for ***investigation and remediation actions taken under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or equivalent state regulations . The failure to comply with these requirements could have a material adverse effect on us.***

We are required by U.S. federal and state laws to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans if we are unable to do so. These laws are complex and vary from jurisdiction to jurisdiction. The laws govern the determination of the scope and cost of the closure and reclamation obligations and the amount and forms of financial assurance.

As of December 31, 2008, our financial assurance obligations associated with closure and reclamation costs totaled approximately $715 million, of which approximately $425 million was in the form of parent company guarantees and financial capability demonstrations. Our ability to continue to provide financial assurance in the form of parent guarantees and financial capability demonstrations in New Mexico and Arizona depends on our ability to meet financial tests. Certain of the ratios in these tests are significantly more rigorous for companies that do not have an investment grade rating from a state-approved ratings service. We are currently rated investment grade by Standard & Poor's and Fitch, but are not rated investment grade by Moody's. If we fail to maintain our investment grade rating, we would be subject to these alternate tests, and as a result, the regulatory agencies may require us to provide alternative forms of financial assurance to fully satisfy our financial assurance obligations, such as letters of credit, surety bonds or collateral. Depending on our financial condition and market conditions, these other forms of financial assurance may be difficult or costly to provide. Issuance of letters of credit under our credit facilities would reduce our available liquidity. Failure to provide the required financial assurance could result in the closure of mines. As of December 31, 2008, we have limited financial assurance obligations associated with CERCLA-related actions, although EPA and certain states are currently considering increasing the use of financial assurance requirements. For additional information, see the risk factor "Mine closure regulations impose substantial costs on our operations" below.

We need significant amounts of cash to service our debt. If we are unable to generate sufficient cash to service our debt, our financial condition and results of operations could be negatively affected.

We must generate sufficient amounts of cash to service and repay our debt. Our ability to generate cash will be affected by general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Future borrowings may not be available to us under our senior credit facilities or from the capital markets in amounts sufficient to pay our obligations as they mature or to fund other liquidity needs. If we are not able to obtain such borrowings or generate sufficient cash from operations to service and repay our indebtedness, we will need to refinance our indebtedness to avoid any default. Such refinancing may not be available on favorable terms or at all. The inability to service, repay or refinance our indebtedness could negatively affect our financial condition and results of operations.

Our indebtedness, as well as the current global recession, disruption in financial markets and lower copper and/or molybdenum prices generally, could, among other things, impede our access to capital or increase our cost of capital, which would have an adverse effect on our ability to fund our working capital and other capital requirements.

As of December 31, 2008, the outstanding principal amount of our debt was approximately $7.4 billion. The widely reported domestic and global recession, the associated low copper and molybdenum prices, and the unprecedented levels of disruption and continuing illiquidity in the credit markets have had an adverse effect on our operating results and financial condition, and if sustained or worsened such adverse effects could continue or worsen. Disruptions in the credit and financial markets have adversely affected financial institutions, inhibited lending and limited access to capital and credit for many companies, including ours. These disruptions have made it difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations and have limited our flexibility to plan for, or react to, changes in our business and the markets in which we operate. If these conditions persist or worsen, they could, among other things, make it difficult for us to finance our working capital requirements and service our existing debt.

If future financing is not available to us when required, as a result of limited access to the credit markets or

otherwise, or is not available on acceptable terms, we may be unable to invest needed capital for our development and exploration programs, take advantage of business opportunities or respond to competitive pressures, any of which could have an adverse effect on our operating results and financial condition.

Movements in foreign currency exchange rates or interest rates could negatively affect our operating results.

Substantially all of our revenues and a significant portion of our costs are denominated in U.S. dollars; however, some of our costs, and certain of our asset and liability accounts, are denominated in Indonesian rupiah, Chilean pesos, Peruvian nuevos soles, Australian dollars, Euros and other foreign currencies. As a result, we will be generally less profitable when the U.S. dollar weakens in relation to these foreign currencies.

As of December 31, 2008, approximately 20 percent of our outstanding debt was subject to variable interest rates. Increases in these rates will increase our interest costs and reduce our profits and operating cash flows.

From time to time, we may implement currency or interest rate hedges intended to reduce our exposure to changes in foreign currency exchange or interest rates. However, our hedging strategies may not be successful, and any of our unhedged foreign exchange or interest payments will continue to be subject to market fluctuations.

Operational risks

The volume and grade of ore reserves that we recover and our rate of production may be more or less than anticipated.

Our ore reserve amounts are determined in accordance with established mining industry practices and standards, and are estimates of the mineral deposits that can be recovered economically and legally based on currently available data. Estimates of recoverable proven and probable reserves are subject to considerable uncertainty. Ore bodies may not conform to standard geological expectations, and estimates may change as new data becomes available. Because ore bodies do not contain uniform grades and types of minerals, our metal recovery rates will vary from time to time.

Additionally, because the determination of reserves is based partially on estimates of future selling prices, a sustained decrease in such prices may result in a reduction in economically recoverable ore reserves. These factors may result in variations in the volumes of mineral reserves that we report from period to period.

There are also uncertainties inherent in estimating quantities of ore reserves and copper recovered from stockpiles. The quantity of copper contained in mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. The volume and grade of ore reserves recovered, rates of production and recovered copper from stockpiles may be less than anticipated.

We must continually replace reserves depleted by production. Our exploration activities may not result in additional discoveries.

Our ability to replenish our ore reserves is important to our long-term viability. Produced ore reserves must be replaced by further delineation of existing ore bodies or by locating new deposits in order to maintain production levels over the long term. Exploration is highly speculative in nature. Our exploration projects involve many risks, require substantial expenditures and may not result in the discovery of sufficient additional mineral deposits that can be mined profitably. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish recoverable proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions.

Our business is subject to operational risks that are generally outside of our control and could adversely affect our business.

Mines by their nature are subject to many operational risks and factors that are generally outside of our control and could adversely affect our business, operating results and cash flows. These operational risks and factors

include the following:

- unanticipated ground and water conditions;
- adverse claims to water rights and shortages of water to which we have rights;
- adjacent land ownership that results in constraints on current or future mine operations;
- geological problems, including earthquakes and other natural disasters;
- metallurgical and other processing problems;
- the occurrence of unusual weather or operating conditions and other force majeure events;
- lower than expected ore grades or recovery rates;
- accidents;
- delays in the receipt of or failure to receive necessary government permits;
- the results of litigation, including appeals of agency decisions;
- uncertainty of exploration and development;
- delays in transportation;
- interruption of energy supply;
- labor disputes;
- inability to obtain satisfactory insurance coverage; and
- the failure of equipment or processes to operate in accordance with specifications or expectations.

Continuation of our mining production is dependent on the availability of a sufficient water supply to support our mining operations.

Our mining operations require significant quantities of water for mining, ore processing and related support facilities. Our operations in North and South America are in areas where water is scarce and competition among users for continuing access to water is significant. Continuous production at our mines is dependent on our ability to maintain our water rights and claims and defeat claims adverse to our current water uses in legal proceedings. At our U.S. operations, under state law, our water rights give us only the right to use public waters for a statutorily defined beneficial use at a designated location. In Arizona, we are a participant in two active general stream adjudications in which for over 30 years the State of Arizona has been attempting to quantify and prioritize surface water claims in two of the state's largest river systems that include three of our operating mines (Morenci, Sierrita and Safford) and which may also affect our Arizona mine at Bagdad. Groundwater is not subject to adjudication in Arizona, but is subject to the doctrine of reasonable use, which requires balancing the utility of the use against the gravity of the harm to others who have rights in the same aquifer; however, wells may be subject to adjudication to the extent they are found to produce or affect surface water. In Colorado, our surface water and groundwater rights are subject to adjudication and we are involved in legal proceedings to resolve disputes regarding priority of administration of rights, including priority of some of our rights for the Climax mine. Our surface water and groundwater rights are fully licensed or have been fully adjudicated in New Mexico.

In South America, water for our mining operations at Candelaria and Ojos del Salado is drawn from the Copiapo River aquifer. Because of rapid depletion of this aquifer in recent years, ongoing studies are addressing the adequacy of this water supply for our mining operations at these sites and a project to pump effluent from a nearby sewerage treatment plant as an alternate water source is being explored. At El Abra, regulatory agencies continue to evaluate the potential hydrologic and ecologic effects from our groundwater pumping at the Salar de

Ascotán, with a pending agency determination on the adequacy of our mitigation management plan for this area.

Although each operation currently has sufficient water rights and claims to cover its operational demands, we cannot predict the potential outcome of pending or future legal proceedings on our water rights, claims and uses. The loss of some or all water rights for any of our mines, in whole or in part, or shortages of water to which we have rights could require us to curtail or shut down mining production and could prevent us from pursuing expansion opportunities. Additionally, we have not yet secured adequate water rights to support all of our potential expansion projects, and our inability to secure those rights could prevent us from pursuing some of those opportunities.

An interruption of energy supply could adversely affect our mining operations.

Our mining operations and development projects require significant amounts of energy. Our principal energy sources are electricity, purchased petroleum products, natural gas and coal. Our South America mining operations receive electrical power under long-term contracts with local energy companies. Our Africa development project, Tenke Fungurume, has entered into long-term power supply and infrastructure funding agreements with the state-owned electric utility company serving the Katanga province of the Democratic Republic of Congo. A disruption in the transmission of energy, inadequate energy transmission infrastructure, or the termination of any of our energy supply contracts could interrupt our energy supply and adversely affect our operations.

Increased production costs could reduce our profitability and cash flow.

Energy represents a significant portion of our production costs. An inability to procure sufficient energy at reasonable prices could adversely affect our profits, cash flow and growth opportunities. Our production costs are also affected by the prices of commodities we consume or use in our operations, such as sulfuric acid, grinding media, steel, reagents, liners, explosives and diluents. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control and such prices are at times subject to volatile movements. Although our cash costs increased significantly in 2008, principally for energy and sulfuric acid, these costs began to decrease in the fourth quarter of 2008 as a result of the recent sharp declines in prices of energy, steel and sulfuric acid. Future increases in the cost of these commodities could make our operations less profitable. Increases in the costs of commodities that we consume or use may also significantly affect the capital costs of new projects.

In addition to the usual risks encountered in the mining industry, our Indonesia operations involve additional risks because they are located on unusually difficult terrain in a very remote area.

Our Grasberg mining operations are located in steep mountainous terrain in a very remote area in Indonesia. Because of these conditions, we have had to overcome special engineering difficulties and develop extensive infrastructure facilities. In addition, the area receives considerable rainfall, which has led to periodic floods and mudslides. The mine site is also in an active seismic area and has experienced earth tremors from time to time. Our insurance may not sufficiently cover an unexpected natural or operating disaster.

On October 9, 2003, a slippage of material occurred in a section of the Grasberg open pit, resulting in eight fatalities. On December 12, 2003, a debris flow involving a relatively small amount of loose material occurred in the same section of the open pit resulting in only minor property damage. The events caused us to alter our short-term mine sequencing plans, which adversely affected our 2003 and 2004 production. We resumed normal production activities in the second quarter of 2004.

On March 23, 2006, a mud/topsoil slide involving approximately 75,000 metric tons of material occurred from a mountain ridge above service facilities supporting PT Freeport Indonesia’s mining facilities. Regrettably, three contract workers were fatally injured in the event. The material damaged a mess hall and an adjacent area. As a result of investigations by PT Freeport Indonesia and the Indonesian Department of Energy and Mineral Resources, we conducted geotechnical studies to identify and address any potential hazards to workers and facilities from slides. The existing early warning system for potential slides, based upon rainfall and other factors, has also been expanded.

On September 10, 2008, a small scale failure encompassing approximately 75,000 metric tons of material occurred at our Grasberg open pit. There were no injuries or property damage. The event caused a delay in our access to the high-grade section of the open pit and, as a result, a portion of the metal expected to be mined in the second half of 2008 was deferred to future periods.

No assurance can be given that similar events will not occur in the future.

Development projects are inherently risky and may require more capital than anticipated, which could adversely affect our business. In addition, our most significant development project, Tenke Fungurume, is located in a remote area of the Democratic Republic of Congo.

There are many risks and uncertainties inherent in all development projects, including our significant future development of underground mines at the Grasberg minerals district and our Tenke Fungurume project. The economic feasibility of development projects is based on many factors, including the accuracy of estimated reserves, metallurgical recoveries, capital and operating costs and future prices of the relevant minerals. The capital expenditures and time required to develop new mines or other projects are considerable, and changes in costs or construction schedules can affect project economics. Thus it is possible that actual costs and economic returns may differ materially from our estimates.

New development projects have no operating history upon which to base estimates of future cash flow. These development projects also require the successful completion of feasibility studies, acquisition of governmental permits, acquisition of land, power and water and ensuring that appropriate community infrastructure is developed by third parties to support such projects. It is possible that we could fail to obtain the government approvals necessary for the operation of a project, in which case, the project may not proceed, either on its original timing or at all. It is not unusual for new mining operations to experience unexpected problems during the start-up phase, resulting in delays in producing revenue and increases in invested capital.

Our Tenke Fungurume project is located in a remote area of the Democratic Republic of Congo and is subject to additional challenges due to:

- severely limited infrastructure, including road and rail access;
- limited and possibly unreliable energy supply;
- security risks; and
- limited health care in an area plagued by disease and other potential endemic health issues, including malaria.

Consequently, our Tenke Fungurume development project may be substantially affected by factors beyond our control, which could increase the cost of the project and adversely affect its ultimate contribution to our operating results.

Environmental risks

Our domestic and international operations are subject to complex and evolving environmental laws and regulations, and compliance with environmental and regulatory requirements involves significant costs.

Our ongoing mining operations and exploration activities, both in the U.S. and elsewhere, are subject to extensive laws and regulations governing exploration, development, production, occupational health, mine safety, toxic substances, waste disposal, protection and remediation of the environment, protection of endangered and protected species, and other related matters. Compliance with these laws and regulations imposes substantial costs and we expect these costs to continue to increase in the future because of increased regulatory enforcement, increased demand for remediation services and shortages of equipment, supplies, labor and other factors. The Federal Clean Air Act has had a significant impact, particularly on our domestic smelter and power plants. Any change in waste management regulation of the mining industry under the Federal Resource Conservation and Recovery Act could have a significant impact, both on operational compliance and closure costs. In addition, environmental laws and regulations may change in ways that could adversely affect our operations or expansion opportunities.

In addition to compliance with environmental regulation at our operating sites, we incur significant costs for remediating environmental conditions on properties that have not been operated in many years.

Phelps Dodge Corporation, now named Freeport-McMoRan Corporation, and many of its affiliates and predecessor companies have been involved in mining, milling, and manufacturing in the U.S. for more than a century. Activities that occurred in the late 19th century and the 20th century prior to the advent of modern environmental laws were not subject to environmental regulation and were conducted before American industrial companies understood the long-term effects of their operations on the surrounding environment. With the passage of CERCLA in 1980, companies like Phelps Dodge became legally responsible for environmental remediation on properties previously owned or operated by them, irrespective of when the damage to the environment occurred or who caused it. That liability is often shared on a joint and several basis with all other owners and operators, meaning that each owner or operator of the property is fully responsible for the clean-up, although in many cases some or all of the other historical owners or operators no longer exist, do not have the financial ability to respond or cannot be found. As a result, because of our acquisition of Phelps Dodge in 2007, many of the subsidiary companies we now own are responsible for a wide variety of environmental remediation projects throughout the U.S., and we expect to spend substantial sums annually for many years to address these remediation issues. We are also subject to claims where the release of hazardous substances is alleged to have damaged natural resources. As of December 31, 2008, we had more than 100 active remediation projects in the U.S. in approximately 25 states.

We incurred aggregate environmental capital expenditure and other environmental costs, including joint venture partners' share, totaling $468 million in 2008, $320 million in 2007 and $63 million in 2006. Refer to Note 15 – "Contingencies" for more information on our environmental liabilities.

An adverse ruling in one or more pending legal proceedings involving environmental matters could have a material adverse effect on us.

As described in our Securities and Exchange Commission (SEC) filings, we are a defendant in numerous and in some cases significant litigation involving environmental cleanup costs, alleged environmental toxic torts and interpretations of environmental regulations. An adverse ruling in one or more of these matters could have a material adverse effect on our results of operations, financial condition and cash flow.

Mine closure regulations impose substantial costs on our operations.

Our domestic operations are subject to various federal and state permitting requirements that include mine closure and mined-land reclamation obligations. These requirements are complex and vary depending upon the jurisdiction. The laws govern the determination of the scope and cost of the closure and reclamation obligations and the amount and forms of financial assurance sufficient to allow a third party to meet the obligations of those plans if we are unable to do so. In general, our domestic mines are required to review estimated closure and reclamation costs on either a periodic basis or at the time of significant permit modifications and post increasing amounts of financial assurance as required.

In addition, our international mines are subject to various mine closure and mined-land reclamation laws, and there have recently been significant changes in closure and reclamation programs in both Peru and Chile that impose more stringent obligations on us for closure and reclamation. Updated closure plans for our three Chilean operations were submitted to the government in February 2009.

Our asset retirement obligations as of December 31, 2008, determined as required by Statement of Financial Accounting Standards No. 143, "Asset Retirement Obligations," totaled approximately $712 million (including approximately $42 million for the current portion). At December 31, 2008, we had accrued reclamation and closure costs of $372 million for our New Mexico operations, $164 million for our Arizona operations and $83 million for PT Freeport Indonesia. Asset retirement obligation cost estimates may increase or decrease significantly in the future as a result of changes in regulations, engineering designs and technology, permit modifications or updates, mine plans, cost of inflation or other factors and as actual reclamation spending occurs.

Regulation of greenhouse gas emissions effects and climate change issues may adversely affect our operations and markets.

Energy is a significant input to our mining and processing operations. Our principal energy sources are electricity, purchased petroleum products, natural gas and coal. Many scientists believe that emissions from the combustion of carbon-based fuels contribute to greenhouse effects and therefore potentially to climate change.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. The December 1997 Kyoto Protocol established a set of greenhouse gas emission targets for developed countries that have ratified the Protocol. Although the Kyoto Protocol has not been ratified by the U.S., several states have initiated legislative action on climate change. Climate change legislation has been introduced in, but not yet passed by the U.S. Congress. Many believe that federal climate change legislation is very likely to become effective in the next few years, which will result in increased future energy and compliance costs. From a medium and long-term perspective, we are likely to see an increase in costs relating to our assets that emit significant amounts of greenhouse gases as a result of regulatory initiatives in the U.S. and other countries in which we operate. These regulatory initiatives will be either voluntary or mandatory and may impact our operations directly or through our suppliers or customers. Assessments of the potential impact of future climate change regulation are uncertain, given the wide scope of potential regulatory change in countries in which we operate.

The potential physical impacts of climate change on our operations are highly uncertain, and would be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperatures. These effects may adversely impact the cost, production and financial performance of our operations.

Our operating, inactive and historical domestic mining sites and facilities may be subject to future regulation of radioactive materials that are commonly associated with, or result from, our mining operations.

A number of federal and state agencies are considering new regulations to characterize, regulate and remediate potential workplace exposures and environmental impacts of radioactive materials commonly associated with mining operations. For example, the EPA could promulgate rules to regulate technologically enhanced naturally occurring radioactive materials (TENORM) and their impacts at mining operations. In addition, several states are promulgating groundwater quality compliance and remediation standards for radioactive materials, including uranium. Radioactive materials can be associated with copper mineral deposits, including both our current and discontinued operations. Consequently, our copper operations may generate, concentrate or release radioactive materials that may subject our operations to new and increased regulation. The impact of such future regulation on our operating, closure, reclamation, and remediation costs is uncertain.

Our mining operations in Indonesia create difficult and costly environmental challenges, and future changes in environmental laws, or unanticipated environmental impacts from those operations, could require us to incur increased costs.

Mining operations on the scale of our operations in Papua involve significant environmental risks and challenges. Our primary challenge is to dispose of the large amount of crushed and ground rock material, called tailings, that results from the process by which we physically separate the copper-, gold- and silver-bearing materials from the ore that we mine. Our tailings management plan, which has been approved by the Government of Indonesia, uses the river system near our mine to transport the tailings to the lowlands where the tailings and natural sediments are deposited in a controlled area contained within an engineered levee system that will be revegetated.

Another major environmental challenge is managing overburden, which is the rock that must be moved aside in the mining process in order to reach the ore. In the presence of air, water and naturally occurring bacteria, some overburden can cause acid rock drainage, or acidic water containing dissolved metals which, if not properly managed, can have a negative impact on the environment.

Certain Indonesian governmental officials have from time to time raised issues with respect to our tailings and overburden management plans, including a suggestion that we implement a pipeline system rather than our river deposition system for tailings disposal. Because our mining operations are remotely located in steep mountainous

terrain and in an active seismic area, a pipeline system would be costly, difficult to construct and maintain, and more prone to catastrophic failure, and could therefore involve significant potentially adverse environmental issues. Based on our own studies and others conducted by third parties, we do not believe that a pipeline system is necessary or practical.

In connection with obtaining our environmental approvals from the Indonesian government, we committed to perform a one-time environmental risk assessment on the impacts of our tailings management plan. We completed this extensive environmental risk assessment with more than 90 scientific studies conducted over four years and submitted it to the Indonesian government in December 2002. We developed the risk assessment study with input from an independent review panel, which included representatives from the Indonesian government, academia and non-governmental organizations. The risks that we identified during this process were in line with our impact projections of the tailings management program contained in our environmental approval documents.

In 2005, PT Freeport Indonesia agreed to participate in the Government of Indonesia's PROPER (Program for Pollution Control, Evaluation and Rating) program. In March 2006, the Indonesian Ministry of Environment announced the preliminary results of its PROPER environmental management audit, acknowledging the effectiveness of PT Freeport Indonesia's environmental management practices in some areas while making several suggestions for improvement in others.

International risks

Our operations outside of the U.S. are subject to political, social and geographic risks of doing business in foreign countries.

We are a global mining company with substantial assets located outside of the U.S. We conduct international mining operations in Indonesia, Chile and Peru. We also have a significant development project in the Democratic Republic of Congo, which is expected to begin production in 2009. Accordingly, our business may be adversely affected by political, economic and social uncertainties in each of these countries, in addition to the usual risks associated with conducting business in foreign countries. Such risks include (1) forced modification of existing contracts, (2) expropriation, (3) changes in a country's laws and policies, including those relating to labor, taxation, royalties, divestment, imports, exports, trade regulations, currency and environmental matters, (4) political instability and civil strife, (5) exchange controls, and (6) the risk of having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce the judgment of a foreign court or arbitration panel against a sovereign nation within its own territory. Our insurance does not cover most losses caused by these risks.

In December 2008, we were notified by Peruvian tax authorities of their intent to assess mining royalties related to the minerals processed by the Cerro Verde concentrator. The amount claimed to be due through December 2007 is approximately $33 million. We believe our royalty obligations with respect to all minerals extracted at Cerro Verde are subject to our existing stability agreement, regardless of the processing method applied after extraction, and believe that Cerro Verde owes no royalties with respect to minerals processed through our concentrator. We intend to work cooperatively with the authorities in Peru to resolve this matter.

Because our Grasberg minerals district in Papua, Indonesia remains our most significant operating asset, our business may continue to be adversely affected by Indonesian political, economic and social uncertainties.

Indonesia has faced political, economic and social uncertainties, including separatist movements and civil and religious strife in a number of provinces. In particular, several separatist groups are opposing Indonesian rule over the province of Papua, where our Grasberg minerals district is located, and have sought political independence for the province. In response, Indonesia enacted regional autonomy laws, which became effective January 1, 2001. The manner in which the new laws are being implemented and the degree of political and economic autonomy that they may bring to individual provinces, including Papua, are uncertain and are ongoing issues in Indonesian politics. In Papua, there have been sporadic attacks on civilians by separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military. Social, economic and political instability in Papua could materially and adversely affect us if it results in damage to our property or interruption of our activities.

Maintaining a good working relationship with the Indonesian government is important to us because our mining operations there are among Indonesia's most significant business enterprises and are conducted pursuant to a Contract of Work with the Indonesian government. Partially because of their significance to Indonesia's economy, the environmentally sensitive area in which they are located, and the number of people employed, our operations are occasionally the subject of criticism in the Indonesian press and in political debates, and have been the target of protests and occasional violence. In October 2004, Susilo Bambang Yudhoyono was elected as President of Indonesia in the nation's first direct Presidential election. Indonesia has a Presidential election scheduled for July 2009. While we intend to continue to maintain positive working relationships with the Indonesian government, we cannot predict the impact that the 2009 elections will have on our relationships.

Grasberg operated at reduced mining and milling rates during a four-day period from April 18, 2007 to April 21, 2007, as a result of peaceful protests by certain workers regarding benefits. The protests ended on April 21 with an agreement on a framework for minimum wages for its workers and Grasberg returned to normal operations. The impacts to production were not significant. Illegal miners have continued to operate along the river designated to transport the tailings from the mill to the lowlands in PT Freeport Indonesia's government-approved tailings management area. The illegal miners who have trespassed from time to time in the area of our facilities have clashed with police who have attempted to move them away from our facilities. In 2006, the illegal miners temporarily blocked the road leading to the Grasberg mine and mill in protest, and PT Freeport Indonesia temporarily suspended mining and milling operations as a precautionary measure.

We cannot predict whether additional incidents will occur that could disrupt our Indonesian operations, or whether similar incidents may occur in other countries that could affect our other operations. If additional protests or other disruptive incidents occur at any of our facilities, they could adversely affect our business and profitability in ways that we cannot predict at this time.

We do not expect to mine all of our Indonesian ore reserves before the initial term of our Contract of Work in Indonesia expires.

All of our Indonesian proven and probable ore reserves, including the Grasberg deposit, are located in Block A. The initial term of our Contract of Work covering these ore reserves expires at the end of 2021. We can extend this term for two successive 10-year periods, subject to the approval of the Indonesian government, which under our Contract of Work cannot be withheld or delayed unreasonably. Our ore reserves reflect estimates of minerals that can be recovered through the end of 2041 (i.e., through the expiration of the two 10-year extensions) and our current mine plan has been developed, and our operations are based on the assumption that we will receive the two 10-year extensions. As a result, we will not mine all of these ore reserves during the current term of our Contract of Work, and there can be no assurance that the Indonesian government will approve the extensions. Prior to the end of 2021, we expect to mine approximately 35 percent of aggregate proven and probable recoverable ore at December 31, 2008, representing approximately 42 percent of PT Freeport Indonesia's share of recoverable copper reserves and approximately 56 percent of its share of recoverable gold reserves.

Our Contracts of Work in Indonesia are subject to termination if we do not comply with our contractual obligations, and if a dispute arises, we may have to submit to the jurisdiction of a foreign court or arbitration panel.

PT Freeport Indonesia's Contract of Work and other Contracts of Work in which we have an interest were entered into under Indonesia's 1967 Foreign Capital Investment Law, which provides guarantees of remittance rights and protection against nationalization. Our Contracts of Work can be terminated by the Government of Indonesia if we do not satisfy our contractual obligations, which include the payment of royalties and taxes to the government and the satisfaction of certain mining, environmental, safety and health requirements.

At times, certain government officials and others in Indonesia have questioned the validity of contracts entered into by the Government of Indonesia prior to May 1998 (i.e., during the Suharto regime, which lasted over 30 years), including PT Freeport Indonesia's Contract of Work, which was signed in December 1991. We cannot assure you that the validity of, or our compliance with, the Contracts of Work will not be challenged for political or other reasons. PT Freeport Indonesia's Contract of Work and our other Contracts of Work require that disputes with the Indonesian government be submitted to international arbitration. Consequently, if a dispute arises under the Contracts of Work, we face the risk of having to submit to the jurisdiction of a foreign court or arbitration panel, and if we prevail in such a dispute, we will face the additional risk of having to enforce the judgment of a foreign court or arbitration panel against Indonesia within its own territory.

Indonesian government officials have periodically undertaken reviews regarding our compliance with Indonesian environmental laws and regulations and the terms of the Contracts of Work. In 2006, the Government of Indonesia created a joint team for "Periodic Evaluation on Implementation of the PT-FI Contract of Work (COW)" to conduct an evaluation every five years. The team consists of five working groups, whose members are from relevant ministries or agencies, covering production, state revenues, community development, environmental issues and security issues. We have conducted numerous meetings with these groups. The joint team has indicated that it will issue a report. While we believe that we comply with PT Freeport Indonesia's Contract of Work in all material respects, we cannot assure you that the report will support that conclusion. Separately, the Indonesian House of Representatives created a working committee on PT Freeport Indonesia. Members of this group have also visited our operations and held a number of hearings in Jakarta. We will continue to work with these groups to respond to their questions about our operations and our compliance with PT Freeport Indonesia's Contract of Work.

Any suspension of required activities under our Contracts of Work requires the consent of the Indonesian government.

Our Contracts of Work permits us to suspend certain contractually required activities, including exploration, for a period of one year by making a written request to the Indonesian government. These requests are subject to the approval of the Indonesian government and are renewable annually. If we do not request a suspension or are denied a suspension, then we are required to continue our activities under the Contract of Work or potentially be declared in default. Moreover, if a suspension continues for more than one year for reasons other than force majeure and the Indonesian government has not approved such continuation, then the government would be entitled to declare a default under the Contract of Work.

We suspended our field exploration activities outside of Block A in recent years because of safety and security issues and regulatory uncertainty relating to a possible conflict between our mining and exploration rights in certain forest areas and an Indonesian Forestry law enacted in 1999 prohibiting open-pit mining in forest preservation areas. In 2001, we requested and received from the Government of Indonesia, formal temporary suspensions of our obligations under the Contracts of Work in all areas outside of Block A. Recent Indonesian legislation permits open-pit mining in PT Freeport Indonesia's Block B area, subject to certain requirements. Following an assessment of these requirements and a review of security issues, in 2007 we resumed exploration activities in certain prospective Contract of Work areas outside of Block A.

Our Tenke Fungurume development project is located in the Democratic Republic of Congo, and our business may be adversely affected by political, economic and social instability in the Democratic Republic of Congo.

Our most significant development project, Tenke Fungurume, is located in the Democratic Republic of Congo, a nation that since 1960 has undergone outbreaks of political violence, changes in national leadership and financial crisis. These factors heighten the risk of abrupt changes in the national policy towards foreign investors, which in turn could result in unilateral modification of concessions or contracts, increased taxation, denial of permits or permit renewals or expropriation of assets. Our ability to continue development is currently subject to an ongoing review of all mining contracts by the Ministry of Mines (Ministry) in the Democratic Republic of Congo, the outcome of which cannot be predicted. We received notification on February 20, 2008 that the Ministry wishes to renegotiate several material provisions of our mining concessions. We believe that the terms of the concessions are fair and that they were negotiated transparently and are legally binding. However, we cannot predict whether the Government of the Democratic Republic of Congo will respect our contract rights. Other political, economic and social risks that are outside of our control and could adversely affect our business include:

- political risks associated with the limited tenure of the newly elected government;
- cancellation or renegotiation of mining contracts by the government;
- royalty and tax increases or claims by governmental entities, including retroactive claims;
- security risks due to the remote location and violence in the northeastern provinces of the Democratic Republic of Congo;

- risk of loss of property due to expropriation or nationalization of property; and
- risk of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism.

Consequently, our Tenke Fungurume development project may be substantially affected by factors beyond our control, any of which could adversely affect our financial position or results of operations.

Terrorist attacks throughout the world and the potential for additional future terrorist acts have created economic and political uncertainties that could materially and adversely affect our business.

On August 31, 2002, three people were killed and 11 others were wounded in an ambush by a group of unidentified assailants on the road near Tembagapura, the mining town where the majority of PT Freeport Indonesia's personnel reside. The assailants shot at several vehicles transporting international contract teachers from our school in Tembagapura, their family members and other contractors to PT Freeport Indonesia. The U.S. Federal Bureau of Investigation (FBI) investigated the incident, which resulted in the U.S. indictment of an alleged operational commander of the Free Papua Movement/National Freedom Force. In January 2006, Indonesian police, accompanied by FBI agents, arrested the alleged operational commander and 11 other Papuans. In November 2006, verdicts and sentencing were announced for seven of those accused in the August 2002 shooting, including a life sentence for the confessed leader of the attack.

On October 12, 2002, a bombing killed 202 people in the Indonesian province of Bali, which is 1,500 miles west of our mining and milling operations. Indonesian authorities arrested 35 people in connection with this bombing and 29 of those arrested have been tried and convicted. On August 5, 2003, 12 people were killed and over 100 were injured by a car bomb detonated outside of the JW Marriott Hotel in Jakarta, Indonesia. On September 9, 2004, 11 people were killed and over 200 injured by a car bomb detonated in front of the Australian embassy in Jakarta. On October 1, 2005, three suicide bombers killed 19 people and wounded over 100 in Bali. The same international terrorist organizations are suspected in each of these incidents. In November 2005, Indonesian police raided a house in East Java that resulted in the death of other accused terrorists linked to the bombings discussed above. Our mining and milling operations were not interrupted by these incidents, but PT Freeport Indonesia's corporate office in Jakarta had to relocate for several months following the bombing in front of the Australian embassy. In addition to the Bali, JW Marriott Hotel and Australian embassy bombings, there have been anti-American demonstrations in certain sections of Indonesia reportedly led by radical Islamic activists.

No assurance can be given that additional terrorist incidents will not occur. If there were to be additional violence, it could materially and adversely affect our business in ways that we cannot predict at this time.

Other risks

If market prices for our commodities decline, the carrying values of inventories and long-lived assets may be further impaired, which could require charges to operating income that could be material.

In the fourth quarter of 2008, we recorded significant charges to reduce the carrying values of inventories and long-lived assets, and to eliminate goodwill. Further declines in the market price of copper, among other factors, may cause us to record additional lower of cost or market inventory adjustments and may also require us to further write down the carrying value of long-lived assets, which would potentially have a material adverse impact on our results of operations and shareholders' equity, but would have no effect on cash flows.

Unanticipated litigation or negative developments in pending litigation could have a material adverse effect on our results of operations and financial condition.

We are a party to the litigation described in our SEC filings and a number of other litigation matters, including asbestos exposure cases, disputes over the allocation of environmental remediation obligations at Superfund and other sites, disputes over water rights and disputes with regulatory authorities. The outcome of litigation is inherently uncertain and adverse developments or outcomes can result in significant monetary damages, penalties or injunctive relief against us, limitations on our property rights, or regulatory interpretations that increase our operating costs. If any of these disputes results in a substantial monetary judgment against us or an adverse legal interpretation, is settled on unfavorable terms, or otherwise affects our operations, it could have a material adverse effect on our operating results and financial condition.

We depend on our senior management team and other key employees, and the loss of any of these employees could adversely affect our business.

Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. A loss of such personnel could prevent us from capitalizing on business opportunities, and our operating results could be adversely affected.

Our holding company structure may impact your ability to receive dividends .

We are a holding company with no material assets other than the capital stock of our subsidiaries. As a result, our ability to repay our indebtedness and pay dividends is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, loan, debt repayment or otherwise. Our subsidiaries do not have any obligation to make funds available to us to repay our indebtedness or pay dividends. Dividends from subsidiaries that are not wholly owned are shared with other equity owners. In addition, cash at our international operations is subject to foreign withholding taxes upon repatriation into the U.S.

In addition, our subsidiaries may not be able to, or be permitted to, make distributions to enable us to repay our indebtedness or pay dividends. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. Our rights to participate in any distribution of our subsidiaries' assets upon their liquidation, reorganization or insolvency would generally be subject to the prior claims of the subsidiaries' creditors, including any trade creditors and preferred stockholders.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult. These provisions:

- authorize our board of directors to issue preferred stock without stockholder approval and to designate the rights, preferences and privileges of each class; if issued, such preferred stock would increase the number of outstanding shares of our capital stock and could include terms that may deter an acquisition of us;
- establish advance notice requirements for nominations to the board of directors or for proposals that can be acted on at stockholder meetings;
- limit who may call stockholder meetings; and
- require the approval of the holders of two thirds of our outstanding common stock to enter into certain business combination transactions, subject to certain exceptions, including if the consideration to be received by our common stockholders in the transaction is deemed to be a fair price.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors other than the candidates nominated by our board of directors.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit large stockholders from consummating a merger with, or acquisition of, us.

These provisions may deter an acquisition of us that might otherwise be attractive to stockholders.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 3. Legal Proceedings.

We are involved from time to time in various legal proceedings of a character normally incident to the ordinary course of our business. We believe that potential liability in such proceedings would not have a material adverse effect on our financial condition or results of operations. We maintain liability insurance to cover some, but not all, potential liabilities normally incident to the ordinary course of our business as well as other insurance coverage customary in our business, with coverage limits that we deem prudent.

Environmental Proceedings

Pinal Creek. We are a party to Pinal Creek Group, et al. v. Newmont Mining Corporation, et al . , United States District Court, District of Arizona, Case No. CIV 91-1764 PHX DAE (LOA), filed on May 1, 1991. The Pinal Creek site located near Miami, Arizona, was listed under the Arizona Department of Environmental Quality's (ADEQ) Water Quality Assurance Revolving Fund program in 1989 for contamination in the shallow alluvial aquifers within the Pinal Creek drainage near Miami, Arizona. Since that time, environmental remediation has been performed by members of the Pinal Creek Group (PCG), consisting of Phelps Dodge Miami, Inc. (Miami) (a wholly owned subsidiary of Freeport-McMoRan Corporation, formerly Phelps Dodge Corporation) and two other companies. In 1998, the District Court approved a Consent Decree between the PCG members and the state of Arizona resolving all matters related to an enforcement action contemplated by the state of Arizona against the PCG members with respect to groundwater. The Consent Decree committed the PCG members to complete the remediation work outlined in the Consent Decree. That work continues at this time pursuant to the Consent Decree and consistent with state law and the National Contingency Plan prepared by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

Remediation has been proceeding pursuant to an interim allocation of cost sharing among the members of the PCG, with Miami's interim allocation being approximately two-thirds; however, there are significant disagreements among the members of the PCG regarding the allocation of the cost of remediation, and other members allege that Miami should be responsible for substantially all of the costs. Discovery disputes resulted in a sanctions order against Miami that included significant evidentiary restrictions on Miami's case. The trial on the allocation issue will be scheduled after the final determination of Miami's pending interlocutory appeal of a trial court ruling on the liability standard that should apply to one of the remaining defendants. A final determination of the allocation, if different from the interim allocation, would likely result in a "true up" payment with respect to the remediation that has already been completed from the party found to be responsible for a higher proportion than the interim allocation, and would establish the cost-sharing proportions for the remainder of the clean up. The overall cost of the clean up is expected to be significant.

Blackwell, Oklahoma Litigation . On April 14, 2008, a purported class action was filed in the District Court of Kay County, Oklahoma against us, and several direct and indirect subsidiaries, including Blackwell Zinc Company (BZC), and several other parties, entitled Coffey, et al., Plaintiffs, v. Freeport-McMoRan Copper & Gold, Inc., et al., Defendants , Kay County, Oklahoma District Court, Case No. CJ-2008-68. The suit alleges that the operations of BZC's zinc smelter in Blackwell, Oklahoma, from 1918 to 1974 resulted in contamination of the soils and groundwater in Blackwell and the surrounding area. Unspecified compensatory and punitive damages are sought on behalf of the putative class members for alleged diminution in property values. There is also a request for an order compelling remediation of alleged contaminated properties and the establishment of a monetary fund to monitor the present and future health of the putative class members. We intend to defend this matter vigorously. For more information about our remediation activities in Blackwell, Oklahoma, refer to Note 15 – "Contingencies – Environmental and Asset Retirement Obligations."

Arizona Notice of Violation (NOV) – Sierrita operations . In September and October 2006, ADEQ issued two NOVs to the Phelps Dodge Sierrita, Inc. (Sierrita) operations in southeastern Arizona. The two NOVs alleged certain visibility and permit violations associated with dust emissions from Sierrita's tailing facility during high-wind events. Sierrita responded to the NOVs by acknowledging that dust likely did exceed a visibility standard, but denying the other allegations, and by implementing dust control response actions that ADEQ has accepted. In January 2009, Sierrita and ADEQ agreed to a consent decree that will be entered in court to settle the matter. The

consent decree obligates Sierrita to pay a $45,000 fine and $60,000 for a supplemental environmental project.

New Mexico Environment Department – Chino Mines . On October 24, 2007, Chino Mines Co. (Chino) notified New Mexico Environment Department (NMED) that heavy rains during July, August and September led to a release of diluted leach solutions through a storm water outfall to an ephemeral stream on Chino's property. Chino sent a follow up notice to NMED on November 7, 2007, which identified the interim corrective actions taken as a result of the discharge. On February 28, 2008, Chino received a proposed Administrative Compliance Order, which included a demand for civil penalties in the amount of $276,600 for violation of legal requirements in connection with Chino's management of the solutions. Chino is engaged in settlement discussions with NMED.

Asbestos Claims

Since approximately 1990, Phelps Dodge and various subsidiaries have been named as defendants in a large number of product liability or premises lawsuits claiming injury from exposure to asbestos contained in electrical wire products produced or marketed many years ago, or from asbestos at certain Phelps Dodge properties. Based on information available to us to date, we believe our liability, if any, in these matters will not have a material adverse effect, either individually or in the aggregate, upon our business, financial condition, liquidity, results of operations or cash flow. There can be no assurance, however, that future developments will not alter this conclusion.

Water Rights

Water law in the western U.S. is generally based on the doctrine of prior appropriation (first in time, first in right) and permits the water right holder the right to use public waters for a statutorily defined beneficial use, at a designated location. Our operations in the western U.S. require water for mining, ore processing and related support facilities. Continuous operation of these mines is dependent on our ability to maintain our water rights and claims. The loss of water rights, in whole or in part, could have a significant adverse affect on our mining operations.

Two water rights adjudications have been initiated in the State of Arizona in order to quantify and prioritize all surface water claims in two of the State's river systems that include three of our operating mines: Morenci, Sierrita and Safford and which may affect our Bagdad, Arizona mine. These adjudications have proceeded for many years, and we cannot predict when they will be concluded, but the loss of water claims in these legal proceedings could have a significant adverse affect on the operations of these mines.

In Re the General Adjudication of All Rights to Use Water in the Little Colorado Water System and Sources , Apache County, Superior Court, No. 6417, filed on or about February 17, 1978. The principal parties, in addition to us, include: the State of Arizona; the Salt River Project; the Arizona Public Service Company; the Navajo Nation, the Hopi Indian Tribe; the San Juan Southern Paiute Tribe; and the United States on its own behalf, on behalf of those Indian tribes, and on behalf of the White Mountain Apache Tribe.

In Re The General Adjudication of All Rights to Use Water in the Gila River System and Sources ,
Maricopa County, Superior Court, Cause Nos. W-1 (Salt), W-2 (Verde), W-3 (Upper Gila), and W-4 (San Pedro), filed on February 17, 1978. The principal parties, in addition to us, include: the State of Arizona; the Gila Valley Irrigation District; the San Carlos Irrigation and Drainage District; the Salt River Project; the San Carlos Apache Tribe; the Gila River Indian Community; and the United States on behalf of those Tribes, on its own behalf, and on behalf of the White Mountain Apache Tribe, the Fort McDowell Mohave-Apache Indian Community, the Salt River Pima-Maricopa Indian Community, and the Payson Community of Yavapai Apache Indians.

In 1998, we entered into a water rights settlement agreement with the Gila River Indian Community (GRIC), which was later included in a comprehensive water rights settlement under the Arizona Water Settlements Act of 2004. The GRIC settlement is subject to contingencies that must be met before the agreement is fully effective, and the comprehensive settlement has been challenged by other parties. If we are unable to resolve the contingencies in the GRIC settlement and defeat the third-party challenges, our water rights in the Gila River watershed could be diminished, and our operations at Morenci, Sierrita and Safford could be adversely affected.

Prior to January 1, 1983, various Indian tribes filed suits in the U.S. District Court in Arizona claiming superior rights to water being used by many other water users, including us, and claiming damages for prior use in derogation of their allegedly superior rights. These federal proceedings have been stayed pending the Arizona

Superior Court adjudications.

United States v. Gila Valley Irrigation District , United States District Court, District of Arizona, was initiated in 1925 by the United States to settle conflicting claims to water rights in portions of the Gila River watershed. A decree settling the claims of various parties was entered in 1935, after Morenci had been dismissed from the case without prejudice. In 1988, the Gila River Indian Community intervened, challenging uses of water in the Gila River watershed, which may impact water that we have the right to divert annually from Eagle Creek, Chase Creek or the San Francisco River for operation of our Morenci mine, pursuant to decreed rights and an agreement between us and the Gila Valley Irrigation District. Our Morenci operations also purchased farm lands with water rights in 1997, 1998 and 2008 that are subject to this proceeding. Impairment of our water claims in the Gila River watershed could adversely affect the operations of our Morenci and Safford mines.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Executive Officers of the Registrant.

Certain information as of February 15, 2009, about our executive officers, including their position or office with FCX, PT Freeport Indonesia and Atlantic Copper, is set forth in the following table and accompanying text:

Name	Age	Position or Office
James R. Moffett	70	Chairman of the Board of FCX. President Commissioner of PT Freeport Indonesia.
Richard C. Adkerson	62	Director, President and Chief Executive Officer of FCX. Director and Executive Vice President of PT Freeport Indonesia. Chairman of the Board of Directors of Atlantic Copper.
Michael J. Arnold	56	Executive Vice President and Chief Administrative Officer of FCX.
Kathleen L. Quirk	45	Executive Vice President, Chief Financial Officer and Treasurer of FCX. Commissioner of PT Freeport Indonesia. Director of Atlantic Copper.

James R. Moffett has served as Chairman of the Board of FCX since May 1992. Mr. Moffett previously served as the Chief Executive Officer of FCX from July 1995 until December 2003. He is also President Commissioner of PT Freeport Indonesia and Co-Chairman of the Board of McMoRan Exploration Co. (McMoRan).

Richard C. Adkerson has served as FCX's President since January 2008 and also from April 1997 to March 2007, Chief Executive Officer since December 2003 and a director since October 2006. Mr. Adkerson previously served as FCX's Chief Financial Officer from October 2000 to December 2003. Mr. Adkerson is also a director and Executive Vice President of PT Freeport Indonesia, Chairman of the Board of Directors of Atlantic Copper, and Co-Chairman of the Board of McMoRan. From November 1998 to February 2004, he also served as President and Chief Executive Officer of McMoRan.

Michael J. Arnold has served as the Chief Administrative Officer of FCX since December 2003 and as Executive Vice President of FCX since March 2007. He also served as a director and Executive Vice President of PT Freeport Indonesia from May 1998 to July 2007.

Kathleen L. Quirk has served as FCX's Executive Vice President since March 2007, Chief Financial Officer since December 2003 and Treasurer since February 2000. Ms. Quirk previously served as FCX's Senior Vice President from December 2003 to March 2007 and as Vice President from February 1999 to December 2003. Ms. Quirk has also served as a Commissioner of PT Freeport Indonesia since April 2000, as the Senior Vice President of McMoRan since April 2002 and as Treasurer since January 2000.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Unregistered Sales of Equity Securities

None.

Common Stock

Our common shares trade on the New York Stock Exchange (NYSE) under the symbol "FCX." The FCX share price is reported daily in the financial press under "FMCG" in most listings of NYSE securities. Effective March 19, 2007, our certificate of incorporation was amended to rename our Class B common stock to Common Stock. NYSE composite tape common share price ranges during 2008 and 2007 follow:

	2008		2007	
	High	Low	High	Low
First Quarter	$ 107.37	$ 68.96	$ 67.19	$ 48.85
Second Quarter	127.24	93.00	85.50	65.62
Third Quarter	117.11	51.21	110.60	67.07
Fourth Quarter	56.75	15.70	120.20	85.71

As of February 17, 2009, there were approximately 19,000 holders of record of our common stock.

Common Stock Dividends

In February 2003, the Board of Directors authorized the initiation of an annual cash dividend on our common stock of $0.36 per share payable quarterly, and authorized increases in the annual cash dividend in October 2003 to $0.80 per share, in October 2004 to $1.00 per share and in November 2005 to $1.25 per share. In December 2007, the Board of Directors authorized an increase in our annual common stock dividend to $1.75 per share and in July 2008 to $2.00 per share. Additionally, since December 2004, we have paid eight supplemental dividends. In December 2008, in response to weak conditions in commodity and financial markets, the Board of Directors suspended future common stock dividends. The Board of Directors will continue to review our dividend policy on an ongoing basis.

Below is a summary of common stock cash dividends declared and paid during 2008 and 2007:

	2008		
	Per Share Amount	Record Date	Payment Date
	$		
First Quarter	0.4375	Jan. 15, 2008	Feb. 1, 2008
Second Quarter	0.4375	Apr. 15, 2008	May 1, 2008
Third Quarter	0.4375	July 15, 2008	Aug. 1, 2008
Fourth Quarter	0.5000	Oct. 15, 2008	Nov. 1, 2008

	2007		
	Per Share Amount	Record Date	Payment Date
	$		
First Quarter	0.3125	Jan. 16, 2007	Feb. 1, 2007
Second Quarter	0.3125	Apr. 16, 2007	May 1, 2007
Third Quarter	0.3125	July 16, 2007	Aug. 1, 2007
Fourth Quarter	0.3125	Oct. 15, 2007	Nov. 1, 2007

The declaration and payment of dividends is at the discretion of our Board and will depend on our financial results, cash requirements, future prospects and other factors deemed relevant by the Board. In addition, payment of dividends on our common stock and purchases of common stock are subject to limitations under our 6⅞% Senior Notes and $6 billion in senior notes used to finance the acquisition of Phelps Dodge and, in certain circumstances, our senior credit facility.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of common stock of FCX purchased by us during the three months ended December 31, 2008:

Period	(a) Total Number of Shares (or Units) Purchased [a]	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs [b]
October 1-31, 2008	-	$ -	-	-
November 1-30, 2008	156	$ 28.62	-	-
December 1-31, 2008	84	$ 23.40	-	-
Total	240	$ 26.78	-	23,685,500

a. This category includes shares repurchased under FCX's applicable stock incentive plans (Plans) and its non-qualified supplemental savings plan (SSP). Through the Plans, FCX repurchased 84 shares to satisfy tax obligations on restricted stock awards and to cover the cost of option exercises. Under the SSP, FCX repurchased 156 shares as a result of dividends paid.

b. In December 2007, our Board of Directors approved an open market share purchase program for up to 20 million shares. In July 2008, our Board of Directors approved an increase in our open market share purchase program for up to 30 million shares. The program does not have an expiration date. No shares were purchased during the three-month period December 31, 2008.

Item 6. Selected Financial Data.

FREEPORT-McMoRan COPPER & GOLD INC.
SELECTED FINANCIAL AND OPERATING DATA

	Years Ended December 31,				
	2008	2007 [a]	2006	2005	2004
FCX CONSOLIDATED FINANCIAL DATA	(In Millions, Except Per Share Amounts)				
Revenues	$ 17,796[b]	$ 16,939[b,c]	$ 5,791	$ 4,179	$ 2,372
Operating (loss) income	(12,710)[b,d,e,f]	6,555[b,c,f]	2,869	2,177	704
(Loss) income from continuing operations applicable to common stock	(11,341)	2,734	1,396	935	157
Net (loss) income applicable to common stock	(11,341)[b,d,e,f,g]	2,769[b,c,f,g]	1,396[g,h]	935[g]	157[g]
Basic net (loss) income per share of common stock:					
Continuing operations	$ (29.72)	$ 8.02	$ 7.32	$ 5.18	$ 0.86
Discontinued operations	–	0.10	–	–	–
Basic net (loss) income per share of common stock	$ (29.72)	$ 8.12	$ 7.32	$ 5.18	$ 0.86
Basic average shares outstanding	382	341	191	180	182
Diluted net (loss) income per share of common stock:					
Continuing operations	$ (29.72)	$ 7.41	$ 6.63	$ 4.67	$ 0.85
Discontinued operations	–	0.09	–	–	–
Diluted net (loss) income per share of common stock	$ (29.72)[b,d,e,f,g]	$ 7.50[b,c,f,g]	$ 6.63[g,h]	$ 4.67[g]	$ 0.85[g]
Diluted average shares outstanding	382	397	221	220	185
Dividends declared per common share	$ 1.375	$ 1.375	$ 5.0625	$ 2.50	$ 1.10
At December 31:					
Cash and cash equivalents	$ 872	$ 1,626	$ 907	$ 764	$ 552
Property, plant, equipment and development costs, net	16,002	25,715	3,099	3,089	3,199
Goodwill	–	6,105	–	–	–
Total assets	23,353	40,661	5,390[h]	5,550	5,087
Total debt, including current portion and short-term borrowings	7,351	7,211	680	1,256	1,952
Total stockholders' equity	5,773	18,234	2,445[h]	1,843	1,164

The selected consolidated financial data shown above is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period. You should read this data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our full consolidated financial statements and notes thereto contained in this annual report.

a. Includes the results of Phelps Dodge Corporation (Phelps Dodge) beginning March 20, 2007.

b. Includes charges totaling $78 million ($52 million to net loss or $0.14 per share) in 2008 and $30 million ($18 million to net income or $0.05 per share) in 2007 for unrealized losses on copper derivative contracts entered into with our domestic copper rod customers.

c. Includes charges totaling $175 million ($106 million to net income or $0.27 per share) for mark-to-market accounting adjustments on the 2007 copper price protection program assumed in the acquisition of Phelps Dodge.

d. Includes charges totaling $17.0 billion ($12.7 billion to net loss or $33.21 per share) associated with asset impairment, restructuring and other charges.

e. Includes charges for lower of cost or market inventory adjustments totaling $782 million ($479 million to net loss or $1.26 per share).

f. Includes purchase accounting impacts related to the acquisition of Phelps Dodge totaling $1.1 billion, including $1.0 billion to operating loss and $93 million for non-operating income and expenses ($679 million to net loss or $1.78 per share) in 2008 and $1.3 billion to operating income ($793 million to net income or $2.00 per share) in 2007.

g. Includes net losses on early extinguishment and conversion of debt totaling $5 million ($0.01 per share) in 2008, $132 million ($0.33 per share) in 2007, $30 million ($0.14 per share) in 2006, $40 million ($0.18 per share) in 2005 and $7 million ($0.04 per share) in 2004; 2008 also includes charges totaling $22 million ($0.06 per share) associated with privately negotiated transactions to induce conversion of a portion of our 5½% Convertible Perpetual Preferred Stock into FCX common stock.

h. Effective January 1, 2006, we adopted Emerging Issues Task Force Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" (EITF 04-6), and recorded a cumulative effect adjustment ($149 million) to reduce beginning retained earnings for our deferred mining costs asset ($285 million) as of December 31, 2005, net of taxes, minority interest share and inventory effects ($136 million). As a result of adopting EITF 04-6, income from continuing operations before income taxes and minority interests was $35 million lower and net income was $19 million ($0.08 per share) lower than if we had not adopted EITF 04-6. Effective January 1, 2006, we also adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R). As a result of adopting SFAS No. 123R, income from continuing operations before income taxes and minority interests was $28 million lower and net income was $16 million ($0.07 per share) lower than

if we had not adopted SFAS No. 123R. Results for prior years have not been restated.

FREEPORT-McMoRan COPPER & GOLD INC.
SELECTED FINANCIAL AND OPERATING DATA (Continued)

For comparative purposes, operating data shown below for the years ended December 31, 2007, 2006, 2005 and 2004, combines our historical data with Phelps Dodge pre-acquisition data. As the pre-acquisition operating data represent the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	Years Ended December 31,				
	2008	2007 [a]	2006 [a]	2005 [a]	2004 [a]
FCX OPERATING DATA, Net of Joint Venture Interests					
Copper (recoverable)					
Production (millions of pounds)	4,030	3,884	3,639	3,912	3,518
Production (thousands of metric tons)	1,828	1,762	1,651	1,774	1,596
Sales (millions of pounds)	4,066	3,862	3,630	3,933	3,530
Sales (thousands of metric tons)	1,844	1,752	1,647	1,784	1,601
Average realized price per pound	$ 2.69	$ 3.22[b]	$ 2.80[b]	$ 1.66[b]	$ 1.33
Gold (recoverable)					
Production (thousands of ounces)	1,291	2,329	1,863	2,923	1,591
Sales (thousands of ounces)	1,314	2,320	1,866	2,925	1,577
Average realized price per ounce	$ 861	$ 682	$ 566[c]	$ 454	$ 411
Molybdenum (recoverable)					
Production (millions of pounds)	73	70	68	62	57
Sales (millions of pounds)	71	69	69	60	63
Average realized price per pound	$ 30.55	$ 25.87	$ 21.87	$ 25.89	$ 12.71
NORTH AMERICA COPPER MINES					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	1,430	1,320	1,305	1,365	1,384
Production (thousands of metric tons)	649	599	592	619	628
Sales (millions of pounds)	1,434	1,332	1,303	1,383	1,393
Sales (thousands of metric tons)	650	604	591	627	632
Average realized price per pound	$ 3.07	$ 3.10[d]	$ 2.29[d]	$ 1.49[d]	$ 1.29
Molybdenum (by-product)					
Production (millions of recoverable pounds)	30	30	31	30	30
100% Operating Data, Including Joint Venture Interest					
Solution extraction/electrowinning (SX/EW) operations					
Leach ore placed in stockpiles (metric tons per day)	1,095,200	798,200	801,200	778,500	742,800
Average copper ore grade (percent)	0.22	0.23	0.30	0.26	0.27
Copper production (millions of recoverable pounds)	943	940	1,013	1,066	1,134
Mill operations					
Ore milled (metric tons per day)	249,600	223,800	199,300	194,800	166,400
Average ore grade (percent):					
Copper	0.40	0.35	0.33	0.33	0.36
Molybdenum	0.02	0.02	0.02	0.03	0.03
Copper recovery rate (percent)	82.9	84.5	85.0	83.9	85.6
Production (millions of recoverable pounds):					
Copper	599	501	414	419	375
Molybdenum (by-product)	30	30	31	30	30
SOUTH AMERICA COPPER MINES OPERATING DATA					
Copper (recoverable)					
Production (millions of pounds)	1,506	1,413	1,133	1,091	1,137
Production (thousands of metric tons)	683	641	514	495	516
Sales (millions of pounds)	1,521	1,399	1,126	1,093	1,145
Sales (thousands of metric tons)	690	635	511	496	519
Average realized price per pound	$ 2.57	$ 3.25	$ 3.03	$ 1.63[e]	$ 1.33
Gold (recoverable)					
Production (thousands of ounces)	114	116	112	117	122
Sales (thousands of ounces)	116	114	111	117	122
Average realized price per ounce	$ 853	$ 683	$ 552	$ 425	$ 409
Molybdenum (by-product)					
Production (millions of recoverable pounds)	3	1	–	–	–

	Years Ended December 31,				
	2008	2007 [a]	2006 [a]	2005 [a]	2004 [a]
SOUTH AMERICA COPPER MINES OPERATING DATA (continued)					
SX/EW operations					
Leach ore placed in stockpiles (metric tons per day)	279,700	289,100	257,400	264,600	233,600
Average copper ore grade (percent)	0.45	0.43	0.45	0.46	0.51
Copper production (millions of recoverable pounds)	560	569	695	670	676
Mill operations					
Ore milled (metric tons per day)	181,400	167,900	68,500	68,700	69,700
Average ore grade (percent):					
Copper	0.75	0.74	0.87	0.84	0.91
Molybdenum	0.02	0.02	N/A	N/A	N/A
Copper recovery rate (percent)	89.2	87.1	93.8	93.9	94.1
Production (millions of recoverable pounds)					
Copper	946	844	438	421	462
Molybdenum	3	1	–	–	–
INDONESIA MINING					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	1,094	1,151	1,201	1,456	997
Production (thousands of metric tons)	496	522	545	660	452
Sales (millions of pounds)	1,111	1,131	1,201	1,457	992
Sales (thousands of metric tons)	504	513	545	661	450
Average realized price per pound	$ 2.36	$ 3.32	$ 3.13	$ 1.85	$ 1.37
Gold (recoverable)					
Production (thousands of ounces)	1,163	2,198	1,732	2,789	1,456
Sales (thousands of ounces)	1,182	2,185	1,736	2,790	1,443
Average realized price per ounce	$ 861	$ 681	$ 567[c]	$ 456	$ 412
100% Operating Data, Including Joint Venture Interest					
Ore milled (metric tons per day)	192,900	212,600	229,400	216,200	185,100
Average ore grade (percent):					
Copper	0.83	0.82	0.85	1.13	0.87
Gold	0.66	1.24	0.85	1.65	0.88
Recovery rates (percent):					
Copper	90.1	90.5	86.1	89.2	88.6
Gold	79.9	86.2	80.9	83.1	81.8
Production (recoverable):					
Copper (millions of pounds)	1,109	1,211	1,300	1,689	1,099
Gold (thousands of ounces)	1,163	2,608	1,824	3,440	1,537
MOLYBDENUM OPERATING DATA					
Molybdenum sales (millions of pounds) [f]	71	69	69	60	63
Average realized price per pound	$ 30.55	$ 25.87	$ 21.87	$ 25.89	$ 12.71
Henderson Molybdenum Mine					
Molybdenum production (millions of recoverable pounds)	40	39	37	32	27
Ore milled (metric tons per day)	24,100	24,000	22,200	20,300	16,800
Average molybdenum ore grade (percent)	0.23	0.23	0.23	0.22	0.23

a. For comparative purposes, operating data for the years ended December 31, 2007, 2006, 2005 and 2004, combines our historical data with Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Before charges for hedging losses related to copper price protection programs, amounts were $3.27 per pound for 2007, $3.08 per pound for 2006 and $1.76 per pound for 2005.

c. Amount was approximately $606 per ounce before a loss resulting from the redemption of FCX's Gold-Denominated Preferred Stock, Series II.

d. Before charges for hedging losses related to copper price protection programs, amounts were $3.25 per pound for 2007, $3.06 per pound for 2006 and $1.69 per pound for 2005.

e. Amount was $1.75 per pound before charges for hedging losses related to copper price protection programs.

f. Includes sales of molybdenum produced as a by-product at our North and South America copper mines.

For the ratio of earnings to fixed charges calculation, earnings consist of income (loss) from continuing operations before income taxes, minority interests in consolidated subsidiaries, equity in affiliated companies' net earnings, cumulative effect of accounting changes and fixed charges. Fixed charges include interest and that portion of rent deemed representative of interest. For the ratio of earnings to fixed charges and preferred stock dividends calculation, we assumed that our preferred stock dividend requirements were equal to the pre-tax earnings that would be required to cover those dividend requirements. We computed those pre-tax earnings using the effective tax rate for each year. Our ratio of earnings to fixed charges was as follows for the years presented:

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Ratio of earnings to fixed charges	- [a]	9.9x	33.1x	15.9x	4.9x
Ratio of earnings to fixed charges and preferred stock dividends	- [b]	6.6x	14.3x	8.2x	2.9x

a. As a result of the loss recorded in 2008, the ratio coverage was less than 1:1. We would have needed to generate additional earnings of $13.4 billion to achieve coverage of 1:1 in 2008.
b. As a result of the loss recorded in 2008, the ratio coverage was less than 1:1. We would have needed to generate additional earnings of $13.8 billion to achieve coverage of 1:1 in 2008.

Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk.

FREEPORT-McMoRan COPPER & GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW and OUTLOOK

In Management's Discussion and Analysis of Financial Condition and Results of Operations, "we," "us" and "our" refer to Freeport-McMoRan Copper & Gold Inc. (FCX) and its consolidated subsidiaries, including, except as otherwise stated, Phelps Dodge Corporation (Phelps Dodge) and its subsidiaries, which we acquired on March 19, 2007. The results of operations reported and summarized below are not necessarily indicative of future operating results. In particular, the financial results for 2007 include the operations of Phelps Dodge from March 20, 2007, through December 31, 2007, not the full twelve-month period because of the accounting treatment for the acquisition. References to "Notes" are Notes included in our "Notes to Consolidated Financial Statements." Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations all references to earnings or losses per share are on a diluted basis, unless otherwise noted.

We are one of the world's largest copper, gold and molybdenum mining companies in terms of reserves and production. Our portfolio of assets includes the Grasberg minerals district in Indonesia, which contains the largest single recoverable copper reserve and the largest single gold reserve of any mine in the world based on the latest available reserve data provided by third-party industry consultants; significant mining operations in North and South America; and the Tenke Fungurume development project in the Democratic Republic of Congo (DRC).

Our mining revenues for 2008 include sales of copper (approximately 76 percent), molybdenum (approximately 14 percent) and gold (approximately seven percent). We currently have five operating copper mines in North America, four in South America and the Grasberg minerals district in Indonesia. We also have one operating primary molybdenum mine in North America. During 2008, approximately 60 percent of our consolidated copper production was from our Grasberg, Morenci and Cerro Verde mines, and more than half of our mined copper was sold in concentrate, approximately 27 percent as rod (principally from our North America operations) and approximately 19 percent as cathodes. For 2008, approximately 55 percent of our consolidated molybdenum production was from the Henderson molybdenum mine and approximately 45 percent was produced as a by-product primarily at our North America copper mines. We also produce gold as a by-product at our copper mines, primarily at the Grasberg minerals district in Indonesia, which accounted for approximately 90 percent of our consolidated gold production for 2008. Refer to "Operations" for further discussion of our mining operations.

Prior to March 19, 2007, we operated our Grasberg mine in Indonesia and our wholly owned copper smelting and refining operation at Atlantic Copper in Spain. On March 19, 2007, we acquired Phelps Dodge, a fully integrated producer of copper and molybdenum with mines in North and South America, and several development projects, including Tenke Fungurume in the DRC, which we believe is one of the world's highest potential copper and cobalt concessions. After completion of the Phelps Dodge acquisition, our business strategy was focused on repaying acquisition-related debt, defining the potential of our resources and developing expansion and growth plans to deliver additional volumes to a growing marketplace. During 2007, we repaid $10.0 billion in term loans using a combination of equity proceeds and internally generated cash flows. Because of the significant reduction in debt and historically high prices for copper, molybdenum and gold, our financial policy during most of 2008 was designed to use our cash flow to invest in growth projects with anticipated high rates of return and to return excess cash flows to shareholders in the form of dividends and share purchases.

During fourth-quarter 2008, there was a dramatic decline in copper and molybdenum prices. After averaging $3.05 per pound in 2006, $3.23 per pound in 2007 and $3.61 per pound for the first nine months of 2008, London Metal Exchange (LME) spot copper prices declined to a four-year low of $1.26 per pound in December 2008 and averaged $1.78 per pound in fourth-quarter 2008. Additionally, while molybdenum markets have been strong in recent years with prices averaging approximately $25 per pound in 2006, $30 per pound in 2007 and $33 per pound for the first nine months of 2008, molybdenum prices declined significantly to a four-year low of $8.75 per pound in November 2008 and averaged approximately $16 per pound in fourth-quarter 2008.

Although our long-term strategy of developing our resources to their full potential remains in place, the severity of the decline in copper and molybdenum prices and the deterioration of the economic and credit environment during

fourth-quarter 2008 have limited our ability to invest in growth projects and required us to make adjustments to our near-term plans. Our near-term strategy has been designed to protect liquidity while preserving our large mineral resources and growth options for the longer term; accordingly, our operating and financial plans were revised to reflect the following changes:

- Curtailment of copper production at high-cost North America operations and of molybdenum production at the Henderson molybdenum mine (refer to "Operations" for further discussion);
- Capital cost reductions, including deferral of most of our project development activities and also reduced capital spending on the Tenke Fungurume project and projects in Indonesia (refer to "Development Projects" for further discussion);
- Aggressive cost control, including workforce reductions, reduced equipment purchases that were planned to support expansion projects, a reduction in material and supplies inventory and reductions in exploration, research and administrative costs; and
- The suspension of our annual common stock dividend (refer to "Capital Resources and Liquidity – Financing Activities" for further discussion).

While we view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper in the world's economy, we have responded to the sudden downturn and uncertain near-term outlook and will continue to adjust our operating strategy as market conditions change.

At December 31, 2008, we had $872 million in consolidated cash ($454 million of which was available to our parent company). We also had $150 million of borrowings and $74 million of letters of credit issued under our $1.5 billion revolving credit facilities, resulting in availability of approximately $1.3 billion ($926 million of which could be used for additional letters of credit). During 2009, we may use the facilities from time to time for working capital and short-term funding requirements, but do not intend to use the facilities for long-term funding. In addition, in February 2009, we completed a public offering of 26.8 million shares of FCX common stock and realized net proceeds of approximately $740 million, which will be used for general corporate purposes (refer to "Capital Resources and Liquidity – Financing Activities" for further discussion). We have no significant debt maturities in the near-term (refer to "Debt Maturities and Other Contractual Obligations").

The sharp declines in copper and molybdenum prices during fourth-quarter 2008, among other factors, significantly impacted our consolidated financial results for 2008. Net loss applicable to common stock totaled $11.3 billion ($29.72 per share) in 2008, which included charges totaling $13.1 billion ($34.29 per share) for long-lived asset and goodwill impairment charges and lower of cost or market (LCM) inventory adjustments. Following is additional discussion of these charges:

- I mpairment charges – During fourth-quarter 2008, we evaluated the carrying values of our long-lived assets, including goodwill associated with the acquisition of Phelps Dodge, for impairment. These evaluations resulted in the recognition of impairment charges of $10.9 billion ($6.6 billion to net loss or $17.34 per share) associated with long-lived assets and $6.0 billion ($6.0 billion to net loss or $15.69 per share) associated with goodwill. Refer to Notes 2 and 7 and "Critical Accounting Estimates – Asset Impairments" for further discussion of these impairment charges.
- LCM inventory adjustments – Inventories are required to be recorded at the lower of cost or market. In connection with the March 2007 acquisition of Phelps Dodge, acquired inventories, including long-term mill and leach stockpiles, were recorded at fair value using near-term price forecasts reflecting the then-current price environment and management's projections for long-term average metal prices. As a result of the declines in copper and molybdenum prices during fourth-quarter 2008, we recorded charges for LCM inventory adjustments totaling $782 million ($479 million to net loss or $1.26 per share).

Refer to "Consolidated Results" for further discussion of our consolidated financial results for the years ended December 31, 2008, 2007 and 2006.

Outlook

Following is a summary of our actual results for 2008 and our projected consolidated sales volumes for 2009:

	2008 (Actual)	2009 (Projected)
Copper (billions of recoverable pounds):		
North America copper mines	1.4	1.1
South America copper mines	1.5	1.4
Indonesia mining	1.1	1.3
Africa mining [a]	–	0.1
	4.1[b]	3.9
Gold (millions of recoverable ounces)		
Indonesia mining	1.2	2.1
South America copper mines	0.1	0.1
	1.3	2.2
Molybdenum (millions of recoverable pounds) [c]	71	60

a. Represents projected sales from the Tenke Fungurume copper and cobalt mine, which is expected to commence production during the second half of 2009.

b. Represents the sum of copper sales before rounding.

c. Includes sales of molybdenum produced as a by-product at our North and South America copper mines.

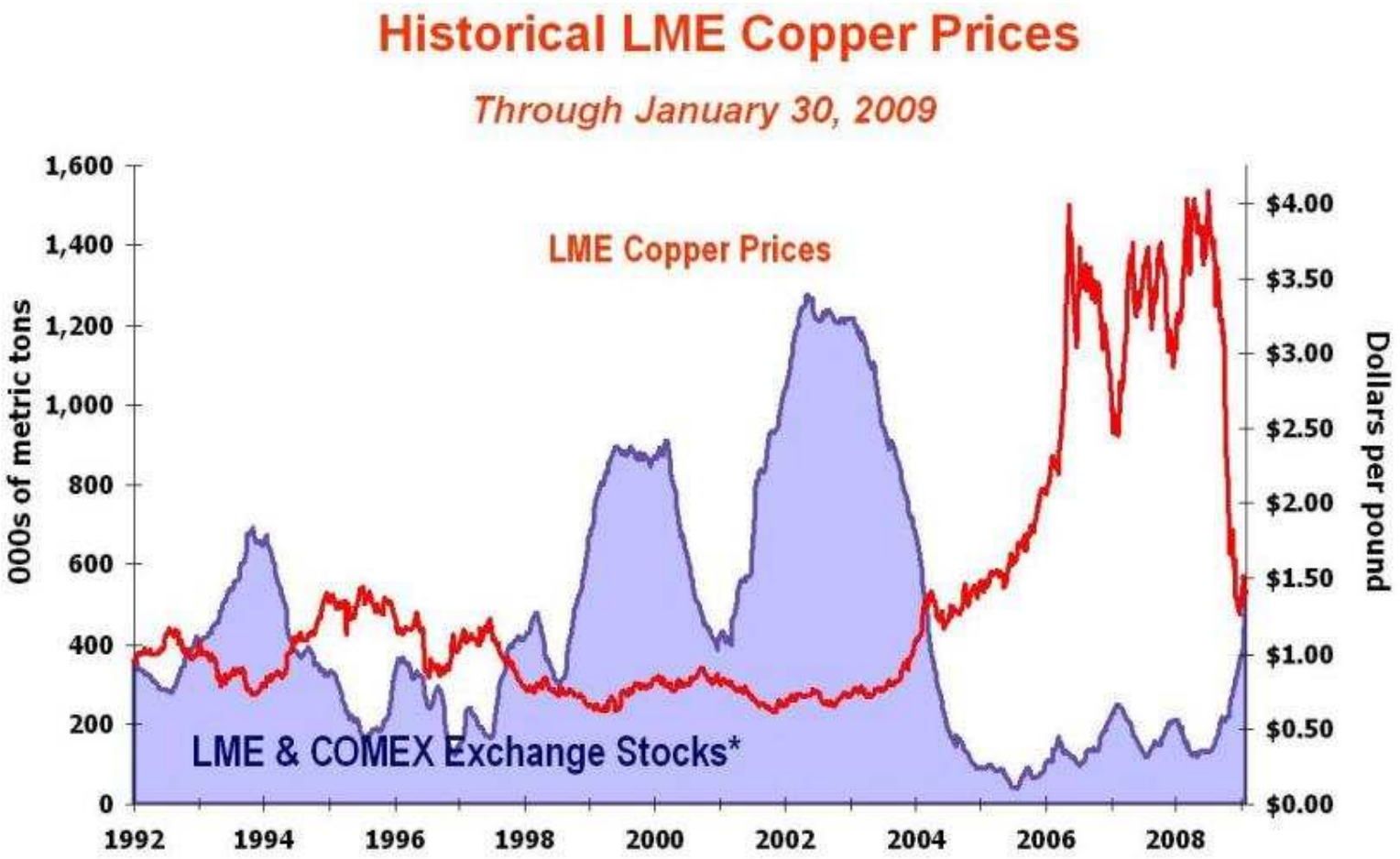
Estimated sales volumes of approximately 3.9 billion pounds of copper for 2009 are lower than 2008 sales of 4.1 billion pounds primarily reflecting the effects of curtailed production rates at our North America copper mines, partly offset by higher volumes in Indonesia as a result of mining in a higher-grade section of the Grasberg open pit and also includes additional volumes from the Tenke Fungurume copper and cobalt project, which is expected to commence production during the second half of 2009. Estimated sales volumes of approximately 2.2 million ounces of gold for 2009 are higher than 2008 sales of 1.3 million ounces as a result of projected mining in a higher-grade section of the Grasberg open pit. Estimated sales volumes of approximately 60 million pounds of molybdenum for 2009 are lower than 2008 sales of 71 million pounds reflecting curtailed production rates at our Henderson molybdenum mine and adjustments to by-product molybdenum production plans at our North and South America copper mines.

Consolidated revenues, operating cash flows and net income vary significantly with fluctuations in the market prices of copper, gold and molybdenum, sales volumes and other factors. Based on projected consolidated sales volumes for 2009 and assuming average prices of $1.50 per pound of copper, $800 per ounce of gold and $9.00 per pound of molybdenum in 2009, our consolidated operating cash flows would approximate $1.0 billion in 2009, which is net of an estimated $0.6 billion for working capital requirements. Working capital requirements for 2009 principally reflect the impact of the declines in copper prices during fourth-quarter 2008 and resulting settlements with customers on 2008 provisionally priced sales. Operating cash flows for 2009 would be impacted by approximately $260 million for each $0.10 per pound change in copper prices, $60 million for each $50 per ounce change in gold prices and $50 million for each $1 per pound change in molybdenum prices.

Assuming average prices of $1.50 per pound of copper, $800 per ounce of gold and $9.00 per pound of molybdenum for 2009, we estimate our consolidated unit net cash costs related to our copper mining operations (after by-product credits) will average approximately $0.71 per pound in 2009, which is lower than consolidated unit net cash costs of $1.16 per pound in 2008 (refer to “Consolidated Results – Production and Delivery Costs” for further discussion). Lower estimated consolidated unit net cash costs in 2009 primarily reflect the effects of reduced energy prices and other commodity-based input costs and lower operating rates. Consolidated unit net cash costs would be impacted by $0.025 per pound for each $50 per ounce change in gold prices and $0.01 per pound for each $1 per pound change in molybdenum prices.

COPPER, GOLD AND MOLYBDENUM MARKETS

The graphs below illustrate the movements in metals prices from January 1992 through January 2009. World prices for copper, gold and molybdenum have fluctuated significantly during this period. The LME spot copper price varied from a low of $0.60 per pound in 2001 to a high of $4.08 per pound in July 2008, the London gold price fluctuated from a low of approximately $250 per ounce in 1999 to a high of $1,011 per ounce in March 2008, and the *Metals Week* Molybdenum Dealer Oxide price ranged from a low of $1.82 per pound in 1992 to a high of $40.00 per pound in 2005. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in our "Risk Factors" contained in Part I, Item 1A of our Form 10-K for the year ended December 31, 2008.

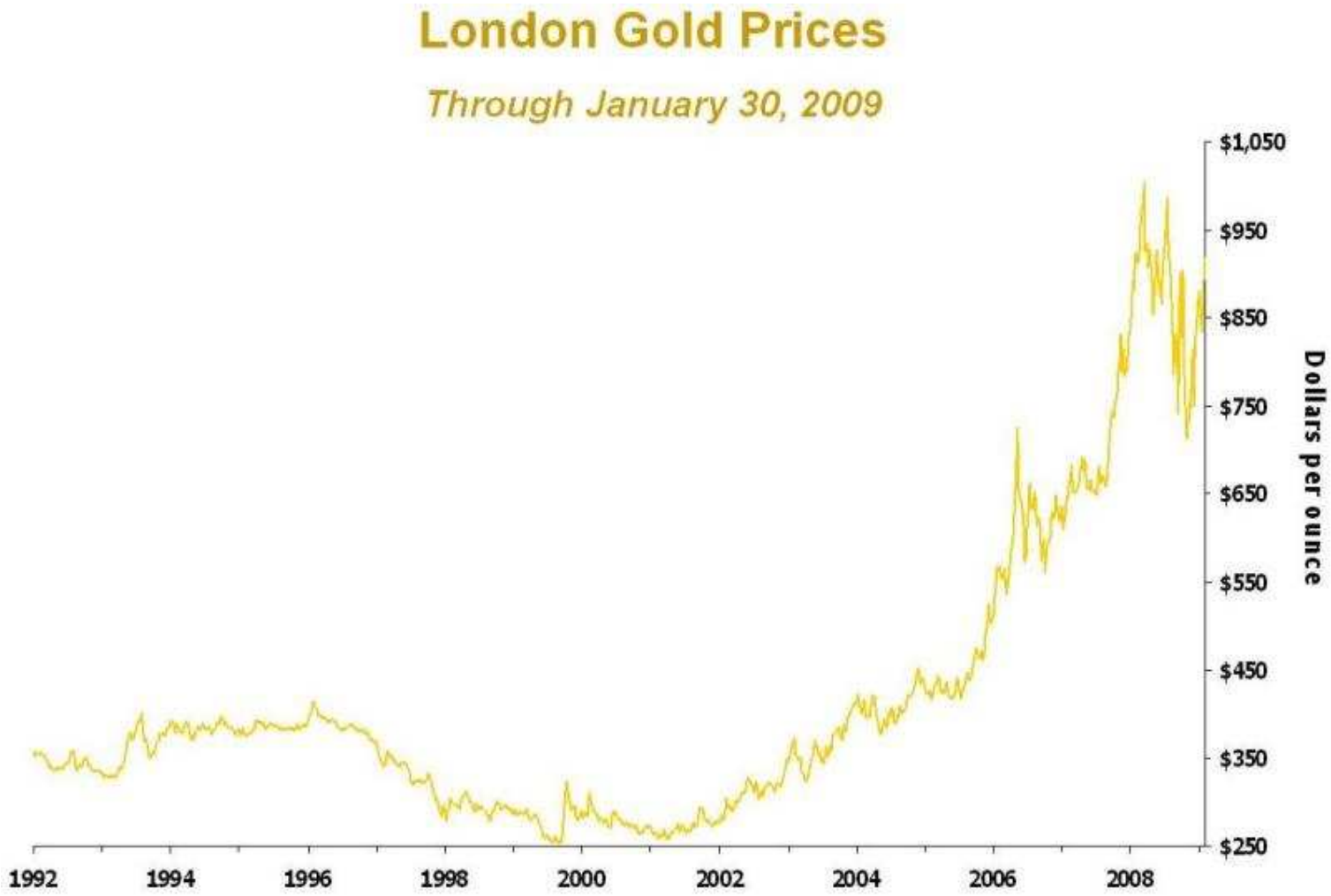


* Excludes Shanghai stocks, producer, consumer and merchant stocks.

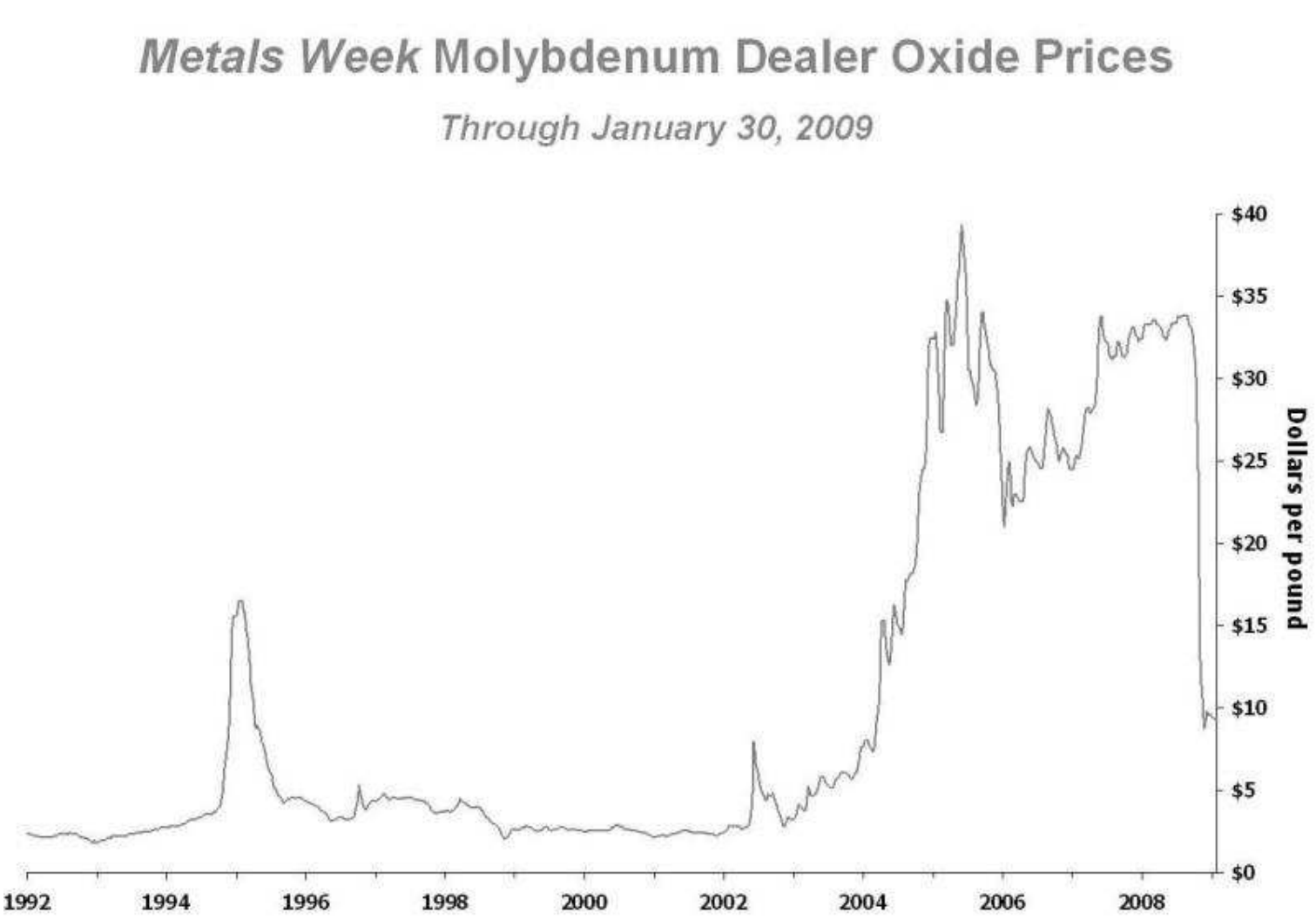
The graph above presents LME spot copper prices and reported stocks of copper at the LME and the New York Mercantile Exchange (COMEX) from January 1992 through January 2009. During the period 2003 to 2006, global consumption exceeded production, evidenced by the decline in exchange warehouse inventories. Disruptions associated with strikes and other operational issues, combined with growing demand from China and other emerging economies resulted in low levels of inventory from 2006 through most of 2008. However, slowing consumption has led to increases in inventory levels in recent months, with combined LME and COMEX stocks rising to approximately 370 thousand metric tons at December 31, 2008, compared to approximately 208 thousand metric tons at September 30, 2008. Combined LME and COMEX stocks have increased further to approximately 530 thousand metric tons at January 30, 2009.

Turmoil in the United States (U.S.) financial markets and concerns about the global economy have negatively impacted copper prices in recent months. After averaging $3.05 per pound in 2006, $3.23 per pound in 2007 and $3.61 per pound for the first nine months of 2008, LME spot copper prices declined to a four-year low of $1.26 per pound in December 2008. For the year 2008, LME spot copper prices ranged from $1.26 per pound to $4.08 per pound, averaged $3.15 per pound and closed at $1.32 per pound on December 31, 2008. While the near-term outlook is weak and uncertain, we believe the underlying fundamentals of the copper business remain positive, supported by supply side constraints and the absence of significant new development projects. Future copper prices may continue to be volatile and are expected to be influenced by demand from China, economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper and

production levels of mines and copper smelters. The LME spot copper price closed at $1.41 per pound on January 30, 2009.



The graph above presents London gold prices from January 1992 through January 2009. During 2008, the environment for gold has been positive, but volatile. For the year 2008, gold prices ranged from approximately $713 per ounce to $1,011 per ounce and averaged approximately $872 per ounce. Growing investment demand, economic uncertainty and a weak U.S. dollar are continuing to support gold prices. London gold prices closed at approximately $920 per ounce on January 30, 2009.



The graph above presents the *Metals Week* Molybdenum Dealer Oxide price from January 1992 through January 2009. While molybdenum markets have been strong in recent years with growing demand and limited supply and prices averaging approximately $25 per pound in 2006, $30 per pound in 2007 and $33 per pound for the first nine months of 2008, molybdenum prices declined significantly in fourth-quarter 2008 as a result of the financial market turmoil and a decline in demand. For the year 2008, the price of molybdenum ranged from approximately $9 per

pound to approximately $34 per pound and averaged $29 per pound. The *Metals Week* Molybdenum Dealer Oxide price was $9.50 per pound on December 31, 2008, and $9.30 per pound on January 30, 2009.

CRITICAL ACCOUNTING ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles (GAAP) in the U.S. The preparation of these statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions or conditions. The areas requiring the use of management's estimates are also discussed in Note 1 under the subheading "Use of Estimates." Management has reviewed the following discussion of its development and selection of critical accounting estimates with the Audit Committee of our Board of Directors.

Asset Impairments. We evaluate our long-lived assets (to be held and used) for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. During fourth-quarter 2008, we concluded that the current economic environment and the significant declines in copper and molybdenum prices represented significant adverse changes in the business, and therefore, evaluated our long-lived assets, other than goodwill and indefinite-lived intangible assets, for impairment as of December 31, 2008, under the two-step model established by Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In addition, goodwill is required to be evaluated at least annually and at any other time if an event or change in circumstances indicates that the fair value of a reporting unit is below its carrying amount. We had selected the fourth quarter of each year to perform our annual impairment test of goodwill.

In evaluating our long-lived assets for recoverability, estimates of after-tax undiscounted future cash flows of our individual mining operations were used, with impairment losses measured by reference to fair value. As quoted market prices are unavailable for our individual mining operations, fair value was determined through the use of discounted estimated future cash flows. The estimated cash flows used to assess recoverability of our long-lived assets and measure fair value of our mining operations were derived from current business plans developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices and operating costs.

Our asset impairment evaluations, including our annual goodwill impairment test, required us to make several assumptions in determining estimates of future cash flows to determine fair value of our individual mining operations, including near and long-term metal price assumptions; estimates of commodity-based and other input costs; proven and probable reserve estimates, including any costs to develop the reserves and the timing of producing the reserves; and the use of appropriate current escalation and discount rates. Projected long-term average metal prices represented the most significant assumption used in the cash flow estimates. In connection with the March 2007 acquisition of Phelps Dodge, we allocated the $25.8 billion purchase price to the estimated fair values of net assets acquired, including $6.2 billion for goodwill (refer to Note 18 for a summary of the final purchase price allocation). Metal price projections used to value the net assets acquired at the acquisition date ranged from near-term prices of $2.98 per pound for copper declining over an eight-year period to $1.20 per pound and $26.20 per pound for molybdenum declining over a five-year period to $8.00 per pound, reflecting price expectations at that time. Our December 31, 2008, impairment evaluations were based on price assumptions reflecting prevailing copper futures prices for three years, which ranged from approximately $1.40 per pound to $1.50 per pound, and a long-term average price of $1.60 per pound. Molybdenum prices were assumed to average $8.00 per pound.

Our evaluation of long-lived assets, other than goodwill, resulted in the recognition of asset impairment charges totaling $10.9 billion ($6.6 billion to net loss or $17.34 per share) for 2008. Additionally, our annual impairment test of goodwill resulted in the full impairment of goodwill, resulting in the recognition of goodwill impairment charges totaling $6.0 billion ($6.0 billion to net loss or $15.69 per share) for 2008. Neither of these impairment charges had an impact on our operating cash flows.

We believe events that could result in additional impairment of our long-lived assets include, but are not limited to, (i) decreases in future metal prices, (ii) decreases in estimated recoverable proven and probable reserves and (iii) any event that might otherwise have a material adverse effect on mine site production levels or costs.

Mineral Reserves and Depreciation, Depletion and Amortization . As discussed in Note 1, we depreciate our life-of-mine mining and milling assets and values assigned to proven and probable reserves using the unit-of-production method based on our estimated recoverable proven and probable copper reserves (for primary copper mines) and estimated recoverable proven and probable molybdenum reserves (for the primary molybdenum mine). We have other assets that we depreciate on a straight-line basis over their estimated useful lives. Our estimates of recoverable proven and probable copper and molybdenum reserves and the useful lives of our straight-line assets impact our depreciation, depletion and amortization expense. These estimates affect the results of operations of our operating segments.

Accounting for depreciation, depletion and amortization represents a critical accounting estimate because the determination of reserves involves uncertainties with respect to the ultimate geology of our reserves and the assumptions used in determining the economic feasibility of mining those reserves, including estimated copper, gold and molybdenum prices and costs of conducting future mining activities. Additionally, changes in estimated recoverable proven and probable reserves and useful asset lives could have a material impact on our results of operations. We perform annual assessments of our existing assets, including a review of asset costs and depreciable lives, in connection with the review of mine operating and development plans. When we determine that assigned asset lives do not reflect the expected remaining period of benefit, we make prospective changes to those depreciable lives.

There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Ore reserve estimates are based upon engineering evaluations of samplings of drill holes, tunnels and other underground workings. Our estimates of recoverable proven and probable reserves are prepared by and are the responsibility of our employees, and a majority of these estimates are reviewed and verified by independent experts in mining, geology and reserve determination. At December 31, 2008, consolidated recoverable reserves include 102.0 billion pounds of copper, 40.0 million ounces of gold and 2.48 billion pounds of molybdenum. Refer to Note 20 and “Proven and Probable Reserves” for further details of estimated recoverable reserves. These estimates involve assumptions regarding future copper, gold and molybdenum prices, the geology of our mines, the mining methods we use and the related costs we incur to develop and mine our reserves. Changes in these assumptions could result in material adjustments to our reserve estimates, which could result in changes to depreciation, depletion and amortization expense in future periods, with corresponding adjustments to net income. If estimated copper reserves at our mines were 10 percent higher at December 31, 2008, based on our current sales projections for 2009, we estimate that our annual depreciation, depletion and amortization expense for 2009 would decrease by $29 million ($14 million to net income), and a 10 percent decrease would increase depreciation, depletion and amortization expense by $36 million ($17 million to net income).

As discussed in Note 1, we review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. Our long-lived assets include amounts assigned to proven and probable reserves totaling $4.1 billion at December 31, 2008. Changes to our estimates of recoverable proven and probable reserves could have an impact on our assessment of asset impairment. Revisions to our estimates of recoverable proven and probable copper, gold and molybdenum reserves could give rise to an impairment of our assets.

Recoverable Copper . We record, as inventory, applicable costs for copper contained in mill and leach stockpiles that are expected to be processed in the future based on proven processing technologies. Mill and leach stockpiles are evaluated periodically to ensure that they are stated at the lower of cost or market (refer to Note 5 and “Consolidated Results” for further discussion of LCM inventory adjustments recorded in 2008). Accounting for recoverable copper from mill and leach stockpiles represents a critical accounting estimate because (i) it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, and therefore, requires management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grade contained in the material delivered to the mill and leach stockpiles.

Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be extracted into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production-scale process), historical trends and other factors, including mineralogy of the ore and rock type. Ultimate recovery of copper contained in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including type of copper recovery, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 70 percent of the copper ultimately recoverable may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

At December 31, 2008, estimated recoverable copper was 2.7 billion pounds in leach stockpiles (with a carrying value of $1.4 billion) and 1.1 billion pounds in mill stockpiles (with a carrying value of $350 million).

Reclamation and Closure Costs . Reclamation is an ongoing activity that occurs throughout the life of a mine. In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," we record the fair value of our estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Fair value is measured as the present value of cash flow estimates after considering inflation and then applying a market risk premium. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible, long-lived assets as defined by SFAS No. 143. These cost estimates may differ from financial assurance cost estimates for reclamation activities because of a variety of factors, including obtaining updated cost estimates for reclamation activities, the timing of reclamation activities, changes in scope and the exclusion of certain costs not accounted for under SFAS No. 143. Refer to Note 1 for further discussion of our accounting policy for reclamation and closure costs.

Generally, ARO activities are specified by regulations or in permits issued by the relevant governing authority, and management judgment is required to estimate the extent and timing of expenditures based on life-of-mine planning. Accounting for reclamation and closure costs represents a critical accounting estimate because (i) we will not incur most of these costs for a number of years, requiring us to make estimates over a long period, (ii) reclamation and closure laws and regulations could change in the future and/or circumstances affecting our operations could change, either of which could result in significant changes to our current plans, (iii) calculating the fair value of our AROs in accordance with SFAS No. 143 requires management to estimate projected cash flows, make long-term assumptions about inflation rates, determine our credit-adjusted, risk-free interest rates and determine market risk premiums that are appropriate for our operations and (iv) given the magnitude of our estimated reclamation and closure costs, changes in any or all of these estimates could have a significant impact on our results of operations.

At least annually, we review our ARO estimates for changes in the projected timing of certain reclamation costs, changes in cost estimates, and additional AROs incurred during the period. Following is a summary of changes in our AROs for the years ended December 31, 2008, 2007 and 2006 (in millions):

	2008	2007	2006
Balance at beginning of year	$ 728	$ 30	$ 27
Liabilities assumed in the acquisition of Phelps Dodge	–	531[a]	–
Liabilities incurred	5	1	–
Revisions to cash flow estimates	21	179[b]	–
Accretion expense	51	27	3
Spending	(91)	(40)	–
Foreign currency translation adjustment	(2)	–	–
Balance at end of year	$ 712	$ 728	$ 30

a. The fair value of AROs assumed in the acquisition of Phelps Dodge was estimated based on projected cash flows, an estimated long-term annual inflation rate of 2.4 percent, a discount rate based on FCX's estimated credit-adjusted, risk-free interest rate of 7.8 percent and a market risk premium of 10 percent to reflect what a third-party might require to assume these AROs.

b. The most significant revisions to cash flow estimates in 2007 were related to changes at Chino, Tyrone and PT Freeport Indonesia. During 2007, Chino and Tyrone each submitted updated third-party closure cost estimates to the state of New Mexico as part of the permit renewal process. As a result, we revised our cash flow estimates and increased our ARO by $95 million for Chino and $45 million for Tyrone. Additional adjustments may be required based upon the state's review of the updated closure plans and any permit conditions imposed by the state of New Mexico. Additionally, PT Freeport Indonesia

updated its cost estimates primarily for changes to its plans for the treatment of acidic water, resulting in an increase of $33 million.

Refer to Note 15 for further discussion of reclamation and closure costs.

Environmental Obligations . Our mining, exploration, production and historical operating activities are subject to stringent laws and regulations governing the protection of the environment, and compliance with those laws requires significant expenditures. Environmental expenditures for closed facilities and closed portions of operating facilities are expensed or capitalized depending upon their future economic benefits. The general guidance provided by U.S. GAAP requires that liabilities for contingencies be recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Refer to Note 1 for further discussion of our accounting policy for environmental expenditures.

Accounting for environmental obligations represents a critical accounting estimate because changes to environmental laws and regulations and/or circumstances affecting our operations, could result in significant changes to our estimates, which could have a significant impact on our results of operations. We review changes in facts and circumstances associated with the environmental obligations on a quarterly basis. Judgments and estimates are based upon available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not we are a potentially responsible party (PRP), the ability of other PRPs to pay their allocated portions and take into consideration reasonably possible outcomes. Our estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, required remediation methods and actions by or against governmental agencies or private parties.

At December 31, 2008, environmental reserves recorded in our consolidated balance sheets totaled approximately $1.4 billion, which reflect obligations for environmental liabilities attributed to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or analogous state programs and for estimated future costs associated with environmental matters at closed facilities and closed portions of certain operating facilities.

Following is a summary of changes in our estimated environmental obligations for the years ended December 31, 2008 and 2007 (in millions):

	2008	2007
Balance at beginning of year	$ 1,268	$ –
Liabilities assumed in the acquisition of Phelps Dodge	117	1,334
Accretion expense [a]	95	–
Additions	36	6
Reductions	(1)	(1)
Spending	(114)	(71)
Balance at end of year	$ 1,401	$ 1,268

a. Represents accretion of the fair values of environmental obligations assumed in the acquisition of Phelps Dodge, which were determined on a discounted cash flow basis.

Refer to Note 15 for further discussion of environmental obligations.

Deferred Taxes . In preparing our annual consolidated financial statements, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates and laws is recognized in income in the period in which such changes are enacted.

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred tax assets, we will increase our valuation allowance with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense.

At December 31, 2008, our valuation allowances totaled $1.8 billion and covered all of our U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards, foreign net operating loss carryforwards and U.S. state net operating loss carryforwards, and also covered a portion of our net U.S. deferred tax assets. At December 31, 2007, our valuation allowances totaled $1.2 billion and covered all of our U.S. foreign tax credit carryforwards, a portion of our foreign net operating loss carryforwards and a portion of our U.S. state net operating loss carryforwards. The $598 million increase in the valuation allowance during 2008 was primarily the result of the declines in copper and molybdenum prices and long-lived asset impairment charges recorded in fourth-quarter 2008. Refer to Note 14 for further discussion.

CONSOLIDATED RESULTS

	Years Ended December 31,		
	2008	2007	2006
Financial Data (in millions, except per share amounts)			
Revenues	$ 17,796[a,b]	$ 16,939[a,b,c]	$ 5,791[a,d]
Operating (loss) income	(12,710)[a,b,e,f,g]	6,555[a,b,c,g]	2,869[a,d]
(Loss) income from continuing operations applicable to common stock [h]	(11,341)	2,734	1,396
Net (loss) income applicable to common stock [h]	(11,341)[b,e,f,g,i]	2,769[b,c,g,i]	1,396[d,i]
Diluted net (loss) income per share of common stock:			
Continuing operations	$ (29.72)	$ 7.41	$ 6.63
Discontinued operations	–	0.09	–
Diluted net (loss) income per share of common stock	$ (29.72)[b,e,f,g,i]	$ 7.50[b,c,g,i]	$ 6.63[d,i]
Diluted average common shares outstanding [j,k]	382	397	221
Operating Data - Sales from Mines			
Copper			
Consolidated share (millions of recoverable pounds)	4,066	3,357	1,201
Average realized price per pound	$ 2.69	$ 3.29[c]	$ 3.13
Site production and delivery costs per pound [l]	$ 1.51	$ 1.18	$ 1.03
Unit net cash costs per pound [l]	$ 1.16	$ 0.76	$ 0.60
Gold			
Consolidated share (thousands of recoverable ounces)	1,314	2,298	1,736
Average realized price per ounce	$ 861	$ 682	$ 567[d]
Molybdenum			
Consolidated share (millions of recoverable pounds)	71	52	N/A
Average realized price per pound	$ 30.55	$ 26.81	N/A

a. As discussed in Note 19, we have revised the presentation of our operating divisions to better reflect management's view of our consolidated operations, and have also reclassified amounts for 2007 to conform to the current year presentation. Following is a summary of revenues by operating division (in millions):

	Years Ended December 31,		
	2008	2007	2006
North America copper mines	$ 5,265	$ 4,093	$ –
South America copper mines	4,166	3,879	–
Indonesia mining	3,412	4,808	4,395
Africa mining	–	–	–
Molybdenum	2,488	1,746	–
Rod & Refining	5,557	5,140	–
Atlantic Copper Smelting & Refining	2,341	2,388	2,242
Corporate, other & eliminations	(5,433)	(5,115)	(846)
Total FCX revenues	$ 17,796	$ 16,939	$ 5,791

Following is a summary of operating (loss) income by operating division (in millions):

	Years Ended December 31,		
	2008	2007	2006
North America copper mines	$ (11,522)	$ 1,428	$ –
South America copper mines	(694)	2,224	–
Indonesia mining	1,307	3,033	2,721
Africa mining	(26)	(12)	–
Molybdenum	(1,473)	353	–
Rod & Refining	2	14	–
Atlantic Copper Smelting & Refining	10	3	74
Corporate, other & eliminations	(314)	(488)	74
Total FCX operating (loss) income	$ (12,710)	$ 6,555	$ 2,869

b. Includes charges to revenues totaling $78 million ($52 million to net loss or $0.14 per share) in 2008 and $30 million ($18 million to net income or $0.05 per share) in 2007 for unrealized losses on copper derivative contracts entered into with our U.S. copper rod customers, which allows us to receive market prices in the month of shipment while the customer pays the fixed price they requested. Refer to Note 17 for further discussion.

c. Includes charges to revenues for mark-to-market accounting adjustments on the 2007 copper price protection program totaling $175 million ($106 million to net income or $0.27 per share) and a reduction in average realized copper prices of $0.05 per pound.

d. Includes charges to revenues for redemptions of our Gold-Denominated Preferred Stock, Series II, and Silver-Denominated Preferred Stock totaling $82 million ($44 million to net income or $0.20 per share) and a reduction in average realized gold prices of approximately $39 per ounce. Refer to Note 17 for further discussion.

e. Includes charges for LCM inventory adjustments totaling $782 million ($479 million to net loss or $1.26 per share).

f. Includes long-lived asset impairments and other charges totaling $11.0 billion ($6.7 billion to net loss or $17.52 per share), and also includes goodwill impairment charges totaling $6.0 billion ($6.0 billion to net loss or $15.69 per share). Refer to Notes 2 and 7 and “Critical Accounting Estimates – Asset Impairments” for further discussion.

g. Includes the impacts of purchase accounting fair value adjustments associated with the acquisition of Phelps Dodge, which are primarily because of increased carrying values of acquired property, plant and equipment and metal inventories, including mill and leach stockpiles, and also includes amounts for non-operating income and expense mostly related to accretion of the fair values of assumed environmental obligations (determined on a discounted cash flow basis). These impacts totaled $1.1 billion, including $1.0 billion to operating loss and $93 million for non-operating income and expenses, ($679 million to net loss or $1.78 per share) in 2008 and $1.3 billion to operating income ($793 million to net income or $2.00 per share) in 2007. Refer to Note 19 for a summary of the impacts of purchase accounting fair value adjustments on our business segments for the years ended December 31, 2008 and 2007.

h. After preferred dividends. The year ended December 31, 2008, also includes charges of $22 million ($0.06 per share) associated with privately negotiated transactions to induce conversion of 0.3 million shares of our 5½% Convertible Perpetual Preferred Stock into approximately 5.8 million shares of FCX common stock (refer to Note 13 and “Capital Resources and Liquidity – Financing Activities” for further discussion).

i. Includes net losses on early extinguishment and conversions of debt totaling $5 million ($0.01 per share) in 2008 associated with an open-market purchase of our 9½% Senior Notes; $132 million ($0.33 per share) in 2007 primarily related to premiums paid and the accelerated recognition of deferred financing costs associated with early repayments of debt; and $30 million ($0.14 per share) in 2006 primarily related to the completion of a tender offer and privately negotiated transactions to induce conversion of our 7% Convertible Senior Notes into FCX common stock and open-market purchases of our 10⅛% Senior Notes.

j. Reflects assumed conversion of our 5½% Convertible Perpetual Preferred Stock and 6¾% Mandatory Convertible Preferred Stock for 2007 and of our 5½% Convertible Perpetual Preferred Stock for 2006.

k. On March 19, 2007, we issued 137 million common shares to acquire Phelps Dodge, and on March 28, 2007, we sold 47 million common shares. Common shares outstanding on December 31, 2008, totaled 384 million.

l. Reflects per pound weighted average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines. For reconciliations of the per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements, refer to “Operations – Unit Net Cash Costs” and to “Product Revenues and Production Costs.”

Revenues

Consolidated revenues include the sale of copper rod, copper cathodes, copper concentrates, molybdenum, gold and other metals by our North and South America copper mines, the sale of copper concentrates (which also contain significant quantities of gold and silver) by our Indonesia mining operation, the sale of molybdenum in various forms by our Molybdenum operations, and the sale of copper anodes, copper cathodes, and gold in

anodes and slimes by Atlantic Copper. Consolidated revenues totaled $17.8 billion in 2008, compared with $16.9 billion in 2007 and $5.8 billion in 2006. Following is a summary of changes in our consolidated revenues between years (in millions):

	2008	2007
Consolidated revenues – prior year	$ 16,939	$ 5,791
Sales volumes:		
Copper	2,367	6,742
Gold	(671)	341
Molybdenum	505	1,495[a]
Price realizations:		
Copper	(2,631)	702
Gold	235	174
Molybdenum	266	N/A
Purchased copper and molybdenum	(5)	1,901
Adjustments, primarily for copper pricing on prior year open sales	309	(175)
Treatment charges	104	(114)
Impact of the 2007 copper price protection program	175	(175)
Atlantic Copper revenues	(47)	146
Other, net	250	111
Consolidated revenues – current year	$ 17,796	$ 16,939

a. As FCX was not a producer of molybdenum prior to the acquisition of Phelps Dodge, the change in sales volumes for 2007 reflects sales of produced molybdenum beginning March 20, 2007.

2008 Compared with 2007

Consolidated sales volumes in 2008 totaled 4.1 billion pounds of copper, 1.3 million ounces of gold and 71 million pounds of molybdenum, compared with 3.4 billion pounds of copper, 2.3 million ounces of gold and 52 million pounds of molybdenum in 2007. Higher copper and molybdenum sales volumes in 2008 reflected a full twelve months of sales at our North and South America copper mines and Molybdenum operations, compared with 2007, which included sales from these operations beginning March 20, 2007. Higher copper sales volumes in 2008 also reflected additional copper production from the Safford mine, which began production in December 2007, and higher production from the Cerro Verde concentrator, which reached design capacity in mid-2007. At the Grasberg open-pit mine, the sequencing in mining areas with varying ore grades causes fluctuations in the timing of ore production resulting in varying quarterly and annual sales of copper and gold. As a result, gold sales volumes for 2008 were lower than in 2007 because of mining in a lower-grade section of the Grasberg open pit during the first nine months of 2008, which resulted in lower grades and recovery rates.

Realized copper prices decreased in 2008 to an average of $2.69 per pound, compared with $3.34 per pound (excluding the impact from the 2007 copper price protection program) in 2007. Realized gold and molybdenum prices increased in 2008 to an average of $861 per ounce for gold and $30.55 per pound for molybdenum, compared with $682 per ounce for gold and $26.81 per pound for molybdenum in 2007.

For 2008, more than half of our mined copper was sold in concentrate, approximately 27 percent as rod (principally from our North America operations) and approximately 19 percent as cathodes. Substantially all of our concentrate sales contracts and some of our cathode sales contracts provide final copper pricing in a specified future period (generally one to four months from the shipment date) based primarily on quoted LME prices. We receive market prices based on prices in the specified future period, and the accounting rules applied to these sales result in changes recorded to revenues until the specified future period. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisional priced concentrate and cathode sales that is adjusted to fair value through earnings each period until the date of final pricing. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from higher prices received for contracts priced at current market rates and also from an increase related to the final pricing of provisionally priced sales pursuant to contracts entered into in prior years; in times of falling copper prices, the opposite occurs.

LME spot copper prices averaged $3.15 per pound in 2008, compared with our average recorded price of $2.69 per pound. At December 31, 2008, we had provisionally priced copper sales totaling 508 million pounds of copper (net of minority interests) recorded at an average of $1.39 per pound, subject to final pricing over the next several months. We estimate that each $0.05 change in the price realized from the December 31, 2008, provisional price recorded would impact our 2009 consolidated revenues by $33 million ($16 million to net income).

At December 31, 2007, we had provisionally priced copper sales of 402 million pounds of copper (net of minority interests) recorded at an average of $3.02 per pound. Higher prices during the first half of 2008 resulted in adjustments to these prior year copper sales and increased consolidated revenues by $268 million ($114 million to net loss or $0.30 per share) in 2008, compared with a decrease of $42 million ($18 million to net income or $0.05 per share) in 2007 from adjustments to prior year copper sales.

On limited past occasions, in response to market conditions, we have entered into copper and gold price protection contracts for a portion of our expected future mine production to mitigate the risk of adverse price fluctuations. Also, in connection with the Phelps Dodge acquisition, we assumed the 2007 copper price protection program, which resulted in charges to revenues in 2007 totaling $175 million ($106 million to net income or $0.27 per share). The 2007 copper price protection program matured on December 31, 2007. We do not intend to enter into similar hedging programs in the future.

2007 Compared with 2006

Consolidated sales volumes in 2007 totaled 3.4 billion pounds of copper, 2.3 million ounces of gold and 52 million pounds of molybdenum, compared with 1.2 billion pounds of copper and 1.7 million ounces of gold in 2006. Higher copper and molybdenum sales volumes in 2007 reflected sales at our North and South America copper mines and Molybdenum operations beginning March 20, 2007. Sales from these operations from March 20, 2007, through December 31, 2007, totaled approximately 2.2 billion pounds of copper and 52 million pounds of molybdenum. The increase in gold sales volumes for 2007, compared with 2006, was related to higher grades and recovery rates at the Grasberg mine in Indonesia.

Realized copper and gold prices improved in 2007 to an average of $3.34 per pound for copper (excluding the impact from the 2007 copper price protection program) and $682 per ounce for gold, compared with $3.13 per pound for copper and $606 per ounce for gold (excluding adjustments associated with the redemption of our Gold-Denominated Preferred Stock, Series II) in 2006.

Adjustments to prior year copper sales decreased consolidated revenues by $42 million ($18 million to net income or $0.05 per share) in 2007, compared with an increase of $126 million ($65 million to net income or $0.29 per share) in 2006.

The 2007 copper price protection program resulted in charges to revenues totaling $175 million ($106 million to net income or $0.27 per share) in 2007.

Production and Delivery Costs

2008 Compared with 2007

Consolidated production and delivery costs totaled $10.4 billion in 2008 compared with $8.5 billion in 2007. Higher production and delivery costs for 2008 reflect a full year of costs associated with our acquired copper and molybdenum operations in North and South America and the impact of higher costs, principally for commodity- based input costs such as energy and sulfuric acid. Partly offsetting these higher costs were $656 million of lower purchase accounting impacts associated with increased inventory values that were mostly realized in 2007.

Consolidated unit net cash costs related to our copper mining operations totaled $1.16 per pound of copper in 2008, compared with $0.76 per pound of copper in 2007 (for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements, refer to “Operations – Unit Net Cash Costs” and to “Product Revenues and Production Costs”). The increase in unit net cash costs in 2008 primarily reflected higher commodity-based input costs, principally related to energy and sulfuric acid, and also reflected lower by-product credits mostly associated with lower gold volumes in 2008.

Energy costs approximated 25 percent of our consolidated copper production costs in 2008 (compared with approximately 20 percent in 2007) and included purchases of approximately 230 million gallons of diesel fuel, 800 thousand metric tons of coal, 6,500 gigawatt hours of electricity and 3 million MMBTU (million british thermal units) of natural gas. Commodity-based input costs have declined dramatically in late 2008, and we expect to realize the

benefits of these declines in 2009 (refer to “Overview and Outlook” for further discussion). For 2009, we estimate energy costs will approximate 20 percent of our consolidated copper production costs.

2007 Compared with 2006
Consolidated production and delivery costs totaled $8.5 billion in 2007 compared with $2.5 billion in 2006. Higher production and delivery costs in 2007 primarily reflected amounts associated with the acquired copper and molybdenum operations in North and South America ($6.0 billion), which included purchase accounting impacts of $781 million principally associated with increased inventory values.

Depreciation, Depletion and Amortization
2008 Compared with 2007
Consolidated depreciation, depletion and amortization expense totaled $1.8 billion in 2008 compared with $1.2 billion in 2007. The increase in depreciation, depletion and amortization expense reflected higher purchase accounting impacts of $293 million primarily related to a full twelve months in 2008, and also reflected higher depreciation expense under the unit-of-production method resulting from a full year of production from our North and South America copper mines in 2008.

We estimate that our annual depreciation, depletion and amortization expense for 2009 will approximate $1.0 billion. The decrease in projected 2009 depreciation, depletion and amortization expense, compared with 2008, primarily reflects the impact of long-lived asset impairments recognized at December 31, 2008 (refer to “Critical Accounting Estimates – Asset Impairments” for further discussion), and also reflects lower expense for assets that are depreciated under the unit-of-production method.

2007 Compared with 2006
Consolidated depreciation, depletion and amortization expense totaled $1.2 billion in 2007 compared with $228 million in 2006. The increase in depreciation, depletion and amortization expense in 2007 reflected amounts associated with the acquired Phelps Dodge operations ($1.0 billion), which included purchase accounting impacts of $595 million related to increased carrying values of acquired property, plant and equipment.

LCM Inventory Adjustments
Inventories are required to be recorded at the lower of cost or market. In connection with the acquisition of Phelps Dodge, acquired inventories (including long-term mill and leach stockpiles) were recorded at fair value using near-term price forecasts reflecting the then-current price environment and management’s projections for long-term average metal prices. As a result of the declines in copper and molybdenum prices in fourth-quarter 2008, we recognized charges of $782 million ($479 million to net loss or $1.26 per share) for LCM inventory adjustments in 2008. These charges were based on prevailing copper futures prices for three years, which ranged from approximately $1.40 per pound to $1.50 per pound, and a long-term average price of $1.60 per pound. Molybdenum prices were assumed to average $8.00 per pound.

Selling, General and Administrative Expenses
2008 Compared with 2007
Consolidated selling, general and administrative expenses totaled $269 million in 2008 compared with $466 million in 2007. Lower selling, general and administrative expenses primarily reflected lower incentive compensation costs in 2008 ($210 million) because of weaker financial results.

2007 Compared with 2006
Consolidated selling, general and administrative expenses totaled $466 million in 2007 compared with $157 million in 2006. Higher selling, general and administrative expenses in 2007 primarily reflected the additional amounts associated with the acquired Phelps Dodge operations ($272 million) and higher stock-based compensation costs ($39 million) primarily related to second-quarter 2007 stock option grants.

Exploration and Research Expenses
2008 Compared with 2007
Consolidated exploration and research expenses totaled $292 million in 2008 compared with $145 million in 2007. We are conducting exploration activities near our existing mines with a focus on opportunities to expand reserves that will support additional future production capacity in the large mineral districts where we currently operate. Drilling activities were significantly expanded in 2008, and we identified additional ore adjacent to existing ore bodies. Results to date have been positive, providing us with opportunities for significant future potential reserve additions at Morenci,

Sierrita and Bagdad in North America, at Cerro Verde in South America and in the high potential Tenke Fungurume district.

The number of drill rigs in operation, which expanded from 26 in March 2007 to approximately 100 in third-quarter 2008, declined to approximately 44 at December 31, 2008 in response to weak market conditions. We plan to incorporate the information obtained through exploration activities into our future plans during 2009, enabling a significant reduction in 2009 exploration costs, as we analyze drilling results to further define our significant resources. For 2009, exploration expenditures are expected to approximate $75 million, compared with $248 million in 2008.

2007 Compared with 2006
Consolidated exploration and research expenses totaled $145 million in 2007 compared with $12 million in 2006. Higher expenditures in 2007 primarily reflected exploration and research expenses associated with the acquired Phelps Dodge operations ($127 million).

Goodwill Impairment
Goodwill is required to be evaluated for impairment at least annually and at any other time if events or circumstances indicate that the fair value of a reporting unit is below its carrying amount. We completed our annual impairment test of goodwill at December 31, 2008, which resulted in the recognition of goodwill impairment charges totaling $6.0 billion ($6.0 billion to net loss or $15.69 per share). Refer to Note 7 and “Critical Accounting Estimates – Asset Impairments” for further discussion.

Long-Lived Asset Impairments and Other Charges
During fourth-quarter 2008, we concluded that the declines in copper and molybdenum prices and the deterioration of the current economic environment represented significant adverse changes in the business, and therefore evaluated our long-lived assets for impairment as of December 31, 2008. Our evaluation of our long-lived assets resulted in the recognition of asset impairment charges totaling $10.9 billion ($6.6 billion to net loss or $17.34 per share). Refer to Note 2 and “Critical Accounting Estimates – Asset Impairments” for further discussion.

Other charges of $111 million ($67 million to net loss or $0.18 per share) recognized in 2008 include restructuring charges and pension and postretirement charges for special retirement benefits and curtailments. Refer to Note 2 for further discussion of these charges.

Interest Expense, Net
2008 Compared with 2007
Consolidated interest expense (before capitalization) totaled $706 million in 2008 compared with $660 million in 2007. Higher interest expense in 2008 primarily reflected net purchase accounting impacts of $101 million recorded in 2008 principally associated with accretion of the fair values of environmental obligations (determined on a discounted cash flow basis) assumed in the acquisition of Phelps Dodge. This increase was partly offset by lower interest expense in 2008 associated with net repayments of debt during 2007 (refer to “Capital Resources and Liquidity – Financing Activities” for discussion of 2007 repayments of debt).

Capitalized interest totaled $122 million in 2008 compared with $147 million in 2007. Capitalized interest is primarily related to our development projects (refer to “Development Projects” for further discussion), which included Tenke Fungurume during 2008 and 2007, and also included Safford in 2007.

2007 Compared with 2006
Total consolidated interest expense (before capitalization) totaled $660 million in 2007 compared with $87 million in 2006. The increase in interest expense in 2007 primarily related to the debt incurred in connection with the acquisition of Phelps Dodge.

Capitalized interest totaled $147 million in 2007 and $11 million in 2006. The increase in capitalized interest in 2007 primarily relates to the development projects at Safford and Tenke Fungurume.

Losses on Early Extinguishment and Conversion of Debt, Net
During 2008, we recorded net charges totaling $6 million ($5 million to net loss or $0.01 per share) for early extinguishment of debt associated with an open-market purchase of $33 million of our 9½% Senior Notes.

During 2007, we recorded net charges totaling $173 million ($132 million to net income or $0.33 per share) for early extinguishment of debt primarily related to the accelerated recognition of deferred financing costs associated

with early repayment of amounts under the $11.5 billion senior credit facility, including the refinancing of the Tranche B term loan. Also included was $17 million ($10 million to net income or $0.02 per share) related to premiums paid and the accelerated recognition of deferred financing costs associated with the May 2007 redemption of our 10⅛% Senior Notes.

During 2006, we recorded net charges totaling $32 million ($30 million to net income or $0.14 per share) for early extinguishment and conversion of debt primarily associated with the completion of a tender offer and privately negotiated transactions to induce conversion of our 7% Convertible Senior Notes into FCX common stock, and also included charges associated with open-market purchases of our 10⅛% Senior Notes.

Gains on Sales of Assets
Gains on sales of assets totaled $13 million ($8 million to net loss or $0.02 per share) in 2008, $85 million ($52 million to net income or $0.13 per share) in 2007 primarily associated with sales of marketable securities, and $31 million ($30 million to net income or $0.13 per share) in 2006 primarily associated with the disposition of land and certain royalty rights at Atlantic Copper.

Other (Expense) Income, Net
Other (expense) income, net, totaled $(22) million in 2008, $157 million in 2007 and $28 million in 2006. The decrease in 2008, compared with 2007, primarily related to lower interest income ($82 million) and higher foreign currency exchange losses ($64 million) mostly associated with estimated Chilean tax payments. The increase in 2007, compared with 2006, primarily related to higher interest income ($110 million).

Benefit from (Provision for) Income Taxes
The benefit from income taxes in 2008 resulted from U.S. operations ($3.4 billion), partly offset by taxes on international operations ($604 million). Our effective tax rate changed from a 39 percent provision in 2007 to a 21 percent benefit in 2008. The difference between our consolidated effective income tax rate in 2008 and the U.S. federal statutory rate of 35 percent primarily was attributable to goodwill impairment charges, which were non-deductible for tax purposes, and the recognition of a valuation allowance against U.S. federal alternative minimum tax credits, partly offset by benefits for percentage depletion and U.S. state income taxes.

The income tax provision from continuing operations for 2007 resulted from taxes on international operations ($2.2 billion) and U.S. operations ($215 million). The difference between our consolidated effective income tax rate of approximately 39 percent for 2007 and the U.S. federal statutory rate of 35 percent primarily was attributable to (i) withholding taxes related to earnings from Indonesia and South America mining operations, (ii) a U.S. foreign tax credit limitation and (iii) an adjustment associated with the reversal of the Phelps Dodge APB Opinion No. 23, “Accounting for Income Taxes – Special Areas,” indefinite reinvestment assertion on certain earnings in South America, partly offset by a U.S. benefit for percentage depletion and an international tax rate differential.

The income tax provision for 2006 ($1.2 billion) primarily reflected taxes on PT Freeport Indonesia’s earnings. The difference between our effective income tax rate of approximately 43 percent for 2006 and PT Freeport Indonesia’s Contract of Work rate of 35 percent primarily was attributable to withholding taxes related to earnings from Indonesia mining operations and income taxes incurred by PT Indocopper Investama.

A summary of the approximate amounts in the calculation of our consolidated (benefit from) provision for income taxes for 2008 and 2007 follows (in millions, except percentages):

	Year Ended December 31, 2008			Year Ended December 31, 2007		
	Income (Loss) [a]	Effective Tax Rate	Income Tax Provision (Benefit)	Income (Loss) [a]	Effective Tax Rate	Income Tax Provision (Benefit)
U.S.	$ 2,023	24%	$ 489	$ 1,871	30%	$ 568
South America	2,086	32%	677	2,623	33%	868
Indonesia	1,432	43%	612	2,860	46%	1,326
Asset impairment charges	(10,867)	39%	(4,212)	–	N/A	–
Goodwill impairment charges	(5,987)	N/A	–	–	N/A	–
LCM inventory adjustments	(782)	38%	(299)	–	N/A	–
Purchase accounting adjustments	(1,102)	38%	(423)	(1,264)	38%	(479)
Eliminations and other	(112)	N/A	(47)	21	N/A	6
Adjustments	N/A	N/A	359[b]	N/A	N/A	111[c]
Consolidated FCX	$ (13,309)	21%	$ (2,844)	$ 6,111	39%	$ 2,400

a. Represents income (loss) from continuing operations before income taxes, minority interests and equity in affiliated companies' net earnings.

b. Represents an adjustment to establish a valuation allowance against U.S. federal alternative minimum tax credits.

c. Represents an adjustment for a one-time charge associated with the reversal of the Phelps Dodge APB Opinion No. 23 indefinite reinvestment assertion on certain earnings in South America. This adjustment was fully offset by a reduction in minority interests' share of net income.

Our effective tax rate for 2009 is expected to be highly sensitive to changes in commodity prices and the mix of income between U.S. and international operations. At current prices, we would generate losses in the U.S. that could not be used to offset income generated from international operations, and for which we would not record a tax benefit. Taxes provided on income generated from our South America and Indonesia operations are recorded at the applicable statutory rates. As a result, our consolidated effective tax rate may be substantially higher than the U.S. federal statutory rate of 35 percent. Assuming average prices of $1.50 per pound of copper, $800 per ounce of gold and $9.00 per pound of molybdenum, we estimate our consolidated effective tax rate for 2009 would approximate 75 percent and would increase with lower prices and decrease with higher prices.

Refer to Note 14 for further discussion of income taxes.

Minority Interests in Consolidated Subsidiaries

2008 Compared with 2007

Minority interests in consolidated subsidiaries totaled $617 million in 2008 compared with $791 million in 2007. Lower minority interests in 2008 primarily reflected lower net income at PT Freeport Indonesia and at our South America copper mines during 2008.

Because of the decline in copper prices minority interests in consolidated subsidiaries is expected to be significantly lower in 2009, compared with 2008.

2007 Compared with 2006

Minority interests in consolidated subsidiaries totaled $791 million in 2007 compared with $168 million in 2006. Higher minority interests in 2007 primarily reflected amounts associated with our acquired South America operations ($603 million) and an increase related to higher earnings at PT Freeport Indonesia ($20 million).

OPERATIONS

For comparative purposes, certain of the operating data included in this section for our North America copper mines, South America copper mines and Molybdenum operations for the year 2007, combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

North America Copper Mines

We currently have five operating copper mines in North America – Morenci, Sierrita, Bagdad and Safford in Arizona, and Tyrone in New Mexico. In addition to copper, the Morenci, Sierrita and Bagdad mines produce molybdenum as a by-product . All of these mining operations are wholly owned, except for Morenci, an unincorporated joint venture, in which we own an 85 percent undivided interest.

The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and solution extraction/electrowinning (SX/EW) operations. A majority of the copper produced at our North America copper mines is cast into copper rod by our Rod & Refining operations. Rod and wire sales to outside wire and cable manufacturers represented approximately 77 percent of North America copper sales in 2008. The remainder of our North America copper sales is primarily in the form of copper cathode or copper concentrate.

In response to the severity of the declines in copper and molybdenum prices and the deterioration of market conditions in fourth-quarter 2008, operating plans were revised at our North America copper mines. The revised operating plans reflect a 50 percent reduction in mining and crushed-leach rates at Morenci, a 50 percent reduction in mining and stacking rates at the Safford mine, a 50 percent reduction in the mining rate at the Tyrone mine and a suspension of mining and milling activities at the Chino mine. The revised operating plans also include the deferral of capital projects, including the incremental expansion projects at the Sierrita and Bagdad mines and the planned restart of the Miami mine. The revised operating plans also incorporate the impacts of lower costs for energy, acid and other consumables, and reduced labor costs. Our operating plans for the North America copper mines will continue to be reviewed and additional adjustments may be made as market conditions warrant.

Operating Data. Following is summary operating data for the North America copper mines for the years ended December 31, 2008, 2007 and 2006. The operating data for 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	2008	2007 [a]	2006 [a]
Operating Data, Net of Joint Venture Interest			
Copper (millions of recoverable pounds)			
Production	1,430	1,320	1,305
Sales, excluding purchases	1,434	1,332	1,303
Average realized price per pound	$ 3.07	$ 3.10[b]	$ 2.29[b]
Molybdenum (millions of recoverable pounds)			
Production (by-product) [c]	30	30	31
100% Operating Data, Including Joint Venture Interest			
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	1,095,200	798,200	801,200
Average copper ore grade (percent)	0.22	0.23	0.30
Copper production (millions of recoverable pounds)	943	940	1,013
Mill operations			
Ore milled (metric tons per day)	249,600	223,800	199,300
Average ore grade (percent):			
Copper	0.40	0.35	0.33
Molybdenum	0.02	0.02	0.02
Copper recovery rate (percent)	82.9	84.5	85.0
Production (millions of recoverable pounds):			
Copper	599	501	414
Molybdenum (by-product)	30	30	31

a. The North America copper mines' operating data for 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Before charges for mark-to-market accounting adjustments on the copper price protection programs, amounts were $3.25 per pound for 2007 and $3.06 per pound for 2006.

c. Reflects by-product molybdenum production from the North America copper mines. Sales of by-product molybdenum are reflected in the Molybdenum division.

2008 Compared with 2007

Copper sales from the North America mines totaled 1.4 billion pounds in 2008, compared with 1.3 billion pounds for the combined year 2007. The increase in copper sales volumes during 2008 primarily reflected additional copper production from the Safford mine, which began production in December 2007. Copper sales volumes from our North America copper mines are expected to approximate 1.1 billion pounds in 2009 and by-product molybdenum production is expected to approximate 28 million pounds in 2009. The decrease in 2009 copper sales volumes primarily reflects the effects of curtailed production rates at our North America copper mines. If we continue operating at reduced rates, production at our North America copper mines for 2010 would be expected to decline by an additional 200 million pounds because of impacts of 2009 mining activities on 2010 leaching operations.

2007 Compared with 2006

Copper sales from the North America mines totaled 1.3 billion pounds for both the combined year 2007 and in 2006. The slight increase in copper sales volumes during 2007 primarily reflected higher production from mill operations resulting from higher ore grades and the incremental production from the Morenci mill because of a full year of concentrator activity in 2007. These increases were partly offset by lower production from SX/EW operations in 2007 because of lower ore grades.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the

primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper and Molybdenum

The following tables summarize unit net cash costs and gross profit at the North America copper mines (which were acquired on March 19, 2007) for the year ended December 31, 2008, and for the period March 20, 2007, through December 31, 2007. Refer to "Product Revenues and Production Costs" for an explanation of the "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2008			2007 [a]		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum [b]		Copper	Molybdenum [b]
Revenues, excluding adjustments shown below	$ 3.07	$ 3.07	$ 30.25	$ 3.40	$ 3.40	$ 30.69
Site production and delivery, before net noncash and nonrecurring costs shown below	1.88	1.63	12.67	1.46	1.25	10.85
By-product credits [b]	(0.64)	–	–	(0.69)	–	–
Treatment charges	0.09	0.09	–	0.10	0.10	–
Unit net cash costs	1.33	1.72	12.67	0.87	1.35	10.85
Depreciation, depletion and amortization	0.53	0.46	2.81	0.47	0.40	2.89
Noncash and nonrecurring costs, net	0.52	0.49	1.34	0.35	0.33	0.15
Total unit costs	2.38	2.67	16.82	1.69	2.08	13.89
Revenue adjustments, primarily for pricing on prior period open sales and hedging	(0.05)	(0.05)	–	(0.20)	(0.20)	–
Idle facility and other non-inventoriable costs	(0.06)	(0.06)	(0.05)	(0.05)	(0.05)	(0.03)
Gross profit	$ 0.58	$ 0.29	$ 13.38	$ 1.46	$ 1.07	$ 16.77
Copper sales (millions of recoverable pounds)	1,430	1,430		1,038	1,038	
Molybdenum sales (millions of recoverable pounds) [c]			30			23

a. Reflects the period from March 20, 2007, through December 31, 2007.

b. Molybdenum by-product credits and revenues reflect volumes produced at market-based pricing and also include tolling revenues at Sierrita.

c. Reflects molybdenum produced by the North America copper mines.

The North America copper mines have experienced production cost increases in recent years primarily as a result of higher energy costs and costs of other consumables, higher mining and milling rates, labor costs and other factors. Unit net cash costs, after by-product credits, increased to $1.33 per pound of copper in 2008, compared with $0.87 per pound of copper for the period March 20, 2007, through December 31, 2007, primarily reflecting higher input costs, including higher mining costs and milling rates, higher energy and acid costs and higher costs associated with Safford as the mine ramps up to full production rates.

Our operating North America copper mines have varying cost structures because of differences in ore grades and ore characteristics, processing costs, by-products and other factors. During 2008, unit net cash costs for the North America copper mines averaged $1.33 per pound and ranged from a net credit of $0.89 per pound to net costs of $1.92 per pound at the individual mines. Based on current operating plans and assuming average prices of $1.50 per pound of copper and $9.00 per pound of molybdenum for 2009 and estimates for commodity-based input costs, we estimate that average unit net cash costs, including molybdenum credits, for our North America copper mines would approximate $1.17 per pound of copper in 2009 and would range from approximately $0.90 per pound to $1.25 per pound at the individual mines. If copper prices were to decline significantly from current levels, our operating plans for the North America copper mines would be revised further.

The fair values of acquired inventory and property, plant and equipment were based on preliminary estimates in 2007, with adjustments made until such values were finalized in first-quarter 2008; accordingly, depreciation,

depletion and amortization reflect changes in purchase accounting impacts associated with adjustments to the carrying values of these assets.

The increase in noncash and nonrecurring costs for 2008 reflects charges for LCM inventory adjustments in 2008 totaling $661 million ($0.46 per pound), partly offset by lower purchase accounting impacts related to increased carrying values of acquired inventory, which totaled $24 million ($0.02 per pound) in 2008 and $344 million ($0.33 per pound) in 2007.

Revenue adjustments primarily reflect unrealized losses on copper derivative contracts entered into with our U.S. copper rod customers, which allow us to receive market prices in the month of shipment while the customer pays the fixed price they requested. In 2007, revenue adjustments also reflected mark-to-market accounting adjustments on the 2007 copper price protection program totaling $175 million ($0.17 per pound).

Combined Unit Net Cash Costs per Pound of Copper and Molybdenum

For comparative purposes, the following tables summarize unit net cash costs at the North America copper mines for the year ended December 31, 2007, which reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to revenues and production and delivery costs included in FCX's pro forma consolidated financial statements (refer to Note 18) for the year ended December 31, 2007, and as reported in Phelps Dodge's Form 10-K for the year ended December 31, 2006. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	2007 [a]			2006 [a]		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum [b]		Copper	Molybdenum [b]
Revenues, excluding adjustments primarily for pricing on prior period open sales and hedging	$ 3.25	$ 3.25	$ 29.31	$ 3.06	$ 3.06	$ 24.85
Site production and delivery, before net noncash and nonrecurring costs	$ 1.43	$ 1.23	$ 10.42	$ 1.14	$ 0.93	$ 9.34
By-product credits [b]	(0.66)	–	–	(0.60)	–	–
Treatment charges	0.09	0.09	–	0.07	0.06	–
Combined unit net cash costs	$ 0.86	$ 1.32	$ 10.42	$ 0.61	$ 0.99	$ 9.34
Copper sales (millions of recoverable pounds)	1,316	1,316		1,292	1,292	
Molybdenum sales (millions of recoverable pounds) [c]			30			31

a. For comparative purposes, 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Molybdenum by-product credits and revenues reflect volumes produced at market-based pricing and also include tolling revenues at Sierrita.

c. Reflects molybdenum produced by the North America copper mines.

Unit net cash costs, after by-product credits, for the North America copper mines increased to $0.86 per pound of copper in 2007, compared with $0.61 per pound of copper in 2006, primarily because of higher input costs associated with labor, maintenance, operating supplies and energy, and also reflected higher costs associated with the ramp-up of the Morenci mill operations. Partly offsetting these higher costs were higher molybdenum credits in 2007 because of higher molybdenum prices.

South America Copper Mines

We have four operating copper mines in South America – Cerro Verde in Peru, and Candelaria, Ojos del Salado and El Abra in Chile. We own a 53.56 percent interest in Cerro Verde, an 80 percent interest in both Candelaria and Ojos del Salado and a 51 percent interest in El Abra. These operations are consolidated in our financial statements, with outside ownership reported as minority interests.

The South America copper mines include open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. In addition to copper, the Cerro Verde mine produces molybdenum concentrates as a by-product, and the Candelaria and Ojos del Salado mines produce gold and silver as by-products. Production from our South America copper mines is sold as copper concentrate or copper cathode under long-term contracts.

In response to the severity of the declines in copper and molybdenum prices and the deterioration of market conditions in fourth-quarter 2008, operating plans were revised at our South America copper mines. The revised operating plans principally reflect the incorporation of reduced input costs and the impacts of favorable foreign exchange rates on operating costs; reduced mining rates at the Candelaria and Ojos del Salado mines to reduce costs; a significant reduction in capital spending plans, including deferral of the planned incremental expansion project at the Cerro Verde mine and a delay in the sulfide project at El Abra; and reduced spending for discretionary items. In addition, we plan to temporarily curtail the molybdenum circuit at Cerro Verde. Our operating plans for the South America copper mines will continue to be reviewed and additional adjustments may be made as market conditions warrant.

Operating Data. Following is summary operating data for the South America copper mines for the years ended December 31, 2008, 2007 and 2006. The below operating data for 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	2008	2007 [a]	2006 [a]
Copper (millions of recoverable pounds)			
Production	1,506	1,413	1,133
Sales	1,521	1,399	1,126
Average realized price per pound	$ 2.57	$ 3.25	$ 3.03
Gold (thousands of recoverable ounces)			
Production	114	116	112
Sales	116	114	111
Average realized price per ounce	$ 853	$ 683	$ 552
Molybdenum (millions of recoverable pounds)			
Production (by-product) [b]	3	1	–
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	279,700	289,100	257,400
Average copper ore grade (percent)	0.45	0.43	0.45
Copper production (millions of recoverable pounds)	560	569	695
Mill operations			
Ore milled (metric tons per day)	181,400	167,900	68,500
Average copper ore grade (percent):			
Copper	0.75	0.74	0.87
Molybdenum	0.02	0.02	N/A
Copper recovery rate (percent)	89.2	87.1	93.8
Production (millions of recoverable pounds):			
Copper	946	844	438
Molybdenum	3	1	–

a. The South America copper mines' operating data for 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Reflects by-product molybdenum production from our Cerro Verde copper mine. Sales of by-product molybdenum are reflected in the Molybdenum segment.

2008 Compared with 2007

Copper sales from the South America mines totaled 1.5 billion pounds in 2008, compared with 1.4 billion for the combined year 2007. Higher copper sales volumes in 2008 primarily reflected higher production from the Cerro Verde concentrator, which reached design capacity in mid-2007. Consolidated sales volumes from our South America mines are expected to approximate 1.4 billion pounds of copper and 100 thousand ounces of gold in

2009. Our revised operating plans for the South America copper mines do not have a significant effect on 2009 production volumes, but are expected to result in lower 2010 production by approximately 100 million pounds of copper.

2007 Compared with 2006
Copper sales from the South America mines totaled approximately 1.4 billion pounds in the combined year 2007 and approximately 1.1 billion pounds in 2006. Higher copper sales volumes in 2007 primarily reflected higher production from the Cerro Verde concentrator, which reached design capacity in mid-2007, partly offset by lower production at El Abra in 2007 resulting from lower ore grades.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper

The following tables summarize unit net cash costs and gross profit at the South America copper mines (which were acquired on March 19, 2007) for the year ended December 31, 2008, and for the period March 20, 2007, through December 31, 2007. The below tables reflect unit net cash costs per pound of copper under the by-product and co-product methods as the South America copper mines also had small amounts of molybdenum, gold and silver sales. Refer to “Product Revenues and Production Costs” for an explanation of the “by-product” and “co-product” methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2008		2007 [a]	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments shown below	$ 2.57	$ 2.57	$ 3.30	$ 3.30
Site production and delivery, before net noncash and nonrecurring costs shown below	1.13	1.07	0.92	0.88
By-product credits	(0.13)	–	(0.09)	–
Treatment charges	0.14	0.14	0.20	0.20
Unit net cash costs	1.14	1.21	1.03	1.08
Depreciation, depletion and amortization	0.33	0.32	0.32	0.32
Noncash and nonrecurring costs, net	0.07	0.06	0.14	0.14
Total unit costs	1.54	1.59	1.49	1.54
Revenue adjustments, primarily for pricing on prior period open sales	0.15	0.15	0.06	0.06
Idle facility and other non-inventoriable costs	(0.02)	(0.02)	(0.02)	(0.02)
Gross profit	$ 1.16	$ 1.11	$ 1.85	$ 1.80
Copper sales (millions of recoverable pounds)	1,521	1,521	1,177	1,177

a. Reflects the period from March 20, 2007, through December 31, 2007.

The South America copper mines have experienced production cost increases in recent years primarily as a result of higher energy costs and costs of other consumables, higher mining costs and milling rates, labor costs and other factors. Unit net cash costs, after by-product credits, increased to $1.14 per pound of copper in 2008, compared with $1.03 per pound for the period March 20, 2007, through December 31, 2007, reflecting higher input costs, including higher mining costs and milling rates and higher energy, acid and other commodity-based input costs. The increase in input costs during 2008 was partly offset by higher volumes, higher by-product credits and lower treatment charges.

Our South America copper mines have varying cost structures because of differences in ore grades and ore characteristics, processing costs, by-products and other factors. During 2008, unit net cash costs for the South America copper mines averaged $1.14 per pound and ranged from $0.96 per pound to $1.59 per pound at the

individual mines. Assuming average prices of $1.50 per pound of copper for 2009 and achievement of current 2009 sales and estimates for commodity-based input costs, we estimate that average unit net cash costs, including gold credits, for our South America copper mines would approximate $1.00 per pound of copper in 2009 and would range from approximately $0.90 per pound to $1.25 per pound at the individual mines. Lower unit net cash costs at our South America copper mines for 2009, compared with 2008, reflect reduced input costs and currency exchange rates, partly offset by mining lower ore grades in 2009.

Noncash and nonrecurring costs for 2008 reflect lower purchase accounting impacts related to increased carrying values of acquired inventory, which totaled $46 million ($0.03 per pound) in 2008 and $169 million ($0.14 per pound) in 2007. Noncash and nonrecurring costs for 2008 also included charges for LCM inventory adjustments totaling $10 million ($0.01 per pound).

Combined Unit Net Cash Costs per Pound of Copper

For comparative purposes, the following tables summarize unit net cash costs at the South America copper mines for the year ended December 31, 2007, which combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to revenues and production and delivery costs included in FCX's pro forma consolidated financial statements (refer to Note 18) for the year ended December 31, 2007, and as reported in Phelps Dodge's Form 10-K for the year ended December 31, 2006. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	2007 [a]		2006 [a]	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments primarily for pricing on prior period open sales	$ 3.25	$ 3.25	$ 3.03	$ 3.03
Site production and delivery, before net noncash and nonrecurring costs	$ 0.91	$ 0.87	$ 0.82	$ 0.79
By-product credits	(0.09)	–	(0.08)	–
Treatment charges	0.20	0.20	0.17	0.17
Combined unit net cash costs	$ 1.02	$ 1.07	$ 0.91	$ 0.96
Copper sales (millions of recoverable pounds)	1,399	1,399	1,126	1,126

a. For comparative purposes, 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

Unit net cash costs, after by-product credits, increased to $1.02 per pound of copper in 2007, compared with $0.91 per pound in 2006, primarily reflecting higher costs at El Abra because of lower copper sales, and also reflected the impact of Cerro Verde's voluntary contribution programs. These higher costs were partly offset by lower unit costs at Cerro Verde in 2007 associated with significantly higher production resulting from the new concentrator.

Indonesia Mining

We own 90.64 percent of PT Freeport Indonesia, including 9.36 percent owned through our wholly owned subsidiary, PT Indocopper Investama. The Government of Indonesia owns the remaining 9.36 percent of PT Freeport Indonesia. PT Freeport Indonesia operates under an agreement, called a Contract of Work, with the Government of Indonesia that allows us to conduct exploration, mining and production activities in a 24,700-acre area called Block A located in Papua, Indonesia. Under the Contract of Work, PT Freeport Indonesia also conducts exploration activities in an approximate 500,000-acre area called Block B in Papua. All of PT Freeport Indonesia's proven and probable mineral reserves and current mining operations, including the Grasberg minerals district, are located in Block A.

PT Freeport Indonesia produces copper concentrates, which contain significant quantities of gold and silver. Substantially all of PT Freeport Indonesia's copper concentrates are sold under long-term contracts.

We have established certain unincorporated joint ventures with Rio Tinto plc (Rio Tinto), an international mining company with headquarters in London, England. Pursuant to the joint venture agreement, Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021 in Block A of PT Freeport Indonesia's Contract of Work, and, after 2021, a 40 percent interest in all production from Block A. Refer to Note 3 for further discussion of joint ventures with Rio Tinto.

Operating Data. Following is summary operating data for our Indonesia mining operations for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Consolidated Operating Data, Net of Joint Venture Interest			
Copper (millions of recoverable pounds)			
Production	1,094	1,151	1,201
Sales	1,111	1,131	1,201
Average realized price per pound	$ 2.36	$ 3.32	$ 3.13
Gold (thousands of recoverable ounces)			
Production	1,163	2,198	1,732
Sales	1,182	2,185	1,736
Average realized price per ounce	$ 861	$ 681	$ 567
100% Operating Data, Including Joint Venture Interest			
Ore milled (metric tons per day):			
Grasberg open pit [a]	129,800	159,100	184,200
Deep Ore Zone (DOZ) underground mine [a]	63,100	53,500	45,200
Total	192,900	212,600	229,400
Average ore grade:			
Copper (percent)	0.83	0.82	0.85
Gold (grams per metric ton)	0.66	1.24	0.85
Recovery rates (percent):			
Copper	90.1	90.5	86.1
Gold	79.9	86.2	80.9
Production (recoverable):			
Copper (millions of pounds)	1,109	1,211	1,300
Gold (thousands of ounces)	1,163	2,608	1,824

a. Amounts represent the approximate average daily throughput processed at PT Freeport Indonesia's mill facilities from each producing mine.

2008 Compared with 2007
PT Freeport Indonesia's share of sales totaled approximately 1.1 billion pounds of copper and 1.2 million ounces of gold in 2008, compared with 1.1 billion pounds of copper and 2.2 million ounces of gold in 2007. At the Grasberg mine, the sequencing in mining areas with varying ore grades causes fluctuations in the timing of ore production resulting in varying quarterly and annual sales of copper and gold. Lower gold sales volumes in 2008 resulted from mining in a lower-grade section of the Grasberg open pit for the first nine months of 2008. PT Freeport Indonesia's sales for 2009 are expected to approximate 1.3 billion pounds of copper and 2.1 million ounces of gold as a result of the expected mining in a higher-grade section of the Grasberg open pit throughout 2009.

2007 Compared with 2006
PT Freeport Indonesia's share of sales totaled approximately 1.1 billion pounds of copper and 2.2 million ounces of gold in 2007, compared with 1.2 billion pounds of copper and 1.7 million ounces of gold in 2006. Lower copper sales volumes in 2007 resulted from mining in a relatively low-grade section of the Grasberg open pit during the second half of 2007, partly offset by higher ore grades during the first half of 2007 and higher recovery rates. The increase in gold sales volumes in 2007 resulted from higher ore grades and recovery rates.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a

substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper/per Ounce of Gold

The following tables summarize the unit net cash costs and gross profit at our Indonesia mining operations. Refer to "Production Revenues and Production Costs" for an explanation of "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2008			2007		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, after adjustments shown below	$ 2.36	$ 2.36	$ 861.43	$ 3.32	$ 3.32	$ 680.74
Site production and delivery, before net noncash and nonrecurring costs shown below	1.59	1.13	412.72	1.19	0.85	172.23
Gold and silver credits	(0.97)	–	–	(1.36)	–	–
Treatment charges	0.24	0.17	62.69	0.34	0.24	49.45
Royalty on metals	0.10	0.07	26.50	0.12	0.08	17.05
Unit net cash costs	0.96	1.37	501.91	0.29	1.17	238.73
Depreciation and amortization	0.20	0.14	52.09	0.17	0.12	25.54
Noncash and nonrecurring costs, net	0.03	0.02	7.18	0.04	0.03	5.90
Total unit costs	1.19	1.53	561.18	0.50	1.32	270.17
Revenue adjustments, primarily for pricing on prior period open sales	0.09	0.09	5.86	0.03	0.03	1.07
PT Smelting intercompany profit	0.01	0.01	4.18	0.01	0.01	1.71
Gross profit	$ 1.27	$ 0.93	$ 310.29	$ 2.86	$ 2.04	$ 413.35
Consolidated sales						
Copper (millions of recoverable pounds)	1,111	1,111		1,131	1,131	
Gold (thousands of recoverable ounces)			1,182			2,185

Because of the fixed nature of a large portion of PT Freeport Indonesia's costs, unit costs vary significantly from period to period depending on volumes of copper and gold sold during the period. PT Freeport Indonesia has also experienced significant increases in production costs in recent years primarily as a result of higher energy costs and costs of other consumables, higher mining and milling costs, labor costs and other factors. Unit net cash costs, after gold and silver credits, increased to $0.96 per pound of copper in 2008, compared with $0.29 per pound in 2007, reflecting lower gold and silver credits associated with lower gold volumes in 2008, higher input costs, including higher mining rates and energy costs, and also reflected the impact of changes in cost sharing with the joint venture partner. Partly offsetting these increases were lower treatment charges, which vary with the volume of metals sold and the price of copper. Market rates for treatment charges have decreased since 2006 and will vary based on PT Freeport Indonesia's customer mix.

Royalties vary with the volume of metals sold and the prices of copper and gold. Royalties totaled $113 million ($0.10 per pound of copper) in 2008, compared with $133 million ($0.12 per pound of copper) in 2007. The reduction in royalties for 2008 primarily reflects lower copper prices and lower gold sales volumes.

Because certain assets are depreciated on a straight-line basis, PT Freeport Indonesia's unit depreciation rate varies with the level of copper production and sales.

Assuming average copper prices of $1.50 per pound and average gold prices of $800 per ounce in 2009 and achievement of current 2009 sales estimates and revised estimates for energy, currency exchange rates and other factors, we estimate that average unit net cash costs for PT Freeport Indonesia, including gold and silver credits, would approximate zero in 2009 and each $50 per ounce change in gold prices during the year would have an approximate $0.08 per pound impact on PT Freeport Indonesia's 2009 unit net cash costs. Because the majority of PT Freeport Indonesia's costs are fixed, unit costs vary with volumes sold and the price of gold; accordingly, we expect PT Freeport Indonesia's unit net cash costs to be significantly lower than 2008 levels because of higher gold volumes and reduced commodity-based input costs.

	2007			2006		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, after adjustments shown below	$ 3.32	$ 3.32	$ 680.74	$ 3.13	$ 3.13	$ 566.51[a]
Site production and delivery, before net noncash and nonrecurring costs shown below	1.19	0.85	172.23	1.03	0.79	156.24
Gold and silver credits	(1.36)	–	–	(0.93)	–	–
Treatment charges	0.34	0.24	49.45	0.40	0.31	60.41
Royalty on metals	0.12	0.08	17.05	0.10	0.08	15.94
Unit net cash costs	0.29	1.17	238.73	0.60	1.18	232.59
Depreciation and amortization	0.17	0.12	25.54	0.15	0.12	23.25
Noncash and nonrecurring costs, net	0.04	0.03	5.90	0.04	0.03	5.60
Total unit costs	0.50	1.32	270.17	0.79	1.33	261.44
Revenue adjustments, primarily for pricing on prior period open sales	0.03	0.03	1.07	0.10[b]	0.17	11.53
PT Smelting intercompany profit	0.01	0.01	1.71	–	–	(0.37)
Gross profit	$ 2.86	$ 2.04	$ 413.35	$ 2.44	$ 1.97	$ 316.23
Consolidated sales						
Copper (millions of recoverable pounds)	1,131	1,131		1,201	1,201	
Gold (thousands of recoverable ounces)			2,185			1,736

a. Amount was approximately $606 per ounce before a loss resulting from redemption of our Gold-Denominated Preferred Stock, Series II.

b. Includes a $0.06 per pound loss on the redemption of our Gold-Denominated Preferred Stock, Series II.

Unit net cash costs, after gold and silver credits, decreased to $0.29 per pound of copper in 2007, compared with $0.60 per pound in 2006, reflecting higher gold and silver credits associated with higher gold sales volumes and higher average realized gold prices in 2007, and also reflected lower treatment charges in 2007. These were partly offset by higher input costs, lower copper sales volumes and higher royalties primarily related to higher metal prices.

Africa Mining

We hold an effective 57.75 percent interest in the Tenke Fungurume copper and cobalt mining concessions in the Katanga province of the DRC and are the operator of the project. Construction activities are well advanced and initial production is targeted during the second half of 2009. Annual production in the initial years is expected to approximate 250 million pounds of copper and 18 million pounds of cobalt. The initial project at Tenke Fungurume is based on mining and processing ore reserves approximating 119 million metric tons with average ore grades of 2.6 percent copper and 0.35 percent cobalt. Refer to “Development Projects” for further discussion of the Tenke Fungurume project.

Molybdenum

Our Molybdenum operation is an integrated producer of molybdenum, with mining, sulfide ore concentrating, roasting and processing facilities that produce high-purity, molybdenum-based chemicals, molybdenum metal powder and metallurgical products, which are sold to customers around the world, and includes the wholly owned Henderson molybdenum mine in Colorado and related conversion facilities. The Henderson underground mine produces high-purity, chemical-grade molybdenum concentrates, which are typically further processed into value-added molybdenum chemical products. The Molybdenum operation also includes the wholly owned Climax molybdenum mine in Colorado, which has been on care-and-maintenance status since 1995; a sales company that purchases and sells molybdenum from our Henderson mine and from our North and South America copper mines that produce molybdenum as a by-product; and related conversion facilities that, at times, roast and/or process material on a toll basis. Toll arrangements require the tolling customer to deliver appropriate molybdenum-bearing material to our facilities for processing into a product that is returned to the customer, who pays us for processing their material into the specified products.

Molybdenum markets have been strong in recent years; however, slowing demand for molybdenum, principally in the metallurgical sector has resulted in declines in molybdenum prices at the end of 2008. As a result, we revised the operating plan for our Henderson molybdenum mine to operate at a curtailed rate, reflecting an approximate 25 percent reduction in annual production. In addition to curtailed production rates at Henderson, we have also

suspended construction activities associated with the restart of the Climax molybdenum mine (refer to “Development Projects” for further discussion).

Operating Data. Following is summary operating data for the Molybdenum operations for the years ended December 31, 2008, 2007 and 2006. The operating data for 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	2008	2007 [a]	2006 [a]
Molybdenum (millions of recoverable pounds)			
Production	40	39	37
Sales, excluding purchases [b]	71	69	69
Average realized price per pound	$ 30.55	$ 25.87	$ 21.87
Henderson molybdenum mine			
Ore milled (metric tons per day)	24,100	24,000	22,200
Average molybdenum ore grade (percent)	0.23	0.23	0.23
Molybdenum production (millions of recoverable pounds)	40	39	37

a. The Molybdenum operating data for 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Includes sales of molybdenum produced as a by-product at our North and South America copper mines.

Molybdenum sales volumes totaled 71 million pounds in 2008 and 69 million pounds for both 2007 and 2006. For 2009, molybdenum sales volumes are expected to approximate 60 million pounds. The decrease in expected molybdenum sales volumes for 2009 reflects the curtailed production rate at our Henderson molybdenum mine and adjustments to by-product molybdenum production plans at our North and South America copper mines. We are continuing to closely monitor market conditions and may make further reductions to our molybdenum production and sales plans. For 2009, approximately 90 percent of molybdenum sales are expected to be priced at prevailing market prices.

Unit Net Cash Costs. Unit net cash costs per pound of molybdenum is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Molybdenum

The following tables summarize the unit net cash costs and gross profit at our Henderson molybdenum mine (which was acquired on March 19, 2007) for the year ended December 31, 2008, and for the period March 20, 2007, through December 31, 2007. Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2008	2007 [a]
Revenues	$ 29.27	$ 27.12
Site production and delivery, before net noncash and nonrecurring costs shown below	5.36	4.37
Unit net cash costs	5.36	4.37
Depreciation, depletion and amortization	4.25	2.55
Noncash and nonrecurring costs, net	0.18[b]	0.05
Total unit costs	9.79	6.97
Gross profit [c]	$ 19.48	$ 20.15
Molybdenum sales (millions of recoverable pounds) [d]	40	31

a. Reflects the period from March 20, 2007, through December 31, 2007.

b. Includes charges of $0.03 per pound associated with LCM inventory adjustments.

c. Gross profit reflects sales of Henderson products based on volumes produced at market-based pricing. On a consolidated basis, the Molybdenum segment includes profits on sales as they are made to third parties and realizations based on actual contract terms. As a result, the actual gross profit realized will differ from the amounts reported in this table.

d. Reflects molybdenum produced by the Henderson molybdenum mine.

Henderson's unit net cash costs were $5.36 per pound of molybdenum in 2008, compared with $4.37 per pound of molybdenum for the period March 20, 2007, through December 31, 2008. Higher costs in 2008 primarily reflected higher input costs, including outside services, supplies and energy.

The estimated fair values of acquired property, plant and equipment were based on preliminary estimates for the 2007 periods, with adjustments made until such values were finalized in first-quarter 2008; accordingly, depreciation, depletion and amortization reflect changes in purchase accounting impacts associated with adjustments to the carrying values of these assets.

Assuming achievement of current 2009 sales estimates, we estimate that the 2009 average unit net cash costs for Henderson would approximate $5.50 per pound of molybdenum.

Combined Unit Net Cash Costs per Pound of Molybdenum

For comparative purposes, the following tables summarize unit net cash costs at the Henderson molybdenum mine for the year ended December 31, 2007, which reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to revenues and production and delivery costs included in FCX's pro forma consolidated financial statements (refer to Note 18) for the year ended December 31, 2007, and as reported in Phelps Dodge's Form 10-K for the year ended December 31, 2006. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

	2007 [a]	2006 [a]
Revenues	$ 26.10	$ 22.14
Site production and delivery, before net noncash and nonrecurring costs	$ 4.32	$ 3.71
Combined unit net cash costs	$ 4.32	$ 3.71
Molybdenum sales (millions of recoverable pounds) [b]	39	37

a. For comparative purposes, 2007 combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and 2006 reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of these operations under Phelps Dodge management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Reflects molybdenum produced by the Henderson molybdenum mine.

Henderson's unit net cash costs were $4.32 per pound of molybdenum in 2007, compared with $3.71 per pound of molybdenum in 2006. Higher costs in 2007 primarily reflected higher input costs, including labor, supplies and service costs, and higher taxes, partly offset by lower energy costs resulting from energy credits received during 2007.

Rod & Refining

The Rod & Refining operations consist of copper conversion facilities located in North America, including a refinery, three rod mills and a specialty copper products facility. These operations process copper produced at our North America mines and purchased copper into copper cathode, rod and custom copper shapes. At times these operations refine copper and produce copper rod and shapes for customers on a toll basis. Toll arrangements require the tolling customer to deliver appropriate copper-bearing material to our facilities for processing into a product that is returned to the customer, who pays us for processing their material into the specified products.

In response to the significant decrease in copper prices and weak conditions in the rod market, our revised operating plans included a decision in late 2008 to permanently close one of our rod mills.

Atlantic Copper Smelting & Refining

Atlantic Copper is our wholly owned subsidiary located in Spain. Atlantic Copper's operations involve the smelting and refining of copper concentrates and the marketing of refined copper and precious metals in slimes. Our investment in smelters serves an important role in our concentrate marketing strategy. PT Freeport Indonesia generally sells, under long-term contracts, approximately one-half of its concentrate production to its affiliated smelters, Atlantic Copper and PT Smelting, and the remainder to other customers. Additionally, beginning in 2008, certain of our South America mining operations began selling a portion of their copper concentrate and cathode inventories to Atlantic Copper. Treatment charges for smelting and refining copper concentrates represent a cost to PT Freeport Indonesia and our South America mining operations and income to Atlantic Copper and PT Smelting. Through downstream integration, we are assured placement of a significant portion of our concentrate production. Smelting and refining charges consist of a base rate and, in certain contracts, price participation based on copper prices. Higher treatment and refining charges benefit our smelter operations at Atlantic Copper and adversely affect our mining operations in Indonesia and South America. Our North America copper mines are not significantly affected by changes in treatment and refining charges because these operations are fully integrated with our Miami smelter located in Arizona.

Atlantic Copper has a labor contract covering certain employees, which expired in December 2007. During 2008, we continued efforts to negotiate a new agreement; however, to date, we have been unable to successfully negotiate a new labor contact. During January 2009, the union went on strike, which has not materially impacted Atlantic Copper's operations.

We defer recognizing profits on PT Freeport Indonesia's and our South America copper mines' sales to Atlantic Copper and on 25 percent of PT Freeport Indonesia's sales to PT Smelting (PT Freeport Indonesia's 25-percent owned copper smelter and refinery in Indonesia – refer to Note 3 for further discussion) until final sales to third parties occur. Changes in these net deferrals resulted in net additions to net income totaling $65 million ($0.17 per share) in 2008, $8 million ($0.02 per share) in 2007 and $17 million ($0.08 per share) in 2006. At December 31, 2008, our net deferred profits on PT Freeport Indonesia's and the South America copper mines' inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income after taxes and minority interests totaled $28 million.

DEVELOPMENT PROJECTS

We have several projects and potential opportunities to expand our production volumes, extend our mine lives and develop large-scale ore bodies. In response to the declines in copper and molybdenum prices and the deterioration of the economic environment during fourth-quarter 2008, we have deferred most of our project development activities, including incremental expansions in North and South America; the planned restart of the Miami mine; development of the El Abra sulfide project; and the restart of the Climax molybdenum mine. Current major development projects include underground development in the Grasberg minerals district and the Tenke Fungurume project in the DRC, although we have reduced capital spending on these projects.

North America Copper Mines
We have deferred the incremental expansion projects at the Sierrita and Bagdad mines and the planned restart of the Miami mine. These projects were previously expected to add production of 180 million pounds of copper and six million pounds of molybdenum per year beginning in 2010.

South America Copper Mines
El Abra. We have the opportunity to develop a large sulfide deposit at El Abra that will extend the mine life by over 10 years. Copper production from the sulfides is estimated to average approximately 325 million pounds of copper per year, replacing depleting oxide production. We had previously planned to begin development of this project in 2009 to reach full production in 2012; however, in response to current market conditions, we have deferred construction activities on this project. We will continue to assess the timing of this project and will be prepared to proceed with construction activities when market conditions improve. Total initial capital for the project is estimated to approximate $450 million.

Cerro Verde. We have also deferred the incremental expansion project for the Cerro Verde concentrator, which is designed to add 30 million pounds of additional copper production per year.

Indonesia
PT Freeport Indonesia has several projects in progress throughout the Grasberg minerals district, including developing its large-scale, high-grade underground ore bodies located beneath and adjacent to the Grasberg open pit. Current projects include the continued development of the Common Infrastructure project, the Grasberg Block Cave and Big Gossan underground mines and a further expansion of the DOZ underground mine.

Common Infrastructure. In 2004, PT Freeport Indonesia commenced its Common Infrastructure project to provide access to its large undeveloped underground ore bodies located in the Grasberg minerals district through a tunnel system located approximately 400 meters deeper than its existing underground tunnel system. In addition to providing access to our underground ore bodies, the tunnel system will enable PT Freeport Indonesia to conduct future exploration in prospective areas associated with currently identified ore bodies. The tunnel system has reached the Big Gossan terminal and we are proceeding with development of the lower Big Gossan infrastructure. We have also advanced development of the Grasberg spur, and as of December 31, 2008, we have completed the tunneling required to reach the Grasberg underground ore body.

Grasberg Block Cave. In 2008, we completed the feasibility study for the development of the Grasberg Block Cave, which accounts for over one-third of our reserves in Indonesia. Production at the Grasberg Block Cave is currently scheduled to commence at the end of mining the Grasberg open pit, which is expected to continue until the end of 2015. The timing of the underground Grasberg Block Cave development will continue to be assessed.

Based on the 2008 feasibility study, aggregate mine development capital for the Grasberg Block Cave and associated Common Infrastructure is expected to approximate $3.1 billion to be incurred between 2008 and 2021, with PT Freeport Indonesia's share totaling approximately $2.8 billion. During 2008, aggregate project costs incurred totaled $44 million.

Big Gossan. The Big Gossan underground mine is a high-grade deposit located near PT Freeport Indonesia's existing milling complex. The Big Gossan mine is being developed as an open-stope mine with backfill consisting of mill tailings and cement, an established mining methodology expected to be higher cost than the block-cave method used at the DOZ mine. Production is designed to ramp up to 7,000 metric tons per day by late 2012 (equal to average annual aggregate incremental production of 125 million pounds of copper and 65,000 ounces of gold, with PT Freeport Indonesia receiving 60 percent of these amounts). The total capital investment for this project is

currently estimated at approximately $480 million, of which $336 million has been incurred through December 31, 2008.

DOZ Expansion. In mid-2007, PT Freeport Indonesia completed the expansion of the capacity of the DOZ underground operation to allow a sustained rate of 50,000 metric tons per day. PT Freeport Indonesia's further expansion of the DOZ mine to 80,000 metric tons of ore per day is under way with completion targeted by 2010. The capital cost for this expansion is expected to approximate $100 million, with PT Freeport Indonesia's 60 percent share totaling approximately $60 million. The success of the development of the DOZ mine, one of the world's largest underground mines, provides confidence in the future development of PT Freeport Indonesia's large-scale undeveloped underground ore bodies.

Africa

Tenke Fungurume. We continue to engage in drilling activities, exploration analyses and metallurgical testing to evaluate the potential of this highly prospective district and expect its ore reserves to increase significantly over time. Approximately $1.4 billion in aggregate project costs have been incurred through December 31, 2008. Construction activities are well advanced and initial production is targeted during the second half of 2009. We estimate remaining costs to complete the initial project will be slightly below our previous estimate of $1.75 billion. We are responsible for funding 70 percent of project development costs and are also responsible for certain cost overruns on the initial project. In response to current market conditions, we have deferred spending on certain expenditures not required for the initial project. Capital costs and timing of expenditures associated with this project will continue to be assessed.

Annual production in the initial years is expected to approximate 250 million pounds of copper and 18 million pounds of cobalt. The initial project is based on mining and processing ore reserves approximating 119 million metric tons with average ore grades of 2.6 percent copper and 0.35 percent cobalt (5.9 billion pounds of recoverable copper and 0.7 billion pounds of recoverable cobalt). We expect the results of drilling activities will enable future expansion of initial production rates. The timing of these expansions will depend on a number of factors, including general economic and market conditions.

Refer to Note 16 for further discussion of the February 2008 letter received from the Ministry of Mines, Government of the DRC, seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession.

Molybdenum

Climax. We have suspended construction activities associated with the project to restart the Climax molybdenum mine near Leadville, Colorado. Reclamation and environmental projects will continue, and we will preserve the significant Climax reserves and resources for better market conditions. We had previously estimated capital costs of approximately $500 million for the project to restart Climax. Approximately $180 million in project costs have been incurred through December 31, 2008, and remaining near-term commitments total $12 million. The project was previously expected to commence production in 2010 ramping up to expected annual production of 30 million pounds of molybdenum per year. Once a decision is made to resume construction activities, the project would be capable of starting up within a 12 to 18 month timeframe.

PROVEN AND PROBABLE RESERVES

Recoverable proven and probable reserves are estimated metal quantities from which we expect to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. FCX's estimated consolidated recoverable reserves include 102.0 billion pounds of copper, 40.0 million ounces of gold and 2.48 billion pounds of molybdenum. Estimated recoverable reserves were determined using long-term average prices of $1.60 per pound for copper, $550 per ounce for gold and $8.00 per pound for molybdenum, compared with our 2007 assumptions of $1.20 per pound for copper, $450 per ounce for gold, and $6.50 per pound for molybdenum. The London spot metal prices for the past three years averaged $3.15 per pound for copper and $724 per ounce for gold, and the molybdenum prices for the past three years averaged approximately $28 per pound.

The following table summarizes the changes in our estimated consolidated recoverable proven and probable copper, gold and molybdenum reserves for 2008:

	Copper (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
Reserves at December 31, 2007	93.2	41.0	2.04
Net additions/revisions	12.8	0.3	0.51
Production	(4.0)	(1.3)	(0.07)
Reserves at December 31, 2008	102.0	40.0	2.48

Net additions to recoverable copper reserves totaled approximately 12.8 billion pounds, including additions of 3.9 billion pounds at our North America copper mines, 7.5 billion pounds at the Cerro Verde mine in South America and 1.6 billion pounds at the Tenke Fungurume project in the DRC. These additions reflect positive results of drilling programs undertaken during 2007 and 2008, and have replaced over 300 percent of our 2008 copper production and 700 percent of our 2008 molybdenum production.

Refer to Note 20 for further information regarding estimated recoverable proven and probable reserves.

CAPITAL RESOURCES AND LIQUIDITY

As a result of weak economic conditions, there is significant uncertainty about the near-term price outlook for our principal products. While we view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper in the world's economy, we have responded to the sudden downturn and uncertain near-term outlook and will continue to adjust our operating strategy as market conditions change. Operating plans were revised to curtail production at high-cost operations, defer or eliminate capital projects and target reductions in costs, including reduced exploration, research and administrative costs. We also suspended our annual common stock dividend.

At December 31, 2008, we had $150 million of borrowings and $74 million of letters of credit issued under our $1.5 billion revolving credit facilities, resulting in availability of approximately $1.3 billion ($926 million of which could be used for additional letters of credit). During 2009, we may use the facilities from time to time for working capital and short-term funding requirements but do not intend to use the facilities for long-term funding items. In addition, in February 2009 we completed a public offering of 26.8 million shares of FCX common stock and realized net proceeds of approximately $740 million, which will be used for general corporate purposes (refer to "Financing Activities" for further discussion).

Based on current mine plans and subject to future copper, gold and molybdenum prices, we expect estimated 2009 cash flows combined with net proceeds from the equity offering discussed above and borrowings under our revolving credit facilities during 2009 to be greater than our budgeted capital expenditures, scheduled debt maturities, minority interest distributions, preferred dividends and other cash requirements.

Cash and Cash Equivalents

At December 31, 2008, we had consolidated cash and cash equivalents of $872 million. The following table reflects the U.S. and international components of consolidated cash and cash equivalents at December 31, 2008 and 2007 (in millions):

	December 31, 2008	December 31, 2007
Cash at domestic companies [a]	$ 95	$ 211
Cash at international operations	777	1,415
Total consolidated cash and cash equivalents	872	1,626
Less: Minority interests' share	(267)	(363)
Cash, net of minority interests' share	605	1,263
Taxes and other costs if distributed	(151)	(241)
Net cash available to FCX	$ 454	$ 1,022

a. Includes cash at our parent company and North America operations.

Operating Activities
We generated operating cash flows totaling $3.4 billion in 2008, which is net of $1.2 billion used for working capital requirements. Operating cash flows in 2007 totaled $6.2 billion, including $1.0 billion from working capital sources, and operating cash flows in 2006 totaled $1.9 billion, net of $114 million used for working capital requirements.

Operating cash flows for 2008 were lower than in 2007 primarily because of higher operating costs and higher working capital requirements, including $598 million to settle the 2007 copper price protection program contract. Operating cash flows for 2007 were higher than in 2006 primarily reflecting an additional $4.1 billion of cash flows from the acquired Phelps Dodge operations and also benefited from higher metal prices.

Consolidated revenues, operating cash flows and net income vary significantly with fluctuations in the market prices of copper, gold and molybdenum, sales volumes and other factors. Based on projected consolidated sales volumes for 2009 and assuming average prices of $1.50 per pound of copper, $800 per ounce of gold and $9.00 per pound of molybdenum in 2009, our consolidated operating cash flows would approximate $1.0 billion in 2009, which is net of an estimated $0.6 billion for working capital requirements. Refer to “Overview and Outlook” for further discussion of projected 2009 operating cash flows.

Investing Activities
Capital expenditures, including capitalized interest, totaled $2.7 billion in 2008, compared with $1.8 billion in 2007 and $251 million for 2006. The increase in capital expenditures in 2008, compared with 2007, primarily reflected higher costs associated with our major development projects. Capital expenditures, excluding capitalized interest, for our major development projects totaled approximately $1.6 billion in 2008, compared with $0.8 billion in 2007 (refer to “Development Projects” for further discussion). In response to weak economic conditions, we have deferred capital spending for most of our project development activities and have also reduced sustaining capital budgets for 2009. Capital expenditures are expected to approximate $1.3 billion for 2009, including $0.6 billion for sustaining capital and $0.7 billion for the Tenke Fungurume development project in Africa and development projects in Indonesia.

The increase in capital expenditures for 2007, compared with 2006, primarily resulted from the addition of Phelps Dodge capital spending beginning March 20, 2007 (approximately $1.3 billion, which included $345 million associated with the Safford project in Arizona and $218 million associated with the Tenke Fungurume project in the DRC).

During 2008, our global reclamation and remediation trusts decreased by $430 million resulting primarily from reimbursement of previously incurred costs for reclamation and environmental activities.

On March 19, 2007, we issued 136.9 million shares of common stock and paid $13.9 billion (net of cash acquired) to acquire Phelps Dodge (refer to Note 18 for further discussion).

During 2007, we received net proceeds of $597 million associated with the sale of Phelps Dodge International Corporation (PDIC) (refer to Note 4 for further discussion), and also received proceeds totaling $260 million primarily related to sales of marketable securities.

Financing Activities
Total debt approximated $7.4 billion at December 31, 2008 and $7.2 billion at December 31, 2007.

In February 2009, we completed a public offering of 26.8 million shares of our common stock at an average price of $28.00 per share, which generated gross proceeds of $750 million (net proceeds of approximately $740 million). Net proceeds will be used for general corporate purposes, including the repayment of amounts outstanding under our revolving credit facilities, working capital and capital expenditures. As of February 17, 2009, we have approximately 412 million common shares outstanding. Assuming conversion of our 6¾% Mandatory Convertible Preferred Stock and 5½% Convertible Perpetual Preferred Stock, we would have approximately 469 million common shares outstanding.

We have revolving credit facilities available through March 2012. The revolving credit facilities are composed of (i) a $1.0 billion revolving credit facility available to FCX and (ii) a $0.5 billion revolving credit facility available to both FCX and PT Freeport Indonesia. Interest on the revolving credit facilities accrues at the London Interbank Offered Rate (LIBOR) plus 1.00 percent, subject to an increase or decrease in the interest rate margin based on the credit ratings assigned by Standard & Poor’s Rating Services and Moody’s Investor Services. At December 31, 2008, we

had $150 million of borrowings and $74 million of letters of credit issued under the facilities, resulting in availability of approximately $1.3 billion ($926 million of which could be used for additional letters of credit). The revolving credit facilities contain restrictions on the amount available for dividend payments, purchases of our common stock and certain debt prepayments (refer to Note 11 for further discussion). However, these restrictions do not apply as long as availability under the revolvers plus domestic cash exceeds $750 million. As of December 31, 2008, we had availability under the revolvers plus available domestic cash totaling approximately $1.4 billion.

In February 2008, we purchased, in an open market transaction, $33 million of our 9½% Senior Notes for $46 million.

In connection with financing the acquisition of Phelps Dodge, we used $2.5 billion of available cash (including cash acquired from Phelps Dodge) and funded the remainder with term loan borrowings totaling $10.0 billion under a new $11.5 billion senior credit facility and from the offering of $6.0 billion in senior notes (which generated net proceeds of $5.9 billion). Following the close of the acquisition of Phelps Dodge and in accordance with our plan to reduce debt, during 2007, we fully repaid the $10.0 billion in term loans (including incremental borrowings and payments of approximately $2.5 billion) using a combination of equity proceeds and internally generated cash flows. The equity transactions included the sale of 47.15 million shares of common stock at $61.25 per share for net proceeds of $2.8 billion and 28.75 million shares of 6¾% Mandatory Convertible Preferred Stock for net proceeds of $2.8 billion. In addition to repaying the term loans, we had net repayments of other debt totaling $325 million in 2007.

In April 2008, Standard & Poor's Rating Services and Fitch Ratings raised our corporate credit rating and the ratings on our unsecured debt to BBB- (investment grade). As a result of the upgrade of our unsecured notes to investment grade, the restricted payment covenants contained in our $6.0 billion in senior notes used to finance the acquisition of Phelps Dodge and in our 6⅞% Senior Notes were suspended (refer to Note 11 for further discussion). To the extent the rating is downgraded below investment grade, the covenants would again become effective.

During 2006, we had a net reduction to debt of $576 million, primarily reflecting the completion of a tender offer and privately negotiated transactions to induce conversion of $317 million of our 7% Convertible Senior Notes into FCX common stock, and the mandatory redemption of $167 million of our Gold-Denominated Preferred Stock, Series II.

In July 2008, our Board of Directors approved an increase in the open-market share purchase program for up to 30 million shares. During 2008, we acquired 6.3 million shares for $500 million ($79.15 per share average). Because of recent financial market turmoil and the declines in copper and molybdenum prices, we suspended purchases of shares under this program during September 2008. There are 23.7 million shares remaining under this program. The timing of future purchases of our common stock is dependent on many factors, including our operating results; cash flows and financial position; copper, gold and molybdenum prices; the price of our common shares; and general economic and market conditions. This program replaced our previous open-market share purchase program that was approved in 2003 for up to 20 million shares and under which we acquired 2.0 million shares for $100 million ($49.94 per share average) in 2006.

The declaration and payment of dividends is at the discretion of our Board of Directors. In December 2007, our Board of Directors increased the annual cash dividend on our common stock from $1.25 per share to $1.75 per share; the annual cash dividend on our common stock was again increased on July 21, 2008, to $2.00 per share. In December 2008, our Board of Directors suspended the cash dividend on our common stock because of further deterioration in copper and molybdenum prices and economic conditions. The Board of Directors will continue to review our financial policy on an ongoing basis. The amount of our cash dividend on our common stock is dependent upon our financial results, cash requirements, future prospects and other factors deemed relevant by our Board of Directors. Common stock dividends paid totaled $693 million ($1.8125 per share) in 2008, $421 million ($1.25 per share) in 2007 and $916 million ($4.75 per share) in 2006, which included four supplemental dividends totaling $678 million ($3.50 per share).

In December 2008, through privately negotiated transactions, we induced conversion of 0.3 million shares of our 5½% Convertible Perpetual Preferred Stock with a liquidation preference of $268 million into 5.8 million shares of FCX common stock. To induce conversion of these shares, we issued to the holders an additional 1.0 million shares of FCX common stock valued at $22 million. Preferred dividend savings from these transactions will total approximately $15 million per year.

Preferred stock dividends paid totaled $255 million in 2008 and $175 million in 2007 representing dividends on our 5½% Convertible Perpetual Preferred Stock and 6¾% Mandatory Convertible Preferred Stock (refer to Note 13 for further discussion). In 2006, preferred stock dividends totaled approximately $61 million representing dividends on our 5½% Convertible Perpetual Preferred Stock. Annual preferred stock dividends currently approximate $240 million.

On December 30, 2008, FCX declared a regular quarterly dividend of $1.6875 per share on our 6¾% Mandatory Convertible Preferred Stock and a regular quarterly dividend of $13.75 per share on our 5½% Convertible Perpetual Preferred Stock, which were paid on February 1, 2009, to shareholders of record at the close of business on January 15, 2009.

Cash dividends paid to minority interests totaled $730 million in 2008 and $967 million in 2007, reflecting dividends paid to the minority interest owners of PT Freeport Indonesia and of our South America copper mines. Cash dividends of $161 million in 2006 primarily reflected dividends paid to the minority interest owners of PT Freeport Indonesia.

DEBT MATURITIES AND OTHER CONTRACTUAL OBLIGATIONS

Below is a summary of our total debt maturities at December 31, 2008 (in millions):

	2009	2010	2011	2012	2013	Thereafter
Equipment loans and other	$ 67	$ 10	$ 19	$ 96	$ 14	$ 111
Senior notes	–	–	116	–	–	6,768
Revolving credit facilities	–	–	–	150	–	–
	$ 67	$ 10	$ 135	$ 246	$ 14	$ 6,879

In addition to debt maturities shown above, we have other contractual obligations, which we expect to fund with projected operating cash flows, proceeds from the equity offering completed in February 2009, availability under our revolving credit facilities or future financing transactions, if necessary. A summary of these various obligations at December 31, 2008, follows (in millions):

	Total	2009	2010 to 2011	2012 to 2013	Thereafter
Scheduled interest payment obligations [a]	$ 4,734	$ 570	$ 1,131	$ 1,103	$ 1,930
Reclamation and environmental obligations [b]	9,612	174	305	259	8,874
Take-or-pay contracts [c]	1,214	694	306	63	151
Operating lease obligations	82	26	39	12	5
Atlantic Copper obligation to insurance company [d]	80	10	20	20	30
PT Freeport Indonesia mine closure and reclamation fund [e]	18	1	1	1	15
Total contractual cash obligations [f]	$ 15,740	$ 1,475	$ 1,802	$ 1,458	$ 11,005

a. Scheduled interest payment obligations were calculated using stated coupon rates for fixed-rate debt and interest rates applicable at December 31, 2008, for variable-rate debt.

b. Represents estimated cash payments, on an escalated basis, associated with reclamation and environmental activities. The timing and the amount of these payments could change as a result of changes in regulatory requirements, changes in scope and costs of reclamation activities and as actual spending occurs. Refer to Note 15 for additional discussion of environmental and reclamation matters.

c. Represents contractual obligations for purchases of goods or services that are defined by us as agreements that are enforceable and legally binding and that specify all significant terms. Take-or-pay contracts primarily comprise the procurement of copper concentrates and cathodes ($522 million), transportation ($184 million) and oxygen ($163 million). Some of our take-or-pay contracts are settled based on the prevailing market rate for the service or commodity purchased, and in some cases, the amount of the actual obligation may change over time because of market conditions. Obligations for copper concentrates and cathodes provide for deliveries of specified volumes, at market-based prices, primarily to Atlantic Copper and the North America copper mines. Transportation obligations are primarily for South America contracted ocean freight rates and for North America natural gas transportation. Oxygen obligations provide for deliveries of specified volumes, at fixed prices, primarily to Atlantic Copper.

d. In August 2002, Atlantic Copper complied with Spanish legislation by agreeing to fund 7.2 million euros annually for 15 years to an approved insurance company for an estimated 72 million euro contractual obligation to supplement amounts paid to certain retired employees. Atlantic Copper had $62 million recorded for this obligation at December 31, 2008.

e. Represents PT Freeport Indonesia’s commitments to contribute amounts to a cash fund designed to accumulate at least $100 million, including interest, by the end of our Indonesian mining activities to pay for mine closure and reclamation.

f. This table excludes certain other obligations in our consolidated balance sheets, including estimated funding for pension obligations as the funding may vary from year-to-year based on changes in the fair value of plan assets and actuarial assumptions and accrued liabilities totaling $159 million that relate to unrecognized tax benefits where the timing of settlement is not determinable. This table also excludes purchase orders for the purchase of inventory and other goods and services, as purchase orders typically represent authorizations to purchase rather than binding agreements.

In addition to the debt maturities and other contractual obligations shown above, we have other commitments, which we expect to fund with projected operating cash flows, available credit facilities or future financing transactions, if necessary. These include (i) PT Freeport Indonesia's commitment to provide one percent of its annual revenue for the development of the local people in its area of operations through the Freeport Partnership Fund for Community Development, (ii) Cerro Verde's local mining fund contributions equal to 3.75 percent of after-tax profits and (iii) other commercial commitments, including standby letters of credit, surety bonds and guarantees (refer to Notes 15 and 16 for further discussion).

ENVIRONMENTAL AND RECLAMATION MATTERS

Environmental

The cost of complying with environmental laws is a fundamental and substantial cost of our business. We had $1.4 billion at December 31, 2008, and $1.3 billion at December 31, 2007, recorded in our consolidated balance sheets for environmental obligations attributed to CERCLA or analogous state programs and for estimated future costs associated with environmental matters at closed facilities and closed portions of certain operating facilities.

During 2008, we incurred environmental capital expenditures and other environmental costs (including our joint venture partners' shares) of $468 million for programs to comply with applicable environmental laws and regulations that affect our operations. Environmental capital expenditures and other environmental costs totaled $320 million in 2007, which included $228 million incurred from March 20, 2007, through December 31, 2007, related to the acquired Phelps Dodge operations, and $63 million in 2006. The increase for 2008, compared with 2007, primarily related to a full twelve months of Phelps Dodge expenditures in 2008, plus increased expenditures on accelerated reclamation and remediation activities. For 2009, we expect to incur approximately $415 million of aggregate environmental capital expenditures and other environmental costs, which are part of our overall 2009 operating budget.

Refer to Note 15 for further information about environmental regulation, including significant environmental matters.

Asset Retirement Obligations

We recognize AROs as liabilities when incurred, with the initial measurement at fair value. These liabilities, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to income. Reclamation costs for future disturbances are recorded as an ARO in the period of disturbance. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible, long-lived assets. We had $712 million at December 31, 2008, and $728 million at December 31, 2007, recorded for AROs in current and long-term liabilities on the consolidated balance sheets. Refer to Note 15 for further discussion of reclamation and closure costs.

DISCLOSURES ABOUT MARKET RISKS

Com modity Price Risk

Our consolidated revenues include the sale of copper rod, copper cathodes, copper concentrates, molybdenum, gold and other metals by our North and South America copper mines, the sale of copper concentrates (which also contain significant quantities of gold and silver) by our Indonesia mining operation, the sale of molybdenum in various forms by our Molybdenum operations, and the sale of copper anodes, copper cathodes and gold in anodes and slimes by Atlantic Copper. Consolidated revenues, net income and cash flows vary significantly with fluctuations in the market prices of copper, gold and molybdenum, sales volumes and other factors. Based on estimated sales volumes for 2009 and assuming average prices of $1.50 per pound of copper, $800 per ounce of gold and $9.00 per pound of molybdenum, our consolidated operating cash flows for 2009 would approximate $1.0 billion (which is net of $0.6 billion of working capital requirements). The impact on our annual cash flow would approximate $260 million for each $0.10 per pound change in copper prices, $60 million for each $50 per ounce change in gold prices and $50 million for each $1 per pound change in molybdenum prices.

For 2008, more than half of our mined copper was sold in concentrate, approximately 27 percent as rod (principally from our North America operations) and approximately 19 percent as cathodes. Substantially all of our concentrate sales contracts and some of our cathode sales contracts provide final copper pricing in a specified future period (generally one to four months from the shipment date) based primarily on quoted LME prices. We receive market prices based on prices in the specified future period, and the accounting rules applied to these sales result in changes recorded to revenues until the specified future period. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisional priced concentrate and cathode sales that is adjusted to fair value through earnings each period until the date of final pricing. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from higher prices received for contracts priced at current market rates and also from an increase related to the final pricing of provisionally priced sales pursuant to contracts entered into in prior years; in times of falling copper prices, the opposite occurs.

At December 31, 2008, we had provisionally priced copper sales totaling 508 million pounds (net of minority interests) recorded at a weighted-average price of $1.39 per pound, subject to final pricing over the next several months. We estimate that each $0.05 change in the price realized from the December 31, 2008, provisional price recorded would impact our 2009 consolidated revenues by $33 million ($16 million to net income).

At December 31, 2007, we had provisionally priced copper sales totaling 402 million pounds (net of minority interests) recorded at a weighted-average price of $3.02 per pound. Consolidated revenues for 2008 include net additions for adjustments related to these prior year copper sales of $268 million ($114 million to net loss or $0.30 per share), compared with a decrease of $42 million ($18 million to net income or $0.05 per share) in 2007 and an increase of $126 million ($65 million to net income or $0.29 per share) in 2006. In addition, adjustments to provisionally priced sales can significantly impact our quarterly revenues. At September 30, 2008, 467 million pounds of copper (net of minority interests) were provisionally priced at $2.89 per pound. Adjustments to these provisionally priced copper sales decreased consolidated fourth-quarter 2008 revenues by $745 million ($343 million to net loss).

On limited past occasions, in response to market conditions, we have entered into copper and gold price protection contracts for a portion of our expected future mine production to mitigate the risk of adverse price fluctuations. In connection with the acquisition of Phelps Dodge, we assumed the 2007 copper price protection program, which matured on December 31, 2007, and settled in January 2008. FCX does not intend to enter into similar hedging programs in the future.

Foreign Currency Exchange Risk

The functional currency for most of our operations is the U.S. dollar. All of our revenues and a significant portion of our costs are denominated in U.S. dollars; however, some costs and certain assets and liability accounts are denominated in local currencies, including Indonesian rupiah, Australian dollars, Chilean pesos, Peruvian nuevo soles and euros. Generally, our results are positively affected when the U.S. dollar strengthens in relation to those foreign currencies and adversely affected when the U.S. dollar weakens in relation to those foreign currencies.

Approximately 25 percent of PT Freeport Indonesia's operating costs are denominated in the Indonesian rupiah and Australian dollars. One U.S. dollar was equivalent to 10,850 rupiah at December 31, 2008, 9,390 rupiah at December 31, 2007, and 8,989 rupiah at December 31, 2006. Based on estimated annual payments of 2.7 trillion rupiah for operating costs and an exchange rate of 10,850 rupiah to one U.S. dollar, a 10 percent increase in the exchange rate would result in an approximate $23 million decrease in aggregate annual operating costs; and a 10 percent decrease in the exchange rate would result in an approximate $28 million increase in annual operating costs.

One Australian dollar was equivalent to $0.70 at December 31, 2008, $0.88 at December 31, 2007, and $0.79 at December 31, 2006. Based on estimated annual payments of 270 million Australian dollars and an exchange rate of $0.70 to one Australian dollar, a 10 percent change in the Australian dollar would result in an approximate $19 million impact in annual operating costs.

Approximately one-third of the South America copper mines' operating costs are denominated in the local currencies. One U.S. dollar was equivalent to 648 Chilean pesos and 3.17 Peruvian nuevo soles at December 31, 2008, 498 Chilean pesos and 3.05 Peruvian nuevo soles at December 31, 2007, and 532 Chilean pesos and 3.20 Peruvian nuevo soles at December 31, 2006. Based on estimated annual payments of 235 billion Chilean pesos

for operating costs and an exchange rate of 648 Chilean pesos to one U.S. dollar, a 10 percent increase in the exchange rate would result in an approximate $33 million decrease in annual operating costs; and a 10 percent decrease in the exchange rate would result in an approximate $40 million increase in annual operating costs. Based on estimated annual payments of 365 million Peruvian nuevo soles for operating costs and an exchange rate of 3.17 Peruvian nuevo soles to one U.S. dollar, a 10 percent increase in the exchange rate would result in an approximate $10 million decrease in annual operating costs; and a 10 percent decrease in the exchange rate would result in an approximate $13 million increase in annual operating costs.

The majority of Atlantic Copper's revenues are denominated in U.S. dollars; however, operating costs, other than concentrate purchases, and certain asset and liability accounts are denominated in the euro. Atlantic Copper's estimated annual euro payments total approximately 120 million euros. One euro was equivalent to $1.39 at December 31, 2008, $1.47 at December 31, 2007, and $1.32 at December 31, 2006. Based on estimated annual payments of approximately 120 million euros and an exchange rate of $1.39 to one euro, a 10 percent change in the euro would result in an approximate $17 million impact in annual operating costs.

Interest Rate Risk

At December 31, 2008, we had total debt of $7.4 billion, of which approximately 20 percent was variable-rate debt with interest rates based on LIBOR or the Euro Interbank Offered Rate (EURIBOR). The table below presents average interest rates for our scheduled maturities of principal for our outstanding debt and the related fair values at December 31, 2008 (in millions, except percentages):

	2009	2010	2011	2012	2013	Thereafter	Fair Value
Fixed-rate debt	$ –	$ –	$ 118	$ –	$ 1	$ 5,770	$ 4,767
Average interest rate	–	–	8.7%	–	5.6%	8.2%	8.2%
Variable-rate debt	$ 67	$ 10	$ 17	$ 246	$ 13	$ 1,109	$ 1,122
Average interest rate	3.5%	5.4%	6.4%	1.7%	6.7%	7.0%	6.0%

NEW ACCOUNTING STANDARDS

Refer to Note 1 for information on new accounting standards.

PRODUCT REVENUES AND PRODUCTION COSTS

Unit net cash costs per pound of copper and molybdenum are measures intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for the respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

We present gross profit per pound of copper using both a "by-product" method and a "co-product" method. We use the by-product method in our presentation of gross profit per pound of copper because (i) the majority of our revenues are copper revenues, (ii) we mine ore, which contains copper, gold, molybdenum and other metals, (iii) it is not possible to specifically assign all of our costs to revenues from the copper, gold, molybdenum and other metals we produce, (iv) it is the method used to compare mining operations in certain industry publications and (v) it is the method used by our management and Board of Directors to monitor operations. In the co-product method presentation below, costs are allocated to the different products based on their relative revenue values, which will vary to the extent our metals sales volumes and realized prices change.

In both the by-product and the co-product method calculations, we show adjustments to copper revenues for prior period open sales as separate line items. Because the copper pricing adjustments do not result from current period sales, we have reflected these separately from revenues on current period sales. Noncash and nonrecurring costs consist of items such as LCM inventory adjustments, stock-based compensation costs and/or unusual charges. They are removed from site production and delivery costs in the calculation of unit net cash costs. As discussed above, gold, molybdenum and other metal revenues at copper mines are reflected as credits against site production and delivery costs in the by-product method. Presentations under both the by-product and co-product methods are shown below together with reconciliations to amounts reported in our consolidated

financial statements.

In addition, for comparative purposes, we have presented revenues and net cash costs for the North America copper mines, South America copper mines and Henderson molybdenum mine for the year ended December 31, 2007, on a combined basis, which reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of the these operations under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results. Presentations for these periods are shown below together with reconciliations to amounts reported in our consolidated pro forma financial data for the year ended December 31, 2007 (refer to Note 18) and Phelps Dodge's 2006 Form 10-K for the year ended December 31, 2006.

North America Copper Mines Product Revenues and Production Costs

Year Ended December 31, 2008

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum [a]	Other [b]	Total
Revenues, excluding adjustments shown below	$ 4,382	$ 4,382	$ 892	$ 72	$ 5,346
Site production and delivery, before net noncash and nonrecurring costs shown below	2,681	2,326	374	35	2,735
By-product credits [a]	(910)	–	–	–	–
Treatment charges	134	130	–	4	134
Net cash costs	1,905	2,456	374	39	2,869
Depreciation, depletion and amortization	753	664	83	6	753
Noncash and nonrecurring costs, net	743[c]	701	39	3	743
Total costs	3,401	3,821	496	48	4,365
Revenue adjustments, primarily for pricing on prior period open sales and hedging	(71)	(71)	–	–	(71)
Idle facility and other non-inventoriable costs	(85)	(83)	(2)	–	(85)
Gross profit	$ 825	$ 407	$ 394	$ 24	$ 825

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 5,346	$ 2,735	$ 753
Net noncash and nonrecurring costs per above	N/A	743[c]	N/A
Treatment charges per above	N/A	134	N/A
Revenue adjustments, primarily for pricing on prior period open sales and hedging per above	(71)	N/A	N/A
Eliminations and other	(10)	96	17
North America copper mines	5,265	3,708	770
South America copper mines	4,166	1,854	511
Indonesia mining	3,412	1,792	222
Africa mining	–	16	6
Molybdenum	2,488	1,629	192
Rod & Refining	5,557	5,527	8
Atlantic Copper Smelting & Refining	2,341	2,276	35
Corporate, other & eliminations	(5,433)	(5,604)	38
As reported in FCX's consolidated financial statements	$ 17,796	$ 11,198[d]	$ 1,782

a. Molybdenum by-product credits and revenues reflect volumes produced at market-based pricing and also include tolling revenues at Sierrita.

b. Includes gold and silver product revenues and production costs.

c. Includes charges totaling $661 million for LCM inventory adjustments.

d. Includes LCM inventory adjustments of $782 million.

March 20, 2007, through December 31, 2007 [a]

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum [b]	Other [c]	Total
Revenues, excluding adjustments shown below	$ 3,526	$ 3,526	$ 717	$ 47	$ 4,290
Site production and delivery, before net noncash and nonrecurring costs shown below	1,516	1,296	253	18	1,567
By-product credits [b]	(713)	–	–	–	–
Treatment charges	100	98	–	2	100
Net cash costs	903	1,394	253	20	1,667
Depreciation, depletion and amortization	487	418	67	2	487
Noncash and nonrecurring costs, net	361	341	4	16	361
Total costs	1,751	2,153	324	38	2,515
Revenue adjustments, primarily for pricing on prior period open sales and hedging	(203)	(203)	–	–	(203)
Idle facility and other non-inventoriable costs	(56)	(55)	(1)	–	(56)
Gross profit	$ 1,516	$ 1,115	$ 392	$ 9	$ 1,516

Reconciliation to Amounts Reported for the Year Ended December 31, 2007

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 4,290	$ 1,567	$ 487
Net noncash and nonrecurring costs per above	N/A	361	N/A
Treatment charges per above	N/A	100	N/A
Revenue adjustments, primarily for pricing on prior period open sales and hedging per above	(203)	N/A	N/A
Eliminations and other	6	138	12
North America copper mines	4,093	2,166	499
South America copper mines	3,879	1,277	378
Indonesia mining	4,808	1,388	199
Africa mining	–	10	2
Molybdenum	1,746	1,287	94
Rod & Refining	5,140	5,119	7
Atlantic Copper Smelting & Refining	2,388	2,329	36
Corporate, other & eliminations	(5,115)	(5,049)	31
As reported in FCX's consolidated financial statements	$ 16,939	$ 8,527	$ 1,246

a. Reflects the results of the North America copper mines under FCX management.

b. Molybdenum by-product credits and revenues reflect volumes produced at market-based pricing and also include tolling revenues at Sierrita.

c. Includes gold and silver product revenues and production costs.

Combined Product Revenues and Production Costs

For comparative purposes, the following tables summarize net cash costs for the North America copper mines for the year ended December 31, 2007, which combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of the North America copper mines under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results. Presentations shown below have been reconciled to the revenues and production and delivery costs included in our pro forma consolidated financial results for the year ended December 31, 2007, and as reported in Phelps Dodge's Form 10-K for the year ended December 31, 2006.

Year Ended December 31, 2007 [a]

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum [b]	Other [c]	Total
Revenues, excluding adjustments primarily for pricing on prior period open sales and hedging	$ 4,273	$ 4,273	$ 865	$ 61	$ 5,199
Site production and delivery, before net noncash and nonrecurring costs	$ 1,883	$ 1,616	$ 308	$ 21	$ 1,945
By-product credits [b]	(865)	–	–	–	–
Treatment charges	119	116	–	3	119
Net cash costs	$ 1,137	$ 1,732	$ 308	$ 24	$ 2,064

Reconciliation to Pro Forma Revenues and Production and Delivery Costs
(In millions)

	Revenues	Production and Delivery
Totals presented above	$ 5,199	$ 1,945
Net noncash and nonrecurring costs	N/A	21
Treatment charges per above	N/A	119
Revenue adjustments, primarily for pricing on prior period open sales and hedging	(170)	N/A
Purchase accounting adjustments	–	344
Eliminations and other	17	166
Combined North America copper mines	5,046	2,595
Combined South America copper mines	4,438	1,465
Indonesia mining	4,808	1,388
Combined Africa mining	–	8
Combined Molybdenum	2,193	1,593
Combined Rod & Refining	6,437	6,411
Atlantic Copper Smelting & Refining	2,388	2,329
Eliminations and other	(6,077)	(5,979)
As reported in FCX's pro forma consolidated financial results [d]	$ 19,233	$ 9,810

a. Reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Molybdenum by-product credits and revenues reflect volumes produced at market-based pricing and also include tolling revenues at Sierrita.

c. Includes gold and silver product revenues and production costs.

d. Refer to Note 18 for summary of unaudited pro forma financial information for year ended December 31, 2007.

Year Ended December 31, 2006 [a]

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum [b]	Other [c]	Total
Revenues, excluding adjustments primarily for pricing on prior period open sales and hedging	$ 3,962	$ 3,962	$ 772	$ 44	$ 4,778
Site production and delivery, before net noncash and nonrecurring costs	$ 1,472	$ 1,199	$ 291	$ 25	$ 1,515
By-product credits [b]	(773)	–	–	–	–
Treatment charges	87	83	–	4	87
Net cash costs	$ 786	$ 1,282	$ 291	$ 29	$ 1,602

Reconciliation to Pro Forma Revenues and Production and Delivery Costs
(In millions)

	Revenues	Production and Delivery
Totals presented above	$ 4,778	$ 1,515
Net noncash and nonrecurring costs	N/A	20
Treatment charges per above	N/A	87
Revenue adjustments, primarily for pricing on prior period open sales and hedging	(1,046)	N/A
Eliminations and other	(81)	(44)
North America copper mines	3,651	1,578
South America copper mines	3,442	965
Molybdenum	1,748	1,257
Eliminations and other [d]	3,069	3,007
As reported in Phelps Dodge consolidated financial results [e]	$ 11,910	$ 6,807

a. Reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Molybdenum by-product credits and revenues reflect volumes produced at market-based pricing and also include tolling revenues at Sierrita.

c. Includes gold and silver product revenues and production costs.

d. Includes revenues and production and delivery costs associated with the PDIC manufacturing operation, which was sold by FCX on October 31, 2007.

e. Obtained from the Phelps Dodge Form 10-K for the year ended December 31, 2006. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

South America Copper Mines Product Revenues and Production Costs

Year Ended December 31, 2008

(In millions)	By-Product Method	Co-Product Method		
		Copper	Other [a]	Total
Revenues, excluding adjustments shown below	$ 3,910	$ 3,910	$ 216	$ 4,126
Site production and delivery, before net noncash nonrecurring costs shown below	1,711	1,631	102	1,733
By-product credits	(194)	–	–	–
Treatment charges	211	211	–	211
Net cash costs	1,728	1,842	102	1,944
Depreciation, depletion and amortization	508	483	25	508
Noncash and nonrecurring costs, net	103[b]	100	3	103
Total costs	2,339	2,425	130	2,555
Revenue adjustments, primarily for pricing on prior period open sales	230	230	–	230
Other non-inventoriable costs	(37)	(34)	(3)	(37)
Gross profit	$ 1,764	$ 1,681	$ 83	$ 1,764

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 4,126	$ 1,733	$ 508
Net noncash and nonrecurring costs per above	N/A	103[b]	N/A
Less: Treatment charges per above	(211)	N/A	N/A
Revenue adjustments, primarily for pricing on prior period open sales per above	230	N/A	N/A
Purchased metal	196	193	N/A
Eliminations and other	(175)	(175)	3
South America copper mines	4,166	1,854	511
North America copper mines	5,265	3,708	770
Indonesia mining	3,412	1,792	222
Africa mining	–	16	6
Molybdenum	2,488	1,629	192
Rod & Refining	5,557	5,527	8
Atlantic Copper Smelting & Refining	2,341	2,276	35
Corporate, other & eliminations	(5,433)	(5,604)	38
As reported in FCX's consolidated financial statements	$ 17,796	$ 11,198[c]	$ 1,782

a. Includes molybdenum, gold and silver product revenues and production costs.

b. Includes charges totaling $10 million for LCM inventory adjustments.

c. Includes LCM inventory adjustments of $782 million.

March 20, 2007, through December 31, 2007 [a]

(In millions)	By-Product Method	Co-Product Method		
		Copper	Other [b]	Total
Revenues, excluding adjustments shown below	$ 3,882	$ 3,882	$ 123	$ 4,005
Site production and delivery, before net noncash nonrecurring costs shown below	1,078	1,040	52	1,092
By-product credits	(109)	–	–	–
Treatment charges	240	239	1	240
Net cash costs	1,209	1,279	53	1,332
Depreciation, depletion and amortization	377	364	13	377
Noncash and nonrecurring costs, net	171	170	1	171
Total costs	1,757	1,813	67	1,880
Revenue adjustments, primarily for pricing on prior period open sales	75	75	–	75
Other non-inventoriable costs	(28)	(27)	(1)	(28)
Gross profit	$ 2,172	$ 2,117	$ 55	$ 2,172

Reconciliation to Amounts Reported for the Year Ended December 31, 2007

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 4,005	$ 1,092	$ 377
Net noncash and nonrecurring costs per above	N/A	171	N/A
Less: Treatment charges per above	(240)	N/A	N/A
Revenue adjustments, primarily for pricing on prior period open sales per above	75	N/A	N/A
Purchased metal	179	179	N/A
Eliminations and other	(140)	(165)	1
South America copper mines	3,879	1,277	378
North America copper mines	4,093	2,166	499
Indonesia mining	4,808	1,388	199
Africa mining	–	10	2
Molybdenum	1,746	1,287	94
Rod & Refining	5,140	5,119	7
Atlantic Copper Smelting & Refining	2,388	2,329	36
Corporate, other & eliminations	(5,115)	(5,049)	31
As reported in FCX's consolidated financial statements	$ 16,939	$ 8,527	$ 1,246

a. Reflects the results of the South America copper mines under FCX management.

b. Includes molybdenum, gold and silver product revenues and production costs.

Combined Product Revenues and Production Costs

For comparative purposes, the following tables summarize net cash costs for the South America copper mines for the year ended December 31, 2007, which reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of the South America copper mines under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results. Presentations shown below have been reconciled to the revenues and production and delivery costs included in our pro forma consolidated financial results for the year ended December 31, 2007, and as reported in Phelps Dodge's Form 10-K for the year ended December 31, 2006.

Year Ended December 31, 2007 [a]

(In millions)	By-Product Method	Co-Product Method		
		Copper	Other [b]	Total
Revenues, excluding adjustments primarily for pricing on prior period open sales	$ 4,550	$ 4,550	$ 140	$ 4,690
Site production and delivery, before net noncash nonrecurring costs	$ 1,268	$ 1,224	$ 58	$ 1,282
By-product credits	(126)	–	–	–
Treatment charges	282	279	3	282
Net cash costs	$ 1,424	$ 1,503	$ 61	$ 1,564

Reconciliation to Pro Forma Revenues and Production and Delivery Costs
(In millions)

	Revenues	Production and Delivery
Totals presented above	$ 4,690	$ 1,282
Net noncash and nonrecurring costs	N/A	3
Less: Treatment charges per above	(282)	N/A
Revenue adjustments, primarily for pricing on prior period open sales	25	N/A
Purchased metal	218	218
Purchase accounting adjustments	9	169
Eliminations and other	(222)	(207)
Combined South America copper mines	4,438	1,465
Combined North America copper mines	5,046	2,595
Indonesia mining	4,808	1,388
Combined Africa mining	–	8
Combined Molybdenum	2,193	1,593
Combined Rod & Refining	6,437	6,411
Atlantic Copper Smelting & Refining	2,388	2,329
Eliminations and other	(6,077)	(5,979)
As reported in FCX's pro forma consolidated financial results [c]	$ 19,233	$ 9,810

a. Reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Includes molybdenum, gold and silver product revenues and production costs.

c. Refer to Note 18 for summary of unaudited pro forma financial information for year ended December 31, 2007.

Year Ended December 31, 2006 [a]

(In millions)	By-Product Method	Co-Product Method		
		Copper	Other [b]	Total
Revenues, excluding adjustments primarily for pricing on prior period open sales	$ 3,413	$ 3,413	$ 91	$ 3,504
Site production and delivery, before net noncash and nonrecurring costs	$ 918	$ 891	$ 27	$ 918
By-product credits	(91)	–	–	–
Treatment charges	194	194	–	194
Net cash costs	$ 1,021	$ 1,085	$ 27	$ 1,112

Reconciliation to Amounts Reported by Phelps Dodge
(In millions)

	Revenues	Production and Delivery
Totals presented above	$ 3,504	$ 918
Net noncash and nonrecurring costs	N/A	2
Less: Treatment charges per above	(194)	N/A
Revenue adjustments, primarily for pricing on prior period open sales	94	N/A
Purchased metal	213	213
Eliminations and other	(175)	(168)
South America copper mines	3,442	965
North America copper mines	3,651	1,578
Molybdenum	1,748	1,257
Eliminations and other [c]	3,069	3,007
As reported in Phelps Dodge consolidated financial results [d]	$ 11,910	$ 6,807

a. Reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Includes gold and silver product revenues and production costs.

c. Includes revenues and production and delivery costs associated with the PDIC manufacturing operation, which was sold by FCX on October 31, 2007.

d. Obtained from the Phelps Dodge Form 10-K for the year ended December 31, 2006. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

Indonesia Mining Product Revenues and Production Costs

Year Ended December 31, 2008

(In millions)	By-Product Method	Co-Product Method			
		Copper	Gold	Silver	Total
Revenues, after adjustments shown below	$ 2,628	$ 2,628	$ 1,025	$ 50	$ 3,703
Site production and delivery, before net noncash and nonrecurring costs shown below	1,762	1,252	487	23	1,762
Gold and silver credits	(1,075)	–	–	–	–
Treatment charges	268	190	74	4	268
Royalty on metals	113	80	31	2	113
Net cash costs	1,068	1,522	592	29	2,143
Depreciation and amortization	222	158	61	3	222
Noncash and nonrecurring costs, net	30	22	8	–	30
Total costs	1,320	1,702	661	32	2,395
Revenue adjustments, primarily for pricing on prior period open sales	90	90	–	–	90
PT Smelting intercompany profit	17	12	5	–	17
Gross profit	$ 1,415	$ 1,028	$ 369	$ 18	$ 1,415

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 3,703	$ 1,762	$ 222
Net noncash and nonrecurring costs per above	N/A	30	N/A
Less: Treatment charges per above	(268)	N/A	N/A
Less: Royalty per above	(113)	N/A	N/A
Revenue adjustments, primarily for pricing on prior period open sales per above	90	N/A	N/A
Indonesia mining	3,412	1,792	222
North America copper mines	5,265	3,708	770
South America copper mines	4,166	1,854	511
Africa mining	–	16	6
Molybdenum	2,488	1,629	192
Rod & Refining	5,557	5,527	8
Atlantic Copper Smelting & Refining	2,341	2,276	35
Corporate, other & eliminations	(5,433)	(5,604)	38
As reported in FCX's consolidated financial statements	$ 17,796	$ 11,198[a]	$ 1,782

a. Includes LCM inventory adjustments of $782 million.

Year Ended December 31, 2007

(In millions)	By-Product Method	Co-Product Method			
		Copper	Gold	Silver	Total
Revenues, after adjustments shown below	$ 3,777	$ 3,777	$ 1,490	$ 48	$ 5,315
Site production and delivery, before net noncash and nonrecurring costs shown below	1,342	954	376	12	1,342
Gold and silver credits	(1,538)	–	–	–	–
Treatment charges	385	274	108	3	385
Royalty on metals	133	94	38	1	133
Net cash costs	322	1,322	522	16	1,860
Depreciation and amortization	199	141	56	2	199
Noncash and nonrecurring costs, net	46	33	12	1	46
Total costs	567	1,496	590	19	2,105
Revenue adjustments, primarily for pricing on prior period open sales	11	11	–	–	11
PT Smelting intercompany profit	13	10	3	–	13
Gross profit	$ 3,234	$ 2,302	$ 903	$ 29	$ 3,234

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 5,315	$ 1,342	$ 199
Net noncash and nonrecurring costs per above	N/A	46	N/A
Less: Treatment charges per above	(385)	N/A	N/A
Less: Royalty per above	(133)	N/A	N/A
Revenue adjustments, primarily for pricing on prior period open sales per above	11	N/A	N/A
Indonesia mining	4,808	1,388	199
North America copper mines	4,093	2,166	499
South America copper mines	3,879	1,277	378
Africa mining	–	10	2
Molybdenum	1,746	1,287	94
Rod & Refining	5,140	5,119	7
Atlantic Copper Smelting & Refining	2,388	2,329	36
Corporate, other & eliminations	(5,115)	(5,049)	31
As reported in FCX's consolidated financial statements	$ 16,939	$ 8,527	$ 1,246

Year Ended December 31, 2006

(In millions)	By-Product Method	Co-Product Method			
		Copper	Gold	Silver	Total
Revenues, after adjustments shown below	$ 3,764	$ 3,764	$ 1,072	$ 47	$ 4,883
Site production and delivery, before net noncash and nonrecurring costs shown below	1,235	952	271	12	1,235
Gold and silver credits	(1,119)	–	–	–	–
Treatment charges	477	368	104	5	477
Royalty on metals	126	97	28	1	126
Net cash costs	719	1,417	403	18	1,838
Depreciation and amortization	184	142	40	2	184
Noncash and nonrecurring costs, net	44	34	10	–	44
Total costs	947	1,593	453	20	2,066
Revenue adjustments, primarily for pricing on prior period open sales	115[a]	197	(69)	(13)	115
PT Smelting intercompany profit	(3)	(2)	(1)	–	(3)
Gross profit	$ 2,929	$ 2,366	$ 549	$ 14	$ 2,929

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 4,883	$ 1,235	$ 184
Net noncash and nonrecurring costs per above	N/A	44	N/A
Less: Treatment charges per above	(477)	N/A	N/A
Less: Royalty per above	(126)	N/A	N/A
Revenue adjustments, primarily for pricing on prior period open sales per above	115	N/A	N/A
Indonesia mining	4,395	1,279	184
Atlantic Copper Smelting & Refining	2,242	2,119	33
Corporate, other & eliminations	(846)	(873)	11
As reported in FCX's consolidated financial statements	$ 5,791	$ 2,525	$ 228

a. Includes a $69 million loss on the redemption of FCX's Gold-Denominated Preferred Stock, Series II, and a $13 million loss on the redemption of FCX's Silver-Denominated Preferred Stock.

Henderson Molybdenum Mine Product Revenues and Production Costs

(in millions)	Years Ended December 31, 2008	2007 [a]
Revenues	$ 1,182	$ 853
Site production and delivery, before net noncash and nonrecurring costs shown below	216	137
Net cash costs	216	137
Depreciation, depletion and amortization	172	80
Noncash and nonrecurring costs, net	7[b]	2
Total costs	395	219
Gross profit [c]	$ 787	$ 634

Reconciliation to Amounts Reported (In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Year Ended December 31, 2008			
Totals presented above	$ 1,182	$ 216	$ 172
Net noncash and nonrecurring costs per above	N/A	7[b]	N/A
Henderson mine	1,182	223	172
Other molybdenum operations and eliminations [d]	1,306	1,406[e]	20
Molybdenum	2,488	1,629	192
North America copper mines	5,265	3,708	770
South America copper mines	4,166	1,854	511
Indonesia mining	3,412	1,792	222
Africa mining	–	16	6
Rod & Refining	5,557	5,527	8
Atlantic Copper Smelting & Refining	2,341	2,276	35
Corporate, other & eliminations	(5,433)	(5,604)	38
As reported in FCX's consolidated financial statements	$ 17,796	$ 11,198[f]	$ 1,782
Year Ended December 31, 2007			
Totals presented above	$ 853	$ 137	$ 80
Net noncash and nonrecurring costs per above	N/A	2	N/A
Henderson mine	853	139	80
Other molybdenum operations and eliminations [d]	893	1,148	14
Molybdenum	1,746	1,287	94
North America copper mines	4,093	2,166	499
South America copper mines	3,879	1,277	378
Indonesia mining	4,808	1,388	199
Africa mining	–	10	2
Rod & Refining	5,140	5,119	7
Atlantic Copper Smelting & Refining	2,388	2,329	36
Corporate, other & eliminations	(5,115)	(5,049)	31
As reported in FCX's consolidated financial statements	$ 16,939	$ 8,527	$ 1,246

a. Reflects the period from March 20, 2007, through December 31, 2007, which represents the results of the Henderson molybdenum mine under FCX management.

b. Includes charges totaling $1 million for LCM inventory adjustments.

c. Gross profit reflects sales of Henderson products based on volumes produced at market-based pricing. On a consolidated basis, the Molybdenum segment includes profits on sales as they are made to third parties and realizations based on actual contract terms. As a result, the actual gross profit realized will differ from the amounts reported in this table.

d. Primarily includes amounts associated with the molybdenum sales company, which includes sales of molybdenum produced as a by-product at our North and South America copper mines.

e. Includes LCM inventory adjustments of $100 million.

f. Includes LCM inventory adjustments of $782 million.

Combined Product Revenues and Production Costs

For comparative purposes, the following tables summarize net cash costs for the Henderson molybdenum mine for the year ended December 31, 2007, which reflects our historical data beginning March 20, 2007, combined with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results of the Henderson molybdenum mine under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results. Presentations shown below have been reconciled to the revenues and production and delivery costs included in our pro forma consolidated financial results for the year ended December 31, 2007, and as reported in Phelps Dodge's Form 10-K for the year ended December 31, 2006.

	Years Ended December 31,	
	2007 [a]	2006 [a]
Revenues	$ 1,029	$ 821
Site production and delivery, before net noncash and nonrecurring costs	$ 171	$ 137
Net cash costs	$ 171	$ 137

Reconciliation to Revenues and Production and Delivery Costs
(In millions)

	Revenues	Production and Delivery
Year Ended December 31, 2007		
Totals presented above	$ 1,029	$ 171
Net noncash and nonrecurring costs	N/A	1
Combined Henderson mine	1,029	172
Other molybdenum operations and eliminations [b]	1,164	1,421
Combined Molybdenum	2,193	1,593
Combined North America copper mines	5,046	2,595
Combined South America copper mines	4,438	1,465
Indonesia mining	4,808	1,388
Combined Africa mining	–	8
Combined Rod & Refining	6,437	6,411
Atlantic Copper Smelting & Refining	2,388	2,329
Eliminations and other	(6,077)	(5,979)
As reported in FCX's pro forma consolidated financial results [c]	$ 19,233	$ 9,810
Year Ended December 31, 2006		
Totals presented above	$ 821	$ 137
Net noncash and nonrecurring costs	N/A	1
Henderson mine	821	138
Other molybdenum operations and eliminations [b]	927	1,119
Molybdenum	1,748	1,257
North America copper mines	3,651	1,578
South America copper mines	3,442	965
Eliminations and other [d]	3,069	3,007
As reported in Phelps Dodge consolidated financial results [e]	$ 11,910	$ 6,807

a. The year ended December 31, 2007, combines our historical data beginning March 20, 2007, with Phelps Dodge pre-acquisition data through March 19, 2007, and for the year ended December 31, 2006, which reflects Phelps Dodge pre-acquisition data. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

b. Primarily includes amounts associated with the molybdenum sales company, which includes sales of molybdenum produced as a by-product at our North and South America copper mines.

c. Refer to Note 18 for summary of unaudited pro forma financial information for year ended December 31, 2007.

d. Includes revenues and production and delivery costs associated with the PDIC manufacturing operation, which was sold by FCX on October 31, 2007.

e. Obtained from the Phelps Dodge Form 10-K for the year ended December 31, 2006. As the pre-acquisition data represents the results under Phelps Dodge management, such data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

CAUTIONARY STATEMENT

Our discussion and analysis contains forward-looking statements in which we discuss our expectations regarding future performance. Forward-looking statements are all statements other than statements of historical facts, such as those statements regarding anticipated production volumes, sales volumes, unit net cash costs, ore grades, milling rates, commodity prices, development and capital expenditures, mine production and development plans, availability of power, water, labor and equipment, anticipated environmental reclamation and closure costs and plans, environmental liabilities and expenditures, litigation liabilities and expenses, potential future dividend payments, reserve estimates, anticipated political, economic and social conditions in our areas of operations, projected exploration efforts and results, operating cash flows, the impact of copper, gold and molybdenum price changes, the impact of deferred intercompany profits on earnings, liquidity, other financial commitments and tax rates. The words “anticipates,” “may,” “can,” “plans,” “believes,” “estimates,” “expects,” “projects,” “intends,” “likely,” “will,” “should,” “to be” and any similar expressions and/or statements that are not historical facts, in each case as they relate to us or our management, are intended to identify those assertions as forward-looking statements.

In making any of those statements, the person making them believes that the expectations are based on reasonable assumptions. We caution readers that those statements are not guarantees of future performance, and our actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include commodity prices, mine sequencing, production rates, industry risks, regulatory changes, political risks, weather-related risks, labor relations, environmental risks, litigation results, currency translation risks and other factors described in more detail under the heading “Risk Factors” in our Form 10-K for the year ended December 31, 2008.

Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on our results of operations or financial condition. Except for our ongoing obligations under the federal securities laws, we do not intend and undertake no obligation to update or revise any forward-looking statements.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
FREEPORT-McMoRan COPPER & GOLD INC.

We have audited the accompanying consolidated balance sheets of Freeport-McMoRan Copper & Gold Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Freeport-McMoRan Copper & Gold Inc. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," and effective December 31, 2006, the Company adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132R."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Freeport-McMoRan Copper & Gold Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 18, 2009

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Freeport-McMoRan Copper & Gold Inc.'s (the Company's) management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K. In making this assessment, our management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our management's assessment, management concluded that, as of December 31, 2008, our Company's internal control over financial reporting is effective based on the COSO criteria.

Ernst & Young LLP, an independent registered public accounting firm, who audited the Company's consolidated financial statements included in this Form 10-K, has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

/s/ Richard C. Adkerson
Richard C. Adkerson
President and Chief Executive Officer

/s/ Kathleen L. Quirk
Kathleen L. Quirk
Executive Vice President,
Chief Financial Officer and Treasurer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
FREEPORT-McMoRan COPPER & GOLD INC.

We have audited Freeport-McMoRan Copper & Gold Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Freeport-McMoRan Copper & Gold Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Freeport-McMoRan Copper & Gold Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Freeport-McMoRan Copper & Gold Inc. as of December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008, and our report dated February 18, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 18, 2009

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2008	2007	2006
	(In Millions, Except Per Share Amounts)		
Revenues	$ 17,796	$ 16,939	$ 5,791
Cost of sales:			
Production and delivery	10,416	8,527	2,525
Depreciation, depletion and amortization	1,782	1,246	228
Lower of cost or market inventory adjustments	782	–	–
Total cost of sales	12,980	9,773	2,753
Selling, general and administrative expenses	269	466	157
Exploration and research expenses	292	145	12
Goodwill impairment	5,987	–	–
Long-lived asset impairments and other charges	10,978	–	–
Total costs and expenses	30,506	10,384	2,922
Operating (loss) income	(12,710)	6,555	2,869
Interest expense, net	(584)	(513)	(76)
Losses on early extinguishment and conversion of debt, net	(6)	(173)	(32)
Gains on sales of assets	13	85	31
Other (expense) income, net	(22)	157	28
(Loss) income from continuing operations before income taxes, minority interests and equity in affiliated companies' net earnings	(13,309)	6,111	2,820
Benefit from (provision for) income taxes	2,844	(2,400)	(1,201)
Minority interests in consolidated subsidiaries	(617)	(791)	(168)
Equity in affiliated companies' net earnings	15	22	6
(Loss) income from continuing operations	(11,067)	2,942	1,457
Income from discontinued operations, net of taxes	–	35	–
Net (loss) income	(11,067)	2,977	1,457
Preferred dividends and losses on induced conversions	(274)	(208)	(61)
Net (loss) income applicable to common stock	$ (11,341)	$ 2,769	$ 1,396
Basic net (loss) income per share of common stock:			
Continuing operations	$ (29.72)	$ 8.02	$ 7.32
Discontinued operations	–	0.10	–
Basic net (loss) income per share of common stock	$ (29.72)	$ 8.12	$ 7.32
Diluted net (loss) income per share of common stock:			
Continuing operations	$ (29.72)	$ 7.41	$ 6.63
Discontinued operations	–	0.09	–
Diluted net (loss) income per share of common stock	$ (29.72)	$ 7.50	$ 6.63
Average common shares outstanding:			
Basic	382	341	191
Diluted	382	397	221
Dividends declared per share of common stock	$ 1.375	$ 1.375	$ 5.0625

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2008	2007	2006
		(In Millions)	
Cash flow from operating activities:			
Net (loss) income	$ (11,067)	$ 2,977	$ 1,457
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation, depletion and amortization	1,782	1,264	228
Minority interests in consolidated subsidiaries	617	802	168
Asset impairments, including goodwill	16,854	–	–
Lower of cost or market inventory adjustments	782	–	–
Pension and postretirement special benefits and curtailments	61	–	–
Stock-based compensation	98	144	55
Charges for reclamation and environmental obligations, including accretion	181	32	3
Unrealized losses on copper price protection program	–	175	–
Losses on early extinguishment and conversion of debt, net	6	173	32
Deferred income taxes	(4,653)	(288)	16
Gains on sales of assets	(13)	(85)	(31)
Decrease in long-term mill and leach stockpiles	(225)	(48)	–
Amortization of intangible assets/liabilities and other, net	117	45	52
(Increases) decreases in working capital, excluding amounts acquired from Phelps Dodge:			
Accounts receivable	542	428	196
Inventories	(478)	272	(146)
Prepaid expenses and other current assets	(91)	21	(27)
Accounts payable, accrued liabilities and copper price protection program	(171)	400	15
Accrued income taxes	(767)	24	(152)
Settlement of reclamation and environmental obligations	(205)	(111)	–
Net cash provided by operating activities	3,370	6,225	1,866
Cash flow from investing activities:			
North America capital expenditures	(846)	(933)	–
South America capital expenditures	(323)	(123)	–
Indonesia capital expenditures	(444)	(368)	(234)
Africa capital expenditures	(1,058)	(266)	–
Other capital expenditures	(37)	(65)	(17)
Acquisition of Phelps Dodge, net of cash acquired	(1)	(13,910)	(5)
Net proceeds from the sale of Phelps Dodge International Corporation	–	597	–
Proceeds from sales of assets	47	260	34
Decrease in global reclamation and remediation trust assets	430	–	–
Other, net	(86)	(53)	(2)
Net cash used in investing activities	(2,318)	(14,861)	(224)
Cash flow from financing activities:			
Proceeds from term loans under bank credit facility	–	12,450	–
Repayments of term loans under bank credit facility	–	(12,450)	–
Net proceeds from sales of senior notes	–	5,880	–
Net proceeds from sale of common stock	–	2,816	–
Net proceeds from sale of 6¾% Mandatory Convertible Preferred Stock	–	2,803	–
Proceeds from revolving credit facility and other debt	890	744	103
Repayments of other debt and redemption of preferred stock	(766)	(1,069)	(394)
Purchases of FCX common stock	(500)	–	(100)
Cash dividends paid:			
Common stock	(693)	(421)	(916)
Preferred stock	(255)	(175)	(61)
Minority interests	(730)	(967)	(161)
Minority interest contribution related to Tenke Fungurume	201	–	–
Net proceeds from (payments for) exercised stock options	22	(14)	15
Excess tax benefit from stock-based awards	25	16	21
Bank credit facilities fees and other, net	–	(258)	(6)
Net cash (used in) provided by financing activities	(1,806)	9,355	(1,499)
Net (decrease) increase in cash and cash equivalents	(754)	719	143
Cash and cash equivalents at beginning of year	1,626	907	764
Cash and cash equivalents at end of year	$ 872	$ 1,626	$ 907

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(In Millions, Except Par Values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 872	$ 1,626
Trade accounts receivable	374	1,099
Income tax receivables	611	67
Other accounts receivable	227	129
Inventories:		
Product	1,068	1,360
Materials and supplies, net	1,124	818
Mill and leach stockpiles	571	707
Prepaid expenses and other current assets	386	97
Total current assets	5,233	5,903
Property, plant, equipment and development costs, net	16,002	25,715
Goodwill	–	6,105
Long-term mill and leach stockpiles	1,145	1,106
Intangible assets, net	364	472
Trust assets	142	606
Other assets	467	754
Total assets	$ 23,353	$ 40,661
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,722	$ 2,345
Accrued income taxes	163	420
Current portion of reclamation and environmental obligations	162	263
Current portion of long-term debt and short-term borrowings	67	31
Dividends payable	44	212
Copper price protection program	–	598
Total current liabilities	3,158	3,869
Long-term debt, less current portion:		
Senior notes	6,884	6,928
Project financing, equipment loans and other	250	252
Revolving credit facility	150	–
Total long-term debt, less current portion	7,284	7,180
Deferred income taxes	2,339	7,300
Reclamation and environmental obligations, less current portion	1,951	1,733
Other liabilities	1,520	1,106
Total liabilities	16,252	21,188
Minority interests in consolidated subsidiaries	1,328	1,239
Stockholders' equity:		
5½% Convertible Perpetual Preferred Stock, 1 shares issued and outstanding	832	1,100
6¾% Mandatory Convertible Preferred Stock, 29 shares issued and outstanding	2,875	2,875
Common stock, par value $0.10, 505 shares and 497 shares issued, respectively	51	50
Capital in excess of par value	13,989	13,407
Retained earnings (accumulated deficit)	(8,267)	3,601
Accumulated other comprehensive income (loss)	(305)	42
Common stock held in treasury – 121 shares and 114 shares, respectively, at cost	(3,402)	(2,841)
Total stockholders' equity	5,773	18,234
Total liabilities and stockholders' equity	$ 23,353	$ 40,661

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Convertible Perpetual Preferred Stock		Mandatory Convertible Preferred Stock		Common Stock					Common Stock Held in Treasury		
	Number of Shares	At Par Value	Number of Shares	At Par Value	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Number of Shares	At Cost	Stockholders' Equity
							(In Millions)					
Balance at January 1, 2006	1	$1,100	-	$ -	297	$ 30	$ 2,212	$ 1,086	$ 11	110	$(2,596)	$ 1,843
Conversions of 7% Convertible Senior Notes	-	-	-	-	10	1	311	-	-	-	-	312
Exercised and issued stock-based awards	-	-	-	-	3	-	93	-	-	-	-	93
Stock-based compensation costs	-	-	-	-	-	-	28	-	-	-	-	28
Tax benefit for stock-based awards	-	-	-	-	-	-	24	-	-	-	-	24
Tender of shares for stock-based awards	-	-	-	-	-	-	-	-	-	1	(53)	(53)
Shares purchased	-	-	-	-	-	-	-	-	-	2	(100)	(100)
Cumulative effect adjustment to initially apply EITF 04-6	-	-	-	-	-	-	-	(149)	-	-	-	(149)
Dividends on common stock	-	-	-	-	-	-	-	(918)	-	-	-	(918)
Dividends on preferred stock	-	-	-	-	-	-	-	(61)	-	-	-	(61)
Comprehensive income (loss):												
Net income	-	-	-	-	-	-	-	1,457	-	-	-	1,457
Other comprehensive income (loss), net of taxes:												
Change in unrealized derivatives' fair value	-	-	-	-	-	-	-	-	(9)	-	-	(9)
Reclassification to earnings	-	-	-	-	-	-	-	-	4	-	-	4
Other comprehensive loss	-	-	-	-	-	-	-	-	(5)	-	-	(5)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	1,452
Adjustment for adoption of SFAS No. 158, net of taxes of $7 million	-	-	-	-	-	-	-	-	(26)	-	-	(26)
Balance at December 31, 2006	1	$1,100	-	$ -	310	$ 31	$ 2,668	$ 1,415	$ (20)	113	$(2,749)	$ 2,445

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(continued)

	Convertible Perpetual Preferred Stock		Mandatory Convertible Preferred Stock		Common Stock					Common Stock Held in Treasury		
	Number of Shares	At Par Value	Number of Shares	At Par Value	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Number of Shares	At Cost	Stockholders' Equity
	(In Millions)											
Balance at December 31, 2006	1	$1,100	-	$ -	310	$ 31	$ 2,668	$ 1,415	$ (20)	113	$(2,749)	$ 2,445
Sale of 6¾% Mandatory Convertible Preferred Stock	-	-	29	2,875	-	-	(72)	-	-	-	-	2,803
Common stock issued to acquire Phelps Dodge	-	-	-	-	137	14	7,767	-	-	-	-	7,781
Sale of common stock	-	-	-	-	47	5	2,811	-	-	-	-	2,816
Conversions of 7% Convertible Senior Notes	-	-	-	-	-	-	6	-	-	-	-	6
Exercised and issued stock-based awards	-	-	-	-	3	-	131	-	-	-	-	131
Stock-based compensation costs	-	-	-	-	-	-	86	-	-	-	-	86
Tax benefit for stock-based awards	-	-	-	-	-	-	10	-	-	-	-	10
Tender of shares for stock-based awards	-	-	-	-	-	-	-	-	-	1	(92)	(92)
Cumulative effect adjustment to initially apply FIN 48	-	-	-	-	-	-	-	4	-	-	-	4
Dividends on common stock	-	-	-	-	-	-	-	(587)	-	-	-	(587)
Dividends on preferred stock	-	-	-	-	-	-	-	(208)	-	-	-	(208)
Comprehensive income (loss):												
Net income	-	-	-	-	-	-	-	2,977	-	-	-	2,977
Other comprehensive income (loss), net of taxes:												
Unrealized gain on securities	-	-	-	-	-	-	-	-	2	-	-	2
Translation adjustment	-	-	-	-	-	-	-	-	(3)	-	-	(3)
Change in unrealized derivatives' fair value	-	-	-	-	-	-	-	-	(3)	-	-	(3)
Reclassification to earnings	-	-	-	-	-	-	-	-	7	-	-	7
Defined benefit pension plans:												
Net gain during period, net of taxes of $34 million	-	-	-	-	-	-	-	-	53	-	-	53
Amortization of unrecognized amounts	-	-	-	-	-	-	-	-	6	-	-	6
Other comprehensive income	-	-	-	-	-	-	-	-	62	-	-	62
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	3,039
Balance at December 31, 2007	1	$1,100	29	$2,875	497	$ 50	$13,407	$ 3,601	$ 42	114	$(2,841)	$ 18,234

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(continued)

	Convertible Perpetual Preferred Stock		Mandatory Convertible Preferred Stock		Common Stock					Common Stock Held in Treasury		
	Number of Shares	At Par Value	Number of Shares	At Par Value	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Number of Shares	At Cost	Stockholders' Equity
	(In Millions)											
Balance at December 31, 2007	1	$1,100	29	$2,875	497	$ 50	$13,407	$ 3,601	$ 42	114	$(2,841)	$ 18,234
Conversions of 5½% Convertible Perpetual Preferred Stock	-	(268)	-	-	7	1	290	-	-	-	-	23
Exercised and issued stock-based awards	-	-	-	-	1	-	179	-	-	-	-	179
Stock-based compensation costs	-	-	-	-	-	-	100	-	-	-	-	100
Tax benefit for stock-based awards	-	-	-	-	-	-	13	-	-	-	-	13
Tender of shares for stock-based awards	-	-	-	-	-	-	-	-	-	1	(61)	(61)
Shares purchased	-	-	-	-	-	-	-	-	-	6	(500)	(500)
Dividends on common stock	-	-	-	-	-	-	-	(527)	-	-	-	(527)
Dividends on preferred stock	-	-	-	-	-	-	-	(274)	-	-	-	(274)
Comprehensive income (loss):												
Net loss	-	-	-	-	-	-	-	(11,067)	-	-	-	(11,067)
Other comprehensive income (loss), net of taxes:												
Unrealized loss on securities	-	-	-	-	-	-	-	-	(9)	-	-	(9)
Translation adjustment	-	-	-	-	-	-	-	-	(4)	-	-	(4)
Defined benefit pension plans:												
Net loss during period, net of taxes of $190 million	-	-	-	-	-	-	-	-	(341)	-	-	(341)
Amortization of unrecognized amounts	-	-	-	-	-	-	-	-	7	-	-	7
Other comprehensive loss	-	-	-	-	-	-	-	-	(347)	-	-	(347)
Total comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	(11,414)
Balance at December 31, 2008	1	$ 832	29	$2,875	505	$ 51	$13,989	$ (8,267)	$ (305)	121	$(3,402)	$ 5,773

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

FREEPORT-McMoRan COPPER & GOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The consolidated financial statements of Freeport-McMoRan Copper & Gold Inc. (FCX) include the accounts of those subsidiaries where FCX directly or indirectly has more than 50 percent of the voting rights and has the right to control significant management decisions. The most significant entities that FCX consolidates include its 90.64 percent-owned subsidiary PT Freeport Indonesia and its wholly owned subsidiaries, Freeport-McMoRan Corporation (FMC, formerly Phelps Dodge Corporation) and Atlantic Copper, S.A. (Atlantic Copper). FCX acquired Phelps Dodge Corporation (Phelps Dodge) on March 19, 2007. FCX's results of operations include Phelps Dodge's results beginning March 20, 2007 (see Note 18). FCX changed Phelps Dodge's legal name to Freeport-McMoRan Corporation in 2008; therefore, references to FMC and Phelps Dodge in these notes represent the same entity. FCX's unincorporated joint ventures with Rio Tinto plc (Rio Tinto) and Sumitomo Metal Mining Arizona, Inc. (Sumitomo) are reflected using the proportionate consolidation method (see Note 3). All significant intercompany transactions have been eliminated. Dollar amounts in tables are stated in millions, except per share amounts.

Investments in unconsolidated companies owned 20 percent or more are recorded using the equity method. Investments in companies owned less than 20 percent, and for which FCX does not exercise significant influence, are carried at cost.

Use of Estimates. The preparation of FCX's financial statements in conformity with accounting principles generally accepted in the United States (U.S.) requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates include fair values of assets acquired and liabilities assumed in the acquisition of Phelps Dodge; mineral reserve estimation; useful asset lives for depreciation, depletion and amortization; reclamation and closure costs; environmental obligations; estimates of recoverable copper in mill and leach stockpiles; pension, postretirement, postemployment and other employee benefits; deferred taxes and valuation allowances; reserves for contingencies and litigation; and asset impairment, including estimates used to derive future cash flows associated with those assets. Actual results could differ from those estimates.

Foreign Currencies. For foreign subsidiaries whose functional currency is the local currency, assets and liabilities are translated at current exchange rates, while revenues and expenses are translated at average rates in effect for the period. The related translation gains and losses are included in accumulated other comprehensive income (loss) within stockholders' equity.

For foreign subsidiaries whose functional currency is the U.S. dollar, assets receivable and liabilities payable in cash are translated at current exchange rates, and inventories and other non-monetary assets and liabilities are translated at historical rates. Gains and losses resulting from translation of such account balances are included in operating results, as are gains and losses from foreign currency transactions.

Cash Equivalents. Highly liquid investments purchased with maturities of three months or less are considered cash equivalents.

Inventories. As shown in Note 5, the largest components of inventories include finished goods (primarily concentrates and cathodes) at mining operations, concentrates and work-in-process at Atlantic Copper's smelting and refining operations, and materials and supplies inventories. Inventories of materials and supplies, as well as salable products, are stated at the lower of weighted-average cost or market. Costs of finished goods and work-in-process (*i.e.* , not materials and supplies) inventories include labor and benefits, supplies, energy, depreciation, depletion, amortization, site overhead costs, and other necessary costs associated with the extraction and processing of ore, including, depending on the process, mining, haulage, milling, concentrating, smelting, leaching, solution extraction, refining, roasting and chemical processing. Corporate general and administrative costs are not included in inventory costs.

Work-in-Process. In-process inventories represent materials that are currently in the process of being converted to a salable product. Conversion processes for mining operations vary depending on the nature of the copper ore and the specific mining operation. For sulfide ores, processing includes milling and concentrating and results in

the production of copper and molybdenum concentrates or, alternatively, copper cathode by concentrate leaching. For oxide ores and certain secondary sulfide ores, processing includes leaching of stockpiles, solution extraction and electrowinning (SX/EW) and results in the production of copper cathodes. In-process material is measured based on assays of the material included in these processes and projected recoveries. In-process inventories are valued based on the costs incurred to various points in the process, including depreciation relating to associated process facilities. For Atlantic Copper, in-process inventories represent copper concentrates at various stages of conversion into anodes and cathodes. Atlantic Copper's in-process inventories are valued at the weighted-average cost of the material fed to the smelting and refining process plus in-process conversion costs.

Finished Goods. Finished goods include salable products (*e.g.* , copper and molybdenum concentrates, copper anodes, copper cathodes, copper rod, copper wire, molybdenum oxide, high-purity molybdenum chemicals and other metallurgical products). Finished goods are valued based on the weighted-average cost of source material plus applicable conversion costs relating to associated process facilities.

Mill and Leach Stockpiles. Mill and leach stockpiles are stated at the lower of weighted-average cost or market.

Both mill and leach stockpiles generally contain lower-grade ores that have been extracted from the ore body and are available for copper recovery. For mill stockpiles, recovery is through milling, concentrating, smelting and refining or, alternatively, by concentrate leaching. For leach stockpiles, recovery is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities. The recorded cost of mill and leach stockpiles includes mining and haulage costs incurred to deliver ore to stockpiles, depreciation, depletion, amortization and site overhead costs.

Because it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, reasonable estimation methods are employed. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grade of the material delivered to mill and leach stockpiles.

Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be produced into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production-scale process), historical trends and other factors, including mineralogy of the ore and rock type. Ultimate recovery of copper contained in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including type of copper recovery, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 70 percent of the copper ultimately recoverable may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

Property, Plant, Equipment and Development Costs. Property, plant, equipment and development costs are carried at cost. Mineral exploration costs, as well as drilling and other costs incurred for the purpose of converting mineral resources to proven and probable reserves or identifying new mineral resources at development or production stage properties, are charged to expense as incurred. Development costs are capitalized beginning after proven and probable reserves have been established. Development costs include costs incurred resulting from mine pre-production activities undertaken to gain access to proven and probable reserves including shafts, adits, drifts, ramps, permanent excavations, infrastructure and removal of overburden. Additionally, interest expense allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

Expenditures for replacements and improvements are capitalized. Costs related to periodic scheduled maintenance (*i.e.* , turnarounds) are expensed as incurred. Depreciation for mining and milling life-of-mine assets, infrastructure and other common costs is determined using the unit-of-production method based on total estimated recoverable proven and probable copper reserves (for primary copper mines) and proven and probable molybdenum reserves (for the primary molybdenum mine). Development costs and acquisition costs for proven and probable reserves that relate to a specific ore body are depreciated using the unit-of-production method based

on estimated recoverable proven and probable reserves for the ore body benefited. Depreciation, depletion and amortization using the unit-of-production method is recorded upon extraction of the recoverable copper or molybdenum from the ore body, at which time it is allocated to inventory cost and then included as a component of cost of goods sold. Other assets are depreciated on a straight-line basis over estimated useful lives of up to 30 years for buildings, three to 20 years for machinery and equipment, and three to 20 years for mobile equipment.

Included in property, plant, equipment and development costs is value beyond proven and probable reserves (VBPP) resulting from FCX's acquisition of Phelps Dodge. The concept of VBPP is described in Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 04-3, "Mining Assets: Impairment and Business Combinations," and has been interpreted differently by different mining companies. FCX's VBPP is attributable to (i) mineralized material, which includes measured and indicated amounts, that FCX believes could be brought into production with the establishment or modification of required permits and should market conditions and technical assessments warrant, (ii) inferred mineral resources and (iii) exploration potential.

Mineralized material is a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support reported tonnage and average grade of minerals. Such a deposit does not qualify as proven and probable reserves until legal and economic feasibility are confirmed based upon a comprehensive evaluation of development costs, unit costs, grades, recoveries and other material factors. Inferred mineral resources are that part of a mineral resource for which the overall tonnages, grades and mineral contents can be estimated with a reasonable level of confidence based on geological evidence and apparent geological and grade continuity after applying economic parameters. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource. Exploration potential is the estimated value of potential mineral deposits that FCX has the legal right to access. The value assigned to exploration potential was determined by interpreting the known exploration information and exploration results, including geological data and/or geological information, that were available as of the acquisition date.

Carrying amounts assigned to VBPP are not charged to expense until the VBPP becomes associated with additional proven and probable reserves and they are produced or the VBPP is determined to be impaired. Additions to proven and probable reserves for properties with VBPP will carry with them the value assigned to VBPP at the date FCX acquired Phelps Dodge, less any impairment amounts.

Goodwill. FCX recorded goodwill as a result of the acquisition of Phelps Dodge. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," goodwill has an indefinite useful life and is not amortized, but rather is tested for impairment at least annually, unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value of a related reporting unit below its carrying amount. FCX uses discounted cash flow models to determine if the carrying value of the reporting unit is less than the fair value of the reporting unit. FCX's annual impairment test in the fourth quarter of 2008 resulted in the full impairment of goodwill (see Note 7 for further discussion).

Intangible Assets and Liabilities . FCX recorded intangible assets and liabilities as a result of the acquisition of Phelps Dodge. Indefinite-lived intangibles primarily include water rights. Definite-lived intangibles include favorable and unfavorable contracts (primarily related to molybdenum sales contracts, treatment and refining contract rates, power contracts and tire contracts), royalty payments, patents and process technology. The fair value of identifiable intangible assets was estimated based principally upon comparable market transactions and discounted future cash flow projections. The ranges for estimated useful lives are one to 10 years for molybdenum sales, treatment and refining, power and tire contracts; one to 12 years for royalty payments; and principally 10 to 20 years for patents and process technology. All indefinite-lived intangible assets are subject to impairment testing at least annually, unless events occur or circumstances change between annual tests that would more likely than not reduce the indefinite-lived intangible asset's fair value below its carrying value.

Asset Impairment. FCX reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Long-lived assets, other than goodwill and indefinite-lived intangible assets, are evaluated for impairment under the two-step model established by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." An impairment loss is measured as the amount by which asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques such as estimated future cash flows. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset.

In evaluating mining operations' long-lived assets for recoverability, estimates of after-tax undiscounted future cash flows of FCX's individual mining operations are used, with impairment losses measured by reference to fair value. As quoted market prices are unavailable for FCX's individual mining operations, fair value is determined through the use of discounted estimated future cash flows. Estimated cash flows used to assess recoverability of long-lived assets and measure the fair value of FCX's mining operations are derived from current business plans developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. Estimates of future cash flows include near and long-term metal price assumptions; estimates of commodity-based and other input costs; proven and probable reserve estimates; and the use of appropriate current escalation and discount rates.

Deferred Mining Costs. In accordance with EITF Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" (EITF 04-6), stripping costs (*i.e.* , the costs of removing overburden and waste material to access mineral deposits) incurred during the production phase of a mine are considered variable production costs and are included as a component of inventory produced during the period in which stripping costs are incurred. Major development expenditures, including stripping costs to prepare unique and identifiable areas outside the current mining area for future production that are considered to be pre-production mine development, are capitalized and amortized on the unit-of-production method based on estimated recoverable proven and probable reserves for the ore body benefited. However, where a second or subsequent pit or major expansion is considered to be a continuation of existing mining activities, stripping costs are accounted for as current production cost and a component of the associated inventory.

Prior to the adoption of EITF 04-6, FCX applied the deferred mining cost method in accounting for its post-production stripping costs, which FCX referred to as overburden removal costs. The deferred mining cost method was used by some companies in the metals mining industry; however, industry practice varied. The deferred mining cost method matched the cost of production with the sale of the related metal from the open pit by assigning each metric ton of ore removed an equivalent amount of overburden tonnage, thereby averaging overburden removal costs over the life of the mine. The mining cost capitalized in inventory and the amounts charged to cost of goods sold did not represent the actual costs incurred to mine the ore in any given period. Upon adoption of EITF 04-6 on January 1, 2006, FCX recorded a cumulative effect adjustment ($149 million) to reduce beginning retained earnings for its deferred mining costs asset ($285 million) as of December 31, 2005, net of taxes, minority interest share and inventory effects ($136 million).

Environmental Expenditures . Environmental expenditures are expensed or capitalized, depending upon their future economic benefits. Liabilities for such expenditures are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated. For closed facilities and closed portions of operating facilities with environmental obligations, an environmental obligation is accrued when a decision to close a facility, or a portion of a facility, is made by management and the environmental obligation is considered to be probable. Environmental obligations attributed to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or analogous state programs are considered probable when a claim is asserted, or is probable of assertion, and FCX, or any of its subsidiaries, have been associated with the site. Other environmental remediation obligations are considered probable based on specific facts and circumstances. FCX's estimates of these costs are based on an evaluation of various factors, including currently available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not FCX is a potentially responsible party (PRP) and the ability of other PRPs to pay their allocated portions. With the exception of those obligations assumed in the acquisition of Phelps Dodge that were recorded at estimated fair values (see Note 15), environmental obligations are recorded on an undiscounted basis. Where the available information is sufficient to estimate the amount of liability, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. Possible recoveries of some of these costs from other parties are not recognized in the consolidated financial statements until they become probable. Legal costs associated with environmental remediation, as defined in American Institute of Certified Public Accountants Statement of Position (SOP) 96-1, "Environmental Remediation Liabilities," are included as part of the estimated liability.

Asset Retirement Obligations. In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," FCX records the fair value of estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction. These liabilities, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to income. In addition, asset

retirement costs (ARCs) are capitalized as part of the related asset's carrying value and are depreciated (primarily on a unit-of-production basis) over the asset's respective useful life. Reclamation costs for future disturbances are recognized as an ARO and as a related ARC in the period of the disturbance. FCX's AROs consist primarily of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthwork, revegetation, water treatment and demolition (see Note 15).

Income Taxes. FCX accounts for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes are provided to reflect the future tax consequences of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements (see Note 14). A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. The effect on deferred income tax assets and liabilities of a change in tax rates and laws is recognized in income in the period in which such changes are enacted.

On January 1, 2007, FCX adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Upon adoption of FIN 48, FCX recorded a cumulative effect adjustment of $4 million to increase beginning retained earnings. Following adoption of FIN 48, for amounts accrued for unrecognized tax benefits, FCX includes accrued interest in interest expense and accrued penalties in other income and expenses rather than in its provision for income taxes. FCX had previously included interest and penalties in its provision for income taxes.

Derivative Instruments. FCX and its subsidiaries have entered into derivative contracts to manage certain risks resulting from fluctuations in commodity prices (primarily copper and gold), foreign currency exchange rates and interest rates by creating offsetting market exposures. FCX accounts for derivatives pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as subsequently amended, established accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation. See Note 17 for a summary of FCX's outstanding derivative instruments at December 31, 2008, and a discussion of FCX's risk management strategies for those designated as hedges.

FCX elected to continue its historical accounting for its mandatorily redeemable preferred stock indexed to commodities under the provisions of SFAS No. 133, which allow such instruments issued before January 1, 1998, to be excluded from those instruments required to be adjusted for changes in their fair values. Mandatorily redeemable preferred stock indexed to commodities was treated as a hedge of future production and was carried at its original issue value. As redemption payments occurred, differences between the carrying value and the payments were recorded as adjustments to revenues. In 2006, FCX made the final redemptions of its preferred stock indexed to commodities. Under SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," FCX classified its mandatorily redeemable preferred stock as debt. Dividend payments on FCX's mandatorily redeemable preferred stock were classified as interest expense (see Notes 11 and 17).

Revenue Recognition. FCX sells its products pursuant to sales contracts entered into with its customers. Revenue for all FCX's products is recognized when title and risk of loss pass to the customer and when collectibility is reasonably assured. The passing of title and risk of loss to the customer is based on terms of the sales contract, generally upon shipment or delivery of product.

Revenues from FCX's concentrate and cathodes sales are recorded based on either 100 percent of a provisional sales price or a final sales price calculated in accordance with the terms specified in the relevant sales contract. Revenues from concentrate sales are recorded net of treatment and all refining charges (including price participation, if applicable, as discussed below) and the impact of derivative contracts, including the impact of redemptions of FCX's mandatorily redeemable preferred stock indexed to commodities and the copper collars acquired from Phelps Dodge (see Notes 11 and 17). Moreover, because a portion of the metals contained in copper concentrates is unrecoverable as a result of the smelting process, FCX's revenues from concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. These allowances are a negotiated term of FCX's contracts and vary by customer. Treatment and refining charges

represent payments or price adjustments to smelters and refiners and are either fixed or, in certain cases, vary with the price of copper (referred to as price participation).

Under the long-established structure of sales agreements prevalent in the industry, copper contained in concentrates and cathodes is generally provisionally priced at the time of shipment. The provisional prices are finalized in a specified future period (generally one to four months from the shipment date) based on the quoted London Metal Exchange (LME) or the New York Mercantile Exchange (COMEX) prices. FCX receives market prices based on prices in the specified future period, and, under SFAS No. 133, these sales result in changes recorded to revenues until the specified future period. FCX records revenues and invoices customers at the time of shipment based on then-current LME or COMEX prices, which results in an embedded derivative (*i.e.* , a pricing mechanism that is finalized after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrates or cathodes at the then-current LME or COMEX price. FCX applies the normal purchase and sale exception allowed by SFAS No. 133 to the host contract in its concentrate or cathode sales agreements because the sales agreements do not allow for net settlement and always result in physical delivery. Under SFAS No. 133, as amended, the embedded derivative does not qualify for hedge accounting. At December 31, 2008, revenues based on provisional sales prices totaled $768 million. At December 31, 2008, FCX had outstanding provisionally priced sales of 508 million pounds of copper (net of minority interests), priced at an average of $1.39 per pound, subject to final pricing. Final prices on these sales will be established over the first several months of 2009 pursuant to terms of sales contracts.

Gold sales are priced according to individual contract terms, generally the average London Bullion Market Association price for a specified month near the month of shipment.

Approximately 85 percent of FCX's 2008 molybdenum sales were priced based on prices published in Platts *Metals Week* , *Ryan's Notes* or *Metal Bulletin* , plus conversion premiums for products that undergo additional processing, such as ferromolybdenum and molybdenum chemical products. The majority of these sales use the average of the previous month. FCX's remaining molybdenum sales generally have pricing that is either based on a fixed price or adjusts within certain price ranges.

PT Freeport Indonesia concentrate sales are subject to certain royalties, which are recorded as a reduction to revenues (see Note 16 for further discussion).

Stock-Based Compensation. As of December 31, 2008, FCX has five stock-based employee compensation plans and one stock-based director compensation plan. Prior to 2007, the market price for stock options was defined as the average of the high and low price of FCX common stock on the date of grant. Effective January 2007, the plans were amended to define the market price for future grants as the closing price of FCX common stock on the date of grant.

Effective January 1, 2006, FCX adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), using the modified prospective transition method. Under that transition method, compensation costs recognized in the consolidated statements of operations include: (i) compensation costs for all stock option awards granted to employees prior to but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and (ii) compensation costs for all stock option awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. In addition, for other stock-based awards under the plans, compensation costs are recognized based on the fair value on the date of grant for restricted stock units and the intrinsic value on the reporting or exercise date for cash-settled stock appreciation rights (SARs). FCX has elected to recognize compensation costs for stock option awards that vest over several years on a straight-line basis over the vesting period. FCX's stock option awards provide for employees to receive the next year's vesting after an employee retires. For awards granted after January 1, 2006, FCX accelerates one year of amortization for retirement-eligible employees. Certain restricted stock units are performance-based awards with accelerated vesting upon retirement. Therefore, in accordance with SFAS No. 123R, FCX recognizes compensation costs for restricted stock units granted to retirement-eligible employees in the period during which the employee performs the service related to the grant. The services may be performed in the calendar year preceding the date of grant. FCX includes estimated forfeitures in its compensation costs and updates the estimated forfeiture rate through the final vesting date of the awards.

Earnings Per Share. FCX's basic net (loss) income per share of common stock was calculated by dividing net (loss) income applicable to common stock by the weighted-average number of common shares outstanding during the year. The following is a reconciliation of net (loss) income and weighted-average common shares outstanding for purposes of calculating diluted net (loss) income per share for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
(Loss) income from continuing operations	$ (11,067)	$ 2,942	$ 1,457
Preferred dividends and losses on induced conversions	(274)	(208)	(61)
(Loss) income from continuing operations applicable to common stock	(11,341)	2,734	1,396
Plus income impact of assumed conversion of:			
6¾% Mandatory Convertible Preferred Stock	–	147	–
5½% Convertible Perpetual Preferred Stock	–	61	61
7% Convertible Senior Notes	–	–	12
Diluted net (loss) income from continuing operations applicable to common stock	(11,341)	2,942	1,469
Income from discontinued operations	–	35	–
Diluted net (loss) income applicable to common shares	$ (11,341)	$ 2,977	$ 1,469
Weighted-average common shares outstanding	382	341	191
Add shares issuable upon conversion, exercise or vesting of:			
6¾% Mandatory Convertible Preferred Stock (see Note 13)	–[a]	30	–
5½% Convertible Perpetual Preferred Stock (see Note 13)	–[b]	23	22
7% Convertible Senior Notes (see Note 11)	–	–	7
Dilutive stock options (see Note 13)	–[c]	2	1
Restricted stock (see Note 13)	–[d]	1	–
Weighted-average common shares outstanding for purposes of calculating diluted net (loss) income per share	382	397	221
Diluted net (loss) income per share of common stock:			
Continuing operations	$ (29.72)	$ 7.41	$ 6.63
Discontinued operations	–	0.09	–
Diluted net (loss) income per share of common stock	$ (29.72)	$ 7.50	$ 6.63

a. Conversion of preferred shares to common stock of approximately 39 million was anti-dilutive.
b. Conversion of preferred shares to common stock of approximately 23 million was anti-dilutive.
c. Potential additional shares of common stock of approximately 2 million were anti-dilutive.
d. Potential additional shares of common stock of approximately 1 million were anti-dilutive.

FCX's convertible instruments are excluded from the computation of diluted net (loss) income per share of common stock when including the conversion of these instruments results in an anti-dilutive effect on earnings per share (see footnotes a and b in the table above). Outstanding stock options with exercise prices greater than the average market price of FCX's common stock during the period are excluded from the computation of diluted net (loss) income per share of common stock. There were approximately two million stock options with a weighted-average exercise price of $69.89 excluded in 2008, none in 2007 and approximately one million stock options with a weighted-average exercise price of $63.77 in 2006.

New Accounting Standards. *Fair Value Measurements.* In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 does not require any new fair value measurements under U.S. generally accepted accounting principles (GAAP); rather this statement establishes a common definition of fair value, provides a framework for measuring fair value under U.S. GAAP and expands disclosure requirements about fair value measurements. In February 2008, FASB issued FASB Staff Position (FSP) No. FAS 157-2, which delays the effective date of SFAS No. 157 for nonfinancial assets or liabilities that are not required or permitted to be measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those years. FCX adopted SFAS No. 157 for financial assets and liabilities recognized at fair value on a recurring basis effective

January 1, 2008. This partial adoption of SFAS No. 157 did not have a material impact on our financial reporting and disclosures as FCX's financial assets are measured using quoted market prices, or Level 1 inputs. FCX is currently evaluating the impact that the adoption of SFAS No. 157 will have on its financial reporting for nonfinancial assets or liabilities not valued on a recurring basis (at least annually).

Fair Value Option for Financial Assets and Liabilities. In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities – Including an amendment of FASB No. 115," which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FCX adopted SFAS No. 159 effective January 1, 2008, and FCX did not measure any additional financial instruments at fair value that are not required to be measured at fair value.

Business Combinations. In December 2007, FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R). Under SFAS No. 141R, all business combinations will be accounted for under the acquisition method, and the new standard makes certain other changes to the accounting for business combinations, of which the most significant are as follows: (i) whether all or a partial interest is acquired, the acquirer will recognize the full value of assets acquired, liabilities assumed and noncontrolling interests; (ii) direct costs of a business combination will be charged to expense if they are not associated with issuing debt or equity securities; (iii) any contingent consideration will be recognized and measured at fair value on the acquisition date, with subsequent changes to the fair value recognized in earnings; and (iv) equity issued in consideration for a business combination will be measured at fair value as of the acquisition date. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. Early adoption is prohibited.

Noncontrolling Interests in Consolidated Financial Statements. In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51," which clarifies that noncontrolling interests (minority interests) are to be treated as a separate component of equity and any changes in the ownership interest (in which control is retained) are to be accounted for as capital transactions. However, a change in ownership of a consolidated subsidiary that results in a loss of control is considered a significant event that triggers gain or loss recognition, with the establishment of a new fair value basis in any remaining ownership interests. SFAS No. 160 also provides additional disclosure requirements for each reporting period. SFAS No. 160 applies to fiscal years beginning on or after December 15, 2008, with early adoption prohibited. This statement is required to be adopted prospectively, except for the following provisions, which are expected to be applied retrospectively: (i) the reclassification of noncontrolling interests to equity in the consolidated balance sheets and (ii) the adjustment to consolidated net income to include net income attributable to both the controlling and noncontrolling interests.

Disclosures about Derivative Instruments and Hedging Activities . In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 amends the disclosure requirements for derivative instruments and hedging activities contained in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under SFAS No. 161, entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS No. 161 encourages, but does not require disclosure for earlier periods presented for comparative purposes at initial adoption. FCX adopted SFAS No. 161 for the year ended December 31, 2008.

The Hierarchy of Generally Accepted Accounting Principles. In May 2008, FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," which identifies the sources of accounting and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP. SFAS No. 162 was effective November 15, 2008, and adoption did not result in a change in FCX's accounting practices.

Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion. In May 2008, FASB issued FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)," which will change the accounting treatment for convertible debt securities that the issuer may settle fully or partially in cash. FSP No. APB 14-1 requires bifurcation of convertible debt instruments into a debt component that is initially recorded at fair value and an equity component that

represents the difference between the initial proceeds from issuance of the instrument and the fair value allocated to the debt component. The debt component is subsequently accreted (as a component of interest expense) to par value over its expected life. FSP No. APB 14-1 is effective for fiscal years and interim periods beginning after December 15, 2008, and must be retrospectively applied to all prior periods presented, even if an instrument has matured, converted, or otherwise been extinguished as of the FSP's effective date. FCX will adopt FSP No. APB 14-1 on January 1, 2009, and will be required to retrospectively apply its provisions to its 7% Convertible Senior Notes. FCX is currently evaluating the impact that the adoption of FSP No. APB 14-1 will have on its consolidated financial statements.

Determining the Fair Value of a Financial Asset when the Market for That Asset is Not Active. In October 2008, FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset when the Market for That Asset is Not Active," which clarifies the application of SFAS No. 157 in a market that is not active and provides key considerations in determining the fair value of the financial asset. FSP FAS 157-3 is effective upon issuance, including prior periods for which financial statements have not been issued. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate. The adoption of FSP No. FAS 157-3 did not have a material impact on FCX's financial reporting and disclosures.

Employers' Disclosures about Postretirement Benefit Plan Assets. In December 2008, FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets," which provides enhanced guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 revises disclosure requirements on pension and postretirement plan assets from those required in the original SFAS No. 132 after the FASB decided disclosures about fair value measurements for postretirement plan assets were not within the scope of SFAS No. 157. The disclosures about plan assets required by FSP FAS 132(R)-1 are effective for fiscal years ending after December 15, 2009, with early application permitted. Upon initial application, disclosures are not required for earlier periods that are presented for comparative purposes. FCX is currently evaluating the impact that the adoption of FSP No. FAS 132(R)-1 will have on its financial disclosures.

Reclassifications. For comparative purposes, primarily the revision to FCX's presentation of its business segments, certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2. ASSET IMPAIRMENTS AND OTHER CHARGES

The following table summarizes long-lived asset impairments, other than goodwill, and other charges recorded during the year ended December 31, 2008 (see Note 19 for long-lived asset impairments and other charges by FCX's reportable segments):

Long-lived asset impairments	$	10,867
Pension and postretirement special benefits and curtailments		61
Restructuring costs		50
Total long-lived asset impairments and other charges	$	10,978

During the fourth quarter of 2008, there was a dramatic decline in copper and molybdenum prices. After averaging $3.05 per pound in 2006, $3.23 per pound in 2007 and $3.61 per pound for the first nine months of 2008, LME spot copper prices declined to a four-year low of $1.26 per pound in December 2008 and averaged $1.78 per pound in the fourth quarter of 2008 and closed at $1.32 per pound on December 31, 2008. Additionally, while molybdenum markets have been strong in recent years with prices averaging approximately $25 per pound in 2006, $30 per pound in 2007 and $33 per pound for the first nine months of 2008, molybdenum prices declined significantly to a four-year low of $8.75 per pound in November 2008 and averaged approximately $16 per pound in the fourth quarter of 2008 and closed at $9.50 per pound on December 31, 2008.

Although FCX's long-term strategy of developing its resources to their full potential remains in place, t he decline in copper and molybdenum prices and the deterioration of the economic and credit environment during the fourth quarter of 2008 have limited FCX's ability to invest in growth projects and required FCX to make adjustments to its near-term plans. FCX responded to the sudden downturn and uncertain near-term outlook by revising its near-term strategy to protect liquidity while preserving its mineral resources and growth options for the longer term. Accordingly, operating plans were revised to reflect: (i) curtailment of copper production at high-cost North America operations and of molybdenum production at the Henderson molybdenum mine; (ii) capital cost reductions; (iii) aggressive cost control, including workforce reductions, reduced equipment purchases that were

planned to support expansion projects, a reduction in material and supplies inventory and reductions in exploration, research and administrative costs; and (iv) suspension of FCX's annual common stock dividend.

In connection with these significant adverse changes during the fourth quarter of 2008, FCX evaluated its long-lived assets, other than goodwill and indefinite-lived intangible assets, for impairment as of December 31, 2008. Goodwill and indefinite-lived intangible assets are evaluated for impairment annually as of December 31.

FCX's asset impairment evaluations, including its annual goodwill impairment test, required FCX to make several assumptions in determining estimates of future cash flows to determine fair value of its individual mining operations, including: near and long-term metal price assumptions; estimates of commodity-based and other input costs; proven and probable reserve estimates, including any costs to develop the reserves and the timing of producing the reserves; and the use of appropriate current escalation and discount rates. Projected long-term average metal prices represented the most significant assumption used in the cash flow estimates. In connection with the March 2007 acquisition of Phelps Dodge, FCX allocated the $25.8 billion purchase price to the estimated fair values of net assets acquired, including $6.2 billion for goodwill. Metal price projections used to value the net assets acquired at the acquisition date ranged from near-term prices of $2.98 per pound for copper declining over an eight-year period to $1.20 per pound and $26.20 per pound for molybdenum declining over a five-year period to $8.00 per pound, reflecting price expectations at that time. FCX's impairment evaluations at December 31, 2008, were based on price assumptions reflecting prevailing copper futures prices for three years, which ranged from approximately $1.40 per pound to $1.50 per pound, and a long-term average price of $1.60 per pound. Molybdenum prices were assumed to average $8.00 per pound.

FCX's evaluation of long-lived assets (other than goodwill) for impairment resulted in the recognition of asset impairment charges totaling $10.9 billion ($6.6 billion to net loss or $17.34 per diluted share) for 2008. See Note 7 for discussion of impairment charges relating to goodwill.

Other charges relating to FCX's revised operating plans in the fourth quarter of 2008 include pension and postretirement charges of $61 million ($37 million to net loss or $0.10 per diluted share) for special retirement benefits and curtailments and restructuring charges of $50 million ($30 million to net loss or $0.08 per diluted share) for employee severance and benefit costs, contract termination costs and other project cancellation costs. The restructuring charge reflects workforce reductions of approximately 3,000 employees and other charges resulting from revised operating plans that reflect a 25 percent reduction in mining and crushed-leach rates at the Morenci mine in Arizona, a 50 percent reduction in mining and stacking rates at the Safford mine in Arizona, a 50 percent reduction in the mining rate at the Tyrone mine in New Mexico, suspension of mining and milling activities at the Chino mine in New Mexico, and a 25 percent reduction in annual production at the Henderson molybdenum mine in Colorado. In addition, the revised operating plans included decisions to defer certain capital projects, including the (i) incremental expansion projects at the Sierrita and Bagdad mines in Arizona, the Cerro Verde mine in Peru and the sulfide project at the El Abra mine in Chile, (ii) the planned restart of the Miami mine in Arizona and (iii) the suspension of construction activities associated with the restart of the Climax molybdenum mine in Colorado. In the first quarter of 2009, Morenci's operating plans were revised to reflect an additional reduction in mining and crushed-leach rates for a total 50 percent reduction.

The following table reflects 2008 activities associated with the liabilities (included in accounts payable and accrued liabilities) incurred in connection with the restructuring:

	2008 Additions	Payments	December 31, 2008
North America Copper Mines			
Morenci			
Employee severance and benefit costs	$ 3	$ (1)	$ 2
Sierrita			
Contract cancellation and other costs	2	(2)	–
Other mines			
Employee severance and benefit costs	12	–	12
Contract cancellation and other costs	6	(5)	1
	23	(8)	15
South America Copper Mines			
Cerro Verde			
Contract cancellation and other costs	1	–	1
Other mines			
Employee severance and benefit costs	6	–	6
	7	–	7
Africa			
Employee severance and benefit costs	2	–	2
Molybdenum			
Employee severance and benefit costs	1	–	1
Contract cancellation and other costs	3	(3)	–
	4	(3)	1
Rod & Refining			
Employee severance and benefit costs	4	–	4
Corporate & Other			
Employee severance and benefit costs	7	(1)	6
Contract cancellation and other costs	3	–	3
	10	(1)	9
Total	$ 50	$ (12)	$ 38

NOTE 3. OWNERSHIP IN SUBSIDIARIES, JOINT VENTURES AND INVESTMENT IN PT SMELTING

Ownership in Subsidiaries. On March 19, 2007, FMC became a wholly owned subsidiary of FCX. FMC is a fully integrated producer of copper and molybdenum, with mines in North America and South America, copper and molybdenum conversion facilities, and several development projects, including Tenke Fungurume in the Democratic Republic of Congo (DRC). At December 31, 2008, FMC's major operating copper mines in North America were Morenci, Sierrita, Bagdad and Safford located in Arizona, and Tyrone located in New Mexico. FCX has an 85 percent interest in Morenci (see "Joint Ventures – Sumitomo") and owns 100 percent of the other North America mines. At December 31, 2008, operating copper mines in South America were Cerro Verde (53.56 percent owned) located in Peru and Candelaria (80 percent owned), Ojos del Salado (80 percent owned) and El Abra (51 percent owned) located in Chile. FMC also owns the Henderson and Climax molybdenum mines located in Colorado. The Henderson mine is currently operating, while the Climax mine is on care-and-maintenance status. In addition to copper and molybdenum, certain mines produce other minerals as by-products, such as gold, silver and rhenium. At December 31, 2008, FMC's net assets totaled $9.4 billion and its accumulated deficit totaled $16.1 billion. As of December 31, 2008, FCX had a $137 million loan outstanding to FMC.

FCX owns an effective 57.75 percent interest (through its ownership in FMC) in Tenke Fungurume Mining, S.A.R.L. (Tenke Fungurume), a company incorporated under the laws of the DRC. The remaining ownership interests are held by Tenke Mining Corp. (TMC), which is owned by Lundin Mining Corporation (an effective 24.75 percent) and La Générale des Carrières et des Mines (Gécamines), which is wholly owned by the Government of the DRC (17.5 percent). FCX is responsible for funding 70 percent of project development costs and is also responsible for certain cost overruns on the initial project. Gécamines has an undilutable carried interest and is not

responsible for funding any project costs. In accordance with the terms of the agreement, Gécamines will receive asset transfer payments totaling $100 million, $70 million of which has already been paid and the remainder of which will be paid over a period of approximately three years. Tenke Fungurume will produce copper and cobalt and is expected to commence mining operations during the second half of 2009.

FCX's direct ownership in PT Freeport Indonesia totals 81.28 percent. PT Indocopper Investama, an Indonesian company, owns 9.36 percent of PT Freeport Indonesia and FCX owns 100 percent of PT Indocopper Investama. At December 31, 2008, PT Freeport Indonesia's net assets totaled $2.3 billion and its retained earnings totaled $2.1 billion. As of December 31, 2008, FCX had no outstanding loans to PT Freeport Indonesia.

FCX owns 100 percent of the outstanding Atlantic Copper common stock. At December 31, 2008, Atlantic Copper's net assets totaled $155 million and its accumulated deficit totaled $235 million. FCX had a $130 million loan outstanding to Atlantic Copper, and Atlantic Copper's debt under financing arrangements that are guaranteed by FCX totaled $82 million at December 31, 2008.

In 2003, FCX acquired the 85.71 percent ownership interest in PT Puncakjaya Power (Puncakjaya Power) owned by affiliates of Duke Energy Corporation for $68 million cash, net of $10 million of cash acquired. Puncakjaya Power is the owner of assets supplying power to PT Freeport Indonesia's operations, including the 3x65 megawatt coal-fired power facilities. PT Freeport Indonesia purchases power from Puncakjaya Power under infrastructure asset financing arrangements. In 2005, FCX prepaid $187 million of bank debt associated with Puncakjaya Power's operations. At December 31, 2008, FCX had a $37 million loan outstanding to Puncakjaya Power, PT Freeport Indonesia had infrastructure asset financing obligations payable to Puncakjaya Power totaling $132 million and Puncakjaya Power had a receivable from PT Freeport Indonesia for $172 million, including Rio Tinto's share. FCX consolidates PT Freeport Indonesia and Puncakjaya Power. FCX's consolidated balance sheets reflect receivables of $37 million ($10 million in other accounts receivable and $27 million in long-term assets) at December 31, 2008, and $46 million ($9 million in other accounts receivable and $37 million in long-term assets) at December 31, 2007, for Rio Tinto's share of Puncakjaya Power's receivable as provided for in FCX's joint venture agreement with Rio Tinto.

Joint Ventures. FCX has the following unincorporated joint ventures with third parties.

Rio Tinto. In 2004, FCX purchased Rio Tinto's 23.9 million shares of FCX common stock for $882 million (approximately $36.85 per share) with a portion of the proceeds from the sale of the 5½% Convertible Perpetual Preferred Stock (see Note 13). Rio Tinto acquired these shares from FCX's former parent company in 1995 in connection with the spin-off of FCX as an independent company. FCX and Rio Tinto have established certain unincorporated joint ventures that were not impacted by FCX's purchase of its shares from Rio Tinto. Under the joint venture arrangements, Rio Tinto has a 40 percent interest in PT Freeport Indonesia's Contract of Work and the option to participate in 40 percent of any other future exploration projects in Papua, Indonesia.

Pursuant to the joint venture agreement, Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021 in Block A of PT Freeport Indonesia's Contract of Work, and, after 2021, a 40 percent interest in all production from Block A. All of PT Freeport Indonesia's proven and probable reserves and its mining operations are located in the Block A area. Operating, nonexpansion capital and administrative costs are shared proportionately between PT Freeport Indonesia and Rio Tinto based on the ratio of (i) the incremental revenues from production from PT Freeport Indonesia's most recent expansion completed in 1998 to (ii) total revenues from production from Block A, including production from PT Freeport Indonesia's previously existing reserves. PT Freeport Indonesia will continue to receive 100 percent of the cash flow from specified annual amounts of copper, gold and silver through 2021 calculated by reference to its proven and probable reserves as of December 31, 1994, and 60 percent of all remaining cash flow.

The joint venture agreement provides for adjustments to the specified annual amounts of copper, gold and silver attributable 100 percent to PT Freeport Indonesia upon the occurrence of certain events that cause an extended interruption in production to occur, including events such as the fourth-quarter 2003 Grasberg open-pit slippage and debris flow. As a result of the Grasberg slippage and debris flow events, the 2004 specified amounts attributable 100 percent to PT Freeport Indonesia were reduced by 172 million recoverable pounds for copper and 272,000 recoverable ounces for gold. Pursuant to agreements in 2005 and early 2006 with Rio Tinto, these reductions were partially offset by increases in the specified amounts attributable 100 percent to PT Freeport Indonesia totaling 62 million recoverable pounds for copper and 170,000 recoverable ounces for gold in 2005, and

110 million recoverable pounds for copper and 102,000 recoverable ounces for gold in 2021. The payable to Rio Tinto for its share of joint venture cash flows was less than $1 million at December 31, 2008, and $68 million at December 31, 2007.

Under the joint venture arrangements, Rio Tinto funded $100 million in 1996 for approved exploration costs in the areas covered by Contracts of Work held by FCX subsidiaries. Agreed-upon exploration costs in the joint venture areas are shared 60 percent by FCX and 40 percent by Rio Tinto. In September 2008, Rio Tinto notified FCX that it no longer planned to participate in exploration joint ventures in the PT Nabire Bakti Mining and PT Irja Eastern Minerals Contract of Work areas in Indonesia for the remainder of 2008. As a result, as long as Rio Tinto continues not to fund these exploration projects, FCX has the option to fund 100 percent of future exploration costs in these areas and Rio Tinto's interest in these areas will decline over time in accordance with the joint venture agreement. Rio Tinto has the option to resume participation in PT Irja Eastern Minerals on a monthly basis and in PT Nabire Bakti Mining on an annual basis. Rio Tinto continues to participate in exploration joint ventures in PT Freeport Indonesia's Contract of Work areas.

Sumitomo. FCX owns an 85 percent undivided interest in Morenci via an unincorporated joint venture. The remaining 15 percent is owned by Sumitomo, a jointly owned subsidiary of Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation. Each partner takes in kind its share of Morenci's production. FMC purchased 90 million pounds of Morenci's copper cathode from Sumitomo for $281 million during 2008 and 87 million pounds for $299 million during the period March 20, 2007 to December 31, 2007. FCX had a $2 million net receivable from Sumitomo at December 31, 2008, and a $10 million net payable at December 31, 2007.

Investment in PT Smelting . PT Smelting, an Indonesian company, operates a smelter/refinery in Gresik, Indonesia. During 2006, PT Smelting completed an expansion of its production capacity to 275,000 metric tons of copper per year from 250,000 metric tons. PT Freeport Indonesia, Mitsubishi Materials Corporation (Mitsubishi Materials), Mitsubishi Corporation (Mitsubishi) and Nippon Mining & Metals Co., Ltd. (Nippon) own 25 percent, 60.5 percent, 9.5 percent, and 5 percent, respectively, of the outstanding PT Smelting common stock.

PT Freeport Indonesia's contract with PT Smelting provides for the supply of 100 percent of the copper concentrate requirements necessary for PT Smelting to produce 205,000 metric tons of copper annually (essentially the smelter's original design capacity) on a priority basis. For the first 15 years of PT Smelting's commercial operations, beginning December 1998, PT Freeport Indonesia agreed that the combined treatment and refining charges (fees paid to smelters by miners) would approximate market rates, but will not fall below specified minimum rates. The minimum rate, applicable to the period April 27, 2008 to April 27, 2014, is to be determined annually and be sufficient to cover PT Smelting's annual cash operating costs (net of credits and including costs of debt service) for 205,000 metric tons of copper. The maximum rate is $0.30 per pound. The agreement is an amendment to the long-term sales contract, which is pending approval from the Department of Energy and Mineral Resources of the Government of Indonesia. PT Freeport Indonesia also sells copper concentrate to PT Smelting at market rates, which are not subject to a minimum or maximum rate, for quantities in excess of 205,000 metric tons of copper annually.

FCX's investment in PT Smelting totaled $99 million at December 31, 2008, and $71 million at December 31, 2007. PT Smelting had project-specific debt, nonrecourse to PT Freeport Indonesia, totaling $240 million at December 31, 2008, and $219 million at December 31, 2007. PT Freeport Indonesia had a trade receivable from PT Smelting totaling $37 million at December 31, 2008, and $91 million at December 31, 2007.

NOTE 4. DISCONTINUED OPERATIONS

On October 31, 2007, FCX sold its international wire and cable business, Phelps Dodge International Corporation (PDIC), for $735 million, which resulted in a net loss of $14 million ($9 million to net income) for transaction-related costs. The transaction generated after-tax proceeds of approximately $650 million (net proceeds of $597 million after taxes, transaction-related costs and PDIC cash).

As a result of the sale, the operating results of PDIC have been removed from continuing operations and reported as discontinued operations in the consolidated statements of operations. Selected financial information that has been reported as discontinued operations for the period March 20, 2007, through December 31, 2007, follows:

Revenues	$ 937
Operating income	78
Provision for income taxes	(24)
Income from discontinued operations	35

Cash flows from discontinued operations for the year ended December 31, 2007, have not been separately identified in the consolidated statements of cash flows.

NOTE 5. INVENTORIES, AND MILL AND LEACH STOCKPILES

The components of inventories follow:

	December 31, 2008	December 31, 2007
Mining Operations:		
Raw materials	$ 1	$ 1
Work-in-process	128	71
Finished goods [a]	703	898
Atlantic Copper:		
Raw materials (concentrates)	164	164
Work-in-process	71	220
Finished goods	1	6
Total product inventories	1,068	1,360
Total materials and supplies, net [b]	1,124	818
Total inventories	$ 2,192	$ 2,178

a. Primarily includes copper concentrates, anodes, cathodes and rod, and molybdenum.

b. Materials and supplies inventory is net of obsolescence reserves totaling $22 million at December 31, 2008, and $16 million at December 31, 2007.

The following summarizes mill and leach stockpiles as of December 31, 2008:

	North America	South America	Africa	Total
Current:				
Mill stockpiles	$ –	$ 10	$ –	$ 10
Leach stockpiles	489	72	–	561
Total current mill and leach stockpiles	$ 489	$ 82	$ –	$ 571
Long-term [a]:				
Mill stockpiles	$ 2	$ 335	$ 3	$ 340
Leach stockpiles	625	180	–	805
Total long-term mill and leach stockpiles	$ 627	$ 515	$ 3	$ 1,145

a. Materials in stockpiles not expected to be recovered within the next 12 months.

The following summarizes mill and leach stockpiles as of December 31, 2007:

	North America	South America	Total
Current:			
Mill stockpiles	$ –	$ 6	$ 6
Leach stockpiles	630	71	701
Total current mill and leach stockpiles	$ 630	$ 77	$ 707
Long-term [a]:			
Mill stockpiles	$ –	$ 248	$ 248
Leach stockpiles	685	173	858
Total long-term mill and leach stockpiles	$ 685	$ 421	$ 1,106

a. Materials in stockpiles not expected to be recovered within the next 12 months.

In connection with the March 2007 acquisition of Phelps Dodge, acquired inventories, including mill and leach stockpiles, were recorded at fair value using near-term price forecasts reflecting the then-current price environment and management's projections for long-term average metal prices. As a result of the declines in copper and molybdenum prices in the fourth quarter of 2008 and the impact of higher operating costs on inventory balances during 2008, FCX recorded charges of $782 million ($479 million to net loss or $1.26 per diluted share) for lower of cost or market (LCM) inventory adjustments.

NOTE 6. PROPERTY, PLANT, EQUIPMENT AND DEVELOPMENT COSTS, NET

The components of net property, plant, equipment and development costs, along with 2008 impairment charges, follow:

	December 31,		2008
	2008	2007	Impairments
Proven and probable reserves	$ 4,052	$ 13,797	$ 10,056
VBPP	1,341	2,103	471
Development and other	2,572	2,516	279
Buildings and infrastructure	2,381	2,300	167
Machinery and equipment	5,713	6,023	938
Mobile equipment	1,801	2,106	393
Construction in progress	2,686	1,197	27
Property, plant, equipment and development costs	20,546	30,042	12,331
Accumulated depreciation, depletion and amortization	(4,544)	(4,327)	(1,583)
Property, plant, equipment and development costs, net	$ 16,002	$ 25,715	$ 10,748

FCX recorded $2.2 billion for VBPP in connection with the Phelps Dodge acquisition in 2007 and transferred $287 million during 2008 and $93 million during 2007 to proven and probable reserves.

FCX's capitalized interest totaled $122 million in 2008, $147 million in 2007 and $11 million in 2006. Capitalized interest primarily related to development projects at Tenke Fungurume in 2008 and Safford and Tenke Fungurume in 2007.

In connection with the decline in copper and molybdenum prices and the deterioration of the economic environment during the fourth quarter of 2008, FCX evaluated its long-lived assets for impairment as of December 31, 2008. FCX's evaluations were based on current business plans developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. These evaluations resulted in the recognition of asset impairment charges of $10.9 billion ($6.6 billion to net loss or $17.34 per diluted share), consisting of $10,748 million to reduce the carrying values of property, plant, equipment and development costs and $119 million to reduce the carrying values of definite-lived intangible assets (see Note 2 for further discussion).

NOTE 7. GOODWILL, AND INTANGIBLE ASSETS AND LIABILITIES

Goodwill. Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007, follow:

Balance at January 1, 2007	$ –
Acquisition of Phelps Dodge	6,265
Additions [a]	21
Disposal of PDIC (see Note 4)	(181)
Balance at December 31, 2007	6,105
Purchase accounting adjustment	(57)
Deferred tax liability adjustment associated with the purchase of Phelps Dodge [b]	(61)
Impairment losses	(5,987)
Balance at December 31, 2008	$ –

a. In 2007, FCX acquired minority shareholders' interests in several of its subsidiaries, which were subsequently included in the sale of PDIC.

b. Adjustment was allocated to the Morenci mine.

FCX recorded goodwill in connection with the Phelps Dodge acquisition, which primarily related to the requirement to recognize a deferred tax liability for the difference between the assigned values and the tax basis of assets acquired and liabilities assumed in a business combination. In accordance with accounting rules, goodwill resulting from a business combination is assigned to the acquiring entity's reporting units that are expected to benefit from the business combination. The allocation of goodwill to the reporting units, which FCX determined included its individual mines, was completed in the first quarter of 2008.

Goodwill has an indefinite useful life and is not amortized, but rather is tested for impairment at least annually, unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value of a related reporting unit below its carrying amount. FCX performed its annual goodwill impairment testing in the fourth quarter of 2008. FCX's evaluations were based on current business plans developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. These evaluations resulted in the recognition of impairment charges of $6.0 billion ($6.0 billion to net loss or $15.69 per diluted share) to eliminate the full carrying value of goodwill (see Note 2 for further discussion of assumptions used in determining fair value).

Intangible Assets and Liabilities. The components of intangible assets and intangible liabilities (included in other liabilities) as of December 31, 2008, follow:

	December 31, 2008		
	Gross Carrying Value [a]	Accumulated Amortization [a]	Net Book Value
Indefinite-lived water rights	$ 256	$ –	$ 256
Patents and process technology	48	(6)	42
Royalty payments	47	(7)	40
Power contracts	26	(11)	15
Tire contracts	9	(2)	7
Other intangibles	4	–	4
Total intangible assets	$ 390	$ (26)	$ 364
Treatment and refining terms in sales contracts	$ 52	$ (15)	$ 37
Molybdenum sales contracts	108	(108)	–
Total intangible liabilities	$ 160	$ (123)	$ 37

a. After impairments recorded in 2008.

In connection with the decline in copper and molybdenum prices and the deterioration of the economic environment during the fourth quarter of 2008, FCX evaluated its long-lived assets for impairment as of December 31, 2008. FCX's evaluations were based on current business plans developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. These evaluations resulted in the recognition of asset impairment charges of $119 million ($74 million to net loss or $0.19 per diluted share) to reduce the carrying values of definite-lived intangible assets (see Note 2 for further discussion).

Indefinite-lived intangible assets are tested for impairment at least annually, unless events occur or circumstances change between annual tests that would more likely than not reduce the indefinite-lived intangible asset's fair value below its carrying value. FCX performed its annual impairment testing in the fourth quarter of 2008 and concluded that there was no impairment of indefinite-lived intangible assets.

The components of intangible assets and intangible liabilities (included in other liabilities) as of December 31, 2007, follow:

	December 31, 2007		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Indefinite-lived water rights	$ 200	$ –	$ 200
Patents and process technology	48	(2)	46
Royalty payments	39	(2)	37
Power contracts	169	(38)	131
Tire contracts	39	(4)	35
Other intangibles	24	(1)	23
Total intangible assets	$ 519	$ (47)	$ 472
Treatment and refining terms in sales contracts	$ 52	$ (9)	$ 43
Molybdenum sales contracts	115	(111)	4
Total intangible liabilities	$ 167	$ (120)	$ 47

Amortization of intangible assets recognized in production and delivery costs was $63 million in 2008 and $47 million in 2007. Amortization of intangible liabilities recognized in revenues totaled $3 million in 2008 and $120 million in 2007. The estimated net amortization expense for the next five years totals $7 million in 2009, $9 million in 2010, $5 million in 2011, $5 million in 2012 and $3 million in 2013.

NOTE 8. TRUST ASSETS

The components of trust assets follow:

	December 31,	
	2008	2007
Employee and retiree benefit trusts [a]	$ 117	$ 18
Global reclamation and remediation [b]	114	544
Change of control	15	21
Rabbi trust	14	23
Total trust assets	260	606
Less current portion (included in other current assets)	(118)	–
Long-term trust assets	$ 142	$ 606

a. During 2008, the Voluntary Employees' Beneficiary Association (VEBA) trusts were amended to allow benefit payments for active as well as retired employees; therefore, these trusts no longer qualify under applicable accounting rules as plan assets under FCX's postretirement medical and life insurance benefit plans.

b. Decrease results primarily from reimbursement of previously incurred costs for reclamation and environmental activities. Includes $114 million in 2008 and $106 million in 2007 of legally restricted funds for AROs at the Chino, Tyrone and Cobre mines. See Note 15 for further discussion.

NOTE 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following provides additional information regarding accounts payable and accrued liabilities.

	December 31, 2008	December 31, 2007
Accounts payable	$ 1,164	$ 1,195
Provisionally priced sales adjustments [a]	698	59
Pension, postretirement, postemployment and other employee benefits [b]	156	108
Accrued interest [c]	136	144
Salaries, wages and other compensation	129	278
Current deferred tax liability	78	171
Community development programs	74	118
Other	287	272
Total accounts payable and accrued liabilities	$ 2,722	$ 2,345

a. Represents payables to customers as a result of adjusting embedded derivatives in provisionally priced sales to market prices (see “Revenue Recognition” in Note 1 for further discussion).

b. See Note 10 for long-term portion and Note 12 for further discussion.

c. Third-party interest paid by FCX was $741 million in 2008, $504 million in 2007 and $80 million in 2006.

NOTE 10. OTHER LIABILITIES

The following provides additional information regarding other liabilities.

	December 31, 2008	December 31, 2007
Pension, postretirement, postemployment and other employment benefits and long-term incentive compensation [a]	$ 964	$ 644
Reserve for uncertain tax benefits	159	115
Accrued long-term tax liability	82	80
Atlantic Copper contractual obligation to insurance company (see Note 12)	62	72
Community development programs	59	–
Insurance claim reserve	50	44
Other	144	151
Total other liabilities	$ 1,520	$ 1,106

a. See Note 9 for short-term portion and Note 12 for further discussion.

NOTE 11. LONG-TERM DEBT

The components of long-term debt follow:

	December 31, 2008	December 31, 2007
Senior Credit Facility	$ 150	$ –
Senior Notes:		
8.375% Senior Notes due 2017	3,500	3,500
8.25% Senior Notes due 2015	1,500	1,500
Senior Floating Rate Notes due 2015	1,000	1,000
6⅞% Senior Notes due 2014	340	340
9½% Senior Notes due 2031	198	239
8¾% Senior Notes due 2011	115	118
6⅛% Senior Notes due 2034	115	115
7⅛% Debentures due 2027	115	115
7% Convertible Senior Notes due 2011	1	1
Other (including equipment capital leases and short-term borrowings)	317	283
Total debt	7,351	7,211
Less current portion of long-term debt and short-term borrowings	(67)	(31)
Long-term debt	$ 7,284	$ 7,180

Senior Credit Facility. In connection with financing FCX's acquisition of Phelps Dodge, FCX used proceeds from its borrowings under its $11.5 billion senior credit facility. At the close of the Phelps Dodge acquisition, the senior credit facility consisted of a $2.5 billion senior term loan due March 2012, a $7.5 billion Tranche B term loan due March 2014 and $1.5 billion in revolving credit facilities due March 2012, with no amounts drawn on the revolving credit facilities. The revolving credit facilities are composed of (i) a $1.0 billion revolving credit facility available to FCX and (ii) a $0.5 billion revolving credit facility available to both FCX and PT Freeport Indonesia. FCX used proceeds from equity offerings, operating cash flows and asset sales to prepay the $10 billion of term loans by December 31, 2007. FCX had borrowings of $150 million and $74 million of letters of credit issued under the revolving credit facilities at December 31, 2008, resulting in availability of approximately $1.3 billion, of which $926 million could be used for additional letters of credit.

Interest on the revolving credit facilities is based on the London Interbank Offered Rate (LIBOR) plus 1.00 percent, subject to an increase or decrease in the interest rate margin based on the credit ratings assigned by Standard & Poor's Rating Services and Moody's Investor Services. The interest rate on the revolving credit facilities was 1.44 percent at December 31, 2008.

The senior credit facility also contains covenants, including limitations on indebtedness, liens, asset sales, restricted payments and transactions with affiliates. In addition, the senior credit facility requires that FCX meet certain financial tests at any time that borrowings are outstanding under the facility, including a leverage ratio test (Total Debt to Consolidated EBITDA, as those terms are defined in the facility, for the preceding four quarters cannot exceed 5.0 to 1.0 on the last day of any fiscal quarter) and a secured leverage ratio test (Total Secured Debt to Consolidated EBITDA, as those terms are defined in the facility, for the preceding four quarters cannot exceed 3.0 to 1.0 on the last day of any fiscal quarter). For the four quarters ended December 31, 2008, the Total Debt to Consolidated EBITDA ratio was 1.1 to 1.0 and the Total Secured Debt to Consolidated EBITDA ratio was 0.07 to 1.0. In January 2009, the facility was amended to adjust the calculation for Consolidated EBITDA to reduce the third quarter of 2008 and increase the fourth quarter of 2008 by $715 million, which is associated with the adjustment for provisionally priced copper sales from prior periods that resulted from the decline in copper prices. The amendment avoids a distortion in the fourth quarter of 2008 Consolidated EBITDA for purposes of quarterly calculations through third quarter of 2009. The senior credit facility is guaranteed by certain wholly owned subsidiaries of FCX and is secured by the pledge of equity in substantially all of these subsidiary guarantors and certain other non-guarantor subsidiaries of FCX, and intercompany indebtedness owed to FCX. Borrowings by FCX and PT Freeport Indonesia under the $0.5 billion revolver are also secured with a pledge of 50.1 percent of the outstanding stock of PT Freeport Indonesia, over 90 percent of the assets of PT Freeport Indonesia and, with respect to borrowings by PT Freeport Indonesia, a pledge of the Contract of Work.

During 2007, FCX recorded net charges totaling $154 million ($120 million to net income or $0.30 per diluted share) for early extinguishment of debt related to the accelerated recognition of deferred financing costs associated with the repayment of amounts under the senior credit facility.

Senior Notes. In March 2007, in connection with financing FCX's acquisition of Phelps Dodge, FCX sold $3.5 billion of 8.375% Senior Notes due April 2017, $1.5 billion of 8.25% Senior Notes due April 2015 and $1.0 billion of Senior Floating Rate Notes due April 2015 for total net proceeds of $5.9 billion. Interest on the senior notes is payable semiannually on April 1 and October 1. Interest on the Senior Floating Rate Notes accrues at six-month LIBOR plus 3.25 percent. The interest rate on the Senior Floating Rate Notes was 7.08 percent at December 31, 2008. These notes are redeemable in whole or in part, at the option of FCX, at make-whole redemption prices prior to the redemption dates, and afterwards at stated redemption prices. The terms of the agreements allow for optional make-whole redemptions prior to April 1, 2009, for the Senior Floating Rate Notes; April 1, 2011, for the 8.25% Senior Notes; and April 1, 2012, for the 8.375% Senior Notes. The indenture governing the notes contains covenants that include, among others, restrictions on incurring debt, creating liens, selling assets, making restricted payments and entering into certain transactions with affiliates. In April 2008, Standard & Poor's Rating Services (S&P) and Fitch Ratings raised FCX's corporate credit rating and the ratings on FCX's unsecured debt to BBB- (investment grade). As a result of the upgrade by S&P, the restrictions on incurring debt, making restricted payments and selling assets were suspended. To the extent the rating is downgraded below investment grade, these covenants would again become effective.

In February 2004, FCX sold $350 million of 6⅞% Senior Notes due February 2014 for net proceeds of $344 million. Interest on the notes is payable semiannually on February 1 and August 1. These notes are redeemable in whole or in part, at the option of FCX, at stated redemption prices. During 2004, FCX purchased in open-market transactions $10 million of its 6⅞% Senior Notes. The indenture governing the notes contains covenants that include, among others, certain restrictions on incurring debt, creating liens, selling assets, making restricted payments and entering into certain transactions with affiliates. At the time of the Phelps Dodge acquisition, the 6⅞% Senior Notes received the benefit of the same guarantees and subsidiary pledges provided under the FCX senior credit facility. This security could be released under certain circumstances involving changes in FCX's capital structure. As a result of the aforementioned upgrade to investment grade by S&P, the restrictions on incurring debt, making restricted payments, selling assets and entering into certain transactions with affiliates were suspended. To the extent the rating is downgraded below investment grade, these covenants would again become effective.

The 9½% Senior Notes due June 2031 and the 8¾% Senior Notes due June 2011 bear interest payable semiannually on June 1 and December 1. These notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price. In March 2007, in connection with the acquisition of Phelps Dodge, FCX assumed these senior notes with a stated value of $306 million, which was increased by $54 million to reflect the fair market value of these obligations at the acquisition date. The increase in value is being amortized over the term of the notes and recorded as a reduction of interest expense. In February 2008, FCX purchased in an open-market transaction $33 million of the 9½% Senior Notes for $46 million and recorded charges of $6 million ($5 million to net loss or $0.01 per diluted share). At December 31, 2008, the outstanding principal amount of the 9½% Senior Notes was $161 million and the 8¾% Senior Notes was $108 million.

The 6⅛% Senior Notes due March 2034 bear interest payable semiannually on March 15 and September 15. These notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price. In March 2007, in connection with the acquisition of Phelps Dodge, FCX assumed these senior notes with a stated value of $150 million, which was reduced by $11 million to reflect the fair market value of these obligations at the acquisition date. The decrease in value is being amortized over the term of the notes and recorded as additional interest expense. During 2007, FCX purchased in an open-market transaction $26 million of these notes and recorded charges of $2 million ($2 million to net income or less than $0.01 per diluted share). At December 31, 2008, the outstanding principal amount of these senior notes was $124 million.

The 7⅛% Debentures due November 2027 bear interest payable semiannually on May 1 and November 1. The debentures are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price. In March 2007, in connection with the acquisition of Phelps Dodge, FCX assumed these debentures with a stated and fair value of $115 million. At December 31, 2008, the outstanding principal amount of these debentures was $115 million.

In February 2003, FCX sold $575 million of 7% Convertible Senior Notes due February 2011 for net proceeds of $559 million. Interest on the notes is payable semiannually on March 1 and September 1. The notes were initially convertible, at the option of the holder, at any time on or prior to maturity into shares of FCX's common stock at a conversion price of $30.87 per share, which was equal to a conversion rate of approximately 32.39 shares of common stock per $1,000 principal amount of notes. The conversion rate is adjustable when dividends over a twelve-month period exceed a certain threshold. As a result of FCX's cumulative twelve-month dividends through February 2007, the conversion price was adjusted to $30.16 per share, which is equal to a conversion rate of approximately 33.16 shares of common stock per $1,000 principal amount of notes. No further adjustments to the conversion price have been required since that time. In 2005, FCX privately negotiated transactions to induce conversion of $251 million of these notes into 8.1 million shares of FCX common stock, which resulted in a 2005 net charge of $25 million ($23 million to net income or $0.11 per diluted share). In 2006, FCX completed a tender offer and privately negotiated transactions to induce conversions of $317 million of these notes into 10.3 million shares of FCX common stock, which resulted in a 2006 net charge of $31 million ($30 million to net income or $0.13 per diluted share). In 2007, $6 million of these notes were converted into 0.2 million shares of FCX common stock and the balance at December 31, 2008, was $1 million.

In January 2003, FCX sold $500 million of 10⅛% Senior Notes due 2010 for net proceeds of $487 million. In 2005, FCX purchased in open-market transactions $216 million of these notes and recorded transaction-related charges of $27 million ($17 million to net income or $0.08 per diluted share). In 2006, FCX purchased in an open-market transaction $11 million of these notes and recorded transaction-related charges of $1 million ($1 million to net income or less than $0.01 per diluted share). During 2007, FCX purchased in an open-market transaction the remaining $273 million of these notes and recorded transaction-related charges of $17 million ($10 million to net income or $0.02 per diluted share).

All of FCX's senior notes are unsecured, except for the 6⅞% Senior Notes.

Redeemable Preferred Stock. As discussed in Note 1, pursuant to SFAS No. 150, mandatorily redeemable preferred stock is classified as debt.

At December 31, 2005, FCX had outstanding 4.3 million depositary shares representing 215,279 shares of its Gold-Denominated Preferred Stock, Series II totaling $167 million. Each depositary share had a cumulative quarterly cash dividend equal to the value of 0.0008125 ounce of gold and was redeemed in February 2006 for the cash value of 0.1 ounce of gold ($236 million). The mandatory redemption resulted in a $167 million decrease in debt and a loss recognized in 2006 revenues of $69 million ($37 million to net income or $0.17 per diluted share).

At December 31, 2005, FCX had outstanding 4.8 million depositary shares representing 14,875 shares of its Silver-Denominated Preferred Stock totaling $13 million. Each depositary share had a cumulative quarterly cash dividend equal to the value of 0.0051563 ounce of silver. On August 1, 2006, FCX funded the last of eight scheduled annual redemption payments on its Silver-Denominated Preferred Stock for $26 million, resulting in a $13 million decrease in debt. The mandatory redemptions also resulted in losses recognized in revenues totaling $13 million in 2006 ($7 million to net income or $0.03 per diluted share).

Restrictive Covenants. The senior credit facility, the $6.0 billion of senior notes used to finance the acquisition of Phelps Dodge and the 6⅞% Senior Notes contain covenants that limit FCX's ability to make certain payments. These restrictions vary among the instruments, but generally limit FCX's ability to pay certain dividends on common and preferred stock, repurchase or redeem common and preferred equity, prepay subordinated debt and make certain investments. As a result of the upgrade of FCX's unsecured notes to investment grade, the restricted payment covenants contained in its $6.0 billion of senior notes used to finance the acquisition of Phelps Dodge and 6⅞% Senior Notes have been suspended. To the extent the rating is downgraded below investment grade, the covenants would again become effective. At December 31, 2008, the most restrictive of these covenants allowed for such payments up to a limit in excess of $5 billion.

Maturities. Maturities of debt instruments based on the amounts and terms outstanding at December 31, 2008, total $67 million in 2009, $10 million in 2010, $135 million in 2011, $246 million in 2012, $14 million in 2013 and $6,879 million thereafter.

NOTE 12. EMPLOYEE BENEFITS

Pension Plans. Following is a discussion of FCX's pension plans.

FMC Plans. As a result of the acquisition of Phelps Dodge, FCX acquired trusteed, non-contributory pension plans covering substantially all of FMC's U.S. employees and some employees of its international subsidiaries. The applicable FMC plan design determines the manner in which benefits are calculated for any particular group of employees. For certain of these plans, benefits are calculated based on final average monthly compensation and years of service. In the case of other plans, benefits are calculated based on a fixed amount for each year of service. Participants in the FMC plans generally vest in their accrued benefits after five years of service. Non-bargained FMC employees hired after December 31, 2006, are not eligible to participate in the FMC U.S. pension plan.

FCX's funding policy for these plans provides that contributions to pension trusts shall be at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, for U.S. plans; or, in the case of international plans, the minimum legal requirements that may be applicable in the various countries. Additional contributions also may be made from time to time.

FCX's policy for determining asset-mix targets for the Phelps Dodge Corporation Defined Benefit Master Trust (Master Trust) includes the periodic development of asset/liability studies to determine expected long-term rates of return and expected risk for various investment portfolios. Management considers these studies in the formal establishment of asset-mix targets that are reviewed by FCX's retirement plan administration and investment committee. The expected rate of return on plan assets is evaluated at least annually, taking into consideration its asset allocation, historical returns on the types of assets held in the Master Trust and the current economic environment. For U.S. plans, the determination of the expected long-term rate of return on plan assets is based on expected future performance of the plan asset mix and active plan asset management. Based on these factors, FCX expects the pension assets will earn an average of 8.5 percent per annum during the 10 years beginning January 1, 2009, with a standard deviation of 8.8 percent. The 8.5 percent estimation was based on a passive return on a compound basis of 8.0 percent and a premium for active management of 0.5 percent reflecting the target asset allocation and current investment array. On an arithmetic average basis, the passive return would have been 8.0 percent with a premium for active management of 0.5 percent.

For estimation purposes, FCX assumes the long-term asset mix for these plans generally will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the plans and the need for future cash contributions. A lower-than-expected return on assets also would decrease plan assets and increase the amount of recorded pension expense in future years. When calculating the expected return on plan assets, FCX uses the market value of assets.

Among the assumptions used to estimate the benefit obligation is a discount rate used to calculate the present value of expected future benefit payments for service to date. The discount rate assumption for FCX's U.S. plans is designed to reflect yields on high-quality, fixed-income investments for a given duration. The determination of the discount rate for these plans is based on expected future benefit payments for service to date together with the Citibank Pension Discount Curve. Changes in this assumption are reflected in FCX's benefit obligation and, therefore, in the liabilities and income or expense that are recorded.

Other FCX Plans. During 2000, FCX and FM Services Company, FCX's wholly owned subsidiary, elected to terminate their defined benefit pension plans covering substantially all U.S. and certain overseas expatriate employees and replace these plans with defined contribution programs, as further discussed below. All participants' account balances in the defined benefit plans were fully vested on June 30, 2000, and interest credits continued to accrue under the plans until the assets were liquidated and distributed in 2008 after obtaining final approval from the Internal Revenue Service.

In February 2004, FCX established an unfunded Supplemental Executive Retirement Plan (SERP) for its two most senior executive officers. The SERP provides for retirement benefits payable in the form of a joint and survivor annuity or an equivalent lump sum. The annuity will equal a percentage of the executive's highest average compensation for any consecutive three-year period during the five years immediately preceding the earlier of the executive's retirement or completion of 25 years of credited service. The SERP benefit will be reduced by the value of all benefits paid or due under any defined benefit or defined contribution plan sponsored by FM Services Company, FCX or its predecessor, but not including accounts funded exclusively by deductions from participant's pay. FCX also has an unfunded pension plan for its directors and an excess benefits plan for its executives.

PT Freeport Indonesia Plan. PT Freeport Indonesia has a defined benefit pension plan denominated in Indonesian rupiah covering substantially all of its Indonesian national employees. PT Freeport Indonesia funds the plan and invests the assets in accordance with Indonesian pension guidelines. The pension obligation was valued at an exchange rate of 10,850 rupiah to one U.S. dollar on December 31, 2008, and 9,390 rupiah to one U.S. dollar on December 31, 2007. Indonesian labor laws enacted in 2003 require that companies provide a minimum level of benefits to employees upon employment termination based on the reason for termination and the employee's years of service. PT Freeport Indonesia's pension benefit disclosures include benefits related to this law. PT Freeport Indonesia's expected rate of return on plan assets is evaluated at least annually, taking into consideration its historical yield and the long range estimated return for the plan based on the asset mix.

Atlantic Copper Plan. Atlantic Copper has a contractual obligation denominated in euros to supplement amounts paid to certain retired Spanish national employees. As required by Spanish law, beginning in August 2002, Atlantic Copper began funding 7.2 million euros ($10 million based on a December 31, 2008, exchange rate of $1.39 per euro) annually for 15 years to an approved insurance company for its estimated 72 million euro contractual obligation to the retired employees. The insurance company invests the plan assets in accordance with Spanish regulations, and Atlantic Copper has no control over these investments. Atlantic Copper is amortizing the unrecognized net actuarial loss over the remaining eight-year funding period.

Plan Information. FCX uses a measurement date of December 31 for its plans. In some plans, the plan assets exceed the accumulated benefit obligations, while in the remainder, the accumulated benefit obligations exceed the plan assets. The following table presents the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for those plans where the accumulated benefit obligations exceed the plan assets:

	December 31,	
	2008	2007
Projected benefit obligation	$ 1,486	$ 230
Accumulated benefit obligation	1,403	259
Fair value of plan assets	968	66

Information as of December 31, 2008 and 2007, on the FCX (including FMC's plans; FCX's SERP, director and excess benefits plans; and FM Services Company's plans), PT Freeport Indonesia and Atlantic Copper plans follows:

	FCX		PT Freeport Indonesia		Atlantic Copper	
	2008	2007	2008	2007	2008	2007
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 1,342	$ 50	$ 65	$ 54	$ 87	$ 83
Acquisition of Phelps Dodge	–	1,370	–	–	–	–
Service cost	29	24	6	5	–	–
Interest cost	80	62	6	5	4	5
Amendments	(6)	–	–	–	–	–
Actuarial (gains) losses	62	(78)	(5)	7	1	–
Divestitures	–	(5)	–	–	–	–
Foreign exchange (gain) loss	(4)	2	(9)	(3)	(3)	8
Curtailments [a]	(19)	–	–	–	–	–
Special retirement benefits [a]	39	–	–	–	–	–
Benefits paid	(111)	(83)	(4)	(3)	(8)	(9)
Benefit obligation at end of year	$ 1,412	$ 1,342	$ 59	$ 65	$ 81	$ 87

	FCX		PT Freeport Indonesia		Atlantic Copper	
	2008	2007	2008	2007	2008	2007
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 1,442	$ 13	$ 38	$ 30	$ 15	$ 14
Acquisition of Phelps Dodge	–	1,374	–	–	–	–
Actual return on plan assets	(390)	113	(2)	4	–	–
Employer contributions [b]	21	24	15	8	12	10
Foreign exchange gain (loss)	(3)	1	(6)	(1)	–	–
Benefits paid	(111)	(83)	(3)	(3)	(8)	(9)
Fair value of plan assets at end of year	959	1,442	42	38	19	15
Funded status	$ (453)	$ 100	$ (17)	$ (27)	$ (62)	$ (72)
Accumulated benefit obligation	$ 1,329	$ 1,252	$ 37	$ 39	$ 81	$ 87
Weighted-average assumptions used to determine benefit obligations:						
Discount rate [c]	6.10%	6.30%	12.00%	10.25%	6.77%	6.77%
Rate of compensation increase [d]	4.25%	4.25%	8.00%	8.00%	N/A	N/A
Balance sheet classification of funded status:						
Other assets	$ 3	$ 195	$ –	$ –	$ –	$ –
Accounts payable and accrued liabilities	(5)	(7)	–	(1)	–	–
Other liabilities	(451)	(88)	(17)	(26)	(62)	(72)
Total	$ (453)	$ 100	$ (17)	$ (27)	$ (62)	$ (72)

a. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).

b. Employer contributions for 2009 are expected to approximate $6 million for the FCX plans, $14 million for the PT Freeport Indonesia plan (based on a December 31, 2008, exchange rate of 10,850 Indonesian rupiah to one U.S. dollar) and $10 million for the Atlantic Copper plan (based on a December 31, 2008, exchange rate of $1.39 per euro).

c. The discount rate shown in 2008 for the FCX plans relates to all plans except the SERP plan. The discount rate shown in 2007 for the FCX plans relates to the FMC plans and the excess benefit plan. The SERP plan’s discount rate in 2008 and 2007 was 4.00 percent.

d. The rate of compensation increase shown for the FCX plans only relates to the FMC plans.

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's pension plans (including FMC's plans for the year ended December 31, 2008, and the period March 20, 2007, through December 31, 2007; FCX's SERP, director and excess benefits plans; and FM Services Company's plans) for the years ended December 31, 2008, 2007 and 2006, follow:

	2008	2007	2006
Weighted-average assumptions:			
Discount rate			
FCX SERP	4.00%	4.00%	6.00%
FMC plans	6.30%	5.78%	N/A
Expected return on plan assets [a]	8.50%	8.50%	N/A
Rate of compensation increase [a]	4.25%	4.25%	N/A
Service cost	$ 29	$ 24	$ –
Interest cost	80	62	2
Expected return on plan assets	(118)	(90)	–
Amortization of prior service cost	4	4	4
Special retirement benefits [b]	39	–	–
Net periodic benefit cost	$ 34	$ –	$ 6

a. The assumptions shown only relate to the FMC plans.

b. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for PT Freeport Indonesia's and Atlantic Copper's pension plans for the years ended December 31, 2008, 2007 and 2006, follow:

	PT Freeport Indonesia		
	2008	2007	2006
Weighted-average assumptions:			
Discount rate	10.25%	10.50%	12.00%
Expected return on plan assets	9.00%	10.00%	10.00%
Rate of compensation increase	8.00%	9.00%	10.00%
Service cost	$ 6	$ 5	$ 4
Interest cost	6	5	5
Expected return on plan assets	(3)	(3)	(3)
Amortization of prior service cost	1	1	1
Amortization of net actuarial loss	1	1	1
Net periodic benefit cost	$ 11	$ 9	$ 8

	Atlantic Copper		
	2008	2007	2006
Weighted-average assumption:			
Discount rate	6.77%	6.77%	6.77%
Interest cost	$ 4	$ 5	$ 5
Amortization of net actuarial loss	2	–	1
Net periodic benefit cost	$ 6	$ 5	$ 6

Included in accumulated other comprehensive income (loss) are the following amounts that have not been recognized in net periodic pension cost: unrecognized prior service credits of $3 million ($2 million net of tax and minority interest share) and unrecognized actuarial losses of $470 million ($305 million net of tax and minority interest share) at December 31, 2008; and unrecognized prior service costs of $9 million ($7 million net of tax and minority interest share) and unrecognized actuarial gains of $75 million ($44 million net of tax and minority interest

share) at December 31, 2007. The amounts expected to be recognized in net periodic pension cost for 2009 are less than $1 million for prior service credits and $33 million ($20 million net of tax and minority interest share) for actuarial losses.

FCX does not expect to have any plan assets returned to it in 2009. The pension plan weighted-average asset allocations for the FCX and PT Freeport Indonesia plans at December 31, 2008 and 2007, follow:

	FCX		PT Freeport Indonesia	
	2008	2007	2008	2007
Equity securities	45%	55%	9%	19%
Fixed income	43	35	91	74
Real estate	8	7	–	–
Other	4	3	–	7
Total	100%	100%	100%	100%

Atlantic Copper's plan is administered by a third-party insurance company, and Atlantic Copper is not provided asset allocations.

The expected benefit payments for FCX's (including FMC's plans, and FCX's SERP, director and excess benefits plans), PT Freeport Indonesia's and Atlantic Copper's pension plans follow.

	FCX	PT Freeport Indonesia [a]	Atlantic Copper [b]
2009	$ 87	$ 3	$ 8
2010	85	11	8
2011	85	6	8
2012	136	7	8
2013	88	8	8
2014 through 2018	477	52	42

a. Based on a December 31, 2008, exchange rate of 10,850 Indonesian rupiah to one U.S. dollar.

b. Based on a December 31, 2008, exchange rate of $1.39 per euro.

Postretirement and Other Benefits. FCX also provides postretirement medical and life insurance benefits for certain U.S employees and, in some cases, employees of certain international subsidiaries. These postretirement benefits vary among plans, and many plans require contributions from retirees. The expected cost of providing such postretirement benefits is accrued during the years employees render service.

As a result of the acquisition of Phelps Dodge, FCX acquired postretirement obligations with a fair value of $82 million (representing a benefit obligation of $255 million less the fair value of plan assets of $173 million). Assets for these plans consisted of two VEBA trusts. One trust was dedicated to funding postretirement medical obligations and the other to funding postretirement life insurance obligations for eligible U.S. retirees of FMC. During 2008, the VEBA trusts were amended to allow FCX to pay benefits for both active employees and retirees from the trusts. As a result, in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the VEBA trusts no longer qualify as plan assets for purposes of FCX's postretirement medical and life insurance benefit obligations.

The discount rate for FCX's postretirement medical and life insurance benefit plans was determined on the same basis as FCX's pension plans.

Information as of December 31, 2008 and 2007, on the postretirement benefit plans follows:

	2008	2007
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 256	$ 4
Acquisition of Phelps Dodge	–	255
Service cost	1	1
Interest cost	14	11
Actuarial (gains) losses	(8)	8
Curtailments [a]	23	–
Benefits paid, net of employee contributions and Medicare Part D subsidy	(29)	(23)
Benefit obligation at end of year	257	256
Change in plan assets:		
Fair value of plan assets at beginning of year	150	–
Acquisition of Phelps Dodge	–	173
Actual return on plans assets	3	5
Employer contributions [b]	2	2
Benefits paid	(40)	(30)
Transfer of plan assets [c]	(115)	–
Fair value of plan assets at end of year	–	150
Funded status	$ (257)	$ (106)
Discount rate assumption	6.30%	6.00%
Balance sheet classification of funded status:		
Accounts payable and accrued liabilities	$ (32)	$ (2)
Other liabilities	(225)	(104)
Total	$ (257)	$ (106)

a. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).

b. Employer contributions for 2009 are expected to approximate $32 million.

c. During 2008, the VEBA trusts were amended to allow benefit payments for both active employees and retirees; therefore, the VEBA trusts no longer qualify as plan assets.

Expected benefit payments for these plans total $32 million for 2009, $30 million for 2010, $29 million for 2011, $27 million for 2012, $25 million for 2013, and $100 million for 2014 through 2018.

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's postretirement benefits for the years ended December 31, 2008 and 2007, follow:

	2008	2007
Weighted-average assumptions [a]:		
Discount rate – medical retiree	6.00%	5.62%
Discount rate – life retiree	6.00%	5.66%
Expected return on plan assets – medical retiree	3.30%	3.70%
Expected return on plan assets – life retiree	4.30%	4.50%
Service cost	$ 1	$ 1
Interest cost	14	11
Expected return on plan assets	(4)	(5)
Curtailments [b]	23	–
Net periodic benefit cost	$ 34	$ 7

a. The assumptions shown only relate to the FMC plans.

b. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).

FCX's postretirement net periodic benefit costs were less than $1 million for 2006.

Included in accumulated other comprehensive income (loss) are the following amounts that have not been recognized in net periodic benefit cost: unrecognized prior service credits of less than $1 million and unrecognized actuarial gains of $4 million ($2 million net of tax and minority interest share) at December 31, 2008; and unrecognized prior service credits of $1 million ($1 million net of tax and minority interest share) and unrecognized actuarial losses of $8 million ($5 million net of tax and minority interest share) at December 31, 2007. The amount expected to be recognized in net periodic benefit cost for 2009 is less than $1 million for prior service credits and actuarial losses.

The assumed medical-care trend rates at December 31, 2008 and 2007, follow:

	2008	2007
Medical-care cost trend rate assumed for the next year	9%	9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2013	2012

The effect of a one percent increase or decrease in the medical-care cost trend rates assumed for postretirement medical benefits would result in increases or decreases of approximately $1 million in the aggregate service and interest cost components; in the postretirement benefit obligation the effect of a one-percent increase is approximately $8 million and the effect of a one-percent decrease is approximately $7 million.

As a result of the Phelps Dodge acquisition, FCX has a number of postemployment plans covering severance, long-term disability income, continuation of health and life insurance coverage for disabled employees or other welfare benefits. The accumulated postemployment benefit consisted of a current portion of $6 million (included in accounts payable and accrued liabilities) and a long-term portion of $41 million (included in other liabilities) at December 31, 2008, and a current portion of $6 million and a long-term portion of $43 million at December 31, 2007.

FCX also sponsors savings plans for the majority of its U.S. employees. The plans allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. These savings plans are principally qualified 401(k) plans for all U.S. salaried and non-bargained hourly employees. In these plans, participants exercise control and direct the investment of their contributions and account balances among a broad range of investment options. FCX matches a percentage of employee pre-tax deferral contributions up to certain limits, which varies by plan. In addition, the FMC principal savings plan includes a profit sharing feature for its non-bargained employees.

During 2000, FCX and FM Services Company enhanced their primary savings plan for substantially all their employees following their decision to terminate their defined benefit pension plans. Subsequent to the enhancement, FCX and FM Services Company contribute amounts to individual accounts totaling either 4 percent or 10 percent of each employee's pay, depending on a combination of each employee's age and years of service as of June 30, 2000. For employees whose eligible compensation exceeds certain levels, FCX provides an unfunded defined contribution plan. The balance of this liability totaled $43 million on December 31, 2008, and $32 million on December 31, 2007.

As a result of the acquisition of Phelps Dodge, FCX also has a defined contribution plan for eligible FMC employees hired on or after January 1, 2007. Under this plan, FCX contributes amounts to individual accounts depending on a combination of each employee's annual salary and years of service.

The costs charged to operations for FCX's, FM Services Company's, and FMC's employee savings plans and defined contribution plans totaled $58 million in 2008, $43 million in 2007 and $7 million in 2006.

FCX has other employee benefit plans, certain of which are related to FCX's financial results, which are recognized in operating costs.

NOTE 13. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Common Stock. At the 2008 annual stockholder meeting, FCX's stockholders approved an increase in FCX's authorized shares of capital stock to 1.85 billion shares, consisting of 1.8 billion shares of common stock and 50 million shares of preferred stock.

In July 2008, FCX's Board of Directors approved an increase in the open-market share purchase program for up to 30 million shares, which replaced FCX's previous program. During 2008, FCX acquired 6.3 million shares for $500 million ($79.15 per share average) and 23.7 million shares remain available under this program. Under a previous 20 million share purchase program, FCX acquired 2.0 million shares for $100 million ($49.94 per share average) in 2006. The timing of future purchases of FCX's common stock is dependent on many factors, including FCX's operating results, cash flows and financial position; copper, molybdenum and gold prices; the price of FCX's common stock; and general economic and market conditions. During September 2008, because of the financial turmoil and the decline in copper and molybdenum prices, FCX suspended its purchases of shares under its open-market share purchase program.

In February 2009, FCX completed a public offering of 26.8 million shares of FCX common stock at an average price of $28.00 per share, which generated gross proceeds of $750 million (net proceeds of approximately $740 million).

Preferred Stock. On March 28, 2007, FCX sold 28.75 million shares of 6¾% Mandatory Convertible Preferred Stock, with a liquidation preference of $100 per share, for net proceeds of $2.8 billion. The 6¾% Mandatory Convertible Preferred Stock will automatically convert on May 1, 2010, into shares of FCX common stock. The conversion rate is adjustable upon the occurrence of certain events, including the payment in any quarter of common stock dividends exceeding $0.3125 per share; however, adjustments required as a result of dividends that do not exceed one percent are carried forward and must be made no later than August 1 of each year. As a result of the quarterly common stock dividends paid through December 31, 2008, each share of preferred stock is now convertible on May 1, 2010, into between 1.3654 and 1.6386 shares of FCX common stock, depending on the applicable market value of FCX's common stock. The conversion rate per $100 face amount of the preferred stock will be 1.6386 when the FCX common stock price is at or below $61.03 and 1.3654 when the FCX common stock price is at or above $73.24. For FCX common stock prices between these levels, the conversion rate will be equal to $100 divided by FCX's common stock price. Holders may elect to convert at any time prior to May 1, 2010, at a conversion rate equal to 1.3654 shares of FCX common stock, or an aggregate of approximately 39 million shares. Dividends are payable quarterly on February 1, May 1, August 1 and November 1.

In March 2004, FCX sold 1.1 million shares of 5½% Convertible Perpetual Preferred Stock for net proceeds of $1.1 billion. The conversion rate is adjustable upon the occurrence of certain events, including the payment in any quarter of common stock dividends exceeding $0.20 per share. As a result of the quarterly and supplemental common stock dividends paid through December 31, 2008, each share of preferred stock is now convertible into 21.5305 shares of FCX common stock, equivalent to a conversion price of approximately $46.45 per common share, or an aggregate of approximately 18 million shares of FCX common stock. Beginning March 30, 2009, FCX may redeem shares of the preferred stock by paying cash, FCX common stock or any combination thereof for

$1,000 per share plus unpaid dividends, but only if FCX's common stock price has exceeded 130 percent of the conversion price for at least 20 trading days within a period of 30 consecutive trading days immediately preceding the notice of redemption. FCX used a portion of the proceeds from the sale to purchase 23.9 million shares of FCX common stock owned by Rio Tinto for $882 million (approximately $36.85 per share) and used the remainder for general corporate purposes. Rio Tinto no longer owns an equity interest in FCX; however, it is still PT Freeport Indonesia's joint venture partner (see Note 3). In December 2008, through privately negotiated transactions, FCX induced conversion of 0.3 million shares of its 5½% Perpetual Preferred Stock with a liquidation preference of $268 million into 5.8 million shares of FCX common stock. To induce conversion of these shares, FCX issued to the holders an additional 1.0 million shares of FCX common stock valued at $22 million, which was recorded as losses on induced conversions in the consolidated statements of operations.

Stock Award Plans. FCX currently has six stock-based compensation plans, including two Phelps Dodge plans resulting from the acquisition. As of December 31, 2008, only four of the plans, all of which are stockholder approved (which are discussed below), have awards available for grant.

FCX's 1999 Stock Incentive Plan (the 1999 Plan) and 2003 Stock Incentive Plan (the 2003 Plan) provide for the issuance of stock options, SARs, restricted stock, restricted stock units and other stock-based awards. Each plan allows FCX to grant awards for up to 8 million common shares to eligible participants. In 2004, FCX's stockholders approved the 2004 Director Compensation Plan (the 2004 Plan). The 2004 Plan authorizes awards of options and restricted stock units for up to 1 million shares of common stock and the one-time grant of 66,882 SARs. In 2006, FCX's stockholders approved the 2006 Stock Incentive Plan (the 2006 Plan), and in 2007, FCX's stockholders approved amendments to the plan primarily to increase the number of shares. The 2006 Plan provides for the issuance of stock options, SARs, restricted stock, restricted stock units and other stock-based awards for up to 37 million common shares. As of December 31, 2008, there were 28.8 million shares under the 2006 Plan, 0.1 million shares under the 2004 Plan, 0.1 million shares under the 2003 Plan and less than 6,000 shares under the 1999 Plan available for grant.

In connection with the Phelps Dodge acquisition, former Phelps Dodge stock options and restricted stock awards were converted into 806,595 FCX stock options and 87,391 FCX restricted stock awards, which retain the terms by which they were originally granted under Phelps Dodge's plans. The stock options carry a maximum term of 10 years with 672,134 stock options vested upon the acquisition of Phelps Dodge and 134,461 stock options that vest ratably over a three-year period or the period until the participant becomes retirement-eligible, whichever is shorter. Restricted stock awards generally become fully vested in five years, with a majority of these shares having graded-vesting features in which 25 percent of the shares will vest on the third and fourth anniversaries of the award and the remaining 50 percent in the fifth year. The fair value of the restricted stock awards was determined based on the quoted market price at the time of the acquisition.

Stock-Based Compensation Cost. Compensation cost charged against earnings for stock-based awards is shown below for the years ended December 31, 2008, 2007 and 2006. FCX did not capitalize any stock-based compensation costs during the years ended December 31, 2008, 2007 and 2006.

	2008	2007	2006
Stock options awarded to employees (including directors)	$ 66	$ 71	$ 28
Stock options awarded to nonemployees	5	5	3
Restricted stock units awarded to employees	52	–	–
Restricted stock units in lieu of cash awards	(29[a])	67	23
Restricted stock awards to employees	3	6	–
Restricted stock units awarded to directors	4	3	1
Stock appreciation rights	(6)	7	1
Total stock-based compensation cost [b]	95	159	56
Tax benefit	(36)	(62)	(20)
Minority interests share	(2)	(4)	(3)
Impact on net (loss) income	$ 57	$ 93	$ 33

a. Reflects an adjustment related to 2007 awards.

b. Amounts are before Rio Tinto's share of the cost of employee exercises of in-the-money stock options, which decreased consolidated selling, general and administrative expenses by $1 million in 2008, $4 million in 2007 and $7 million in 2006.

Options and SARs. Stock options and SARs granted under the plans generally expire 10 years after the date of grant and vest in 25 percent annual increments beginning one year from the date of grant. The plans and award agreements provide that participants will receive the following year's vesting after retirement and provide for accelerated vesting if there is a change in control (as defined in the plans).

A summary of options outstanding as of December 31, 2008, including 72,533 SARs, and changes during the year ended December 31, 2008, follow:

	Number of Options	Weighted-Average Option Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	10,759,798	$ 58.17		
Granted	1,449,500	91.10		
Exercised	(2,198,601)	48.51		
Expired/Forfeited	(157,750)	70.43		
Balance at December 31	9,852,947	64.98	7.8	$ 4
Vested and exercisable at December 31	2,108,906	50.72	6.6	$ 4

Summaries of options outstanding, including SARs, and changes during the years ended December 31, 2007 and 2006, follow:

	2007		2006	
	Number of Options	Weighted-Average Option Price	Number of Options	Weighted-Average Option Price
Balance at January 1	5,801,716	$ 39.70	7,355,612	$ 31.43
Granted	6,641,500	69.89	1,126,250	62.88
Conversion of Phelps Dodge options	806,595	28.38	–	–
Exercised	(2,276,391)	34.45	(2,614,273)	26.51
Expired/Forfeited	(213,622)	59.29	(65,873)	39.12
Balance at December 31	10,759,798	58.17	5,801,716	39.70

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option valuation model. Expected volatility is based on implied volatilities from traded options on FCX's stock and historical volatility of FCX's stock. FCX uses historical data to estimate future option exercises, forfeitures and expected life of the options. When appropriate, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected dividend rate is calculated as the annual dividend (excludes supplemental dividends) at the date of grant divided by the average stock price for the one-year period preceding the grant date. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option at the grant date. The weighted-average assumptions used to value stock option awards during the years ended December 31, 2008, 2007 and 2006, are noted in the following table.

	2008	2007	2006
Expected volatility	49.3%	37.3%	37.7%
Expected life of options (in years)	4.6	4.25	4.0
Expected dividend rate	2.0%	2.2%	2.9%
Risk-free interest rate	3.3%	4.6%	4.4%

The weighted-average grant-date fair value of options granted was $34.91 per option during 2008, $21.33 per option during 2007 and $17.67 per option during 2006. The total intrinsic value of options exercised was $128 million during 2008 and $96 million during each of 2007 and 2006. The total fair value of options vested was $61 million during 2008, $29 million during 2007 and $30 million during 2006. As of December 31, 2008, FCX had

$86 million of total unrecognized compensation cost related to unvested stock options expected to be recognized over a weighted-average period of one year.

The following table includes amounts related to exercises of stock options and SARs and vesting of restricted stock units and restricted stock awards during the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
FCX shares tendered to pay the exercise price and/or the minimum required taxes [a]	823,915	1,389,845	809,926
Cash received from stock option exercises	$ 56	$ 54	$ 37
Actual tax benefit realized for tax deductions	180	138	31
Amounts FCX paid for employee taxes	34	68	22
Amounts FCX paid for exercised SARs	1	5	2

a. Under terms of the related plans, upon exercise of stock options and vesting of restricted stock units and restricted stock awards, employees may tender FCX shares to FCX to pay the exercise price and/or the minimum required taxes.

Restricted Stock Units. Prior to December 2008, FCX had a restricted stock program that allowed FCX senior executives to elect to receive restricted stock units in lieu of all or part of their annual cash incentive compensation. The annual cash incentive was a function of FCX's consolidated operating cash flows for the preceding year. Awards of these restricted stock units to the FCX executive officers were considered performance-based awards. To compensate for certain restrictions and the risk of forfeiture, the restricted stock units were awarded at a 50 percent premium to the market value on the date of grant. The awards vest ratably over three years or upon retirement and were subject to achievement of certain performance measures. For retirement-eligible executives, the fair value of the restricted stock units was estimated based on projected operating cash flows for the year and was charged to expense ratably over the year the cash flows were generated. Effective December 2, 2008, the board of directors discontinued this program.

FCX also granted other restricted stock units that vest over a period of up to five years. The plans and award agreements provide for accelerated vesting of all restricted stock units if there is a change of control (as defined in the plans) and provide that participants will receive the following year's vesting after retirement (except for the restricted stock units with five year vesting that do not allow acceleration because of retirement). Dividends and interest on restricted stock units accrue and are paid upon the award's vesting.

FCX grants restricted stock units to its directors under the 2004 Plan. The restricted stock units vest over four years. The fair value of the restricted stock units is amortized over the four-year vesting period or the period until the director becomes retirement-eligible, whichever is shorter. Upon a director's retirement, all of their unvested

restricted stock units immediately vest. For retirement-eligible directors, the fair value of restricted stock units is recognized on the date of grant.

A summary of outstanding restricted stock units as of December 31, 2008, and activity during the year ended December 31, 2008, is presented below:

	Number of Restricted Stock Units	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	796,373		
Granted	1,359,915		
Vested	(376,460)		
Forfeited	(3,366)		
Balance at December 31	1,776,462	1.9	$ 43

The grant-date fair value of restricted stock units granted to FCX senior executives who elected to receive restricted stock units in lieu of all or part of their cash incentive compensation during the year ended December 31, 2008, was $40 million. Because this was a performance-based award and the requisite service period under SFAS No. 123R is considered to be the calendar year prior to the grant date, the entire value of this award on the date of

grant was charged to expense during 2007. The total grant-date fair value of all other restricted stock units granted during the year ended December 31, 2008, was $78 million.

The total intrinsic value of restricted stock units vesting during the year ended December 31, 2008, was $33 million. As of December 31, 2008, FCX had $24 million of total unrecognized compensation cost related to unvested restricted stock units expected to be recognized over a weighted-average period of 1.3 years.

Restricted Stock Awards. As discussed above, FCX has restricted stock awards that were issued in connection with the Phelps Dodge acquisition. A summary of outstanding restricted stock awards as of December 31, 2008, and activity during the year ended December 31, 2008, is presented below:

Balance at January 1	49,241
Vested	(2,884)
Forfeited	(1,036)
Balance at December 31	45,321

The total grant-date fair value of restricted stock awards was $5 million at the acquisition date. The total fair value of shares released or vested was less than $1 million during 2008 and $2 million during 2007. As of December 31, 2008, FCX had $4 million of total unrecognized compensation cost, including the cash portion resulting from the conversion of restricted stock awards at the acquisition date, related to unvested restricted stock awards expected to be recognized over a weighted-average period of 2.1 years.

NOTE 14. INCOME TAXES

Geographic sources of (loss) income from continuing operations before income taxes, minority interests and equity in affiliated companies' net earnings for the years ended December 31, 2008, 2007 and 2006, consist of the following:

	2008	2007	2006
United States	$ (13,850)	$ 977	$ 25
Foreign	541	5,134	2,795
Total	$ (13,309)	$ 6,111	$ 2,820

The (benefit from) provision for income taxes from continuing operations for the years ended December 31, 2008, 2007 and 2006, consists of the following:

	2008	2007	2006
Current income taxes:			
Federal	$ 536	$ 458	$ –
State	14	72	–
Foreign	1,213	1,942	1,035
Total current	1,763	2,472	1,035
Deferred income taxes (benefits):			
Federal	(3,635)	(295)	–
State	(686)	(20)	–
Foreign	(609)	243	166
Total deferred	(4,930)	(72)	166
Valuation allowance on prior year deferred tax asset	323	–	–
(Benefit from) provision for income taxes	$ (2,844)	$ 2,400	$ 1,201

A reconciliation of the U.S. federal statutory tax rate to FCX's effective income tax rate for the years ended December 31, 2008, 2007 and 2006, follows:

	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	$ (4,658)	35%	$ 2,139	35%	$ 987	35%
Foreign withholding tax	(55)	1	371	6	168	6
Foreign tax credit limitation	95	(1)	125	2	–	–
Reversal of APB Opinion No. 23 assertion	–	–	111	2	–	–
Percentage depletion	(336)	3	(284)	(5)	–	–
International tax rate differential	59	(1)	(184)	(3)	48	2
Valuation allowance on minimum tax credits	359	(3)	–	–	–	–
Goodwill impairment	2,095	(16)	–	–	–	–
State income taxes	(437)	3	–	–	–	–
Other items, net	34	–	122	2	(2)	–
(Benefit from) provision for income taxes	$ (2,844)	21%	$ 2,400	39%	$ 1,201	43%

FCX paid federal, state, local and foreign income taxes totaling $2,656 million in 2008, $2,660 million in 2007 and $1,288 million in 2006. FCX received refunds of federal, state, local and foreign income taxes of $123 million in 2008 and 2007 and $1 million in 2006.

FCX's income tax receivable increased by $544 million primarily as a result of Indonesian estimated tax overpayments in 2008 made in accordance with statutory requirements.

The components of deferred taxes follow:

	December 31,	
	2008	2007
Deferred tax assets:		
Foreign tax credits	$ 1,260	$ 1,004
Net operating loss carryforwards	128	164
Minimum tax credits	359	323
Accrued expenses	767	812
Intercompany profit elimination	25	65
Deferred compensation	9	45
Postretirement benefits	53	35
Employee benefit plans	183	–
Provisionally priced sales adjustments	112	–
Other	128	77
Deferred tax assets	3,024	2,525
Valuation allowances	(1,763)	(1,165)
Net deferred tax assets	1,261	1,360
Deferred tax liabilities:		
Property, plant, equipment and development costs	(2,956)	(7,441)
Undistributed earnings	(569)	(603)
Inventory	(38)	(458)
Employee benefit plans	–	(75)
Other	(34)	(142)
Total deferred tax liabilities	(3,597)	(8,719)
Net deferred tax liabilities	$ (2,336)	$ (7,359)

At December 31, 2008, FCX had U.S. foreign tax credit carryforwards from continuing operations of $1.3 billion that will expire between 2009 and 2018. In addition, FCX had U.S. minimum tax credits carryforwards from

continuing operations of $359 million. These credits can be carried forward indefinitely, but may be used only to the extent that regular tax exceeds the alternative minimum tax in any given year.

At December 31, 2008, FCX had Spanish net operating loss carryforwards from continuing operations of $282 million that expire between 2012 and 2022. In addition, FCX has U.S. state net operating loss carryforwards from continuing operations of $705 million that expire between 2009 and 2028.

On the basis of available information at December 31, 2008, FCX has provided valuation allowances for certain of its deferred tax assets where FCX believes it is likely that the related tax benefits will not be realized. At December 31, 2008, valuation allowances totaled $1.8 billion and covered all of FCX's U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards, foreign net operating loss carryforwards and U.S. state net operating loss carryforwards, and also a portion of its net U.S. deferred tax assets. At December 31, 2007, valuation allowances totaled $1.2 billion and covered all of FCX's U.S. foreign tax credit carryforwards, a portion of its foreign net operating loss carryforwards and a portion of its U.S. state net operating loss carryforwards. The $598 million increase in the valuation allowance during 2008 was primarily a result of additional valuation allowances recorded against U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards and U.S. state net operating loss carryforwards. The establishment of a valuation allowance against all of the U.S. minimum tax credit carryforwards was primarily the result of the decline in copper and molybdenum prices and the long-lived asset impairment charges recorded in the fourth quarter of 2008.

Income taxes are provided on the earnings of FCX's material foreign subsidiaries under the assumption that these earnings will be distributed. FCX has not provided for other differences between the book and tax carrying amounts of these investments as FCX considers its ownership position to be permanent in duration and quantification of the related deferred tax liability is not practicable.

A summary of the activities associated with FCX's FIN 48 reserve for unrecognized tax benefits, interest and penalties follows:

	Unrecognized Tax Benefits	Interest	Penalties
Balance at January 1, 2007	$ 41	$ 11	$ –
Additions:			
Acquisition of Phelps Dodge	169	7	2
Prior year tax positions	9	*	*
Current year tax positions	38	*	*
Associated with interest and penalties	–	6	–
Decreases:			
Prior year tax positions	(53)	*	*
Lapse of statue of limitations	(2)	*	*
Associated with interest and penalties	–	(5)	(2)
Balance at December 31, 2007	202	19	–
Additions:			
Prior year tax positions	14	*	*
Current year tax positions	32	*	*
Associated with interest and penalties	–	5	–
Decreases:			
Prior year tax positions	(3)	*	*
Lapse of statue of limitations	(7)	*	*
Associated with interest and penalties	–	(1)	–
Balance at December 31, 2008	$ 238	$ 23	$ –

* Amounts not allocated.

The reserve for unrecognized tax benefits of $238 million at December 31, 2008, includes $143 million ($84 million net of income tax benefits) that, if recognized, would reduce FCX's provision for income taxes.

Changes in the reserve for unrecognized tax benefits associated with current year tax positions were primarily related to uncertainties associated with FCX's cost recovery methods. Changes in the reserve for unrecognized tax benefits associated with prior year tax positions were primarily related to the refinement of estimated information to actual.

It is reasonably possible that FCX will experience a $25 million to $35 million decrease in its reserve for unrecognized tax benefits within the next twelve months. FCX would experience this decrease in relation to uncertainties associated with its cost recovery methods if a settlement is reached with taxing authorities.

FCX or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The tax years for FCX and its significant subsidiaries that remain subject to examination are as follows:

Jurisdiction	Years Under Examination	Additional Open Years
U.S. Federal	2003-2005	2006-2008
Indonesia	2005-2006	2004, 2007-2008
Peru	2002-2005	2006-2008
Chile	2007	2005-2006, 2008
Arizona	–	2003-2008
New Mexico	–	2003-2008

NOTE 15. CONTINGENCIES

Environmental. FCX incurred aggregate environmental capital expenditures and other environmental costs, including joint venture partners' share, totaling $468 million in 2008, $320 million in 2007 and $63 million in 2006.

FCX subsidiaries that operate in the U.S. are subject to various federal, state and local environmental laws and regulations that govern emissions of air pollutants; discharges of water pollutants; and generation, handling, storage and disposal of hazardous substances, hazardous wastes and other toxic materials. FCX subsidiaries that operate in the U.S. also are subject to potential liabilities arising under CERCLA or similar state laws that impose responsibility on persons who arranged for the disposal of hazardous substances, and on current and previous owners and operators of a facility for the cleanup of hazardous substances released from the facility into the environment, including damages to natural resources. With the passage of CERCLA in 1980, companies like FMC became legally responsible for environmental remediation on properties previously owned or operated by them, irrespective of when the damage to the environment occurred or who caused it. That liability often is shared on a joint and several basis with all other owners and operators, meaning that each owner or operator of the property is fully responsible for the clean-up, although in many cases some or all of the other historical owners or operators no longer exist, do not have the financial ability to respond or cannot be found. As a result, because of FCX's acquisition of Phelps Dodge in 2007, many of the subsidiary companies FCX now owns are responsible for a wide variety of environmental remediation projects throughout the U.S. FCX expects to spend substantial sums annually for many years to address those remediation issues. Certain FCX subsidiaries have been advised by the U.S. Environmental Protection Agency (EPA), the Department of the Interior, the Department of Agriculture and several state agencies that, under CERCLA or similar state laws and regulations, they may be liable for costs of responding to environmental conditions at a number of sites that have been or are being investigated to determine whether releases of hazardous substances have occurred and, if so, to develop and implement remedial actions to address environmental concerns. As of December 31, 2008, FCX had more than 100 active remediation projects in the U.S. in approximately 25 states. FCX is also subject to claims where the release of hazardous substances is alleged to have damaged natural resources.

A summary of changes in environmental obligations for the years ended December 31, 2008 and 2007, follows:

	2008	2007
Balance at beginning of year	$ 1,268	$ –
Liabilities assumed in the acquisition of Phelps Dodge	117	1,334
Accretion expense [a]	95	–
Additions	36	6
Reductions	(1)	(1)
Spending	(114)	(71)
Balance at end of year	1,401	1,268
Less current portion	(120)	(166)
Long-term portion	$ 1,281	$ 1,102

a. Represents accretion of the fair value of environmental obligations assumed in the acquisition of Phelps Dodge, which were determined on a discounted cash flow basis.

As a result of the acquisition of Phelps Dodge, FCX was required to record Phelps Dodge's environmental obligations at fair value on the acquisition date in accordance with SFAS No. 141, "Business Combinations." At the acquisition date, Phelps Dodge's historical environmental obligations of $385 million, before purchase accounting adjustments to fair value, were based on accounting guidance provided by SFAS No. 5, "Accounting for Contingencies," and SOP 96-1, which require that an estimated loss be recorded for a loss contingency if, prior to the issuance of the financial statements, it is probable that a liability had been incurred and the loss can be reasonably estimated. Amounts recorded under this guidance are generally not considered fair value. FCX has an environmental and legal group dedicated to the ongoing review and monitoring of environmental remediation sites. At the acquisition date, the largest environmental remediation sites were undergoing studies to evaluate the extent of the environmental damage and the available remedies. Advancement of these studies and consideration of alternative remedies and cost sharing arrangements resulted in FCX's calculation of the estimated fair values being approximately $1.1 billion greater than the historical Phelps Dodge estimates. FCX finalized the allocation of the purchase price associated with the Phelps Dodge acquisition in the first quarter of 2008. As a result, the fair value of the environmental obligations was estimated at approximately $1.45 billion. Significant adjustments to these reserves could occur in the future. New environmental obligations will be recorded in accordance with SFAS No. 5 and SOP 96-1, as described in Note 1 under "Environmental Expenditures."

FCX believes that there may be other potential claims for recovery from other third parties, including the U.S. government and other PRPs. These potential recoveries are not recognized unless realization is considered probable.

At December 31, 2008, the most significant environmental obligations are associated with the Pinal Creek site, several historical smelter sites principally located in Arizona, Kansas and Oklahoma, and uranium mining sites in the western U.S. The recorded environmental reserves for these sites totaled $954 million at December 31, 2008. A discussion of these sites follows.

Pinal Creek. FCX is a party to litigation entitled Pinal Creek Group, et al. v. Newmont Mining Corporation, et al . , United States District Court, District of Arizona, Case No. CIV 91-1764 PHX DAE (LOA), filed on May 1, 1991. The Pinal Creek site located near Miami, Arizona, was listed under the Arizona Department of Environmental Quality (ADEQ) Water Quality Assurance Revolving Fund program in 1989 for contamination in the shallow alluvial aquifers within the Pinal Creek drainage near Miami, Arizona. Since that time, environmental remediation has been performed by the members of the Pinal Creek Group (PCG), consisting of Phelps Dodge Miami, Inc. (Miami), a wholly owned subsidiary of FMC, and two other companies. In 1998, the District Court approved a Consent Decree between the PCG members and the state of Arizona resolving all matters related to an enforcement action contemplated by the state of Arizona against the PCG members with respect to groundwater. The Consent Decree committed the PCG members to complete the remediation work outlined in the Consent Decree. That work continues at this time pursuant to the Consent Decree and consistent with state law and the National Contingency Plan prepared by EPA under CERCLA.

Remediation has been proceeding pursuant to an interim allocation of cost sharing among the members of the PCG, with Miami's interim allocation being approximately two-thirds; however, there are significant disagreements among the members of the PCG regarding the allocation of the cost of remediation. Discovery disputes resulted in a sanctions order against Miami that included significant evidentiary restrictions on Miami's case. The trial on the allocation issue will be scheduled after the final determination of Miami's pending interlocutory appeal of a trial court ruling on the liability standard that should apply to one of the remaining defendants on Miami's case. A final determination of the allocation, if different from the interim allocation, would likely result in a "true up" payment with respect to the remediation that has already been completed from the party found to be responsible for a higher proportion than the interim allocation and would establish the cost-sharing proportions for the remainder of the clean up. The overall cost of the clean up is expected to be significant.

Historical Smelter Sites . FMC and its predecessors at various times owned or operated historical copper and zinc smelters in several states, including Arizona, Kansas, Oklahoma and Pennsylvania. For some of these smelter sites, certain FCX subsidiaries have been advised by EPA or state agencies that they may be liable for costs of investigating and, if appropriate, remediating environmental conditions associated with the smelters. At other sites, certain FCX subsidiaries have entered into state voluntary remediation programs to investigate and, if appropriate, remediate site conditions associated with the smelters. The historical smelter sites are in various stages of assessment, with the current most significant individual site being the one located in Blackwell, Oklahoma.

From 1916 to 1974, Blackwell Zinc Company, Inc. (BZC), currently a subsidiary of FCX, owned and operated a zinc smelter in Blackwell, Oklahoma. In 1974, the smelter was demolished and the property deeded to the Blackwell Industrial Authority. Pursuant to an administrative order with the State of Oklahoma (the State), BZC undertook remedial actions in Blackwell in 1996 and 1997, including sampling residential and commercial properties, and removing soils on properties that were found to have metal concentrations above state-established cleanup standards. From 1997 to 2003, BZC investigated the nature and extent of groundwater contamination potentially attributable to the former smelter and evaluated options for remedying such contamination. In 2003, the State adopted a cleanup plan requiring the installation of a groundwater extraction and treatment system and the closure of domestic groundwater wells within the groundwater plume area. BZC is prepared to install the groundwater extraction and treatment system as soon as the necessary building permits are issued by Blackwell.

In 2007, FCX, on behalf of BZC, commenced a voluntary community outreach program inviting property owners in and around Blackwell to have their properties sampled for the presence of smelter-related contaminants, and agreed to remediate properties whose soils are found to have metal concentrations above state-established cleanup standards. As a result of these efforts, owners of about 3,800 properties requested sampling, representing over 90 percent of all eligible properties. Based on sampling results from approximately two-thirds of the properties, about 16 percent of sampled yards and 5 percent of alleyways require some level of cleanup.

Residential yard cleanups started in October 2008. All of these soil sampling and remediation activities are being coordinated with, and supervised by, the State.

On April 14, 2008, a purported class action was filed in the District Court of Kay County, Oklahoma, against FCX, and several direct and indirect subsidiaries, including BZC, and several other parties, entitled Coffey, et al., Plaintiffs, v. Freeport-McMoRan Copper & Gold, Inc., et al., Defendants , Kay County, Oklahoma District Court, Case No. CJ-2008-68. The suit alleges that the operations of BZC's zinc smelter in Blackwell, Oklahoma, from 1918 to 1974 resulted in contamination of the soils and groundwater in Blackwell and the surrounding area. Unspecified compensatory and punitive damages are sought on behalf of the putative class members for alleged diminution in property values. There is also a request for an order compelling remediation of alleged contaminated properties and the establishment of a monetary fund to monitor the present and future health of the putative class members. FCX intends to defend this matter vigorously.

Uranium Mining Sites. During a period between 1940 and the early 1970s, certain FMC predecessor entities were involved in uranium exploration and mining in the western U.S. Similar exploration and mining activities by other companies have caused environmental impacts that have warranted remediation, and EPA and local authorities are currently evaluating the need for significant clean-up activities in the region. To date, FMC has undertaken remediation at a limited number of sites associated with these predecessor entities. FCX recognized the existence of a potential liability for these activities and had environmental reserves for six former uranium sites. An initiative to gather additional information about sites in the region is ongoing, and information gathered under this initiative was submitted to EPA Region 9 during the second and third quarters of 2008 in response to an information request by EPA regarding uranium mining activities on Navajo Nation properties. FCX utilized the results of FMC's remediation experience, in combination with historical and updated information gathered to date, to initially estimate its fair value of uranium-related liabilities assumed in the Phelps Dodge acquisition.

Asset Retirement Obligations (AROs). FCX's ARO cost estimates are reflected on a third-party cost basis and comply with FCX's legal obligation to retire tangible, long-lived assets as defined by SFAS No. 143.

A summary of changes in FCX's AROs for the years ended December 31, 2008, 2007 and 2006, follows:

	2008	2007	2006
Balance at beginning of year	$ 728	$ 30	$ 27
Liabilities assumed in the acquisition of Phelps Dodge	–	531[a]	–
Liabilities incurred	5	1	–
Revisions to cash flow estimates	21	179	–
Accretion expense	51	27	3
Spending	(91)	(40)	–
Foreign currency translation adjustment	(2)	–	–
Balance at end of year	712	728	30
Less current portion	(42)	(97)	–
Long-term portion	$ 670	$ 631	$ 30

a. The fair value of AROs assumed in the acquisition of Phelps Dodge was estimated based on projected cash flows, an estimated long-term annual inflation rate of 2.4 percent, a discount rate based on FCX's estimated credit-adjusted, risk-free interest rate of 7.8 percent and a market risk premium of 10 percent to reflect what a third-party might require to assume these AROs.

ARO costs may increase or decrease significantly in the future as a result of changes in regulations, engineering designs and technology, permit modifications or updates, mine plans, cost of inflation or other factors and as actual reclamation spending occurs. ARO activities and expenditures generally are made over an extended period of time commencing near the end of the mine life; however, certain reclamation activities could be accelerated if required, or if they are determined to be economically beneficial.

The most significant revisions to cash flow estimates in 2007 were related to changes at Chino, Tyrone and PT Freeport Indonesia. During 2007, Chino and Tyrone each submitted updated third-party closure cost estimates to the state of New Mexico as part of the closure permit renewal process. As a result, FCX revised its cash flow estimates and increased its ARO by $95 million for Chino and $45 million for Tyrone. Additional adjustments may be required based upon the state's review of the updated closure plans and any permit conditions imposed by the state of New Mexico. Additionally, PT Freeport Indonesia updated its cost estimates primarily for changes to its plans for the treatment of acidic water, resulting in an increase of $33 million.

Legal requirements in New Mexico, Arizona and Colorado require financial assurance to be provided for the estimated costs of reclamation and closure, including groundwater quality protection programs. FCX has satisfied financial assurance requirements by using a variety of mechanisms, such as third-party performance guarantees, financial capability demonstrations, trust funds, surety bonds, letters of credit and collateral. The applicable regulatory requirements provide financial strength tests to support performance guarantees and financial capability demonstrations, which are designed to confirm a company's or guarantor's financial capability to fund future estimated reclamation and closure costs. The amount of financial assurance FCX is required to provide will vary with changes in laws, regulations and reclamation and closure cost estimates. As of December 31, 2008, FCX's financial assurance obligations associated with closure and reclamation costs totaled $708 million, of which approximately $425 million was in the form of parent company guarantees and financial capability demonstrations. At December 31, 2008, FCX had trust assets totaling $114 million, which are legally restricted to fund a portion of its AROs for Chino, Tyrone and Cobre as required by New Mexico regulatory authorities. During 2008, FCX's trust assets that were voluntarily designated for funding global reclamation and remediation activities decreased by $430 million resulting primarily from reimbursement of previously incurred costs for reclamation and environmental activities.

New Mexico Environmental and Reclamation Programs. FCX's New Mexico operations are subject to regulation under the New Mexico Water Quality Act and the Water Quality Control Commission (WQCC) regulations adopted under that Act. The New Mexico Environment Department (NMED) has required each of these operations to submit closure plans for NMED's approval. The closure plans must include measures to assure meeting groundwater quality standards following the closure of discharging facilities and to abate any groundwater or surface water contamination.

FCX's New Mexico operations also are subject to regulation under the New Mexico Mining Act (the Mining Act), which was enacted in 1993, and the Mining Act rules, which are administered by the Mining Minerals Division (MMD). Under the Mining Act, mines are required to submit and obtain approval of closeout plans describing the reclamation to be performed following cessation of mining operations at all or a portion of the mines. At December 31, 2008, FCX had accrued reclamation and closure costs of $372 million for its New Mexico operations. As stated above, additional accruals may be required based on the state's review of FCX's updated closure plans and any resulting permit conditions, and the amount of those accruals could be material.

Arizona Environmental and Reclamation Programs. FCX's Arizona properties are subject to regulatory oversight and compliance in several areas. The Arizona Department of Environmental Quality (ADEQ) has adopted regulations for its aquifer protection permit (APP) program that replaced previous Arizona groundwater quality protection permit regulations. APP regulations require permits for certain facilities, activities and structures for mining, concentrating and smelting and require compliance with aquifer water quality standards at an applicable point of compliance well or location. The APP program also may require mitigation and discharge reduction or elimination of some discharges.

An application for an APP requires a description of a closure strategy to meet applicable groundwater protection requirements following cessation of operations and a cost estimate to implement the closure strategy. An APP may specify closure requirements, which may include post-closure monitoring and maintenance requirements. A more detailed closure plan must be submitted within 90 days after a permitted entity notifies ADEQ of its intent to cease operations. A permit applicant must demonstrate its financial capability to meet the closure costs required under the APP.

Portions of the Arizona mining facilities that operated after January 1, 1986, also are subject to the Arizona Mined Land Reclamation Act (AMLRA). AMLRA requires reclamation to achieve stability and safety consistent with post-mining land use objectives specified in a reclamation plan. Reclamation plans require approval by the State Mine Inspector and must include a cost estimate to perform the reclamation measures specified in the plan. During 2008, FCX updated its closure approach at Sierrita and Tohono to address site-specific regulatory obligations and will continue to evaluate options for future reclamation and closure activities at its other operating and non-operating sites, which are likely to result in additional adjustments to FCX's ARO liabilities. At December 31, 2008, FCX had accrued reclamation and closure costs of $164 million for its Arizona operations.

PT Freeport Indonesia Reclamation and Closure Programs. The ultimate amount of reclamation and closure costs to be incurred at PT Freeport Indonesia's operations will be determined based on applicable laws and regulations and PT Freeport Indonesia's assessment of appropriate remedial activities in the circumstances, after consultation with governmental authorities, affected local residents and other affected parties and cannot currently be projected with precision. Estimates of the ultimate reclamation and closure costs PT Freeport Indonesia will incur in the future involve complex issues requiring integrated assessments over a period of many years and are subject to revision over time as more complete studies are performed. Some reclamation costs will be incurred during mining activities, while most closure costs and the remaining reclamation costs will be incurred at the end of mining activities, which are currently estimated to continue for more than 32 years. At December 31, 2008, PT Freeport Indonesia had accrued reclamation and closure costs of $83 million.

In 1996, PT Freeport Indonesia began contributing to a cash fund ($11 million balance at December 31, 2008) designed to accumulate at least $100 million (including interest) by the end of its Indonesian mining activities. PT Freeport Indonesia plans to use this fund, including accrued interest, to pay the above-mentioned mine closure and reclamation costs. Any costs in excess of the $100 million fund would be funded by operational cash flow or other sources.

In May 2008, the Indonesian Minister of the Department of Energy and Mineral Resources issued a new regulation regarding mine reclamation and closure, which requires a company to provide a mine closure guarantee in the form of a time deposit placed in a state-owned bank in Indonesia. PT Freeport Indonesia does not believe that a deposit is required under the terms of its Contract of Work, but is working with the Department of Energy and Mineral Resources to review these requirements and discuss other options for the mine closure guarantee.

Litigation. FCX is subject to legal proceedings claims and liabilities that arise in the normal course of business. FCX believes the amount of the ultimate liability with respect to those matters will not have a material adverse effect, either individually or in the aggregate, upon its business, financial condition, liquidity, results of operations or cash flow.

Since approximately 1990, FMC or its subsidiaries have been named as a defendant in product liability or premises lawsuits claiming injury from exposure to asbestos found in electrical wire products produced or marketed many years ago, or from asbestos at certain FMC properties. FCX believes its liability, if any, in these matters will not have a material adverse effect, either individually or in the aggregate, upon its business, financial condition, liquidity, results of operations or cash flow. There can be no assurance, however, that future developments will not alter this conclusion.

Letters of Credit and Surety Bonds. Standby letters of credit totaled $81 million at December 31, 2008, primarily for reclamation and environmental obligations and workers' compensation insurance programs. In addition, FCX had surety bonds totaling $89 million at December 31, 2008, associated with reclamation and closure ($66 million – see discussion above), self-insurance bonds primarily for workers' compensation ($21 million) and miscellaneous bonds ($2 million).

Insurance. FCX purchases a variety of insurance products to mitigate potential losses. The various insurance products typically have specified deductible amounts, or self-insured retentions, and policy limits. FCX generally is

self-insured for U.S. workers' compensation, but purchases excess insurance up to statutory limits. An actuarial analysis is performed twice a year for various FCX casualty programs, including workers' compensation, to estimate required insurance reserves. Insurance reserves totaled $60 million at December 31, 2008, which consisted of a current portion of $10 million (included in accounts payable and accrued liabilities) and a long-term portion of $50 million (included in other liabilities).

Other . In December 2008, Cerro Verde was notified by Peruvian taxing authorities of their intent to assess mining royalties related to the minerals processed by the Cerro Verde concentrator. The amount claimed to be due through December 2007 is approximately $33 million. FCX believes that Cerro Verde's royalty obligations with respect to all minerals extracted are governed by its existing stability agreement, regardless of the processing method applied after extraction, and believes that Cerro Verde owes no royalties with respect to minerals processed through its concentrator. FCX intends to work cooperatively with the Peruvian authorities to resolve this matter.

NOTE 16. COMMITMENTS AND GUARANTEES

Operating Leases. FCX leases various types of properties, including offices and equipment. A summary of future minimum rentals under these non-cancelable leases at December 31, 2008, follows:

2009	$ 26
2010	22
2011	17
2012	8
2013	4
After 2013	5
Total payments	$ 82

Minimum payments under operating leases have not been reduced by aggregate minimum sublease rentals, which are minimal.

Total aggregate rental expense under operating leases was $90 million in 2008, $54 million in 2007 and $10 million in 2006.

Contractual Obligations. Based on applicable prices at December 31, 2008, FCX has unconditional purchase obligations of $1.2 billion, primarily comprising the procurement of copper concentrates and cathodes ($522 million), transportation ($184 million) and oxygen ($163 million) that are essential to its operations worldwide. Some of FCX's unconditional purchase obligations are settled based on the prevailing market rate for the service or commodity purchased. In some cases, the amount of the actual obligation may change over time because of market conditions. Obligations for copper concentrates and cathodes provide for deliveries of specified volumes, at market-based prices, primarily to Atlantic Copper and the North America copper mines. Transportation obligations are primarily for South America contracted ocean freight rates and for North America natural gas transportation. Oxygen obligations provide for deliveries of specified volumes, at fixed prices, primarily to Atlantic Copper.

FCX's future commitments total $694 million in 2009, $182 million in 2010, $124 million in 2011, $39 million in 2012, $24 million in 2013 and $151 million thereafter. During 2008, 2007 and 2006, FCX fulfilled its minimum contractual purchase obligations or negotiated settlements in those situations in which it terminated an agreement containing an unconditional obligation.

Mining Contracts. *Indonesia.* FCX is entitled to mine in Indonesia under the "Contract of Work" between PT Freeport Indonesia and the Government of Indonesia. The original Contract of Work was entered into in 1967 and was replaced with a new Contract of Work in 1991. The initial term of the current Contract of Work expires in 2021, but can be extended by PT Freeport Indonesia for two 10-year periods, subject to Indonesian government approval, which cannot be withheld or delayed unreasonably. Given the importance of contracts of work under the Indonesian legal system and PT Freeport Indonesia's approximately 40 years of working with the Indonesian government, which included entering into the Contract of Work in 1991 well before the expiration of the 1967 Contract of Work, PT Freeport Indonesia fully expects that the government will approve the extensions as long as it continues to comply with the terms of the Contract of Work.

In July 2004, FCX received a request from the Indonesian Department of Energy and Mineral Resources that it offer to sell shares in PT Indocopper Investama to Indonesian nationals at fair market value. In response to this request and in view of the potential benefits of having additional Indonesian ownership in the operations, FCX agreed, at the time, to consider a potential sale of an interest in PT Indocopper Investama at fair market value. Neither its Contract of Work nor Indonesian law requires FCX to divest any portion of its ownership in PT Freeport Indonesia or PT Indocopper Investama. In May 2008, FCX signed a Memorandum of Understanding with the Papua provincial government (the Province) whereby the parties agreed to work cooperatively to determine the feasibility of an acquisition by the Province of the PT Indocopper Investama shares at fair market value.

The copper royalty rate payable by PT Freeport Indonesia under its Contract of Work varies from 1.5 percent of copper net revenue at a copper price of $0.90 or less per pound to 3.5 percent at a copper price of $1.10 or more per pound. The Contract of Work royalty rate for gold and silver sales is 1.0 percent.

A large part of the mineral royalties under Government of Indonesia regulations is designated to the provinces from which the minerals are extracted. In connection with its fourth concentrator mill expansion completed in 1998, PT Freeport Indonesia agreed to pay the Government of Indonesia additional royalties (royalties not required by the Contract of Work) to provide further support to the local governments and the people of the Indonesian province of Papua. The additional royalties are paid on production exceeding specified annual amounts of copper, gold and silver expected to be generated when PT Freeport Indonesia's milling facilities operate above 200,000 metric tons of ore per day. The additional royalty for copper equals the Contract of Work royalty rate, and for gold and silver equals twice the Contract of Work royalty rates. Therefore, PT Freeport Indonesia's royalty rate on copper net revenues from production above the agreed levels is double the Contract of Work royalty rate, and the royalty rates on gold and silver sales from production above the agreed levels are triple the Contract of Work royalty rates.

The combined royalties, including the additional royalties, which became effective January 1, 1999, totaled $113 million in 2008, $133 million in 2007 and $126 million in 2006. PT Freeport Indonesia records these royalty payments as a reduction to revenues.

Africa. In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession, including the amount of transfer payments payable to the government, the government's percentage ownership and involvement in the management of the mine, regularization of certain matters under Congolese law and the implementation of social plans. FCX responded to this letter indicating that its mining contracts were negotiated transparently and approved by the Government of the DRC following extended negotiations, and FCX believes they are fair and equitable, comply with Congolese law and are enforceable without modifications. FCX is continuing to work cooperatively with the government to resolve these matters while continuing with its project development activities.

Community Development Programs. FCX has adopted policies that govern its working relationships with the communities where it operates that are designed to guide its practices and programs in a manner that respects basic human rights and the culture of the local people impacted by FCX's operations. FCX continues to make significant expenditures on community development, education, training and cultural programs.

In 1996, PT Freeport Indonesia established the Freeport Partnership Fund for Community Development (formerly the Freeport Fund for Irian Jaya Development) through which PT Freeport Indonesia has made available funding and technical assistance to support the economic health, education and social development of the area. PT Freeport Indonesia has committed through 2011 to provide one percent of its annual revenue for the development of the local people in its area of operations through the Freeport Partnership Fund for Community Development. PT Freeport Indonesia charged $34 million in 2008, $48 million in 2007 and $44 million in 2006 to production costs for this commitment.

FCX's Cerro Verde copper mine has provided a variety of community support projects over the years. During 2006, as a result of discussions with local mayors in the Arequipa region, Cerro Verde agreed to contribute to the design and construction of domestic water and sewage treatment plants for the benefit of the region. These facilities are being designed in a modular fashion so that initial installations can be readily expanded in the future. FCX has funded approximately 150 million Peruvian nuevo soles (approximately $49 million at December 31, 2008) to a designated bank account (included in other assets) to be used for financing Cerro Verde's share of the construction costs of these facilities.

During 2006, the Peruvian government announced that all mining companies operating in Peru will make annual contributions to local development funds for a five-year period when copper prices exceed certain levels that are adjusted annually. The contribution is equal to 3.75 percent of after-tax profits, of which 2.75 percent is contributed to a local mining fund and 1.00 percent to a regional mining fund. The charge for these local mining fund contributions totaled $28 million in 2008 and $49 million in 2007.

Guarantees. FCX provides certain financial guarantees (including indirect guarantees of the indebtedness of others) and indemnities.

At its Morenci mine in Arizona, FCX has a venture agreement dated February 7, 1986, with Sumitomo, which includes a put and call option guarantee clause. FCX holds an 85 percent undivided interest in the Morenci complex. Under certain conditions defined in the venture agreement, Sumitomo has the right to sell its 15 percent share to FCX. Likewise, under certain conditions, FCX has the right to purchase Sumitomo's share of the venture. Based on calculations defined in the venture agreement, at December 31, 2008, the maximum potential payment FCX is obligated to make to Sumitomo upon exercise of the put option (or FCX's exercise of its call option) totaled approximately $166 million. At December 31, 2008, FCX had not recorded any liability in its consolidated financial statements in connection with this guarantee as FCX does not believe, based on information available, that it is probable that any amounts will be paid under this guarantee as the fair value of Sumitomo's 15 percent share is well in excess of the exercise price.

Prior to its acquisition by FCX, FMC and its subsidiaries have, as part of merger, acquisition, divestiture and other transactions, from time to time, indemnified certain sellers, buyers or other parties related to the transaction from and against certain liabilities associated with conditions in existence (or claims associated with actions taken) prior to the closing date of the transaction. As part of these transactions, FMC indemnified the counterparty from and against certain excluded or retained liabilities existing at the time of sale that would otherwise have been transferred to the party at closing. These indemnity provisions generally now require FCX to indemnify the party against certain liabilities that may arise in the future from the pre-closing activities of FMC for assets sold or purchased. The indemnity classifications include environmental, tax and certain operating liabilities, claims or litigation existing at closing and various excluded liabilities or obligations. Most of these indemnity obligations arise from transactions that closed many years ago, and given the nature of these indemnity obligations, it is impossible to estimate the maximum potential exposure. Except as described in the following sentence, FCX does not consider any of such obligations as having a probable likelihood of payment that is reasonably estimable, and accordingly, has not recorded any obligations associated with these indemnities. With respect to FCX's environmental indemnity obligations, any expected costs from these guarantees are accrued when potential environmental obligations are considered by management to be probable and the costs can be reasonably estimated.

NOTE 17. FINANCIAL INSTRUMENTS

FCX and its subsidiaries do not purchase, hold or sell derivative financial instruments unless there is an existing asset or obligation or if FCX anticipates a future activity that is likely to occur and will result in exposure to market risks. FCX does not enter into any derivative financial instruments for speculative purposes. FCX and its subsidiaries have entered into derivative financial instruments in limited instances to achieve specific objectives. These objectives principally relate to managing risks associated with commodity price, foreign currency and interest rate risks. The fair values of FCX's financial derivative instruments are based on derivative pricing models or widely published market closing prices. As of December 31, 2008, no FCX derivative instruments met all the criteria under SFAS No. 133, as amended, to qualify as a hedge transaction. A recap of gains (losses) charged to (loss) income from continuing operations before income taxes, minority interests and equity in affiliated companies' net earnings for derivative financial instruments, including embedded derivatives, for the years ended December 31, 2008, 2007 and 2006, follows:

	2008	2007	2006
Commodity contracts:			
Embedded derivatives in provisional sales contracts [a]	$ (1,278)	$ 197	$ 293
Embedded derivatives in provisional purchase contracts [b]	34	(10)	–
Copper forward contracts [b]	(71)	(44)	47
Copper futures and swap contracts [a]	(184)	(38)	–
FMC's zero-premium copper collars [a]	–	(175)	–
Gold-Denominated Preferred Stock, Series II [a]	–	–	(69)
Silver-Denominated Preferred Stock [a]	–	–	(13)
Foreign currency exchange contracts [b]	–	–	7

a. Amounts recorded in revenues.

b. Amounts recorded in cost of sales as production and delivery costs.

Summarized below are financial instruments whose carrying amounts are not equal to their fair values and unsettled derivative financial instruments at December 31, 2008 and 2007:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Commodity contracts:				
Embedded derivatives in provisional sales/ purchases contracts: [a]				
Asset position	$ 87	$ 87	$ 34	$ 34
Liability position	(485)	(485)	(157)	(157)
Copper forward contracts:				
Liability position [b]	(4)	(4)	(4)	(4)
Copper futures and swap contracts:				
Asset position [c]	2	2	–	–
Liability position [b, d]	(89)	(89)	(9)	(9)
Long-term debt (including amounts due within one year)	(7,351)	(5,889)	(7,211)	(7,595)

a. Amounts recorded either as a net accounts receivable or a net accounts payable except for Atlantic Copper's copper purchases, which are recorded to product inventories ($56 million for 2008 and $18 million for 2007).

b. Amounts recorded in accounts payable and accrued liabilities.

c. Amounts recorded in accounts receivable.

d. At December 31, 2008, FCX had paid $92 million to brokers for margin requirements, which is recorded in other current assets.

Commodity Contracts. From time to time, FCX has entered into forward, futures, swaps and option contracts to hedge the market risk associated with fluctuations in the prices of commodities it sells. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions. As of December 31, 2008 and 2007, FCX had no price protection contracts relating to its mine production. A summary of FCX's derivative contracts and programs follows.

Embedded Derivatives. As described in Note 1 under "Revenue Recognition," a portion of FCX's copper concentrate and cathode sales contracts and gold sales contracts provides for provisional pricing primarily based on LME or COMEX prices at the time of shipment as specified in the contract. Similarly, FCX purchases copper and molybdenum under contracts that provide for provisional pricing. FCX applies the normal purchase and sale exception under SFAS No. 133, as amended, to the host sales agreements since the contracts do not allow for net settlement and always result in physical delivery. Under SFAS No. 133, as amended, sales and purchases made on a provisional sales price contain an embedded derivative (*i.e.* , the price settlement mechanism that is settled after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale or purchase of the metals contained in the concentrates or cathodes at the then-current LME or COMEX price. Mark-to-market price fluctuations recorded through the settlement date are reflected in revenues for sales contracts and in cost of sales as production and delivery costs for purchase contracts. At December 31, 2008, FCX had embedded derivatives on 508 million pounds of copper sales (net of minority interests), with maturities through May 2009 and 113 million pounds of copper purchases, with maturities through March 2009.

Copper Forward Contracts. Atlantic Copper enters into forward copper contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded to cost of sales. At December 31, 2008, Atlantic Copper held forward copper purchase contracts for 55 million pounds at an average price of $1.45 per pound, with maturities through February 2009.

Copper Futures and Swap Contracts. Some of FCX's U.S. copper rod customers request a fixed market price instead of the COMEX average price in the month of shipment. FCX hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while the customers pay the fixed price they requested. FCX accomplishes this by entering into copper futures and swap contracts and then liquidating the copper futures contracts and settling the copper swap contracts during the month of shipment, which generally results in FCX receiving the COMEX average price in the month of shipment. Gains and losses for these economic hedge transactions are recorded to revenues. At December 31, 2008, FCX held copper futures and swap contracts for 93 million pounds at an average price of $2.34 per pound, with maturities through December 2010.

FMC Copper Collars. As a result of the acquisition of Phelps Dodge, FCX assumed Phelps Dodge's 2007 copper price protection program ($423 million obligation at acquisition date), which consisted of zero-premium copper collars (consisting of both put and call options) for 486 million pounds of copper capped at $2.00 per pound and copper put options for 730 million pounds with a floor price of $0.95 per pound. The zero-premium copper collars consisted of the simultaneous purchase of a monthly or annual put option and the sale of an annual call option. The put option portion of this economic hedge effectively ensured a minimum price per pound while the call option portion established a maximum price per pound. The primary objective of these contracts was to set a minimum price, and the secondary objective was to retain market upside. At December 31, 2007, the copper put options expired without settlement, and FCX paid $598 million in January 2008 to settle the copper call options. FCX does not currently intend to enter into similar hedging programs in the future.

Gold- and Silver-Denominated Preferred Stock. In 2006, FCX redeemed its gold-denominated and silver-denominated preferred stock that had dividends and redemption amounts determined by commodity prices.

Foreign Currency Exchange Contracts. As a global company, FCX transacts business in many countries and in many currencies. Foreign currency transactions of FCX's international subsidiaries increase its risks because exchange rates can change between the time agreements are made and the time foreign currency transactions are settled. FCX may hedge or protect its international subsidiaries' foreign currency transactions from time to time by entering into forward exchange contracts to lock in or minimize the effects of fluctuations in exchange rates. FCX had no outstanding foreign currency exchange contracts at December 31, 2008.

Interest Rate Swap Contracts. From time to time, FCX or its subsidiaries may enter into interest rate swaps to manage its exposure to interest rate changes on a portion of its debt. Floating-rate debt exposes FCX to increasing costs from rising interest rates. FCX may enter into interest rate swap contracts to lock in an interest rate considered to be favorable in order to protect against its exposure to variability in future interest payments attributable to increases in interest rates of the designated floating-rate debt. FCX had no outstanding interest rate swap contracts at December 31, 2008.

Credit Risk. FCX is exposed to credit loss when financial institutions with which FCX has entered into derivative transactions (commodity, foreign exchange and interest rate swaps) are unable to pay. To minimize the risk of such losses, FCX uses highly rated financial institutions that meet certain requirements. FCX also periodically reviews the creditworthiness of these institutions to ensure that they are maintaining their ratings. FCX does not anticipate that any of the financial institutions FCX deals with will default on their obligations. As of December 31, 2008, FCX did not have any significant credit exposure associated with derivative transactions.

Other Financial Instruments. The methods and assumptions FCX used to estimate the fair value of significant groups of financial instruments for which it can reasonably determine a value are as follows:

Cash and Cash Equivalents. The financial statement amount is a reasonable estimate of the fair value because of the short maturity of these instruments.

Trust Assets. The financial statement amount represents the fair value of trust assets, which is based on quoted market prices.

Long-Term Debt. The fair value of substantially all of FCX's long-term debt is estimated based on quoted market prices.

NOTE 18. ACQUISITION OF PHELPS DODGE

On March 19, 2007, FCX acquired Phelps Dodge, a fully integrated producer of copper and molybdenum, with mines in North and South America and processing capabilities for other by-product minerals, such as gold, silver and rhenium, and several development projects, including Tenke Fungurume in the DRC.

In the acquisition, each share of Phelps Dodge common stock was exchanged for 0.67 of a share of FCX common stock and $88.00 in cash. As a result, FCX issued 136.9 million shares and paid $18.0 billion in cash to Phelps Dodge shareholders. The acquisition was accounted for under the purchase method as required by SFAS No. 141 with FCX as the accounting acquirer.

The estimated fair value of assets acquired and liabilities assumed and the results of Phelps Dodge's (now known as FMC) operations are included in FCX's consolidated financial statements beginning March 20, 2007.

The following table summarizes the $25.8 billion purchase price, which was funded through a combination of common shares issued, borrowings under an $11.5 billion senior credit facility, proceeds from the offering of $6.0 billion of senior notes (see Note 11 for further discussion) and available cash resources:

Phelps Dodge common stock outstanding and issuable at March 19, 2007 (in millions)		204.3
Exchange offer ratio per share of FCX common stock for each Phelps Dodge common share		0.67
Shares of FCX common stock issued (in millions)		136.9
Cash consideration of $88.00 for each Phelps Dodge common share	$	17,979[a]
Fair value of FCX common stock issued		7,781[b]
Transaction and change of control costs and related employee benefits		137
Release of FCX deferred tax asset valuation allowances		(92)[c]
Total purchase price	$	25,805

a. Cash consideration includes cash paid in lieu of any fractional shares of FCX stock.

b. Measurement of the common stock component of the purchase price was based on a weighted-average closing price of FCX's common stock of $56.85 for the two days prior to through two days after the public announcement of the merger on November 19, 2006.

c. FCX determined that, as a result of the acquisition of Phelps Dodge, it would be able to realize certain U.S. tax credits for which it had previously not recognized any benefit. Recognition of these tax credits resulted in a $92 million reduction to the purchase price.

In accordance with the purchase method of accounting, the purchase price paid was determined at the date of the public announcement of the transaction and was allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the closing date of March 19, 2007. In valuing acquired assets and assumed liabilities, fair values were based on, but not limited to: quoted market prices, where available; the intent of FCX with respect to whether the assets purchased were to be held, sold or abandoned; expected future cash flows; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations; and appropriate discount rates and growth rates. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. At the date of acquisition of Phelps Dodge, copper price projections used to value the assets acquired ranged from near-term prices of $2.98 per pound for copper declining over an eight-year period to $1.20 per pound and $26.20 per pound for molybdenum declining over a five-year period to $8.00 per pound, reflecting price expectations at that time.

A summary of the final purchase price allocation as of March 19, 2007, follows (in billions):

	Phelps Dodge Historical Balances	Fair Value Adjustments	Purchase Price Allocation
Cash and cash equivalents	$ 4.2	$ –	$ 4.2
Inventories, including mill and leach stockpiles	0.9	2.8	3.7
Property, plant and equipment [a]	6.0	16.2	22.2
Other assets	3.1	0.2	3.3
Allocation to goodwill [b]	–	6.2	6.2[c]
Total assets	14.2	25.4	39.6
Deferred income taxes (current and long-term) [d]	(0.7)	(6.3)	(7.0)
Other liabilities	(4.1)	(1.5)	(5.6)
Minority interests	(1.2)	–	(1.2)
Total	$ 8.2	$ 17.6	$ 25.8

a. Includes amounts for proven and probable reserves and values of VBPP (see Note 1).

b. None of the $6.2 billion of goodwill was deductible for tax purposes.

c. Includes $160 million of goodwill associated with PDIC, which was sold in the fourth quarter of 2007 (see Note 4).

d. Deferred income taxes were recognized based on the difference between the tax basis and the estimated fair values assigned to net assets.

Unaudited Pro Forma Financial Information. The following unaudited pro forma financial information assumes that FCX acquired Phelps Dodge effective January 1, 2007. The most significant adjustments relate to the purchase accounting impacts of increases in the carrying values of acquired metal inventories (including mill and leach stockpiles) and property, plant and equipment using March 19, 2007, metal prices and assumptions:

	Historical		Pro Forma Adjustments	Pro Forma Consolidated
Year Ended December 31, 2007	FCX	Phelps Dodge [a]		
Revenues	$ 16,939	$ 2,294	$ –	$ 19,233[b]
Operating income	6,555	793	(178)	7,170[b,c]

a. Represents the results of Phelps Dodge's operations from January 1, 2007, through March 19, 2007. Beginning March 20, 2007, the results of Phelps Dodge's operations are included in FCX's consolidated financial information.

b. Includes charges to revenues for mark-to-market accounting adjustments on copper price protection programs totaling $195 million. Also includes credits for amortization of acquired intangible liabilities totaling $120 million.

c. Includes charges associated with the impacts of the increases in the carrying values of acquired metal inventories (including mill and leach stockpiles) and property, plant and equipment, and also includes the amortization of intangible assets and liabilities resulting from the acquisition totaling $1.7 billion.

The above unaudited pro forma consolidated financial information has been prepared for illustrative purposes only and is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated.

NOTE 19. BUSINESS SEGMENTS

FCX has organized its operations into five primary divisions – North America copper mines, South America copper mines, Indonesia mining, Africa mining and Molybdenum operations. Notwithstanding this structure, FCX internally reports information on a mine-by-mine basis. Therefore, in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," FCX concluded that its operating segments include individual mines. Operating segments that meet certain SFAS No. 131 thresholds are reportable segments.

During 2008, FCX revised the presentation of its operating divisions to better reflect management's view of the consolidated FCX operations. Additionally, in 2008, Sierrita and Africa mining became reportable segments. FCX has revised its segment disclosures for the years ended December 31, 2007 and 2006, to conform with the current year presentation.

Further discussion of the reportable segments included in FCX's operating divisions, as well as FCX's other reportable segments – Rod & Refining and Atlantic Copper Smelting & Refining – follows. See Note 3 for information on FCX's ownership interests.

North America Copper Mines. Until the fourth quarter of 2008, FCX had seven operating copper mines in North America – Morenci, Sierrita, Bagdad, Safford and Miami in Arizona and Chino and Tyrone in New Mexico. As a result of the revised operating plans, mining and milling activities have been suspended at Chino, and the project to restart the Miami mine has been deferred. The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and SX/EW operations. A majority of the copper produced at the North America copper mines is cast into copper rod by FCX's Rod & Refining operations. The North America copper mines division includes Morenci and Sierrita as reportable segments.

Morenci. The Morenci open-pit mine, located in southeastern Arizona, primarily produces copper cathodes and copper concentrates. In addition to copper, the Morenci mine produces a small amount of molybdenum concentrates as a by-product.

Sierrita. The Sierrita open-pit mine, located in Pima County, Arizona, primarily produces copper cathodes, copper concentrates and copper sulfate. In addition to copper, the Sierrita mine produces molybdenum concentrate as a by-product.

Other Mines. Other mines include FCX's other operating southwestern U.S. copper mines – Bagdad, Safford and Tyrone. In addition to copper, the Bagdad mine produces molybdenum concentrate as a by-product. Other mines also include FCX's southwestern U.S. copper mines that are currently on care-and-maintenance status, including Miami and Chino.

South America Copper Mines. FCX has four operating copper mines in South America – Cerro Verde in Peru, and Candelaria, Ojos del Salado and El Abra in Chile. These operations include open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. The South America copper mines division includes Cerro Verde as a reportable segment.

Cerro Verde. The Cerro Verde open-pit copper mine, located near Arequipa, Peru, produces copper cathodes and copper concentrates. In addition to copper, the Cerro Verde mine produces molybdenum concentrate as a by-product. In the first quarter of 2009, FCX announced plans to temporarily curtail the molybdenum circuit at Cerro Verde.

Other Mines. Other mines include FCX's Chilean copper mines – Candelaria, Ojos del Salado and El Abra – which include open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. In addition to copper, the Candelaria and Ojos del Salado mines produce gold and silver as by-products.

Indonesia. Indonesia mining includes PT Freeport Indonesia's Grasberg minerals district. PT Freeport Indonesia produces copper concentrates, which contain significant quantities of gold and silver.

Africa. Africa mining includes the Tenke Fungurume copper and cobalt mining concessions in the Katanga province of the DRC. Construction activities are well advanced and initial production is targeted during the second half of 2009. The initial project at Tenke Fungurume is based on mining and processing ore reserves approximating 119 million metric tons with average ore grades of 2.6 percent copper and 0.35 percent cobalt.

Molybdenum. The Molybdenum segment is an integrated producer of molybdenum, with mining, sulfide ore concentrating, roasting and processing facilities that produce high-purity, molybdenum-based chemicals, molybdenum metal powder and metallurgical products, which are sold to customers around the world, and includes the wholly owned Henderson molybdenum mine in Colorado and related conversion facilities. The Henderson underground mine produces high-purity, chemical-grade molybdenum concentrates, which are typically further processed into value-added molybdenum chemical products. This segment also includes a sales company that purchases and sells molybdenum from the Henderson mine as well as from FCX's North and South America copper mines that produce molybdenum as a by-product. In addition, at times this segment roasts and/or processes material on a toll basis. Toll arrangements require the tolling customer to deliver appropriate molybdenum-bearing material to FCX's facilities for processing into a product that is returned to the customer, who pays FCX for processing its material into the specified products.

The Molybdenum segment also includes FCX's wholly owned Climax molybdenum mine in Colorado, which has been on care-and-maintenance status since 1995.

Rod & Refining. The Rod & Refining segment consists of copper conversion facilities located in North America, and until the fourth quarter of 2008, included a refinery, four rod mills and a specialty copper products facility. As a result of the revised operating plans in the fourth quarter of 2008, one of FCX's rod mills was permanently closed. These operations process copper produced at the North America mines and purchased copper into copper cathode, rod and custom copper shapes. At times these operations refine copper and produce copper rod and shapes for customers on a toll basis. Toll arrangements require the tolling customer to deliver appropriate copper-bearing material to FCX's facilities for processing into a product that is returned to the customer, who pays FCX for processing its material into the specified products.

Atlantic Copper Smelting & Refining. Atlantic Copper, FCX's wholly owned smelting unit in Spain, smelts and refines copper concentrates and markets refined copper and precious metals in slimes. PT Freeport Indonesia and the South America copper mines generally sell a portion of their concentrate and cathode (South America) production to Atlantic Copper.

Intersegment sales. Intersegment sales between FCX's operations are based on similar arms-length transactions with third parties at the time of the sale. Intersegment sales may not be reflective of the actual prices ultimately realized because of a variety of factors, including additional processing, timing of sales to unaffiliated customers and transportation premiums.

Allocations. FCX allocates certain operating costs, expenses and capital to the operating divisions and individual segments. However, not all costs and expenses applicable to a mine or operation are allocated. All U.S. federal and state income taxes are recorded and managed at the corporate level with the exception of foreign income taxes, which are recorded and managed at the applicable mine or operation. In addition, most exploration and research activities are managed at the corporate level, and those costs are not allocated to the operating division or segments. Accordingly, the following segment information reflects management determinations that may not be indicative of what the actual financial performance of each operating division or segment would be if it was an independent entity.

FCX revenues attributable to the products it produces for the years ended December 31, 2008, 2007 and 2006, follow:

	2008	2007	2006
Refined copper products	$ 9,575	$ 8,918	$ 1,865
Copper in concentrates [a]	3,954	4,541	2,721
Molybdenum	2,408	1,703	–
Gold	1,286	1,664	1,155
Other [b]	573	113	50
Total	$ 17,796	$ 16,939	$ 5,791

a. Amounts are net of treatment and refining charges totaling $398 million for 2008, $502 million for 2007 and $388 million for 2006.

b. Amounts are net of royalty charges totaling $113 million in 2008, $133 million in 2007 and $126 million in 2006. Also includes $273 million in 2008, $(36) million in 2007 and $139 million in 2006 for adjustments to prior year sales and pre-acquisition sales in 2007 subject to final pricing.

Information concerning financial data by geographic area for the years ended December 31, 2008, 2007 and 2006, is presented in the following tables.

Geographic Area

	2008	2007	2006
Revenues [a]:			
United States	$ 7,609	$ 6,480	$ 76
Japan	2,662	2,479	1,242
Spain	1,872	1,773	1,380
Indonesia	1,420	2,105	1,202
Chile	669	627	–
United Kingdom	404	661	126
Others	3,160	2,814	1,765
Total	$ 17,796	$ 16,939	$ 5,791

	2008	2007	2006
Long-lived assets [b]:			
United States	$ 6,529	$ 16,954	$ 41
Indonesia	3,361	3,126	2,933
Peru	3,278	3,242	–
Democratic Republic of Congo	2,696	1,506	–
Chile	1,551	2,882	–
Spain	283	274	265
Others	59	84	–
Total	$ 17,757	$ 28,068	$ 3,239

a. Revenues are attributed to countries based on the location of the customer.

b. Long-lived assets exclude deferred tax assets, goodwill and intangible assets.

Major Customers

No single customer accounted for 10 percent or more of FCX's consolidated revenues in 2008. Sales to PT Smelting totaled $1.8 billion (11 percent of FCX's consolidated revenues) in 2007 and $1.2 billion (21 percent of FCX's consolidated revenues) in 2006. See Note 3 for further discussion of FCX's investment in PT Smelting.

Business Segments

Business segments for the years ended December 31, 2008, 2007 and 2006, are presented in the following tables.

Business Segments

Year Ended December 31, 2008	North America Copper Mines				South America Copper Mines			Indonesia	Africa					
	Morenci	Sierrita	Other Mines	Total	Cerro Verde	Other Mines	Total	Grasberg	Tenke	Molyb-denum	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Elimi-nations	FCX Total
Revenues:														
Unaffiliated customers [b]	$ 370	$ 90	$ 256	$ 716	$1,602	$2,166	$3,768	$ 2,934[a]	$ –	$ 2,488	$ 5,524	$ 2,333	$ 33	$17,796
Intersegment	1,630	1,103	1,816	4,549	261	137	398	478	–	–	33	8	(5,466)	–
Production and delivery [b]	1,313	487	1,247	3,047	698	1,146	1,844	1,792	6	1,528	5,527	2,276	(5,604)	10,416
Depreciation, depletion and amortization [b]	330	88	352	770	178	333	511	222	6	192	8	35	38	1,782
LCM inventory adjustments	302	–	359	661	–	10	10	–	10	101	–	–	–	782
Selling, general and administrative expenses	–	–	–	–	–	–	–	91	–	18	–	20	140	269
Exploration and research expenses	–	–	–	–	–	–	–	–	–	2	–	–	290	292
Goodwill impairment	1,851	991	1,308	4,150	763	366	1,129	–	2	703	–	–	3	5,987
Long-lived asset impairments and other charges [c]	2,702	1,908	3,549	8,159	1	1,365	1,366	–	2	1,417	20	–	14	10,978
Operating (loss) income [b]	(4,498)	(2,281)	(4,743)	(11,522)	223	(917)	(694)	1,307	(26)	(1,473)	2	10	(314)	(12,710)
Interest expense, net	2	1	10	13	2	2	4	(1)	69	–	4	13	482	584
(Benefit from) provision for income taxes	–	–	–	–	313	(267)	46	612	(66)	–	–	–	(3,436)	(2,844)
Total assets at December 31, 2008	2,148	495	3,555	6,198	3,994	2,406	6,400	4,420	2,685	1,795	266	852	737	23,353
Capital expenditures	276	51	282	609	129	194	323	444	1,058	180	9	34	51	2,708

a. Includes PT Freeport Indonesia's sales to PT Smelting totaling $1.4 billion.

b. The following table summarizes the impact of purchase accounting fair value adjustments on operating (loss) income primarily associated with the impacts of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment:

Revenues	$ –	$ –	$ –	$ –	$ 5	$ 1	$ 6	N/A	$ –	$ (2)	$ –	N/A	$ –	$ 4
Production and delivery	37	11	(24)	24	9	37	46	N/A	–	32	–	N/A	23	125
Depreciation, depletion and amortization	209	62	199	470	87	203	290	N/A	–	139	–	N/A	(11)	888
Impact on operating (loss) income	$ (246)	$ (73)	$ (175)	$ (494)	$ (91)	$ (239)	$ (330)	N/A	$ –	$ (173)	$ –	N/A	$ (12)	$ (1,009)

c. The following table summarizes long-lived asset impairments and other charges:

Long-lived asset impairments	$ 2,683	$ 1,900	$3,511	$ 8,094	$ –	$1,359	$1,359	$ –	$ –	$ 1,408	$ 6	$ –	$ –	$10,867
Restructuring charges	3	2	18	23	1	6	7	–	2	4	4	–	10	50
Special retirement benefits and curtailments	16	6	20	42	–	–	–	–	–	5	10	–	4	61
Long-lived asset impairments and other charges	$ 2,702	$ 1,908	$3,549	$ 8,159	$ 1	$1,365	$1,366	$ –	$ 2	$ 1,417	$ 20	$ –	$ 14	$10,978

Business Segments (continued)

Year Ended December 31, 2007	North America Copper Mines				South America Copper Mines			Indonesia	Africa					
	Morenci	Sierrita	Other Mines	Total	Cerro Verde	Other Mines	Total	Grasberg	Tenke	Molyb-denum	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Elimi-nations	FCX Total
Revenues:														
Unaffiliated customers [b]	$ 286	$ 53	$ 203	$ 542	$1,243	$2,228	$3,471	$ 3,640[a]	$ –	$ 1,746	$ 5,108	$ 2,388	$ 44	$16,939
Intersegment	1,516	780	1,255	3,551	390	18	408	1,168	–	–	32	–	(5,159)	–
Production and delivery [b]	1,014	352	800	2,166	479	798	1,277	1,388	10	1,287	5,119	2,329	(5,049)	8,527
Depreciation, depletion and amortization [b]	240	54	205	499	129	249	378	199	2	94	7	36	31	1,246
Selling, general and administrative expenses	–	–	–	–	–	–	–	188	–	10	–	20	248	466
Exploration and research expenses	–	–	–	–	–	–	–	–	–	2	–	–	143	145
Operating income (loss) [b]	548	427	453	1,428	1,025	1,199	2,224	3,033	(12)	353	14	3	(488)	6,555
Interest expense, net	–	–	–	–	9	(2)	7	12	(41)	–	4	26	505	513
Provision for income taxes	–	–	–	–	484	369	853	1,326	4	–	–	–	217	2,400
Total assets at December 31, 2007	5,043	2,419	7,209	14,671	4,236	4,183	8,419	3,737	1,477	3,522	438	915	7,482[c]	40,661
Capital expenditures	269	28	559	856	58	65	123	368	266	45	8	42	47	1,755

a. Includes PT Freeport Indonesia's sales to PT Smelting totaling $1.8 billion.

b. The following table summarizes the impact of purchase accounting fair value adjustments on operating income (loss) primarily associated with the impacts of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment:

Revenues	$ –	$ –	$ –	$ –	$ 8	$ 1	$ 9	N/A	$ –	$ 111	$ –	N/A	$ –	$ 120
Production and delivery	218	50	76	344	73	96	169	N/A	–	164	–	N/A	104	781
Depreciation, depletion and amortization	167	37	130	334	64	145	209	N/A	–	52	–	N/A	–	595
Impact on operating income (loss)	$ (385)	$ (87)	$ (206)	$ (678)	$ (129)	$ (240)	$ (369)	N/A	$ –	$ (105)	$ –	N/A	$ (104)	$ (1,256)

c. Includes preliminary goodwill of $6.1 billion, which had not been allocated to reporting units.

Year Ended December 31, 2006	North America Copper Mines				South America Copper Mines			Indonesia	Africa					
	Morenci	Sierrita	Other Mines	Total	Cerro Verde	Other Mines	Total	Grasberg	Tenke	Molyb-denum	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Elimi-nations	FCX Total
Revenues:														
Unaffiliated customers	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,543[a]	$ –	$ –	$ –	$ 2,242	$ 6	$ 5,791
Intersegment	–	–	–	–	–	–	–	852	–	–	–	–	(852)	–
Production and delivery	–	–	–	–	–	–	–	1,279	–	–	–	2,119	(873)	2,525
Depreciation, depletion and amortization \	–	–	–	–	–	–	–	184	–	–	–	33	11	228
Selling, general and administrative expenses	–	–	–	–	–	–	–	211	–	–	–	16	(70)	157
Exploration and research expenses	–	–	–	–	–	–	–	–	–	–	–	–	12	12
Operating income	–	–	–	–	–	–	–	2,721	–	–	–	74	74	2,869
Interest expense, net	–	–	–	–	–	–	–	20	–	–	–	25	31	76
Provision for income taxes	–	–	–	–	–	–	–	950	–	–	–	–	251	1,201
Total assets at December 31, 2006	–	–	–	–	–	–	–	4,112	–	–	–	915	363	5,390
Capital expenditures	–	–	–	–	–	–	–	234	–	–	–	17	–	251

a. Includes PT Freeport Indonesia's sales to PT Smelting totaling $1.2 billion.

NOTE 20. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)

Recoverable proven and probable reserves have been calculated as of December 31, 2008, in accordance with Industry Guide 7 as required by the Securities and Exchange Act of 1934. FCX's proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance in other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term "reserve," as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "proven reserves" means reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (ii) grade and/or quality are computed from the results of detailed sampling; and (iii) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term "probable reserves" means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

FCX's reserve estimates are based on the latest available geological and geotechnical studies. FCX conducts ongoing studies of its ore bodies to optimize economic values and to manage risk. FCX revises its mine plans and estimates of proven and probable mineral reserves as required in accordance with the latest available studies. At December 31, 2008, FCX's estimated consolidated recoverable reserves include 102.0 billion pounds of copper, 40.0 million ounces of gold, 2.48 billion pounds of molybdenum, 266.6 million ounces of silver and 0.7 billion pounds of cobalt. At December 31, 2008, recoverable reserves include estimated recoverable copper totaling 2.8 billion pounds in leach stockpiles and 1.1 billion pounds in mill stockpiles, including FCX's joint venture partner's interest in the Morenci mine.

	Recoverable Proven and Probable Reserves [a] at December 31, 2008		
	Copper (billion pounds)	**Gold** (million ounces)	**Molybdenum** (billion pounds)
North America	28.3	0.2	2.08
South America	32.2	1.3	0.40
Indonesia	35.6	38.5	–
Africa	5.9	–	–
Consolidated basis [b]	102.0	40.0	2.48
Net equity interest [c]	82.4	36.2	2.30

a. Proven and probable recoverable reserves are estimated metal quantities from which FCX expects to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that FCX estimates can be economically and legally extracted or produced at the time of the reserve determination.

b. Consolidated basis reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia.

c. Net equity interest reserves represent estimated consolidated basis metal quantities further reduced for minority interest ownership.

Estimated recoverable reserves were determined using long-term average prices of $1.60 per pound for copper, $550 per ounce for gold, $8.00 per pound for molybdenum, $12.00 per ounce for silver and $10.00 per pound for cobalt. The London spot metal prices for the past three years averaged $3.15 per pound for copper and $724 per ounce for gold, and molybdenum prices for the past three years averaged approximately $28 per pound.

Year-End	100% Basis Ore (million metric tons)	Average Ore Grade Per Metric Ton Copper (%)	Gold (grams)	Moly (%)	Recoverable Proven and Probable Reserves Copper (billion pounds)	Gold (million ounces)	Moly (million pounds)
2004	2,769	1.09	0.97	N/A	56.2	61.0	N/A
2005	2,822	1.07	0.92	N/A	56.6	58.0	N/A
2006	2,813	1.04	0.90	N/A	54.8	54.3	N/A
2007	12,224	0.51	0.20	0.01	110.4	54.1	2,042
2008	**14,067**	**0.48**	**0.17**	**0.01**	**118.8**	**53.4**	**2,485**
By Area at December 31, 2008:							
North America							
Developed and producing:							
Morenci	2,813	0.28	–	0.002	10.1	–	27
Sierrita	1,473	0.26	–[a]	0.029	7.1	0.1	769
Bagdad	1,051	0.30	–[a]	0.015	5.3	0.1	252
Safford	450	0.38	–	–	2.6	–	–
Tyrone	334	0.29	–	–	1.4	–	–
Henderson	149	–	–	0.176	–	–	502
Chino [b]	143	0.52	0.01	0.005	2.3	–[a]	6
Miami [b]	91	0.43	–	–	0.6	–	–
Undeveloped:							
Climax	165	–	–	0.165	–	–	532
Cobre	73	0.39	–	–	0.4	–	–
South America							
Developed and producing:							
Cerro Verde	3,023	0.37	–	0.012	21.6	–	397
El Abra	1,120	0.45	–	–	5.5	–	–
Candelaria	391	0.55	0.11	–	4.9	1.3	–
Ojos del Salado	8	1.12	0.27	–	0.2	–[a]	–
Indonesia							
Developed and producing:							
Grasberg open pit	384	0.97	1.17	–	7.1	12.0	–
Deep Ore Zone [c]	282	0.62	0.67	–	3.3	4.6	–
Undeveloped:							
Grasberg block cave	1,007	1.02	0.81	–	19.4	17.7	–
Kucing Liar	441	1.24	1.09	–	10.3	7.1	–
Deep Mill Level Zone [d]	494	0.89	0.75	–	8.3	9.1	–
Big Gossan	56	2.23	1.18	–	2.5	1.4	–
Africa							
Undeveloped:							
Tenke Fungurume [e]	119	2.64	–	–	5.9	–	–
Total 100% basis	**14,067**				**118.8**	**53.4**	**2,485**
Consolidated basis					**102.0**	**40.0**	**2,482**
FCX's equity share					**82.4**	**36.2**	**2,297**

a. Amounts not shown because of rounding.

b. Mining operations suspended as of December 31, 2008.

c. In 2007, FCX combined the Deep Ore Zone and Ertsberg Stockwork Zone reserves, which FCX now refers to as the Deep Ore Zone.

d. In 2007, FCX combined the Mill Level Zone and Deep Mill Level Zone reserves, which FCX now refers to as the Deep Mill Level Zone.

e. Recoverable proven and probable reserves also include 0.7 billion pounds of recoverable cobalt on a 100 percent basis (0.4 billion pounds on an equity share basis) with an average ore grade of 0.35 percent.

NOTE 21. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2008					
Revenues	$ 5,672	$ 5,441	$ 4,616	$ 2,067	$ 17,796
Operating income (loss) [a]	2,396	2,053	1,133	(18,292)	(12,710)
Net income (loss) applicable to common stock [a]	1,122	947	523	(13,933)	(11,341)
Basic net income (loss) per share of common stock	2.93	2.47	1.37	(36.78)	(29.72)
Diluted net income (loss) per share of common stock [a]	2.64	2.25	1.31	(36.78)	(29.72)
2007					
Revenues [b]	$ 2,246	$ 5,443	$ 5,066	$ 4,184	$ 16,939
Operating income [b, c]	1,172	2,354	1,877	1,152	6,555
Income from continuing operations applicable to common stock [b, c, d]	472	1,076	763	423	2,734
Income (loss) from discontinued operations [c]	4	28	12	(9)	35
Net income applicable to common stock [b, c, d]	476	1,104	775	414	2,769
Basic net income (loss) per share of common stock:					
Continuing operations	$ 2.18	$ 2.83	$ 2.00	$ 1.10	$ 8.02
Discontinued operations	0.02	0.07	0.03	(0.02)	0.10
Basic net income per share of common stock	$ 2.20	$ 2.90	$ 2.03	$ 1.08	$ 8.12
Diluted net income (loss) per share of common stock:					
Continuing operations [b, c, d]	$ 2.00	$ 2.56	$ 1.85	$ 1.07	$ 7.41
Discontinued operations [c]	0.02	0.06	0.02	(0.02)	0.09
Diluted net income per share of common stock [b, c, d]	$ 2.02	$ 2.62	$ 1.87	$ 1.05	$ 7.50

All references to income or losses per share are on a diluted basis, unless otherwise noted.

a. Includes LCM inventory adjustments totaling $1 million ($1 million to net income or less than $0.01 per share) in the first quarter, $4 million ($2 million to net income or $0.01 per share) in the second quarter, $17 million ($10 million to net income or $0.02 per share) in the third quarter, $760 million ($466 million to net loss or $1.23 per share) in the fourth quarter and $782 million ($479 million to net loss or $1.26 per share) for the year. Fourth quarter also includes asset impairments totaling $10.9 billion ($6.6 billion to net loss or $17.34 per share), goodwill impairments totaling $6.0 billion ($6.0 billion to net loss or $15.69 per share), restructuring charges totaling $50 million ($30 million to net loss or $0.08 per share) and special retirement benefits and curtailments totaling $61 million ($37 million to net loss or $0.10 per share). Includes the purchase accounting impact of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment; the impact associated with the amortization of intangible assets and liabilities resulting from the acquisition of Phelps Dodge; and also includes amounts for non-operating income and expense primarily related to the accretion of the fair values of assumed environmental obligations (determined on a discounted cash flow basis). These impacts total $278 million to operating income and $15 million to non-operating income and expense ($183 million to net income or $0.41 per share) in the first quarter, $236 million to operating income and $22 million to non-operating income and expense ($161 million to net income or $0.36 per share) in the second quarter, $247 million to operating income and $30 million to non-operating income and expense ($174 million to net income or $0.39 per share) in the third quarter, $248 million to operating loss and $26 million to non-operating income and expense ($161 million to net loss or $0.43 per share) in the fourth quarter and $1.0 billion to operating loss and $93 million to non-operating income and expense ($679 million to net loss or $1.78 per share) for the year.

b. Includes charges (credits) to revenues for mark-to-market accounting adjustments for the 2007 copper price protection program totaling $38 million ($23 million to net income or $0.10 per share) in the first quarter, $130 million ($80 million to net income or $0.18 per share) in the second quarter, $44 million ($26 million to net income or $0.06 per share) in the third quarter, $(37) million ($(23) million to net income or $0.06 per share) in the fourth quarter and $175 million ($106 million to net income or $0.27 per share) for the year.

c. Includes the purchase accounting impact of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment; and also includes the impact associated with the amortization of intangible assets and liabilities resulting from the acquisition of Phelps Dodge totaling $124 million ($79 million to net income or $0.32 per share) in the first quarter, $455 million ($284 million or $0.64 per share) in the second quarter, $445 million ($279 million to net income or $0.62 per share) in the third quarter, $232 million ($143 million to net income or $0.35 per share) in the fourth quarter and $1.3 billion to operating income ($785 million to net income or $1.98 per share) for the year associated with continuing operations. Also includes purchase accounting impact totaling $8 million ($0.02 per share) in the third quarter associated with discontinued operations.

d. Includes net losses on early extinguishment of debt totaling $88 million ($75 million to net income or $0.31 per share) in the first quarter, $47 million ($35 million to net income or $0.08 per share) in the second quarter, $36 million ($31 million to net income or $0.07 per share) in the third quarter and $173 million ($132 million to net income or $0.33 per share) for the year. Also includes gains primarily from the sales of marketable securities totaling $38 million ($23 million to net income or $0.05 per share) in the second quarter, $47 million ($29 million to net income or $0.06 per share) in the third quarter and $85 million ($52 million to net income or $0.13 per share) for the year.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures . Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report on Form 10-K. Based on their evaluation, they have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) Changes in internal controls . There has been no change in our internal control over financial reporting that occurred during the fourth quarter that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

(c) Management's annual report on internal control over financial reporting and the report thereon of Ernst & Young LLP are included herein under Item 8. "Financial Statements and Supplemental Data."

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information set forth under the captions "Information About Director Nominees" and "Section 16(a) Beneficial Ownership Reporting Compliance" of our definitive proxy statement to be filed with the Securities and Exchange Commission (SEC), relating to our 2009 annual meeting of stockholders, is incorporated herein by reference. The information required by Item 10 regarding our executive officers appears in a separately captioned heading after Item 4 in Part I of this report.

Item 11. Executive Compensation.

The information set forth under the captions "Director Compensation" and "Executive Officer Compensation" of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information set forth under the captions "Stock Ownership of Directors and Executive Officers" and "Stock Ownership of Certain Beneficial Owners" of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information set forth under the caption "Certain Transactions" of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information set forth under the caption "Independent Auditors" of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1). Financial Statements.

Not applicable

(a)(2). Financial Statement Schedules.

Reference is made to the Index to Financial Statements appearing on page F-1 hereof.

(a)(3). Exhibits.

Reference is made to the Exhibit Index beginning on page E-1 hereof.

SIGNATURES

Pursuant to the requirements of Section 13 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, on February 26, 2009.

Freeport-McMoRan Copper & Gold Inc.

By: /s/ Richard C. Adkerson
Richard C. Adkerson
President, Chief Executive Officer
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities indicated on February 26, 2009.

*	Chairman of the Board
James R. Moffett	
*	Vice Chairman of the Board
B. M. Rankin, Jr.	
/s/ Richard C. Adkerson	President, Chief Executive Officer and Director
Richard C. Adkerson	(Principal Executive Officer)
/s/ Kathleen L. Quirk	Executive Vice President, Chief Financial Officer and Treasurer
Kathleen L. Quirk	(Principal Financial Officer)
*	Vice President and Controller - Financial Reporting
C. Donald Whitmire, Jr.	(Principal Accounting Officer)
*	Director
Robert J. Allison, Jr.	
*	Director
Robert A. Day	
*	Director
Gerald J. Ford	
*	Director
H. Devon Graham, Jr.	
*	Director
J. Bennett Johnston	

*	Director
Charles C. Krulak	
*	Director
Bobby Lee Lackey	
*	Director
Jon C. Madonna	
*	Director
Dustan E. McCoy	
*	Director
Gabrielle K. McDonald	
*	Director
J. Stapleton Roy	
*	Director
Stephen H. Siegele	
*	Director
J. Taylor Wharton	

By: /s/ Richard C. Adkerson
Richard C. Adkerson
Attorney-in-Fact

FR EEPORT-McMoRan COPPER & GOLD INC.
INDEX TO FINANCIAL STATEMENTS

Our financial statements and the notes thereto, and the report of Ernst & Young LLP included in our 2008 annual report are incorporated herein by reference.

	Page
Report of Independent Registered Public Accounting Firm	F-1
Schedule II-Valuation and Qualifying Accounts	F-2

Schedules other than the one listed above have been omitted since they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
FREEPORT-McMoRan COPPER & GOLD INC.

We have audited the consolidated financial statements of Freeport-McMoRan Copper & Gold Inc. (the Company) as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008, and have issued our report thereon dated February 18, 2009. Our audits also included the schedule listed in the index above for this Form 10-K. The schedule listed in the index above is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 18, 2009

FREEPORT-McMoRan COPPER & GOLD INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
	Balance at Beginning of Period	Charged to Costs and Expense	Charged to Other Accounts	Other Add (Deduct)	Balance at End of Period
Reserves and allowances deducted from asset accounts:					
Materials and supplies allowances					
2008	16	11	-	(5)[a]	22
2007	16	7	-	(7)[a]	16
2006	17	6	-	(7)[a]	16
Valuation allowance for deferred tax assets					
2008	1,165	582	16	-	1,763
2007	925	332	-	(92)[b]	1,165
2006	802	123	-	-	925
Reserves for non-income taxes:					
2008	34	7	(3)	(6)[c]	32
2007	22	4	11	(3)[c]	34
2006	19	7	-	(4)[c]	22

a. Primarily represents write-offs of obsolete materials and supplies inventories.
b. Represents a release of valuation allowances as a result of the acquisition of Phelps Dodge.
c. Represents amounts paid or adjustments to reserves based on revised estimates.

FRE EPORT-McMoRan COPPER & GOLD INC.
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
2.1	Agreement and Plan of Merger dated as of November 18, 2006, by and among Freeport-McMoRan Copper & Gold Inc. (FCX), Phelps Dodge Corporation and Panther Acquisition Corporation.		S-4	333-139252	12/11/2006
3.1	Composite Certificate of Incorporation of FCX.		8-A/A	001-11307-01	01/26/2009
3.2	Amended and Restated By-Laws of FCX, as amended through May 1, 2007.		8-K	001-11307-01	05/04/2007
4.1	Certificate of Designations of 5½% Convertible Perpetual Preferred Stock of FCX.		8-K	001-11307-01	03/31/2004
4.2	Certificate of Designations of 6¾% Mandatory Convertible Preferred Stock of FCX.		8-K	001-11307-01	03/27/2007
4.3	Rights Agreement dated as of May 3, 2000, between FCX and ChaseMellon Shareholder Services, L.L.C., as Rights Agent.		10-Q	001-09916	05/15/2000
4.4	Amendment No. 1 to Rights Agreement dated as of February 26, 2002, between FCX and Mellon Investor Services.		10-Q	001-09916	05/07/2002
4.5	Indenture dated as of February 11, 2003, from FCX to The Bank of New York, as Trustee, with respect to the 7% Convertible Senior Notes due 2011.		8-K	001-09916	02/25/2003
4.6	Indenture dated as of March 19, 2007, from FCX to The Bank of New York, as Trustee, with respect to the 8.25% Senior Notes due 2015, 8.375% Senior Notes due 2017, and the Senior Floating Rate Notes due 2015.		8-K	001-11307-01	03/19/2007
4.7	Credit Agreement dated as of March 19, 2007, by and among FCX, the Lenders party thereto, the Issuing Banks party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	03/19/2007
4.8	Amendment Agreement dated as of July 3, 2007, amending the Credit Agreement dated as of March 19, 2007, among FCX, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	07/11/2007
4.9	First Amendment dated as of January 22, 2009, in respect of the Amended and Restated Credit Agreement dated as of July 10, 2007, among FCX, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	01/26/2009
4.10	Amended and Restated Credit Agreement dated as of March 19, 2007, by and among FCX, PT Freeport Indonesia, the Lenders party thereto, the Issuing Banks party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, Collateral Agent, Security Agent and JAA Security Agent, U.S. Bank National Association, as FI Trustee, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	03/19/2007

FREEPORT-McMoRan COPPER & GOLD INC.
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
4.11	Amendment Agreement dated as of July 3, 2007, amending the Amended and Restated Credit Agreement dated as of March 19, 2007, which amended and restated the Amended and Restated Credit Agreement, dated as of July 25, 2006, which amended and restated the Amended and Restated Credit Agreement, dated as of September 30, 2003, which amended and restated the Amended and Restated Credit Agreement, dated as of October 19, 2001, which amended and restated both the Credit Agreement, originally dated as of October 27, 1989 and amended and restated as of June 1, 1993 and the Credit Agreement, originally dated as of June 30, 1995, among FCX, PT Freeport Indonesia, U.S. Bank National Association, as trustee for the Lenders and certain other lenders under the FI Trust Agreement, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, Security Agent, JAA Security Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	07/11/2007
4.12	First Amendment dated as of January 22, 2009, in respect of the Amended and Restated Credit Agreement dated as of March 19, 2007, as amended as of July 3, 2007, which amends and restates the Amended and Restated Credit Agreement, dated as of July 25, 2006, which amended and restated the Amended and Restated Credit Agreement, dated as of September 30, 2003, which amended and restated the Amended and Restated Credit Agreement, dated as of October 19, 2001, which amended and restated both the Credit Agreement, originally dated as of October 27, 1989 and amended and restated as of June 1, 1993 and the Credit Agreement, originally dated as of June 30, 1995, among FCX, PT Freeport Indonesia, U.S. Bank National Association, as trustee for the Lenders and certain other lenders under the FI Trust Agreement, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, Security Agent, JAA Security Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	01/26/2009
10.1	Contract of Work dated December 30, 1991, between the Government of the Republic of Indonesia and PT Freeport Indonesia.		S-3	333-72760	11/05/2001
10.2	Contract of Work dated August 15, 1994, between the Government of the Republic of Indonesia and PT Irja Eastern Minerals Corporation.		S-3	333-72760	11/05/2001
10.3	Participation Agreement dated as of October 11, 1996, between PT Freeport Indonesia and P.T. RTZ-CRA Indonesia (a subsidiary of Rio Tinto PLC) with respect to a certain contract of work.		S-3	333-72760	11/05/2001
10.4	Agreement dated as of October 11, 1996, to Amend and Restate Trust Agreement among PT Freeport Indonesia, FCX, the RTZ Corporation PLC (now Rio Tinto PLC), P.T. RTZ-CRA Indonesia, RTZ Indonesian Finance Limited and First Trust of New York, National Association, and The Chase Manhattan Bank, as Administrative Agent, JAA Security Agent and Security Agent.		8-K	001-09916	11/13/1996
10.5	Concentrate Purchase and Sales Agreement dated effective December 11, 1996, between PT Freeport Indonesia and PT Smelting.		S-3	333-72760	11/05/2001
10.6	Second Amended and Restated Joint Venture and Shareholders' Agreement dated as of December 11, 1996, among Mitsubishi Materials Corporation, Nippon Mining and Metals Company, Limited and PT Freeport Indonesia.		S-3	333-72760	11/05/2001

FREEPORT-McMoRan COPPER & GOLD INC.
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.7	Participation Agreement, dated as of March 16, 2005, among Phelps Dodge Corporation, Cyprus Amax Minerals Company, a Delaware corporation, Cyprus Metals Company, a Delaware corporation, Cyprus Climax Metals Company, a Delaware corporation, Sumitomo Corporation, a Japanese corporation, Summit Global Management, B.V., a Dutch corporation, Sumitomo Metal Mining Co., Ltd., a Japanese corporation, Compañia de Minas Buenaventura S.A.A., a Peruvian sociedad anonima abierta, and Sociedad Minera Cerro Verde S.A.A., a Peruvian sociedad anonima abierta.		8-K	001-00082	03/22/2005
10.8	Shareholders Agreement, dated as of June 1, 2005, among Phelps Dodge Corporation, Cyprus Climax Metals Company, a Delaware corporation, Sumitomo Corporation, a Japanese corporation, Sumitomo Metal Mining Co., Ltd., a Japanese corporation, Summit Global Management B.V., a Dutch corporation, SMM Cerro Verde Netherlands, B.V., a Dutch corporation, Compañia de Minas Buenaventura S.A.A., a Peruvian sociedad anonima abierta, and Sociedad Minera Cerro Verde S.A.A., a Peruvian sociedad anonima abierta.		8-K	001-00082	06/07/2005
10.9	Master Agreement and Plan of Merger between Columbian Chemicals Company, Columbian Chemicals Acquisition LLC and Columbian Chemicals Merger Sub, Inc., dated November 15, 2005.		10-K	001-00082	02/27/2006
10.10	Reclamation and Remediation Trust Agreement between Phelps Dodge Corporation and Wells Fargo Delaware Trust Company, dated December 22, 2005.		10-K	001-00082	02/27/2006
10.11	Distribution Agreement, dated as of January 26, 2009, by and between FCX and J.P. Morgan Securities Inc.		8-K	001-11307-01	01/26/2009
10.12*	FCX Director Compensation.		10-Q	001-11307-01	8/11/2008
10.13*	Consulting Agreement dated December 22, 1988, with Kissinger Associates, Inc. (Kissinger Associates).		10-K405	001-09916	03/31/1998
10.14*	Letter Agreement dated May 1, 1989, with Kent Associates, Inc. (Kent Associates, predecessor in interest to Kissinger Associates).		10-K405	001-09916	03/31/1998
10.15*	Letter Agreement dated January 27, 1997, among Kissinger Associates, Kent Associates, FCX, Freeport-McMoRan Inc. (FTX), and FM Services Company (FMS).		10-K405	001-09916	03/08/2002
10.16*	Supplemental Agreement with Kissinger Associates and Kent Associates, effective as of January 1, 2009.		10-Q	001-11307-01	11/10/2008
10.17*	Agreement for Consulting Services between FTX and B. M. Rankin, Jr. effective as of January 1, 1990 (assigned to FMS as of January 1, 1996).		10-K405	001-09916	03/31/1998
10.18*	Supplemental Agreement dated December 15, 1997, between FMS and B. M. Rankin, Jr.		10-K405	001-09916	03/31/1998
10.19*	Supplemental Letter Agreement between FMS and B. M. Rankin, Jr., effective as of January 1, 2009.	X			
10.20*	Letter Agreement effective as of January 7, 1997, between Senator J. Bennett Johnston, Jr. and FMS.		10-K405	001-09916	03/08/2002
10.21*	Supplemental Agreement between FMS and J. Bennett Johnston, Jr., effective as of May 1, 2008.		10-Q	001-11307-01	8/11/2008
10.22*	Supplemental Agreement between FMS and J. Bennett Johnston, Jr., effective as of January 1, 2009.		10-Q	001-11307-01	11/10/2008
10.23*	Letter Agreement dated November 1, 1999, between FMS and Gabrielle K. McDonald.		10-K405	001-09916	03/20/2000

FREEPORT-McMoRan COPPER & GOLD INC.
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.24*	Supplemental Letter Agreement between FMS and Gabrielle K. McDonald, effective as of May 1, 2008.		10-Q	001-11307-01	8/11/2008
10.25*	Supplemental Letter Agreement between FMS and Gabrielle K. McDonald, effective as of January 1, 2009.		10-Q	001-11307-01	11/10/2008
10.26*	Agreement for Consulting Services between FMS and Dr. J. Taylor Wharton, effective as of January 11, 2008.		10-K	001-11307-01	02/29/2008
10.27*	Supplemental Letter Agreement between FMS and Dr. J. Taylor Wharton, effective as of January 1, 2009.	X			
10.28*	Amended and Restated Executive Employment Agreement dated effective as of December 2, 2008, between FCX and James R. Moffett.	X			
10.29*	Amended and Restated Change of Control Agreement dated effective as of December 2, 2008, between FCX and James R. Moffett.	X			
10.30*	Amended and Restated Change of Control Agreement dated effective as of December 2, 2008, between FCX and Michael J. Arnold.	X			
10.31*	Amended and Restated Executive Employment Agreement dated effective as of December 2, 2008, between FCX and Richard C. Adkerson.	X			
10.32*	Amended and Restated Executive Employment dated effective as of December 2, 2008, between FCX and Kathleen L. Quirk.	X			
10.33*	FCX Executive Services Program, as amended and restated December 2, 2008.	X			
10.34*	FCX Supplemental Executive Retirement Plan, as amended and restated.		8-K	001-11307-01	02/05/2007
10.35*	FCX President's Award Program.		S-3	333-72760	11/05/2001
10.36*	FCX Supplemental Executive Capital Accumulation Plan.		10-Q	001-11307-01	05/12/2008
10.37*	FCX Supplemental Executive Capital Accumulation Plan Amendment One.		10-Q	001-11307-01	05/12/2008
10.38*	FCX Supplemental Executive Capital Accumulation Plan Amendment Two.	X			
10.39*	FCX 2005 Supplemental Executive Capital Accumulation Plan.	X			
10.40*	FCX 1995 Stock Option Plan for Non-Employee Directors, as amended and restated.		10-Q	001-11307-01	05/10/2007
10.41*	FCX Amended and Restated 1999 Stock Incentive Plan, as amended and restated.		10-Q	001-11307-01	05/10/2007
10.42*	FCX Amended and Restated 1999 Long-Term Performance Incentive Plan.	X			
10.43*	FCX 2003 Stock Incentive Plan, as amended and restated.		10-Q	001-11307-01	05/10/2007
10.44*	Form of Amendment No. 1 to Notice of Grant of Nonqualified Stock Options and Stock Appreciation Rights under the 2004 Director Compensation Plan.		8-K	001-11307-01	05/05/2006
10.45*	FCX 2004 Director Compensation Plan, as amended and restated.		10-Q	001-11307-01	05/10/2007
10.46*	FCX 2005 Annual Incentive Plan, as amended and restated.	X			
10.47*	FCX Amended and Restated 2006 Stock Incentive Plan.		8-K	001-11307-01	07/13/2007
10.48*	Form of Notice of Grant of Nonqualified Stock Options for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K	001-11307-01	02/29/2008

FREEPORT-McMoRan COPPER & GOLD INC.
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.49*	Form of Restricted Stock Unit Agreement for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K	001-11307-01	02/29/2008
10.50*	Form of Performance-Based Restricted Stock Unit Agreement for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K	001-11307-01	02/29/2008
10.51*	Form of Restricted Stock Unit Agreement (form used in connection with participant elections) for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K	001-11307-01	02/29/2008
10.52*	Form of Performance-Based Restricted Stock Unit Agreement (form used in connection with participant elections) for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K	001-11307-01	02/29/2008
12.1	FCX Computation of Ratio of Earnings to Fixed Charges.	X			
14.1	FCX Principles of Business Conduct.		10-K	001-11307-01	02/29/2008
21.1	Subsidiaries of FCX.	X			
23.1	Consent of Ernst & Young LLP.	X			
24.1	Certified resolution of the Board of Directors of FCX authorizing this report to be signed on behalf of any officer or director pursuant to a Power of Attorney.	X			
24.2	Powers of Attorney pursuant to which this report has been signed on behalf of certain officers and directors of FCX.	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350.	X			
99.1	Amended and Restated Mining Convention dated as of September 28, 2005, among the Democratic Republic of Congo, La Générale des Carrières et des Mines, Lundin Holdings Ltd. (now TF Holdings Limited) and Tenke Fungurume Mining S.A.R.L..		8-K	001-11307-01	09/02/2008
99.2	Amended and Restated Shareholders Agreement dated as of September 28, 2005, by and between La Générale des Carrières et des Mines and Lundin Holdings Ltd. (now TF Holdings Limited) and its subsidiaries.		8-K	001-11307-01	09/02/2008

Note: Certain instruments with respect to long-term debt of FCX have not been filed as exhibits to this Annual Report on Form 10-K since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of FCX and its subsidiaries on a consolidated basis. FCX agrees to furnish a copy of each such instrument upon request of the Securities and Exchange Commission.

* Indicates management contract or compensatory plan or arrangement.

Exhibit 10.19

December 11, 2008

B. M. Rankin, Jr.
300 Crescent Court, Suite 875
Dallas, Texas 75201

Dear Mr. Rankin:

The purpose of this letter is to confirm the automatic renewal of your Consulting Agreement dated January 1, 1991, as amended (the "Agreement").

Your contract will automatically renew for an additional one-year period beginning January 1, 2009, and ending December 31, 2009. All other terms and conditions of the Agreement shall remain the same.

Please confirm that the foregoing correctly sets forth your understanding with respect to this matter by signing both originals of this letter and returning one to me.

Very truly yours,

/s/ Richard C. Adkerson

Richard C. Adkerson
Chairman of the Board
FM Services Company

AGREED TO AND ACCEPTED

BY: /s/ B. M. Rankin, Jr. 1/2/2009
B. M. Rankin, Jr. Date

Exhibit 10.27

December 11, 2008

Dr. J. Taylor Wharton
1332 Milford Street
Houston, Texas 77006

Dear Dr. Wharton:

The purpose of this letter is to confirm the automatic renewal of your Consulting Agreement dated January 11, 2008 (the "Agreement").

Your contract will automatically renew for an additional one-year period beginning January 1, 2009, and ending December 31, 2009. All other terms and conditions of the Agreement shall remain the same.

Please confirm that the foregoing correctly sets forth your understanding with respect to this matter by signing both originals of this letter and returning one to me.

Very truly yours,

Richard C. Adkerson
Chairman of the Board
FM Services Company

AGREED TO AND ACCEPTED

BY: /s/ Dr. J. Taylor Wharton 1/5/2009
Dr. J. Taylor Wharton Date

Amended and Restated
Executive Employment Agreement

This Amended and Restated Executive Employment Agreement ("Agreement") between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and James R. Moffett (the "Executive") is dated effective as of December 2, 2008 (the "Agreement Date").

W I T N E S S E T H:

WHEREAS, the Executive and the Company are parties to an Executive Employment Agreement dated April 30, 2001, which was previously amended on December 10, 2003 (the "Original Agreement"), pursuant to which the Executive currently serves as an officer of the Company;

WHEREAS, pursuant to the terms of this Agreement, the Company desires to retain the services of the Executive and the Executive desires to continue to provide services to the Company;

WHEREAS, the Company and the Executive wish to amend the Original Agreement to (i) comply with the final regulations under Section 409A of the Internal Revenue Code, as amended, (ii) clarify certain provisions in the Original Agreement, including the method of calculating the "pro-rata" bonus and the meaning of "bonus" in the calculation of the lump sum payment due upon certain terminations of employment, (iii) eliminate the additional cash payment of $1.8 million provided to the Executive in connection with a termination of employment due to death, disability or retirement, (iv) revise the method of calculating the cash payment due in the event of a termination of employment due to reasons other than death, disability, cause or good reason, to be equal to three times the sum of the executive's base salary in effect on the termination date and the average (instead of the highest) of the bonuses paid to the executive for the immediately preceding three fiscal years, and (v) add a customary nondisparagement covenant;

WHEREAS, during the course of providing services to the Company, the Executive has or will have received extensive and unique knowledge of, experience in and access to resources involving, the Mining Business (as defined below) at a substantial cost to the Company, which Executive acknowledges has enhanced or substantially will enhance Executive's skills and knowledge in such business;

WHEREAS, during the course of providing services to the Company, Executive has had and will continue to have access to valuable oral and written information, knowledge and data relating to the business and operations of the Company and its subsidiaries that is non-public, confidential or proprietary in nature and is particularly useful in the Mining Business; and

WHEREAS, in view of the opportunities provided by the Company to Executive, the cost thereof to the Company, and the need for the Company to be protected against disclosures by Executive of the Company's and its subsidiaries' trade secrets and other non-public, confidential or proprietary information, the Company and Executive desire, among other things, to prohibit

Executive from disclosing or utilizing, outside the scope of his employment with the Company, any non-public, confidential or proprietary information, knowledge and data relating to the business and operations of the Company or its subsidiaries received by Executive during the course of his employment, and to restrict the ability of Executive to compete with the Company or its subsidiaries for a limited period of time.

NOW, THEREFORE, for and in consideration of the continued employment of Executive by the Company and the payment of salary, benefits and other compensation to Executive by the Company, the parties hereto agree to amend and restate the Original Agreement to read as follows:

Article I

Employment Capacity

1. Capacity and Duties of Executive . The Executive is employed by the Company to render services on behalf of the Company as Chairman of the Board functioning in an executive capacity. The Executive will perform such duties as are assigned to the individual holding the title or titles held by him from time to time in the Company's By-laws and such other duties as may be prescribed from time to time by the Company's Board of Directors (the "Board"), which duties shall be consistent with the position of Chairman of the Board.

2. Term . The term of this Agreement will commence on the Agreement Date and will continue through December 31, 2008; provided, however, that commencing on December 31, 2008, and each December 31 thereafter, the term of this Agreement will automatically be extended for one additional year unless not later than August 1 of the current year, the Corporate Personnel Committee of the Board (the "Committee") has given written notice to the Executive that it does not wish to extend this Agreement.

3. Devotion to Responsibilities . The Executive will devote significant business time to the business of the Company, will use his best efforts to perform faithfully and efficiently his duties under this Agreement, and will not engage in or be employed by any other business; provided, however, that nothing herein will prohibit the Executive from (a) serving as an officer and director of McMoRan Exploration Co. ("McMoRan"), FM Services Company or any of their affiliates or successors, (b) serving as a member of the board of directors, board of trustees or the like of any for-profit or non-profit entity that does not compete with the Company, or performing services of any type for any civic or community entity, whether or not the Executive receives compensation therefor, (c) investing his assets in such form or manner as will require no more than nominal services on the part of the Executive in the operation of the business of the entity in which such investment is made, or (d) serving in various capacities with, and attending meetings of, industry or trade groups and associations, as long as the Executive's activities permitted by clauses (a), (b), (c) and (d) above do not materially and unreasonably interfere with the ability of the Executive to perform the services and discharge the responsibilities required of him under this Agreement. Notwithstanding clause (c) above, the Executive may not, without the approval of the Committee, beneficially own 5% or more of the equity interests of a business organization required to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act") other than the Company or McMoRan, and the Executive may not beneficially own more than 2% of the equity interests of any business

organization that competes with the Company. For purposes of this paragraph, "beneficially own" has the meaning ascribed to that term in Rule 13d-3 under the Exchange Act.

Article II

Compensation and Benefits

1. **Salary** . The Company will pay the Executive a salary ("Base Salary") at an annual rate per fiscal year of the Company ("Fiscal Year") of $2,500,000, which will be payable to the Executive in equal semi-monthly installments. Base Salary may be remitted to the Executive on behalf of the Company by an affiliate of the Company.

2. **Bonus** . The Executive will be eligible to receive an annual incentive bonus (the "Bonus"), payable, if at all, only with respect to services that the Executive provides to the Company. Any Bonus will be determined, accrued and paid in accordance with the terms of the Company's 2005 Annual Incentive Plan, as amended, or any incentive or bonus compensation plan that is a successor or substitute therefor, that covers certain individuals designated by the Committee (the "Annual Incentive Plan"). The Executive acknowledges and agrees that this Section 2 imposes no obligation on the Company to award any bonus to the Executive.

3. **Equity Awards and Long-Term Performance Units.** The Executive will continue to be eligible to participate in all short-term and long-term equity and non-equity incentive plans in which the Executive currently participates or which may be offered in the future to the most senior executives of the Company.

4. **Vacation.** The Executive will be entitled to paid vacation and holidays as provided to executives of the Company generally.

5. **Indemnification and Insurance.** In accordance with the Company's Certificate of Incorporation, the Company will indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against him arising out his services to the Company and its subsidiaries. In addition, the Company will continue to maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy in existence as of the Agreement Date to the extent such policy remains available at reasonable commercial terms.

6. **Other Benefits** . The Executive will continue to be entitled to all benefits and perquisites presently provided to him or generally to the most senior executives of the Company and be eligible to participate in and receive all benefits under welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) available generally to the most senior executives of the Company.

7. **Expenses** . The Executive will be entitled to receive prompt reimbursement for all reasonable business expenses (including food, transportation, entertainment and lodging) incurred from time to time on behalf of the Company in the performance of his duties, upon the presentation of such supporting invoices, documents and forms as the Company reasonably requests.

Article III

Termination of Employment; Change of Control

1. **Death** . The Executive's status as an officer and employee will terminate immediately and automatically upon the Executive's death.

2. **Disability** . The Company may terminate Executive's status as an officer and employee for "Disability" as follows:

(a) If the Executive has a disability that entitles him to receive benefits under the Company's long-term disability insurance policy in effect at the time either because he is Totally Disabled or Partially Disabled, as such terms are defined in the Company's policy in effect as of the Agreement Date or as similar terms are defined in any successor policy, then the Company may terminate Executive's status as an officer and employee effective on the first day on which the Executive receives a payment under such policy (or on the first day that he would be so eligible, if he had applied timely for such payments).

(b) If the Company has no long-term disability plan in effect, and if (i) because of physical or mental illness the Executive is rendered incapable of satisfactorily discharging his duties and responsibilities under this Agreement for a period of 90 consecutive days and (ii) a duly qualified physician chosen by the Company and reasonably acceptable to the Executive or his legal representatives so certifies in writing, the Board will have the power to determine that the Executive has become disabled. If the Board makes such a determination, the Company will have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Executive as an officer and employee. Any such termination will become effective 30 days after such notice of termination is given, unless within such 30-day period, the Executive becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company and reasonably acceptable to the Executive or his legal representatives so certifies in writing) and the Executive in fact resumes such services.

(c) The "Disability Effective Date" will mean the date on which termination of Executive's status as an officer and employee becomes effective due to Disability.

3. **Cause.** The Company may terminate the Executive's status as an officer and employee for "Cause," which is defined as follows:

(a) The Executive's willful and continued failure to perform substantially the Executive's duties with the Company or its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties;

(b) The Executive's material breach of this Agreement after a written demand is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has materially breached this Agreement;

(c) The final conviction of the Executive or an entering of a guilty plea or a plea of no contest by the Executive to a felony;

(d) Unauthorized acts or omissions by the Executive that could reasonably be expected to cause material financial harm to the Company or materially disrupt Company operations;

(e) The Executive's commission of an act of dishonesty (even if not a crime) resulting in the enrichment of the Executive at the expense of the Company; or

(f) The Executive's knowing falsification or knowing attempted falsification of financial records of the Company in violation of SEC Rule 13b2-1.

For purposes of this provision, no act or failure to act, on the part of the Executive, will be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the act or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the Board or the advice of counsel to the Company or its affiliates will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company or its affiliates. The termination of employment of the Executive will not be deemed to be for Cause unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in any of the conduct described in subparagraphs (a) through (f) above, and specifying the particulars of such conduct.

4. Good Reason. The Executive may terminate his status as an officer and employee for "Good Reason," which is defined as follows:

(a) Any failure by the Company or its affiliates to comply with any of the provisions of this Agreement (including, but not limited to, the failure to provide the Executive with the position set forth in Article I, Section 1 and, at a minimum, the Base Salary set forth in Article II, Section 1), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt by the Company of written notice thereof from the Executive; or

(b) The assignment to the Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by this Agreement, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt by the Company of written notice thereof from the Executive.

5. **Termination by the Company** . In addition to termination for death, Disability or Cause, the Company may at any time terminate the Executive's status as an officer and employee for any reason or for no reason at all.

6. **Retirement** . In addition to termination for death or Good Reason, the Executive may at any time retire and terminate his status as an officer and employee. "Retirement" (and variants thereof) for purposes of this Agreement is defined as the Executive's voluntary termination of his status as an officer and employee at any time after reaching age 54, but shall not include a termination for Good Reason.

7. **Notice of Termination; Termination Date** . (a) Other than as a result of the death of Executive, any termination of Executive's status as an officer and employee shall be communicated to the other party by Notice of Termination given in accordance with Article VII, Section 2 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement on which the party relies, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provisions so indicated and (iii) if the Termination Date (as defined below) is other than the date of receipt of such notice, specifies the Termination Date. The Company's failure to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Disability or Cause will not negate the effect of the notice nor waive any right of the Company or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights.

(b) "Termination Date" means, if Executive's status as an officer and employee is terminated (i) by reason of Executive's death, the date of Executive's death, (ii) by reason of Disability, the Disability Effective Date, (iii) by the Company other than by reason of death or Disability, the date of delivery of the Notice of Termination or any later date specified in the Notice of Termination, which date will not be more than 30 days after the giving of the notice, or (iv) by the Executive other than by reason of death, the date of delivery of the Notice of Termination or any later date specified in the Notice of Termination, which date will not be more than 30 days after the giving of the notice.

8. **Change of Control** . Upon and following a Change of Control of the Company, as defined in the Amended and Restated Change of Control Agreement between the Executive and the Company dated effective December 2, 2008, and any amendments thereto or any subsequent change of control agreement between the Executive and the Company (the "Change of Control Agreement"), the rights and obligations of the Executive and the Company will no longer be governed by this Agreement, but will be as provided in the Change of Control Agreement (including any rights or obligations in this Agreement that are specifically incorporated by reference therein). Upon the occurrence of a Change of Control, the term of this Agreement will end, and the provisions of this Agreement will be null and void, and of no further force and effect, except that compensation and benefit obligations accrued by the Company with respect to the Executive prior to the Change of Control and during the term of this Agreement will remain valid and enforceable, and the rights of Executive to indemnification shall remain in effect.

Article IV

Obligations upon Termination

1. Separation from Service . No payments or benefits provided herein that are paid because of a termination of employment under circumstances described herein shall be paid, unless such termination of employment also constitutes a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and guidance issued thereunder ("Section 409A").

2. Death, Disability or Retirement. If (A) the Executive's status as an officer and employee is terminated by reason of the Executive's death or Retirement, or (B) the Company terminates the Executive's status as an officer and employee by reason of Executive's Disability then, subject to the six-month delay set forth in Article VII, Section 14, if applicable:

(a) The Company will pay the Executive or his legal representatives the amount of the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Obligations");

(b) The Company will pay to the Executive or his legal representatives a pro rata Bonus (the "Pro Rata Bonus") for the Fiscal Year in which the Termination Date occurs, which shall be paid out at such time as annual cash bonuses are paid to other senior executives in accordance with the terms of the Annual Incentive Plan (as defined above in Article II, Section 2). The amount of the Pro Rata Bonus shall be determined by multiplying (i) the bonus the Executive would have received pursuant to the terms of the Annual Incentive Plan as determined by the Committee had he remained employed by the Company through the applicable Fiscal Year, by (ii) the fraction obtained by dividing the number of days in the year through the Termination Date by 365. To the extent that the Committee exercises negative discretion in determining bonus awards under the Annual Incentive Plan for the Fiscal Year in which the Termination Date occurs, such negative discretion may not be applied in a manner more adverse to the Executive than to other similarly situated active senior executives of the Company;

(c) The Company will pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date; and

(d) In the case of Executive's Retirement, for a period commencing on the Termination Date and ending on the earlier of (i) the third anniversary of the Termination Date, or (ii) the date that the Executive accepts new employment (the "Continuation Period"), the Company will at its expense maintain and administer for the continued benefit of Executive all insurance and welfare benefit plans in which Executive was entitled to participate as an employee of the Company as of the Termination Date, except medical reimbursement benefits under the Company's flex plans, provided that Executive's continued participation is possible under the general terms and provisions of such plans and all applicable laws. If the Executive is a "specified employee" governed by Article VII, Section 14, to the extent that any benefits provided to the Executive under this Article IV, Section 2(d) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount

of such taxable benefits provided to the Executive pursuant to this Article IV, Section 2(d) during the six-month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the Termination Date occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the Termination Date, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to the Executive than the most favorable of such coverages and benefits as of the Termination Date. If the Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Company will use commercially reasonable efforts to provide the Executive with compensation or benefits substantially similar or comparable in value to those the Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company that relates specifically to the Executive. Subject to the general terms and provisions of the plans and all applicable laws, the Executive will be eligible for coverage under the Company's retiree medical plan or the Consolidated Omnibus Budget Reconciliation Act at the end of the Continuation Period or earlier cessation of the Company's obligation under the foregoing provisions of this paragraph.

3. Cause. If the Company terminates the Executive's status as an officer and employee for Cause, the Company will pay to the Executive the Accrued Obligations. The Company will have no further obligation to the Executive other than for obligations imposed by law and obligations for any benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date.

4. Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause. If the Executive terminates his status as an officer and employee for Good Reason or the Company terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then subject to the six-month delay set forth in Article VII, Section 14, if applicable:

(a) The Company will pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(b) Within twenty (20) business days of the Termination Date, the Company will pay to the Executive in a lump sum in cash an amount equal to three times the sum of the (i) Executive's Base Salary in effect at the Termination Date and (ii) average of the Bonuses paid to the Executive for the immediately preceding three Fiscal Years, which Bonus amounts shall not include any premium received in connection with Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the Bonus for a given year;

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(c) All stock options will become immediately exercisable as of the Termination Date and will remain exercisable until the expiration date specified in the applicable notice of grant of nonqualified stock option;

(d) All restricted stock units granted to the Executive will vest as of the Termination Date to the extent not previously vested and will convert to common stock of the Company, provided any applicable performance conditions have been met as of the Termination Date;

(e) The Executive's performance units under the Company's Long-Term Performance Incentive Plan will be credited with the annual earnings per share or net loss per share (as defined in the plan) for the Fiscal Year in which the Termination Date occurs and all amounts credited to the Executive's performance unit account will be fully vested and will be paid out within 60 days of the end of the Fiscal Year in which the Termination Date occurs;

(f) The Company will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date; and

(g) For the Continuation Period, the Company shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Article IV, Section 2(d).

5. Resignation from Boards of Directors . If Executive is a director of the Company and his employment is terminated for any reason other than death, the Executive will, if requested by the Company, immediately resign as a director of the Company and its subsidiaries. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Company requesting the resignations, the Executive will forfeit any right to receive any payments pursuant to this Agreement.

Article V

Nondisclosure, Noncompetition and Proprietary Rights

1. Certain Definitions . For purposes of this Agreement, the following terms will have the following meanings:

(a) "Confidential Information" means any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its subsidiaries, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its subsidiaries (other than information known by such persons through a violation of an obligation of confidentiality to the Company), whether produced by the Company and its subsidiaries or any of their consultants, agents or independent contractors or by the Executive, and whether or not marked confidential, including without limitation information relating to the Company's or its subsidiaries' products and services, business plans, business acquisitions, processes, product or service research and development ideas, methods or techniques, training methods and materials, and other operational methods or

techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing.

(b) "Mining Business" means the exploration, mining, production, marketing and sale of metals and ore containing metals.

2. Nondisclosure of Confidential Information . The Executive will hold in a fiduciary capacity for the benefit of the Company all Confidential Information obtained by the Executive during the Executive's employment (whether prior to or after the Agreement Date) and will use such Confidential Information solely within the scope of his employment with and for the exclusive benefit of the Company. For a period of five years after the Termination Date, the Executive agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential Information, except upon the prior written authorization of the Company or as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in his possession, including any duplicates thereof and any notes or other records the Executive has prepared with respect thereto. In the event that the provisions of any applicable law or the order of any court would require the Executive to disclose or otherwise make available any Confidential Information, the Executive will give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings.

3. Limited Covenant Not to Compete . For a period of two years after the Termination Date, the Executive agrees that, with respect to each State of the United States or other jurisdiction, or specified portions thereof, in which the Executive regularly (a) makes contact with customers of the Company or any of its subsidiaries, (b) conducts the business of the Company or any of its subsidiaries, or (c) supervises the activities of other employees of the Company or any of its subsidiaries, and in which the Company or any of its subsidiaries engages in Mining Business as of the Termination Date, including without limitation the counties of Yavapai, Gila, Greenlee, Graham and Pima, all in the State of Arizona, Grant, New Mexico, Clear Creek, Colorado, and the countries of Indonesia, Spain, Peru, Chile and the Democratic Republic of the Congo (collectively, the "Subject Areas"), the Executive will restrict his activities within the Subject Areas as follows:

(a) Executive will not, directly or indirectly, for himself or others, own, manage, operate, control, be employed in an executive, managerial or supervisory capacity by, consult with, assist or otherwise engage or participate in or allow his skill, knowledge, experience or reputation to be used in connection with, the ownership, management, operation or control of, any company or other business enterprise engaged in the Mining Business within any of the Subject Areas; provided, however, that nothing contained herein will prohibit the Executive from making passive investments as long as the Executive does not beneficially own

more than 2% of the equity interests of a business enterprise engaged in the Mining Business within any of the Subject Areas. For purposes of this paragraph, "beneficially own" will have the same meaning ascribed to that term in Rule 13d-3 under the Exchange Act;

(b) The Executive will not call upon any customer of the Company or its subsidiaries for the purpose of soliciting, diverting or enticing away the business of such person or entity, or otherwise disrupting any previously established relationship existing between such person or entity and the Company or its subsidiaries;

(c) The Executive will not solicit, induce, influence or attempt to influence any supplier, lessor, lessee, licensor, partner, joint venturer, potential acquiree or any other person who has a business relationship with the Company or its subsidiaries, or who on the Termination Date is engaged in discussions or negotiations to enter into a business relationship with the Company or its subsidiaries, to discontinue or reduce or limit the extent of such relationship with the Company or its subsidiaries;

(d) Without the consent of the Company, the Executive will not make contact with any of the employees of the Company or its subsidiaries with whom he had contact during the course of his employment with the Company for the purpose of soliciting such employee for hire, whether as an employee or independent contractor, or otherwise disrupting such employee's relationship with the Company or its subsidiaries; and

(e) Without the consent of the Company, the Executive further agrees that, for a period of one year from and after the Termination Date, Executive will not hire any employee of the Company or its subsidiaries as an employee or independent contractor, whether or not such engagement is solicited by the Executive.

4. Nondisparagement . During and after the term of this Agreement, the Executive agrees to refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees, and agrees that he will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees. Similarly, the Company agrees that its directors and officers shall refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Executive and agrees that its directors and officers will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Executive.

5. Injunctive Relief; Other Remedies . Executive acknowledges that a breach by Executive of Sections 2, 3 or 4 of this Article V would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, the Executive agrees that, in the event of a breach or threatened breach by the Executive of the provisions of Sections 2, 3 or 4 of this Article V, the Company will be entitled to injunctive relief restraining the Executive from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non-waivable, applicable law. Nothing herein, however, will

be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by the Executive, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach or threatened breach. In addition to the exercise of the foregoing remedies, the Company will have the right upon the occurrence of any such breach to offset the damages of such breach as determined by the Company, against any unpaid salary, bonus, commissions or reimbursements otherwise owed to Executive. In particular, Executive acknowledges that the payments provided under Article IV are conditioned upon Executive fulfilling any noncompetition and nondisclosure agreements contained in this Article V. If Executive at any time materially breaches any noncompetition or nondisclosure agreements contained in this Article V, then the Company may offset the damages of such breach, as determined solely by the Company, against payments otherwise due to the Executive under Article IV or, at the Company's option, suspend payments otherwise due to the Executive under Article IV during the period of such breach. Executive acknowledges that any such offset or suspension of payments would be an exercise of the Company's right to offset or suspend its performance hereunder upon the Executive's breach of this Agreement; such offset or suspension of payments would not constitute, and shall not be characterized as, the imposition of liquidated damages.

6. Requests for Waiver in Cases of Undue Hardship . If the Executive should find that any of the limitations in this Article V impose a severe hardship on his ability to secure other employment, then the Executive may ask the Company to waive the specified limitations before accepting employment that otherwise would be a breach of Executive's obligations under this Agreement. Such request must be in writing and set forth the name and address of the organization with which employment or another prohibited relationship is sought and the position, duties or other activities that the Executive seeks to perform, and the location of performance. The Company will consider the request and, in its sole discretion, decide whether and on what conditions to grant such waiver.

7. Governing Law of this Article V; Consent to Jurisdiction . Any dispute regarding the reasonableness of the covenants and agreements set forth in this Article V or the territorial scope or duration thereof, or the remedies available to the Company upon any breach of such covenants and agreements, will be governed by and interpreted in accordance with the laws of the State of the United States or other jurisdiction in which the alleged prohibited competing activity or disclosure occurs, and, with respect to each such dispute, the Company and the Executive each hereby consent to the jurisdiction of the state and federal courts sitting in the relevant State (or, in the case of any jurisdiction outside the United States, the relevant courts of such jurisdiction) for resolution of such dispute, and agree that service of process may be made upon him or it in any legal proceeding relating to this Article V by any means allowed under the laws of such jurisdiction.

8. Executive's Understanding of this Article . Executive hereby represents to the Company that he has read and understands, and agrees to be bound by, the terms of this Article V. Executive acknowledges that the geographic scope and duration of the covenants contained in Article V are the result of arm's-length bargaining and are fair and reasonable in light of (a) the importance of the functions performed by the Executive and the length of time it

would take the Company to find and train a suitable replacement, (b) the nature and wide geographic scope of the operations of the Company and its subsidiaries, (c) the Executive's level of control over and contact with the business and operations of the Company and its subsidiaries in various jurisdictions where same are conducted and (d) the fact that all facets of the Mining Business are conducted by the Company and its subsidiaries throughout the geographic area where competition is restricted by this Agreement. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and, therefore, to the extent permitted by applicable law, the parties hereto waive any provision of applicable law that would render any provision of this Article V invalid or unenforceable.

Article VI

Binding Arbitration

1. Binding Agreement to Arbitrate. Any claim or controversy arising out of any provision of this Agreement (other than Article V hereof), or the breach or alleged breach of any such provision, will be settled by binding arbitration administered by the American Arbitration Association (the "AAA") under its National Rules for the Resolution of Employment Disputes as in effect at the time of the claim or controversy (the "Rules"), and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

2. Selection and Qualifications of Arbitrators . If no party to the arbitration makes a claim in excess of $1.0 million, exclusive of interest and attorneys' fees, the proceedings will be conducted before a single neutral arbitrator selected in accordance with the Rules. If any party makes a claim that exceeds $1.0 million, the proceedings will be conducted before a panel of three neutral arbitrators selected in accordance with the Rules.

3. Location of Proceedings . The place of arbitration will be in Phoenix, Arizona.

4. Remedies . Any award in an arbitration initiated under this Article VI will be limited to actual monetary damages, including if determined appropriate by the arbitrator(s) an award of costs and fees to the prevailing party. "Costs and fees" mean all reasonable pre-award expenses of the arbitration, including arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses such as copying, telephone, witness fees and attorneys' fees. The arbitrator(s) will have no authority to award consequential, punitive or other damages not measured by the prevailing party's actual damages, except as may be required by statute.

5. Opinion . The award of the arbitrators will be in writing, will be signed by a majority of the arbitrators, and will include findings of fact and a statement of the reasons for the disposition of any claim.

Article VII

Miscellaneous

1. Binding Effect .

(a) This Agreement will be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and will not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) Other than in connection with a Change of Control (in which case this Agreement will be superseded by the Change of Control Agreement), the Company will require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive. In the event of any such assignment or succession, the term "Company" as used in this Agreement will refer also to such successor or assign.

2. Notices . All notices hereunder must be in writing and unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Freeport-McMoRan Copper & Gold Inc.
One North Central Avenue
Phoenix, Arizona 85004
Attention: Chairman of the Corporate Personnel Committee

If to the Executive, to:

James R. Moffett
One North Central Avenue
Phoenix, Arizona 85004

or such other address as to which any party hereto may have notified the other in writing.

3. Governing Law . This Agreement will be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of

conflict of laws, except as expressly provided in Article V above with respect to the resolution of disputes arising under, or the Company's enforcement of, Article V of this Agreement.

4. **Withholding** . The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

5. **Severability** . If any term or provision of this Agreement or the application thereof to any person or circumstance, will at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Executive and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation will be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, will not be affected thereby and each term and provision of this Agreement will be valid and enforced to the fullest extent permitted by law.

6. **Waiver of Breach** . The waiver by either party of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

7. **Remedies Not Exclusive** . Except as provided in Article VI hereof, no remedy specified herein will be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties will have all other rights and remedies provided to them by applicable law, rule or regulation.

8. **Legal Fees** .

(a) Except as otherwise provided herein, the Company agrees to pay all legal fees and expenses that the Executive may reasonably incur as a result of any contest by the Company, the Executive or others with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement), provided that the Executive prevails on any material claim.

(b) The payment of or reimbursement for legal fees under this Article VII, Section 8, shall comply with the requirement that non-qualified deferred compensation be paid on a specified date or pursuant to a fixed schedule, which requires that (1) the amount of benefits or reimbursements provided during one calendar year shall not affect the amount of benefits or reimbursements to be provided in any other calendar year, (2) the reimbursement of any eligible expense shall be made no later than the last day of the calendar year following the year in which the expense was incurred, and (3) the right to reimbursement or benefits hereunder is not subject to liquidation or exchange for another benefit.

9. **Company's Reservation of Rights** . The Executive acknowledges and understands that he serves at the pleasure of the Board and that the Company has the right at any

time to terminate or change the Executive's status as an officer and employee of the Company, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

10. **JURY TRIAL WAIVER** . THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT.

11. **Survival** . The rights and obligations of the Company and Executive contained in Article V of this Agreement will survive the termination of the Agreement. Following the Termination Date, each party will have the right to enforce all rights, and will be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

12. **Prior Employment Agreement** . Effective as of the Agreement Date, this Agreement supersedes any prior employment agreement between the Executive and the Company. This Agreement may not be amended orally, but only by an agreement in writing by the parties hereto.

13. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

14. **Section 409A of the Internal Revenue Code.**

(a) It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A, and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent any potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving the Executive the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Company may, without the Executive's consent and in such manner as it deems appropriate, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

(b) If Executive is a "specified employee," any payments payable as a result of Executive's termination of employment (other than as a result of death) shall not be payable before the earlier of (i) the first business day that is more than six months after Executive's Termination Date, (ii) the date of Executive's death, or (iii) the date that otherwise complies with the requirements of Section 409A. "Specified employee" shall mean the Executive if the Executive is a key employee under Treasury Regulations Section 1.409A-1(i) because of final and binding action taken by the Board or the Committee, or by operation of law or such regulation.

(c) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes

and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(d) To the extent that the amounts payable under Article IV are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of December 31, 2008.

Freeport-McMoRan Copper & Gold Inc.

By: /s/ H. Devon Graham, Jr.
H. Devon Graham, Jr.
Director and Chairman of the
Corporate Personnel Committee of the
Board of Directors

Executive

/s/ James R. Moffett
James R. Moffett

**Signature Page of Executive Employment Agreement
between Freeport-McMoRan Copper & Gold Inc.
and James R. Moffett**

Amended and Restated
Change of Control Agreement

This Amended and Restated Change of Control Agreement ("Agreement") between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and James R. Moffett (the "Executive") is dated effective as of December 2, 2008 (the "Change of Control Agreement Date").

W I T N E S S E T H:

WHEREAS, the Executive and the Company are parties to that certain Change of Control Agreement dated April 30, 2001, which was previously amended on December 10, 2003 (the "Original Agreement");

WHEREAS, the Company and the Executive wish to amend the Original Agreement to (i) extend the term of the Original Agreement, (ii) amend the Original Agreement to comply with the final regulations under Section 409A of the Internal Revenue Code, as amended, (iii) eliminate the excise tax gross-up payment previously provided to the Executive, (iv) eliminate the Executives' ability to receive benefits for a voluntary termination during a specified window period, and (v) clarify certain provision of the Original Agreement, including the definition of "bonus" used in calculating the lump sum payment due upon certain terminations of employment.

NOW, THEREFORE, for and in consideration of the continued employment of Executive by the Company and the payment of salary, benefits and other compensation to Executive by the Company, the parties hereto agree to amend and restate the Original Agreement to read as follows:

Article I
Executive Employment Agreement; Definitions

1.1 **Executive Employment Agreement** . Contemporaneous with a Change of Control (defined below), this Agreement supersedes the Amended and Restated Executive Employment Agreement dated effective as of December 2, 2008 between Executive and the Company (the "Employment Agreement"), except to the extent that certain provisions of the Employment Agreement are expressly incorporated by reference herein. After a Change of Control, the definitions in this Agreement supersede definitions in the Employment Agreement, but capitalized terms used herein that are not defined in this Agreement shall have the meanings given to them in the Employment Agreement.

1.2 **Company** . As used in this Agreement, "Company" means the Company as defined above and any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company.

1.3 **Change of Control** . (a) "Change of Control" means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (b) below):

(i) the acquisition by any Person together with all Affiliates of such Person, of Beneficial Ownership of the Threshold Percentage or more; provided, however, that for purposes of this Section 1.3(a)(i), the following will not constitute a Change of Control:

(A) any acquisition (other than a "Business Combination," as defined below, that constitutes a Change of Control under Section 1.3(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company, or

(D) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Section 1.3(a)(iii) hereof; or

(ii) individuals who as of the effective date of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of this Agreement whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or any other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, immediately following such Business Combination:

(A) the individuals and entities who were the Beneficial Owners of the Company Voting Stock immediately prior to such Business Combination have direct or indirect Beneficial Ownership of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Post-Transaction Corporation, and

(B) no Person together with all Affiliates of such Person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) Beneficially Owns 30% or more of the then outstanding shares of common stock of the Post-Transaction Corporation or 30% or more of the combined voting power of the then outstanding voting securities of the Post-Transaction Corporation, and

(C) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, and of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(b) As used in this Section 1.3 and elsewhere in this Agreement, the following terms have the meanings indicated:

(i) Affiliate: "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

(ii) Beneficial Owner: "Beneficial Owner" (and variants thereof), with respect to a security, means a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (A) the power to vote, or direct the voting of, the security, and/or (B) the power to dispose of, or to direct the disposition of, the security.

(iii) Common Stock: "Common Stock" means the common stock, $.10 par value per share, of the Company

(iv) Company Voting Stock: "Company Voting Stock" means any capital stock of the Company that is then entitled to vote for the election of directors.

(v) Majority Shares: "Majority Shares" means the number of shares of Company Voting Stock that could elect a majority of the directors of the Company if all directors were to be elected at a single meeting.

(vi) Person: "Person" means a natural person or entity, and will also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including without limitation a partnership, limited partnership, joint venture or other joint undertaking) for the purpose of acquiring, holding, or disposing of a security, except that "Person" will not include an underwriter temporarily holding a security pursuant to an offering of the security.

(vii) Post-Transaction Corporation: Unless a Change of Control includes a Business Combination, "Post-Transaction Corporation" means the Company after the Change of Control. If a Change of Control includes a Business Combination, "Post-Transaction Corporation" will mean the corporation or other entity resulting from the Business Combination unless, as a result of such Business Combination, an ultimate parent entity controls the Company or all or substantially all of the Company's assets either directly or indirectly, in which case, "Post-Transaction Corporation" will mean such ultimate parent entity.

(viii) Threshold Percentage: “Threshold Percentage “ means 30% of all then outstanding Common Stock.

1.4 **Cause** . “Cause” shall have the meaning ascribed in the Employment Agreement.

1.5 **Good Reason** . “Good Reason” shall mean:

(a) Any failure of the Post-Transaction Corporation to provide the Executive with the position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control. Executive’s position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive’s position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Post-Transaction Corporation;

(b) The assignment to the Executive of any duties inconsistent in any material respect with Executive’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2.1(b) of this Agreement, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt of written notice thereof from the Executive to the Post-Transaction Corporation;

(c) Any failure by the Post-Transaction Corporation or its Affiliates to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt of written notice thereof from the Executive to the Post-Transaction Corporation;

(d) The Post-Transaction Corporation or its Affiliates requiring the Executive to be based at any office or location other than as provided in Section 2.2(b)(ii) hereof, or requiring the Executive to travel on business to a substantially greater extent than required immediately prior to the Change of Control; or

(e) Any failure by the Company to comply with and satisfy Sections 3.1(c) and (d) of this Agreement.

For purposes of this Section 1.5, any determination of “Good Reason” made by the Executive in good faith and based upon his reasonable belief and understanding shall be conclusive.

1.6 **Code.** “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

Article II
Change of Control Benefit

2.1 **Term** . The term of this Agreement will commence on the Change of Control Agreement Date and will continue through December 31, 2008; provided, however, that commencing on December 31, 2008, and each December 31 thereafter, the term of this Agreement will automatically be extended for one additional year unless not later than August 1 of the current year, the Corporate Personnel Committee of the Company's Board of Directors has given written notice to the Executive that it does not wish to extend this Agreement.

2.2 **Employment Term and Capacity after Change of Control** . (a) If the Executive continues to serve as an officer of the Company and a Change of Control occurs on or before the expiration of the term of this Agreement, then the Executive's employment term (the "Employment Term") shall continue through the third anniversary of the Change of Control, subject to any earlier termination of Executive's status as an officer and employee pursuant to this Agreement.

(b) After a Change of Control and during the Employment Term, (i) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control or any office or location less than 35 miles from such location. Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Post-Transaction Corporation. The Executive shall devote himself to his employment responsibilities with the Post-Transaction Corporation as provided in Article I Section 3 of the Employment Agreement.

2.3 **Compensation and Benefits** . During the Employment Term, the Executive shall be entitled to the following compensation and benefits:

(a) Salary . An annual salary ("Base Salary") at the highest rate provided for under the Employment Agreement at any time during the 120-day period immediately preceding the Change of Control, but not less than $2,500,000 per year, payable to the Executive at such intervals no less frequent than the most frequent intervals in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, the intervals in effect at any time after the Change of Control for other most senior executives of the Post-Transaction Corporation and its Affiliates.

(b) Bonus . Executive shall be entitled to participate in an annual incentive bonus program applicable to other most senior executives of the Post-Transaction Corporation and its Affiliates but in no event shall such program provide the Executive with incentive opportunities less favorable than the most favorable of those provided by the Company and its Affiliates for

the Executive under the Company's 2005 Annual Incentive Plan or similar plan as in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(c) Fringe Benefits . The Executive shall be entitled to fringe benefits (including, but not limited to, automobile allowance, air travel, and reimbursement for club membership dues) in accordance with the most favorable agreements, plans, practices, programs and policies of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(d) Expenses . The Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses (including food and lodging) incurred by the Executive in accordance with the most favorable agreements, policies, practices and procedures of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(e) Incentive, Savings and Retirement Plans . The Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other most senior executives of the Post-Transaction Corporation and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under any agreements, plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Change of Control.

(f) Welfare Benefit Plans . The Executive and the Executive's family shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Post-Transaction Corporation and its Affiliates (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other most senior executives of the Post-Transaction Corporation and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with benefits, in each case, less favorable than the most favorable of any agreements, plans, practices, policies and programs of the Company in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control.

(g) Indemnification and Insurance . The Post-Transaction Corporation shall indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against him arising out his services during or prior to the Employment Term. In

addition, the Post-Transaction Corporation shall maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy maintained by the Company and its Affiliates at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(h) Office and Support Staff . The Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its Affiliates at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(i) Vacation . The Executive shall be entitled to paid vacation in accordance with the most favorable agreements, plans, policies, programs and practices of the Company and its Affiliates as in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

2.4 **Termination of Employment after a Change of Control** . After a Change of Control and during the Employment Term, the Executive's status as an officer and employee shall terminate or may be terminated by the Executive or the Post-Transaction Corporation as provided in Article III of the Employment Agreement (provided, however, that the provisions regarding "Good Reason" herein shall supersede the comparable provisions in the Employment Agreement).

2.5 **Obligations upon Termination after a Change of Control** .

(a) Death, Disability or Retirement . If, after a Change of Control and during the Employment Term, (i) the Executive's status as an officer and employee is terminated by reason of the Executive's death, (ii) the Post-Transaction Corporation terminates the Executive's status as an officer and employee by reason of Executive's Disability (as defined in the Employment Agreement), or (iii) the Executive Retires (as defined in the Employment Agreement) and terminates his status as an officer and employee, then, subject to the six-month delay set forth in Section 2.9, if applicable:

(i) The Post-Transaction Corporation will pay to the Executive or his legal representatives the amount of the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Obligations");

(ii) The Post-Transaction Corporation will pay to the Executive or his legal representatives a pro rata bonus (the "Pro Rata Bonus") for the Fiscal Year in which the Termination Date occurs, which shall be paid out at such time as annual cash bonuses are paid to other senior executives, but no later than March 15 th of the year following in the year in which

the Termination Date occurs. The amount of the Pro Rata Bonus shall be determined by multiplying (i) the bonus the Executive would have received under the annual incentive bonus program applicable to other most senior executives of the Post-Transaction Corporation and its Affiliates (as described in Section 2.3(b)) had Executive remained employed by the Post-Transaction Corporation based on the level of achievement of the applicable performance goals, by (ii) the fraction obtained by dividing the number of days in the year through the Termination Date by 365. To the extent that the Board of Directors of the Post-Transaction Corporation, or a committee thereof, exercises negative discretion in determining the amount of the bonuses generally payable to senior executives under the annual incentive plan in place for the Fiscal Year in which the Termination Date occurs, such negative discretion may not be applied in a manner more adverse to the Executive than to other similarly situated active senior executives of the Post-Transaction Corporation;

(iii) The Post-Transaction Corporation will pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans and incentive plans maintained by the Post-Transaction Corporation or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date;

(iv) If the Executive Retires (as defined in the Employment Agreement), for a period commencing on the Termination Date and ending on the earlier of (A) the third anniversary of the Termination Date, or (B) the date that the Executive accepts new employment (the "Continuation Period"), the Post-Transaction Corporation will at its expense maintain and administer for the continued benefit of Executive all insurance and welfare benefit plans in which Executive was entitled to participate as an employee as of the Termination Date, except medical reimbursement benefits under the Company's flex plans, provided that Executive's continued participation is possible under the general terms and provisions of such plans and all applicable laws. If the Executive is a "specified employee" governed by Section 2.9, to the extent that any benefits provided to the Executive under this Section 2.5 are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Section 2.5 during the six-month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the termination occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the Termination Date, and shall be reimbursed in full by the Post-Transaction Corporation during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to Executive than the most favorable of such coverages and benefits as of the Termination Date. If Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Post-Transaction Corporation will use commercially reasonable efforts to provide Executive with compensation or benefits substantially similar or comparable in value to those Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Post-Transaction Corporation that relates specifically to the Executive. Subject to the general terms and provisions of the plans and all applicable laws, the Executive will be eligible for coverage

under the Post-Transaction Corporation's retiree medical plan or the Consolidated Omnibus Budget Reconciliation Act at the end of the Continuation Period or earlier cessation of the Post-Transaction Corporation's obligation under the foregoing provisions of this paragraph.

(b) Cause . If, after a Change of Control and during the Employment Term, the Executive's status as an officer and employee is terminated by the Post-Transaction Corporation for Cause, the Post-Transaction Corporation shall pay to the Executive the Accrued Obligations without further obligation to the Executive other than for obligations by law and obligations for any benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Post-Transaction Corporation or its Affiliates with respect to services rendered by the Executive prior to the Termination Date.

(c) Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause . If, after a Change of Control and during the Employment Term, the Executive terminates his status as an officer and employee for Good Reason, or the Post-Transaction Corporation terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then, subject to the six-month delay set forth in Section 2.9, if applicable:

(i) The Post-Transaction Corporation shall pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(ii) Within twenty (20) business days of the Termination Date, the Post-Transaction Corporation shall pay to the Executive in a lump sum in cash an amount equal to three times the sum of (A) the Executive's Base Salary in effect at the Termination Date and (B) the highest bonus paid to the Executive for any of the immediately preceding three Fiscal Years, which bonus amounts shall not including any premium received in connection with Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the bonus for a given year;

(iii) The Post-Transaction Corporation will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Post-Transaction Corporation or its Affiliates with respect to services rendered by the Executive prior to the Termination Date; and

(iv) For the Continuation Period, the Post-Transaction Corporation shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Section 2.5(a)(iv).

(d) Resignation from Board of Directors . If the Executive is a director of the Post-Transaction Corporation or any of its Affiliates and his status as an officer and employee is terminated for any reason other than death, the Executive shall, if requested by the Post-Transaction Corporation, immediately resign as a director of the Post-Transaction Corporation and its Affiliates. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Post-Transaction Corporation requesting the

resignation, the Executive shall forfeit any right to receive any payments pursuant to this Agreement.

(e) Nondisclosure, Noncompetition and Proprietary Rights . The rights and obligations of the Company and the Executive contained in Article V ("Nondisclosure, Noncompetition and Proprietary Rights") of the Employment Agreement shall continue to apply after a Change of Control.

2.6 **Excise Tax Provision.**

(a) Notwithstanding any other provisions of this Agreement, if a Change of Control occurs during the original or extended term of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with the Change of Control of the Company or the termination of the Executive's employment under this Agreement or any other agreement between the Company and the Executive (all such payments and benefits, including the payments and benefits under Section 2.5 hereof, being hereinafter called "Total Payments") would be subject (in whole or in part), to an excise tax imposed by section 4999 of the Code (the "Excise Tax"), then the cash payments under Section 2.5 hereof shall first be reduced, and the non-cash payments and benefits under the other sections hereof shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which the Employee would be subject in respect of such unreduced Total Payments); provided, however, that the Executive may elect to have the non-cash payments and benefits hereof reduced (or eliminated) prior to any reduction of the cash payments under Section 2.5 hereof.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to a Change of Control or other event giving rise to a potential Excise Tax, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the "Base Amount" (within the meaning set forth in section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(c) At the time that payments are made under this Agreement, the Post-Transaction Corporation shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Post-Transaction Corporation has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

2.7 **Stock Options; Performance Units; Restricted Stock Units.** The foregoing benefits are intended to be in addition to the value of any options to acquire Common Stock of the Company, the exercisability of which is accelerated pursuant to the terms of any stock option agreement, any restricted stock units the vesting of which is accelerated pursuant to the terms of the restricted stock unit agreement, the performance units under the long-term performance incentive plans, and any other incentive or similar plan heretofore or hereafter adopted by the Company.

2.8 **Legal Fees** . Except as otherwise provided herein, the Company agrees to pay all legal fees and expenses that the Executive may reasonably incur as a result of any contest by the Company, the Executive or others with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement), provided that the Executive prevails on any material claim.

2.9 **Section 409A of the Internal Revenue Code** .

(a) It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code, and the regulations and guidance issued thereunder (together, "Section 409A"), and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent any potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving the Executive the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Company may, without the Executive's consent and in such manner as it deems appropriate, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

(b) No payments or benefits provided herein that are paid because of a termination of employment under circumstances described herein shall be paid, unless such termination of employment also constitutes a "separation from service" within the meaning of Section 409A.

(c) If Executive is a "specified employee," any payments payable as a result of Executive's termination of employment (other than as a result of death) shall not be payable before the earlier of (i) the first business day that is more than six months after Executive's Termination Date, (ii) the date of Executive's death, or (iii) the date that otherwise complies with the requirements of Section 409A. "Specified employee" shall mean the Executive if the Executive is a key employee under Treasury Regulations Section 1.409A-1(i) because of final

and binding action taken by the Board or its Corporate Personnel Committee, or by operation of law or such regulation.

(d) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(e) To the extent that the amounts payable under this Article II are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

Article III
Miscellaneous

3.1 **Binding Effect; Successors** .

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and shall not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform or to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive.

(d) The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to

agree to cause to be performed all of the obligations under this Agreement, such agreement to be set forth in a writing reasonably satisfactory to the Executive.

3.2 **Notices** . All notices hereunder must be in writing and, unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Freeport-McMoRan Copper & Gold Inc.
One North Central Avenue
Phoenix, Arizona 85004
Attention: Chairman of Corporate Personnel Committee

If to the Executive, to:

James R. Moffett
One North Central Avenue
Phoenix, Arizona 85004

or such other address as to which any party hereto may have notified the other in writing.

3.3 **Governing Law** . This Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflict of laws, except as expressly provided in Article V Section 6 of the Employment Agreement with respect to the resolution of disputes arising under, or the Company's enforcement of, such Article V.

3.4 **Withholding** . The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

3.5 **Amendment, Waiver** . No provision of this Agreement may be modified, amended or waived except by an instrument in writing signed by both parties.

3.6 **Severability** . If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Executive and the Company intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or

circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

3.7 **Waiver of Breach** . The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

3.8 **Remedies Not Exclusive** . No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

3.9 **Company's Reservation of Rights** . Executive acknowledges and understands that the Executive serves at the pleasure of the Board and that the Company has the right at any time to terminate Executive's status as an employee of the Company, or to change or diminish his status during the Employment Term, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

3.10 **Prior Change of Control Agreement** . Effective as of the Change of Control Agreement Date, this Agreement supersedes any prior change of control agreement between the Executive and the Company.

3.11 **Counterparts** . This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of December 31, 2008.

Freeport-McMoRan Copper & Gold Inc.

By: /s/ H Devon Graham, Jr.
H. Devon Graham, Jr.
Director and Chairman of the
Corporate Personnel Committee of the
Board of Directors

Executive

/s/ James R. Moffett
James R. Moffett

Signature Page of Change of Control Agreement
between Freeport-McMoRan Copper & Gold Inc.
and James R. Moffett

Amended and Restated
Change of Control Agreement

This Amended and Restated Change of Control Agreement ("Agreement") between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and Michael J. Arnold (the "Executive") is dated effective as of December 2, 2008 (the "Agreement Date").

W I T N E S S E T H:

WHEREAS, the Executive and the Company are parties to that certain Change of Control Agreement dated February 3, 2004 (the "Original Agreement");

WHEREAS, the Company and the Executive wish to amend the Original Agreement to (i) extend the term of the Original Agreement, (ii) amend the Original Agreement to comply with the final regulations under Section 409A of the Internal Revenue Code, as amended, (iii) eliminate the excise tax gross-up payment previously provided to the Executive, and (iv) clarify certain provision of the Original Agreement, including the definition of "bonus" used in calculating the lump sum payment due upon certain terminations of employment.

NOW, THEREFORE, for and in consideration of the continued employment of Executive by the Company and the payment of salary, benefits and other compensation to Executive by the Company, the parties hereto agree to amend and restate the Original Agreement to read as follows:

ARTICLE I

Definitions

1.1 **Company** . As used in this Agreement, "Company" means the Company as defined above and any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company.

1.2 **Change of Control** . (a) "Change of Control" means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (b) below):

(i) the acquisition by any Person together with all Affiliates of such Person, of Beneficial Ownership of the Threshold Percentage or more; provided, however, that for purposes of this Section 1.2(a)(i), the following will not constitute a Change of Control:

(A) any acquisition (other than a "Business Combination," as defined below, that constitutes a Change of Control under Section 1.2(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company, or

(D) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Section 1.2(a)(iii) hereof; or

(ii) individuals who, as of the effective date of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of this Agreement whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or any other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, immediately following such Business Combination:

(A) the individuals and entities who were the Beneficial Owners of the Company Voting Stock immediately prior to such Business Combination have direct or indirect Beneficial Ownership of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Post-Transaction Corporation, and

(B) no Person together with all Affiliates of such Person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Company, the Post-Transaction Corporation or any subsidiary of either corporation) Beneficially Owns 30% or more of the then outstanding shares of common stock of the Post-Transaction Corporation or 30% or more of the combined voting power of the then outstanding voting securities of the Post-Transaction Corporation, and

(C) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, and of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(b) As used in this Section 1.2 and elsewhere in this Agreement, the following terms have the meanings indicated:

(i) Affiliate: "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

(ii) Beneficial Owner: "Beneficial Owner" (and variants thereof), with respect to a security, means a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (A) the power to vote, or direct the voting of, the security, and/or (B) the power to dispose of, or to direct the disposition of, the security.

(iii) Company Voting Stock: "Company Voting Stock" means any capital stock of the Company that is then entitled to vote for the election of directors.

(iv) Majority Shares: "Majority Shares" means the number of shares of Company Voting Stock that could elect a majority of the directors of the Company if all directors were to be elected at a single meeting.

(v) Person: "Person" means a natural person or entity, and will also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including without limitation a partnership, limited partnership, joint venture or other joint undertaking) for the purpose of acquiring, holding, or disposing of a security, except that "Person" will not include an underwriter temporarily holding a security pursuant to an offering of the security.

(vi) Post-Transaction Corporation: Unless a Change of Control includes a Business Combination, "Post-Transaction Corporation" means the Company after the Change of Control. If a Change of Control includes a Business Combination, "Post-Transaction Corporation" will mean the corporation or other entity resulting from the Business Combination unless, as a result of such Business Combination, an ultimate parent entity controls the Company or all or substantially all of the Company's assets either directly or indirectly, in which case, "Post-Transaction Corporation" will mean such ultimate parent entity.

(vii) Threshold Percentage: "Threshold Percentage" means 30% of all then outstanding Common Stock.

(viii) Common Stock: "Common Stock" means the common stock, $0.10 par value per share, of the Company.

1.3 **Cause** . "Cause" shall mean:

(a) The Executive's willful and continued failure to perform substantially the Executive's duties with the Post-Transaction Corporation or its Affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties;

(b) The Executive's material breach of this Agreement after a written demand is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has materially breached this Agreement;

(c) The final conviction of the Executive or an entering of a guilty plea or a plea of no contest by the Executive to a felony;

(d) Unauthorized acts or omissions by the Executive that could reasonably be expected to cause material financial harm to the Company or materially disrupt Company operations;

(e) The Executive's commission of an act of dishonesty (even if not a crime) resulting in the enrichment of the Executive at the expense of the Company; or

(f) The Executive's knowing falsification or knowing attempted falsification of financial records of the Company in violation of SEC Rule 13b2-1.

For purposes of this provision, no act or failure to act, on the part of the Executive, will be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the act or omission was in the best interest of the Post-Transaction Corporation or its Affiliates. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the Board or the advice of counsel to the Post-Transaction Corporation or its Affiliates will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Post-Transaction Corporation or its Affiliates. The termination of employment of the Executive will not be deemed to be for Cause unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in the conduct described in subparagraph (a) through (f) above, and specifying the particulars of such conduct.

1.4 **Good Reason** . "Good Reason" shall mean:

(a) Any failure of the Post-Transaction Corporation to provide the Executive with the position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control. Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Post-Transaction Corporation;

(b) The assignment to the Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2.1(b) of this Agreement, or any

other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt of written notice thereof from the Executive to the Post-Transaction Corporation;

(c) Any failure by the Post-Transaction Corporation or its Affiliates to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt of written notice thereof from the Executive to the Post-Transaction Corporation;

(d) The Post-Transaction Corporation or its Affiliates requiring the Executive to be based at any office or location other than as provided in Section 2.1(b)(ii) hereof or requiring the Executive to travel on business to a substantially greater extent than required immediately prior to the Change of Control; or

(e) Any failure by the Company to comply with and satisfy Sections 4.1(c) and (d) of this Agreement.

For purposes of this Section 1.4, any determination of "Good Reason" made by the Executive in good faith and based upon his reasonable belief and understanding shall be conclusive.

1.5 **Code** . "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.6 **Disability** . "Disability" shall mean:

(a) A disability entitling the Executive to receive benefits under a long-term disability insurance policy maintained by the Post-Transaction Corporation or an Affiliate in effect at the time either because he is totally disabled or partially disabled, as such terms are defined in such policy in effect as of the Agreement Date or as similar terms are defined in any successor policy.

(b) If there is no long-term disability plan in effect covering the Executive, and if (i) a physical or mental illness renders the Executive incapable of satisfactorily discharging his duties and responsibilities to the Post-Transaction Corporation or an Affiliate for a period of 90 consecutive days, and (ii) such incapacity is certified in writing by a duly qualified physician chosen by the Post-Transaction Corporation or an Affiliate and reasonably acceptable to the Executive or his legal representatives, then the Board will have the power to determine that the Executive has become disabled. If the Board makes such a determination, the Post-Transaction Corporation or its Affiliate will have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Executive as an officer and employee. Any such termination will become effective 30 days after such notice of termination is given, unless within such 30-day period, the Executive becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Post-Transaction Corporation or an Affiliate and reasonably acceptable to the Executive or his legal representatives so certifies in writing) and the Executive in fact resumes such services.

(c) The "Disability Effective Date" will mean the date on which termination of Executive's status as an officer and employee becomes effective due to Disability.

1.7 **Retirement** . "Retirement" (and variants thereof) for purposes of this Agreement is defined as the Executive's voluntary termination of his status as an officer and employee at any time after reaching age 60, but shall not include a termination for Good Reason.

1.8 **Board** . "Board" shall mean the Board of Directors of the Company, or if after a Change of Control, the Post-Transaction Corporation.

1.9 **Termination Date** . "Termination Date" means, if Executive's status as an officer and employee is terminated (i) by reason of Executive's death, the date of Executive's death, (ii) by reason of Disability, the Disability Effective Date, (iii) by the Company other than by reason of death or Disability, the date of delivery of the notice of termination or any later date specified in the notice of termination, which date will not be more than 30 days after the giving of the notice, or (iv) by the Executive other than by reason of death, the date of delivery of the notice of termination or any later date specified in the notice of termination, which date will not be more than 30 days after the giving of the notice.

ARTICLE II

Change of Control Benefit

2.1 **Employment Term and Capacity after Change of Control** . (a) If the Executive continues to serve as an officer of the Company and a Change of Control occurs on or before December 31, 2011, then the Executive's employment term (the "Employment Term") shall continue through the later of the third anniversary of the Change of Control or December 31, 2011, subject to any earlier termination of Executive's status as an officer and employee pursuant to this Agreement.

(b) After a Change of Control and during the Employment Term, (i) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Change of Control or any office or location less than 35 miles from such location. Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Post-Transaction Corporation.

2.2 **Compensation and Benefits** . During the Employment Term, the Executive shall be entitled to the following compensation and benefits:

(a) Salary . An annual salary ("Base Salary") at the highest rate in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control, payable to the Executive at such intervals no less frequent than the most frequent intervals in effect at any time during the 120-day period immediately preceding the Change of

Control or, if more favorable to the Executive, the intervals in effect at any time after the Change of Control for other most senior executives of the Post-Transaction Corporation and its Affiliates.

(b) Bonus . Executive shall be entitled to participate in an annual incentive bonus program applicable to other most senior executives of the Post-Transaction Corporation and its Affiliates but in no event shall such program provide the Executive with incentive opportunities less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under the Company's 2005 Annual Incentive Plan or similar plan as in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(c) Fringe Benefits . The Executive shall be entitled to fringe benefits (including, but not limited to, automobile allowance, air travel, and reimbursement for club membership dues) in accordance with the most favorable agreements, plans, practices, programs and policies of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(d) Expenses . The Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses (including food and lodging) incurred by the Executive in accordance with the most favorable agreements, policies, practices and procedures of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(e) Incentive, Savings and Retirement Plans . The Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other most senior executives of the Post-Transaction Corporation and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable than the most favorable of those provided by the Company and its Affiliates for the Executive under any agreements, plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Change of Control.

(f) Welfare Benefit Plans . The Executive and the Executive's family shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Post-Transaction Corporation and its Affiliates (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other most senior executives of the Post-Transaction Corporation and its Affiliates, but in no event shall such plans, practices, policies and programs provide the Executive with benefits, in

each case, less favorable than the most favorable of any agreements, plans, practices, policies and programs of the Company in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control.

(g) Indemnification and Insurance . The Post-Transaction Corporation shall indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against him arising out his services during or prior to the Employment Term. In addition, the Post-Transaction Corporation shall maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy maintained by the Company and its Affiliates at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(h) Office and Support Staff . The Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its Affiliates at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

(i) Vacation . The Executive shall be entitled to paid vacation in accordance with the most favorable agreements, plans, policies, programs and practices of the Company and its Affiliates as in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other most senior executives of the Post-Transaction Corporation and its Affiliates.

2.3 **Obligations upon Termination after a Change of Control** .

(a) Death, Disability or Retirement . If, after a Change of Control and during the Employment Term, (1) the Executive's status as an officer and employee is terminated by reason of the Executive's death, (2) the Post-Transaction Corporation terminates the Executive's status as an officer and employee by reason of Executive's Disability, or (3) the Executive Retires and terminates his status as an officer and employee, then, subject to the six-month delay set forth in Section 2.7, if applicable:

(i) The Post-Transaction Corporation will pay to the Executive or his legal representatives the amount of the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Obligations");

(ii) The Post-Transaction Corporation will pay to the Executive or his legal representatives a pro rata bonus (the "Pro Rata Bonus") for the fiscal year in which the Termination Date occurs, which shall be paid out at such time as annual cash bonuses are paid to other senior executives, but no later than March 15 th of the year following in the year in which the Termination Date occurs. The amount of the Pro Rata Bonus shall be determined by multiplying (i) the bonus the Executive would have received under the annual incentive bonus

program applicable to other most senior executives of the Post-Transaction Corporation and its Affiliates (as described in Section 2.2(b)) had Executive remained employed by the Post-Transaction Corporation based on the level of achievement of the applicable performance goals, by (ii) the fraction obtained by dividing the number of days in the year through the Termination Date by 365. To the extent that the Board of Directors of the Post-Transaction Corporation, or a committee thereof, exercises negative discretion in determining the amount of the bonuses generally payable to senior executives under the annual incentive plan in place for the Fiscal year in which the Termination Date occurs, such negative discretion may not be applied in a manner more adverse to the Executive than to other similarly situated active senior executives of the Post-Transaction Corporation;

(iii) The Post-Transaction Corporation will pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans and incentive plans maintained by the Post-Transaction Corporation or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date;

(iv) If the Executive Retires, for a period commencing on the Termination Date and ending on the earlier of (A) the third anniversary of the Termination Date, or (B) the date that the Executive accepts new employment (the "Continuation Period"), the Post-Transaction Corporation will at its expense maintain and administer for the continued benefit of Executive all insurance and welfare benefit plans in which Executive was entitled to participate as an employee as of the Termination Date, except medical reimbursement benefits under the Company's flex plans, provided that Executive's continued participation is possible under the general terms and provisions of such plans and all applicable laws. If the Executive is a "specified employee" governed by Section 2.7, to the extent that any benefits provided to the Executive under this Section 2.3 are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Section 2.3 during the six-month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the termination occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the Termination Date, and shall be reimbursed in full by the Post-Transaction Corporation during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to Executive than the most favorable of such coverages and benefits as of the Termination Date. If Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Post-Transaction Corporation will use commercially reasonable efforts to provide Executive with compensation or benefits substantially similar or comparable in value to those Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Post-Transaction Corporation that relates specifically to the Executive. Subject to the general terms and provisions of the plans and all applicable laws, the Executive will be eligible for coverage under the Post-Transaction Corporation's retiree medical plan or the Consolidated Omnibus Budget Reconciliation Act at the end of the Continuation Period or earlier cessation of the Post-Transaction Corporation's obligation under the foregoing provisions of this paragraph.

(b) Cause . If, after a Change of Control and during the Employment Term, the Executive's status as an officer and employee is terminated by the Post-Transaction Corporation for Cause, the Post-Transaction Corporation shall pay to the Executive the Accrued Obligations without further obligation to the Executive other than for obligations by law and obligations for any benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Post-Transaction Corporation or its Affiliates with respect to services rendered by the Executive prior to the Termination Date.

(c) Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause . If, after a Change of Control and during the Employment Term, the Executive terminates his status as an officer and employee for Good Reason, or the Post-Transaction Corporation terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then, subject to the six-month delay set forth in Section 2.7, if applicable:

(i) The Post-Transaction Corporation shall pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(ii) Within twenty (20) business days of the Termination Date, the Post-Transaction Corporation shall pay to the Executive in a lump sum in cash an amount equal to three times the sum of (A) the Executive's Base Salary in effect at the Termination Date and (B) the highest bonus paid to the Executive for any of the immediately preceding three fiscal years, which bonus amounts shall not including any premium received in connection with Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the bonus for a given year;

(iii) The Post-Transaction Corporation will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Post-Transaction Corporation or its Affiliates with respect to services rendered by the Executive prior to the Termination Date; and

(iv) For the Continuation Period, the Post-Transaction Corporation shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Section 2.3(a)(iv).

(d) Resignation from Board of Directors . If the Executive is a director of the Post-Transaction Corporation or any of its Affiliates and his status as an officer and employee is terminated for any reason other than death, the Executive shall, if requested by the Post-Transaction Corporation, immediately resign as a director of the Post-Transaction Corporation and its Affiliates. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Post-Transaction Corporation requesting the resignation, the Executive shall forfeit any right to receive any payments pursuant to this Agreement.

(e) Nondisclosure and Proprietary Rights . The rights and obligations of the Company and the Executive contained in Article III hereof will continue to apply notwithstanding a termination following a Change of Control.

2.4 **Excise Tax Provision** .

(a) Notwithstanding any other provisions of this Agreement, if a Change of Control occurs during the original or extended term of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with the Change of Control of the Company or the termination of the Executive's employment under this Agreement or any other agreement between the Company and the Executive (all such payments and benefits, including the payments and benefits under Section 2.3 hereof, being hereinafter called "Total Payments") would be subject (in whole or in part), to an excise tax imposed by section 4999 of the Code (the "Excise Tax"), then the cash payments under Section 2.3 hereof shall first be reduced, and the non-cash payments and benefits under the other sections hereof shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which the Employee would be subject in respect of such unreduced Total Payments); provided, however, that the Executive may elect to have the non-cash payments and benefits hereof reduced (or eliminated) prior to any reduction of the cash payments under Section 2.3 hereof.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to a Change of Control or other event giving rise to a potential Excise Tax, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the "Base Amount" (within the meaning set forth in section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(c) At the time that payments are made under this Agreement, the Post-Transaction Corporation shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Post-Transaction Corporation has received

from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

2.5 **Stock Options; Performance Units; Restricted Stock Units.** The foregoing benefits are intended to be in addition to the value of any options to acquire Common Stock of the Company, the exercisability of which is accelerated pursuant to the terms of any stock option agreement, any restricted stock units the vesting of which is accelerated pursuant to the terms of the restricted stock unit agreement, the performance units under the long-term performance incentive plans, and any other incentive or similar plan heretofore or hereafter adopted by the Company.

2.6 **Legal Fees** . Except as otherwise provided herein, the Company agrees to pay all legal fees and expenses that the Executive may reasonably incur as a result of any contest by the Company, the Executive or others with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement), provided the Executive prevails on any material claim.

2.7 **Section 409A of the Internal Revenue Code** .

(a) It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code and the regulations and guidance issued thereunder ("Section 409A"), and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent any potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving the Executive the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Company may, without the Executive's consent and in such manner as it deems appropriate, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

(b) No payments or benefits provided herein that are paid because of a termination of employment under circumstances described herein shall be paid, unless such termination of employment also constitutes a "separation from service" within the meaning of Section 409A.

(c) If Executive is a "specified employee," any payments payable as a result of Executive's termination of employment (other than as a result of death) shall not be payable before the earlier of (i) the first business day that is more than six months after Executive's Termination Date, (ii) the date of Executive's death, or (iii) the date that otherwise complies with the requirements of Section 409A. "Specified employee" shall mean the Executive if the Executive is a key employee under Treasury Regulations Section 1.409A-1(i) because of final and binding action taken by the Board or its Corporate Personnel Committee, or by operation of law or such regulation.

(d) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(e) To the extent that the amounts payable under Article II are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

ARTICLE III

Nondisclosure and Proprietary Rights

3.1 **Confidential Information.** For purposes of this Agreement, the term "Confidential Information" means any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its Affiliates, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its Affiliates (other than information known by such persons through a violation of an obligation of confidentiality to the Company), whether produced by the Company and its Affiliates or any of their consultants, agents or independent contractors or by Executive, and whether or not marked confidential, including without limitation information relating to the Company's or its Affiliates' products and services, business plans, business acquisitions, processes, product or service research and development ideas, methods or techniques, training methods and materials, and other operational methods or techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing.

3.2 **Nondisclosure of Confidential Information.** Executive will hold in a fiduciary capacity for the benefit of the Company all Confidential Information obtained by Executive

during Executive's employment (whether prior to or after the Agreement Date) and will use such Confidential Information solely within the scope of his employment with and for the exclusive benefit of the Company. For a period of five years after the Termination Date, Executive agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential Information, except upon the prior written authorization of the Company or as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in his possession, including any duplicates thereof and any notes or other records Executive has prepared with respect thereto. In the event that the provisions of any applicable law or the order of any court would require Executive to disclose or otherwise make available any Confidential Information, Executive will give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings.

3.3 **Nondisparagement** . During and after the term of this Agreement, the Executive agrees to refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees, and agrees that he will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees. Similarly, the Company agrees that its directors and officers shall refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Executive and agrees that its directors and officers will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Executive.

3.4 **Injunctive Relief; Other Remedies** . Executive acknowledges that a breach by Executive of Section 3.2 or 3.3 would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, Executive agrees that, in the event of a breach or threatened breach by Executive of the provisions of Section 3.2 or 3.3, the Company will be entitled to injunctive relief restraining Executive from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non-waivable, applicable law. Nothing herein, however, will be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by Executive, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach or threatened breach. In addition to the exercise of the foregoing remedies, the Company will have the right upon the occurrence of any such breach to offset the damages of such breach as determined by the Company, against any unpaid salary, bonus, commissions or reimbursements otherwise owed to Executive. In particular, Executive acknowledges that the payments provided under Article II are conditioned upon Executive fulfilling the nondisclosure agreements contained in this Article III. If Executive at any time materially breaches nondisclosure agreements contained in this Article III, then the Company may offset the damages of such breach, as determined solely by the Company, against payments otherwise due to Executive under Article II or, at the Company's option, suspend payments otherwise due to Executive

under Article II during the period of such breach. Executive acknowledges that any such offset or suspension of payments would be an exercise of the Company's right to offset or suspend its performance hereunder upon Executive's breach of this Agreement; such offset or suspension of payments would not constitute, and shall not be characterized as, the imposition of liquidated damages.

3.5 **Governing Law of this Article III; Consent to Jurisdiction** . Any dispute regarding the reasonableness of the covenants and agreements set forth in this Article III or duration thereof, or the remedies available to the Company upon any breach of such covenants and agreements, will be governed by and interpreted in accordance with the laws of the State of the United States or other jurisdiction in which the alleged prohibited disclosure occurs, and, with respect to each such dispute, the Company and Executive each hereby consent to the jurisdiction of the state and federal courts sitting in the relevant State (or, in the case of any jurisdiction outside the United States, the relevant courts of such jurisdiction) for resolution of such dispute, and agree that service of process may be made upon him or it in any legal proceeding relating to this Article III by any means allowed under the laws of such jurisdiction.

3.6 **Executive's Understanding of this Article** . Executive hereby represents to the Company that he has read and understands, and agrees to be bound by, the terms of this Article III. Executive acknowledges that the duration of the covenants contained in Article III are the result of arm's-length bargaining and are fair and reasonable in light of (a) the importance of the functions performed by Executive and the length of time it would take the Company to find and train a suitable replacement, and (b) Executive's level of control over and contact with the business and operations of the Company and its Affiliates in various jurisdictions where same are conducted. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and, therefore, to the extent permitted by applicable law, the parties hereto waive any provision of applicable law that would render any provision of this Article III invalid or unenforceable.

ARTICLE IV

Miscellaneous

4.1 **Binding Effect; Successors** .

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and shall not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform or to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no

assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive.

(d) The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement, such agreement to be set forth in a writing reasonably satisfactory to the Executive.

4.2 **Notices** . All notices hereunder must be in writing and, unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Freeport-McMoRan Copper & Gold Inc.
One North Central Avenue
Phoenix, Arizona 85004
Attention: Chairman of the Corporate Personnel Committee

If to the Executive, to:

Michael J. Arnold
One North Central Avenue
Phoenix, Arizona 85004

or such other address as to which any party hereto may have notified the other in writing.

4.3 **Governing Law** . Except as provided in Article III hereof, this Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflict of laws.

4.4 **Withholding** . The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

4.5 **Amendment, Waiver** . No provision of this Agreement may be modified, amended or waived except by an instrument in writing signed by both parties.

4.6 **Severability** . If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Executive and the Company intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of

such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

4.7 **Waiver of Breach** . The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

4.8 **Remedies Not Exclusive** . No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

4.9 **Company's Reservation of Rights** . Executive acknowledges and understands that the Executive serves at the pleasure of the Board and that the Company has the right at any time to terminate Executive's status as an employee of the Company or any of its Affiliates, or to change or diminish his status during the Employment Term, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

4.10 **Prior Change of Control Agreement** . Effective as of the Agreement Date, this Agreement supersedes any prior change of control or nondisclosure agreement between the Executive and the Company.

4.11 **Counterparts** . This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of December 31, 2008.

Freeport-McMoRan Copper & Gold Inc.

By: / s/ H. Devon Graham, Jr.
H. Devon Graham, Jr.
Director and Chairman of the
Corporate Personnel Committee of the
Board of Directors

Executive

/s/ Michael J. Arnold
Michael J. Arnold

Signature Page of Change of Control Agreement
between Freeport-McMoRan Copper & Gold Inc.
and Michael J. Arnold

Amended and Restated
Executive Employment Agreement

This Amended and Restated Executive Employment Agreement ("Agreement") between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and Richard C. Adkerson (the "Executive") is dated effective as of December 2, 2008 (the "Agreement Date").

W I T N E S S E T H:

WHEREAS, the Executive and the Company are parties to an Executive Employment Agreement dated as of January 29, 2008 (the "Original Agreement"), pursuant to which the Executive currently serves as an officer of the Company;

WHEREAS, pursuant to the terms of this Agreement, the Company desires to retain the services of the Executive and the Executive desires to continue to provide services to the Company;

WHEREAS, the Company and the Executive wish to amend the Original Agreement to (i) comply with the final regulations under Section 409A of the Internal Revenue Code, and (ii) clarify certain provisions of the Original Agreement, including the method of calculating the "pro-rata" bonus and the meaning of "bonus" in the calculations of the lump sum payments due upon certain terminations of employment;

WHEREAS, during the course of providing services to the Company, the Executive has or will have received extensive and unique knowledge of, experience in and access to resources involving, the Mining Business (as defined below) at a substantial cost to the Company, which Executive acknowledges has enhanced or substantially will enhance Executive's skills and knowledge in such business;

WHEREAS, during the course of providing services to the Company, Executive has had and will continue to have access to valuable oral and written information, knowledge and data relating to the business and operations of the Company and its subsidiaries that is non-public, confidential or proprietary in nature and is particularly useful in the Mining Business; and

WHEREAS, in view of the opportunities provided by the Company to Executive, the cost thereof to the Company, and the need for the Company to be protected against disclosures by Executive of the Company's and its subsidiaries' trade secrets and other non-public, confidential or proprietary information, the Company and Executive desire, among other things, to prohibit Executive from disclosing or utilizing, outside the scope of his employment with the Company, any non-public, confidential or proprietary information, knowledge and data relating to the business and operations of the Company or its subsidiaries received by Executive during the course of his employment, and to restrict the ability of Executive to compete with the Company or its subsidiaries for a limited period of time.

NOW, THEREFORE, for and in consideration of the continued employment of Executive by the Company and the payment of salary, benefits and other compensation to Executive by the Company, the parties hereto agree as follows:

Article I
Employment Capacity

1. Capacity and Duties of Executive. The Executive is employed by the Company to render services on behalf of the Company as President and Chief Executive Officer. The Executive will perform such duties as are assigned to the individual holding the title or titles held by him from time to time in the Company's By-laws and such other duties as may be prescribed from time to time by the Chairman of the Board or the Company's Board of Directors (the "Board"), which duties shall be consistent with the position of President and Chief Executive Officer.

2. Term. The term of this Agreement (the "Employment Term") will commence on the Agreement Date and will expire January 1, 2012; subject to extension as provided in Article V, Section 3(a) in the event of a Change of Control (as defined in Article V, Section 2), and subject to any earlier termination of Executive's employment pursuant to this Agreement. Commencing on January 1, 2012, and each January 1 st thereafter, the Employment Term will automatically be extended for one additional year unless not later than August 1 of the immediately preceding year, the Corporate Personnel Committee of the Board (the "Committee") has given written notice to the Executive that it does not wish to extend this Agreement.

3. Devotion to Responsibilities. The Executive will devote significant business time to the business of the Company, will use his best efforts to perform faithfully and efficiently his duties under this Agreement, and will not engage in or be employed by any other business; provided, however, that nothing herein will prohibit the Executive from (a) serving as an officer and director of McMoRan Exploration Co. ("McMoRan"), FM Services Company or any of their affiliates or successors, (b) serving as a member of the board of directors, board of trustees or the like of any for-profit or non-profit entity that does not compete with the Company, or performing services of any type for any civic or community entity, whether or not the Executive receives compensation therefor, (c) investing his assets in such form or manner as will require no more than nominal services on the part of the Executive in the operation of the business of the entity in which such investment is made, or (d) serving in various capacities with, and attending meetings of, industry or trade groups and associations, as long as the Executive's activities permitted by clauses (a), (b), (c) and (d) above do not materially and unreasonably interfere with the ability of the Executive to perform the services and discharge the responsibilities required of him under this Agreement. Notwithstanding clause (c) above, the Executive may not, without the approval of the Committee, beneficially own 5% or more of the equity interests of a business organization required to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act") other than the Company or McMoRan, and the Executive may not beneficially own more than 2% of the equity interests of any business organization that competes with the Company. For purposes of this paragraph, "beneficially own" has the meaning ascribed to that term in Rule 13d-3 under the Exchange Act.

Article II
Compensation and Benefits

1. Salary. The Company will pay the Executive a salary ("Base Salary") at an annual rate per fiscal year of the Company ("Fiscal Year") of $2,500,000, which will be payable to the Executive in equal semi-monthly installments. Base Salary may be remitted to the Executive on behalf of the Company by an affiliate of the Company.

2. Bonus. The Executive will be eligible to receive an annual incentive bonus (the "Bonus"), payable, if at all, only with respect to services that the Executive provides to the Company. Any Bonus will be determined, accrued and paid in accordance with the terms of the Company's 2005 Annual Incentive Plan, as amended, or any incentive or bonus compensation plan that is a successor or substitute therefor, that covers certain individuals designated by the Committee (the "Annual Incentive Plan"). The Executive acknowledges and agrees that this Section 2 imposes no obligation on the Company to award any bonus to the Executive.

3. Award of Restricted Stock Units. Effective on January 29, 2008, the Executive received 200,000 restricted stock units on the terms and conditions set forth in a restricted stock unit agreement entered into between the Company and the Executive, the form of which is attached hereto as Exhibit A.

4. Equity Awards and Long-Term Performance Units. The Executive will continue to be eligible to participate in all short-term and long-term equity and non-equity incentive plans in which the Executive currently participates or which may be offered in the future to the most senior executives of the Company.

5. Vacation. The Executive will be entitled to paid vacation and holidays as provided to executives of the Company generally.

6. Indemnification and Insurance. In accordance with the Company's Certificate of Incorporation, the Company will indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against him arising out his services to the Company and its subsidiaries. In addition, the Company will continue to maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy in existence as of the Agreement Date to the extent such policy remains available at reasonable commercial terms.

7. Other Benefits. The Executive will continue to be entitled to all benefits and perquisites presently provided to him or generally to the most senior executives of the Company and be eligible to participate in and receive all benefits under welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) available generally to the most senior executives of the Company.

8. Expenses. The Executive will be entitled to receive prompt reimbursement for all reasonable business expenses (including food, transportation, entertainment and lodging) incurred from time to time on behalf of the Company in the performance of his duties, upon the

presentation of such supporting invoices, documents and forms as the Company reasonably requests.

Article III
Termination of Employment

1. Death. The Executive's status as an officer and employee will terminate immediately and automatically upon the Executive's death.

2. Disability. The Company may terminate Executive's status as an officer and employee for "Disability" as follows:

(a) If the Executive has a disability that entitles him to receive benefits under the Company's long-term disability insurance policy in effect at the time either because he is Totally Disabled or Partially Disabled, as such terms are defined in the Company's policy in effect as of the Agreement Date or as similar terms are defined in any successor policy, then the Company may terminate Executive's status as an officer and employee effective on the first day on which the Executive receives a payment under such policy (or on the first day that he would be so eligible, if he had applied timely for such payments).

(b) If the Company has no long-term disability plan in effect, and if (i) because of physical or mental illness the Executive is rendered incapable of satisfactorily discharging his duties and responsibilities under this Agreement for a period of 90 consecutive days and (ii) a duly qualified physician chosen by the Company and reasonably acceptable to the Executive or his legal representatives so certifies in writing, the Board will have the power to determine that the Executive has become disabled. If the Board makes such a determination, the Company will have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Executive as an officer and employee. Any such termination will become effective 30 days after such notice of termination is given, unless within such 30-day period, the Executive becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company and reasonably acceptable to the Executive or his legal representatives so certifies in writing) and the Executive in fact resumes such services.

(c) The "Disability Effective Date" will mean the date on which termination of Executive's status as an officer and employee becomes effective due to Disability.

3. Cause. The Company may terminate the Executive's status as an officer and employee for "Cause," which is defined as follows:

(a) The Executive's willful and continued failure to perform substantially the Executive's duties with the Company or its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties;

(b) The Executive's material breach of this Agreement after a written demand is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has materially breached this Agreement;

(c) The final conviction of the Executive or an entering of a guilty plea or a plea of no contest by the Executive to a felony;

(d) Unauthorized acts or omissions by the Executive that could reasonably be expected to cause material financial harm to the Company or materially disrupt Company operations;

(e) The Executive's commission of an act of dishonesty (even if not a crime) resulting in the enrichment of the Executive at the expense of the Company; or

(f) The Executive's knowing falsification or knowing attempted falsification of financial records of the Company in violation of SEC Rule 13b2-1.

For purposes of this provision, no act or failure to act, on the part of the Executive, will be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the act or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the Board, the instructions of a more senior officer of the Company or the advice of counsel to the Company or its affiliates will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company or its affiliates. The termination of employment of the Executive will not be deemed to be for Cause unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in any of the conduct described in subparagraphs (a) through (f) above, and specifying the particulars of such conduct.

4. Good Reason. The Executive may terminate his status as an officer and employee for "Good Reason," which is defined as follows:

(a) Any failure by the Company or its affiliates to comply with any of the provisions of this Agreement (including, but not limited to, the failure to provide the Executive with the position set forth in Article I, Section 1 and, at a minimum, the Base Salary set forth in Article II, Section 1), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt by the Company of written notice thereof from the Executive; or

(b) The assignment to the Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by this Agreement, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this

purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt by the Company of written notice thereof from the Executive.

(c) Following a Change of Control, as defined in Article V hereof, "Good Reason" will also include:

(i) Any failure of the Company to provide the Executive with the position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control. Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Company;

(ii) The Company or its affiliates requiring the Executive to be based at any office or location other than the office or location where Executive was employed immediately preceding the Change of Control, or requiring the Executive to travel on business to a substantially greater extent than required immediately prior to a Change of Control; or

(iii) Any failure by the Company to comply with and satisfy Article VIII, Sections 1(c) and (d) of this Agreement.

Any determination of "Good Reason" made by the Executive in good faith and based upon his reasonable belief and understanding shall be conclusive.

5. Termination by the Company. In addition to termination for death, Disability or Cause, the Company may at any time terminate the Executive's status as an officer and employee for any reason or for no reason at all.

6. Retirement. In addition to termination for death or Good Reason, the Executive may at any time retire and terminate his status as an officer and employee. "Retirement" (and variants thereof) for purposes of this Agreement is defined as the Executive's voluntary termination of his status as an officer and employee at any time after reaching age 54, but shall not include a termination for Good Reason.

7. Notice of Termination; Termination Date.

(a) Other than as a result of the death of Executive, any termination of Executive's status as an officer and employee shall be communicated to the other party by Notice of Termination given in accordance with Article VIII, Section 2 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement on which the party relies, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provisions so indicated and (iii) if the Termination Date (as defined below) is other than the date of receipt of such notice, specifies the Termination Date. The Company's failure to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Disability or Cause will not negate the effect of the notice nor waive

any right of the Company or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights.

(b) "Termination Date" means, if Executive's status as an officer and employee is terminated (i) by reason of Executive's death, the date of Executive's death, (ii) by reason of Disability, the Disability Effective Date, (iii) by the Company other than by reason of death or Disability, the date of delivery of the Notice of Termination or any later date specified in the Notice of Termination, which date will not be more than 30 days after the giving of the notice, or (iv) by the Executive other than by reason of death, the date of delivery of the Notice of Termination or any later date specified in the Notice of Termination, which date will not be more than 30 days after the giving of the notice.

Article IV
Obligations upon Termination

1. Separation from Service. No payments or benefits provided herein that are paid because of a termination of employment under circumstances described herein shall be paid, unless such termination of employment also constitutes a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and guidance issued thereunder ("Section 409A").

2. Death, Disability, or Retirement. If (A) the Executive's status as an officer and employee is terminated by reason of the Executive's death or Retirement, or (B) the Company terminates the Executive's status as an officer and employee by reason of Executive's Disability then, subject to the six-month delay set forth in Article VIII, Section 14, if applicable,:

(a) The Company will pay the Executive or his legal representatives the amount of the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Obligations");

(b) The Company will pay to the Executive or his legal representatives a pro rata Bonus (the "Pro Rata Bonus") for the Fiscal Year in which the Termination Date occurs, which shall be paid out at such time as annual cash bonuses are paid to other senior executives in accordance with the terms of the Annual Incentive Plan (as defined above in Article II, Section 2). The amount of the Pro Rata Bonus shall be determined by multiplying (i) the bonus the Executive would have received pursuant to the terms of the Annual Incentive Plan as determined by the Committee had he remained employed by the Company through the applicable Fiscal Year, by (ii) the fraction obtained by dividing the number of days in the year through the Termination Date by 365. To the extent that the Committee exercises negative discretion in determining bonus awards under the Annual Incentive Plan for the Fiscal Year in which the Termination Date occurs, such negative discretion may not be applied in a manner more adverse to the Executive than to other similarly situated active senior executives of the Company;

(c) The Company will pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date; and

(d) In the case of Executive's Retirement, for a period commencing on the Termination Date and ending on the earlier of (i) the third anniversary of the Termination Date, or (ii) the date that the Executive accepts new employment (the "Continuation Period"), the Company will at its expense maintain and administer for the continued benefit of Executive all insurance and welfare benefit plans in which Executive was entitled to participate as an employee of the Company as of the Termination Date, except medical reimbursement benefits under the Company's flex plans, provided that Executive's continued participation is possible under the general terms and provisions of such plans and all applicable laws. If the Executive is a "specified employee" governed by Article VIII, Section 14, to the extent that any benefits provided to the Executive under this Article IV, Section 2(d) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Article IV, Section 2(d) during the six-month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the Termination Date occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the Termination Date, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to Executive than the most favorable of such coverages and benefits as of the Termination Date. If Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Company will use commercially reasonable efforts to provide Executive with compensation or benefits substantially similar or comparable in value to those Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company that relates specifically to the Executive. Subject to the general terms and provisions of the plans and all applicable laws, the Executive will be eligible for coverage under the Company's retiree medical plan or the Consolidated Omnibus Budget Reconciliation Act at the end of the Continuation Period or earlier cessation of the Company's obligation under the foregoing provisions of this paragraph.

To the extent that the amounts payable under this Article IV, Section 2(d) are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

3. Cause. If the Company terminates the Executive's status as an officer and employee for Cause, the Company will pay to the Executive the Accrued Obligations. The Company will have no further obligation to the Executive other than for obligations imposed by

law and obligations for any benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date.

4. Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause. If the Executive terminates his status as an officer and employee for Good Reason or the Company terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then subject to the six-month delay set forth in Article VIII, Section 14, if applicable:

(a) The Company will pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(b) Within twenty (20) business days of the Termination Date, the Company will pay to the Executive in a lump sum in cash an amount equal to three times the sum of (i) the Executive's Base Salary in effect at the Termination Date and (ii) average of the Bonuses paid to the Executive for the immediately preceding three Fiscal Years , which Bonus amounts shall not include any premium received in connection with Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the Bonus for a given year;

(c) All stock options will become immediately exercisable as of the Termination Date and will remain exercisable until the expiration date specified in the applicable notice of grant of nonqualified stock option;

(d) All restricted stock units granted to the Executive, except the restricted stock units granted pursuant to Article II, Section 3 herein, will vest as of the Termination Date to the extent not previously vested and will convert to common stock of the Company, provided any applicable performance conditions have been met as of the Termination Date;

(e) The Executive's performance units under the Company's Long-Term Performance Incentive Plan will be credited with the annual earnings per share or net loss per share (as defined in the plan) for the Fiscal Year in which the Termination Date occurs and all amounts credited to the Executive's performance unit account will be fully vested and will be paid out within 60 days of the end of the Fiscal Year in which the Termination Date occurs;

(f) The Company will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date; and

(g) For the Continuation Period, the Company shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Article IV, Section 2(d).

5. Resignation from Boards of Directors. If Executive is a director of the Company and his employment is terminated for any reason other than death, the Executive will, if requested by the Company, immediately resign as a director of the Company and its subsidiaries. If such resignation is not received within 20 business days after the Executive

actually receives written notice from the Company requesting the resignations, the Executive will forfeit any right to receive any payments pursuant to this Agreement.

Article V
Change of Control

1. Applicability. In the event that a Change of Control occurs during the Employment Term, then the provisions of this Article V shall be applicable.

2. Definition of Change of Control.

(a) "Change of Control" means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (b) below):

(i) the acquisition by any Person together with all Affiliates of such Person, of Beneficial Ownership of the Threshold Percentage or more; provided, however, that for purposes of this Article V, Section 2(a)(i), the following will not constitute a Change of Control:

(A) any acquisition (other than a "Business Combination," as defined below, that constitutes a Change of Control under Article V, Section 2(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company, or

(D) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Article V, Section 2(a)(iii) hereof; or

(ii) individuals who as of the effective date of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of this Agreement whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or any other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a

"Business Combination"), in each case, unless, immediately following such Business Combination:

(A) the individuals and entities who were the Beneficial Owners of the Company Voting Stock immediately prior to such Business Combination have direct or indirect Beneficial Ownership of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Company, and

(B) no Person together with all Affiliates of such Person (excluding the Company and any employee benefit plan or related trust of the Company or any subsidiary of the Company) Beneficially Owns 30% or more of the then outstanding shares of common stock of the Company or 30% or more of the combined voting power of the then outstanding voting securities of the Company, and

(C) at least a majority of the members of the board of directors of the Company were members of the Incumbent Board at the time of the execution of the initial agreement, and of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(b) As used in this Section 2 and elsewhere in this Agreement, the following terms have the meanings indicated:

(i) Affiliate: "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

(ii) Beneficial Owner: "Beneficial Owner" (and variants thereof), with respect to a security, means a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (A) the power to vote, or direct the voting of, the security, and/or (B) the power to dispose of, or to direct the disposition of, the security.

(iii) Common Stock: "Common Stock" means the common stock, $.10 par value per share, of the Company.

(iv) Company Voting Stock: "Company Voting Stock" means any capital stock of the Company that is then entitled to vote for the election of directors.

(v) Majority Shares: "Majority Shares" means the number of shares of Company Voting Stock that could elect a majority of the directors of the Company if all directors were to be elected at a single meeting.

(vi) Person: "Person" means a natural person or entity, and will also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including without limitation a partnership, limited partnership, joint venture or other joint

undertaking) for the purpose of acquiring, holding, or disposing of a security, except that "Person" will not include an underwriter temporarily holding a security pursuant to an offering of the security.

(vii) Threshold Percentage: "Threshold Percentage" means 30% of all then outstanding Common Stock.

3. Effect.

Upon a Change of Control, the Employment Term and the benefits provided by Article II hereof shall automatically continue following such Change of Control for a period equal to the then remaining Employment Term or three years from the Change of Control, whichever period is longer, subject to any earlier termination of Executive's status as an employee pursuant to this Agreement. During the Employment Term following a Change of Control, the benefits provided by Article II hereof will be at least as favorable as such benefits were at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other most senior executives of the Company.

4. Obligations upon Termination Following a Change of Control.

(a) Death, Disability or Retirement . If, after a Change of Control and during the Employment Term, (i) the Executive's status as an officer and employee is terminated by reason of the Executive's death, (ii) the Company terminates the Executive's status as an officer and employee by reason of Executive's Disability, or (iii) the Executive Retires and terminates his status as an officer and employee, then the Company shall pay to the Executive the benefits and payments provided for in Article IV, Section 2, subject to the six-month delay set forth in Article VIII, Section 14, if applicable.

(b) Cause . If, after a Change of Control and during the Employment Term, the Executive's status as an officer and employee is terminated by the Company for Cause, the Company shall pay to the Executive the benefits and payments provided for in Article IV, Section 3.

(c) Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause . If, after a Change of Control and during the Employment Term, the Executive terminates his status as an officer and employee for Good Reason, or the Company terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then, subject to the six-month delay set forth in Article VIII, Section 14, if applicable,:

(i) The Company shall pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(ii) Within twenty (20) business days of the Termination Date, the Company shall pay to the Executive in a lump sum in cash an amount equal to three times, the sum of (A) the Executive's Base Salary in effect at the Termination Date and (B) the highest bonus paid to the Executive for any of the immediately preceding three Fiscal Years, which

bonus amounts shall not include any premium received in connection with the Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the bonus for a given year;

(iii) The Company will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its affiliated companies with respect to services rendered by the Executive prior to the Termination Date; and

(iv) For the Continuation Period, the Company shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Article IV, Section 2(d).

(d) Resignation from Board of Directors . If the Executive is a director of the Company and his status as an officer and employee is terminated for any reason other than death, the Executive shall, if requested by the Company, immediately resign as a director of the Company and its subsidiaries. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Company requesting the resignation, the Executive shall forfeit any right to receive any payments pursuant to this Agreement.

(e) Nondisclosure, Noncompetition and Proprietary Rights . The rights and obligations of the Company and the Executive contained in Article VI hereof shall continue to apply after a Change of Control.

5. Excise Tax Provision .

(a) Notwithstanding any other provisions of this Agreement, if a Change of Control occurs during the original or extended term of this Agreement, in the event that any of the payments or benefits received or to be received by or attributable to the Executive in connection with the Change of Control or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change of Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the payments and benefits under Article V, Section 4(c) hereof, but excluding any payment to be made pursuant to this Article V, Section 5, being hereinafter referred to as the "Initial Payments") will be subject (in whole or in part) to an excise tax imposed by section 4999 of the Code or any similar tax (the "Excise Tax"), the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of (i) any Excise Tax on the Initial Payments, (ii) any federal, state and local income and employment taxes on the Gross-Up Payment, (iii) any Medicare tax on the Gross-Up Payment, and (iv) the Excise Tax on the Gross-Up Payment, shall be equal to the Initial Payments. Notwithstanding the foregoing provisions of this Article V, Section 5(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the present value as of the date of the Change of Control, determined in accordance with Sections 280G(b)(2)(ii) and 280G(d)(4) of the Code (the "Present Value"), of the Initial Payments does not exceed 110% of the greatest Present Value of Initial Payments that could be paid to the Executive such that the receipt thereof would not give rise to

any Excise Tax (the "Safe Harbor Cap"), then no Gross-Up Payment shall be made to the Executive and the amounts payable to the Executive under this Agreement shall be reduced to the maximum amount that could be paid to the Executive such that the Present Value of the Initial Payments does not exceed the Safe Harbor Cap. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the benefits as elected by the Executive. For purposes of reducing the Initial Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Initial Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Present Value of the Initial Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(b) For purposes of determining whether any of the Initial Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Initial Payments shall be treated as "parachute payments" (within the meaning of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change of Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) do not constitute parachute payments, (ii) all "excess parachute payments" within the meaning of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of the Code) in excess of the "Base Amount" (within the meaning set forth in the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date of termination of the Executive's employment (or if there is no date of termination, then the date on which the Gross-Up Payment is calculated for purposes of this Article V, Section 5), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(c) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within ten business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at 120% of the rate provided in section 1274(b)(2)(B) of the Code). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or

additions payable by the Executive with respect to such excess) within ten business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Initial Payments.

(d) Subject to the six-month delay set forth in Article VIII, Section 14, if applicable, the Gross-Up Payment provided in this Article V, Section 5 shall be made not later than the "Payment Day." The Payment Day shall be the tenth business day following the date of termination, or, if the Executive becomes entitled, before the Executive's employment is terminated, to a Gross-Up Payment under this Article V, Section 5, then not later than the tenth business day following the date as of which the present value of the Initial Payments is calculated for purposes of determining the amount of such Gross-Up Payment. Notwithstanding the preceding provisions of this Article V, Section 5(d), if the amount of the Gross-Up Payment cannot be finally determined on or before the Payment Day, the Company shall pay to the Executive on the Payment Day an estimate, as determined in accordance with Article V, Section 5(b), of the minimum amount of the Gross-Up Payment to which the Executive is clearly entitled and shall pay the remainder of the Gross-Up Payment (together with interest on the unpaid remainder at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Payment Day. In the event that the amount of the estimated Gross-Up Payment so made exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the tenth business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that any Gross-Up Payment is made pursuant to Article V, Section 5(a) (and at the time that any additional Gross-Up Payment is made pursuant to Article V, Section 5(c)), the Company shall provide the Executive with a written statement setting forth the manner in which any such payment was calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinion or advice which is in writing shall be attached to the statement). Notwithstanding any other provision hereof, the Gross-Up Payment (including any additional Gross-Up Payment made pursuant to Article V, Section 5 (c)) must be paid no later than the end of the calendar year following the year in which the Executive remits the related taxes, as required by Treasury Regulations Section 1.409A-3(i)(l)(v).

Article VI
Nondisclosure, Noncompetition and Proprietary Rights

1. Certain Definitions. For purposes of this Agreement, the following terms will have the following meanings:

(a) "Confidential Information" means any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its subsidiaries, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its subsidiaries (other than information known by such

persons through a violation of an obligation of confidentiality to the Company), whether produced by the Company and its subsidiaries or any of their consultants, agents or independent contractors or by Executive, and whether or not marked confidential, including without limitation information relating to the Company's or its subsidiaries' products and services, business plans, business acquisitions, processes, product or service research and development ideas, methods or techniques, training methods and materials, and other operational methods or techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing.

(b) "Mining Business" means the exploration, mining, production, marketing and sale of metals and ore containing metals.

2. Nondisclosure of Confidential Information. Executive will hold in a fiduciary capacity for the benefit of the Company all Confidential Information obtained by Executive during Executive's employment (whether prior to or after the Agreement Date) and will use such Confidential Information solely within the scope of his employment with and for the exclusive benefit of the Company. For a period of five years after the Termination Date, Executive agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential Information, except upon the prior written authorization of the Company or as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in his possession, including any duplicates thereof and any notes or other records Executive has prepared with respect thereto. In the event that the provisions of any applicable law or the order of any court would require Executive to disclose or otherwise make available any Confidential Information, Executive will give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings.

3. Limited Covenant Not to Compete. For a period of two years after the Termination Date, Executive agrees that, with respect to each State of the United States or other jurisdiction, or specified portions thereof, in which the Executive regularly (a) makes contact with customers of the Company or any of its subsidiaries, (b) conducts the business of the Company or any of its subsidiaries, or (c) supervises the activities of other employees of the Company or any of its subsidiaries, and in which the Company or any of its subsidiaries engages in Mining Business as of the Termination Date, including without limitation the counties of Yavapai, Gila, Greenlee, Graham and Pima, all in the State of Arizona, Grant, New Mexico, Clear Creek, Colorado, and the countries of Indonesia, Spain, Peru, Chile and the Democratic Republic of the Congo (collectively, the "Subject Areas"), Executive will restrict his activities within the Subject Areas as follows:

(a) Executive will not, directly or indirectly, for himself or others, own, manage, operate, control, be employed in an executive, managerial or supervisory capacity by, consult with, assist or otherwise engage or participate in or allow his skill, knowledge, experience or reputation to be used in connection with, the ownership, management, operation or control of, any company or other business enterprise engaged in the Mining Business within any of the Subject Areas; provided, however, that nothing contained herein will prohibit Executive from making passive investments as long as Executive does not beneficially own more than 2% of the equity interests of a business enterprise engaged in the Mining Business within any of the Subject Areas. For purposes of this paragraph, "beneficially own" will have the same meaning ascribed to that term in Rule 13d-3 under the Exchange Act;

(b) Executive will not call upon any customer of the Company or its subsidiaries for the purpose of soliciting, diverting or enticing away the business of such person or entity, or otherwise disrupting any previously established relationship existing between such person or entity and the Company or its subsidiaries;

(c) Executive will not solicit, induce, influence or attempt to influence any supplier, lessor, lessee, licensor, partner, joint venturer, potential acquiree or any other person who has a business relationship with the Company or its subsidiaries, or who on the Termination Date is engaged in discussions or negotiations to enter into a business relationship with the Company or its subsidiaries, to discontinue or reduce or limit the extent of such relationship with the Company or its subsidiaries;

(d) Without the consent of the Company, Executive will not make contact with any of the employees of the Company or its subsidiaries with whom he had contact during the course of his employment with the Company for the purpose of soliciting such employee for hire, whether as an employee or independent contractor, or otherwise disrupting such employee's relationship with the Company or its subsidiaries; and

(e) Without the consent of the Company, Executive further agrees that, for a period of one year from and after the Termination Date, Executive will not hire any employee of the Company or its subsidiaries as an employee or independent contractor, whether or not such engagement is solicited by Executive.

4. Nondisparagement . During and after the Employment Term, the Executive agrees to refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees, and agrees that he will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees. Similarly, the Company agrees that its directors and officers shall refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Executive and agrees that its directors and officers will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Executive.

5. Injunctive Relief; Other Remedies. Executive acknowledges that a breach by Executive of Sections 2, 3 or 4 of this Article VI would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, Executive agrees that, in the event of a breach or threatened breach by Executive of the provisions of Sections 2, 3 or 4 of this Article VI, the Company will be entitled to injunctive relief restraining Executive from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non-waivable, applicable law. Nothing herein, however, will be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by Executive, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach or threatened breach. In addition to the exercise of the foregoing remedies, the Company will have the right upon the occurrence of any such breach to offset the damages of such breach as determined by the Company, against any unpaid salary, bonus, commissions or reimbursements otherwise owed to Executive. In particular, Executive acknowledges that the payments provided under Article IV are conditioned upon Executive fulfilling any noncompetition and nondisclosure agreements contained in this Article VI. If Executive at any time materially breaches any noncompetition or nondisclosure agreements contained in this Article VI, then the Company may offset the damages of such breach, as determined solely by the Company, against payments otherwise due to Executive under Article IV or, at the Company's option, suspend payments otherwise due to Executive under Article IV during the period of such breach. Executive acknowledges that any such offset or suspension of payments would be an exercise of the Company's right to offset or suspend its performance hereunder upon Executive's breach of this Agreement; such offset or suspension of payments would not constitute, and shall not be characterized as, the imposition of liquidated damages.

6. Requests for Waiver in Cases of Undue Hardship. If the Executive should find that any of the limitations in this Article VI impose a severe hardship on his ability to secure other employment, then the Executive may ask the Company to waive the specified limitations before accepting employment that otherwise would be a breach of Executive's obligations under this Agreement. Such request must be in writing and set forth the name and address of the organization with which employment or another prohibited relationship is sought and the position, duties or other activities that Executive seeks to perform, and the location of performance. The Company will consider the request and, in its sole discretion, decide whether and on what conditions to grant such waiver.

7. Governing Law of this Article VI; Consent to Jurisdiction. Any dispute regarding the reasonableness of the covenants and agreements set forth in this Article VI or the territorial scope or duration thereof, or the remedies available to the Company upon any breach of such covenants and agreements, will be governed by and interpreted in accordance with the laws of the State of the United States or other jurisdiction in which the alleged prohibited competing activity or disclosure occurs, and, with respect to each such dispute, the Company and Executive each hereby consent to the jurisdiction of the state and federal courts sitting in the relevant State (or, in the case of any jurisdiction outside the United States, the relevant courts of such jurisdiction) for resolution of such dispute, and agree that service of process may be made upon him or it in any legal proceeding relating to this Article VI by any means allowed under the laws of such jurisdiction.

8. Executive's Understanding of this Article. Executive hereby represents to the Company that he has read and understands, and agrees to be bound by, the terms of this Article VI. Executive acknowledges that the geographic scope and duration of the covenants contained in Article VI are the result of arm's-length bargaining and are fair and reasonable in light of (a) the importance of the functions performed by Executive and the length of time it would take the Company to find and train a suitable replacement, (b) the nature and wide geographic scope of the operations of the Company and its subsidiaries, (c) Executive's level of control over and contact with the business and operations of the Company and its subsidiaries in various jurisdictions where same are conducted and (d) the fact that all facets of the Mining Business are conducted by the Company and its subsidiaries throughout the geographic area where competition is restricted by this Agreement. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and, therefore, to the extent permitted by applicable law, the parties hereto waive any provision of applicable law that would render any provision of this Article VI invalid or unenforceable.

Article VII
Binding Arbitration

1. Binding Agreement to Arbitrate. Any claim or controversy arising out of any provision of this Agreement (other than Article VI hereof), or the breach or alleged breach of any such provision, will be settled by binding arbitration administered by the American Arbitration Association (the "AAA") under its National Rules for the Resolution of Employment Disputes as in effect at the time of the claim or controversy (the "Rules"), and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

2. Selection and Qualifications of Arbitrators. If no party to the arbitration makes a claim in excess of $1.0 million, exclusive of interest and attorneys' fees, the proceedings will be conducted before a single neutral arbitrator selected in accordance with the Rules. If any party makes a claim that exceeds $1.0 million, the proceedings will be conducted before a panel of three neutral arbitrators selected in accordance with the Rules.

3. Location of Proceedings. The place of arbitration will be in Phoenix, Arizona.

4. Remedies. Any award in an arbitration initiated under this Article VII will be limited to actual monetary damages, including if determined appropriate by the arbitrator(s) an award of costs and fees to the prevailing party. "Costs and fees" mean all reasonable pre-award expenses of the arbitration, including arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses such as copying, telephone, witness fees and attorneys' fees. The arbitrator(s) will have no authority to award consequential, punitive or other damages not measured by the prevailing party's actual damages, except as may be required by statute.

5. Opinion. The award of the arbitrators will be in writing, will be signed by a majority of the arbitrators, and will include findings of fact and a statement of the reasons for the disposition of any claim.

Article VIII
Miscellaneous

1. Binding Effect.

(a) This Agreement will be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and will not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company will require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive. In the event of any such assignment or succession, the term "Company" as used in this Agreement will refer also to such successor or assign.

(d) The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement, such agreement to be set forth in a writing reasonably satisfactory to the Executive.

2. Notices. All notices hereunder must be in writing and unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Freeport-McMoRan Copper & Gold Inc.
One North Central Avenue
Phoenix, Arizona 85004
Attention: Chairman of the Corporate Personnel Committee

If to the Executive, to:

Richard C. Adkerson
One North Central Avenue
Phoenix, Arizona 85004

or such other address as to which any party hereto may have notified the other in writing.

3. Governing Law. This Agreement will be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflict of laws, except as expressly provided in Article VI above with respect to the resolution of disputes arising under, or the Company's enforcement of, Article VI of this Agreement.

4. Withholding. The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

5. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance, will at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Executive and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation will be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, will not be affected thereby and each term and provision of this Agreement will be valid and enforced to the fullest extent permitted by law.

6. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

7. Remedies Not Exclusive. Except as provided in Article VII hereof, no remedy specified herein will be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties will have all other rights and remedies provided to them by applicable law, rule or regulation.

8. Legal Fees.

(a) Except as otherwise provided herein, the Company agrees to pay all legal fees and expenses that the Executive may reasonably incur as a result of any contest by the Company, the Executive or others with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement), provided that the Executive prevails on any material claim.

(b) The Company agrees to pay, as incurred, all legal fees and expenses that the Executive may reasonably incur in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided under this Agreement.

(c) The payment of or reimbursement for legal fees under this Article VIII, Section 8, shall comply with the requirement that non-qualified deferred compensation be paid on a specified date or pursuant to a fixed schedule, which requires that (1) the amount of benefits or reimbursements provided during one calendar year shall not affect the amount of benefits or

reimbursements to be provided in any other calendar year, (2) the reimbursement of any eligible expense shall be made no later than the last day of the calendar year following the year in which the expense was incurred, and (3) the right to reimbursement or benefits hereunder is not subject to liquidation or exchange for another benefit.

9. Company's Reservation of Rights. The Executive acknowledges and understands that he serves at the pleasure of the Board and that the Company has the right at any time to terminate or change the Executive's status as an officer and employee of the Company, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

10. Jury Trial Waiver. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT.

11. Survival. The rights and obligations of the Company and Executive contained in Article VI of this Agreement will survive the termination of the Agreement. Following the Termination Date, each party will have the right to enforce all rights, and will be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

12. Prior Employment Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof. Specifically, the Executive Employment Agreement between the Executive and the Company dated April 30, 2001, as amended on December 10, 2003, and the Change of Control Agreement between the Executive and the Company dated April 30, 2001, as amended as of December 10, 2003, shall automatically terminate as of the effectiveness of this Agreement. This Agreement may not be amended orally, but only by an agreement in writing by the parties hereto.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

14. Section 409A of the Internal Revenue Code.

(a) It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A, and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent any potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving the Executive the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Company may, without the Executive's consent and in such manner as it deems appropriate, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

(b) If Executive is a "specified employee," any payments payable as a result of Executive's termination of employment (other than as a result of death) shall not be payable before the earlier of (i) the first business day that is more than six months after Executive's Termination Date, (ii) the date of Executive's death, or (iii) the date that otherwise complies with the requirements of Section 409A. "Specified employee" shall mean the Executive if the Executive is a key employee under Treasury Regulations Section 1.409A-1(i) because of final and binding action taken by the Board or the Committee, or by operation of law or such regulation.

(c) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(d) To the extent that the amounts payable under this Agreement are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of December 31, 2008.

Freeport-McMoRan Copper & Gold Inc.

By :/s/ H. Devon Graham, Jr.
H. Devon Graham, Jr.
Director and Chairman of the
Corporate Personnel Committee of the
Board of Directors

Executive

/s/ Richard C. Adkerson
Richard C. Adkerson

Signature Page of Executive Employment Agreement
between Freeport-McMoRan Copper & Gold Inc.
and Richard C. Adkerson

FREEPORT-McMoRan COPPER & GOLD INC.

FORM OF
PERFORMANCE-BASED
RESTRICTED STOCK UNIT AGREEMENT
UNDER THE 2006 STOCK INCENTIVE PLAN

AGREEMENT dated as of January 29, 2008 (the "Grant Date"), between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and Richard C. Adkerson (the "Executive" or the "Participant").

1. (a) The Executive and the Company have entered into an Executive Employment Agreement effective as of January 29, 2008 (the "Employment Agreement"). As set forth in Article II, Section 3 of the Employment Agreement, and pursuant to the Freeport-McMoRan Copper & Gold Inc. 2006 Stock Incentive Plan (the "Plan"), the Executive is hereby granted effective the Grant Date 200,000 restricted stock units ("Restricted Stock Units" or "RSUs") on the terms and conditions set forth in this Agreement and in the Plan.

(b) Defined terms not otherwise defined herein shall have the meanings set forth in Section 2 of the Plan.

(c) Subject to the terms, conditions, and restrictions set forth in the Plan and herein, each RSU granted hereunder represents the right to receive from the Company, on the respective scheduled vesting date for such RSU set forth in Section 2(a) of this Agreement or on such earlier date as provided in Section 2(b) of this Agreement or Section 5(b) of this Agreement (the "Vesting Date"), one share (a "Share") of common stock of the Company ("Common Stock"), free of any restrictions, all amounts notionally credited to the Participant's Dividend Equivalent Account (as defined in Section 4 of this Agreement) with respect to such RSU, and all securities and property comprising all Property Distributions (as defined in Section 4 of this Agreement) deposited in such Dividend Equivalent Account with respect to such RSU.

(d) Provided the condition of Section 6 of this Agreement has been met, as soon as practicable after the Vesting Date (but no later than 2 ½ months from such date) for any RSUs granted hereunder, the Participant shall receive from the Company the number of Shares to which the vested RSUs relate, free of any restrictions, a cash payment for all amounts notionally credited to the Participant's Dividend Equivalent Account with respect to such vested RSUs, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account with respect to such vested RSUs.

2. (a) Provided the condition of Section 6 of this Agreement has been met, the RSUs granted hereunder shall vest in installments as follows:

{

Scheduled Vesting Date	Number of RSUs
Grant Date	40,000
January 1, 2009	40,000
January 1, 2010	40,000
January 1, 2011	40,000
January 1, 2012	40,000

(b) Notwithstanding Section 2(a) of this Agreement, at such time as there shall be a Change in Control of the Company, all unvested RSUs shall be accelerated and shall immediately vest.

(c) Until the respective Vesting Date for an RSU granted hereunder, such RSU, all amounts notionally credited in any Dividend Equivalent Account related to such RSU, and all securities or property comprising all Property Distributions deposited in such Dividend Equivalent Account related to such RSU shall be subject to forfeiture as provided in Section 5 of this Agreement.

3. Except as provided in Section 4 of this Agreement, an RSU shall not entitle the Participant to any incidents of ownership (including, without limitation, dividend and voting rights) in any Share until the RSU shall vest and the Participant shall be issued the Share to which such RSU relates nor in any securities or property comprising any Property Distribution deposited in a Dividend Equivalent Account related to such RSU until such RSU vests.

4. From and after the Grant Date of an RSU until the issuance of the Share payable in respect of such RSU, the Participant shall be credited, as of the payment date therefor, with (i) the amount of any cash dividends and (ii) the amount equal to the Fair Market Value of any Shares, Subsidiary securities, other securities, or other property distributed or distributable in respect of one share of Common Stock to which the Participant would have been entitled had the Participant been a record holder of one share of Common Stock at all times from the Grant Date to such issuance date (a "Property Distribution"). All such credits shall be made notionally to a dividend equivalent account (a "Dividend Equivalent Account") established for the Participant with respect to all RSUs granted hereunder with the same Vesting Date. All credits to a Dividend Equivalent Account for the Participant shall be notionally increased by the Account Rate (as hereinafter defined), compounded quarterly, from and after the applicable date of credit until paid in accordance with the provisions of this Agreement. The "Account Rate" shall be the prime commercial lending rate announced from time to time by JPMorgan Chase Bank, N.A. or by another major national bank headquartered in New York, New York designated by the Committee. The Committee may, in its discretion, deposit in the Participant's Dividend Equivalent Account the securities or property comprising any Property Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof.

5. (a) Except as set forth in Section 5(b) of this Agreement, all unvested RSUs provided for in this Agreement, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall

immediately be forfeited on the date the Participant ceases to be an Eligible Individual (the "Termination Date").

(b) Notwithstanding the foregoing, and provided the condition of Section 6 of this Agreement has been met, if the Participant ceases to be an Eligible Individual (the "Termination") by reason of the Participant's death or Disability, all the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

6. The other provisions of this Agreement notwithstanding, no unvested RSU granted hereunder shall vest on its scheduled Vesting Date under Section 2(a) of this Agreement or upon the Participant's Termination pursuant to Section 5(b) of this Agreement unless the average of the Return on Investment for the five calendar years preceding the year in which such event occurs is at least 6% and, if required or deemed necessary to satisfy the requirements to qualify such RSU as "performance-based compensation" under Section 162(m), the appropriate members of the Committee shall have certified that such condition has been met. Any unvested RSUs that do not vest upon the occurrence of any of such events as a result of the failure to meet the condition of this Section 6, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall immediately be forfeited.

7. The RSUs granted hereunder, any amounts notionally credited in the Participant's Dividend Equivalent Accounts, and any securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts are not transferable by the Participant otherwise than by will or by the laws of descent and distribution or pursuant to a domestic relations order, as defined in the Code.

8. All notices hereunder shall be in writing and, if to the Company, shall be delivered personally to the Secretary of the Company or mailed to One North Central Avenue, Phoenix, Arizona, 85004, addressed to the attention of the Secretary; and, if to the Participant, shall be delivered personally or mailed to the Participant at the address on file with the Company. Such addresses may be changed at any time by notice from one party to the other.

9. This Agreement is subject to the provisions of the Plan. The Plan may at any time be amended by the Board, except that any such amendment of the Plan that would materially impair the rights of the Participant hereunder may not be made without the Participant's consent. The Committee may amend this Agreement at any time in any manner that is not inconsistent with the terms of the Plan and that will not result in the application of Section 409A(a)(1) of the Code. Notwithstanding the foregoing, no such amendment may materially impair the rights of the Participant hereunder without the Participant's consent. Except as set forth above, any applicable determinations, orders, resolutions or other actions of the Committee shall be final, conclusive and binding on the Company and the Participant.

10. The Participant is required to satisfy any obligation in respect of withholding or other payroll taxes resulting from the vesting of any RSU granted hereunder or the payment of any securities, cash, or property hereunder, in accordance with procedures established by the Committee, as a condition to receiving any securities, cash payments, or property resulting from the vesting of any RSU or otherwise.

11. Nothing in this Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries, or to interfere in any way with the right of the Company or any of its Subsidiaries to terminate the Participant's employment relationship with the Company or any of its Subsidiaries at any time.

12. As used in this Agreement, the following terms shall have the meanings set forth below.

(a) "Change in Control" shall have the meaning set forth in Article V, Section 2 of the Employment Agreement.

(b) "Disability" shall have occurred if the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(c) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Freeport-McMoRan Copper & Gold Inc. Policies of the Committee applicable to the 2006 Stock Incentive Plan, and, with respect to any other property, mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(d) "Managed Net Income" shall mean, with respect to any year, the sum of (i) the net income (or net loss) of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public; plus (or minus) (ii) the minority interests' share in the net income (or net loss) of the Company's consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public; plus (or minus) (iii) the effect of changes in accounting principles of the Company and its consolidated subsidiaries for such year plus (or minus) the minority interests' share in such changes in accounting principles as reviewed by the Company's independent auditors and released by the Company to the public.

(e) "Net Cash Provided by Operating Activities" shall mean, with respect to any year, the net cash provided by operating activities of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public.

(f) "Net Interest Expense" shall mean, with respect to any year, the net interest expense of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public.

(g) "Return on Investment" shall mean, with respect to any year, the result (expressed as a percentage) calculated according to the following formula:

$$\frac{a + (b - c)}{d}$$

in which "a" equals Managed Net Income for such year, "b" equals Net Interest Expense for such year, "c" equals Tax on Net Interest Expense for such year, and "d" equals Total Investment of Capital for such year.

(h) "Tax on Net Interest Expense" shall mean, with respect to any year, the tax on the net interest expense of the Company and its consolidated subsidiaries for such year calculated at the appropriate statutory income tax rate for such year as reviewed by the Company's independent auditors.

(i) "Total Investment of Capital" shall mean, with respect to any year, the sum of (i) the weighted average of the stockholders' equity in the Company and its consolidated subsidiaries for such year, (ii) the weighted average of the minority interests in the consolidated subsidiaries of the Company for such year, (iii) the weighted average of the redeemable preferred stock of the Company for such year and (iv) the weighted average of the long-term debt of the Company and its consolidated subsidiaries for such year, all as shown in the quarterly balance sheets of the Company and its consolidated subsidiaries for such year.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month, and year first above written.

FREEPORT-McMoRan COPPER & GOLD INC.

By: _____

_____
(Participant)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Amended and Restated
Executive Employment Agreement

This Amended and Restated Executive Employment Agreement ("Agreement") between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and Kathleen L. Quirk (the "Executive") is dated effective as of December 2, 2008 (the "Agreement Date").

W I T N E S S E T H:

WHEREAS, the Executive and the Company are parties to an Executive Employment Agreement dated as of January 29, 2008 (the "Original Agreement"), pursuant to which the Executive currently serves as an officer of the Company;

WHEREAS, pursuant to the terms of this Agreement, the Company desires to retain the services of the Executive and the Executive desires to continue to provide services to the Company;

WHEREAS, the Company and the Executive wish to amend the Original Agreement to (i) comply with the final regulations under Section 409A of the Internal Revenue Code, and (ii) clarify certain provisions of the Original Agreement, including the method of calculating the "pro-rata" bonus and the meaning of "bonus" in the calculations of the lump sum payments due upon certain terminations of employment;

WHEREAS, during the course of providing services to the Company, the Executive has or will have received extensive and unique knowledge of, experience in and access to resources involving, the Mining Business (as defined below) at a substantial cost to the Company, which Executive acknowledges has enhanced or substantially will enhance Executive's skills and knowledge in such business;

WHEREAS, during the course of providing services to the Company, Executive has had and will continue to have access to valuable oral and written information, knowledge and data relating to the business and operations of the Company and its subsidiaries that is non-public, confidential or proprietary in nature and is particularly useful in the Mining Business; and

WHEREAS, in view of the opportunities provided by the Company to Executive, the cost thereof to the Company, and the need for the Company to be protected against disclosures by Executive of the Company's and its subsidiaries' trade secrets and other non-public, confidential or proprietary information, the Company and Executive desire, among other things, to prohibit Executive from disclosing or utilizing, outside the scope of his employment with the Company, any non-public, confidential or proprietary information, knowledge and data relating to the business and operations of the Company or its subsidiaries received by Executive during the course of his employment, and to restrict the ability of Executive to compete with the Company or its subsidiaries for a limited period of time.

NOW, THEREFORE, for and in consideration of the continued employment of Executive by the Company and the payment of salary, benefits and other compensation to Executive by the Company, the parties hereto agree as follows:

Article I
Employment Capacity

1. Capacity and Duties of Executive. The Executive is employed by the Company to render services on behalf of the Company as Executive Vice President and Chief Financial Officer. The Executive will perform such duties as are assigned to the individual holding the title or titles held by him from time to time in the Company's By-laws and such other duties as may be prescribed from time to time by the Chairman of the Board or the Company's Board of Directors (the "Board") **,** or the Chief Executive Officer, which duties shall be consistent with the position of Executive Vice President and Chief Financial Officer.

2. Term. The term of this Agreement (the "Employment Term") will commence on the Agreement Date and will expire January 1, 2012; subject to extension as provided in Article V, Section 3(a) in the event of a Change of Control (as defined in Article V, Section 2), and subject to any earlier termination of Executive's employment pursuant to this Agreement. Commencing on January 1, 2012, and each January 1 st thereafter, the Employment Term will automatically be extended for one additional year unless not later than August 1 of the immediately preceding year, the Corporate Personnel Committee of the Board (the "Committee") has given written notice to the Executive that it does not wish to extend this Agreement.

3. Devotion to Responsibilities. The Executive will devote significant business time to the business of the Company, will use his best efforts to perform faithfully and efficiently his duties under this Agreement, and will not engage in or be employed by any other business; provided, however, that nothing herein will prohibit the Executive from (a) serving as an officer and director of McMoRan Exploration Co. ("McMoRan"), FM Services Company or any of their affiliates or successors, (b) serving as a member of the board of directors, board of trustees or the like of any for-profit or non-profit entity that does not compete with the Company, or performing services of any type for any civic or community entity, whether or not the Executive receives compensation therefor, (c) investing his assets in such form or manner as will require no more than nominal services on the part of the Executive in the operation of the business of the entity in which such investment is made, or (d) serving in various capacities with, and attending meetings of, industry or trade groups and associations, as long as the Executive's activities permitted by clauses (a), (b), (c) and (d) above do not materially and unreasonably interfere with the ability of the Executive to perform the services and discharge the responsibilities required of him under this Agreement. Notwithstanding clause (c) above, the Executive may not, without the approval of the Committee, beneficially own 5% or more of the equity interests of a business organization required to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act") other than the Company or McMoRan, and the Executive may not beneficially own more than 2% of the equity interests of any business organization that competes with the Company. For purposes of this paragraph, "beneficially own" has the meaning ascribed to that term in Rule 13d-3 under the Exchange Act.

Article II
Compensation and Benefits

1. Salary. The Company will pay the Executive a salary ("Base Salary") at an annual rate per fiscal year of the Company ("Fiscal Year") of $650,000, which will be payable to the Executive in equal semi-monthly installments. Base Salary may be remitted to the Executive on behalf of the Company by an affiliate of the Company.

2. Bonus. The Executive will be eligible to receive an annual incentive bonus (the "Bonus"), payable, if at all, only with respect to services that the Executive provides to the Company. Any Bonus will be determined, accrued and paid in accordance with the terms of the Company's 2005 Annual Incentive Plan, as amended, or any incentive or bonus compensation plan that is a successor or substitute therefor, that covers certain individuals designated by the Committee (the "Annual Incentive Plan"). The Executive acknowledges and agrees that this Section 2 imposes no obligation on the Company to award any bonus to the Executive.

3. Award of Restricted Stock Units. Effective on January 29, 2008, the Executive received 75,000 restricted stock units on the terms and conditions set forth in a restricted stock unit agreement entered into between the Company and the Executive, the form of which is attached hereto as Exhibit A.

4. Equity Awards and Long-Term Performance Units. The Executive will continue to be eligible to participate in all short-term and long-term equity and non-equity incentive plans in which the Executive currently participates or which may be offered in the future to the most senior executives of the Company.

5. Vacation. The Executive will be entitled to paid vacation and holidays as provided to executives of the Company generally.

6. Indemnification and Insurance. In accordance with the Company's Certificate of Incorporation, the Company will indemnify the Executive, to the fullest extent permitted by applicable law, for any and all claims brought against him arising out his services to the Company and its subsidiaries. In addition, the Company will continue to maintain a directors' and officers' insurance policy covering the Executive substantially in the form of the policy in existence as of the Agreement Date to the extent such policy remains available at reasonable commercial terms.

7. Other Benefits. The Executive will continue to be entitled to all benefits and perquisites presently provided to him or generally to the most senior executives of the Company and be eligible to participate in and receive all benefits under welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) available generally to the most senior executives of the Company.

8. Expenses. The Executive will be entitled to receive prompt reimbursement for all reasonable business expenses (including food, transportation, entertainment and lodging) incurred from time to time on behalf of the Company in the performance of his duties, upon the

presentation of such supporting invoices, documents and forms as the Company reasonably requests.

Article III
Termination of Employment

1. Death. The Executive's status as an officer and employee will terminate immediately and automatically upon the Executive's death.

2. Disability. The Company may terminate Executive's status as an officer and employee for "Disability" as follows:

(a) If the Executive has a disability that entitles him to receive benefits under the Company's long-term disability insurance policy in effect at the time either because he is Totally Disabled or Partially Disabled, as such terms are defined in the Company's policy in effect as of the Agreement Date or as similar terms are defined in any successor policy, then the Company may terminate Executive's status as an officer and employee effective on the first day on which the Executive receives a payment under such policy (or on the first day that he would be so eligible, if he had applied timely for such payments).

(b) If the Company has no long-term disability plan in effect, and if (i) because of physical or mental illness the Executive is rendered incapable of satisfactorily discharging his duties and responsibilities under this Agreement for a period of 90 consecutive days and (ii) a duly qualified physician chosen by the Company and reasonably acceptable to the Executive or his legal representatives so certifies in writing, the Board will have the power to determine that the Executive has become disabled. If the Board makes such a determination, the Company will have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Executive as an officer and employee. Any such termination will become effective 30 days after such notice of termination is given, unless within such 30-day period, the Executive becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company and reasonably acceptable to the Executive or his legal representatives so certifies in writing) and the Executive in fact resumes such services.

(c) The "Disability Effective Date" will mean the date on which termination of Executive's status as an officer and employee becomes effective due to Disability.

3. Cause. The Company may terminate the Executive's status as an officer and employee for "Cause," which is defined as follows:

(a) The Executive's willful and continued failure to perform substantially the Executive's duties with the Company or its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties;

(b) The Executive's material breach of this Agreement after a written demand is delivered to the Executive by the Board, which specifically identifies the manner in which the Board believes that the Executive has materially breached this Agreement;

(c) The final conviction of the Executive or an entering of a guilty plea or a plea of no contest by the Executive to a felony;

(d) Unauthorized acts or omissions by the Executive that could reasonably be expected to cause material financial harm to the Company or materially disrupt Company operations;

(e) The Executive's commission of an act of dishonesty (even if not a crime) resulting in the enrichment of the Executive at the expense of the Company; or

(f) The Executive's knowing falsification or knowing attempted falsification of financial records of the Company in violation of SEC Rule 13b2-1.

For purposes of this provision, no act or failure to act, on the part of the Executive, will be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the act or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the Board, the instructions of a more senior officer of the Company or the advice of counsel to the Company or its affiliates will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company or its affiliates. The termination of employment of the Executive will not be deemed to be for Cause unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive has engaged in any of the conduct described in subparagraphs (a) through (f) above, and specifying the particulars of such conduct.

4. Good Reason. The Executive may terminate his status as an officer and employee for "Good Reason," which is defined as follows:

(a) Any failure by the Company or its affiliates to comply with any of the provisions of this Agreement (including, but not limited to, the failure to provide the Executive with the position set forth in Article I, Section 1 and, at a minimum, the Base Salary set forth in Article II, Section 1), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt by the Company of written notice thereof from the Executive; or

(b) The assignment to the Executive of any duties inconsistent in any material respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by this Agreement, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this

purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt by the Company of written notice thereof from the Executive.

(c) Following a Change of Control, as defined in Article V hereof, "Good Reason" will also include:

(i) Any failure of the Company to provide the Executive with the position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control. Executive's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with Executive's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Executive holds an equivalent position in the Company;

(ii) The Company or its affiliates requiring the Executive to be based at any office or location other than the office or location where Executive was employed immediately preceding the Change of Control, or requiring the Executive to travel on business to a substantially greater extent than required immediately prior to a Change of Control; or

(iii) Any failure by the Company to comply with and satisfy Article VIII, Sections 1(c) and (d) of this Agreement.

Any determination of "Good Reason" made by the Executive in good faith and based upon his reasonable belief and understanding shall be conclusive.

5. Termination by the Company. In addition to termination for death, Disability or Cause, the Company may at any time terminate the Executive's status as an officer and employee for any reason or for no reason at all.

6. Retirement. In addition to termination for death or Good Reason, the Executive may at any time retire and terminate his status as an officer and employee. "Retirement" (and variants thereof) for purposes of this Agreement is defined as the Executive's voluntary termination of his status as an officer and employee at any time after reaching age 54, but shall not include a termination for Good Reason.

7. Notice of Termination; Termination Date.

(a) Other than as a result of the death of Executive, any termination of Executive's status as an officer and employee shall be communicated to the other party by Notice of Termination given in accordance with Article VIII, Section 2 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement on which the party relies, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provisions so indicated and (iii) if the Termination Date (as defined below) is other than the date of receipt of such notice, specifies the Termination Date. The Company's failure to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Disability or Cause will not negate the effect of the notice nor waive

any right of the Company or preclude the Company from asserting such fact or circumstance in enforcing the Company's rights.

(b) "Termination Date" means, if Executive's status as an officer and employee is terminated (i) by reason of Executive's death, the date of Executive's death, (ii) by reason of Disability, the Disability Effective Date, (iii) by the Company other than by reason of death or Disability, the date of delivery of the Notice of Termination or any later date specified in the Notice of Termination, which date will not be more than 30 days after the giving of the notice, or (iv) by the Executive other than by reason of death, the date of delivery of the Notice of Termination or any later date specified in the Notice of Termination, which date will not be more than 30 days after the giving of the notice.

Article IV
Obligations upon Termination

1. Separation from Service. No payments or benefits provided herein that are paid because of a termination of employment under circumstances described herein shall be paid, unless such termination of employment also constitutes a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and guidance issued thereunder ("Section 409A").

2. Death, Disability, or Retirement. If (A) the Executive's status as an officer and employee is terminated by reason of the Executive's death or Retirement, or (B) the Company terminates the Executive's status as an officer and employee by reason of Executive's Disability then, subject to the six-month delay set forth in Article VIII, Section 14, if applicable,:

(a) The Company will pay the Executive or his legal representatives the amount of the Executive's Base Salary earned through the Termination Date to the extent not previously paid (the "Accrued Obligations");

(b) The Company will pay to the Executive or his legal representatives a pro rata Bonus (the "Pro Rata Bonus") for the Fiscal Year in which the Termination Date occurs, which shall be paid out at such time as annual cash bonuses are paid to other senior executives in accordance with the terms of the Annual Incentive Plan (as defined above in Article II, Section 2). The amount of the Pro Rata Bonus shall be determined by multiplying (i) the bonus the Executive would have received pursuant to the terms of the Annual Incentive Plan as determined by the Committee had he remained employed by the Company through the applicable Fiscal Year, by (ii) the fraction obtained by dividing the number of days in the year through the Termination Date by 365. To the extent that the Committee exercises negative discretion in determining bonus awards under the Annual Incentive Plan for the Fiscal Year in which the Termination Date occurs, such negative discretion may not be applied in a manner more adverse to the Executive than to other similarly situated active senior executives of the Company;

(c) The Company will pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date; and

(d) In the case of Executive's Retirement, for a period commencing on the Termination Date and ending on the earlier of (i) the third anniversary of the Termination Date, or (ii) the date that the Executive accepts new employment (the "Continuation Period"), the Company will at its expense maintain and administer for the continued benefit of Executive all insurance and welfare benefit plans in which Executive was entitled to participate as an employee of the Company as of the Termination Date, except medical reimbursement benefits under the Company's flex plans, provided that Executive's continued participation is possible under the general terms and provisions of such plans and all applicable laws. If the Executive is a "specified employee" governed by Article VIII, Section 14, to the extent that any benefits provided to the Executive under this Article IV, Section 2(d) are taxable to the Executive, then, with the exception of nontaxable medical insurance benefits, the value of the aggregate amount of such taxable benefits provided to the Executive pursuant to this Article IV, Section 2(d) during the six-month period following the Termination Date shall be limited to the amount specified by Section 402(g)(1)(B) of Code for the year in which the Termination Date occurred. The Executive shall pay the cost of any benefits that exceed the amount specified in the previous sentence during the six-month period following the Termination Date, and shall be reimbursed in full by the Company during the seventh month after the Termination Date. The coverage and benefits (including deductibles and costs) provided under any such benefit plan in accordance with this paragraph during the Continuation Period will be no less favorable to Executive than the most favorable of such coverages and benefits as of the Termination Date. If Executive's participation in any such benefit plan is barred or any such benefit plan is terminated, the Company will use commercially reasonable efforts to provide Executive with compensation or benefits substantially similar or comparable in value to those Executive would otherwise have been entitled to receive under such plans. At the end of the Continuation Period, the Executive will have the option to have assigned to him, at no cost and with no apportionment of prepaid premiums, any assignable insurance owned by the Company that relates specifically to the Executive. Subject to the general terms and provisions of the plans and all applicable laws, the Executive will be eligible for coverage under the Company's retiree medical plan or the Consolidated Omnibus Budget Reconciliation Act at the end of the Continuation Period or earlier cessation of the Company's obligation under the foregoing provisions of this paragraph.

To the extent that the amounts payable under this Article IV, Section 2(d) are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

3. Cause. If the Company terminates the Executive's status as an officer and employee for Cause, the Company will pay to the Executive the Accrued Obligations. The Company will have no further obligation to the Executive other than for obligations imposed by

law and obligations for any benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date.

4. Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause. If the Executive terminates his status as an officer and employee for Good Reason or the Company terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then subject to the six-month delay set forth in Article VIII, Section 14, if applicable:

(a) The Company will pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(b) Within twenty (20) business days of the Termination Date, the Company will pay to the Executive in a lump sum in cash an amount equal to three times the sum of (i) the Executive's Base Salary in effect at the Termination Date and (ii) average of the Bonuses paid to the Executive for the immediately preceding three Fiscal Years , which Bonus amounts shall not include any premium received in connection with Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the Bonus for a given year;

(c) All stock options will become immediately exercisable as of the Termination Date and will remain exercisable until the expiration date specified in the applicable notice of grant of nonqualified stock option;

(d) All restricted stock units granted to the Executive, except the restricted stock units granted pursuant to Article II, Section 3 herein, will vest as of the Termination Date to the extent not previously vested and will convert to common stock of the Company, provided any applicable performance conditions have been met as of the Termination Date;

(e) The Executive's performance units under the Company's Long-Term Performance Incentive Plan will be credited with the annual earnings per share or net loss per share (as defined in the plan) for the Fiscal Year in which the Termination Date occurs and all amounts credited to the Executive's performance unit account will be fully vested and will be paid out within 60 days of the end of the Fiscal Year in which the Termination Date occurs;

(f) The Company will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans maintained by the Company or its subsidiaries with respect to services rendered by the Executive prior to the Termination Date; and

(g) For the Continuation Period, the Company shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Article IV, Section 2(d).

5. Resignation from Boards of Directors. If Executive is a director of the Company and his employment is terminated for any reason other than death, the Executive will, if requested by the Company, immediately resign as a director of the Company and its subsidiaries. If such resignation is not received within 20 business days after the Executive

actually receives written notice from the Company requesting the resignations, the Executive will forfeit any right to receive any payments pursuant to this Agreement.

Article V
Change of Control

1. Applicability. In the event that a Change of Control occurs during the Employment Term, then the provisions of this Article V shall be applicable.

2. Definition of Change of Control.

(a) "Change of Control" means (capitalized terms not otherwise defined will have the meanings ascribed to them in paragraph (b) below):

(i) the acquisition by any Person together with all Affiliates of such Person, of Beneficial Ownership of the Threshold Percentage or more; provided, however, that for purposes of this Article V, Section 2(a)(i), the following will not constitute a Change of Control:

(A) any acquisition (other than a "Business Combination," as defined below, that constitutes a Change of Control under Article V, Section 2(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company or its subsidiaries,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company, or

(D) any acquisition of Common Stock pursuant to a Business Combination that does not constitute a Change of Control under Article V, Section 2(a)(iii) hereof; or

(ii) individuals who as of the effective date of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of this Agreement whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or any other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation (including a merger or consolidation of the Company or any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a

"Business Combination"), in each case, unless, immediately following such Business Combination:

(A) the individuals and entities who were the Beneficial Owners of the Company Voting Stock immediately prior to such Business Combination have direct or indirect Beneficial Ownership of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Company, and

(B) no Person together with all Affiliates of such Person (excluding the Company and any employee benefit plan or related trust of the Company or any subsidiary of the Company) Beneficially Owns 30% or more of the then outstanding shares of common stock of the Company or 30% or more of the combined voting power of the then outstanding voting securities of the Company, and

(C) at least a majority of the members of the board of directors of the Company were members of the Incumbent Board at the time of the execution of the initial agreement, and of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(b) As used in this Section 2 and elsewhere in this Agreement, the following terms have the meanings indicated:

(i) Affiliate: "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

(ii) Beneficial Owner: "Beneficial Owner" (and variants thereof), with respect to a security, means a Person who, directly or indirectly (through any contract, understanding, relationship or otherwise), has or shares (A) the power to vote, or direct the voting of, the security, and/or (B) the power to dispose of, or to direct the disposition of, the security.

(iii) Common Stock: "Common Stock" means the common stock, $.10 par value per share, of the Company.

(iv) Company Voting Stock: "Company Voting Stock" means any capital stock of the Company that is then entitled to vote for the election of directors.

(v) Majority Shares: "Majority Shares" means the number of shares of Company Voting Stock that could elect a majority of the directors of the Company if all directors were to be elected at a single meeting.

(vi) Person: "Person" means a natural person or entity, and will also mean the group or syndicate created when two or more Persons act as a syndicate or other group (including without limitation a partnership, limited partnership, joint venture or other joint

undertaking) for the purpose of acquiring, holding, or disposing of a security, except that "Person" will not include an underwriter temporarily holding a security pursuant to an offering of the security.

(vii) Threshold Percentage: "Threshold Percentage" means 30% of all then outstanding Common Stock.

3. Effect.

Upon a Change of Control, the Employment Term and the benefits provided by Article II hereof shall automatically continue following such Change of Control for a period equal to the then remaining Employment Term or three years from the Change of Control, whichever period is longer, subject to any earlier termination of Executive's status as an employee pursuant to this Agreement. During the Employment Term following a Change of Control, the benefits provided by Article II hereof will be at least as favorable as such benefits were at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other most senior executives of the Company.

4. Obligations upon Termination Following a Change of Control.

(a) Death, Disability or Retirement . If, after a Change of Control and during the Employment Term, (i) the Executive's status as an officer and employee is terminated by reason of the Executive's death, (ii) the Company terminates the Executive's status as an officer and employee by reason of Executive's Disability, or (iii) the Executive Retires and terminates his status as an officer and employee, then the Company shall pay to the Executive the benefits and payments provided for in Article IV, Section 2, subject to the six-month delay set forth in Article VIII, Section 14, if applicable.

(b) Cause . If, after a Change of Control and during the Employment Term, the Executive's status as an officer and employee is terminated by the Company for Cause, the Company shall pay to the Executive the benefits and payments provided for in Article IV, Section 3.

(c) Termination by Executive for Good Reason or by Company for Reasons other than Death, Disability or Cause . If, after a Change of Control and during the Employment Term, the Executive terminates his status as an officer and employee for Good Reason, or the Company terminates the Executive's status as an officer and employee other than for death, Disability or Cause, then, subject to the six-month delay set forth in Article VIII, Section 14, if applicable,:

(i) The Company shall pay to the Executive the Accrued Obligations and the Pro Rata Bonus;

(ii) Within twenty (20) business days of the Termination Date, the Company shall pay to the Executive in a lump sum in cash an amount equal to three times, the sum of (A) the Executive's Base Salary in effect at the Termination Date and (B) the highest bonus paid to the Executive for any of the immediately preceding three Fiscal Years, which

bonus amounts shall not include any premium received in connection with the Executive's participation in any restricted stock program offered by the Company, but shall include the grant date value of any equity awards granted to the Executive in lieu of a portion of the bonus for a given year;

(iii) The Company will pay or deliver, as appropriate, all other benefits due the Executive pursuant to any employee benefit plans and incentive plans maintained by the Company or its affiliated companies with respect to services rendered by the Executive prior to the Termination Date; and

(iv) For the Continuation Period, the Company shall at its expense maintain and administer for the continued benefit of Executive the benefits provided for under Article IV, Section 2(d).

(d) Resignation from Board of Directors . If the Executive is a director of the Company and his status as an officer and employee is terminated for any reason other than death, the Executive shall, if requested by the Company, immediately resign as a director of the Company and its subsidiaries. If such resignation is not received within 20 business days after the Executive actually receives written notice from the Company requesting the resignation, the Executive shall forfeit any right to receive any payments pursuant to this Agreement.

(e) Nondisclosure, Noncompetition and Proprietary Rights . The rights and obligations of the Company and the Executive contained in Article VI hereof shall continue to apply after a Change of Control.

5. Excise Tax Provision .

(a) Notwithstanding any other provisions of this Agreement, if a Change of Control occurs during the original or extended term of this Agreement, in the event that any of the payments or benefits received or to be received by or attributable to the Executive in connection with the Change of Control or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change of Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the payments and benefits under Article V, Section 4(c) hereof, but excluding any payment to be made pursuant to this Article V, Section 5, being hereinafter referred to as the "Initial Payments") will be subject (in whole or in part) to an excise tax imposed by section 4999 of the Code or any similar tax (the "Excise Tax"), the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of (i) any Excise Tax on the Initial Payments, (ii) any federal, state and local income and employment taxes on the Gross-Up Payment, (iii) any Medicare tax on the Gross-Up Payment, and (iv) the Excise Tax on the Gross-Up Payment, shall be equal to the Initial Payments. Notwithstanding the foregoing provisions of this Article V, Section 5(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the present value as of the date of the Change of Control, determined in accordance with Sections 280G(b)(2)(ii) and 280G(d)(4) of the Code (the "Present Value"), of the Initial Payments does not exceed 110% of the greatest Present Value of Initial Payments that could be paid to the Executive such that the receipt thereof would not give rise to

any Excise Tax (the "Safe Harbor Cap"), then no Gross-Up Payment shall be made to the Executive and the amounts payable to the Executive under this Agreement shall be reduced to the maximum amount that could be paid to the Executive such that the Present Value of the Initial Payments does not exceed the Safe Harbor Cap. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the benefits as elected by the Executive. For purposes of reducing the Initial Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Initial Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Present Value of the Initial Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(b) For purposes of determining whether any of the Initial Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Initial Payments shall be treated as "parachute payments" (within the meaning of the Code) unless, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change of Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) do not constitute parachute payments, (ii) all "excess parachute payments" within the meaning of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of the Code) in excess of the "Base Amount" (within the meaning set forth in the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date of termination of the Executive's employment (or if there is no date of termination, then the date on which the Gross-Up Payment is calculated for purposes of this Article V, Section 5), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(c) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, the Executive shall repay to the Company, within ten business days following the time that the amount of such reduction in the Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Payment being repaid by the Executive, to the extent that such repayment results in a reduction in the Excise Tax and a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at 120% of the rate provided in section 1274(b)(2)(B) of the Code). In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or

additions payable by the Executive with respect to such excess) within ten business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Initial Payments.

(d) Subject to the six-month delay set forth in Article VIII, Section 14, if applicable, the Gross-Up Payment provided in this Article V, Section 5 shall be made not later than the "Payment Day." The Payment Day shall be the tenth business day following the date of termination, or, if the Executive becomes entitled, before the Executive's employment is terminated, to a Gross-Up Payment under this Article V, Section 5, then not later than the tenth business day following the date as of which the present value of the Initial Payments is calculated for purposes of determining the amount of such Gross-Up Payment. Notwithstanding the preceding provisions of this Article V, Section 5(d), if the amount of the Gross-Up Payment cannot be finally determined on or before the Payment Day, the Company shall pay to the Executive on the Payment Day an estimate, as determined in accordance with Article V, Section 5(b), of the minimum amount of the Gross-Up Payment to which the Executive is clearly entitled and shall pay the remainder of the Gross-Up Payment (together with interest on the unpaid remainder at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Payment Day. In the event that the amount of the estimated Gross-Up Payment so made exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the tenth business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that any Gross-Up Payment is made pursuant to Article V, Section 5(a) (and at the time that any additional Gross-Up Payment is made pursuant to Article V, Section 5(c)), the Company shall provide the Executive with a written statement setting forth the manner in which any such payment was calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinion or advice which is in writing shall be attached to the statement). Notwithstanding any other provision hereof, the Gross-Up Payment (including any additional Gross-Up Payment made pursuant to Article V, Section 5 (c)) must be paid no later than the end of the calendar year following the year in which the Executive remits the related taxes, as required by Treasury Regulations Section 1.409A-3(i)(l)(v).

Article VI
Nondisclosure, Noncompetition and Proprietary Rights

1. Certain Definitions. For purposes of this Agreement, the following terms will have the following meanings:

(a) "Confidential Information" means any information, knowledge or data of any nature and in any form (including information that is electronically transmitted or stored on any form of magnetic or electronic storage media) relating to the past, current or prospective business or operations of the Company and its subsidiaries, that at the time or times concerned is not generally known to persons engaged in businesses similar to those conducted or contemplated by the Company and its subsidiaries (other than information known by such

persons through a violation of an obligation of confidentiality to the Company), whether produced by the Company and its subsidiaries or any of their consultants, agents or independent contractors or by Executive, and whether or not marked confidential, including without limitation information relating to the Company's or its subsidiaries' products and services, business plans, business acquisitions, processes, product or service research and development ideas, methods or techniques, training methods and materials, and other operational methods or techniques, quality assurance procedures or standards, operating procedures, files, plans, specifications, proposals, drawings, charts, graphs, support data, trade secrets, supplier lists, supplier information, purchasing methods or practices, distribution and selling activities, consultants' reports, marketing and engineering or other technical studies, maintenance records, employment or personnel data, marketing data, strategies or techniques, financial reports, budgets, projections, cost analyses, price lists, formulae and analyses, employee lists, customer records, customer lists, customer source lists, proprietary computer software, and internal notes and memoranda relating to any of the foregoing.

(b) "Mining Business" means the exploration, mining, production, marketing and sale of metals and ore containing metals.

2. Nondisclosure of Confidential Information. Executive will hold in a fiduciary capacity for the benefit of the Company all Confidential Information obtained by Executive during Executive's employment (whether prior to or after the Agreement Date) and will use such Confidential Information solely within the scope of his employment with and for the exclusive benefit of the Company. For a period of five years after the Termination Date, Executive agrees (a) not to communicate, divulge or make available to any person or entity (other than the Company) any such Confidential Information, except upon the prior written authorization of the Company or as may be required by law or legal process, and (b) to deliver promptly to the Company any Confidential Information in his possession, including any duplicates thereof and any notes or other records Executive has prepared with respect thereto. In the event that the provisions of any applicable law or the order of any court would require Executive to disclose or otherwise make available any Confidential Information, Executive will give the Company prompt prior written notice of such required disclosure and an opportunity to contest the requirement of such disclosure or apply for a protective order with respect to such Confidential Information by appropriate proceedings.

3. Limited Covenant Not to Compete. For a period of six months after the Termination Date, Executive agrees that, with respect to each State of the United States or other jurisdiction, or specified portions thereof, in which the Executive regularly (a) makes contact with customers of the Company or any of its subsidiaries, (b) conducts the business of the Company or any of its subsidiaries, or (c) supervises the activities of other employees of the Company or any of its subsidiaries, and in which the Company or any of its subsidiaries engages in Mining Business as of the Termination Date, including without limitation the counties of Yavapai, Gila, Greenlee, Graham and Pima, all in the State of Arizona, Grant, New Mexico, Clear Creek, Colorado, and the countries of Indonesia, Spain, Peru, Chile and the Democratic Republic of the Congo (collectively, the "Subject Areas"), Executive will restrict his activities within the Subject Areas as follows:

(a) Executive will not, directly or indirectly, for himself or others, own, manage, operate, control, be employed in an executive, managerial or supervisory capacity by, consult with, assist or otherwise engage or participate in or allow his skill, knowledge, experience or reputation to be used in connection with, the ownership, management, operation or control of, any company or other business enterprise engaged in the Mining Business within any of the Subject Areas; provided, however, that nothing contained herein will prohibit Executive from making passive investments as long as Executive does not beneficially own more than 2% of the equity interests of a business enterprise engaged in the Mining Business within any of the Subject Areas. For purposes of this paragraph, "beneficially own" will have the same meaning ascribed to that term in Rule 13d-3 under the Exchange Act;

(b) Executive will not call upon any customer of the Company or its subsidiaries for the purpose of soliciting, diverting or enticing away the business of such person or entity, or otherwise disrupting any previously established relationship existing between such person or entity and the Company or its subsidiaries;

(c) Executive will not solicit, induce, influence or attempt to influence any supplier, lessor, lessee, licensor, partner, joint venturer, potential acquiree or any other person who has a business relationship with the Company or its subsidiaries, or who on the Termination Date is engaged in discussions or negotiations to enter into a business relationship with the Company or its subsidiaries, to discontinue or reduce or limit the extent of such relationship with the Company or its subsidiaries;

(d) Without the consent of the Company, Executive will not make contact with any of the employees of the Company or its subsidiaries with whom he had contact during the course of his employment with the Company for the purpose of soliciting such employee for hire, whether as an employee or independent contractor, or otherwise disrupting such employee's relationship with the Company or its subsidiaries; and

(e) Without the consent of the Company, Executive further agrees that, for a period of one year from and after the Termination Date, Executive will not hire any employee of the Company or its subsidiaries as an employee or independent contractor, whether or not such engagement is solicited by Executive.

4. Nondisparagement . During and after the Employment Term, the Executive agrees to refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees, and agrees that he will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Company and its subsidiaries or any of their directors, officers or employees. Similarly, the Company agrees that its directors and officers shall refrain from making any statements and from taking any actions that disparage or could reasonably be expected to harm the reputation of the Executive and agrees that its directors and officers will not voluntarily assist or otherwise participate in any action or proceeding undertaken by any other person that disparages or could reasonably be expected to materially harm the reputation of the Executive.

5. Injunctive Relief; Other Remedies. Executive acknowledges that a breach by Executive of Sections 2, 3 or 4 of this Article VI would cause immediate and irreparable harm to the Company for which an adequate monetary remedy does not exist; hence, Executive agrees that, in the event of a breach or threatened breach by Executive of the provisions of Sections 2, 3 or 4 of this Article VI, the Company will be entitled to injunctive relief restraining Executive from such violation without the necessity of proof of actual damage or the posting of any bond, except as required by non-waivable, applicable law. Nothing herein, however, will be construed as prohibiting the Company from pursuing any other remedy at law or in equity to which the Company may be entitled under applicable law in the event of a breach or threatened breach of this Agreement by Executive, including without limitation the recovery of damages and/or costs and expenses, such as reasonable attorneys' fees, incurred by the Company as a result of any such breach or threatened breach. In addition to the exercise of the foregoing remedies, the Company will have the right upon the occurrence of any such breach to offset the damages of such breach as determined by the Company, against any unpaid salary, bonus, commissions or reimbursements otherwise owed to Executive. In particular, Executive acknowledges that the payments provided under Article IV are conditioned upon Executive fulfilling any noncompetition and nondisclosure agreements contained in this Article VI. If Executive at any time materially breaches any noncompetition or nondisclosure agreements contained in this Article VI, then the Company may offset the damages of such breach, as determined solely by the Company, against payments otherwise due to Executive under Article IV or, at the Company's option, suspend payments otherwise due to Executive under Article IV during the period of such breach. Executive acknowledges that any such offset or suspension of payments would be an exercise of the Company's right to offset or suspend its performance hereunder upon Executive's breach of this Agreement; such offset or suspension of payments would not constitute, and shall not be characterized as, the imposition of liquidated damages.

6. Requests for Waiver in Cases of Undue Hardship. If the Executive should find that any of the limitations in this Article VI impose a severe hardship on his ability to secure other employment, then the Executive may ask the Company to waive the specified limitations before accepting employment that otherwise would be a breach of Executive's obligations under this Agreement. Such request must be in writing and set forth the name and address of the organization with which employment or another prohibited relationship is sought and the position, duties or other activities that Executive seeks to perform, and the location of performance. The Company will consider the request and, in its sole discretion, decide whether and on what conditions to grant such waiver.

7. Governing Law of this Article VI; Consent to Jurisdiction. Any dispute regarding the reasonableness of the covenants and agreements set forth in this Article VI or the territorial scope or duration thereof, or the remedies available to the Company upon any breach of such covenants and agreements, will be governed by and interpreted in accordance with the laws of the State of the United States or other jurisdiction in which the alleged prohibited competing activity or disclosure occurs, and, with respect to each such dispute, the Company and Executive each hereby consent to the jurisdiction of the state and federal courts sitting in the relevant State (or, in the case of any jurisdiction outside the United States, the relevant courts of such jurisdiction) for resolution of such dispute, and agree that service of process may be made upon him or it in any legal proceeding relating to this Article VI by any means allowed under the laws of such jurisdiction.

8. Executive's Understanding of this Article. Executive hereby represents to the Company that he has read and understands, and agrees to be bound by, the terms of this Article VI. Executive acknowledges that the geographic scope and duration of the covenants contained in Article VI are the result of arm's-length bargaining and are fair and reasonable in light of (a) the importance of the functions performed by Executive and the length of time it would take the Company to find and train a suitable replacement, (b) the nature and wide geographic scope of the operations of the Company and its subsidiaries, (c) Executive's level of control over and contact with the business and operations of the Company and its subsidiaries in various jurisdictions where same are conducted and (d) the fact that all facets of the Mining Business are conducted by the Company and its subsidiaries throughout the geographic area where competition is restricted by this Agreement. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permitted under applicable law, whether now or hereafter in effect and, therefore, to the extent permitted by applicable law, the parties hereto waive any provision of applicable law that would render any provision of this Article VI invalid or unenforceable.

Article VII
Binding Arbitration

1. Binding Agreement to Arbitrate. Any claim or controversy arising out of any provision of this Agreement (other than Article VI hereof), or the breach or alleged breach of any such provision, will be settled by binding arbitration administered by the American Arbitration Association (the "AAA") under its National Rules for the Resolution of Employment Disputes as in effect at the time of the claim or controversy (the "Rules"), and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

2. Selection and Qualifications of Arbitrators. If no party to the arbitration makes a claim in excess of $1.0 million, exclusive of interest and attorneys' fees, the proceedings will be conducted before a single neutral arbitrator selected in accordance with the Rules. If any party makes a claim that exceeds $1.0 million, the proceedings will be conducted before a panel of three neutral arbitrators selected in accordance with the Rules.

3. Location of Proceedings. The place of arbitration will be in Phoenix, Arizona.

4. Remedies. Any award in an arbitration initiated under this Article VII will be limited to actual monetary damages, including if determined appropriate by the arbitrator(s) an award of costs and fees to the prevailing party. "Costs and fees" mean all reasonable pre-award expenses of the arbitration, including arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses such as copying, telephone, witness fees and attorneys' fees. The arbitrator(s) will have no authority to award consequential, punitive or other damages not measured by the prevailing party's actual damages, except as may be required by statute.

5. Opinion. The award of the arbitrators will be in writing, will be signed by a majority of the arbitrators, and will include findings of fact and a statement of the reasons for the disposition of any claim.

Article VIII
Miscellaneous

1. Binding Effect.

(a) This Agreement will be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Executive and will not be assignable by the Executive without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company will require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Executive. In the event of any such assignment or succession, the term "Company" as used in this Agreement will refer also to such successor or assign.

(d) The Company shall also require all entities that control or that after the transaction will control (directly or indirectly) the Company or any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement, such agreement to be set forth in a writing reasonably satisfactory to the Executive.

2. Notices. All notices hereunder must be in writing and unless otherwise specifically provided herein, will be deemed to have been given upon receipt of delivery by: (a) hand (against a receipt therefor), (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) telecopy transmission with confirmation of receipt. All such notices must be addressed as follows:

If to the Company, to:

Freeport-McMoRan Copper & Gold Inc.
One North Central Avenue
Phoenix, Arizona 85004
Attention: Chairman of the Corporate Personnel Committee

If to the Executive, to:

Kathleen L. Quirk
One North Central Avenue
Phoenix, Arizona 85004

or such other address as to which any party hereto may have notified the other in writing.

3. Governing Law. This Agreement will be construed and enforced in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflict of laws, except as expressly provided in Article VI above with respect to the resolution of disputes arising under, or the Company's enforcement of, Article VI of this Agreement.

4. Withholding. The Executive agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

5. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance, will at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Executive and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation will be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, will not be affected thereby and each term and provision of this Agreement will be valid and enforced to the fullest extent permitted by law.

6. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

7. Remedies Not Exclusive. Except as provided in Article VII hereof, no remedy specified herein will be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties will have all other rights and remedies provided to them by applicable law, rule or regulation.

8. Legal Fees.

(a) Except as otherwise provided herein, the Company agrees to pay all legal fees and expenses that the Executive may reasonably incur as a result of any contest by the Company, the Executive or others with respect to the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest by the Executive about the amount or timing of any payment pursuant to this Agreement), provided that the Executive prevails on any material claim.

(b) The Company agrees to pay, as incurred, all legal fees and expenses that the Executive may reasonably incur in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided under this Agreement.

(c) The payment of or reimbursement for legal fees under this Article VIII, Section 8, shall comply with the requirement that non-qualified deferred compensation be paid on a specified date or pursuant to a fixed schedule, which requires that (1) the amount of benefits or reimbursements provided during one calendar year shall not affect the amount of benefits or

reimbursements to be provided in any other calendar year, (2) the reimbursement of any eligible expense shall be made no later than the last day of the calendar year following the year in which the expense was incurred, and (3) the right to reimbursement or benefits hereunder is not subject to liquidation or exchange for another benefit.

9. Company's Reservation of Rights. The Executive acknowledges and understands that he serves at the pleasure of the Board and that the Company has the right at any time to terminate or change the Executive's status as an officer and employee of the Company, subject to the rights of the Executive to claim the benefits conferred by this Agreement.

10. Jury Trial Waiver. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT.

11. Survival. The rights and obligations of the Company and Executive contained in Article VI of this Agreement will survive the termination of the Agreement. Following the Termination Date, each party will have the right to enforce all rights, and will be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

12. Prior Change of Control Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof. Specifically, the Change of Control Agreement between the Executive and the Company dated February 3, 2004, shall automatically terminate as of the effectiveness of this Agreement. This Agreement may not be amended orally, but only by an agreement in writing by the parties hereto.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

14. Section 409A of the Internal Revenue Code.

(a) It is the intention of the parties that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A, and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent any potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving the Executive the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Company may, without the Executive's consent and in such manner as it deems appropriate, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

(b) If Executive is a "specified employee," any payments payable as a result of Executive's termination of employment (other than as a result of death) shall not be payable before the earlier of (i) the first business day that is more than six months after Executive's

Termination Date, (ii) the date of Executive's death, or (iii) the date that otherwise complies with the requirements of Section 409A. "Specified employee" shall mean the Executive if the Executive is a key employee under Treasury Regulations Section 1.409A-1(i) because of final and binding action taken by the Board or the Committee, or by operation of law or such regulation.

(c) No acceleration of payments and benefits provided for in this Agreement shall be permitted, except that the Company may accelerate payment, if permitted by Section 409A, as necessary to allow the Executive to pay FICA taxes on amounts payable hereunder and additional taxes resulting from the payment of such FICA amount, or as necessary to pay taxes and penalties arising as a result of the payments provided for in this Agreement failing to meet the requirements of Section 409A. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.

(d) To the extent that the amounts payable under this Agreement are reimbursements and other separation payments described under Treasury Regulations Section 1.409A-1(b)(9)(v), such payments do not provide for the deferral of compensation. If they do constitute deferral of compensation governed by Section 409A, they shall be deemed to be reimbursements or in-kind benefits governed by Treasury Regulations Section 1.409A-3(i)(1)(iv). If the previous sentence applies, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year, (ii) the reimbursement of an eligible expense must be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

[remainder of page intentionally blank]

IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be executed as of December 31, 2008.

Freeport-McMoRan Copper & Gold Inc.

By: /s/ H. Devon Graham, Jr.
H. Devon Graham, Jr.
Director and Chairman of the
Corporate Personnel Committee of the
Board of Directors

Executive

/s/ Kathleen L. Quirk
Kathleen L. Quirk

Signature Page of Executive Employment Agreement
between Freeport-McMoRan Copper & Gold Inc.
and Kathleen L. Quirk

FREEPORT-McMoRan COPPER & GOLD INC.

FORM OF
PERFORMANCE-BASED
RESTRICTED STOCK UNIT AGREEMENT
UNDER THE 2006 STOCK INCENTIVE PLAN

AGREEMENT dated as of January 29, 2008 (the "Grant Date"), between Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), and Kathleen L. Quirk (the "Executive" or the "Participant").

1. (a) The Executive and the Company have entered into an Executive Employment Agreement effective as of January 29, 2008 (the "Employment Agreement"). As set forth in Article II, Section 3 of the Employment Agreement, and pursuant to the Freeport-McMoRan Copper & Gold Inc. 2006 Stock Incentive Plan (the "Plan"), the Executive is hereby granted effective the Grant Date 75,000 restricted stock units ("Restricted Stock Units" or "RSUs") on the terms and conditions set forth in this Agreement and in the Plan.

(b) Defined terms not otherwise defined herein shall have the meanings set forth in Section 2 of the Plan.

(c) Subject to the terms, conditions, and restrictions set forth in the Plan and herein, each RSU granted hereunder represents the right to receive from the Company, on the respective scheduled vesting date for such RSU set forth in Section 2(a) of this Agreement or on such earlier date as provided in Section 2(b) of this Agreement or Section 5(b) of this Agreement (the "Vesting Date"), one share (a "Share") of common stock of the Company ("Common Stock"), free of any restrictions, all amounts notionally credited to the Participant's Dividend Equivalent Account (as defined in Section 4 of this Agreement) with respect to such RSU, and all securities and property comprising all Property Distributions (as defined in Section 4 of this Agreement) deposited in such Dividend Equivalent Account with respect to such RSU.

(d) Provided the condition of Section 6 of this Agreement has been met, as soon as practicable after the Vesting Date (but no later than 2 ½ months from such date) for any RSUs granted hereunder, the Participant shall receive from the Company the number of Shares to which the vested RSUs relate, free of any restrictions, a cash payment for all amounts notionally credited to the Participant's Dividend Equivalent Account with respect to such vested RSUs, and all securities and property comprising all Property Distributions deposited in such Dividend Equivalent Account with respect to such vested RSUs.

2. (a) Provided the condition of Section 6 of this Agreement has been met, the RSUs granted hereunder shall vest in installments as follows:

Scheduled Vesting Date	Number of RSUs
Grant Date	15,000
January 1, 2009	15,000
January 1, 2010	15,000
January 1, 2011	15,000
January 1, 2012	15,000

(b) Notwithstanding Section 2(a) of this Agreement, at such time as there shall be a Change in Control of the Company, all unvested RSUs shall be accelerated and shall immediately vest.

(c) Until the respective Vesting Date for an RSU granted hereunder, such RSU, all amounts notionally credited in any Dividend Equivalent Account related to such RSU, and all securities or property comprising all Property Distributions deposited in such Dividend Equivalent Account related to such RSU shall be subject to forfeiture as provided in Section 5 of this Agreement.

3. Except as provided in Section 4 of this Agreement, an RSU shall not entitle the Participant to any incidents of ownership (including, without limitation, dividend and voting rights) in any Share until the RSU shall vest and the Participant shall be issued the Share to which such RSU relates nor in any securities or property comprising any Property Distribution deposited in a Dividend Equivalent Account related to such RSU until such RSU vests.

4. From and after the Grant Date of an RSU until the issuance of the Share payable in respect of such RSU, the Participant shall be credited, as of the payment date therefor, with (i) the amount of any cash dividends and (ii) the amount equal to the Fair Market Value of any Shares, Subsidiary securities, other securities, or other property distributed or distributable in respect of one share of Common Stock to which the Participant would have been entitled had the Participant been a record holder of one share of Common Stock at all times from the Grant Date to such issuance date (a "Property Distribution"). All such credits shall be made notionally to a dividend equivalent account (a "Dividend Equivalent Account") established for the Participant with respect to all RSUs granted hereunder with the same Vesting Date. All credits to a Dividend Equivalent Account for the Participant shall be notionally increased by the Account Rate (as hereinafter defined), compounded quarterly, from and after the applicable date of credit until paid in accordance with the provisions of this Agreement. The "Account Rate" shall be the prime commercial lending rate announced from time to time by JPMorgan Chase Bank, N.A. or by another major national bank headquartered in New York, New York designated by the Committee. The Committee may, in its discretion, deposit in the Participant's Dividend Equivalent Account the securities or property comprising any Property Distribution in lieu of crediting such Dividend Equivalent Account with the Fair Market Value thereof.

5. (a) Except as set forth in Section 5(b) of this Agreement, all unvested RSUs provided for in this Agreement, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall

immediately be forfeited on the date the Participant ceases to be an Eligible Individual (the "Termination Date").

(b) Notwithstanding the foregoing, and provided the condition of Section 6 of this Agreement has been met, if the Participant ceases to be an Eligible Individual (the "Termination") by reason of the Participant's death or Disability, all the unvested RSUs granted hereunder, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall vest as of the Participant's Termination Date.

6. The other provisions of this Agreement notwithstanding, no unvested RSU granted hereunder shall vest on its scheduled Vesting Date under Section 2(a) of this Agreement or upon the Participant's Termination pursuant to Section 5(b) of this Agreement unless the average of the Return on Investment for the five calendar years preceding the year in which such event occurs is at least 6% and, if required or deemed necessary to satisfy the requirements to qualify such RSU as "performance-based compensation" under Section 162(m), the appropriate members of the Committee shall have certified that such condition has been met. Any unvested RSUs that do not vest upon the occurrence of any of such events as a result of the failure to meet the condition of this Section 6, all amounts credited to the Participant's Dividend Equivalent Accounts with respect to such RSUs, and all securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts with respect to such RSUs shall immediately be forfeited.

7. The RSUs granted hereunder, any amounts notionally credited in the Participant's Dividend Equivalent Accounts, and any securities and property comprising Property Distributions deposited in such Dividend Equivalent Accounts are not transferable by the Participant otherwise than by will or by the laws of descent and distribution or pursuant to a domestic relations order, as defined in the Code.

8. All notices hereunder shall be in writing and, if to the Company, shall be delivered personally to the Secretary of the Company or mailed to One North Central Avenue, Phoenix, Arizona, 85004, addressed to the attention of the Secretary; and, if to the Participant, shall be delivered personally or mailed to the Participant at the address on file with the Company. Such addresses may be changed at any time by notice from one party to the other.

9. This Agreement is subject to the provisions of the Plan. The Plan may at any time be amended by the Board, except that any such amendment of the Plan that would materially impair the rights of the Participant hereunder may not be made without the Participant's consent. The Committee may amend this Agreement at any time in any manner that is not inconsistent with the terms of the Plan and that will not result in the application of Section 409A(a)(1) of the Code. Notwithstanding the foregoing, no such amendment may materially impair the rights of the Participant hereunder without the Participant's consent. Except as set forth above, any applicable determinations, orders, resolutions or other actions of the Committee shall be final, conclusive and binding on the Company and the Participant.

10. The Participant is required to satisfy any obligation in respect of withholding or other payroll taxes resulting from the vesting of any RSU granted hereunder or the payment of any securities, cash, or property hereunder, in accordance with procedures established by the Committee, as a condition to receiving any securities, cash payments, or property resulting from the vesting of any RSU or otherwise.

11. Nothing in this Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries, or to interfere in any way with the right of the Company or any of its Subsidiaries to terminate the Participant's employment relationship with the Company or any of its Subsidiaries at any time.

12. As used in this Agreement, the following terms shall have the meanings set forth below.

(a) "Change in Control" shall have the meaning set forth in Article V, Section 2 of the Employment Agreement.

(b) "Disability" shall have occurred if the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer.

(c) "Fair Market Value" shall, with respect to a share of Common Stock, a Subsidiary security, or any other security, have the meaning set forth in the Freeport-McMoRan Copper & Gold Inc. Policies of the Committee applicable to the 2006 Stock Incentive Plan, and, with respect to any other property, mean the value thereof determined by the board of directors of the Company in connection with declaring the dividend or distribution thereof.

(d) "Managed Net Income" shall mean, with respect to any year, the sum of (i) the net income (or net loss) of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public; plus (or minus) (ii) the minority interests' share in the net income (or net loss) of the Company's consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public; plus (or minus) (iii) the effect of changes in accounting principles of the Company and its consolidated subsidiaries for such year plus (or minus) the minority interests' share in such changes in accounting principles as reviewed by the Company's independent auditors and released by the Company to the public.

(e) "Net Cash Provided by Operating Activities" shall mean, with respect to any year, the net cash provided by operating activities of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public.

(f) "Net Interest Expense" shall mean, with respect to any year, the net interest expense of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public.

(g) "Return on Investment" shall mean, with respect to any year, the result (expressed as a percentage) calculated according to the following formula:

$$\frac{a + (b - c)}{d}$$

in which "a" equals Managed Net Income for such year, "b" equals Net Interest Expense for such year, "c" equals Tax on Net Interest Expense for such year, and "d" equals Total Investment of Capital for such year.

(h) "Tax on Net Interest Expense" shall mean, with respect to any year, the tax on the net interest expense of the Company and its consolidated subsidiaries for such year calculated at the appropriate statutory income tax rate for such year as reviewed by the Company's independent auditors.

(i) "Total Investment of Capital" shall mean, with respect to any year, the sum of (i) the weighted average of the stockholders' equity in the Company and its consolidated subsidiaries for such year, (ii) the weighted average of the minority interests in the consolidated subsidiaries of the Company for such year, (iii) the weighted average of the redeemable preferred stock of the Company for such year and (iv) the weighted average of the long-term debt of the Company and its consolidated subsidiaries for such year, all as shown in the quarterly balance sheets of the Company and its consolidated subsidiaries for such year.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month, and year first above written.

FREEPORT-McMoRan COPPER & GOLD INC.

By: _____

_____

(Participant)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Freeport-McMoRan Copper & Gold Inc.
Executive Services Program
(Replaces the Financial Counseling and Tax Return Preparation and Certification Program)

1. Purpose . The Freeport-McMoRan Copper & Gold Inc. Executive Services Program (the "Program") is designed to enable the eligible participants to devote to the business activities of Freeport-McMoRan Copper & Gold Inc. (the "Company") or its subsidiaries the time and attention that such individual would otherwise have had to devote to their personal planning concerns.
2. Financial Counseling . The Program contemplates the provision of professional counseling services in the area of personal financial and estate planning by an independent adviser selected by each participant.
3. Tax Return Preparation and Certification . The Program contemplates the provision of professional assistance, by a public accounting firm selected by the participant, with the preparation and filing of personal income tax returns.
4. Club Memberships . The Program contemplates the reimbursement of annual social and business club membership fees for Program participants for the primary purpose of facilitating business-related entertaining and networking.
5. Long-Term Care Insurance . The Program contemplates the reimbursement of all or a portion of the premiums relating to long-term care insurance for Program participants.
6. Administration . The Program shall be administered by the President and Chief Executive Officer of the Company or his or her designees who shall have full authority to interpret the Program and from time to time adopt rules and regulations for carrying out the

Program, subject to such directions as the Corporate Personnel Committee of the Company's Board of Directors may give, either as general guidelines or in particular cases.

7. Eligibility for Participation . Participation in the Program shall be offered to the Chairman of the Board, the President and Chief Executive Officer, and the Senior Vice Presidents of the Company, and, in addition to such participants, employees of the Company or any of its subsidiaries who may from time to time be selected by the President and Chief Executive Officer. Participation in the Program is subject to an annual allowance per eligible participant and will generally continue through the year following each participant's retirement unless otherwise determined by the President and Chief Executive Officer.

8. General Provisions . The selection of any employee for participation in the Program shall not give such employee any right to be retained in the employ of the Company or any of its subsidiaries, and the right of the Company and of such subsidiary to dismiss or discharge any such employee is specifically reserved. The benefits provided for employees under the Program shall be in addition to, and in no way preclude, other forms of compensation to or in respect of such employee.

9. Tax Gross-Up . The amount of fees paid pursuant to the Program for each participant can be grossed-up for Federal, State (where applicable), Social Security and Medicare taxes at the highest marginal tax rate. The Company will pay the taxes directly to the respective agencies on behalf of participants. Each participant's earnings statement and W-2 will reflect the benefit paid on behalf of the participant under the Program and the associated tax gross-up as earnings. The taxes paid on behalf of the participant will also be shown as withholdings. The tax gross-up payment for reimbursements provided during a calendar year will be made before the end of that calendar year.

As amended by the Corporate Personnel Committee on December 2, 2008

10. Section 409A . This Program shall be interpreted to avoid any penalty sanctions under Section 409A of the Internal Revenue Code, as amended, and applicable Treasury Regulations and guidance thereunder ("Section 409A"). The timing of any payment provided hereunder that is subject to Section 409A may not be accelerated unless permitted under Section 409A. In no event shall a participant, directly or indirectly, designate the calendar year of payment. All reimbursements and in-kind benefits provided under this Program shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (ii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

11. Amendment or Termination . The Corporate Personnel Committee may from time to time amend or at any time terminate the Program.

As amended by the Corporate Personnel Committee on December 2, 2008

FREEPORT-MCMORAN COPPER & GOLD INC.
SUPPLEMENTAL EXECUTIVE CAPITAL ACCUMULATION PLAN
AMENDMENT TWO

WHEREAS , Freeport-McMoRan Copper & Gold Inc. (the "Company") adopted the Freeport-McMoRan Copper & Gold Inc. Supplemental Executive Capital Accumulation Plan (the "Plan") effective January 1, 1996 for the benefit of its eligible employees;

WHEREAS , Section 10.02 of the Plan provides that the Company reserves the right by written action of its Board of Directors, or individual (s) specifically designated by the Board to act on its behalf, to change or discontinue the Plan at any time and such authority was granted to Dean T. Falgoust on May 1, 2008;

WHEREAS , in response to the enactment of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), effective as of January 1, 2005, the Company in operation separated all Plan contributions made and benefits earned and vested as of December 31, 2004, along with all earnings attributable thereto (" *Grandfathered Benefits* ") from all Plan contributions earned or vested after December 31, 2004 with all earnings attributable thereto (" *409A Benefits* ");

WHEREAS , at all times on and after January 1, 2005, the Grandfathered Benefits, along with earnings attributable thereto, have been (and continue to be) subject to the terms and provisions of the Plan as in effect on October 3, 2004, and no material modifications, within the meaning of Code Section 409A and the Treasury Regulations and guidance thereunder, have been made (in form or operation) to the Plan with respect to such benefits;

WHEREAS , the 409A Benefits under the Plan have been administered in the "reasonable, good faith" compliance standard prescribed by Code Section 409A, which is applicable until the effective date of the final regulations issued under Code Section 409A;

WHEREAS , the Company desires to bifurcate the Plan such that (1) the Grandfathered Benefits, along with all earnings attributable thereto, shall be maintained under and paid from the Plan, which shall be frozen and intended to be a " *grandfathered* " plan exempt from Code Section 409A and (2) the 409A Benefits, along with all earnings attributable thereto, shall be spun-off from the Plan into, and maintained under and paid from, a newly established and separate plan that is intended to comply with the requirements of Code Section 409A, known as the Freeport-McMoRan Copper & Gold Inc. 2005 Supplemental Executive Capital Accumulation Plan ("FCX-SECAP"), effective as of January 1, 2008;

WHEREAS , in connection with the bifurcation of the Plan, the Company desires to change the name of the Plan to the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan;

WHEREAS , the Company desires to recognize merger of the FM Services Company 1996 Supplemental Executive Capital Accumulation Plan into the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan effective January 1, 2008,

with the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan surviving the merger; and

WHEREAS, the Company further desires to amend the Plan to change the hypothetical earnings rate on all Accounts, describe the delegation of authority to a Committee that will function as the Plan Administrator of the Plan, and add claims procedures;

NOW, THEREFORE , the Company, having reserved the right under Section 10.02 of the Plan, does hereby amend the Plan, effective January 1, 2008, as follows:

I.

The Plan is hereby frozen. No new participants shall be permitted, no deferred contributions shall be made and no benefits shall be earned or vested under the Plan after December 31, 2004 (other than earnings on the contributions and benefits earned and vested prior to January 1, 2005). The Plan shall only provide contributions made and benefits earned and vested as of December 31, 2004, along with all earnings attributable thereto (" *Grandfathered Benefits* "). Any contributions or benefits (and earnings thereon) not vested as of December 31, 2004, and all contributions deferred or vested after December 31, 2004 (" *409A Benefits* "), are hereby spun-off into the new Freeport-McMoRan Copper & Gold Inc. 2005 Supplemental Executive Capital Accumulation Plan ("FCX-SECAP") as of January 1, 2008 (and shall be paid from such new plan).

II.

The name of the Plan is hereby amended to be the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan, and all references to the Freeport-McMoRan Copper & Gold Inc. Supplemental Executive Capital Accumulation Plan are hereby amended accordingly, and the definition of "Plan" in Section 1.16 of Article I of the Plan is hereby amended to read as follows:

> 1.16 **Plan** means this Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan ("Plan" or "FCX-SECAP") as set forth herein (formerly the Freeport-McMoRan Copper & Gold Inc. Supplemental Executive Capital Accumulation Plan ("FCX-SECAP")). As of January 1, 2008, the Plan is frozen and no new participants shall be permitted and no contributions shall be made or vested (other than earnings on the contributions that were earned and vested as of December 31, 2004) under the Plan after December 31, 2007. All unvested contributions as of December 31, 2004 (along with earnings attributable thereto) were spun-off from the Plan, effective as of January 1, 2008, into, and shall be provided under the Freeport-McMoRan Copper & Gold Inc. 2005 Supplemental Executive Capital Accumulation Plan ("FCX-SECAP").

III.

Effective January 1, 2008, the FM Services Company 1996 Supplemental Executive Capital Accumulation Plan is merged into the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan, which shall survive the merger, and 100% of the memo accounts in the FM Services Company 1996 Supplemental Executive Capital Accumulation Plan are transferred to the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Capital Accumulation Plan. In addition, any special distribution provisions will be available for the Participants and assets previously identified FM Services Company 1996 Supplemental Executive Capital Accumulation Plan. Except as stated herein, the separate existence of the FM Services Company 1996 Supplemental Executive Capital Accumulation Plan shall cease. Notwithstanding, the following provisions of the FM Services Company 1996 Supplemental Executive Capital Accumulation Plan provide historical information: Sections 5.02, Predecessor Employer Credit – Stratus Properties, Inc. and Section 4.01(d) the DC Adjustment Contributions Credits.

IV.

Section 3.02, **FCX-SECAP Basic Credit Account** , is hereby amended and restated, to read as follows:

3.02 **FCX-SECAP Basic Credit Account** . Effective January 1, 2009, the Participant's FCX-SECAP Basic Credits shall be treated as if invested by the Committee in a manner to produce a rate of interest equal to the prime rate, as published in the Federal Reserve Statistical Report at the beginning of each month. Prior to January 1, 2009, the Participant's FCX-SECAP Basic Credits shall be treated as if invested by the Committee in a manner to produce a rate of interest similar to that earned quarterly by the Vanguard Retirement Savings Trust which is an investment contract fund of the FCX-ECAP.

V.

Section 4.00, **FCX-SECAP Company Savings Credit Account** , is hereby amended and restated, to read as follows:

(b) Effective January 1, 2009, the Participant's FCX-SECAP Basic Credits shall be treated as if invested by the Committee in a manner to produce a rate of interest equal to the prime rate, as published in the Federal Reserve Statistical Report at the beginning of each month. Prior to January 1, 2009, the Participant's FCX-SECAP Basic Credits shall be treated as if invested by the Committee in a manner to produce a rate of interest similar to that earned quarterly by the Vanguard Retirement Savings Trust which is an investment contract fund of the FCX-ECAP.

VI.

Paragraph (h) of Section 4.01 **FCX-SECAP Enhanced Company Contribution Credits and FCX-SECAP DC Adjustment Contribution Credits** , is hereby amended and restated, to read as follows:

(h) Effective January 1, 2009, the Participant's FCX-SECAP Enhanced Company Contributions Credits and FCX-SECAP DC Adjustment Contribution Credits shall be treated as if invested by the Committee in a manner to produce a rate of interest equal to the prime rate, as published in the Federal Reserve Statistical Report at the beginning of each month. Prior to January 1, 2009, credits made under this Section 4.01 shall be treated as if invested by the Committee in a manner to provide a rate of interest equal to the rate for ten year Treasury Notes, plus a percentage to be determined annually by the Committee (3.5% in 2000). The hypothetical earnings rate was ten percent (10%) annually.

VII.

The following is added as a new paragraph (c) of Section 4.02, **Transfer Credits** , to read as follows:

(c) All assets accounted for in Transfer Credits Accounts were distributed to the Participant of record on or before December 31, 2004.

VIII.

Section 9.00, **Committee** , is amended and restated, effective December 2, 2008, to read as follows:

9.00 **Committee** . Effective December 2, 2008, the Board appointed members to the Retirement Plan Administration and Investment Committee (the "Committee"). The Committee shall have the authority to (a) to perform any duties and responsibilities with respect to the Plan as described in the governing documents for the Plan and the related trust, if any; (b) take such actions with respect to the Plan or related trust that, in the judgment of Committee with respect to the Plan, is necessary or desirable with respect to the operation and administration of the Plan, provided that the action or actions do not result in a substantial increase in the estimated annual cost to the corporation and its subsidiaries; (c) to select advisors, legal counsel, accountants, investment managers and other agents to assist in the administration of the Plan or related trust; (d) hear and resolve all claims for benefits under the Plan and decide all questions and disputes arising under the Plan in accordance with the Claims Procedures described in Article IX; and (e) delegate any of its responsibilities and duties to one or more subcommittees, which shall be constituted of members appointed by the Committee but any such subcommittee may include members who are not members of the Committee. Subject to the limitations set forth in the

Plan, the Committee may from time to time establish and amend uniform and nondiscriminatory rules and regulations for the operation and administration of the Plan.

The operation, administration and determination and answering of all questions arising under or in connection with the Plan shall be the responsibility of the Committee. The Committee shall have the exclusive right to interpret the Plan and to determine any questions arising under or in connection with the administration of the Plan. The Committee's decision or action in respect thereof shall be final and conclusive and binding upon all persons having an interest in the Plan.

IX.

A new Section 9.05, **Claims Procedures** , is added to the Plan, effective January 1, 2008, to read as follows:

9.05 **Claims Procedures** .

(a) Any Participant or Beneficiary (a "Claimant") who believes that he or she is entitled to a benefit under the Plan which he or she has not received may submit a claim to the Committee. Claims for benefits under this Plan shall be made in writing, signed by the Claimant or his or her authorized representative, and must specify the basis of the Claimant's complaint and the facts upon which he or she relies in making such claim. A claim shall be deemed filed when received by the Committee.

(b) In the event a claim for benefits is wholly or partially denied by the Committee, the Committee shall notify the Claimant in writing of the denial of the claim within a reasonable period of time, but not later than ninety (90) days after receipt of the claim, unless special circumstances require an extension of time for processing, in which case the ninety (90) day period may be extended to 180 days. The Committee shall notify the Claimant in writing of any such extension. A notice of denial shall be written in a manner reasonably calculated to be understood by the Claimant, and shall contain (i) the specific reason or reasons for denial of the claim; (ii) a specific reference to the pertinent Plan provisions upon which the denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, together with an explanation of why such material or information is necessary; and (iv) an explanation of the Plan's review procedure.

(c) Within sixty (60) days of the receipt by the Claimant of the written notice of denial of the claim, the Claimant may appeal by filing with the Committee a written request for a full and fair review of the denial of the Claimant's claim for benefits. Appeal requests under this Plan shall be made in writing, signed by the Claimant or his or her authorized

representative, and must specify the basis of the Claimant's complaint and the facts upon which he or she relies in making such appeal. An appeal request shall be deemed filed when received by the Committee.

(d) The Committee shall render a decision on the claim appeal promptly, but not later than sixty (60) days after the receipt of the Claimant's request for review, unless special circumstances (such as the need to hold a hearing, if necessary), require an extension of time for processing, in which case the sixty (60) day period may be extended to one hundred twenty (120) days. The Committee shall notify the Claimant in writing of any such extension. The decision upon review shall be written in a manner reasonably calculated to be understood by the Claimant, and shall contain (i) the specific reason or reasons for denial of the claim; (ii) a specific reference to the pertinent Plan provisions upon which the denial is based; (iii) a statement that the Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits; and (iv) a statement of the Claimant's right to bring an action under Section 502(a) of ERISA, if the adverse benefit determination is sustained on appeal.

(e) The Committee may provide written or electronic notification of any adverse benefit determination. Any electronic notification shall comply with the standards imposed by 29 CFR 2520.104b-1(c)(1)(i), (iii) and (iv).

(f) No lawsuit by a Claimant may be filed prior to exhausting the Plan's administrative appeal process. Any lawsuit must be filed no later than the earlier of one year after the Claimant's claim for benefit was denied or the date the cause of action first arose.

Executed at New Orleans, Louisiana this 29th day of December, 2008.

WITNESSES:

/s / signed

s/ Dean T. Falgoust

Dean T. Falgoust
Vice-President

/s/ signed

ACKNOWLEDGMENT

STATE OF LOUISIANA

COUNTY OF ORLEANS

BEFORE ME, the undersigned Notary Public, personally came and appeared DEAN T. FALGOUST who, being by me sworn, did depose and state that he signed the foregoing Amendment to the Freeport-McMoRan Copper & Gold Inc. Supplemental Executive Capital Accumulation Plan as a free act and deed on behalf of Freeport-McMoRan Copper & Gold Inc. for the purposes therein set forth.

/s/ Dean T. Falgoust

Dean T. Falgoust
Vice-President

SWORN TO AND SUBSCRIBED
BEFORE ME THIS 29th DAY
OF DECEMBER, 2008.

/s/ signed
NOTARY PUBLIC
My Commission Expires: _____

Exhibit 10.39

FREEPORT-MCMORAN COPPER & GOLD INC.

2005 SUPPLEMENTAL EXECUTIVE CAPITAL ACCUMULATION PLAN

(As Amended and Restated Effective January 1, 2009)

TABLE OF CONTENTS

		Page
ARTICLE I -- DEFINITIONS		**2**
1.00	Account or Accounts	2
1.01	Compensation	2
1.02	Beneficiary	2
1.03	Board of Directors	2
1.04	Committee	2
1.05	Company	2
1.06	Contribution	2
1.07	Core Company	3
1.08	Employee	3
1.09	Employer	3
1.10	FCX-ECAP	3
1.11	Internal Revenue Code or Code	3
1.12	Participant	3
1.13	Participating Company	3
1.14	Plan	3
1.15	Plan Year	3
1.16	Separation from Service	3
1.17	Specified Employee	4
1.18	Value Determination Date	4
ARTICLE II -- ELIGIBILITY		**4**
2.00	Eligible Employee for Basic and Matching Contribution	4
2.01	Automatic Eligibility for Enhanced Company Contribution Credit	5
2.02	Automatic Eligibility for Excess Section 415 Amounts	5
2.03	Automatic Eligibility for Excess Section 401(a)(4) Amounts	5
ARTICLE III -- FCX-SECAP BASIC CREDITS		**5**
3.00	Deferral Election	5
3.01	Earnings	6
ARTICLE IV -- OTHER FCX-SECAP CREDITS		**6**
4.00	FCX-SECAP Company Matching Contribution Credit	6
4.01	FCX-SECAP Enhanced Company Contribution Credits	6
ARTICLE V -- VALUATION OF A PARTICIPANT'S INTEREST IN A FUND		**7**
5.00	Annual Statements	7
5.01	Valuation	7
ARTICLE VI -- PAYMENTS		**7**
6.00	Distribution Upon Separation from Service	7
6.01	Timing of Payment	8
6.02	Distribution Upon Death	8
6.03	Form of Payments	8
6.04	Loans Prohibited	8
6.05	Transition Period Elections	8

ARTICLE VII -- VESTING AND FORFEITURES **9**

7.00 Vesting and Forfeitures 9
7.01 Restoration of Forfeitures 9

ARTICLE VIII -- ADMINISTRATION **10**

8.00 Committee 10
8.01 Notices, Statements, Etc. 10
8.02 Indemnification 10
8.03 Bookkeeping Accounts 10
8.04 Determination of Eligibility 11

ARTICLE IX -- CLAIMS PROCEDURES **11**

9.00 Claims Procedures 11

ARTICLE X -- GENERAL PROVISIONS **12**

10.00 Beneficiary Designation; Change 12
10.01 Status of the Plan 12
10.02 Not a Contract of Employment 12
10.03 Unsecured General Creditor 13
10.04 Amendment and Termination 13
10.05 Non-Assignability 14
10.06 Offset 14
10.07 Governing Law 14

FREEPORT-MCMORAN COPPER & GOLD INC.
2005 SUPPLEMENTAL EXECUTIVE CAPITAL ACCUMULATION PLAN
(As Amended and Restated Effective January 1, 2009)

Recitals

WHEREAS , Freeport-McMoRan Copper & Gold Inc. adopted the Freeport-McMoRan Copper & Gold Inc. Supplemental Executive Capital Accumulation Plan for the benefit of selected employees effective of January 1, 1996 and the Plan was renamed, effective January 1, 2008 as the Freeport-McMoRan Copper & Gold Inc. 1996 Supplemental Executive Accumulation Plan ("FCX 1996-SECAP");

WHEREAS , a wholly owned subsidiary of the Company, FM Services Company ("FMS"), adopted the FM Services Company Supplemental Capital Executive Accumulation Plan ("FMS-SECAP") for the benefit of selected employees effective January 1, 1996 and the Plan was renamed, effective January 1, 2008 as the FM Services Company 1996 Supplemental Executive Capital Accumulation Plan ("FMS 1996-SECAP");

WHEREAS , the FMS 1996-SECAP merged into the FCX 1996-SECAP effective January 1, 2008, with the FCX 1996-SECAP surviving the merger, and all contributions made and benefits earned and vested as of December 31, 2004, along with all earnings attributable thereto, are maintained in the FCX 1996-SECAP;

WHEREAS , Freeport-McMoRan Copper & Gold Inc. (the "Company"), established and maintains the Freeport-McMoRan Copper & Gold Inc. 2005 Supplemental Executive Capital Accumulation Plan, effective as of January 1, 2008 (the "FCX-SECAP or Plan"), in response to the enactment of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to provide deferred compensation benefits earned or vested after December 31, 2004, with all earnings attributable thereto, for the benefit of the eligible employees of the Company and any Participating Employer; and

WHEREAS , the Company desires to amend and restate the FCX-SECAP to comply with the applicable requirements under the final regulations issued under Code Section 409A, which regulations are effective as of January 1, 2009, and to make other revisions and clarifications;

NOW, THEREFORE , effective as of January 1, 2009, the Company hereby amends, restates and continues the FCX-SECAP as herein set forth:

ARTICLE I -- DEFINITIONS

Unless otherwise required by the context, wherever used herein:

1.00 **Account or Accounts** means the Basic Credits Account, Company Savings Contribution Credits Account, Company Matching Contribution Credits Account, and Enhanced Company Contribution Credits Account reflecting amounts earned or vested after December 31, 2004, with all earnings attributable thereto.

1.01 **Compensation**

(a) **Basic Compensation** means Participant's Basic Compensation, as defined in the FCX-ECAP.

(b) **Pensionable Compensation** means the Participant's Pensionable Compensation as defined in the FCX-ECAP.

1.02 **Beneficiary** means the person or entity designated by the Participant on forms furnished by the Committee to receive benefits under this Plan upon the Participant's death.

1.03 **Board of Directors** means the Board of Directors of the Company.

1.04 **Committee** means a Committee appointed by the Board of Directors consisting of one to three members of the Board or officers of the Company.

1.05 **Company** means Freeport-McMoRan Copper & Gold Inc. ("FCX") or any Company that is a successor as a result of a merger, consolidation, liquidation, transfer of assets, or reorganization.

1.06 **Contribution** means the following amounts credited for bookkeeping purposes to the Participant's Account or Accounts:

(a) **Basic Credits** means amounts credited to a Participant's Account pursuant to Section 3.00 of this Plan.

(b) **Company Savings Contribution Credits** means matching contributions made by a Participating Company on behalf of a Participant for Basic Credits deferred prior to 2009.

(c) **Company Matching Contribution Credits** means matching contributions made by a Participating Company on behalf of a Participant pursuant to Section 4.00 of this Plan.

(d) **Enhanced Company Contribution Credits** means amounts that would be contributed to the FCX-ECAP as Enhanced Company Contribution but for the limits imposed by the Internal Revenue Code.

(e) **DC Adjustment Contribution Credits** means amounts that were contributed to the FCX-SECAP and FMS-SECAP as DC Adjustment Contribution for a period of sixty (60) months starting in July, 2000. The DC Adjustment Contribution Credits are accounted for in the Participant's Enhanced Company Contribution Credits Account.

1.07 **Core Company** means McMoRan Oil & Gas Co. and its affiliates, McMoRan Exploration Co. and its affiliates and Stratus Properties Inc. and its affiliates.

1.08 **Employee** means an Employee as defined in the FCX-ECAP.

1.09 **Employer** means the Company and all entities with whom the Company would be considered a single employer under Section 414 (b) of the Code (employees of a controlled group of corporations), and all entities with whom the Company would be considered a single employer under Section 414(c) of the Code (employees of partnerships, proprietorships, etc., under common control).

1.10 **FCX-ECAP** means the Freeport-McMoRan Copper & Gold Inc. Employee Capital Accumulation Program maintained by the Company, as may be amended from time to time.

1.11 **Internal Revenue Code or Code** means the Internal Revenue Code of 1986, as amended from time to time.

1.12 **Participant** means an Employee or former Employee for whom an Account in the Plan is maintained.

1.13 **Participating Company** means the Company, FM Services Company, Freeport-McMoRan Corporation and any corporation that has been designated by the Board of Directors or its delegates as a Participating Company for the employees of which the benefits of this Plan are available.

1.14 **Plan** means this Freeport-McMoRan Copper & Gold Inc. 2005 Supplemental Executive Capital Accumulation Plan, as amended and restated effective January 1, 2009, ("FCX-SECAP" or "Plan").

1.15 **Plan Year** means the twelve (12) month period beginning on January 1st and ending each December 31 during which the Plan is in effect.

1.16 **Separation from Service** means a termination of employment with the Employer in such a manner as to constitute a "separation from service" as defined under Treasury Regulations Section 1.409A-1(h), for any reason other than death.

Whether a termination of employment has occurred is determined based upon whether the facts and circumstances indicate that the Employer and Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Employee would perform after such date (whether as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide

services performed (whether as an employee or independent contractor) over the immediately preceding 36-month period (or, if employed less than 36 months, such lesser period).

An unpaid bona fide leave of absence is disregarded in determining the average level of bona fide services during the 36 month period (or, if employed less than 36 months, such lesser period) and a paid bona fide leave is considered at a level equal to the level of services that the employee would have been required to perform to receive the compensation paid with respect to such leave.

Facts and circumstances to be considered in making a determination of Separation from Service include, but are not limited to, whether the Employee continues to be treated as an employee for other purposes (such as continuation of salary and participation in employee benefit programs), whether similarly situated Employees have been treated consistently, and whether the Employee is permitted and realistically available to perform services for other service recipients in the same line of business.

An Employee is presumed to have separated from service where the level of bona fide services decrease as described above. An Employee will be presumed not to have separated from service where the level of bona fide services performed continues at a level that is 50 percent or more over the immediately preceding 36-month period. No presumption applies to a decrease that is more than 20% and less than 50%. This presumption is rebuttable if an Employee must return to employment due to business circumstances, such as the termination of the employee's replacement.

A Separation from Service has not occurred while the Employee is on military leave, sick leave, or other bona fide leave of absence if the period does not exceed six months, or if longer, so long as the Employee retains the right to reemployment with the Employer under an applicable statute or by contract. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Employee will return to perform services for the Employer. A 29-month period may be substituted for the six-month period for certain medical leaves of absence.

Treasury Regulation Section 1.409A-1(h)(1) definitions of "separation from service", leave of absence, and termination of employment are incorporated herein.

1.17 **Specified Employee** shall mean a Participant who is a key employee of the Employer under Treasury Regulations Section 1.409A-1(i) because of final and binding action taken by the Board of Directors of the Company or delegate, or by operation of law or such regulation.

1.18 **Value Determination Date** means any business date specified by the Company but no less frequently than on a monthly basis.

ARTICLE II -- ELIGIBILITY

2.00 **Eligible Employee for Basic and Matching Contribution** . An Employee is eligible to make Basic Contribution Credits and receive Matching Contribution Credits if he or she (a) had annualized Basic Compensation equal to or greater than the Code Section 401(a)(17)

dollar limit in a prior year or (b) was previously a participant in a Core Company's nonqualified deferred compensation plan which is comparable to this Plan as determined by the Committee.

2.01 **Automatic Eligibility for Enhanced Company Contribution Credit** . An Employee will automatically become eligible for Enhanced Company Contribution Credits when his or her Pensionable Compensation exceeds the Code Section 401(a)(17) dollar amount.

2.02 **Automatic Eligibility for Excess Section 415 Amounts** . Any Employee who would receive contributions under the FCX-ECAP but for the limits imposed by Code Section 415 shall automatically become a Participant eligible for the Enhanced Company Contribution Credits.

2.03 **Automatic Eligibility for Excess Section 401(a)(4) Amounts** . Any Employee who would receive Enhanced Company Contributions under the FCX-ECAP but for concerns by the Participating Company, as described in Section 4.01(c) herein, that such contributions will cause the FCX-ECAP to be discriminatory under Code Section 401(a)(4), shall automatically become a Participant eligible for the Enhanced Company Contribution Credit.

ARTICLE III -- FCX-SECAP BASIC CREDITS

3.00 Deferral Election

(a) **Basic Credits Deferral Election** . Each Eligible Employee (as defined in Section 2.00) may elect prior to the first day of each Plan Year to defer a percentage of his Basic Compensation for each pay period in which the Eligible Employee's deferrals under the FCX-ECAP have ceased due to application of Code Sections 401(a)(17) and 402(g) and, if elected by the Participant, Code Section 414(v). The Code Section 401(a)(17) amount for Plan Year 2009 is $245,000, the Code Section 402 (g) amount for Plan Year 2009 is $16,500 and the Code Section 414(v) amount for Plan Year 2009 is $5,500. The amount of allowable deferral pursuant to the Participant's election shall be a minimum of one (1) percent, and in increments of at least one-half of one percent (1/2%), but not to exceed twenty percent (20%). Further, the elected deferral must be the same percentage such Employee elected to defer into the FCX-ECAP.

(b) **Irrevocable Election** . Once a Plan Year has begun, Participant elections shall be irrevocable. Notwithstanding, as permitted by Treasury Regulation Section 1.409A-3(j)(4)(viii), a Participant's deferral election is cancelled as required by the FCX-ECAP to receive a hardship distribution pursuant to Treasury Regulation Section 1.401(k)-1(d)(3). If a Participant discontinues a deferral election, he will not be permitted to elect to make deferrals again until open enrollment for the succeeding Plan Year.

If a Participant is authorized by the Participating Company for any reason to take an unpaid leave of absence from the employment of the Participating Company, the Participant shall be excused from making deferrals until the Participant returns to a paid employment status. Upon

such return, deferrals shall resume for the remaining portion of the Plan Year in which the return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld.

(c) **Duration of Deferral Election** . A Basic Credits Election Form shall be executed prior to the beginning of the Plan Year to which the agreement relates and shall be effective only for the Plan Year to which it relates.

3.01 **Earnings** . The Participant's Basic Credits shall be treated as if invested by the Committee in a manner to produce a rate of interest equal to the prime rate, as published in the Federal Reserve Statistical Report at the beginning of each month.

ARTICLE IV -- OTHER FCX-SECAP CREDITS

4.00 **FCX-SECAP Company Matching Contribution Credit** .

(a) For each dollar of Basic Credits that the Eligible Employee contributes to the Plan pursuant to his or her Basic Credits Deferral Election, the Participating Company shall deem set aside an amount ("Company Matching Contribution Credits") equal to the amount of Participating Company Matching Contributions that would have been made under the FCX-ECAP if the Participant's Basic Credits had been made to the FCX-ECAP instead of being credited to this Plan. Prior to 2009, Company Matching Contribution Credits were named Company Savings Contribution Credits.

(b) The Participant's Company Savings Contribution Credits Account and Company Matching Contribution Credits Account shall be treated as if invested by the Committee in a manner to produce a rate of interest equal to the prime rate, as published in the Federal Reserve Statistical Report at the beginning of each month.

(c) If an Eligible Employee is hired from a Core Company, he or she will receive the same Company Matching Contribution Credits under Section 4.00(a) of this Plan that he or she would have received under the equivalent provision in the Core Company's equivalent plan.

4.01 **FCX-SECAP Enhanced Company Contribution Credits** .

(a) The Enhanced Company Contribution Credits shall be equal to the percentage determined under the FCX-ECAP times [(A) minus (B)] when (A) equals such Participant's Pensionable Compensation and (B) equals the Code Section 401(a)(17) dollar limit for the applicable year.

(b) When the Participating Company determines that amounts scheduled for contribution to the FCX-ECAP as Enhanced Company Contributions for a Participant will exceed the limit imposed by Code Section 415, the

Participating Company shall credit the Participant's Enhanced Company Contribution Credits Account with such excess contributions. Further, if any contributions in excess of Code Section 415 are inadvertently contributed on behalf of a Participant to the FCX-ECAP, and such Participant's FCX-ECAP accounts are reduced pursuant to the terms of such plan to correct the excess contributions, the amount of such reduction (including any earnings accrued in the FCX-ECAP) shall be credited to the Participant's applicable Accounts in this Plan as soon as administratively feasible.

(c) If the Committee determines, upon the advice of the Participating Company's counsel or actuary, that amounts that would be contributed to the FCX-ECAP as Enhanced Company Contributions for a Participant will cause the FCX-ECAP to be discriminatory under Code Section 401(a)(4), the Participating Company shall credit the Participant's Enhanced Company Contribution Credits Account with some or all of the Participant's future FCX-ECAP Enhanced Company Contributions.

(d) If an Eligible Employee is hired from a Core Company, he or she will receive the same Enhanced Company Contribution Credits that he or she would have received under the equivalent provision in the Core Company's equivalent plan.

(e) The Participant's Enhanced Company Contribution Credits Account shall be treated as if invested by the Committee in a manner to produce a rate of interest equal to the prime rate, as published in the Federal Reserve Statistical Report at the beginning of each month.

ARTICLE V -- VALUATION OF A PARTICIPANT'S INTEREST IN A FUND

5.00 **Annual Statements** . As soon as practicable after the close of each Plan Year (and at such intervals during the Plan Year as may be determined by the Participating Company from time to time), the Participating Company shall deliver to each Participant a statement setting forth the amount credited for bookkeeping purposes to the Participant's Accounts.

5.01 **Valuation** . The value of a Participant's Accounts shall be based upon the unit value credited to the Accounts as of a Value Determination Date.

ARTICLE VI -- PAYMENTS

6.00 **Distribution Upon Separation from Service** . Upon Separation from Service, a Participant shall be paid as soon as practicable the total vested value of the Participant's Accounts provided, however, that if the Participant has elected by timely filing the required notice with the Company to defer payment, the total value of the Participant's vested Accounts will be paid by February 28th of the year following the year in which such separation occurs. Notwithstanding, if the Participant is a Specified Employee payment shall not be made earlier than the first business day that is six months after the Participant's Separation from Service or, if earlier, the date of death of the Participant.

6.01 **Timing of Payment** .

(a) An Eligible Employee will be provided an opportunity to elect his or her distribution payment date when he makes an election to defer a percentage of his Basic Compensation as described in Section 3.00(a). Once made, the distribution payment election, or default payment election, shall continue in force indefinitely for all of the Participant's Accounts, until changed by the Participant on a subsequent election form provided by the Company. Such subsequent distribution election shall apply only to contributions made with respect to services to be performed in the following Plan Year and future years and until changed again as described in this paragraph.

(b) An Eligible Employee who is automatically eligible to receive Enhanced Company Contribution Credits *prior to* his or her eligibility to defer a percentage of his or her Basic Compensation will be deemed to have elected to receive payment upon Separation from Service. This default payment election will continue in force indefinitely for all of the Participant's Accounts, until changed by such Participant on an election form provided by the Company. Such subsequent distribution election shall apply only to contributions made with respect to services to be performed in the following Plan Year and future years and until changed again as described in this paragraph.

(c) Notwithstanding the provisions of Section 6.00(a), a Participant who has terminated employment with the Employer but has continued active employment with a Core Company, shall not be entitled to distribution of his or her Accounts until he or she is no longer employed by a Core Company.

6.02 **Distribution Upon Death** . Upon the death of a Participant, the value of the Participant's Account or Accounts shall be paid in lump sum to the Beneficiary or Beneficiaries, if any, designated by the Participant, or if the Participant is not survived by any such designated Beneficiary, then to the Participant's estate. Payment shall be made on or before December 31 of the calendar year in which the death occurs, or if later by the 15 th day of the third month following the date of death. A Beneficiary may not direct when payment is made.

6.03 **Form of Payments** . Distribution to a Participant or his or her Beneficiary will be paid in lump sum.

6.04 **Loans Prohibited** . No Participant shall be entitled to borrow any portion of the amount credited to the Participant's Accounts in this Plan.

6.05 **Transition Period Elections** .

(a) **One-Time Lump Sum Option** . A certain Participant whose employment classification changed from common-law employee to independent contractor was offered a one-time option during the period ending

December 31, 2008 to elect to receive a lump sum payment on July 1, 2009, representing the Participant's entire interest in the Plan.

(b) **409A Transition Election** . A Participant may make a new payment election at any time before December 31 2008, with respect to the time of payment of all elective deferrals and employer contributions earned or vested after December 31, 2004, with all earnings attributable thereto, provided the election does not apply to amounts that would have otherwise been payable in the year the change is made or cause an amount to be paid in the year the change is made that would not otherwise be payable in that year. Such election will apply indefinitely for all of the Participant's Accounts until changed in accordance with the procedures described in Section 6.01(a). The new payment election during the transition period must be received no later than six (6) months prior to a new payment commencement date.

ARTICLE VII -- VESTING AND FORFEITURES

7.00 Vesting and Forfeitures .

(a) **Vesting** . A Participant's interest in his Basic Credits Account shall be 100% vested at all times. A Participant's interest in his or her Company Savings Contribution Credits Account shall vest at the same rate as his Company Savings Contribution Account in the FCX-ECAP. A Participant's interest in his or her Company Matching Contribution Credits Account shall vest at the same rate as his or her Company Matching Contribution Account in the FCX-ECAP. A Participant's interest in his Enhanced Company Contribution Credits Account will vest at the same rate as his or her Enhanced Company Contribution Account in the FCX-ECAP.

(b) **Forfeitures** . A Participant's non-vested amounts, if any, will forfeit when he or she receives a distribution of vested amounts. If the Participant does not have any vested amount, his or her Accounts will forfeit at the end of the year in which the Participant terminated employment.

7.01 Restoration of Forfeitures . Forfeitures may be restored if a Participant elects to repay to the FCX-ECAP the full amount of a distribution he or she previously received (unadjusted by any subsequent gains or losses) from the FCX-ECAP in accordance with such plan's reemployment rules. For example, if a Participant repays to the FCX-ECAP the full amount of his or her Company Savings Contribution Account and his forfeited Company Savings Contribution are restored in the FCX-ECAP then his or her Company Savings Contribution Credits (unadjusted by any subsequent gains or losses) under this Plan shall be credited to the Participant's Company Savings Contribution Credits Account.

ARTICLE VIII -- ADMINISTRATION

8.00 **Committee** . Effective December 2, 2008, the Board appointed members to the Retirement Plan Administration and Investment Committee (the "Committee"). The Committee shall have the authority to (a) to perform any duties and responsibilities with respect to the Plan as described in the governing documents for the Plan and the related trust, if any; (b) take such actions with respect to the Plan or related trust that, in the judgment of Committee with respect to the Plan, is necessary or desirable with respect to the operation and administration of the Plan, provided that the action or actions do not result in a substantial increase in the estimated annual cost to the corporation and its subsidiaries; (c) to select advisors, legal counsel, accountants, investment managers and other agents to assist in the administration of the Plan or related trust; (d) hear and resolve all claims for benefits under the Plan and decide all questions and disputes arising under the Plan in accordance with the Claims Procedures described in Article IX; and (e) delegate any of its responsibilities and duties to one or more subcommittees, which shall be constituted of members appointed by the Committee but any such subcommittee may include members who are not members of the Committee. Subject to the limitations set forth in the Plan, the Committee may from time to time establish and amend uniform and nondiscriminatory rules and regulations for the operation and administration of the Plan.

The operation, administration and determination and answering of all questions arising under or in connection with the Plan shall be the responsibility of the Committee. The Committee shall have the exclusive right to interpret the Plan and to determine any questions arising under or in connection with the administration of the Plan. The Committee's decision or action in respect thereof shall be final and conclusive and binding upon all persons having an interest in the Plan.

8.01 **Notices, Statements, Etc.** The Company and other Participating Companies may as a matter of accommodation assist any Employee in the delivery of applications, notices, forms, statements, records, remittances and other documents required or permitted to be served or delivered under the Plan and in doing so will endeavor to exercise ordinary diligence, but shall not be liable for any failure so to do or for any delay in so doing, nor shall any director, officer, or employee of the Company and Participating Companies be personally liable for any act or omission to act in connection with the operation or administration of the Plan except for his or her own willful misconduct or gross negligence.

8.02 **Indemnification** . The Company will indemnify and hold harmless the Committee against any cost or expense (including attorney's fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act as Committee, except in the case of willful misconduct or gross negligence.

8.03 **Bookkeeping Accounts** . The Company or its duly authorized record keeping agent, as determined by the Company, shall establish and maintain Accounts for each Participant that will separately reflect the amount credited to the Participant attributable to (i) Basic Credits, (ii) Company Savings Contribution Credits, (iii) Company Matching Contribution Credits, and (iv) Enhanced Company Contribution Credits and interest shall be allocated separately with respect to each such Account in a reasonable and consistent manner.

8.04 **Determination of Eligibility** . If the Company determines that an Employee is ineligible or becomes ineligible to participate or to continue to participate in the Plan, the Company may terminate Participant's participation upon ten (10) days' notice to the Participant.

ARTICLE IX -- CLAIMS PROCEDURES

9.00 **Claims Procedures** .

(a) Any Participant or Beneficiary (a "Claimant") who believes that he or she is entitled to a benefit under the Plan which he or she has not received may submit a claim to the Committee. Claims for benefits under this Plan shall be made in writing, signed by the Claimant or his or her authorized representative, and must specify the basis of the Claimant's complaint and the facts upon which he or she relies in making such claim. A claim shall be deemed filed when received by the Committee.

(b) In the event a claim for benefits is wholly or partially denied by the Committee, the Committee shall notify the Claimant in writing of the denial of the claim within a reasonable period of time, but not later than ninety (90) days after receipt of the claim, unless special circumstances require an extension of time for processing, in which case the ninety (90) day period may be extended to 180 days. The Committee shall notify the Claimant in writing of any such extension. A notice of denial shall be written in a manner reasonably calculated to be understood by the Claimant, and shall contain (i) the specific reason or reasons for denial of the claim; (ii) a specific reference to the pertinent Plan provisions upon which the denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, together with an explanation of why such material or information is necessary; and (iv) an explanation of the Plan's review procedure.

(c) Within sixty (60) days of the receipt by the Claimant of the written notice of denial of the claim, the Claimant may appeal by filing with the Committee a written request for a full and fair review of the denial of the Claimant's claim for benefits. Appeal requests under this Plan shall be made in writing, signed by the Claimant or his or her authorized representative, and must specify the basis of the Claimant's complaint and the facts upon which he or she relies in making such appeal. An appeal request shall be deemed filed when received by the Committee.

(d) The Committee shall render a decision on the claim appeal promptly, but not later than sixty (60) days after the receipt of the Claimant's request for review, unless special circumstances (such as the need to hold a hearing, if necessary), require an extension of time for processing, in which case the sixty (60) day period may be extended to one hundred twenty (120) days. The Committee shall notify the Claimant in writing of any such extension. The decision upon review shall be written in a manner reasonably

calculated to be understood by the Claimant, and shall contain (i) the specific reason or reasons for denial of the claim; (ii) a specific reference to the pertinent Plan provisions upon which the denial is based; (iii) a statement that the Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits; and (iv) a statement of the Claimant's right to bring an action under Section 502(a) of ERISA, if the adverse benefit determination is sustained on appeal.

(e) The Committee may provide written or electronic notification of any adverse benefit determination. Any electronic notification shall comply with the standards imposed by 29 CFR 2520.104b-1(c)(1)(i), (iii) and (iv).

(f) No lawsuit by a Claimant may be filed prior to exhausting the Plan's administrative appeal process. Any lawsuit must be filed no later than the earlier of one year after the Claimant's claim for benefit was denied or the date the cause of action first arose.

ARTICLE X -- GENERAL PROVISIONS

10.00 **Beneficiar y Designation; Change** . A Participant may file with the Company a designation of a Beneficiary or Beneficiaries to receive the value of his or her Account or Accounts on the Participant's death, and the Participant may from time to time change or revoke any such designation. The last such designation received by the Company shall be controlling; provided, however, that no designation or change or revocation thereof shall be effective unless received by the Company prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. To the extent permitted under Code Section 409A and Treasury Regulations and other interpretive guidance issued thereunder, if the Committee is in doubt as to the right of any Beneficiary to receive any amount, the Committee may retain such amount, with liability for any interest thereon, until the rights thereto are determined, or the Committee may pay such amount into any court of appropriate jurisdiction, in either of which events neither the Committee nor any Participating Company shall be under any further liability to anyone.

10.01 **Status of the Plan** . This Plan is not intended to constitute a qualified plan under Section 401(a) of the Code, and is designed to be exempt from the participation, vesting, funding and fiduciary responsibility rules of the ERISA. The Plan "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employee" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. The Plan shall be administered and interpreted to the extent possible in a manner consistent with this intent.

10.02 **Not a Contract of Employment** . Nothing in the Plan shall be deemed or construed to impair or affect in any manner whatsoever the rights of any Participating Company with respect to the termination of employment of any person, whether or not a Participant, all of which rights shall remain as if the Plan had not been established.

10.03 **Unsecured General Credit or** . Notwithstanding anything to the contrary in this Plan, the rights of a Participant or a Participant's Beneficiary to benefits under this Plan shall be solely those of an unsecured creditor of the Company. Any assets acquired or held by the Company or funds allocated by the Company in connection with liabilities assumed by the Company pursuant to this Plan shall not be deemed to be held under any trust for the benefit of the Participant or Participant's Beneficiaries or security for the performance of the Company's obligations pursuant hereto, but shall be and remain general assets of the Company.

10.04 **Amendment and Termination** . It is the expectation of the Company that the Plan will continue indefinitely, but the Company reserves the right by written action of its Board of Directors, or individual(s) specifically designated by the Board to act on its behalf, to change or discontinue the Plan at any time. Notwithstanding any other provision of this Plan, it is the intention of the Company that no payment or entitlement pursuant to this Plan will give rise to any adverse tax consequences to any Participant or Beneficiary under Code Section 409A and Treasury Regulations and other interpretive guidance issued thereunder, including that issued after the date hereof (collectively, "Section 409A"). This Plan and any amendments hereto shall be interpreted to that end and (1) to the maximum extent permitted by law, no effect shall be given to any provision herein, any amendment hereto or any action taken hereunder in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A and (2) the Company shall take any corrective action reasonably within its control that is necessary to avoid such adverse tax consequences. No amendments shall divest otherwise vested rights of Participants or their Beneficiaries.

The Plan may be terminated only under the following circumstances:

(a) The Employer may terminate the Plan within 12 months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court, provided that Treasury Regulations Section 1.409A-3(j)(4)(ix)(A) is complied with.

(b) Within the 30 days preceding or the 12 months following a Change in Control Event (as defined in Treasury Regulations §1.409A-3(i)(5)) provided that Treasury Regulations §1.409A-3(j)(4)(ix)(B) is complied with.

(c) The Company may in its discretion terminate this Plan, provided, (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Employer; (ii) all arrangements sponsored by the Employer that would be aggregated with any terminated arrangement under Section 1.409A-1(c) of the Treasury Regulations if the same Employee participated in all of the arrangements are terminated; (iii) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within 12 months of the termination of the arrangements; and (iv) all payments are made within 24 months of the termination of the arrangements; and (v) the Employer does not adopt a new arrangement that would be aggregated under Section 1.409A-1(c) of the Treasury Regulations if the same

Employee participated in both arrangements, at any time within three years following the date of termination of the arrangement.

10.05 **Non-Assignability**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable under this Plan, or any part thereof, which are, and all rights to which are, expressly declared to be non-assignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, contracts, liabilities, torts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.06 **Offset**. If at the time benefit payments are to be made under the Plan, the Participant, the Participant's Beneficiary or both are indebted to the Employer, then the payments remaining to be made to the Participant, the Participant's Beneficiary or both, may, at the Committee's discretion, be reduced by the amount of such indebtedness.

10.07 **Governing Law**. The Plan will be construed, administered and enforced according to Code Section 409A and related Internal Revenue Service guidelines, ERISA, and to the extent not preempted thereby, the laws of the State of Arizona.

Executed in New Orleans, Louisiana this 29th day of December, 2008.

WITNESSES: **Freeport-McMoRan Copper & Gold Inc.**

/s/ signed

/s/ signed

/s/ Dean T. Falgoust

Dean T. Falgoust
Vice-President

ACKNOWLEDGMENT

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned Notary Public, personally came and appeared DEAN T. FALGOUST who, being by me sworn, did depose and state that he signed the foregoing Amendment to the Freeport-McMoRan Copper & Gold Inc. Supplemental Executive Capital Accumulation Plan as a free act and deed on behalf of Freeport-McMoRan Copper & Gold Inc. for the purposes therein set forth.

/s/ Dean T. Falgoust

Dean T. Falgoust
Vice-President

SWORN TO AND SUBSCRIBED
BEFORE ME THIS 29th DAY
OF DECEMBER, 2008.

/s/ signed
NOTARY PUBLIC
My Commission Expires: _____

AMENDED AND RESTATED
1999 LONG-TERM PERFORMANCE INCENTIVE PLAN
OF FREEPORT-McMoRan COPPER & GOLD INC.

ARTICLE I
PURPOSE OF PLAN

SECTION 1.1. The purpose of the 1999 Long-Term Performance Incentive Plan of Freeport-McMoRan Copper & Gold Inc. (the "Plan") is to provide incentives for senior executives and other service providers whose performance in fulfilling their responsibilities can have a major impact on the profitability and future growth of Freeport-McMoRan Copper & Gold Inc. (the "Company") and its subsidiaries.

ARTICLE II
ADMINISTRATION OF THE PLAN

SECTION 2.1. Subject to the authority and powers of the Board of Directors in relation to the Plan as hereinafter provided, the Plan shall be administered by a Committee designated by the Board of Directors consisting of two or more members of the Board. The Committee shall have full authority to interpret the Plan and from time to time to adopt such rules and regulations for carrying out the Plan as it may deem best; provided, however, that the Committee may not exercise any authority otherwise granted to it hereunder if such action would have the effect of increasing the amount of any credit to or payment from the Performance Award Account of any Covered Officer, and provided further that certain specified actions are permitted to be taken hereunder by individual officers of the Company. All determinations by the Committee shall be made by the affirmative vote of a majority of its members, but any determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. All decisions by the Committee pursuant to the provisions of the Plan and all orders or resolutions of the Board of Directors pursuant thereto shall be final, conclusive and binding on all persons, including but not limited to the Participants, the Company and its subsidiaries and their respective equity holders.

ARTICLE III
ELIGIBILITY FOR AND GRANT OF
PERFORMANCE AWARDS

SECTION 3.1. Subject to the provisions of the Plan, the Committee may from time to time select any of the following to be granted Performance Awards under the Plan, and determine the number of Performance Units covered by each such Performance Award: (a) any person providing services as an officer of the Company or a Subsidiary, whether or not employed by such entity, including any person who is also a director of the Company, (b) any employee of the Company or a Subsidiary, including any director who is also an employee of the Company or a Subsidiary, (c) any officer or employee of an entity with which the Company or a Subsidiary has contracted to receive executive, management or legal services who provides services to the Company or a Subsidiary through such arrangement, (d) any consultant or adviser to the Company, a Subsidiary or to an entity described in clause (c) hereof who provides services to the

Company or a Subsidiary through such arrangement and (e) any person who has agreed in writing to become a person described in clauses (a), (b), (c) or (d) within not more than 30 days following the date of grant of such person's first Performance Award under the Plan. Performance Awards may be granted at different times to the same individual.

SECTION 3.2. Upon the grant of a Performance Award to a Participant, the Company shall establish a Performance Award Account for such Participant and shall credit to such Performance Award Account the number of Performance Units covered by such Performance Award.

SECTION 3.3. Subject to adjustment as provided in Section 5.2 the number of Performance Units outstanding at any time shall not exceed 4,000,000. Performance Units that shall have been forfeited or with respect to which payment has been made pursuant to Section 4.2 shall not thereafter be deemed to be credited or outstanding for any purpose of the Plan and may again be the subject of Performance Awards.

SECTION 3.4. (a) Notwithstanding the provisions of Section 3.1, 3.2 and 3.3, all Performance Awards granted to Covered Officers must be granted no later than 90 days following the beginning of the calendar year. No Covered Officer may be granted more than 250,000 Performance Units in any calendar year.

(b) All Performance Awards to Covered Officers under the Plan will be made and administered by two or more members of the Committee who are also "outside directors" within the meaning of Section 162(m).

ARTICLE IV
CREDITS TO AND PAYMENTS FROM PARTICIPANTS' PERFORMANCE AWARD ACCOUNTS

SECTION 4.1. Subject to the provisions of the Plan, each Performance Unit in any Performance Award Account of each Participant at December 31 of any year shall be credited, as of such December 31 of each year in the Performance Period for such Performance Unit, with an amount equal to the Annual Earnings Per Share (or Net Loss Per Share) for such year; provided that, if in any year there shall be any outstanding Net Loss Carryforward applicable to such Performance Unit, such Net Loss Carryforward shall be applied to reduce any amount which would otherwise be credited to or in respect of such Performance Unit pursuant to this Section 4.1 in such year until such Net Loss Carryforward has been fully so applied.

SECTION 4.2. (a) Subject to the provisions of the Plan, amounts credited to a Participant's Performance Award Account in respect of Performance Units shall be paid to such Participant as soon as practicable after, but not later than the March 15 th after, the Award Valuation Date with respect to such Performance Units.

(b) Payments pursuant to Section 4.2(a) shall be in cash.

(c) Notwithstanding any other provision of the Plan to the contrary, no Covered Officer shall be entitled to any payment with respect to any Performance Units unless the members of the Committee referred to in Section 3.4(b) hereof shall have certified the

amount of the Annual Earnings Per Share (or Net Loss Per Share) for each year or portion thereof in the Performance Period applicable to such Performance Units.

SECTION 4.3. Anything contained in the Plan to the contrary notwithstanding:

(a) The Committee may, in its sole discretion, suspend, permanently or for a specified period of time or until further determination by the Committee, the making of any part or all of the credits which would otherwise have been made to the Performance Award Accounts of all the Participants or to such Accounts of one or more Participants as shall be designated by the Committee.

(b) Each Performance Unit and all other amounts credited to a Participant's Performance Award Account in respect of such Performance Unit shall be forfeited in the event of the Discharge for Cause of such Participant prior to the end of the Performance Period applicable to such Performance Unit.

(c) Each Performance Unit and all other amounts credited to a Participant's Performance Award Account in respect of such Performance Unit shall, unless and to the extent that the Committee shall in its absolute discretion otherwise determine with respect to Covered Officers or the Chairman of the Board, President or any Senior Vice President of the Company shall in his absolute discretion determine with respect to participants who were not Covered Officers immediately prior to such Participant's Termination of Employment, by reason of special mitigating circumstances, be forfeited in the event that such Participant's Termination of Employment shall occur for any reason other than death, Disability, retirement under the Company's retirement plan, or retirement with the consent of the Company outside the Company's retirement plan, at any time (except within two years after the date on which a Change in Control shall have occurred) prior to the end of the Performance Period applicable to such Performance Unit.

(d) If any suspension is in effect pursuant to Section 4.3(a) on a date when a credit would otherwise have been made pursuant to Section 4.1, the amount which would have been credited but for such suspension shall be forfeited and no credits shall thereafter be made in lieu thereof. If the Committee shall so determine in its sole discretion, the amounts theretofore credited to any Performance Award Account or Accounts, other than any Performance Award Account of a Covered Officer, shall accrue interest, during the suspension period, at a rate equal to the prime commercial lending rate announced from time to time by JPMorgan Chase Bank, N.A. (compounded quarterly) or at such other rate and in such manner as shall be determined from time to time by the Committee.

ARTICLE V
GENERAL INFORMATION

SECTION 5.1. If Net Income, Annual Earnings Per Share or Net Loss Per Share for any year shall have been affected by special factors (including material acquisitions or dispositions of property, or other unusual items) which in the Committee's judgment should or should not be taken into account, in whole or in part, in the equitable administration of the Plan, the Committee may, for any purpose of the Plan, adjust Net Income, Annual Earnings Per Share

or Net Loss Per Share, as the case may be, for such year (and subsequent years as appropriate), or any combination of them, and make credits, payments and reductions accordingly under the Plan; provided, however, the Committee shall not have the authority to make any such adjustments to payments with respect to the Performance Awards of, or credits to the Performance Award Accounts of, any Participant who is at such time a Covered Officer if the effect of any such action would be to increase the amount that would be credited to or paid from such Performance Award Accounts.

SECTION 5.2. The Committee shall for purposes of Articles III and IV make appropriate adjustments in the number of Performance Units which may be granted pursuant to Performance Awards and in the number of Performance Units which shall have been credited to Participants' accounts, in order to reflect any merger or consolidation to which the Company is a party or any stock dividend, split-up, combination or reclassification of the outstanding shares of Company Common Stock or any other relevant change in the capitalization of the Company.

SECTION 5.3. A Participant may designate in writing a beneficiary (including the trustee or trustees of a trust) who shall upon the death of such Participant be entitled to receive all amounts which would have been payable hereunder to such Participant. A Participant may rescind or change any such designation at any time. Except as provided in this Section 5.3, none of the amounts which may be payable under the Plan may be assigned or transferred otherwise than by will or by the laws of descent and distribution.

SECTION 5.4. All payments made pursuant to the Plan shall be subject to withholding in respect of income and other taxes required by law to be withheld, in accordance with procedures to be established by the Committee.

SECTION 5.5. The selection of an individual for participation in the Plan shall not give such Participant any right to be retained in the employ of the Company or any Subsidiary, and the right of the Company or any such Subsidiary to dismiss or discharge any such Participant, or to terminate any arrangement pursuant to which any such Participant provides services to the Company, is specifically reserved. The benefits provided for Participants under the Plan shall be in addition to, and shall in no way preclude, other forms of compensation to or in respect of such Participants.

SECTION 5.6. The Board of Directors and the Committee shall be entitled to rely on the advice of counsel and other experts, including the independent public accountants for the Company. No member of the Board of Directors or of the Committee or any officers of the Company or any Subsidiary shall be liable for any act or failure to act under the Plan, except in circumstances involving bad faith on the part of such member or officer.

SECTION 5.7. Nothing contained in the Plan shall prevent the Company or any Subsidiary or affiliate of the Company from adopting or continuing in effect other compensation arrangements, which arrangements may be either generally applicable or applicable only in specific cases.

ARTICLE VI
AMENDMENT OR TERMINATION OF THE PLAN

SECTION 6.1. The Board of Directors may at any time terminate the Plan, in whole or in part, or from time to time, subject to the stockholder approval requirements of Section 162(m), amend the Plan, provided that, except as otherwise provided in the Plan, no such amendment or termination shall adversely affect the amounts credited to the Performance Award Account of a Participant with respect to Performance Awards previously made to such Participant. Provided that the requirements of Section 409A are satisfied, including the 12 month delay and 24 month completion requirements of Treasury Regulations Section §1.409A-3(j)(4)(ix)(C), in the event of such termination, in whole or in part, of the Plan, the Committee may in its sole discretion direct the payment to Participants of any amounts specified in Article IV and not theretofore paid out, prior to the respective dates upon which payments would otherwise be made hereunder to such Participants, and in a lump sum or installments as the Committee shall prescribe with respect to each such Participant. Notwithstanding the foregoing, any such payment to a Covered Officer must be discounted to reflect the present value of such payment using the prime lending rate announced from time to time by JPMorgan Chase Bank, N.A. (compounded quarterly) or by another major national bank headquartered in New York, New York and designated by the Committee. The Board may at any time and from time to time delegate to the Committee any or all of its authority under this Article VI.

ARTICLE VII
SECTION 409A

SECTION 7.1. Notwithstanding any other provision of this Plan, it is the intention of the Company that no payment or entitlement pursuant to this Plan will give rise to any adverse tax consequences to any Participant under Section 409A. This Plan and any amendments hereto shall be interpreted to that end and (1) to the maximum extent permitted by law, no effect shall be given to any provision herein, any amendment hereto or any action taken hereunder in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A and (2) the Company shall take any corrective action reasonably within its control that is necessary to avoid such adverse tax consequences. No amendments shall divest otherwise vested rights of Participants or their beneficiaries.

SECTION 7.2. If at any time the Plan fails to meet the requirements of Section 409A, an amount equal to the amount required to be included in the Participant's income as a result of the failure to comply with the requirements of Section 409A shall be paid to the Participant in one lump sum on the first day of the month following the Company’s determination that the failure has occurred.

SECTION 7.3. Notwithstanding any other provision hereof, payments hereunder which constitute deferred compensation under Section 409A and which are not exempt from coverage shall be made, if the Participant is then a Specified Employee and payment is triggered by the Participant's Termination of Employment, on the first day of the seventh month following the date of the Specified Employee’s Termination of Employment, or, if earlier, the date of death of the Specified Employee. On the first day of such seventh month or on the first day of the month following the earlier death of the Specified Employee, the Specified Employee or his

beneficiary shall be paid in a lump sum the amount that the Specified Employee would have been paid hereunder over the preceding six months (or, if earlier, the months preceding the date of death) but for the fact that he was a Specified Employee. Nevertheless, for all other purposes of this Agreement, the payment shall be deemed to have been made on the date it would have had the Participant not been a Specified Employee.

ARTICLE VIII
DEFINITIONS

SECTION 8.1. For the purposes of the Plan, the following terms shall have the meanings indicated:

(a) Annual Earnings Per Share: With respect to any year, the result obtained by dividing (i) Net Income for such year by (ii) the average number of issued and outstanding shares (excluding treasury shares and shares held by any subsidiaries) of Common Stock, par value $.10 per share, of the Company during such year as reviewed by the Company's independent auditors.

(b) Award Valuation Date: December 31 of the year in which the third anniversary of the grant of such Performance Award to a Participant shall occur or, if earlier, December 31 of the year in which such Participant's Termination of Employment shall occur, if such Termination of Employment occurs (i) within two years after a Change in Control or (ii) as a result of death, Disability, retirement under the Company's retirement plan or retirement with the consent of the Company outside the Company's retirement plan.

(c) Board of Directors: The Board of Directors of the Company.

(d) Change in Control: A Change in Control shall be deemed to have occurred if either (i) any person, or any two or more persons acting as a group, and all affiliates of such person or persons, shall acquire beneficial ownership of more than 20% of all classes and series of the Company's stock outstanding, taken as a whole, that has voting rights with respect to the election of directors of the Company (not including any series of preferred stock of the Company that has the right to elect directors only upon the failure of the Company to pay dividends) pursuant to a tender offer, exchange offer or series of purchases or other acquisitions, or any combination of those transactions, or (ii) there shall be a change in the composition of the Board of Directors of the Company at any time within two years after any tender offer, exchange offer, merger, consolidation, sale of assets or contested election, or any combination of those transactions (a “Transaction”), so that (A) the persons who were directors of the Company immediately before the first such Transaction cease to constitute a majority of the Board of Directors of the corporation which shall thereafter be in control of the companies that were parties to or otherwise involved in such first Transaction, or (B) the number of persons who shall thereafter be directors of such corporation shall be fewer than two-thirds of the number of directors of the Company immediately prior to such first Transaction. A Change in Control shall be deemed to take place upon the first to occur of the events specified in the foregoing clauses (i) and (ii).

(e) Committee: The Committee designated pursuant to Section 2.1. Until otherwise determined by the Board of Directors, the Corporate Personnel Committee designated by such Board shall be the Committee under the Plan.

(f) Company Common Stock: Common Stock, par value $0.10 per share, of the Company and such other Company or subsidiary securities as may be designated from time to time by the Committee.

(g) Covered Officer: At any date, (i) any individual who, with respect to the previous taxable year of the Company, was a "covered employee" of the Company within the meaning of Section 162(m); provided, however, the term "Covered Officer" shall not include any such individual who is designated by the Committee, in its discretion, at the time of any grant or at any subsequent time as reasonably expected not to be such a "covered employee" with respect to the current taxable year of the Company and (ii) any individual who is designated by the Committee, in its discretion, at the time of any grant or at any subsequent time as reasonably expected to be such a "covered employee" with respect to the current taxable year of the Company or with respect to the taxable year of the Company in which payment from any Performance Award Account of such individual will be made.

(h) Disability: In the case of any Participant, disability which after the expiration of more than 26 weeks after its commencement is determined to be total and permanent by a physician selected by the Company and acceptable to such Participant or his legal representatives.

(i) Discharge for Cause: Involuntary Termination of Employment as a result of dishonesty or similar misconduct directly related to the performance of duties for the Company or a Subsidiary.

(j) Net Income: With respect to any year, the sum of

(i) the net income (or net loss) of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public; plus (or minus)

(ii) the minority interests' share in the net income (or net loss) of the Company's consolidated subsidiaries for such year as reviewed by the Company's independent auditors and released by the Company to the public; plus (or minus)

(iii) the effect of changes in accounting principles of the Company and its consolidated subsidiaries for such year plus (or minus) the minority interests' share in such changes in accounting principles,

as reviewed by the Company's independent auditors and released by the Company to the public.

(k) Net Loss Carryforward: With respect to any Performance Units, (i) an amount equal to the Net Loss Per Share for any year in the applicable Performance Period times the number of such Performance Units then outstanding, reduced by (ii) any portion thereof which has been applied in any prior year as provided in Section 4.1.

(l) Net Loss Per Share: The amount obtained when the calculation of Annual Earnings Per Share results in a number that is less than zero.

(m) Participant: An individual who has been selected by the Committee to receive a Performance Award and in respect of whose Performance Award Account any amounts remain payable.

(n) Performance Award: The grant of Performance Units by the Committee to a Participant pursuant to Section 3.1 or 3.4.

(o) Performance Award Account: An account established for a Participant pursuant to Section 3.2.

(p) Performance Period: With respect to any Performance Unit, the period beginning on January 1 of the year in which such Performance Unit was granted and ending on the Award Valuation Date for such Performance Unit.

(q) Performance Unit: A unit covered by Performance Awards granted or subject to grant pursuant to Article III.

(r) Section 162(m): Section 162(m) of the Code and the rules promulgated thereunder by the Internal Revenue Service.

(s) Section 409A: Section 409A of the Code and the Treasury Regulations and other interpretive guidance issued thereunder.

(t) Specified Employee: A Participant who is a key employee of the Company under Treasury Regulations §1.409A-1(i) because of final and binding action taken by the Board of Directors of the Company or the Committee, or by operation of law or such regulation.

(u) Subsidiary: (i) Any corporation or other entity in which the Company possesses directly or indirectly equity interests representing at least 50% of the total ordinary voting power or at least 50% of the total value of all classes of equity interests of such corporation or other entity and (ii) any other entity in which the Company has a direct or indirect economic interest that is designated as a Subsidiary by the Committee.

SECTION 8.2. Termination of Employment: The cessation of the rendering of services, such that a person would no longer be eligible to receive a Performance Award under Section 3.1 hereof, or a termination of employment or termination of officer position with the Company or a Subsidiary where the person continues to provide services under Section 3.1 (c) or (d) hereof, provided such termination qualifies as a “termination of employment” under the default rules of Treasury Regulations §1.409A-1(h).

2005 ANNUAL INCENTIVE PLAN
OF FREEPORT-McMoRan COPPER & GOLD INC.

ARTICLE I
Purpose of Plan

SECTION 1.1. The purpose of the 2005 Annual Incentive Plan of Freeport-McMoRan Copper & Gold Inc. (the "Plan") is to provide incentives for senior executives whose performance in fulfilling the responsibilities of their positions can have a major impact on the profitability and future growth of Freeport-McMoRan Copper & Gold Inc. (the "Company") and its subsidiaries.

ARTICLE II
Administration of the Plan

SECTION 2.1. Subject to the authority and powers of the Board of Directors in relation to the Plan as hereinafter provided, the Plan shall be administered by a Committee designated by the Board of Directors consisting of two or more members of the Board each of whom is a "non-employee director" within the meaning of Rule 16b-3 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. The Committee shall have full authority to interpret the Plan and from time to time to adopt such rules and regulations for carrying out the Plan as it may deem best; provided, however, that except for increases in the Plan Funding Amount provided for in Section 4.2(b), the Committee may not exercise any authority otherwise granted to it hereunder if such action would have the effect of increasing the amount of an Award to any Covered Officer. All determinations by the Committee shall be made by the affirmative vote of a majority of its members, but any determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. All decisions by the Committee pursuant to the provisions of the Plan and all orders or resolutions of the Board of Directors pursuant thereto shall be final, conclusive and binding on all persons, including the Participants, the Company and its subsidiaries and their respective equity holders.

ARTICLE III
Eligibility for and Payment of Awards

SECTION 3.1. Subject to the provisions of the Plan, in each calendar year the Committee may select any of the following to receive Awards under the Plan with respect to such year and determine the amounts of such Awards: (a) any person providing services as an officer of the Company or a Subsidiary, whether or not employed by such entity, including any person who is also a director of the Company, and (b) any person who has agreed in writing to become a person described in clause (a) within not more than 30 days following the date of grant of such person's first Award under the Plan.

SECTION 3.2. Subject to the provisions of the Plan, Awards with respect to any year shall be paid to each Participant in cash at such time established by the Committee following the

determination of the amounts of such Awards, which payment shall in no event be later than February 28 th of the year following such Award Year.

SECTION 3.3. Notwithstanding the provisions of Sections 3.1, 3.2, 4.2(a), 4.2(b), and 4.2(c) hereof, any Award to any Covered Officer shall be granted in accordance with the provisions of this Section 3.3.

(a) All Awards to Covered Officers under the Plan will be made and administered by two or more members of the Committee who are also "outside directors" within the meaning of Section 162(m).

(b) Within the first 90 days of each Award Year, the Committee shall assign Participant Shares of the Plan Funding Amount to those Covered Officers whom the Committee designates as Participants for that Award Year (which Participant Shares in the aggregate may not exceed 100% of the Plan Funding Amount). The maximum annual Award that may be made to any Covered Officer for an Award Year is 60% of the Plan Funding Amount.

(c) If the Plan Funding Amount with respect to an Award Year is to be adjusted to exclude the effect of material changes in accounting policies or practices, material acquisitions or dispositions of property or other unusual items on the Plan Funding Amount, the Committee must clearly identify and describe such exclusions at the time that the Participant Shares of the Plan Funding Amount for that Award Year are assigned, if permitted under Section 162(m).

(d) Any provision of the Plan to the contrary notwithstanding, no Covered Officer shall be entitled to any payment of an Award with respect to a calendar year unless the members of the Committee referred to in Section 3.3(b) hereof shall have certified the Participant Share for each Covered Officer, the Plan Funding Amount for such year and that the condition of Section 4.1 hereof has been met for such year.

ARTICLE IV
General Provisions

SECTION 4.1. Any provision of the Plan to the contrary notwithstanding, no Award shall be made pursuant to Section 3.1 or 3.3 with respect to any calendar year if the average of the Return on Investment for such calendar year and each of the four preceding calendar years, after giving effect to the aggregate amount (if any) that was awarded or credited with respect to such prior years and the aggregate amount that would otherwise have been so awarded or credited with respect to such calendar year, would be less than 6%.

SECTION 4.2. (a) The aggregate amount of all Awards granted with respect to any calendar year shall not exceed 2.5% of Net Cash Provided by Operating Activities for such year; provided, however, that pursuant to Section 4.2(b), the Committee may determine that the aggregate amount of all Awards granted with respect to any calendar year may not exceed 2.75% of Net Cash Provided by Operating Activities for such year if the applicable safety performance goals are exceeded.

(b) For each Award Year, 0.5% of the 2.5% of Net Cash Provided by Operating Activities for such year shall be set aside as a Safety Incentive Pool. Within the first 90 days of the Award Year, the Committee will designate one or more objective safety performance goals applicable for the given year and establish the targets applicable to each. Based upon its determination of whether the Company has failed to meet, has met, or has exceeded the applicable safety performance goals, the Committee will include between 0% and 150% of the Safety Incentive Pool as part of the Plan Funding Amount for that Award Year. The safety performance goals are designed to assess the Company's safety performance and may include any or all of the following: the reportable rate (or the number and type of accidents reported), number of fatalities, improvement in safety performance, lost time incident rate, financial benefits related to safety performance improvement and implementation of safety programs. The safety performance goals may be measured on an absolute basis or relative to a group of peer companies or other industry group selected by the Committee, relative to internal goals, or relative to levels attained in prior years. The Committee may change the safety performance goals each year to any of those listed above and may also change the targets applicable to the safety performance goals from year to year.

(c) If Managed Net Income or Total Investment of Capital for any year shall have been affected by special factors (including material changes in accounting policies or practices, material acquisitions or dispositions of property, or other unusual items) which in the Committee's judgment should or should not be taken into account, in whole or in part, in the equitable administration of the Plan, the Committee may, for any purpose of the Plan, adjust Managed Net Income or Total Investment of Capital and make payments and reductions accordingly under the Plan; provided that, except for adjustments specified in advance as provided in Section 3.3(c) hereof, the Committee shall not take any such adjustment into account in calculating Awards to Covered Officers if the effect of such adjustment (i) would be to increase the Plan Funding Amount or (ii) would result in payments to Covered Officers hereunder that would otherwise not be made because of failure to meet the Return on Investment level specified on Section 4.1.

(d) Notwithstanding the provisions of subparagraphs (a) and (c) above, the amount available for the grant of Awards under the Plan to Covered Officers with respect to a calendar year shall be equal to the Plan Funding Amount for such year and, except for adjustments specified under Section 3.3(c), any adjustments made in accordance with or for the purposes of subparagraphs (a) or (c) that would have the effect of increasing the Plan Funding Amount shall be disregarded for purposes of calculating Awards to Covered Officers. The Committee may, in the exercise of its discretion, determine that the aggregate amount of all Awards granted to Covered Officers with respect to a calendar year shall be less than the Plan Funding Amount for such year, but the excess of such Plan Funding Amount over such aggregate amount of Awards granted to Covered Officers shall not be available for any Awards to Covered Officers with respect to future years. In addition, the Committee may, in the exercise of its discretion, reduce or eliminate the amount of an Award to a Covered Officer otherwise calculated in accordance with the provisions of Section 3.3 prior to payment thereof. Any reduction of an Award shall not accrue to the benefit of any other Covered Officer.

SECTION 4.3. A Participant may designate in writing a beneficiary (including the trustee or trustees of a trust) who shall upon the death of such Participant be entitled to receive all

benefits that would have been payable hereunder to such Participant. A Participant may rescind or change any such designation at any time. Except as provided in this Section 4.3, none of the benefits that may be payable under the Plan may be assigned or transferred otherwise than by will or by the laws of descent and distribution.

SECTION 4.4. All payments made pursuant to the Plan shall be subject to withholding in respect of income and other taxes required by law to be withheld, in accordance with procedures to be established by the Committee.

SECTION 4.5. The selection of an individual for participation in the Plan shall not give such Participant any right to be retained in the employ of the Company or any of its subsidiaries, and the right of the Company or any such subsidiary to dismiss or discharge any such Participant, or to terminate any arrangement pursuant to which any such Participant provides services to the Company, is specifically reserved. The benefits provided for Participants under the Plan shall be in addition to, and shall in no way preclude, other forms of compensation to or in respect of such Participants.

SECTION 4.6. The Board of Directors and the Committee shall be entitled to rely on the advice of counsel and other experts, including the independent registered public accounting firm for the Company regarding accounting matters. No member of the Board of Directors or of the Committee or any officers of the Company or its subsidiaries shall be liable for any act or failure to act under the Plan, except in circumstances involving bad faith on the part of such member or officer.

SECTION 4.7. Nothing contained in the Plan shall prevent the Company or any subsidiary or affiliate of the Company from adopting or continuing in effect other compensation arrangements, which arrangements may be either generally applicable or applicable only in specific cases.

ARTICLE V
Amendment or Termination of the Plan

SECTION 5.1. The Board of Directors may at any time terminate, in whole or in part, or from time to time amend the Plan, provided that, except as otherwise provided in the Plan, no such amendment or termination shall adversely affect any Awards previously made to a Participant and provided that any such amendment or termination shall comply with the requirements of Section 409A to the extent that it governs this Plan. The Board may at any time and from time to time delegate to the Committee any or all of its authority under this Section 5.1.

ARTICLE VI
Definitions

SECTION 6.1. For the purposes of the Plan, the following terms shall have the meanings indicated:

(a) Award: The grant of an award by the Committee to a Participant pursuant to Section 3.1 or 3.3.

(b) Award Year: Any calendar year or portion thereof with respect to which an Award may be granted.

(c) Board or Board of Directors: The Board of Directors of the Company.

(d) Committee: The Committee designated pursuant to Section 2.1. Until otherwise determined by the Board of Directors, the Corporate Personnel Committee designated by such Board shall be the Committee under the Plan.

(e) Covered Officer: At any date, (i) any individual who, with respect to the previous taxable year of the Company, was a "covered employee" of the Company within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the rules promulgated thereunder by the Internal Revenue Service of the Department of the Treasury, provided, however, the term "Covered Officer" shall not include any such individual who is designated by the Committee, in its discretion, at the time of any grant or at any subsequent time, as reasonably expected not to be such a "covered employee" with respect to the current taxable year of the Company and (ii) any individual who is designated by the Committee, in its discretion, at the time of any grant or at any subsequent time, as reasonably expected to be such a "covered employee" with respect to the current taxable year of the Company or with respect to the taxable year of the Company in which any Award will be paid to such individual.

(f) Managed Net Income: With respect to any year, the sum of (i) the net income (or net loss) of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent registered public accounting firm, released by the Company to the public and approved by the Board; plus (or minus) (ii) the minority interests' share in the net income (or net loss) of the Company's consolidated subsidiaries for such year as reviewed by the Company's independent registered public accounting firm, released by the Company to the public and approved by the Board; plus (or minus) (iii) the effect of changes in accounting principles of the Company and its consolidated subsidiaries for such year plus (or minus) the minority interests' share in such changes in accounting principles as reviewed by the Company's independent registered public accounting firm, released by the Company to the public and approved by the Board.

(g) Net Cash Provided by Operating Activities: With respect to any year, the net cash provided by operating activities of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent registered public accounting firm, released by the Company to the public and approved by the Board.

(h) Net Interest Expense: With respect to any year, the net interest expense of the Company and its consolidated subsidiaries for such year as reviewed by the Company's independent registered public accounting firm, released by the Company to the public and approved by the Board.

(i) Participant: An individual who has been selected by the Committee to receive an Award.

(j) Participant Share: The percentage of the Plan Funding Amount assigned to a Covered Officer by the Committee.

(k) Plan Funding Amount: With respect to any year, 2.5% of Net Cash Provided by Operating Activities for such year, as adjusted as provided in Section 4.2(b), but not to exceed 2.75% of Net Cash Provided by Operating Activities for such year.

(l) Return on Investment: With respect to any year, the result (expressed as a percentage) calculated according to the following formula:

$$\frac{a + (b - c)}{d}$$

in which "a" equals Managed Net Income for such year, "b" equals Net Interest Expense for such year, "c" equals Tax on Net Interest Expense for such year, and "d" equals Total Investment of Capital for such year.

(m) Safety Incentive Pool: The portion of the Plan Funding Amount for a given year that is determined based on the Company's performance with regard to the safety performance goals established by the Committee pursuant to Section 4.2(b) hereof. The Safety Incentive Pool for a given year is initially equal to 0.5% of Net Cash Provided by Operating Activities for such year, but may be decreased to a minimum of 0% or increased to a maximum of 0.75% of Net Cash Provided by Operating Activities in accordance with Section 4.2(b) hereof.

(n) Section 162(m): Section 162(m) of the Internal Revenue Code of 1986, as amended, and rules promulgated by the Internal Revenue Service thereunder.

(o) Section 409A: Section 409A of the Internal Revenue Code of 1986, as amended, and rules and guidance promulgated by the Internal Revenue Service thereunder.

(p) Subsidiary: (i) Any corporation or other entity in which the Company possesses directly or indirectly equity interests representing at least 50% of the total ordinary voting power or at least 50% of the total value of all classes of equity interests of such corporation or other entity and (ii) any other entity in which the Company has a direct or indirect economic interest that is designated as a Subsidiary by the Committee.

(q) Tax on Net Interest Expense: With respect to any year, the tax on the net interest expense of the Company and its consolidated subsidiaries for such year calculated at the appropriate statutory income tax rate for such year as reviewed by the Company's independent registered public accounting firm.

(r) Total Investment of Capital: With respect to any year, the sum of (i) the weighted average of the stockholders' equity in the Company and its consolidated subsidiaries for such year, (ii) the weighted average of the minority interests in the consolidated subsidiaries of the Company for such year, (iii) the weighted average of the redeemable preferred stock of the Company for such year and (iv) the weighted average of the long-term debt of the Company and its consolidated subsidiaries for such year, all as shown in the quarterly balance sheets of the Company and its consolidated subsidiaries for such year.

Exhibit 12.1

FREEPORT-McMoRan COPPER & GOLD INC.

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(in millions except ratios)

	For the years ended December 31,				
	2008	2007 [a]	2006	2005	2004
(Loss) income from continuing operations before income taxes, minority interests in consolidated companies, equity in affiliated companies' net earnings and cumulative effect of accounting changes	$ (13,309)	$ 6,111	$ 2,820	$ 2,028	$ 572
Amortization of previously capitalized interest	25	17	18	18	18
Less: capitalized interest	(122)	(147)	(11)	(4)	(3)
(Losses) earnings from continuing operations before fixed charges before adjustments for fixed charges	$ (13,406)	$ 5,981	$ 2,827	$ 2,042	$ 587
Fixed charges:					
Interest expense, net of capitalized interest	567	496	71	124	140
Capitalized interest	122	147	11	4	3
Amortization of debt expenses, premiums and discounts	17	17	5	8	8
Interest portion of rental expense	18	12	1	1	1
Total fixed charges	724	672	88	137	152
Adjusted (losses) earnings	$ (12,682)	$ 6,653	$ 2,915	$ 2,179	$ 739
Ratio of earnings to fixed charges [a]	-[b]	9.9	33.1	15.9	4.9
Preferred dividend requirements:					
Total fixed charges	$ 724	$ 672	$ 88	$ 137	$ 152
Preferred stock dividends	347	340	116	128	103
Combined fixed charges and preferred stock dividends	$ 1,071	$ 1,012	$ 204	$ 265	$ 255
Ratio of earnings to combined fixed charges and preferred stock dividends [a]	-[c]	6.6	14.3	8.2	2.9

a. For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of (loss) income from continuing operations before income taxes, minority interests in consolidated subsidiaries, equity in affiliated companies' net earnings and cumulative effect of accounting changes. Minority interests in majority-owned subsidiaries were not deducted from earnings as all such subsidiaries had fixed charges. Fixed charges from continuing operations consist of interest (including capitalized interest) of all indebtedness; amortization of debt discounts, premiums and expenses; and that portion of rental expense that FCX believes to be representative of interest. For purposes of calculating the ratio of earnings to combined fixed charges and preferred stock dividends, the preferred stock dividend requirements were assumed to be equal to the pre-tax earnings that would be required to cover such dividend requirements. The amount of pre-tax earnings required to cover such preferred stock dividends was computed using the effective tax rate for each applicable year.

b. As a result of the loss recorded in 2008, the ratio coverage was less than 1:1. FCX would have needed to generate additional earnings of $13.4 billion to achieve coverage of 1:1 in 2008.

c. As a result of the loss recorded in 2008, the ratio coverage was less than 1:1. FCX would have needed to generate additional earnings of $13.8 billion to achieve coverage of 1:1 in 2008.

Exhibit 21.1

List of Subsidiaries of
Freeport-McMoRan Copper & Gold Inc.

Entity [1]	Jurisdiction of Organization
Atlantic Copper, S.A.U.	Spain
Climax Molybdenum Company	Delaware
Compania Contractual Minera Candelaria	Chile
Compania Contractual Minera Ojos del Salado	Chile
Cyprus Amax Minerals Company	Delaware
FM Services Company	Delaware
Freeport-McMoRan Bagdad Inc.	Delaware
Freeport-McMoRan Chino Mines Company	New Mexico
Freeport-McMoRan Cobre Mining Company	New Mexico
Freeport-McMoRan Corporation	New York
Freeport-McMoRan Miami Inc.	Delaware
Freeport-McMoRan Morenci Inc.	Delaware
Freeport-McMoRan Safford Inc.	Delaware
Freeport-McMoRan Sierrita Inc.	Delaware
Freeport-McMoRan Tyrone Inc.	Delaware
Freeport-McMoRan Tyrone Mining LLC	New Mexico
Phelps Dodge Katanga Corporation	Delaware
PT Freeport Indonesia	Indonesia and Delaware
PT Indocopper Investama	Indonesia
PT Irja Eastern Minerals	Indonesia
PT Puncakjaya Power	Indonesia
Sociedad Contractual Minera El Abra	Chile
Sociedad Minera Cerro Verde S.A.A.	Peru
Tenke Fungurume Mining S.A.R.L. [2]	Democratic Republic of Congo
TF Holdings Limited [3]	Bermuda

(1) Omitted from this listing are subsidiaries that, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.
(2) 17.5% owned by La Générale des Carrières et des Mines
(3) 30% owned by Tenke Holdings Ltd.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of Freeport-McMoRan Copper & Gold Inc. on Form S-8 (File Nos. 33-63267, 33-63269, 33-63271, 333-85803, 333-105535, 333-115292, 333-136084, 333-141358 and 333-147413) and Form S-3 (File Nos. 333-104564, 333-114430 and 333-140997), of our reports dated February 18, 2009, with respect to the consolidated financial statements and schedule of Freeport-McMoRan Copper & Gold Inc. and the effectiveness of internal control over financial reporting of Freeport-McMoRan Copper & Gold Inc., included in this Annual Report (Form 10-K) of Freeport-McMoRan Copper & Gold Inc. for the year ended December 31, 2008.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 25, 2009

Exhibit 24.1

Freeport-McMoRan Copper & Gold Inc.

Secretary's Certificate

I, Douglas N. Currault II, Secretary of Freeport-McMoRan Copper & Gold Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting held on December 13, 1988, and that such resolution has not been amended, modified or rescinded and is in full force and effect on the date hereof:

> RESOLVED, That any report, registration statement or other form filed on behalf of this corporation pursuant to the Securities Exchange Act of 1934, or any amendment to any such report, registration statement or other form, may be signed on behalf of any director or officer of this corporation pursuant to a power of attorney executed by such director or officer.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of the Corporation on February 5, 2009.

/s/ Douglas N. Currault II
Douglas N. Currault II
Secretary

Seal

Exhibit 24.2

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ Robert A. Day

Robert A. Day

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ J. Bennett Johnston

J. Bennett Johnston

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008 and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ Bobby Lee Lackey

Bobby Lee Lackey

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint RICHARD C. ADKERSON, his true and lawful attorney-in-fact with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorney full power and authority to do and perform each and every act and thing whatsoever that said attorney may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ James R. Moffett

James R. Moffett

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT, his true and lawful attorney-in-fact with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorney full power and authority to do and perform each and every act and thing whatsoever that said attorney may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ Richard C. Adkerson

Richard C. Adkerson

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ B. M. Rankin, Jr.

B. M. Rankin, Jr.

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ J. Taylor Wharton

J. Taylor Wharton

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in her capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, her true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of her, in her name and in her capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ Kathleen L. Quirk

Kathleen L. Quirk

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in her capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, her true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of her, in her name and in her capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ Gabrielle K. McDonald

Gabrielle K. McDonald

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ C. Donald Whitmire, Jr.

C. Donald Whitmire, Jr.

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ H. Devon Graham, Jr.

H. Devon Graham, Jr.

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ Gerald J. Ford

Gerald J. Ford

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ Robert J. Allison, Jr.

Robert J. Allison, Jr.

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ J. Stapleton Roy

J. Stapleton Roy

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ Stephen H. Siegele

Stephen H. Siegele

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ Charles C. Krulak

Charles C. Krulak

POWER OF ATTORNEY

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EXECUTED on February 3, 2009.

/s/ Jon C. Madonna

Jon C. Madonna

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the other and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 2008, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED on February 3, 2009.

/s/ Dustan E. McCoy

Dustan E. McCoy

Exhibit 31.1

Certification

I, Richard C. Adkerson, certify that:

1. I have reviewed this annual report on Form 10-K of Freeport-McMoRan Copper & Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2009

/s/ Richard C. Adkerson
Richard C. Adkerson
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Kathleen L. Quirk, certify that:

1. I have reviewed this annual report on Form 10-K of Freeport-McMoRan Copper & Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2009

/s/ Kathleen L. Quirk
Kathleen L. Quirk
Executive Vice President,
Chief Financial Officer and Treasurer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Freeport-McMoRan Copper & Gold Inc. (the "Company") for the year ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Richard C. Adkerson, as President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2009

/s/ Richard C. Adkerson
Richard C. Adkerson
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of Freeport-McMoRan Copper & Gold Inc. (the "Company") for the year ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kathleen L. Quirk, as Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2009

/s/ Kathleen L. Quirk
Kathleen L. Quirk
Executive Vice President,
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.