FREEPORT MCMORAN COPPER & GOLD INC
Form 10-K
February 26, 2009

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 (State or other jurisdiction of incorporation or organization)	74-2480931 (IRS Employer Identification No.)
One North Central Avenue Phoenix, Arizona (Address of principal executive offices)	85004-4414 (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 R Yes 0 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. 0 Yes R 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. R Yes 0 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. R

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): R Large accelerated filer 0 Accelerated filer 0 Non-accelerated filer 0 Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). 0 Yes R 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.

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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.”

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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.

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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%

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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

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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

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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

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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

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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.

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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.

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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

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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.

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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

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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

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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.

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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

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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

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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

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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.

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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

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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.

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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	2007a	2006a	2005a	2004a
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	1,320c	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	1,413c	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	116e	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	39f	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.

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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	2007a	2006a	2005a	2004a
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	1,332c	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	1,399c	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	$3.22e	$2.80e	$1.66e	$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	114f	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	$566g	$454	$411
MOLYBDENUM (millions of recoverable pounds)					
Consolidated sales from mines	71	69h	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

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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

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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

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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 Operations. 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 Conversion Facilities. 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.

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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.

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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 2007a
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

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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.

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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.

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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 Reservesa 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 basisb	102.0	40.0	2.48	266.6	0.7
Net equity interestc	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.

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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	-	-	-	-
Climaxa	Mill	63	-	-	0.201	-	-	102	-	-	0.142	-	-
Cobrea	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	-
	Mill	5	1.23	0.30	-	2.95	-	3	0.98	0.24	-	2.34	-

Ojos del Salado													
		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 Zoneb	Mill	97	0.67	0.66	-	3.41	-	185	0.59	0.68	-	2.75	-
Grasberg block cavea	Mill	288	1.21	1.16	-	3.65	-	719	0.94	0.66	-	3.37	-
Kucing Liara	Mill	156	1.32	1.15	-	7.51	-	285	1.20	1.06	-	6.57	-
Deep Mill Level Zonea,c	Mill	59	1.00	0.78	-	4.94	-	435	0.88	0.74	-	4.40	-
Big Gossana	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 Fungurumea	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

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Recoverable Proven and Probable Reserves
Estimated at December 31, 2008

			Average Ore Grade					Recoveriesa				
	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		626	0.55	-	-	-	-	54.8	-	-	-	-

	Crushed leach											
	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.

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Recoverable Proven and Probable Reserves
Estimated at December 31, 2008

			Recoverable Reserves				
	FCX's Interest	Processing Method	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 basisa			28.3	0.2	2.08	56.7	-
Net equity interestb			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 basisa			32.2	1.3	0.40	77.5	-
Net equity interestb			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 basisa			35.6	38.5	-	132.4	-
Net equity interestb			32.3	35.0	-	120.0	-
Africa							
Tenke Fungurume	57.75%	Agitation leach	5.9	-	-	-	0.7
100% operations			5.9	-	-	-	0.7
Consolidated basisa			5.9	-	-	-	0.7
Net equity interestb			3.4	-	-	-	0.4
TOTAL – 100% operations			118.8	53.4	2.49	330.1	0.7
TOTAL – Consolidated basisa			102.0	40.0	2.48	266.6	0.7
TOTAL – Net equity interestb			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.

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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

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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

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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.

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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 basisa				3.8
Net equity interestb				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.

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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.

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		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	-	-
Candelariaa	80%	144	0.52	0.12	-	-	-	144	0.52	0.12	-
Indonesia											
Grasberg districtb	54.38%f	2,601	0.58	0.52	-	-	-	2,601	0.58	0.52	-
Africa											
Tenke Fungurumec	57.75%	62	3.72	-	-	26	4.16	88	3.85	-	-
Total 100% basis		8,750				4,593		13,343			
Consolidated basisd		7,663				4,301		11,964			
Net equity intereste		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.

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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;

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- 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:

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- 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 6 % 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.

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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

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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

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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

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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.

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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.

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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.

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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

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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.

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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.

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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;

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- 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.

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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.

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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

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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

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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.

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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 6 % Senior Notes and $6 billion in senior notes used to finance the acquisition of Phelps Dodge and, in certain circumstances, our senior credit facility.

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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) Purchaseda	(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 Programsb
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.

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Item 6. Selected Financial Data.

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

	Years Ended December 31,				
	2008	2007a	2006	2005	2004
FCX CONSOLIDATED FINANCIAL DATA	(In Millions, Except Per Share Amounts)				
Revenues	$ 17,796b	$16,939b,c	$ 5,791	$ 4,179	$ 2,372
Operating (loss) income	(12,710)b,d,e,f	6,555b,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	2,769b,c,f,g	1,396g,h	935g	157g
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	$ 7.50b,c,f,g	$ 6.63g,h	$ 4.67g	$ 0.85g
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	5,390h	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	2,445h	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.

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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	2007a	2006a	2005a	2004a
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	$ 3.22b	$ 2.80b	$ 1.66b	$ 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	$ 566c	$ 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	$ 3.10d	$ 2.29d	$ 1.49d	$ 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	$ 1.63e	$ 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	–	–	–

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	Years Ended December 31,				
	2008	2007a	2006a	2005a	2004a
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	