FREEPORT MCMORAN COPPER & GOLD INC
Form 10-K
February 25, 2011

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, 2010

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: 001-11307-01

Freeport-McMoRan Copper & Gold Inc.
(Exact name of registrant as specified in its charter)

Delaware	74-2480931
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
333 North Central Avenue Phoenix, Arizona	85004-2189
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.10 per share	New York Stock Exchange

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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. 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 $50.2 billion on February 11, 2011, and $27.6 billion on June 30, 2010.

Common stock issued and outstanding was 946,498,251 shares on February 11, 2011, and 940,810,756 shares on June 30, 2010 (amounts have been adjusted to reflect the February 1, 2011, two-for-one stock split).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for our 2011 annual meeting of stockholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this report.

FREEPORT-McMoRan COPPER & GOLD INC.

TABLE OF CONTENTS

i

Table of Contents

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. In 2008, we changed Phelps Dodge's legal name to Freeport-McMoRan Corporation (FMC); therefore, references to "FMC" and "Phelps Dodge" represent the same entity. 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. Prior to the March 2007 acquisition of Phelps Dodge, our principal asset was 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. Following the acquisition of Phelps Dodge, our portfolio of assets also includes significant mining operations in North and South America and the Tenke Fungurume minerals district in the Democratic Republic of Congo (DRC).

We have significant reserves, resources and future development opportunities within our portfolio of assets. At December 31, 2010, consolidated recoverable proven and probable reserves totaled 120.5 billion pounds of copper, 35.5 million ounces of gold, 3.39 billion pounds of molybdenum, 325.0 million ounces of silver and 0.75 billion pounds of cobalt. Approximately 35 percent of our copper reserves are in North America, 31 percent are in South America, 27 percent are in Indonesia and 7 percent are in Africa. Approximately 95 percent of our gold reserves are in Indonesia, with our remaining gold reserves primarily in South America. Approximately 81 percent of our molybdenum reserves are in North America, with our remaining molybdenum reserves in South America. Refer to "Ore Reserves" for further discussion.

We currently operate seven copper mines in North America – Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Tyrone and Chino in New Mexico. Molybdenum concentrate is also produced by Bagdad and Sierrita.

We operate four copper mines in South America – Cerro Verde in Peru, and El Abra, Candelaria and Ojos del Salado in Chile. In addition to copper, the Cerro Verde mine also produces molybdenum concentrate and the Candelaria and Ojos del Salado mines produce gold and silver.

In Indonesia, PT Freeport Indonesia operates the mines in the Grasberg minerals district. In addition to copper, the Grasberg minerals district also produces gold and silver. PT Freeport Indonesia also owns 25 percent of PT Smelting, a smelting and refining company in Gresik, Indonesia.

In Africa, Tenke Fungurume S.A.R.L. (TFM) operates the Tenke Fungurume (Tenke) mine. In addition to copper, the Tenke mine produces cobalt hydroxide.

During 2010, 60 percent of our consolidated copper production was from our Grasberg, Morenci and Cerro Verde mines. The Grasberg minerals district also accounted for 95 percent of our consolidated gold production for 2010.

We produce molybdenum at our Henderson molybdenum mine in Colorado. During 2010, 56 percent of our consolidated molybdenum production was from the Henderson molybdenum mine, 34 percent was produced at our Bagdad and Sierrita copper mines and 10 percent was produced at our Cerro Verde copper mine.

For information about our operating segments and financial data by geographic area refer to Note 18. The locations of our operating mines are shown on the map below.

Table of Contents

The diagram below shows our ownership interest in our operating mines at December 31, 2010.

Table of Contents

COPPER, GOLD AND MOLYBDENUM

Our mines primarily produce copper, gold and molybdenum. A brief discussion of these metals appears below. For further discussion of the markets and prices of these metals refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Copper

Copper 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. During 2010, LME spot copper prices averaged $3.42 per pound and ranged from $2.76 per pound to $4.42 per pound.

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	33%
Electrical applications	33%
Industrial machinery	13%
Transportation	13%
Consumer products	8%

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. During 2010, London gold prices averaged $1,225 per ounce and ranged from $1,058 per ounce to $1,421 per ounce.

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. Molybdenum’s end-use markets (and their estimated shares of total consumption) are:

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

Reference prices for molybdenum are available in several publications, including Metals Week, Ryan’s Notes and Metal Bulletin. During 2010, the weekly average price of molybdenum quoted by Metals Week averaged $15.71 per pound and ranged from $11.75 per pound to $18.60 per pound.

PRODUCTS AND SALES

FCX's mining revenues for 2010 included sales of copper (78 percent), gold (12 percent) and molybdenum (6 percent). PT Freeport Indonesia's sales to PT Smelting represented 12 percent of our consolidated revenues for 2010, 13 percent in 2009 and 8 percent in 2008. No other customer accounted for more than 10 percent of our consolidated revenues in any of the past three years.

Copper Products

We are one of the world's leading producers of copper concentrate, cathode and continuous cast copper rod. During 2010, 52 percent of our mined copper was sold in concentrate, 26 percent as cathodes and 22 percent as rod (principally from our North America operations).

Table of Contents

Our copper ores are generally processed either by smelting and refining or by solution extraction and electrowinning (SX/EW). Before being subject to the smelting and refining process, ore is crushed and treated to produce a copper concentrate with copper content of approximately 20 to 30 percent. Copper concentrate is then smelted (subjected to extreme heat) to produce copper anodes, which weigh between 800 and 900 pounds each 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 each and have a copper content of 99.99 percent. Our copper cathodes are used as the raw material input for copper rod, brass mill products and for other uses.

For ore subject to the SX/EW process, copper is extracted from the ore by dissolving it with a weak sulphuric 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.

Copper Concentrate. We produce copper concentrate at seven of our mines, of which PT Freeport Indonesia is our largest producer. In North America, copper concentrate is produced at our Morenci, Bagdad and Sierrita mines, and is generally shipped to our Miami smelter in Arizona. In South America, we produce copper concentrate at our Cerro Verde, Candelaria and Ojos del Salado mines.

Copper Cathode. We produce copper cathode at two electrolytic refineries (located in El Paso, Texas, and Huelva, Spain) and at ten of our mines. In North America, SX/EW cathode is produced from our Morenci, Bagdad, Safford, Sierrita, Miami, Tyrone and Chino mines; in South America from our Cerro Verde and El Abra mines; and from our Tenke mine in Africa. PT Smelting also produces copper cathode.

Continuous Cast Copper Rod. We manufacture continuous cast copper rod at our facilities in El Paso, Texas; Norwich, Connecticut; and Miami, Arizona, primarily using copper cathode produced at our North America mines.

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. All of these facilities primarily use copper cathode produced at our North America mines to manufacture their end products.

Copper Sales

North America. The majority of the copper produced at our North America copper mines and refined in our El Paso, Texas, refinery is consumed at our rod plants. The remainder of our North America copper production is sold in the form of copper cathode or copper concentrate to third parties. Generally, copper rod and cathode are sold to wire and cable fabricators and brass mills under United States (U.S.) dollar-denominated, annual contracts. Cathode and rod contract prices are generally based on the prevailing COMEX monthly average spot price for the month of shipment and include a premium.

South America. Production from our South America mines is sold as copper concentrate or copper cathode to third parties under U.S. dollar-denominated, annual and multi-year contracts. Our South America mines sell approximately 60 percent of their copper production in concentrate and the rest as cathode. During 2010, 16 percent of our South America mines concentrate was sold at market rates to Atlantic Copper, our wholly owned copper smelting and refining unit in Spain.

Substantially all of South America's copper concentrate and cathode sales provide final copper pricing in a specified future period (generally one to four months from the shipment date) based on quoted LME monthly average spot prices. Revenues from South America's concentrate sales are recorded net of treatment and refining charges, which represent fees paid to smelters and refiners that are generally negotiated annually. In addition, because a portion of the

metals contained in copper concentrates is unrecoverable from the smelting process, revenues from South America's concentrate sales are also recorded net of allowances for 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 gold and silver, under U.S. dollar-denominated, long-term contracts. PT Freeport Indonesia also sells a small amount of copper concentrates in the spot market.

Table of Contents

PT Freeport Indonesia and our South America mines provide Atlantic Copper with approximately 50 to 60 percent of its current concentrate requirements at market prices. PT Freeport Indonesia also has a contract to provide PT Smelting with the supply of 100 percent of the copper concentrate requirements necessary to produce 205,000 metric tons of copper annually on a priority basis (refer to “Smelting Facilities” for further discussion).

During 2010, 57 percent of PT Freeport Indonesia’s concentrate was sold to PT Smelting and Atlantic Copper. We anticipate that PT Freeport Indonesia will sell approximately 60 percent of its concentrate to PT Smelting and Atlantic Copper in 2011. A summary of PT Freeport Indonesia’s aggregate percentage concentrate sales to PT Smelting, Atlantic Copper and to other third parties for the last three years follows:

	2010	2009	2008
PT Smelting	36%	32%	41%
Atlantic Copper	21%	18%	15%
Third parties	43%	50%	44%
	100%	100%	100%

Substantially all of PT Freeport Indonesia’s concentrate sales provide final copper pricing in a specified future period (generally one to four months from the shipment date) based on quoted LME monthly average spot prices. Revenues from PT Freeport Indonesia’s concentrate sales are recorded net of royalties and treatment and refining charges (including price participation charges, if applicable, based on the market prices of metals). PT Freeport Indonesia’s concentrate sales are also net of allowances for unrecoverable metals.

Africa. Production from our Tenke mine is sold as copper cathode under U.S. dollar-denominated contracts. Substantially all of Tenke’s cathode sales provide final copper pricing in the month after the shipment date based on quoted LME monthly average spot prices. Revenues from Tenke’s cathode sales are recorded net of royalties and also include adjustments for point-of-sale transportation cost that are negotiated in customer contracts.

Europe. Atlantic Copper sells copper cathode directly to rod and brass mills, primarily located in Europe. Atlantic Copper has occasionally sold copper cathode to merchants. Copper cathode is generally sold under annual contracts and priced based on the LME average spot price for the month of arrival at the buyer’s facilities.

Gold Products and Sales

We also produce gold, primarily at the Grasberg minerals district, which accounted for 95 percent of our consolidated gold production in 2010. Gold is 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. Revenues from gold sold as a component of our copper concentrate are recorded net of treatment and refining charges. Revenues from gold sold in slimes are recorded net of refining charges.

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 produce molybdenum concentrate primarily at our Bagdad and Sierrita copper mines in North America, and at our Cerro Verde copper mine in South America. During 2010, 56 percent of our consolidated molybdenum production was from the Henderson molybdenum mine, 34 percent was from the North America copper mines and 10 percent was produced in South America.

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 and Rotterdam. Molybdenum generally is priced based on the average Metals Week price for the month prior to the month of shipment. Approximately 90 percent of our expected 2011 molybdenum sales are expected to be priced at prevailing market prices.

Cobalt, Silver and Other Products and Sales

We produce cobalt hydroxide at the Tenke mine. Cobalt hydroxide is priced at a discount to the average monthly low price published by Metal Bulletin for a specified month near the month of shipment. We produce silver as a component of our copper concentrate or in slimes. Silver generally is priced at the average London Bullion Market Association price for a specified month near the month of shipment. Sales of cobalt hydroxide, silver and other

Table of Contents

metals, such as rhenium and magnetite, do not represent a significant component of our total revenues.

For an allocation of our consolidated revenues by geographic area, refer to Note 18.

MINES

Following are maps and descriptions of our mining operations in North America (including both copper and molybdenum operations), South America, Indonesia and 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 and processing facilities is generally owned by us or is located on unpatented mining claims owned by us. Certain portions of our Bagdad, Sierrita, 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. Various federal and state permits or leases on government land are held for purposes incidental to mine operations.

Morenci

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.

Morenci is an open-pit copper mining complex that has been in continuous operation since 1939 and previously was mined through underground workings. Morenci is 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.

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 50,000 metric ton-per-day concentrator, that produces copper and molybdenum concentrate; a 68,000 metric ton-per-day crushed-ore leach pad and stacking system; a 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 900 million pounds of copper per year. Morenci's concentrate leach, direct-electrowinning facility was commissioned in third-quarter 2007 and processed copper concentrate until early 2009 when it was placed on care-and-maintenance status. The available mining fleet consists of 102 235-metric ton haul trucks loaded by 11 shovels with bucket sizes ranging from 47 to 55 cubic meters, which are capable of moving over 750,000 metric tons of material per day.

In March 2010, we restarted the Morenci mill to process available sulfide material currently being mined. Mill throughput averaged 42,200 metric tons of ore per day in fourth-quarter 2010 and 26,000 metric tons of ore per day during the year 2010 and is expected to increase to approximately 50,000 metric tons of ore per day in 2011. We have also commenced a staged ramp up at the Morenci mine from the 2009 rate of 450,000 metric tons of ore

Table of Contents

per day to 635,000 metric tons of ore per day. The mining rate averaged 566,000 metric tons of ore per day in fourth-quarter 2010 and over 480,000 metric tons of ore per day during the year 2010. These activities are expected to enable Morenci's copper production to increase by approximately 125 million pounds of copper per year in 2011.

Morenci's copper production, including our joint venture partner's share, totaled 514 million pounds in 2010, 504 million pounds in 2009 and 737 million pounds in 2008.

Morenci is located in a desert environment with rainfall averaging 13 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 840 meters above sea level. The Morenci operation encompasses approximately 56,697 acres, comprising 50,200 acres of patented mining claims and other fee lands, 6,002 acres of unpatented mining claims, and 495 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 Company 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 current operations, we are a party to litigation that may set legal precedents, which 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.

Bagdad

Our wholly owned Bagdad mine 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 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 containing both sulfide and oxide mineralization. Chalcopyrite and molybdenite are the dominant primary sulfides and are the primary economic minerals in the mine. Chalcocite is the most common secondary copper sulfide mineral, and the predominant oxide copper minerals are chrysocolla, malachite and azurite.

The Bagdad operation consists of a 75,000 metric ton-per-day concentrator that produces copper and molybdenum concentrates, an SX/EW plant that can produce up to 25 million pounds per year of copper cathode from solution generated by low-grade stockpile leaching and a pressure leach plant to process molybdenum concentrate. The available mining fleet has the capacity to move in excess of 180,000 metric tons of material per day using twenty-four 235-metric ton haul trucks loaded by five shovels with bucket sizes ranging from 40 to 56 cubic meters.

Bagdad's production totaled 203 million pounds of copper and 7 million pounds of molybdenum in 2010, 225 million pounds of copper and 6 million pounds of molybdenum in 2009, and 227 million pounds of copper and 8 million pounds of molybdenum in 2008.

Table of Contents

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 310 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 current operations, we are a party to litigation that may set legal precedents, which could adversely affect our water rights at Bagdad and at our other properties in Arizona. Refer to Item 3. “Legal Proceedings,” for information concerning the status of these proceedings.

Safford

Our wholly owned Safford mine has been in operation since 2007 and 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.

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. The available mining fleet consists of twenty 235-metric ton haul trucks loaded by five 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.

We are completing construction of a sulphur burner at Safford, which will provide a more cost-effective source of sulphuric acid used in SX/EW operations and lower transportation costs. This project is expected to be completed in second-quarter 2011.

Safford’s copper production totaled 143 million pounds in 2010, 184 million pounds in 2009 and 133 million pounds in 2008.

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 The Morenci Water & 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

Table of Contents

we believe the Safford operation has sufficient water resources to support current operations, we are a party to litigation that may set legal precedents, which 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.

Sierrita

Our wholly owned Sierrita mine has been in operation since 1959 and 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 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 includes a 102,000 metric ton-per-day concentrator that 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, which has a design capacity of approximately 50 million pounds of copper per year. In 2004, a copper sulfate crystal plant began production, which has the capacity to produce 40 million pounds of copper sulfate per year. The Sierrita operation also has molybdenum facilities consisting 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. The available mining fleet has the capacity to move an average of 200,000 metric tons of material per day using twenty-four 235-metric ton haul trucks loaded by four shovels with bucket sizes ranging from 34 to 56 cubic meters.

Sierrita’s production totaled 147 million pounds of copper and 18 million pounds of molybdenum in 2010, 170 million pounds of copper and 19 million pounds of molybdenum in 2009, and 188 million pounds of copper and 20 million pounds of molybdenum in 2008.

Sierrita is located in a desert environment with rainfall averaging 12 inches per year. The highest bench elevation is 1,160 meters above sea level and the ultimate pit bottom is expected to be 440 meters above sea level. The Sierrita operation, including the adjacent Twin Buttes site which we acquired in December 2009, encompasses approximately 27,000 acres, comprising 13,282 acres of patented mining claims and other fee lands, 11,694 acres of unpatented mining claims and 2,024 acres of leased lands.

Sierrita receives electrical power through long-term contracts with the Tucson Electric Power Company. Although we believe the Sierrita operation has sufficient water resources to support current operations, we are a party to litigation that may set legal precedents, which 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.

Table of Contents

Miami

Our wholly owned Miami mine is an open-pit copper mining complex located in Gila County, Arizona, approximately 90 miles east of Phoenix and six miles west of the city of Globe on U.S. Highway 60. The site is accessible by a paved highway and by rail.

The Miami mine is developed on a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization. The predominant oxide copper minerals are chrysocolla, copper-bearing clays, malachite and azurite. Chalcocite and covellite are the most important secondary copper sulfide minerals.

Since about 1915, the Miami mining operation had processed copper ore using both flotation and leaching technologies. Currently, operations consist of residual leaching of stockpiles with copper recovered (from solution) by the SX/EW process. The design capacity of the SX/EW plant is 200 million pounds of copper per year. We initiated limited mining activities at the Miami mine to improve efficiencies of ongoing reclamation projects associated with historical mining operations at the site. During an approximate 5-year mine life, we expect to ramp up production to approximately 100 million pounds of copper per year by 2012. The available mining fleet consists of twenty-four 227-metric ton haul trucks loaded by 3 shovels with bucket sizes ranging from 31 to 34 cubic meters, which are capable of moving an average of approximately 155,000 metric tons of material per day.

Miami’s copper production totaled 18 million pounds in 2010, 16 million pounds in 2009 and 19 million pounds in 2008.

Miami is located in a desert environment with rainfall averaging 18 inches per year. The highest bench elevation is 1,390 meters above sea level, and the ultimate pit bottom will have an elevation of 810 meters above sea level. The Miami operation encompasses approximately 9,058 acres comprising 8,725 acres of patented mining claims and other fee lands and 333 acres of unpatented mining claims.

Miami receives electrical power through long-term contracts with the Salt River Project and natural gas through long-term contracts with El Paso Natural Gas as the transporter. Although we believe the Miami operation has sufficient water resources to support current operations, we are a party to litigation that may set legal precedents, which could adversely affect our water rights at Miami and at our other properties in Arizona. Refer to Item 3. “Legal Proceedings,” for information concerning the status of these proceedings.

Table of Contents

Tyrone and Chino

Tyrone
Our wholly owned Tyrone mine is an open-pit copper mining complex which has been in operation since 1967. It is 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 and will have rail access in 2011.

The Tyrone mine is a porphyry copper deposit. Mineralization is predominantly secondary sulfide consisting of chalcocite with leachable oxide mineralization consisting of chrysocola.

Copper processing facilities consist of an SX/EW operation with a maximum capacity of 168 million pounds of copper cathodes per year. The available mining fleet has the capacity to move an average of 130,000 metric tons of material per day using 19 240-metric ton haul trucks loaded by three shovels with bucket sizes ranging from 17 to 42 cubic meters.

Tyrone’s copper production totaled 82 million pounds in 2010, 86 million pounds in 2009 and 76 million pounds in 2008.

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 (including 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 current operations.

Chino
Our wholly owned Chino mine is an open-pit copper mining complex located in southwestern New Mexico in Grant County, approximately 15 miles east of the town of Silver City off of State Highway 180. The mine is accessible by paved roads and by rail. Chino has been in operation since 1910.

The Chino mine is a porphyry copper deposit with adjacent copper skarn deposits. There is leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper minerals are chrysocolla and azurite. Chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite the dominant primary sulfides.

The Chino operation consists of a 39,000 metric ton-per-day concentrator that produces copper and molybdenum concentrates, and a 150 million pound-per-year SX/EW plant that produces copper cathode from solution generated by ROM leaching.

Table of Contents

We have initiated a restart of mining and milling activities at Chino, which were suspended in late 2008. The ramp up of mining and milling activities will significantly increase copper production at Chino, which is currently producing small amounts of copper from existing leach stockpiles. Planned mining and milling rates are expected to be achieved by the end of 2013. Incremental annual copper production is expected to be 100 million pounds in 2012 and 2013 and 200 million pounds in 2014.

Chino's copper production totaled 34 million pounds in 2010, 36 million pounds in 2009 and 155 million pounds in 2008.

Chino is located in a desert environment with rainfall averaging 16 inches per year. The highest bench elevation is 2,250 meters above sea level, and the ultimate pit bottom is expected to be 1,500 meters above sea level. The Chino operation encompasses approximately 118,024 acres comprising 113,220 acres of patented mining claims and other fee lands, and 4,804 acres of unpatented mining claims (including 22,907 acres overlaying federal and state minerals on previously counted fee lands).

Chino receives power from the Luna Energy Facility and from the open market. It also has the ability to self-generate power. We believe Chino has sufficient water resources to support current operations.

Henderson

Our wholly owned Henderson molybdenum mine has been in operation since 1976 and 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 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 concentrator with a current capacity of approximately 29,000 metric tons-per-day. 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. The available underground mining equipment fleet consists of 13 nine-metric ton load-haul-dump (LHD) units and seven 36- and 73-metric ton haul trucks, which feed a gyratory crusher feeding a series of three overland conveyors to the mill stockpiles.

As a result of weakened molybdenum markets, Henderson operated at reduced rates during 2009; however, substantially improved market conditions have resulted in an increase in Henderson's operating rates during 2010. Henderson's molybdenum production totaled 40 million pounds in 2010, 27 million pounds in 2009 and 40 million pounds in 2008.

Table of Contents

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 Anadarko Energy Services Company, with Xcel Energy as the transporter. We believe the Henderson operation has sufficient water resources to support current operations.

Other North America Mines

In addition to the currently operating mines described above, we have four non-operating copper mines: Ajo, Bisbee and Tohono in Arizona, and Cobre in New Mexico; and the Climax molybdenum mine in Colorado.

Our four non-operating copper mines have been on care-and-maintenance status for several years and would require significant capital investment to return them to operating status.

Construction activities are ongoing at our Climax molybdenum mine, which was placed on care-and-maintenance status in 1995. Recent activities include the completion of concrete foundations for various equipment installations and commencement of the ball mill shell assembly. We plan to advance construction and conduct mine preparation activities during 2011. The timing for start up of mining and milling activities is dependent on market conditions. The Climax molybdenum mine would have an initial annual design capacity of 30 million pounds with significant expansion options. Total estimated costs for the project approximate $700 million, of which $254 million has been incurred as of December 31, 2010.

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 a controlling ownership interest. Roads, power lines and aqueducts are controlled by easements.

Cerro Verde

We have a 53.56 percent ownership interest in Cerro Verde, with the remaining 46.44 percent held by SMM Cerro Verde Netherlands B.V. (21.0 percent), Compañia de Minas Buenaventura S.A.A. (19.3 percent) and other stockholders whose shares are publicly traded on the Lima Stock Exchange (6.14 percent).

Cerro Verde is an open-pit copper and molybdenum mining complex that has been in operation since 1976 and is located 20 miles southwest of Arequipa, Peru. The site is accessible by paved highway. 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.

Table of Contents

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

Cerro Verde's current operation consists of an open-pit copper mine, concentrator and SX/EW leaching facilities. Leach copper production is derived from a 39,000 metric ton-per-day crushed leach facility and a ROM leach system. This leaching operation has a capacity of approximately 200 million pounds of copper per year. A 108,000 metric ton-per-day concentrator was completed and began processing of sulfide ore in 2006. During 2010, we completed a project to increase throughput of the concentrator to approximately 120,000 metric tons of ore per day. The available fleet consists of twenty-eight 180-metric ton and 230-metric ton haul trucks loaded by five shovels with bucket sizes ranging in size from 21 to 53 cubic meters, which are capable of moving an average of approximately 308,000 metric tons of material per day.

Cerro Verde's production totaled 668 million pounds of copper and 7 million pounds of molybdenum in 2010, 662 million pounds of copper and 2 million pounds of molybdenum in 2009, and 694 million pounds of copper and 3 million pounds of molybdenum in 2008.

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 Kallpa Generación SA and Empresa de Generación Eléctrica de Arequipa. Water for our Cerro Verde processing operations comes from renewable sources through a series of storage reservoirs on the Rio Chili watershed that collect water primarily from seasonal precipitation. Cerro Verde's participation in the Pillones Reservoir Project has secured water rights that we believe will be sufficient to support Cerro Verde's current operations. For a discussion of risks associated with the availability of water, see Item 1A. "Risk Factors."

El Abra

We own a 51 percent interest in El Abra, and the remaining 49 percent interest is held by the state-owned copper enterprise Corporación Nacional del Cobre de Chile (CODELCO).

El Abra is an open-pit copper mining complex that has been in operation since 1996 and is located 47 miles north of Calama in Chile's El Loa province, Region II. The site is accessible by paved highway and by rail.

The El Abra mine is a porphyry copper deposit that has sulfide and oxide mineralization. The predominant primary sulfide copper minerals are bornite and chalcopyrite. There is a minor amount of secondary sulfide mineralization

Table of Contents

as chalcocite. The oxide copper minerals are chrysocolla and pseudomalachite. There are lesser amounts of copper-bearing clays and tenorite.

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 115,000 metric ton-per-day crushed leach circuit and a similar-sized, ROM leaching operation. The available fleet consists of thirty-five 220-metric ton haul trucks loaded by four shovels with buckets ranging in size from 26 to 41 cubic meters, which are capable of moving an average of 223,000 metric tons of material per day.

We are completing construction activities associated with the development of a large sulfide deposit at El Abra to extend its mine life by over 10 years. Construction activities for the initial phase of the project are approximately 80 percent complete. Production from the sulfide ore, which is projected to ramp up to approximately 300 million pounds of copper per year, is expected to replace the current depleting oxide copper production. The aggregate capital investment for this project is expected to total $725 million through 2015, of which approximately $565 million is for the initial phase of the project that is expected to be completed in second-quarter 2011.

El Abra’s copper production totaled 320 million pounds in 2010, 358 million pounds in 2009 and 366 million pounds in 2008.

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.

El Abra currently receives electrical power under a contract with Electroandina. Water for our El Abra processing operations comes from pumping of groundwater from the Salar de Ascotán pursuant to regulatory approval. We believe El Abra has sufficient water rights to support current operations. For a discussion of risks associated with the availability of water, see Item 1A. “Risk Factors.”

Candelaria and Ojos del Salado

Candelaria
We have an 80 percent ownership interest in Candelaria, with the remaining 20 percent interest owned by affiliates of Sumitomo Corporation.

Candelaria’s open-pit copper mine has been in operation since 1993 and the underground mine has been in operation since 2005. The Candelaria copper mining complex is 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. Copper concentrates are transported by truck to the Punta Padrones port facility located in Caldera, approximately 50 miles northwest of the mine.

Table of Contents

The Candelaria mine is an iron oxide, copper and 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. The available fleet consists of forty-four 225-metric ton haul trucks loaded by six shovels with bucket sizes ranging from 13 to 43 cubic meters, which are capable of moving 235,000 metric tons of material per day.

Candelaria's production totaled 300 million pounds of copper and 76 thousand ounces of gold in 2010, 296 million pounds of copper and 74 thousand ounces of gold in 2009, and 383 million pounds of copper and 98 thousand ounces of gold in 2008.

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 125 acres for the port facility in Caldera. The remaining property consists of mineral rights owned by us in which the surface is not owned but controlled by us, which is consistent with Chilean law.

Candelaria receives electrical power through long-term contracts with Empresa Eléctrica Guacolda S.A., a local energy company. Candelaria's water supply comes from well fields in the area of Tierra Amarilla and Copiapó that draw water from the Copiapó River aquifer. Because of rapid depletion of that aquifer in recent years, Candelaria is expanding its sources of water supply. We have recently completed construction of a pipeline to bring water from a nearby water treatment facility, and have also started engineering for a desalination plant that will supply all of Candelaria's longer term water needs. The plant is expected to be completed by the end of 2012 at an aggregate capital investment of approximately $280 million. For further discussion of risks associated with the availability of water, see Item 1A. "Risk Factors."

Ojos del Salado

We have an 80 percent ownership interest in Ojos del Salado, with the remaining 20 percent interest owned by affiliates of Sumitomo Corporation.

The Ojos del Salado operation began commercial production in 1929 and 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. The Ojos del Salado mines are iron oxide and copper and 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 of ore 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 twenty-six 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 six 54-metric ton trucks and hauled seven 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. 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.

Ojos del Salado's production totaled 66 million pounds of copper and 17 thousand ounces of gold in 2010, 74 million pounds of copper and 18 thousand ounces of gold in 2009, and 63 million pounds of copper and 16 thousand ounces of gold in 2008.

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

Table of Contents

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 well fields in the area of Tierra Amarilla and Copiapó that draw water from the Copiapó River aquifer. For a discussion of risks associated with the availability of water, see Item 1A. "Risk Factors."

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.

We have established certain unincorporated joint ventures with Rio Tinto plc (Rio Tinto). Pursuant to the joint venture agreement, Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021 in Block A of PT Freeport Indonesia's Contract of Work, and, after 2021, a 40 percent interest in all production from Block A (refer to Note 2 for further discussion).

Contract of Work (COW). Through a 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 more than 40 years we have operated in Indonesia.

PT Freeport Indonesia's original COW was entered into in 1967 and was replaced by a new COW in 1991. The initial term of the current COW expires in 2021, but can be extended for two 10-year periods subject to Indonesian government approval, which 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, which is where all of PT Freeport Indonesia's proven and probable mineral reserves and current mining operations are located. Under the COW, PT Freeport Indonesia also conducts exploration activities in the approximate 500,000-acre Block B area.

Table of Contents

As further discussed in Note 14, PT Freeport Indonesia pays copper royalties under its COW, and has agreed to pay additional royalties to the Government of Indonesia that are not required under its COW. The additional royalties provide further support to the local governments and to the people of the Indonesian province of Papua. PT Freeport Indonesia's share of the combined royalties totaled $156 million in 2010, $147 million in 2009 and $113 million in 2008.

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

Under a joint venture agreement through PT Nabire Bakti Mining (PTNBM), 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, Eastern Minerals and PTNBM. In 2010, the Government of Indonesia promulgated regulations under the 2008 mining law and certain provisions address existing COWs. The regulations provide that COWs will continue to be honored until their expiration. However, the regulations attempt to apply certain provisions of the new law to existing COWs and to convert any existing COWs to licenses for any extension periods provided by the applicable COW even though our COWs provide for two 10-year extension periods under the existing terms of our COWs.

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. The Grasberg minerals district currently has three mines in operation: the Grasberg open pit, the Deep Ore Zone (DOZ) underground block cave and the Big Gossan open stoping mine. We also have significant development projects in the Grasberg minerals district, which are discussed in more detail in "Development Projects and Exploration" and in Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

PT Freeport Indonesia's production, including our joint venture partner's share, totaled 1.3 billion pounds of copper and 2.0 million ounces of gold in 2010, 1.6 billion pounds of copper and 3.0 million ounces of gold in 2009 and 1.1 billion pounds of copper and 1.2 million ounces of gold in 2008.

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.

Grasberg Open Pit

We began open-pit mining of the Grasberg ore body in 1990. Open-pit operations are expected to continue through mid 2016, at which time underground mining operations are scheduled to begin at our Grasberg Block Cave mine, which is currently in development. Production in the open-pit is currently at the 3,265- to 3,940- meter elevation level and totaled 53 million metric tons of ore in 2010 and 57 million metric tons of ore in 2009, which provided 63 percent of our 2010 mill feed and 70 percent of our 2009 mill feed. Remaining mill feed comes from our DOZ and Big Gossan mines.

The current equipment fleet consists of over 500 units. The larger mining equipment directly associated with production includes an available fleet of 163 haul trucks with payloads ranging from approximately 215 metric tons to 330 metric tons and 18 shovels with bucket sizes ranging from 30 cubic meters to 42 cubic meters, which during 2010 moved an average of 701,000 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.

Table of Contents

Deep Ore Zone (DOZ)
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 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 29 million metric tons of ore in 2010 and 26 million metric tons in 2009. Production at the DOZ mine is expected to continue through 2019. Beginning in 2015, we plan to ramp up production at our Deep Mill Level Zone (DMLZ) block cave mine, which is currently under development.

During 2010, we completed over 10,000 meters of development drifting in support of the block-cave mining method for the DOZ mine. The expansion of the DOZ operation to 80,000 metric tons of ore per day is complete. The success of the development of the DOZ mine, one of the world's largest underground mines, provides confidence in the future development of PT Freeport Indonesia's large-scale undeveloped underground ore bodies.

The DOZ mine fleet consists of over 195 pieces of mobile heavy equipment, which in 2010 moved an average of 80,000 metric tons of ore per day. The primary mining equipment directly associated with production and development includes an available fleet of 52 LHD units and 25 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.

Big Gossan
The Big Gossan mine lies underground and adjacent to the current mill site and is a skarn hosted copper, gold and silver deposit. It is a tabular, near vertical ore body with approximate dimensions of 1,200 meters along strike and 800 meters down dip with varying thicknesses from 20 meters to 120 meters. The mine utilizes a blasthole stoping method with delayed paste backfill. Stopes of varying sizes are mined and the ore dropped down passes to a truck haulage level. Trucks are chute loaded and transport the ore to a jaw crusher. The crushed ore is then hoisted vertically via a two skip production shaft to a level where it is loaded onto a conveyor belt. The belt carries the ore to one of the main underground conveyors where the ore is transferred and carried to the surface mill stockpile for processing.

Production began in fourth-quarter 2010 and is designed to ramp up to 7,000 metric tons per day by late 2012, which will result in average annual aggregate incremental production of 125 million pounds of copper and 65 thousand ounces of gold (with PT Freeport Indonesia receiving 60 percent of these amounts).

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 portions of 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 (portions of the DOZ and all of the Big Gossan) 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 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.

19

Table of Contents

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

Table of Contents

Africa

We currently own an effective 57.75 percent interest in the Tenke Fungurume minerals district. The remaining ownership interests are held by Lundin Mining Corporation (Lundin) (currently an effective 24.75 percent interest) and La Générale des Carrières et des Mines (Gécamines), which is wholly owned by the Government of the DRC (currently 17.5 percent non-dilutable interest).

We are entitled to mine in the DRC under the Amended and Restated Mining Convention (ARMC) between TFM and the government of the DRC. The original Mining Convention was entered into in 1996 and was replaced with the ARMC in 2005. As further discussed in Note 14, in October 2010, the government of the DRC announced the conclusion of the review of TFM's contracts, and confirmed that the existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. In connection with the review, TFM made several commitments that have been reflected in amendments to its mining contracts (refer to Note 14 for further discussion). In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by the parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained. After giving effect to the amendments and obtaining approval of the modification to TFM's bylaws, our effective ownership interest in the project will be 56.0 percent.

TFM pays a royalty of 2 percent of net revenues under the ARMC, which totaled $20 million in 2010 and $7 million in 2009.

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. 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.

Initial copper production commenced at the Tenke Fungurume mine in late March 2009. Targeted copper production rates were achieved in September 2009 and the cobalt and sulphuric acid plants were commissioned in third-quarter 2009. Copper and cobalt are recovered through an agitation-leach plant. The milling facilities at Tenke, which were designed to produce at a capacity rate of 8,000 metric tons of ore per day, have been performing above capacity, with mill throughput averaging 10,300 metric tons of ore per day in 2010. The current equipment fleet includes one twelve-cubic meter front-end loader, ten 5-cubic meter front-end loaders, four 91-metric ton haul trucks, twenty-nine 45-metric ton haul trucks, surface miners, production drills, sampling machines and crawler dozers.

We are planning a second phase of the project, which would include optimizing the current plant and increasing capacity. As part of the second phase, a range of near-term expansion options are being considered, which have the potential of adding 100 million to 200 million pounds of copper per year over the next two to three years. Future expansions are subject to a number of factors, including economic and market conditions and the business and investment climate in the DRC.

Table of Contents

Tenke's production totaled 265 million pounds of copper and 20 million pounds of cobalt in 2010 and 154 million pounds of copper in 2009.

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 1,490 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, 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.

Table of Contents

For comparative purposes, production and sales data shown below for the years ended December 31, 2007 and 2006, 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.

PRODUCTION DATA

	Years Ended December 31,				
COPPER (millions of recoverable pounds)	2010	2009	2008	2007a	2006a
(FCX's net interest in %)					
North America					
Morenci (85%)b	437	428	626	687	693
Bagdad (100%)	203	225	227	202	165
Safford (100%)	143	184	133	1	-
Sierrita (100%)	147	170	188	150	162
Tyrone (100%)	82	86	76	50	64
Chino (100%)	34	36	155	190	186
Miami (100%)	18	16	19	20	19
Other (100%)	3	2	6	20	16
Total North America	1,067	1,147	1,430	1,320c	1,305
South America					
Cerro Verde (53.56%)	668	662	694	594	222
El Abra (51%)	320	358	366	366	482
Candelaria/Ojos del Salado (80%)	366	370	446	453	429
Total South America	1,354	1,390	1,506	1,413c	1,133
Indonesia					
Grasberg (90.64%)d	1,222	1,412	1,094	1,151	1,201
Africa					
Tenke Fungurume (57.75%)	265	154	-	-	-
Consolidated	3,908	4,103	4,030	3,884	3,639
Less noncontrolling interests	766	754	693	653	537
Net	3,142	3,349	3,337	3,231	3,102
GOLD (thousands of recoverable ounces)					
(FCX's net interest in %)					
North America (100%)b	7	4	14	15	19
South America (80%)	93	92	114	116e	112
Indonesia (90.64%)d	1,786	2,568	1,163	2,198	1,732
Consolidated	1,886	2,664	1,291	2,329	1,863
Less noncontrolling interests	186	258	132	229	184
Net	1,700	2,406	1,159	2,100	1,679

MOLYBDENUM (millions of recoverable pounds)

(FCX's net interest in %)					
Henderson (100%)	40	27	40	39f	37
North America copper mines (100%)	25	25	30b	30b	31b
Cerro Verde (53.56%)	7	2	3	1	-
Consolidated	72	54	73	70	68
Less noncontrolling interest	3	1	1	-	-
Net	69	53	72	70	68

a. For comparative purposes, operating data for the years ended December 31, 2007 and 2006, 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.

Table of Contents

SALES DATA

	Years Ended December 31,				
COPPER (millions of recoverable pounds)	2010	2009	2008	2007a	2006a
MINED COPPER (FCX's net interest in %)					
North America					
Morenci (85%)b	434	459	646	693	692
Bagdad (100%)	206	225	226	200	165
Safford (100%)	155	176	107	-	-
Sierrita (100%)	152	172	184	157	161
Tyrone (100%)	83	85	71	53	64
Chino (100%)	35	52	174	186	186
Miami (100%)	17	16	20	24	19
Other (100%)	3	2	6	19	16
Total North America	1,085	1,187	1,434	1,332c	1,303
South America					
Cerro Verde (53.56%)	654	667	701	587	214
El Abra (51%)	315	361	365	365	487
Candelaria/Ojos del Salado (80%)	366	366	455	447	425
Total South America	1,335	1,394	1,521	1,399c	1,126
Indonesia					
Grasberg (90.64%)d	1,214	1,400	1,111	1,131	1,201
Africa					
Tenke Fungurume (57.75%)	262	130	-	-	-
Consolidated	3,896	4,111	4,066	3,862	3,630
Less noncontrolling interests	756	746	699	647	535
Net	3,140	3,365	3,367	3,215	3,095
Consolidated sales from mines	3,896	4,111	4,066	3,862	3,630
Purchased copper	182	166	483	650	736
Total copper sales, including purchases	4,078	4,277	4,549	4,512	4,366
Average realized price per pound	$3.59	$2.60	$2.69	$3.22e	$2.80e
GOLD (thousands of recoverable ounces)					
MINED GOLD (FCX's net interest in %)					
North America (100%)b	5	6	16	21	19
South America (80%)	93	90	116	114f	111
Indonesia (90.64%)d	1,765	2,543	1,182	2,185	1,736
Consolidated	1,863	2,639	1,314	2,320	1,866

Less noncontrolling interests	184	256	134	228	185
Net	1,679	2,383	1,180	2,092	1,681
Consolidated sales from mines	1,863	2,639	1,314	2,320	1,866
Purchased gold	1	1	2	6	12
Total gold sales, including purchases	1,864	2,640	1,316	2,326	1,878
Average realized price per ounce	$1,271	$993	$861	$682	$566g
MOLYBDENUM (millions of recoverable pounds)					
MINED MOLYBDENUM	67	58	71	69h	69
Less noncontrolling interests	3	1	1	-	-
Net	64	57	70	69	69
Consolidated sales from mines	67	58	71	69	69
Purchased molybdenum	2	6	8	9	8
Total molybdenum sales, including purchases	69	64	79	78	77
Average realized price per pound	$16.47	$12.36	$30.55	$25.87	$21.87

a. For comparative purposes, operating data for the years ended December 31, 2007 and 2006, 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 and $3.08 per pound for 2006.

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.

Table of Contents

DEVELOPMENT PROJECTS AND EXPLORATION

We are increasing near-term production at several of our copper mines and also have several projects and potential opportunities to expand production volumes, extend mine lives and develop large-scale underground ore bodies. Major development projects currently include the development of the massive underground ore bodies in the Grasberg minerals district, the El Abra sulfide reserves and the development of the Climax molybdenum mine. Studies are under way to evaluate a large-scale concentrator expansion at Cerro Verde, a major mill project at El Abra, various mill projects to process sulfide ore in North America and staged expansion options at Tenke. For further discussion of these and our other development projects and exploration activities, refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

In addition to the development projects in progress in the Grasberg minerals district, we also have an additional long-term underground mine development project in the Grasberg minerals district for the Kucing Liar ore body, which 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. Aggregate capital cost estimates for development of the Kucing Liar ore body are expected to approximate $2 billion.

Over the next five years, we estimate aggregate capital spending for underground mine development in the Grasberg minerals district to average approximately $600 million per year. These costs will be shared with Rio Tinto in accordance with our joint venture agreement. Considering the long-term nature and large size 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. Substantially all of these expenditures will be made between 2016 and 2030. We continue to review our mine development and processing plans to maximize the value of our reserves.

SMELTING FACILITIES

Atlantic Copper, S.A. Our wholly owned Atlantic Copper smelter and refinery is located on land concessions from the Huelva, Spain port authorities, which expire in 2027.

The design capacity of the smelter is 290,000 metric tons of copper per year and the refinery currently has a capacity of 265,000 metric tons of copper per year. During 2010, Atlantic Copper treated 980,700 metric tons of concentrate and scrap and produced 255,000 metric tons of copper anodes and 253,100 metric tons of copper cathodes. During 2009, Atlantic Copper treated 1,000,700 metric tons of concentrate and scrap and produced 269,000 metric tons of copper anodes and 256,600 metric tons of copper cathodes.

Atlantic Copper has a 21-day maintenance turnaround scheduled in April 2011. Atlantic Copper’s last shutdown was in 2007, when it 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.

During 2010, Atlantic Copper purchased 28 percent of its concentrate requirements from PT Freeport Indonesia and 25 percent from our South America mines at market prices.

We made no capital contributions to Atlantic Copper from 2005 through 2010. We loan funds to Atlantic Copper from time to time, and at December 31, 2010, these loans totaled $411 million. Our net investment in Atlantic Copper was approximately $22 million at December 31, 2010.

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 and refinery in Gresik, Indonesia. PT Freeport Indonesia, Mitsubishi Materials Corporation (Mitsubishi Materials), Mitsubishi Corporation Unimetals Ltd. (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.

Table of Contents

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 on a priority basis. 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. Refer to Note 2 for further discussion of our investment in PT Smelting.

During 2006, PT Smelting completed an expansion of its production capacity to 275,000 metric tons of copper per year. During 2010, PT Smelting treated 1,034,800 metric tons of concentrate and produced 262,700 metric tons of copper anodes and 277,500 metric tons of copper cathodes. During 2009, PT Smelting treated 1,073,900 metric tons of concentrate and produced 310,200 metric tons of copper anodes and 286,000 metric tons of copper cathodes.

In 2008, PT Smelting completed a scheduled 25-day maintenance turnaround. 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 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 air quality requirements. Additionally, there are new air regulations that may require the Miami smelter to implement new technologies to meet these requirements (refer to Item 1A. "Risk Factors" for further discussion).

The Miami smelter processes concentrate primarily from our Arizona copper mines. Concentrate processed through the smelter totaled approximately 625,000 metric tons in 2010 and 619,000 metric tons in 2009. In addition, because sulphuric acid is a by-product of smelting concentrates, the Miami smelter is also the most significant source of sulphuric acid for our North America leaching operations.

The Miami smelter has a 30-day maintenance shutdown scheduled in June 2011. Major maintenance turnarounds typically occur approximately every 14 months for the Miami smelter, with significantly shorter term maintenance turnarounds in the interim.

OTHER PROPERTIES AND INVESTMENTS

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 copper anode production from our Miami smelter, along with purchased anodes, at our El Paso refinery. The El Paso refinery has the potential to operate at an annual production capacity of about 900 million pounds of copper cathode, which is sufficient to refine all of 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, facility consists of two molybdenum roasters, a sulphuric 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, sulphuric acid plant, metallurgical packaging

Table of Contents

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.

McMoRan Exploration Co. (MMR). In December 2010, we completed the purchase of 500,000 shares of MMR's 5¾% Convertible Perpetual Preferred Stock (the Preferred Stock) for an aggregate purchase price of $500 million. The Preferred Stock is initially convertible into 62.5 shares of MMR common stock per share of Preferred Stock (an aggregate of 31.25 million shares or approximately 14 percent of MMR's common stock on a fully converted basis at December 31, 2010), or an initial conversion price of $16 per share of MMR common stock. In connection with the completion of the purchase, we entered into a registration rights agreement and a stockholder agreement with MMR.

MMR is engaged in the exploration, development and production of oil and natural gas in the shallow waters of the Gulf of Mexico Shelf. MMR is currently undertaking a major capital program to fund recent success and additional exploration. Our investment will allow us to participate in MMR's highly prospective North American exploration and development activities, which have the potential to general significant value.

Several of our directors and executive officers also serve as directors or executive officers of MMR.
In addition, our wholly owned subsidiary FM Services Company (FM Services) provides certain executive, technical administrative, accounting, financial, tax and other services to us and to MMR on a cost-reimbursement basis. Refer to Part III, Item 13. "Certain Relationships and Related Transactions, and Director Independence," for additional information.

SOURCES AND AVAILABILITY OF RAW MATERIALS

Our copper mining operations require significant energy, principally electricity, diesel, coal and natural gas. 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."

Sulphuric acid is used in the SX/EW process and is produced as a by-product of the smelting process at our smelters and from our sulphur burner at the Tenke mine. In addition, we are completing construction of a sulphur burner at our Safford mine, which will provide a more cost-effective source of sulphuric acid used in our North America SX/EW operations. Sulphuric acid needs in excess of the sulphuric acid produced by our operations are purchased from third parties as required.

Our mining operations also require significant quantities of water for mining, ore processing and related support facilities. 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. For a further discussion of risks and legal proceedings associated with the availability of water, refer to Item 1A. "Risk Factors" and Item 3. "Legal Proceedings."

COMPETITION

The top 10 producers of copper comprise approximately 50 percent of total worldwide mined copper production. We currently rank second among those producers at approximately 9 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 level of 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, 2010, we employed approximately 29,700 people (approximately 12,200 in Indonesia, 9,700 in North America, 4,500 in South America, 2,400 in Africa and 900 in Europe and other locations). Additionally, we have contractors that have personnel at many of our operations, including approximately 9,500 at our Grasberg

Table of Contents

minerals district, 9,100 at our South America mining operations, 1,700 at our Tenke Fungurume minerals district, 1,600 in North America and 400 at Atlantic Copper. Employees represented by unions are listed below, with the approximate number of employees represented and the expiration date of the applicable union agreements.

Location	Number of Unions	Number of Union-Represented Employees	Expiration Date
PT Freeport Indonesia – Indonesia	1	7,197	September 2011
Tenke Fungurume – DRC	6	2,379	March 2013
Cerro Verde – Peru	1	1,096	August 2011
El Abra – Chile	2	811	July 2012
Candelaria – Chile	2	560	July 2013
Atlantic Copper – Spain	2	396	December 2011
Bayway – New Jersey	1	44	April 2013
Stowmarket – United Kingdom	1	41	May 2011
Aurex – Chile	1	33	December 2013
Rotterdam – The Netherlands	2	55	March 2011
Chino – New Mexico	1	131	November 2009a

a. Negotiations are in progress while employees continue to work under the provisions of the expired contract.

FM Services, our wholly owned subsidiary, furnishes certain executive, administrative, financial, accounting, legal, tax and similar services to FCX, as well as to two other publicly traded companies. At December 31, 2010, FM Services had 175 employees.

ENVIRONMENTAL AND RECLAMATION MATTERS

The cost of complying with environmental laws is a fundamental and substantial cost of our business. For information about environmental regulation, litigation and related costs, refer to Item 1A. “Risk Factors”, Item 3. “Legal Proceedings”, and Notes 1 and 13.

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.

Table of Contents

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 areas of our operations may adversely impact our mining operations. Refer to Item 1A. “Risk Factors” for further discussion.

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. Refer to Note 14 for further discussion.

Also during 2006, the Peruvian government announced that all mining companies operating in Peru would be required to make annual contributions to local development funds for a 5-year period (covering the years 2006 through 2010) when copper prices exceed certain levels that are adjusted annually. The contribution was equal to 3.75 percent of after-tax profits, of which 2.75 percent was contributed to a local mining fund and 1.00 percent to a regional mining fund. Cerro Verde’s contributions totaled $41 million in 2010 and $28 million in both 2009 and 2008. It is uncertain whether the contribution will be extended, abandoned or replaced by a tax or different mechanism.

Indonesia. In 1996, PT Freeport Indonesia established the Freeport Partnership Fund for Community Development (the Partnership Fund), 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 $64 million in 2010, $59 million in 2009 and $34 million in 2008.

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 PT Freeport Indonesia on each board. The Amungme and Kamoro people are original inhabitants of the land in our area of operations.

Security Matters. 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 is unarmed and performs functions such as protecting company facilities, monitoring the shipment of company supplies and products, assisting in traffic control and aiding in emergency response operations. The security department has received human rights training and each member is required to certify his or her compliance with our human rights policy.

Between July 2009 and January 2010, there were a series of shooting incidents along the road leading to our mining and milling operations at the Grasberg mining complex. In connection with these incidents, there were three fatalities (refer to Item 1A. “Risk Factors” for further discussion). PT Freeport Indonesia’s share of costs for its internal civilian security department totaled $28 million for 2010, $18 million for 2009 and $22 million for 2008.

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

Table of Contents

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, the provision of such support is consistent with PT Freeport Indonesia's obligations under the COW, reflects our philosophy of responsible corporate citizenship, and is in keeping with our commitment to pursue practices that will promote human rights.

PT Freeport Indonesia's share of support costs for the government-provided security was $14 million for 2010, $10 million for 2009 and $8 million for 2008. 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.

Africa. TFM has committed to assist the communities living within its concession in the Katanga province of the DRC. Initiatives that have commenced over the past three years include a malaria control program, construction and operational support for six elementary schools, installation of over 40 clean water wells throughout the concession as well as five villages outside the concession, a public sanitation (latrines and hand washing) program reaching over 2,000 households, a mobile clinic for rural villages, and economic development programs supporting local entrepreneurs, farmers and women's income generation, and literacy groups. We have also made significant investments in infrastructure in the region that will have lasting benefits to the country, including upgrading a national road and the regional power generation and transmission systems.

TFM has also committed to contribute 0.3 percent of net sales revenue from production to a community development fund to assist the local communities with development of local infrastructure and related services. 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. Community development fund contributions totaled approximately $3 million in 2010 and $1 million in 2009.

Security Matters. TFM also engages government security to assist with security matters at its concession area. Unarmed security personnel (including administration and guard forces) along with government security provide security for the mine site. TFM 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. The total cost to TFM for this support, including in-kind support, totaled less than $1 million for the years 2010 and 2009.

TFM also participates in monthly security coordination meetings with host country security personnel, other mining companies, and representatives from the United Nations to discuss security issues and concerns.

Table of Contents

ORE RESERVES

Recoverable proven and probable reserves summarized below and detailed on the following pages have been calculated as of December 31, 2010, in accordance with Industry Guide 7 as required by the Securities 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; a majority of these estimates are reviewed and verified by independent experts in mining, geology and reserve determination.

Estimated recoverable proven and probable reserves at December 31, 2010, were determined using long-term average prices of $2.00 per pound for copper, $750 per ounce for gold, $10.00 per pound for molybdenum, $15.00 per ounce for silver and $10.00 per pound for cobalt. For the three year period ended December 31, 2010, LME spot copper prices averaged $2.97 per pound, London gold prices averaged $1,023 per ounce, and the weekly average price of molybdenum quoted by Metals Week averaged $18.76 per pound. The recoverable proven and probable reserves presented in the table below represent the 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 the part of a mineral deposit that we estimate can be economically and legally extracted or produced at the time of the reserve determination.

	Recoverable Proven and Probable Reserves at December 31, 2010				
	Coppera (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)	Silver (million ounces)	Cobalt (billion pounds)
North America	42.2	0.4	2.75	94.6	-
South America	37.5	1.4	0.64	107.5	-
Indonesia	32.7	33.7	-	122.9	-
Africa	8.1	-	-	-	0.75
Consolidated basisb	120.5	35.5	3.39	325.0	0.75
Net equity interestc	98.0	32.0	3.10	270.0	0.43

a.

Recoverable copper reserves include 2.6 billion pounds in leach stockpiles and 1.3 billion pounds in mill stockpiles (refer to “Mill and Leach Stockpiles” for further discussion).

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 noncontrolling interest ownership.

Table of Contents

Recoverable Proven and Probable Reserves
Estimated at December 31, 2010

		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	485	0.46	-	0.024	-	-	6	0.47	-	0.024	-	-
	Crushed leach	658	0.58	-	-	-	-	6	0.49	-	-	-	-
	ROM leach	3,477	0.18	-	-	-	-	124	0.16	-	-	-	-
Bagdad	Mill	978	0.37	-b	0.022	1.75	-	176	0.36	-b	0.029	1.70	-
	ROM leach	122	0.14	-	-	-	-	778	0.12	-	-	-	-
Safford	Crushed leach	132	0.44	-	-	-	-	82	0.44	-	-	-	-
Sierrita	Mill	2,385	0.24	-b	0.026	1.43	-	359	0.22	-b	0.021	1.97	-
	ROM leach	11	0.18	-	-	-	-	6	0.17	-	-	-	-
Tyrone	ROM leach	163	0.29	-	-	-	-	20	0.19	-	-	-	-
Chino	Mill	112	0.58	0.04	0.010	0.52	-	69	0.56	0.04	0.006	0.50	-
	ROM leach	164	0.36	-	-	-	-	58	0.31	-	-	-	-
Miami	ROM leach	66	0.45	-	-	-	-	13	0.36	-	-	-	-
Henderson	Mill	126	-	-	0.177	-	-	3	-	-	0.186	-	-
Climaxa	Mill	75	-	-	0.189	-	-	112	-	-	0.137	-	-
Cobrea	ROM leach	71	0.40	-	-	-	-	2	0.23	-	-	-	-
		9,025	0.27	-b	0.015	0.58	-	1,814	0.20	-b	0.016	0.57	-
South America													
Cerro Verde	Mill	904	0.42	-	0.017	1.82	-	2,424	0.39	-	0.015	1.21	-
	Crushed leach	102	0.52	-	-	-	-	65	0.45	-	-	-	-
	ROM leach	43	0.25	-	-	-	-	33	0.23	-	-	-	-
El Abra	Crushed leach	427	0.56	-	-	-	-	141	0.49	-	-	-	-
	ROM leach	223	0.31	-	-	-	-	149	0.29	-	-	-	-
Candelaria	Mill	417	0.54	0.11	-	1.94	-	31	0.56	0.13	-	2.18	-
	Mill	4	1.12	0.28	-	3.65	-	2	1.10	0.28	-	3.40	-

Ojos del Salado													
		2,120	0.46	0.02	0.007	1.16	-	2,845	0.39	-b	0.013	1.06	-
Indonesia													
Grasberg open pit	Mill	207	0.90	1.05	-	2.30	-	131	0.75	0.74	-	1.98	-
Deep Ore Zone	Mill	73	0.57	0.66	-	2.56	-	159	0.56	0.67	-	2.42	-
Big Gossan	Mill	12	2.64	1.20	-	17.30	-	44	2.25	1.08	-	14.35	-
Grasberg Block Cavea	Mill	317	1.20	1.08	-	3.49	-	699	0.91	0.63	-	3.21	-
Kucing Liara	Mill	154	1.30	1.14	-	7.84	-	269	1.20	1.07	-	6.58	-
Deep Mill Level Zonea	Mill	62	0.95	0.76	-	4.70	-	448	0.83	0.71	-	4.13	-
		825	1.09	1.03	-	4.22	-	1,750	0.93	0.74	-	4.08	-
Africa													
Tenke Fungurume	Agitation leach	59	3.10	-	-	-	0.348	78	2.84	-	-	-	0.262
Total		12,029	0.38	0.08	0.012	0.93	0.002	6,487	0.51	0.20	0.010	1.72	0.003

a. Undeveloped reserves requiring significant capital investment to bring into production.
b. Grade not shown because of rounding.

The reserve table above and the tables on the following pages utilize the abbreviations described below:

- g/t – grams per metric ton
- Moly – Molybdenum
- ROM – Run of Mine

Table of Contents

Recoverable Proven and Probable Reserves
Estimated at December 31, 2010
(continued)

			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	491	0.46	-	0.024	-	-	79.3	-	38.4	-	-
	Crushed leach	664	0.58	-	-	-	-	77.9	-	-	-	-
	ROM leach	3,601	0.18	-	-	-	-	42.1	-	-	-	-
Bagdad	Mill	1,154	0.37	-b	0.023	1.74	-	84.7	59.1	69.3	49.3	-
	ROM leach	900	0.12	-	-	-	-	25.0	-	-	-	-
Safford	Crushed leach	214	0.44	-	-	-	-	70.2	-	-	-	-
Sierrita	Mill	2,744	0.24	-b	0.025	1.50	-	83.1	55.1	80.7	46.3	-
	ROM leach	17	0.17	-	-	-	-	54.5	-	-	-	-
Tyrone	ROM leach	183	0.28	-	-	-	-	61.1	-	-	-	-
Chino	Mill	181	0.57	0.04	0.008	0.51	-	82.5	58.1	38.6	39.0	-
	ROM leach	222	0.35	-	-	-	-	42.0	-	-	-	-
Miami	ROM leach	79	0.44	-	-	-	-	66.4	-	-	-	-
Henderson	Mill	129	-	-	0.177	-	-	-	-	85.4	-	-
Climax	Mill	187	-	-	0.158	-	-	-	-	88.7	-	-
Cobre	ROM leach	73	0.39	-	-	-	-	50.7	-	-	-	-
		10,839										
South America												
Cerro Verde	Mill	3,328	0.40	-	0.016	1.38	-	86.0	-	54.4	54.9	-
	Crushed leach	167	0.49	-	-	-	-	79.9	-	-	-	-
	ROM leach	76	0.24	-	-	-	-	42.2	-	-	-	-

El Abra	Crushed leach	568	0.54	-	-	-	-	54.7	-	-	-	-
	ROM leach	372	0.30	-	-	-	-	24.8	-	-	-	-
Candelaria	Mill	448	0.54	0.12	-	1.95	-	88.6	71.9	-	76.3	-
Ojos del Salado	Mill	6	1.11	0.28	-	3.57	-	89.7	60.2	-	66.6	-
		4,965										
Indonesia												
Grasberg open pit	Mill	338	0.84	0.93	-	2.18	-	82.4	79.9	-	42.7	-
Deep Ore Zone	Mill	232	0.56	0.66	-	2.46	-	84.7	76.4	-	59.2	-
Big Gossan	Mill	56	2.34	1.11	-	14.99	-	91.6	66.7	-	63.8	
Grasberg Block Cave	Mill	1,016	1.00	0.77	-	3.30	-	85.2	67.0	-	60.1	-
Kucing Liar	Mill	423	1.24	1.10	-	7.04	-	85.8	46.8	-	39.3	-
Deep Mill Level Zone	Mill	510	0.84	0.71	-	4.20	-	86.8	77.8	-	63.8	-
		2,575										
Africa												
Tenke Fungurume	Agitation leach	137	2.95	-	-	-	0.298	89.1	-	-	-	75.3
Total		18,516										

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

Table of Contents

Recoverable Proven and Probable Reserves
Estimated at December 31, 2010
(continued)

			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	4.0	-	0.10	-	-
		Crushed leach	6.6	-	-	-	-
		ROM leach	6.0	-	-	-	-
Bagdad	100%	Mill	7.9	0.1	0.41	31.9	-
		ROM leach	0.6	-	-	-	-
Safford	100%	Crushed leach	1.5	-	-	-	-
Sierrita	100%	Mill	11.9	0.2	1.24	61.5	-
		ROM leach	-	-	-	-	-
Tyrone	100%	ROM leach	0.7	-	-	-	-
Chino	100%	Mill	1.9	0.1	0.01	1.2	-
		ROM leach	0.7	-	-	-	-
Miami	100%	ROM leach	0.5	-	-	-	-
Henderson	100%	Mill	-	-	0.43	-	-
Climax	100%	Mill	-	-	0.58	-	-
Cobre	100%	ROM leach	0.3	-	-	-	-
			42.6	0.4	2.77	94.6	-
Recoverable metal in stockpiles			2.2	-	-	-	-
100% operations			44.8	0.4	2.77	94.6	-
Consolidateda			42.2	0.4	2.75	94.6	-
Net equity interestb			42.2	0.4	2.75	94.6	-
South America							
Cerro Verde	53.56%	Mill	25.0	-	0.62	80.9	-
		Crushed leach	1.4	-	-	-	-
		ROM leach	0.2	-	-	-	-
El Abra	51%	Crushed leach	3.7	-	-	-	-
		ROM leach	0.7	-	-	-	-

Candelaria	80%	Mill	4.8	1.2	-	21.4	-
Ojos del Salado	80%	Mill	0.1	-	-	0.5	-
			35.9	1.2	0.62	102.8	-
Recoverable metal in stockpiles			1.6	0.2	0.02	4.7	-
100% operations			37.5	1.4	0.64	107.5	-
Consolidateda			37.5	1.4	0.64	107.5	-
Net equity interestb			21.4	1.1	0.35	64.1	-
Indonesia							
Grasberg open pit	c	Mill	5.2	8.0	-	10.1	-
Deep Ore Zone	c	Mill	2.4	3.8	-	10.8	-
Big Gossan	c	Mill	2.6	1.3	-	17.3	-
Grasberg Block Cave	c	Mill	19.2	16.9	-	64.8	-
Kucing Liar	c	Mill	9.9	7.0	-	37.6	-
Deep Mill Level Zone	c	Mill	8.2	9.1	-	43.9	-
			47.5	46.1	-	184.5	-
Recoverable metal in stockpiles			-	-	-	-	-
100% operations			47.5	46.1	-	184.5	-
Consolidateda			32.7	33.7	-	122.9	-
Net equity interestb			29.7	30.5	-	111.3	-
Africa							
Tenke Fungurume	57.75%	Agitation leach	7.9	-	-	-	0.68
Recoverable metal in stockpiles			0.2	-	-	-	0.07
100% operations			8.1	-	-	-	0.75
Consolidateda			8.1	-	-	-	0.75
Net equity interestb			4.7	-	-	-	0.43
Total – 100% operations			137.9	47.9	3.41	386.6	0.75
Total – Consolidateda			120.5	35.5	3.39	325.0	0.75
Total – Net equity interestb			98.0	32.0	3.10	270.0	0.43

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 noncontrolling 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.

Table of Contents

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 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, 2010:

	Copper Equivalent Cutoff Grade (Percent)			Molybdenum Cutoff Grade (Percent)
	Mill	Crushed or Agitation Leach	ROM Leach	Mill
North America				
Morenci	0.27	0.30	0.03	N/A
Bagdad	0.25	N/A	0.12	N/A
Safford	N/A	0.12	N/A	N/A
Sierrita	0.19	N/A	0.06	N/A
Tyrone	N/A	N/A	0.05	N/A
Chino	0.20	N/A	0.08	N/A
Miami	N/A	N/A	0.06	N/A
Henderson	N/A	N/A	N/A	0.12
Climax	N/A	N/A	N/A	0.06
Cobre	N/A	N/A	0.17	N/A
South America				
Cerro Verde	0.21	0.20	0.17	N/A
El Abra	N/A	0.18	0.05	N/A
Candelaria	0.20	N/A	N/A	N/A
Ojos del Salado	0.42	N/A	N/A	N/A
Indonesia				
Grasberg open pit	0.15	N/A	N/A	N/A
Deep Ore Zone	0.53	N/A	N/A	N/A
Big Gossan	1.85	N/A	N/A	N/A
Grasberg Block Cave	0.58	N/A	N/A	N/A
Kucing Liar	0.67	N/A	N/A	N/A
Deep Mill Level Zone	0.58	N/A	N/A	N/A
Africa				

Tenke Fungurume	N/A	0.99	N/A	N/A

Table of Contents

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 based on average sample distance or drill pattern spacing for proven and probable ore reserves by process type:

		Average Drill Hole Spacing (in Meters)			
		Proven		Probable	
	Mining Unit	Mill	Leach	Mill	Leach
North America					
Morenci	Open Pit	86	86	122	122
Bagdad	Open Pit	86	86	122	122
Safford	Open Pit	N/A	51	N/A	67
Sierrita	Open Pit	73	37	120	75
Tyrone	Open Pit	N/A	86	N/A	86
Chino	Open Pit	43	86	86	122
Miami	Open Pit	N/A	61	N/A	91
Henderson	Block Cave	38	N/A	85	N/A
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	53	N/A	105	N/A
Deep Ore Zone	Block Cave	23	N/A	56	N/A
Big Gossan	Open Stope	16	N/A	51	N/A
Grasberg	Block Cave	32	N/A	83	N/A
Kucing Liar	Block Cave	39	N/A	104	N/A
Deep Mill Level Zone	Block Cave	21	N/A	84	N/A
Africa					
Tenke Fungurume	Open Pit	N/A	50	N/A	100

Table of Contents

Production Sequencing

The following chart illustrates our current plans for sequencing and producing our proven and probable reserves at each of our ore bodies and the years in which we currently expect production from each ore body. 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. Significant additional capital expenditures will be required at many of these mines in order to achieve the life-of-mine plans reflected below.

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 produced into copper concentrate almost immediately.

Table of Contents

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. During fourth-quarter 2010, revised recovery rate estimates at El Abra resulted in a reduction of 163 million pounds in leach stockpiles. Following are our stockpiles and the estimated recoverable copper contained within those stockpiles as of December 31, 2010:

	Millions of Metric Tons	Average Grade (%)	Recovery Rate (%)	Recoverable Copper (billion pounds)
Mill stockpiles				
Cerro Verde	81	0.44	81.5	0.7
Candelaria	92	0.38	83.1	0.6
	173	0.41	82.4	1.3
Leach stockpiles				
Morenci	4,749	0.25	1.8	0.4
Bagdad	407	0.27	3.0	0.1
Safford	93	0.41	21.9	0.2
Sierrita	649	0.15	12.7	0.3
Tyrone	996	0.28	2.4	0.1
Chino	1,583	0.25	11.5	1.0
Miami	439	0.38	1.6	0.1
Cerro Verde	386	0.54	2.8	0.1
El Abra	309	0.33	10.4	0.2
Tenke Fungurume	8	0.96	93.7	0.2
	9,619	0.27	4.8	2.7
Total 100% basis				4.0
Consolidateda				3.9
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 noncontrolling interest ownership.

MINERALIZED MATERIAL

We hold various properties containing mineralized material that we believe could be brought into production should market conditions warrant. However, permitting and significant capital expenditures would be required before operations could commence at these properties. Mineralized material is a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support the reported tonnage and average metal grades. Such a deposit cannot 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 $2.20 per pound for copper, $1,000 per ounce for gold and $12.00 per pound for molybdenum.

Table of Contents

		Mineralized Material Estimated at December 31, 2010									
		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%	400	0.39	-	0.013	2,014	0.22	2,414	0.25	-	0.002
Bagdada	100%	238	0.35	-	0.023	36	0.13	274	0.32	-	0.020
Saffordb	100%	655	0.47	0.08	0.004	100	0.27	755	0.44	0.07	0.004
Sierritac	100%	1,211	0.19	-	0.022	17	0.15	1,228	0.19	-	0.022
Tyrone	100%	-	-	-	-	209	0.25	209	0.25	-	-
Chino	100%	213	0.43	-	0.013	21	0.26	234	0.41	-	0.012
Miami	100%	-	-	-	-	61	0.43	61	0.43	-	-
Henderson	100%	75	-	-	0.153	-	-	75	-	-	0.153
Climax	100%	306	-	-	0.148	-	-	306	-	-	0.148
Cobre	100%	44	0.55	-	-	11	0.28	55	0.49	-	-
Ajod	100%	865	0.33	0.06	0.006	-	-	865	0.33	0.06	0.006
Cochise/Bisbee	100%	-	-	-	-	229	0.48	229	0.48	-	-
Lone Star	100%	-	-	-	-	716	0.44	716	0.44	-	-
Sanchez	100%	-	-	-	-	181	0.29	181	0.29	-	-
Tohono	100%	218	0.65	-	-	265	0.69	483	0.67	-	-
Twin Buttese	100%	612	0.43	-	0.027	80	0.10	692	0.39	-	0.024
South America											
Cerro Verdef	53.56%	843	0.39	-	0.014	8	0.38	851	0.39	-	0.014
El Abra	51%	920	0.45	-	-	340	0.26	1,260	0.40	-	-
Candelariag	80%	72	0.50	0.11	-	-	-	72	0.50	0.11	-
Indonesia											
Grasberg districth	54.38%i	2,280	0.64	0.58	-	-	-	2,280	0.64	0.58	-
Africa											
Tenke Fungurumej	57.75%	85	3.28	-	-	15	3.05	100	3.25	-	-
Kisanfuk	95%	55	2.32	-	-	50	3.00	105	2.64	-	-
Total 100% basis		9,092				4,353		13,445			
Consolidatedl		8,120				4,051		12,171			

Net equity interestm	7,096	3,872	10,968

a. Bagdad stated tonnage also includes 0.8 grams of silver per metric ton.
b. Safford stated tonnage also includes 1.5 grams of silver per metric ton.
c. Sierrita stated tonnage also includes 1.1 grams of silver per metric ton.
d. Ajo stated tonnage also includes 0.9 grams of silver per metric ton.
e. Twin Buttes stated tonnage also includes 2.8 grams of silver per metric ton.
f. Cerro Verde stated tonnage also includes 1.2 grams of silver per metric ton.
g. Candelaria stated tonnage also includes 1.5 grams of silver per metric ton.
h. Grasberg district stated tonnage also includes 3.4 grams of silver per metric ton.
i. FCX's interest in the Grasberg minerals district reflects our 60 percent joint venture ownership further reduced by noncontrolling interest ownership.
j. Tenke Fungurume stated tonnage also includes 0.28 percent cobalt.
k. Kisanfu stated tonnage also includes 1.08 percent cobalt.
l. Consolidated basis represents estimated mineralized materials after reduction for our joint ventures partners' interest in the Morenci mine and at the Grasberg minerals district.
m. Net equity interest represents estimated consolidated basis mineralized material further reduced for noncontrolling interest ownership.

Table of Contents

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 costs and plans, environmental liabilities and expenditures, litigation expense and results, dividend payments, potential prepayments of debt, reserve estimates, exploration efforts and results, operating cash flows, the impact of copper, gold, molybdenum and cobalt price changes, deferred intercompany profit impacts on financial results, and anticipated political, economic and social conditions in our areas of operations. We undertake no obligation to update 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 adversely affect our earnings and cash flows and, if sustained, could adversely affect our ability to repay debt. Fluctuations in the market prices of copper, gold or molybdenum can cause significant volatility in our financial performance and adversely affect the trading prices of our debt and equity securities.

Our financial results are affected significantly by the market prices of copper and, to a lesser extent, gold and molybdenum (for further information about movements in the market prices of these commodities, refer to discussion below and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). An extended decline in the market prices of these commodities could (1) adversely affect our financial results, (2) adversely affect our ability to repay our debt and meet our other fixed obligations, and (3) depress the trading prices of our common stock and of our publicly traded debt securities.

Substantially all of our copper concentrate and cathode sales contracts provide final pricing in a specified future period (generally one to four months from the shipment date) based primarily on quoted London Metal Exchange (LME) monthly average spot prices. Accordingly, in times of rising copper prices, our revenues benefit from higher prices received for contracts priced at current market rates and also from an increase related to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods. However, in times of falling copper prices, the opposite occurs.

There continues to be uncertainty in the global economy, which could negatively affect the market prices of commodities, including the metals that we produce. If market prices for the metals we produce decline for a sustained period of time, we may have to revise our operating plans, including 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.

Copper prices have fluctuated historically, with LME spot copper prices ranging from $1.26 to $4.42 per pound during the three years ended December 31, 2010. The LME spot copper price closed at $4.50 per pound on February 11, 2011. Copper prices are affected by numerous factors beyond our control, including:

- The strength of the U.S. economy and the economies of other industrialized and developing nations, including China, which has become the largest consumer of refined copper in the world;
- Available supplies of copper from mine production and inventories;

- Sales by holders and producers of copper;
- Demand for industrial products containing copper;
- Investment activity, including speculation, in copper as a commodity;
- The availability and cost of substitute materials; and

Table of Contents

- Currency exchange fluctuations, including the relative strength or weakness of the U.S. dollar.

Gold prices have also fluctuated historically, with London gold prices ranging from $713 to $1,421 per ounce for the three years ended December 31, 2010. London gold prices closed at $1,364 per ounce on February 11, 2011. 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 or weakness of the U.S. dollar and other currencies;
- Expectations with respect to the rate of inflation;
- Interest rates;
- Purchases and sales of gold by governments, central banks and other holders;
- Demand for jewelry containing gold; and
- Investment activity, including speculation, in gold as a commodity.

Molybdenum prices also fluctuate, with the Metals Week Molybdenum Dealer Oxide weekly average price ranging from $7.83 to $33.88 per pound for the three years ended December 31, 2010. The Metals Week Molybdenum Dealer Oxide weekly average price was $17.58 per pound on February 11, 2011. 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.

Under U.S. federal and state laws that require closure and reclamation plans for our mines, we generally 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 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 generally 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.

EPA and state agencies may seek financial assurance for investigation and remediation actions under CERCLA or equivalent state regulations. In July 2009, EPA published a Priority Notice of Action identifying classes of facilities within the hardrock mining industry for which the agency will develop financial responsibility requirements

Table of Contents

concerning the degree and duration of risk associated with the production, transportation, treatment, storage or disposal of hazardous substances. It is uncertain how the new requirements, if promulgated, will affect the amount and form of our existing and future financial assurance obligations.

As of December 31, 2010, our financial assurance obligations associated with closure and reclamation costs totaled approximately $793 million, of which approximately $482 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 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 Rating Services (S&P), Fitch Ratings and Moody's Investors Service (Moody's). If we fail to maintain our investment grade rating, we would be subject to these more rigorous tests, in which case the regulatory agencies may require us to provide alternative forms of financial assurance, 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, 2010, we had limited financial assurance obligations associated with CERCLA-related remediation obligations, although EPA and certain states are currently considering increasing the use of financial assurance requirements for such obligations. For additional information, see the environmental risk factor "Mine closure regulations impose substantial costs on our operations" below.

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.

At December 31, 2010, the outstanding principal amount of our debt was $4.8 billion. The agreements governing our indebtedness restrict, subject to certain exceptions, our ability to:

- Incur additional indebtedness;
- Engage in transactions with affiliates;
- Create liens on our assets;
- Make payments in respect of equity issued by us or our subsidiaries, including the payment of dividends on our common stock;
- Make investments in, or loans, to entities that we do not control, including joint ventures;
- Sell assets;
- Merge with or into other companies;
- Enter into sale and leaseback transactions;
- Enter into unrelated businesses;
- Enter into agreements or arrangements that restrict the ability of certain of our subsidiaries to pay dividends or other distributions;
- Prepay indebtedness; and

- Enter into hedging transactions other than in the ordinary course of business.

Because the ratings on our senior notes are investment grade, the restrictions contained in our 8.375% and 8.25% Senior Notes on incurring debt, making restricted payments and selling assets are currently suspended. To the extent the rating is downgraded below investment grade by both S&P and Moody's, the covenants would again become effective. Our revolving credit facilities contain restrictions on the amount available for dividend

Table of Contents

payments, purchases of our common stock and certain debt prepayments. However, these restrictions do not apply as long as availability under the revolvers plus domestic cash exceeds $750 million. At December 31, 2010, we had availability under the revolvers plus available domestic cash (as defined by the revolving credit facilities) of approximately $4.1 billion. Refer to Note 9 for further discussion.

In addition, our revolving credit facilities require that we meet certain financial tests at any time that borrowings are outstanding under these facilities, including a leverage ratio test (Total Debt to Consolidated EBITDA, as 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 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 obligations under our revolving credit facilities are (1) guaranteed by substantially all of our domestic subsidiaries and (2) 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 revolving 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. We would not be able to fully repay when due 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 revolving 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 collateral. Any such actions could negatively affect our financial condition and results of operations.

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

The functional currency for most of our operations is the U.S. dollar. All of our revenues and a significant portion of our costs are denominated in U.S. dollars; however, some costs and certain asset and liability accounts are denominated in local currencies, including the Indonesian rupiah, Australian dollar, Chilean peso, Peruvian nuevo sol and euro. Generally, our results are adversely affected when the U.S. dollar weakens in relation to those foreign currencies. Refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a summary of the estimated impact of changes in foreign currency rates on our annual operating costs.

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

Operational risks

Our business is subject to operational risks that could adversely affect our business.

Mines by their nature are subject to many operational risks, some of which are outside of our control. These operational risks, which could adversely affect our business, operating results and cash flows, include the following:

- Earthquakes, floods and other natural disasters;
- The occurrence of unusual weather or operating conditions and other force majeure events;
- The failure of equipment or processes to operate in accordance with specifications, design or expectations;

Table of Contents

- Accidents;
- Wall failures and rock slides in our open pit mines, and structural collapses in our underground mines;
- Problems associated with the construction and management of large impoundments containing tailings or other viscous or semi-solid materials, some of which also contain mineral and chemical contaminants, such as structural failures or leakages;
- Interruption of energy supply;
- Lower than expected ore grades or recovery rates;
- Metallurgical and other processing problems;
- Unanticipated ground and water conditions;
- Adverse claims to water rights and shortages of water to which we have rights;
- Adjacent land ownership or usage that results in constraints on current or future mine operations;
- Delays in the receipt of or failure to receive necessary government permits;
- Delays in transportation and disruptions of supply routes;
- Labor disputes; and
- The inability to obtain satisfactory insurance coverage.

The failure to adequately manage some of these risks could result in significant personal injury, loss of life, property damage and damage to the environment, both on and outside our operating sites, as well as damage to production facilities and delays in production.

Our mining production depends on the availability of sufficient water supplies.

Our 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 depends on our ability to maintain our water rights and claims. At our North America 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 for two of the state's largest river systems that affect four of our operating mines (Morenci, Sierrita, Miami and Safford). The legal precedent set in these proceedings 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, 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.

Water for our Candelaria and Ojos del Salado mining operations is drawn from the Copiapó River aquifer. Because of rapid depletion of this aquifer in recent years, studies have been ongoing to assess available supply for these operations. Based on these studies, we have begun to develop replacement supplies from renewable sources. We recently completed construction of a pipeline to convey reclaimed water from a nearby waste water treatment facility to our Candelaria mine. We have also started engineering for the construction of a desalination plant near the Pacific Ocean to treat seawater and a pipeline to convey the water to Candelaria. The plant is expected to be completed by the end of 2012.

Water for our El Abra mining operations comes from the continued pumping of groundwater from the Salar de

Table of Contents

Ascotán. In 2010, we obtained regulatory approval, subject to certain conditions, for the continued pumping of groundwater from the Salar de Ascotán for the Sulfolix processing plant, which will begin operations in 2011. Failure to meet the specified conditions could adversely affect the Sulfolix processing plant. A change to the sulfide ore project, such as increased production or mill processing, would require additional water beyond our Sulfolix ground water pumping, which is permitted through 2021. El Abra is also conducting studies to assess the feasibility of constructing a desalination plant near the Pacific Ocean to treat seawater for possible increased sulfide ore production or mill processing.

Water for our Cerro Verde mining operations comes from a series of storage reservoirs in the Rio Chili watershed that collect runoff from seasonal precipitation. Our Cerro Verde mining operations recently constructed new water reservoirs on the Rio Chili watershed to obtain additional water rights and to expand storage capacity in the watershed. Due to occasional drought and possibility that climate change will reduce precipitation levels, temporary supply shortages are possible that could affect our operations as currently planned. Cerro Verde is conducting water studies to assess opportunities for additional supplies to support current operations and potential future expansion projects.

Although each operation has sufficient water rights and claims to cover current 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 close mining production and could prevent us from pursuing expansion opportunities.

Increased production costs could reduce our profitability and cash flow.

Energy represents approximately 20 percent 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 sulphuric 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. 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.

In October 2003, a slippage of material occurred in a section of the Grasberg open pit, resulting in eight fatalities. In December 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 second-quarter 2004.

In March 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. 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.

In September 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

Table of Contents

of 2008 was deferred to future periods.

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

Our Africa mining operation, Tenke Fungurume, involves additional risks because it is located in a remote area of the Democratic Republic of Congo (DRC).

Our Tenke Fungurume mining operation is located in a remote area of the DRC and is subject to additional challenges, including:

- Severely limited infrastructure, including road, bridge and rail access that is in disrepair and receives minimal maintenance;
- Limited and possibly unreliable energy supply from antiquated equipment and from power distribution corridors that are not maintained;
- Challenges in obtaining experienced personnel;
- Security risks; and
- Limited health care in an area plagued by disease and other potential endemic health issues, including malaria and cholera.

For example, due to limited rail access, we currently truck a significant portion of the production from our Tenke Fungurume mining operation approximately 1,900 miles to ports in South Africa. The Tenke Fungurume mining operation and future development may be substantially affected by factors beyond our control, which could adversely affect their contribution to our operating results and increase the cost of future development.

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

Our mining operations and development projects require significant energy, principally electricity, diesel, coal and natural gas. Our South America mining operations receive electrical power under long-term contracts with local energy companies. Our Africa mining operation has entered into long-term power supply and infrastructure funding agreements with the state-owned electric utility company serving the Katanga province of the DRC. 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.

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. During fourth-quarter 2010, revised recovery rate estimates at El Abra resulted in a reduction of 163 million pounds in leach stockpiles.

Table of Contents

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.

Development projects are inherently risky and may require more capital than anticipated, which could adversely affect our business.

There are many risks and uncertainties inherent in all development projects, including the development of underground mines in the Grasberg minerals district and our development of a large sulfide deposit at our El Abra mine. 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. Moreover, underground mining is generally more expensive than surface mining as a result of higher capital costs, including costs for modern mining equipment and construction of extensive ventilation systems. 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 capital expenditures.

The development of underground mines is subject to additional risks, including the following:

- Unanticipated geologic, geotechnical and hydrogeologic conditions;
- Challenges related to hiring and training the personnel required for the ramp up in underground mining activities;
- Larger than expected dilution of ore associated with block caving and stoping mining methods; and
- Unanticipated delays in the development of major access and supporting infrastructure due to engineering changes, late delivery of critical components and longer than planned construction periods.

Some of these risks could result in a delay to production start up and a loss or reduction in minable tons. There can be no assurance that the occurrence of such events or conditions would not have a material adverse impact on our business and results of operations.

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

Table of Contents

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 substantially increase compliance costs or adversely affect our operations or expansion opportunities.

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

Freeport-McMoRan Corporation (FMC, formerly Phelps Dodge), 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 FMC became legally responsible for environmental remediation on properties previously owned or operated by them, irrespective of when the damage to the environment occurred or who caused it. That liability 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 FMC 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. At December 31, 2010, we had more than 100 active remediation projects in the U.S. in 27 states.

We incurred aggregate environmental capital expenditure and other environmental costs (including our joint venture partners' shares) to comply with applicable environmental laws and regulations of $372 million in 2010, $289 million in 2009 and $377 million in 2008. The increase in environmental capital spending for 2010, compared with 2009, primarily related to settlement of legal proceedings (refer to Note 13 for further discussion). For 2011, we expect to incur approximately $460 million of aggregate environmental capital expenditures and other environmental costs, which are part of our overall 2011 operating budget and primarily relates to ongoing environmental compliance.

At December 31, 2010, $1.4 billion of environmental obligations were recorded in our consolidated balance sheet. Our environmental obligation estimates are based upon (1) our knowledge and beliefs about complex scientific and historical facts and circumstances that in many cases involve events that occurred many decades ago, (2) our beliefs and assumptions regarding the nature, extent and duration of remediation activities that we will be required to undertake the estimated costs of those activities, which are subject to varying interpretations, and (3) our beliefs regarding the requirements that are imposed on us by existing laws and regulations and, in some cases, the expected clarification of uncertain regulatory requirements that could materially affect our environmental obligation estimates. Significant adjustments to these estimates are likely to occur in the future as additional information becomes available. The actual environmental costs ultimately may exceed our current and future accruals for these costs, and any such changes could be material. Refer to Note 13 for more information on our environmental obligations.

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

As described in Note 13 and Item 3. “Legal Proceedings”, 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.

Table of Contents

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. It is uncertain how potential EPA requirements for financial assurance will affect the timing of periodic closure cost reviews or the scope of closure activities.

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.

At December 31, 2010, our asset retirement obligations (AROs), determined as required by generally accepted accounting principles in the U.S. totaled $856 million (including $405 million for our New Mexico operations, $214 million for our Arizona operations and $129 million for PT Freeport Indonesia). ARO cost estimates may increase or decrease significantly in the future as a result of changes in closure or financial assurance regulations, engineering designs and technology, permit modifications or updates, mine plans, cost of inflation or other factors and as actual reclamation spending occurs.

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

Many scientists believe that emissions from the combustion of carbon-based fuels contribute to greenhouse effects and therefore potentially to climate change. In 2010, our worldwide total greenhouse gas emissions, measured as carbon dioxide equivalent emissions, were approximately 10 million metric tons, divided between direct (56 percent) and indirect (44 percent) emissions. Most of our direct emissions are from fuel combustion in haul trucks, followed by the combustion of fuels to provide energy for roasting, smelting and other processes. Indirect emissions are generally the emissions of outside providers from whom we purchase electricity for use in our operations. Approximately 64 percent of our direct emissions are in Indonesia, 21 percent in North America and 10 percent in South America. Approximately 56 percent of our indirect emissions are in North America and 42 percent in South America.

A number of governments have introduced or are contemplating regulatory changes regarding greenhouse gas emissions, although several of these regulatory changes are being challenged at both the federal and state levels. For example, in the U.S., the EPA issued final regulations in September 2009 requiring mandatory monitoring and reporting of greenhouse gas emissions in specified circumstances, commencing in 2010. Our Miami smelter and El Paso refinery are required to report their emissions under this program. In June 2010, the EPA issued final regulations under the Clean Air Act for the control of greenhouse gases from new large stationary sources of greenhouse gases and major modifications to large stationary sources of greenhouse gases. The Miami smelter is our only operation directly affected by these regulations. However, these regulations in conjunction with upcoming EPA regulations for large fossil fuel fired power plants may result in increased energy costs at our operations. Several states have also initiated action on their own or as part of regional organizations, such as the Western Climate Initiative, to limit emissions of greenhouse gases. New Mexico has promulgated regulations to control greenhouse gas emissions from large sources and to join the Western Climate Initiative. These actions will likely impact our New Mexico operations through increased energy costs. The U.S. may also become a party to international agreements to reduce greenhouse gas emissions, which could lead to new regulations affecting our U.S. operations. 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, which expires in 2012, has not been ratified by the U.S., the U.S. continues to participate in global climate summits that may lead to an agreement in the future.

Since 2006, we have participated in the Carbon Disclosure Project, which is a voluntary initiative that promotes standardized reporting of greenhouse gas emissions and reduction efforts. In 2009, we formed a multi-departmental greenhouse gas task force. Under the direction of this task force, we actively pursue ways to improve the energy efficiency of our operations and reduce greenhouse gas emissions, including evaluating

Table of Contents

potential reductions in greenhouse gas emissions from our haul trucks. However, as a result of possible increases in production rates and longer and steeper haul profiles for the next several years, we also expect increases in our total greenhouse gas emissions.

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. In addition, the cost of electricity that we purchase from others may increase, if they incur increased costs from the regulation of their greenhouse gas emissions. We cannot predict the magnitude of any increased costs at this time, given the wide scope of potential regulatory changes in the many 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 U.S. 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 Indonesia mining operations 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 an engineered area in the lowlands where the tailings and natural sediments are managed in a deposition area. Lateral levees have been engineered and constructed to limit and help contain the footprint of tailings impact in the lowlands.

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 generate 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 questions with respect to our tailings and overburden management plans, including a suggestion that we implement a pipeline system rather than our river transport system for tailings management and disposition. Because our mining operations are remotely located in steep mountainous terrain and in an active seismic area, a pipeline system would be costly, difficult to construct and

maintain, and more prone to catastrophic failure, and could therefore involve significant potentially adverse environmental issues. Based on our own studies and others conducted by third parties, we do not believe that a pipeline system is necessary or practical.

In connection with obtaining our environmental approvals from the Indonesian government, we committed to perform a one-time environmental risk assessment on the impacts of our tailings management plan. We completed this extensive environmental risk assessment with more than 90 scientific studies conducted over four years and submitted it to the Indonesian government in December 2002. We developed the risk assessment study using internationally recognized methods with input from an independent review panel, which included

Table of Contents

representatives from the Indonesian government, academia and non-governmental organizations. The risks identified during this process were in line with our impact projections of the tailings management program contained in our environmental approval documents.

Since 2005, PT Freeport Indonesia has participated in the Government of Indonesia's PROPER (Program for Pollution Control, Evaluation and Rating) program. In November 2010, the Indonesian Ministry of Environment announced the latest results of its PROPER environmental management audit, and gave PT Freeport Indonesia a Blue rating acknowledging PT Freeport Indonesia's environmental management practices as being in compliance with the laws and regulations in Indonesia and also making several recommendations for improvement.

International risks

Our international operations 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, Peru, Chile and the DRC. 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) renegotiation, cancellation or forced modification of existing contracts, (2) expropriation or nationalization of property, (3) changes in a foreign country's laws, regulations and policies, including those relating to labor, taxation, royalties, divestment, imports, exports, trade regulations, currency and environmental matters, (4) political instability, bribery, extortion, corruption, civil strife, acts of war, guerilla activities, insurrection and terrorism, (5) foreign 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. Consequently, our exploration, development and production activities outside of the U.S. could be substantially affected by factors beyond our control, some of which could materially adversely affect our financial position or results of operations.

In October 2010, PT Freeport Indonesia received from the Indonesian tax authorities an assessment for additional taxes approximating $106 million and interest approximating $52 million related to various audit exceptions for 2005. PT Freeport Indonesia has filed objections to these assessments because it believes that it has properly paid taxes for the year 2005 and is working with the Indonesian tax authorities to resolve this matter.

In December 2009, PT Freeport Indonesia was notified by the Large Taxpayer's Office of the Government of Indonesia that PT Freeport Indonesia is obligated to pay value added taxes on certain goods imported after the year 2000. The amount of taxes and penalties would be significant. PT Freeport Indonesia believes that pursuant to the terms of its Contract of Work, it is only required to pay value added taxes on these types of goods imported after December 30, 2009. PT Freeport Indonesia has not received an assessment and is working with the applicable government authorities to resolve this matter.

In December 2008, Cerro Verde was notified by SUNAT, the Peruvian national tax authority, of its intent to assess mining royalties related to the minerals processed by the Cerro Verde concentrator, which was added to Cerro Verde's processing facilities in late 2006. In August 2009, Cerro Verde received an assessment approximating $34 million in connection with its alleged obligations for mining royalties and penalties for the period from October 2006 to December 2007. In April 2010, SUNAT issued a ruling denying Cerro Verde's protest of the assessment, and in May 2010, Cerro Verde appealed this decision to the Tax Court. Cerro Verde has also received an assessment approximating $41 million in mining royalties and penalties for the year 2008. In February 2011, SUNAT issued a ruling denying Cerro Verde's protest of the assessment for the year 2008, and Cerro Verde is in the process of appealing this decision to the Tax Court. Cerro Verde has also received a request for information for mining royalties

covering the year 2009. SUNAT may continue to assess mining royalties annually until this matter is resolved by the Tax Court. Cerro Verde is challenging these royalties because its stability agreement with the Peruvian government exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing those minerals. If Cerro Verde is ultimately found responsible for these royalties, it will also be liable for interest, which accrues at rates that range from 7 to 18 percent based on the year accrued and the currency in which the amounts would be payable. As of December 31, 2010, the aggregate amount of the October 2006 to December 2007 assessment with interest approximated $57 million, and the aggregate amount of the 2008 assessment with interest approximated $61 million. These amounts will continue to increase at varying interest rates.

Table of Contents

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

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

Maintaining a good working relationship with the Indonesian government is important to us because our mining operations there are among Indonesia's most significant business enterprises and are conducted pursuant to a Contract of Work with the Indonesian government. Partially because of their significance to Indonesia's economy, the environmentally sensitive area in which they are located, and the number of people employed, our operations are occasionally the subject of criticism in the Indonesian press and in political debates, and have been the target of protests and occasional violence.

Between July 2009 and January 2010 there were a series of shooting incidents along the road leading to our mining and milling operations at our Grasberg mining complex. In connection with these incidents, there were three fatalities (including one PT Freeport Indonesia employee, a security contractor and an Indonesian policeman) and several injuries. The Indonesian government responded with additional security forces and expressed a strong commitment to protect the safety of the community and of our operations.

PT Freeport Indonesia operated at reduced mining and milling rates during a four-day period in April 2007, as a result of peaceful protests by certain workers regarding benefits. The protests ended with an agreement on a framework for minimum wages for workers and PT Freeport Indonesia 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, and 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 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 32 percent of aggregate proven and probable recoverable ore at December 31, 2010, representing 38 percent of PT Freeport Indonesia’s share of recoverable copper reserves and 51 percent of its share of

Table of Contents

recoverable gold reserves.

In 2008, Indonesia enacted a new mining law, which will operate under a licensing system as opposed to the contract of work system that applies to PT Freeport Indonesia. In 2010, the Government of Indonesia promulgated regulations under the 2008 mining law and certain provisions address existing contracts of work. The regulations provide that contracts of work will continue to be honored until their expiration. However, the regulations attempt to apply certain provisions of the new law to any extension periods of contracts of work even though our Contract of Work provides for two 10-year extension periods under the existing terms of the Contract of Work.

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.

Certain forestry laws and designations as well as prevailing environmental laws and regulations may conflict with or overlap with the mining rights established under our Contract of Work. Although our Contract of Work grants to PT Freeport Indonesia the unencumbered right to operate in accordance with the Contract of Work, certain government agencies could seek to impose additional restrictions on PT Freeport Indonesia that could affect exploration and operating 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 provide assurance that the validity of, or our compliance with, the Contracts of Work will not be challenged for political or other reasons. PT Freeport Indonesia's Contract of Work and our other Contracts of Work require that disputes with the Indonesian government be submitted to international arbitration. Consequently, if a dispute arises under the Contracts of Work, we face the risk of having to submit to the jurisdiction of a foreign court or arbitration panel, and if we prevail in such a dispute, we will face the additional risk of having to enforce the judgment of a foreign court or arbitration panel against Indonesia within its own territory.

Indonesian government officials have periodically undertaken reviews regarding our compliance with Indonesian environmental laws and regulations and the terms of the Contracts of Work. In 2006, the Government of Indonesia created a joint team for "Periodic Evaluation on Implementation of the PT-FI Contract of Work" 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 provide assurance 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 permit 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.

Table of Contents

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 mining operation is located in the Katanga province of the DRC, and may be adversely affected by political, economic and social instability in the DRC.

During 2009, we completed construction activities for the initial Tenke Fungurume development project, which is located in the DRC. Since gaining independence in 1960, the DRC has undergone outbreaks of violence, changes in national leadership and financial crisis. These factors heighten the risk of abrupt changes in the national policy toward 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. As part of a review of all mining contracts by the Ministry of Mines (Ministry) in the DRC, in February 2008, we received notification that the Ministry wished to renegotiate several material provisions of Tenke Fungurume Mining S.A.R.L.'s (TFM) mining concessions. In October 2010, the government of the DRC announced the conclusion of the review of TFM's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. In connection with the review, TFM made several commitments that have been reflected in amendments to its mining contracts (refer to Note 14 for further discussion). In December 2010, the addenda to TFM's Amended and Restated Mining Convention and Amended and Restated Shareholders' Agreement were signed by the parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until a Presidential Decree is obtained. After giving effect to the amendments and obtaining approval of the modification to TFM's bylaws, our effective ownership interest in the project will be 56.0 percent, compared to our current ownership interest of 57.75 percent.

In July 2009, TFM was advised that the Minister of Justice in the DRC authorized an inquiry regarding the alleged misappropriation of public funds in connection with the securing of labor and immigration authorizations and the payment of associated fees for the Tenke Fungurume project. Several government officials and three TFM employees were arrested. In October 2009, the three TFM employees were tried and acquitted. One government official, the head of immigration in the Katanga province, was sentenced to five years imprisonment on charges of embezzlement. The office of the Attorney General of the DRC filed a notice of appeal of the judgment, and the matter is pending at the Appellate Court.

In July 2009, TFM entered into a settlement agreement with DRC tax authorities in connection with an administrative audit regarding the payment of fees for work permits and visas for its foreign workers and subcontractors, including short-term workers. Pursuant to the agreement, which covers the period from January 2007 to the date of the settlement, TFM paid approximately $16 million in fees and penalties. The procedures associated with obtaining labor and immigration authorizations for short-term workers on a timely basis are not clearly established in the DRC, and TFM continues to work proactively and cooperatively with the government authorities to establish approved procedures for doing so consistent with its mining convention and local law. In connection with this matter, we notified the U.S. government enforcement authorities about our internal investigation of the immigration work permit and visa matter and the associated criminal case. We have received and responded to requests from U.S. government authorities related to the matter and to other requests for information about our compliance program.

Other political, economic and social risks that are generally outside of our control and could adversely affect our business include:

- Political risks associated with the relatively recent establishment of the present government and the upcoming presidential election scheduled for November 2011;

- Cancellation or renegotiation of mining contracts by the government;

Table of Contents

- Legal and regulatory uncertainties, governmental corruption and bribery;
- Royalty and tax increases or claims by governmental entities, including retroactive claims;
- Security risks due to the remote location in the southern DRC and violence in the northeastern provinces of the DRC;
- 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 mining operations and future development projects may be substantially affected by factors beyond our control, any of which could adversely affect our financial position or results of operations.

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

In July 2009, two suicide bombers set off explosions inside of the JW Marriott and Ritz-Carlton hotels in Jakarta, Indonesia, that are reported to have killed nine people and injured 53 others. Two of our Indonesian-based executives were injured in the incident.

In July 2009, a small group of individuals created a disturbance on the road leading to our mining and milling operations at our Grasberg mining complex and vandalized vehicles and small buildings. There were no injuries. For more information about a series of shooting incidents near our Grasberg mining complex, see the risk factor “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” above.

In August 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.

In October 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. In August, 2003, 12 people were killed and over 100 were injured by a car bomb detonated outside of the JW Marriott Hotel in Jakarta, Indonesia. In September 2004, 11 people were killed and over 200 injured by a car bomb detonated in front of the Australian embassy in Jakarta. In October 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 and acts of violence 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.

Table of Contents

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.

During fourth-quarter 2008, we concluded that the then-current economic environment and significant declines in copper and molybdenum prices represented significant adverse changes in our business requiring us to evaluate our long-lived assets and goodwill for impairment. As a result, we recorded impairment charges totaling $16.9 billion ($12.6 billion to net loss attributable to common stockholders). Refer to Note 17 for further discussion.

The declines in copper and molybdenum prices in late 2008 also resulted in lower of cost or market (LCM) inventory charges totaling $782 million ($479 million to net loss attributable to common stockholders) in 2008. Additional LCM charges associated with molybdenum inventories totaling $19 million ($15 million to net income attributable to common stockholders) were recorded in first-quarter 2009. We recorded no further LCM inventory adjustments subsequent to first-quarter 2009.

Declines in the market price of copper, among other factors, could cause us to record additional LCM inventory adjustments and could also result in an additional write down of the carrying value of long-lived assets, which would potentially have a material adverse impact on our results of operations and stockholders' 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 Note 13 and in Item 3. “Legal Proceedings” and a number of other litigation matters, including asbestos exposure cases, disputes over the allocation of environmental remediation obligations at Superfund and other sites, disputes over water rights and disputes with regulatory authorities. The outcome of litigation is inherently uncertain and adverse developments or outcomes can result in significant monetary damages, penalties or injunctive relief against us, limitations on our property rights, or regulatory interpretations that increase our operating costs. If any of these disputes results in a substantial monetary judgment against us or an adverse legal interpretation is settled on unfavorable terms, or otherwise affects our operations, it could have a material adverse effect on our operating results and financial condition.

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

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

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

We are a holding company with no material assets other than the capital stock of our subsidiaries. As a result, our ability to repay our indebtedness and pay dividends is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, loan, debt repayment or otherwise. Our subsidiaries

do not have any obligation to make funds available to us to repay our indebtedness or pay dividends. Dividends from subsidiaries that are not wholly owned are shared with other equity owners. In addition, cash at our international operations is subject to foreign withholding taxes upon repatriation into the U.S.

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

Table of Contents

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 presented at stockholder meetings;

- Limit removal of directors for cause only;

- Limit who may call stockholder meetings; and

- Require the approval of the holders of two thirds of our outstanding common stock to enter into certain business combination transactions, subject to certain exceptions, including if the consideration to be received by our common stockholders in the transaction is deemed to be a fair price.

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

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 3. Legal Proceedings.

We are involved in various legal proceedings that arise in the ordinary course of our business or are associated with environmental issues arising from legacy operations conducted over the years by Phelps Dodge and its affiliates. We are also involved, from time to time, in other reviews, investigations and proceedings by government agencies regarding our business, some of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

Litigation

Blackwell, Oklahoma Litigation. On April 14, 2008, a purported class action was filed against us and several of our direct and indirect subsidiaries, including Blackwell Zinc Company, Inc. (BZC) (Coffey, et al., v. Freeport-McMoRan Copper & Gold, Inc., et al., Kay County, Oklahoma District Court, Case No. CJ-2008-68). This suit alleges that the operations of BZC's zinc smelter in Blackwell, Oklahoma, from 1918 to 1974 resulted in contamination of soils and

groundwater in Blackwell and the surrounding area. The complaint seeks unspecified compensatory and punitive damages on behalf of the putative class members, consisting of current and former residents and property owners, for alleged diminution in property values. Plaintiffs also requested an order compelling remediation of allegedly contaminated properties and the establishment of a monetary fund to pay for monitoring the present and future health of the putative class members. On February 2, 2010, the court granted our motion to dismiss the plaintiffs' medical monitoring claims and the court denied plaintiffs' request for reconsideration at a hearing on May 6, 2010. Discovery and briefing on class certification are near completion.

Table of Contents

On December 7, 2009, 18 individuals filed a related suit (Brown et al. v. Freeport-McMoRan Copper & Gold Inc., et al., Kay County, Oklahoma District Court, Case No. CJ-2009-213), alleging personal injuries resulting from exposure to lead and seeking compensatory and punitive damages. In March, 2010, the case was removed to the U.S. District Court for the Western District of Oklahoma in Oklahoma City (CIV-10-295-HE). On July 23, 2010, the federal district court denied plaintiffs' request to remand the suit to state court. We intend to defend both of these matters vigorously and no estimates can be made for ranges of losses that are reasonably possible with respect to these two cases.

Refer to Note 13 for more information about our remediation activities in Blackwell, Oklahoma.

Environmental Proceedings

Newtown Creek. From the 1930s until 1964, Phelps Dodge Refining Corporation (PDRC), a subsidiary of Freeport-McMoRan Corporation, operated a smelter, and from the 1930's until 1984 it operated a refinery, on the banks of Newtown Creek, which is a 3.5 mile-long waterway that forms part of the boundary between Brooklyn and Queens in New York City. Heavy industrialization along the banks of Newtown Creek and discharges from the City of New York's sewer system over more than a century resulted in significant environmental contamination of the waterway. The New York Attorney General previously notified several companies, including PDRC, about possible obligations to clean up sediments in Newtown Creek. In March and April 2010, the U.S. Environmental Protection Agency (EPA) notified PDRC and five others that EPA considers them to be potentially responsible parties under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The notified parties began working with EPA to identify other potentially responsible parties, and EPA proposed that the notified parties perform a Remedial Investigation/Feasibility Study (RI/FS) at their expense and reimburse EPA for its oversight costs. EPA is not expected to propose a remedy until after an RI/FS is completed, which is expected to take several years. On September 29, 2010, EPA designated Newtown Creek as a Superfund site. The cost of remediating Newtown Creek could be significant, and depending on what portion of that cost is allocated to PDRC, that share could be material to us.

Gilt Edge Mine Site. On July 12, 2010, we were notified by the U.S. Department of Justice, acting at the request of EPA, that the U.S. was preparing to file suit in federal court against two of our wholly owned subsidiaries (Cyprus Mines Corporation and Cyprus Amax Minerals Company, Inc.) and several other parties to recover costs incurred or to be incurred by the U.S. in responding to the release or threatened release of hazardous substances at the Gilt Edge Mine Site in Lawrence County, South Dakota. The letter stated that the U.S. would assert that the Cyprus entities are jointly and severally liable with the other parties for all response costs incurred by the U.S. at this site under CERCLA. The letter asserted that the U.S. had incurred approximately $91 million in response costs and expected to incur significant additional response costs in the future. We do not know whether the other parties could contribute materially to reimbursement of these response costs.

We have conducted a detailed investigation of this site and have concluded that the Cyprus entities were engaged only in exploration at the site and were not involved in the large-scale mining operation that left the site in its current condition. We believe there is a reasonable basis for apportioning the response costs based on historical records of activities at the site, so that the liability of the Cyprus entities should be proportional to the actual harm done, rather than joint and several, as the government asserts. We are engaged in discussions with the U.S. and we intend to vigorously defend this matter if the government files suit.

Arizona Department of Environmental Quality – Morenci. In October 2008, Freeport-McMoRan Morenci Inc. (Morenci) notified state and federal authorities that it accidentally released electrolyte solution from its solution extraction and electrowinning (SX/EW) operation into Lower Chase Creek, an ephemeral stream that is normally dry. Morenci conducted a thorough cleanup of the spill and later provided authorities with information on corrective

actions implemented in response to the spill. On January 16, 2009, Morenci received Notices of Violation (NOVs) from the Arizona Department of Environmental Quality alleging that the spill resulted in violations of the Arizona Pollutant Discharge Elimination System and Aquifer Protection Programs. Morenci also received a letter dated January 28, 2010, from the Arizona Attorney General's office advising Morenci that the state of Arizona intends to file a civil enforcement action. Morenci has met with the Arizona Attorney General's office to discuss a potential settlement and expects to reach an agreement that includes payment of a civil penalty, which may exceed $100,000.

Table of Contents

Asbestos Claims

Since approximately 1990, Phelps Dodge and various subsidiaries have been named as defendants in a large number of lawsuits that claim personal injury from exposure to asbestos allegedly contained in electrical wire products produced or marketed many years ago, either from asbestos contained in buildings and facilities located at properties owned or operated by Phelps Dodge affiliates, or from alleged asbestos in talc products. Many of these suits involve a large number of codefendants. Based on litigation results to date and facts currently known, FCX believes its liability, if any, in these matters will not have a material adverse effect, either individually or in the aggregate, upon its business, financial condition, liquidity, results of operations or cash flow. There can be no assurance, however, that future developments will not alter this conclusion.

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 four of our operating mines (Morenci, Sierrita, Miami and Safford). Any precedents set in these legal proceedings may also impact our Bagdad, Arizona mine. These adjudications have been under way for many years, and we cannot predict when they will be concluded.

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 behalf of those tribes, on its own behalf, 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 Franklin 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, 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, Miami and Safford could be adversely affected.

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

adjudications.

United States v. Gila Valley Irrigation District, United States District Court, District of Arizona, was initiated in 1925 by the United States to settle conflicting claims to water rights in portions of the Gila River watershed. A decree settling the claims of various parties was entered in 1935, after we 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

Table of Contents

1997, 1998 and 2008 that could be affected by the outcome of 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 11, 2011, about our executive officers is set forth in the following table and accompanying text:

Name	Age	Position or Office
James R. Moffett	72	Chairman of the Board
Richard C. Adkerson	64	Director, President and Chief Executive Officer
Michael J. Arnold	58	Executive Vice President and Chief Administrative Officer
Kathleen L. Quirk	47	Executive Vice President, Chief Financial Officer and Treasurer

James R. Moffett has served as Chairman of the Board since May 1992. Mr. Moffett previously served as the Chief Executive Officer from July 1995 until December 2003. He has also served as Co-Chairman of the Board of McMoRan Exploration Co. (McMoRan) since September 1998, and President and Chief Executive Officer since May 2010.

Richard C. Adkerson has served as 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 Chief Financial Officer from October 2000 to December 2003. Mr. Adkerson has also served as Co-Chairman of the Board of McMoRan since September 1998.

Michael J. Arnold has served as Executive Vice President since March 2007 and Chief Administrative Officer since December 2003.

Kathleen L. Quirk has served as Executive Vice President since March 2007, Chief Financial Officer since December 2003 and Treasurer since February 2000. Ms. Quirk previously served as Senior Vice President from December 2003 to March 2007. Ms. Quirk has also served as the Senior Vice President of McMoRan since April 2002 and as Treasurer since January 2000.

Item 4B. Mine Safety Disclosure

The safety and health of all our employees are of the highest priority. Management believes that safety and health considerations are integral to, and compatible with, all other functions in the organization and that proper safety and health management will enhance production and reduce costs. Our approach towards the health and safety of our workforce is to continuously improve performance through implementing robust management systems and providing

adequate training, safety incentive and occupational health programs.

Our objective is zero work place injuries and occupational illnesses. We measure progress toward achieving our objectives against regularly established benchmarks, including measuring company-wide Total Recordable Incident Rates (TRIR). During 2010, our TRIR (including contractors) was 0.65 per 200,000 man-hours worked, compared to the preliminary metal mining sector industry average reported by the U.S. Mine Safety and Health Administration (MSHA) for 2010 of 2.53 per 200,000 man-hours worked. For 2009, our TRIR (including contractors) was 0.74 per 200,000 man-hours worked, compared to MSHA's 2009 metal mining sector industry average of 2.61 per 200,000 man-hours worked. We incurred capital expenditures totaling $31 million in 2010 associated with our workplace health and safety programs.

Table of Contents

Refer to Exhibit 99.1 for mine safety disclosures required to be disclosed in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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. The table below shows the NYSE composite tape common share price ranges during 2010 and 2009:

	2010a		2009a	
	High	Low	High	Low
First Quarter	$ 45.28	$ 33.02	$ 21.73	$ 10.58
Second Quarter	44.15	29.12	30.78	18.30
Third Quarter	43.96	28.36	36.72	21.60
Fourth Quarter	60.39	43.19	43.68	31.50

a. Common share prices have been adjusted to reflect the February 1, 2011, two-for-one stock split.

At February 11, 2011, there were 17,488 holders of record of our common stock.

Common Stock Dividends

All references to common stock dividends have been adjusted to reflect the February 1, 2011, two-for-one stock split.

In December 2008, the Board of Directors suspended the cash dividend on our common stock; accordingly, there were no common stock dividends paid in 2009. In October 2009, the Board of Directors reinstated a cash dividend on our common stock at an annual rate of $0.30 per share. In April 2010, the Board of Directors authorized an increase in the cash dividend to an annual rate of $0.60 per share, and in October 2010, authorized another increase in the cash dividend to an annual rate of $1.00 per share. Additionally, in December 2010, the Board of Directors declared a supplemental common stock dividend of $0.50 per share. Below is a summary of common stock cash dividends declared and paid during 2010:

	2010		
	Per Share Amount	Record Date	Payment Date
First Quarter	$ 0.075	01/15/2010	02/01/2010
Second Quarter	0.075	04/15/2010	05/01/2010
Third Quarter	0.150	07/15/2010	08/01/2010
Fourth Quarter	0.150	10/15/2010	11/01/2010
Supplemental Dividend	0.500	12/20/2010	12/30/2010

The declaration of dividends is at the discretion of our Board of Directors and will depend on our financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. In addition, payment of dividends on our common stock and purchases of common stock are subject to limitations under our senior notes and, in certain circumstances, our revolving credit facilities.

Table of Contents

Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of FCX common stock purchased by us during the three months ended December 31, 2010:

Period	(a) Total Number of Shares (or Units) Purchased[a]	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs[b]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs[b]
October 1-31, 2010	-	$ -	-	23,685,500
November 1-30, 2010	532,781[c]	102.65	-	23,685,500
December 1-31, 2010	-	-	-	23,685,500
Total	532,781	102.65	-	23,685,500

a. Consists of shares repurchased to satisfy tax obligations to cover the cost of options exercised under FCX's applicable stock incentive plans.

b. On July 21, 2008, FCX's Board of Directors approved an increase in FCX's open-market share purchase program for up to 30 million shares. The program does not have an expiration date.

c. Under terms of the related plans, upon exercise of stock options employees may tender FCX shares to FCX to pay the exercise price and/or the minimum required taxes. These treasury shares were not affected by the February 1, 2011 two-for-one stock split.

Table of Contents

Item 6. Selected Financial Data.

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

	Years Ended December 31,				
	2010	2009	2008	2007a	2006
FCX CONSOLIDATED FINANCIAL DATA	(In Millions, Except Per Share Amounts)				
Revenues	$ 18,982	$ 15,040	$ 17,796	$ 16,939b	$ 5,791
Operating income (loss)	9,068	6,503c,e	(12,710)d,e,f	6,555b,f	2,869
Income (loss) from continuing operations	5,544	3,534	(10,450)	3,733	1,625
Net income (loss)	5,544	3,534	(10,450)	3,779	1,625
Net income attributable to noncontrolling interests	1,208	785	617	802	168
Net income (loss) attributable to FCX common stockholders	4,273g	2,527c,e,g	(11,341)d,e,f,g	2,769b,f,g	1,396g
Basic net income (loss) per share attributable to FCX common stockholders:					
Continuing operationsh	$ 4.67	$ 3.05	$ (14.86)	$ 4.01	$ 3.66
Discontinued operationsh	–	–	–	0.05	–
Basic net income (loss)h	$ 4.67	$ 3.05	$ (14.86)	$ 4.06	$ 3.66
Basic weighted-average common shares outstandingh	915	829	763	682	381
Diluted net income (loss) per share attributable to FCX common stockholders:					
Continuing operationsh	$ 4.57	$ 2.93	$ (14.86)	$ 3.70	$ 3.32
Discontinued operationsh	–	–	–	0.05	–
Diluted net income (loss)h	$ 4.57g	$ 2.93c,e,g	$ (14.86)d,e,f,g	$ 3.75b,f,g	$ 3.32g
Diluted weighted-average common shares outstandingh	949	938	763	794	443
Dividends declared per share of common stockh	$ 1.125	$ 0.075	$ 0.6875	$ 0.6875	$2.53125
At December 31:					
Cash and cash equivalents	$ 3,738	$ 2,656	$ 872	$ 1,626	$ 907
Property, plant, equipment and development costs, net	16,785	16,195	16,002	25,715	3,099
Goodwill	–	–	–	6,105	–
Total assets	29,386	25,996	23,353	40,661	5,390
Total debt, including current portion	4,755	6,346	7,351	7,211	680
Total FCX stockholders' equity	12,504	9,119	5,773	18,234	2,445

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 $175 million ($106 million to net income attributable to FCX common stockholders or $0.13 per share) for mark-to-market accounting adjustments on the 2007 copper price protection program assumed in the acquisition of Phelps Dodge.

c. Includes charges totaling $77 million ($61 million to net income attributable to FCX common stockholders or $0.07 per share) associated with a loss contingency and restructuring charges.

d. Includes charges totaling $17.0 billion ($12.7 billion to net loss attributable to FCX common stockholders or $16.60 per share) associated with impairment and restructuring charges.

e. Includes charges for lower of cost or market inventory adjustments totaling $19 million ($15 million to net income attributable to FCX common stockholders or $0.02 per share) in 2009 and $782 million ($479 million to net loss attributable to FCX common stockholders or $0.63 per share) in 2008.

f. Includes purchase accounting impacts related to the acquisition of Phelps Dodge totaling $1.0 billion ($622 million to net loss attributable to FCX common stockholders or $0.82 per share) in 2008 and $1.3 billion ($793 million to net income attributable to FCX common stockholders or $1.00 per share) in 2007.

g. Includes net losses on early extinguishment and conversion of debt totaling $71 million ($0.07 per share) in 2010, $43 million ($0.04 per share) in 2009, $5 million ($0.01 per share) in 2008, $132 million ($0.17 per share) in 2007 and $30 million ($0.07 per share) in 2006; 2008 also includes charges totaling $22 million ($0.03 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. Amounts have been adjusted to reflect the February 1, 2011, two-for-one stock split.

Table of Contents

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 and 2006 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,				
	2010	2009	2008	2007a	2006 a
FCX CONSOLIDATED MINING OPERATING DATA					
Copper (recoverable)					
Production (millions of pounds)	3,908	4,103	4,030	3,884	3,639
Production (thousands of metric tons)	1,773	1,861	1,828	1,762	1,651
Sales, excluding purchases (millions of pounds)	3,896	4,111	4,066	3,862	3,630
Sales, excluding purchases (thousands of metric tons)	1,767	1,865	1,844	1,752	1,647
Average realized price per pound	$ 3.59	$ 2.60	$ 2.69	$ 3.22b	$ 2.80b
Gold (thousands of recoverable ounces)					
Production	1,886	2,664	1,291	2,329	1,863
Sales, excluding purchases	1,863	2,639	1,314	2,320	1,866
Average realized price per ounce	$ 1,271	$ 993	$ 861	$ 682	$ 566c
Molybdenum (millions of recoverable pounds)					
Production	72	54	73	70	68
Sales, excluding purchases	67	58	71	69	69
Average realized price per pound	$ 16.47	$ 12.36	$ 30.55	$ 25.87	$ 21.87
NORTH AMERICA COPPER MINES					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	1,067	1,147	1,430	1,320	1,305
Production (thousands of metric tons)	484	520	649	599	592
Sales, excluding purchases (millions of pounds)	1,085	1,187	1,434	1,332	1,303
Sales, excluding purchases (thousands of metric tons)	492	538	650	604	591
Average realized price per pound	$ 3.42	$ 2.38	$ 3.07	$ 3.10d	$ 2.29d
Molybdenum (millions of recoverable pounds)					
Production	25	25	30	30	31
100% Operating Data					
Solution extraction/electrowinning (SX/EW) operations					

Leach ore placed in stockpiles (metric tons per day)	648,800	589,400	1,095,200	798,200	801,200
Average copper ore grade (percent)	0.24	0.29	0.22	0.23	0.30
Copper production (millions of recoverable pounds)	746	859	943	940	1,013
Mill operations					
Ore milled (metric tons per day)	189,200	169,900	249,600	223,800	199,300
Average ore grade (percent):					
Copper	0.32	0.33	0.40	0.35	0.33
Molybdenum	0.03	0.02	0.02	0.02	0.02
Copper recovery rate (percent)	83.0	86.0	82.9	84.5	85.0
Production (millions of recoverable pounds):					
Copper	398	364	599	501	414
Molybdenum	25	25	30	30	31
SOUTH AMERICA MINING					
Copper (recoverable)					
Production (millions of pounds)	1,354	1,390	1,506	1,413	1,133
Production (thousands of metric tons)	614	631	683	641	514
Sales (millions of pounds)	1,335	1,394	1,521	1,399	1,126
Sales (thousands of metric tons)	606	632	690	635	511
Average realized price per pound	$ 3.68	$ 2.70	$ 2.57	$ 3.25	$ 3.03
Gold (thousands of recoverable ounces)					
Production	93	92	114	116	112
Sales	93	90	116	114	111
Average realized price per ounce	$ 1,263	$ 982	$ 853	$ 683	$ 552
Molybdenum (millions of recoverable pounds)					
Production	7	2	3	1	–
SX/EW operations					
Leach ore placed in stockpiles (metric tons per day)	268,800	258,200	279,700	289,100	257,400
Average copper ore grade (percent)	0.41	0.45	0.45	0.43	0.45
Copper production (millions of recoverable pounds)	504	565	560	569	695

Table of Contents

	Years Ended December 31,				
	2010	2009	2008	2007a	2006a
SOUTH AMERICA MINING (continued)					
Mill operations					
Ore milled (metric tons per day)	188,800	181,300	181,400	167,900	68,500
Average ore grade (percent):					
Copper	0.65	0.66	0.75	0.74	0.87
Molybdenum	0.02	0.02	0.02	0.02	–
Copper recovery rate (percent)	90.0	88.9	89.2	87.1	93.8
Production (recoverable):					
Copper (millions of pounds)	850	825	946	844	438
Gold (thousands of ounces)	93	92	114	116	112
Molybdenum (millions of pounds)	7	2	3	1	–
INDONESIA MINING					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	1,222	1,412	1,094	1,151	1,201
Production (thousands of metric tons)	554	640	496	522	545
Sales (millions of pounds)	1,214	1,400	1,111	1,131	1,201
Sales (thousands of metric tons)	551	635	504	513	545
Average realized price per pound	$ 3.69	$ 2.65	$ 2.36	$ 3.32	$ 3.13
Gold (thousands of recoverable ounces)					
Production	1,786	2,568	1,163	2,198	1,732
Sales	1,765	2,543	1,182	2,185	1,736
Average realized price per ounce	$ 1,271	$ 994	$ 861	$ 681	$ 567c
100% Operating Data					
Ore milled (metric tons per day)	230,200	238,300	192,900	212,600	229,400
Average ore grade:					
Copper (percent)	0.85	0.98	0.83	0.82	0.85
Gold (grams per metric ton)	0.90	1.30	0.66	1.24	0.85
Recovery rates (percent):					
Copper	88.9	90.6	90.1	90.5	86.1
Gold	81.7	83.7	79.9	86.2	80.9
Production (recoverable):					
Copper (millions of pounds)	1,330	1,641	1,109	1,211	1,300
Gold (thousands of ounces)	1,964	2,984	1,163	2,608	1,824
AFRICA MINING					
Copper (recoverable)					
Production (millions of pounds)	265	154e	N/A	N/A	N/A
Production (thousands of metric tons)	120	70e	N/A	N/A	N/A
Sales (millions of pounds)	262	130e	N/A	N/A	N/A
Sales (thousands of metric tons)	119	59e	N/A	N/A	N/A

Average realized price per pound	$ 3.45	$ 2.85e	N/A	N/A	N/A
Cobalt (millions of recoverable pounds)					
Production	20	N/A	N/A	N/A	N/A
Sales	20	N/A	N/A	N/A	N/A
Average realized price per pound	$ 10.95	N/A	N/A	N/A	N/A
Ore milled (metric tons per day)	10,300	7,300e	N/A	N/A	N/A
Average ore grade (percent):					
Copper	3.51	3.69e	N/A	N/A	N/A
Cobalt	0.40	N/A	N/A	N/A	N/A
Copper recovery rate (percent)	91.4	92.1e	N/A	N/A	N/A
MOLYBDENUM OPERATIONS					
Molybdenum sales, excluding purchases (millions of pounds)f	67	58	71	69	69
Average realized price per pound	$ 16.47	$ 12.36	$ 30.55	$ 25.87	$ 21.87
Henderson molybdenum mine					
Ore milled (metric tons per day)	22,900	14,900	24,100	24,000	22,200
Average molybdenum ore grade (percent)	0.25	0.25	0.23	0.23	0.23
Molybdenum production (millions of recoverable pounds)	40	27	40	39	37

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

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

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

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

e. Results for 2009 represent mining operations that began production in March 2009.

f. Includes sales of molybdenum produced at our North and South America copper mines.

Table of Contents

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

	Years Ended December 31,				
	2010	2009	2008	2007	2006
Ratio of earnings to fixed charges	16.3x	9.3x	-a	9.9x	33.1x
Ratio of earnings to fixed charges and preferred stock dividends	13.9x	6.1x	-b	6.6x	14.3x

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

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

Table of Contents

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

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

OVERVIEW

In Management's Discussion and Analysis of Financial Condition and Results of Operations, "we," "us" and "our" refer to Freeport-McMoRan Copper & Gold Inc. (FCX) and its consolidated subsidiaries. The results of operations reported and summarized below are not necessarily indicative of future operating results (refer to "Cautionary Statement" for further discussion). References to "Notes" are Notes included in our Notes to Consolidated Financial Statements. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations all references to earnings or losses per share are on a diluted basis, unless otherwise noted, and have been retroactively adjusted to reflect the February 1, 2011, two-for-one stock split.

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, significant mining operations in North and South America, and the Tenke Fungurume (Tenke) minerals district in the Democratic Republic of Congo (DRC). The Grasberg minerals district 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. We also operate Atlantic Copper, our wholly owned copper smelting and refining unit in Spain.

We have significant reserves, resources and future development opportunities within our portfolio of assets. Since the merger with Phelps Dodge Corporation (Phelps Dodge) in 2007, we have added 42.9 billion pounds of proven and probable copper reserves, including 20.2 billion pounds during 2010, and 1.72 billion pounds of proven and probable molybdenum reserves, including 0.87 billion pounds during 2010. At December 31, 2010, our estimated consolidated recoverable proven and probable reserves totaled 120.5 billion pounds of copper, which were determined using a long-term average copper price of $2.00 per pound (refer to "Critical Accounting Estimates – Mineral Reserves" for further discussion).

During 2010, 60 percent of our consolidated copper production was from our Grasberg, Morenci and Cerro Verde mines. We also produce gold, primarily at the Grasberg minerals district in Indonesia, which accounted for 95 percent of our consolidated gold production for 2010. For 2010, 56 percent of our consolidated molybdenum production was from the Henderson molybdenum mine, 34 percent was produced at certain of our North America copper mines and 10 percent was produced at our Cerro Verde mine in Peru. Refer to "Operations" for further discussion of our mining operations.

We are increasing near-term production at several of our copper mines and are undertaking major projects, including the development of the El Abra sulfide reserves and the underground ore bodies at Grasberg. We are also advancing development activities at the Climax molybdenum mine. Studies are under way to evaluate a large-scale concentrator expansion at Cerro Verde, a major mill project at El Abra, various mill projects to process significant sulfide ore in North America and staged expansion options at Tenke. The advancement of these studies is designed to position us to invest in production growth within our existing portfolio of assets. Refer to "Operations" for further discussion of our current operating and development activities.

Our results for the year 2010, compared with 2009, primarily reflected higher average realized metals prices, partially offset by lower copper and gold sales volumes (refer to "Consolidated Results" for further discussion of our

consolidated financial results for the years ended December 31, 2010, and 2009).

At December 31, 2010, we had $3.7 billion in consolidated cash and $4.8 billion in long-term debt. Since January 1, 2009, we repaid approximately $2.6 billion in debt (refer to “Capital Resources and Liquidity” for further discussion). At current copper prices we expect to produce substantial operating cash flows in 2011, and plan to focus on using our cash to invest in our development projects and return cash to shareholders through common stock dividends and/or share repurchases. On February 24, 2011, we announced our intent to redeem the remaining $1.1 billion of the 8.25% Senior Notes due 2015 on April 1, 2011. We expect to record a loss on early extinguishment of debt of approximately $56 million (approximately $49 million to net income attributable to FCX

Table of Contents

common stockholders) in second-quarter 2011 in connection with this redemption. We have no significant debt maturities in the near term; however, we may consider additional opportunities to prepay debt in advance of scheduled maturities.

In December 2010, our Board of Directors authorized a $0.50 per share supplemental common stock dividend paid on December 30, 2010, and a two-for-one common stock split effected on February 1, 2011 (refer to Note 11 for further discussion). All references to shares of our common stock, per share amounts and dividends on common stock herein have been retroactively adjusted to reflect the two-for-one stock split.

In October 2010, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining S.A.R.L.'s (TFM) contracts, confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. In connection with the review, TFM made several commitments that have been reflected in amendments to its mining contracts. In December 2010, the addenda to TFM's Amended and Restated Mining Convention and Amended and Restated Shareholders' Agreement were signed by the parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained. After giving effect to the amendments and obtaining approval of the modification to TFM's bylaws, our effective ownership interest in the project will be 56.0 percent, compared to our previous ownership interest of 57.75 percent (refer to Note 14 for further discussion).

OUTLOOK

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

Our financial results can vary significantly as a result of fluctuations in the market prices of copper and, to a lesser extent, gold and molybdenum. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs and operating cash flow. Discussion of the outlook for each of these measures follows.

Sales Volumes. Following are our actual consolidated sales volumes for 2010 and our projected consolidated sales volumes for 2011:

	2010 (Actual)	2011 (Projected)
Copper (billions of recoverable pounds):		
North America copper mines	1.1	1.2
South America mining	1.3	1.3
Indonesia mining	1.2	1.0
Africa mining	0.3	0.3
	3.9	3.9a
Gold (millions of recoverable ounces):		
Indonesia mining	1.8	1.3
South America mining	0.1	0.1
	1.9	1.4

Molybdenum (millions of recoverable pounds)b	67	70

a. Represents the sum of projected copper sales volumes before rounding.

b. Includes sales of molybdenum produced at our North and South America copper mines.

Consolidated sales volumes for 2011 are estimated to approximate 3.85 billion pounds of copper, 1.4 million ounces of gold and 70 million pounds of molybdenum. Lower copper sales from Indonesia as a result of mining in a lower grade section of the Grasberg open pit are expected to be offset by increases from North America primarily reflecting increased mining rates at Morenci. Lower estimated gold sales volumes for 2011 are a result of lower ore grades at Grasberg. Our projected sales volumes for 2011 depend on the achievement of targeted mining rates, the successful operation of production facilities, the impact of weather conditions and other factors.

Table of Contents

Unit Net Cash Costs. Assuming average prices of $1,350 per ounce of gold and $15 per pound of molybdenum for 2011, and achievement of current 2011 sales volume and cost estimates, we estimate our consolidated unit net cash costs (net of by-product credits) for our copper mining operations would average approximately $1.10 per pound in 2011. The impact of price changes in 2011 on consolidated unit net cash costs would approximate $0.02 per pound for each $50 per ounce change in the average price of gold and for each $2 per pound change in the average price of molybdenum. Consolidated unit net cash costs in 2011 are expected to be higher than consolidated unit net cash costs of $0.79 per pound of copper in 2010 primarily because of the impact of higher unit net cash costs at Grasberg associated with lower copper and gold volumes and higher input costs. Refer to "Consolidated Results – Production and Delivery Costs" for further discussion of consolidated production and delivery costs.

Operating Cash Flows. Our operating cash flows vary with prices realized from copper, gold and molybdenum sales, our sales volumes, production costs, income taxes and other working capital changes and other factors. Based on the above projected consolidated sales volumes and unit net cash costs for 2011, and assuming average prices of $4.25 per pound of copper, $1,350 per ounce of gold and $15 per pound of molybdenum in 2011, we estimate consolidated operating cash flows will approximate $8 billion in 2011, net of an estimated $100 million for working capital requirements. In addition to projected working capital requirements, our estimate of operating cash flow for the year 2011 is also net of estimated taxes of $3.5 billion (refer to "Consolidated Results – (Provision for) Benefit from Income Taxes" for discussion of our projected annual consolidated effective tax rate for 2011). The impact of price changes in 2011 on operating cash flows would approximate $150 million for each $0.05 per pound change in the average price of copper, $55 million for each $50 per ounce change in the average price of gold and $80 million for each $2 per pound change in the average price of molybdenum.

COPPER, GOLD AND MOLYBDENUM MARKETS

World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2001 through January 2011, the London Metal Exchange (LME) spot copper price varied from a low of $0.60 per pound in 2001 to a new record high of $4.60 per pound in February 2011; the London gold price fluctuated from a low of $256 per ounce in 2001 to a new record high of $1,421 per ounce in November 2010; and the Metals Week Molybdenum Dealer Oxide weekly average price ranged from a low of $2.19 per pound in 2001 to a high of $39.25 per pound in 2005. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in our "Risk Factors" contained in Part I, Item 1A of our Form 10-K for the year ended December 31, 2010.

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

Table of Contents

This graph presents LME spot copper prices and reported stocks of copper at the LME and the New York Mercantile Exchange (COMEX) from January 2001 through February 11, 2011. From 2006 through most of 2008, disruptions associated with strikes and other operational issues, combined with growing demand from China and other emerging economies, resulted in low levels of inventory. Beginning in late 2008, slowing consumption led to increases in inventory levels; however, China's increased buying activity contributed to a decline in exchange inventories during the first half of 2009. After reaching a low in July 2009, inventories grew during the second half of 2009. During 2010, inventories have decreased and at December 31, 2010, combined LME and COMEX stocks totaled approximately 436 thousand metric tons, which represents approximately eight days of global consumption.

Turmoil in the United States (U.S.) financial markets and concerns about the global economy negatively impacted copper prices in late 2008, which declined to a four-year low of $1.26 per pound in December 2008; however, copper prices have since improved significantly, attributable to a combination of strong demand from China, recovering demand in the western world and limitations of available supply. During 2010, LME spot copper prices ranged from $2.76 per pound to $4.42 per pound, averaged $3.42 per pound and closed at $4.42 per pound on December 31, 2010. We believe the underlying fundamentals of the copper business remain positive, supported by limited supplies from existing mines and the absence of significant new development projects. Future copper prices are expected to be volatile and are likely to be influenced by demand from China, economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper and production levels of mines and copper smelters. The LME spot copper price closed at $4.50 per pound on February 11, 2011.

This graph presents London gold prices from January 2001 through February 11, 2011. Gold prices reached a new record high of $1,421 per ounce in November 2010, supported by investment demand and weakness in the U.S. dollar. During 2010, gold prices ranged from $1,058 per ounce to $1,421 per ounce, averaged $1,225 per ounce and closed at $1,410 per ounce on December 31, 2010. London gold prices closed at $1,364 per ounce on February 11, 2011.

Table of Contents

This graph presents the Metals Week Molybdenum Dealer Oxide weekly average price from January 2001 through February 11, 2011. In late 2008, molybdenum prices declined significantly as a result of the financial market turmoil and a decline in demand; however, molybdenum prices have since increased, which we believe is supported by improved demand in the chemicals sector. During 2010, the weekly average price of molybdenum ranged from $11.75 per pound to $18.60 per pound, averaged $15.71 per pound and was $16.40 per pound on December 31, 2010. The Metals Week Molybdenum Dealer Oxide weekly average price was $17.58 per pound on February 11, 2011.

CRITICAL ACCOUNTING ESTIMATES

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

Mineral Reserves. Recoverable proven and probable reserves are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The determination of reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recovery rates. Estimating the quantity and grade of reserves requires us to determine the size, shape and depth of our ore bodies by analyzing geological data, such as samplings of drill holes, tunnels and other underground workings. In addition to the geology of our mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use and the related costs incurred to develop and mine our reserves. Our estimates of recoverable proven and probable reserves are prepared by and are the responsibility of our employees. A majority of these estimates have been reviewed and verified by independent experts in mining, geology and reserve determination.

At December 31, 2010, our consolidated recoverable proven and probable reserves included 120.5 billion pounds of copper, 35.5 million ounces of gold and 3.39 billion pounds of molybdenum, which were determined using long-

Table of Contents

term average prices of $2.00 per pound for copper, $750 per ounce for gold and $10.00 per pound for molybdenum, compared with $1.60 per pound for copper, $550 per ounce for gold and $8.00 per pound for molybdenum for the proven and probable reserve estimates at December 31, 2009. The following table summarizes changes in our estimated consolidated recoverable proven and probable copper, gold and molybdenum reserves during 2009 and 2010:

	Copper (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
Consolidated reserves at December 31, 2008	102.0	40.0	2.48
Net additions/revisions	6.3	(0.1)	0.16
Production	(4.1)	(2.7)	(0.05)
Consolidated reserves at December 31, 2009	104.2	37.2	2.59
Net additions/revisions	20.2	0.2	0.87
Production	(3.9)	(1.9)	(0.07)
Consolidated reserves at December 31, 2010	120.5	35.5	3.39

Additions to recoverable copper reserves during 2010 included 15.7 billion pounds at our North America copper mines and 4.8 billion pounds at our South America mines reflecting positive exploration results and the effect of higher prices. These additions were partially offset by revisions at other mines. The increases in reserves replaced approximately 5 times our 2010 copper production. Refer to Note 19 for further information regarding estimated recoverable proven and probable reserves.

As discussed in Note 1, we depreciate our life-of-mine mining and milling assets and values assigned to proven and probable reserves using the unit-of-production (UOP) method based on our estimated recoverable proven and probable reserves, and also have other assets that are depreciated on a straight-line basis over their estimated useful lives. Because the economic assumptions used to estimate reserves change from period to period and additional geological data is generated during the course of operations, estimates of reserves may change, which could have a significant impact on our results of operations, including changes to prospective depreciation rates and asset carrying values. Based on projected copper sales volumes for 2011, if estimated copper reserves at our mines were 10 percent higher at December 31, 2010, we estimate that our annual depreciation, depletion and amortization expense for 2011 would decrease by $34 million ($17 million to net income attributable to FCX common stockholders), and a 10 percent decrease in copper reserves would increase depreciation, depletion and amortization expense by $41 million ($21 million to net income attributable to FCX common stockholders). We perform annual assessments of our existing assets in connection with the review of mine operating and development plans. If it is determined that assigned asset lives do not reflect the expected remaining period of benefit, any change could affect prospective depreciation rates.

At December 31, 2010, our long-lived assets include amounts assigned to proven and probable reserves totaling $4.5 billion. As discussed below and in Note 1, we review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable, and changes to our estimates of recoverable proven and probable reserves could have an impact on our assessment of asset recoverability.

Recoverable Copper. We record, as inventory, applicable costs for copper contained in mill and leach stockpiles that are expected to be processed in the future based on proven processing technologies. Mill and leach stockpiles are evaluated periodically to ensure that they are stated at the lower of cost or market. Accounting for recoverable copper

from mill and leach stockpiles represents a critical accounting estimate because (i) it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, which requires management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grade contained in the material delivered to the mill and leach stockpiles.

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

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production-scale process), historical trends and other factors,

Table of Contents

including mineralogy of the ore and rock type. Ultimate recovery of copper contained in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including type of copper recovery, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 70 percent of the copper ultimately recoverable may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes. During fourth-quarter 2010 revised recovery rate estimates at El Abra resulted in a reduction of 163 million pounds in leach stockpiles. At December 31, 2010, estimated recoverable copper was 2.6 billion pounds in leach stockpiles (with a carrying value of $1.8 billion) and 1.3 billion pounds in mill stockpiles (with a carrying value of $505 million).

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

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

At December 31, 2010, environmental obligations recorded in our consolidated balance sheets totaled approximately $1.4 billion, which reflect obligations for environmental liabilities attributed to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or analogous state programs and for estimated future costs associated with environmental matters at closed facilities and closed portions of certain operating facilities.

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

	2010	2009	2008
Balance at beginning of year	$ 1,464	$ 1,401	$ 1,268
Liabilities assumed in the acquisition of Phelps Dodge	–	–	117
Accretion expensea	97	102	95
Additions	19	40	36
Reductions	–	(3)	(1)
Spending	(158)	(76)	(114)
Balance at end of year	$ 1,422	$ 1,464	$ 1,401

a.

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

Refer to Note 13 for further discussion of environmental obligations.

Reclamation and Closure Costs. Reclamation is an ongoing activity that occurs throughout the life of a mine. We record the fair value of our estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Fair value is measured as the present value of cash flow estimates after considering inflation and then applying a market risk premium. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible long-lived assets in the period incurred. These cost estimates may differ from financial assurance cost estimates for reclamation activities because of a variety of factors, including obtaining updated cost estimates for reclamation activities, the timing of reclamation activities, changes

Table of Contents

in scope and the exclusion of certain costs not considered reclamation and closure costs. Refer to Note 1 for further discussion of our accounting policy for reclamation and closure costs.

Generally, ARO activities are specified by regulations or in permits issued by the relevant governing authority, and management judgment is required to estimate the extent and timing of expenditures based on life-of-mine planning. Accounting for reclamation and closure costs represents a critical accounting estimate because (i) we will not incur most of these costs for a number of years, requiring us to make estimates over a long period, (ii) reclamation and closure laws and regulations could change in the future and/or circumstances affecting our operations could change, either of which could result in significant changes to our current plans, (iii) calculating the fair value of our AROs requires management to estimate projected cash flows, make long-term assumptions about inflation rates, determine our credit-adjusted, risk-free interest rates and determine market risk premiums that are appropriate for our operations and (iv) given the magnitude of our estimated reclamation and closure costs, changes in any or all of these estimates could have a significant impact on our results of operations.

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

	2010	2009	2008
Balance at beginning of year	$ 731	$ 712	$ 728
Liabilities incurred	5	12	5
Revisions to cash flow estimates	105a	(17)	21
Accretion expense	54	52	51
Spending	(38)	(28)	(91)
Foreign currency translation adjustment	(1)	–	(2)
Balance at end of year	$ 856	$ 731	$ 712

a. During 2010, the revisions to cash flow estimates were primarily related to the increased cost and accelerated timing of closure activities at Chino.

Refer to Note 13 for further discussion of reclamation and closure costs.

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

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

At December 31, 2010, our valuation allowances totaled $2.2 billion and covered all of our U.S. foreign tax credit carryforwards, and a portion of our foreign net operating loss carryforwards, U.S. state net operating loss carryforwards, and U.S. minimum tax credit carryforwards. At December 31, 2009, our valuation allowances totaled $2.2 billion and covered all of our U.S. foreign tax credit carryforwards and U.S. state net operating loss carryforwards, and a portion of our foreign net operating loss carryforwards and U.S. minimum tax credit carryforwards. These valuation allowances include $59 million and $44 million, respectively, relating to tax benefits that, if recognized, would be credited directly to other comprehensive income. The $69 million increase in the valuation allowance during 2010 was primarily the result of an increase in foreign tax credit carryforwards, partially offset by a decrease in minimum tax credit carryforwards.

Refer to Note 12 for further discussion.

Impairment of Assets. We evaluate our long-lived assets (to be held and used) for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. In

Table of Contents

evaluating our long-lived assets for recoverability, estimates of after-tax undiscounted future cash flows of our individual mining operations are used, with impairment losses measured by reference to fair value. As quoted market prices are unavailable for our individual mining operations, fair value is determined through the use of discounted estimated future cash flows. The estimated cash flows used to assess recoverability of our long-lived assets and measure fair value of our mining operations are derived from current business plans, which are developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. In addition to near and long-term metal price assumptions, other key estimates include commodity-based and other input costs; proven and probable reserves, including the timing and cost to develop and produce the reserves; and the use of appropriate escalation and discount rates.

Because the cash flows used to assess recoverability of our long-lived assets and measure fair value of our mining operations require us to make several estimates and assumptions that are subject to risk and uncertainty, changes in these estimates and assumptions could result in the impairment of our long-lived assets values. Events that could result in impairment of our long-lived assets include, but are not limited to, decreases in future metal prices, decreases in estimated recoverable proven and probable reserves and any event that might otherwise have a material adverse effect on mine site production levels or costs.

During fourth-quarter 2008, we concluded that the then-current economic environment and significant declines in copper and molybdenum prices represented significant adverse changes in our business and evaluated our long-lived assets for impairment. Projected metal prices represented the most significant assumption used in the cash flow estimates to assess recoverability and measure fair value of our individual mining operations. Our evaluation resulted in the recognition of asset impairment charges totaling $10.9 billion ($6.6 billion to net loss attributable to FCX common stockholders or $8.67 per share) for 2008. Refer to Note 17 for further discussion of the 2008 asset impairment charges.

Additionally, goodwill was recorded in connection with the March 2007 acquisition of Phelps Dodge and was assigned to the reporting units, or individual mines, that were expected to benefit from the business combination. Goodwill is required to be evaluated for impairment at least annually and at any other time if an event or change in circumstances indicates that the fair value of a reporting unit is below its carrying amount. Our annual goodwill impairment test was performed in fourth-quarter 2008, which resulted in the full impairment of goodwill and the recognition of charges totaling $6.0 billion ($6.0 billion to net loss attributable to FCX common stockholders or $7.84 per share). Refer to Note 5 for further discussion.

Table of Contents

CONSOLIDATED RESULTS

	Years Ended December 31,		
	2010	2009	2008
Financial Data (in millions, except per share amounts)			
Revenuesa,b	$ 18,982	$ 15,040	$ 17,796
Operating income (loss)b	9,068	6,503	(12,710)c
Net income (loss)	5,544	3,534	(10,450)
Net income attributable to noncontrolling interests	1,208	785	617
Net income (loss) attributable to FCX common stockholdersd	4,273e	2,527e	(11,341)c,e
Diluted net income (loss) per share attributable to FCX common stockholdersf,g	$ 4.57e	$ 2.93e	$ (14.86)c,e
Diluted weighted-average common shares outstandingf,g	949	938	763
Mining Operating Data			
Copper (recoverable)			
Production (millions of pounds)	3,908	4,103	4,030
Sales, excluding purchases (millions of pounds)	3,896	4,111	4,066
Average realized price per pound	$ 3.59	$ 2.60	$ 2.69
Site production and delivery costs per poundh	$ 1.40	$ 1.12	$ 1.51
Unit net cash costs per poundh	$ 0.79	$ 0.55	$ 1.16
Gold (recoverable)			
Production (thousands of ounces)	1,886	2,664	1,291
Sales, excluding purchases (thousands of ounces)	1,863	2,639	1,314
Average realized price per ounce	$ 1,271	$ 993	$ 861
Molybdenum (recoverable)			
Production (millions of pounds)	72	54	73
Sales, excluding purchases (millions of pounds)	67	58	71
Average realized price per pound	$ 16.47	$ 12.36	$ 30.55

a. Includes the impact of adjustments to provisionally priced concentrate and cathode sales recognized in prior periods. Refer to “Revenues” and “Disclosures About Market Risks – Commodity Price Risk” for further discussion.

b. Following is a summary of revenues and operating income (loss) by operating division (in millions):

	Years Ended December 31,		
Revenues	2010	2009	2008
North America copper mines	$ 4,136	$ 3,235	$ 5,265
South America mining	4,991	3,839	4,166
Indonesia mining	6,377	5,908	3,412
Africa mining	1,106	389	–
Molybdenum	1,205	847	2,488
Rod & Refining	4,470	3,356	5,557
Atlantic Copper Smelting & Refining	2,491	1,892	2,341
Corporate, other & eliminations	(5,794)	(4,426)	(5,433)
Total FCX revenues	$ 18,982	$ 15,040	$ 17,796

	Years Ended December 31,		
Operating income (loss)	2010	2009	2008
North America copper mines	$ 1,848	$ 1,020	$ (11,522)
South America mining	3,063	2,001	(694)
Indonesia mining	4,099	4,034	1,307
Africa mining	490	8	(26)
Molybdenum	357	126	(1,473)
Rod & Refining	19	14	2
Atlantic Copper Smelting & Refining	(37)	(56)	10
Corporate, other & eliminations	(771)	(644)	(314)
Total FCX operating income (loss)	$ 9,068	$ 6,503	$ (12,710)

Refer to Note 18 for further discussion of our operating divisions and business segments.

c. Includes long-lived asset impairments and other charges totaling $11.0 billion ($6.7 billion to net loss attributable to FCX common stockholders or $8.76 per share), goodwill impairment charges totaling $6.0 billion ($6.0 billion to net loss attributable to FCX common stockholders or $7.84 per share), and charges for LCM inventory adjustments totaling $782 million ($479 million to net loss attributable to FCX common stockholders or $0.63 per share). Refer to Notes 5 and 17 for further discussion.

Table of Contents

d. After noncontrolling interests and preferred dividends.

e. Includes net losses on early extinguishment and conversions of debt totaling $71 million ($0.07 per share) in 2010 associated with the redemption of our $1.0 billion Senior Floating Rate Notes and open-market purchases of Senior Notes, $43 million ($0.04 per share) in 2009 associated with the redemption and open-market purchases of Senior Notes and $5 million ($0.01 per share) in 2008 associated with an open-market purchase of Senior Notes. Refer to Note 9 for further discussion.

f. Amounts have been adjusted to reflect the February 1, 2011, two-for-one stock split.

g. As applicable, reflects assumed conversion of our 5½% Convertible Perpetual Preferred Stock (which converted into 35.8 million shares of FCX common stock in September 2009) and 6¾% Mandatory Convertible Preferred Stock (which converted into 78.9 million shares of FCX common stock during 2010). In addition, the 2009 period includes the effects of the 53.6 million shares of common stock we sold in February 2009. Common shares outstanding on December 31, 2010, totaled 945 million. Refer to Note 11 for further discussion.

h. Reflects per pound weighted average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines, excluding net noncash and other costs. The 2009 period excludes the results of Africa mining as start-up activities were still under way. For reconciliations of the per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements, refer to "Operations – Unit Net Cash Costs" and to "Product Revenues and Production Costs."

Revenues

Consolidated revenues totaled $19.0 billion in 2010, compared with $15.0 billion in 2009 and $17.8 billion in 2008, and include the sale of copper concentrates, copper cathodes, copper rod, gold, molybdenum and other metals by our North and South America mines, the sale of copper concentrates (which also contain significant quantities of gold and silver) by our Indonesia mining operations, the sale of copper cathodes and cobalt hydroxide by our Africa mining operations, the sale of molybdenum in various forms by our Molybdenum operations, and the sale of copper cathodes, copper anodes, and gold in anodes and slimes by Atlantic Copper. Our mining revenues for 2010 include sales of copper (78 percent), gold (12 percent) and molybdenum (6 percent).

Following is a summary of year-to-year changes in our consolidated revenues (in millions):

	2010	2009
Consolidated revenues – prior year	$ 15,040	$ 17,796
Higher (lower) price realizations from mining operations:		
Copper	3,779	(288)
Gold	517	349
Molybdenum	273	(1,056)
Higher (lower) sales volumes from mining operations:		
Copper	(563)	121
Gold	(771)	1,141
Molybdenum	105	(395)
Cobalt	195	24
Lower net adjustments primarily for prior year provisionally priced sales	(155)	(139)
Higher (lower) purchased copper and molybdenum	188	(1,414)
Higher (lower) Atlantic Copper revenues	599	(449)
Other, including intercompany eliminations	(225)	(650)

Consolidated revenues – current year	$ 18,982	$ 15,040

Table of Contents

Price Realizations

2010 Compared with 2009. Our consolidated revenues can vary significantly as a result of fluctuations in the market prices of copper and, to a lesser extent, gold and molybdenum. Consolidated revenues in 2010 reflected higher price realizations. Realized copper prices averaged $3.59 per pound in 2010, compared with $2.60 per pound in 2009; realized gold prices averaged $1,271 per ounce in 2010, compared with $993 per ounce in 2009; and realized molybdenum prices averaged $16.47 per pound in 2010, compared with $12.36 per pound in 2009.

2009 Compared with 2008. Consolidated revenues in 2009 were impacted by lower copper and molybdenum prices compared to 2008. Realized copper prices averaged $2.60 per pound in 2009, compared with $2.69 per pound in 2008 and realized molybdenum prices averaged $12.36 per pound in 2009, compared with $30.55 per pound in 2008. Partly offsetting lower copper and molybdenum realizations were higher realized gold prices, which averaged $993 per ounce in 2009, compared with $861 per ounce in 2008.

Sales Volumes

2010 Compared with 2009. Consolidated sales volumes totaled 3.9 billion pounds of copper, 1.9 million ounces of gold and 67 million pounds of molybdenum in 2010, compared with 4.1 billion pounds of copper, 2.6 million ounces of gold and 58 million pounds of molybdenum in 2009. Lower consolidated copper sales volumes in 2010 primarily resulted from lower ore grades at Grasberg and lower volumes at our North America copper mines, partly offset by additional volumes provided by our Tenke mine in Africa. Lower consolidated gold sales volumes in 2010 primarily reflected lower ore grades at Grasberg from planned mine sequencing. Higher consolidated molybdenum sales volumes in 2010 reflected improved demand in the chemicals sector. Refer to “Operations” for further discussion of sales volumes at our operating divisions.

2009 Compared with 2008. Consolidated sales volumes totaled 4.1 billion pounds of copper, 2.6 million ounces of gold and 58 million pounds of molybdenum in 2009, compared with 4.1 billion pounds of copper, 1.3 million ounces of gold and 71 million pounds of molybdenum in 2008. Copper sales volumes in 2009, compared with 2008, reflected mining in a higher grade section of the Grasberg open pit and the contribution of 2009 sales volumes from the Tenke mine, offset by lower sales volumes as a result of production curtailments at the North America copper mines and lower ore grades at Candelaria. Mining in a higher grade section of the Grasberg open pit also resulted in substantially higher gold sales volumes in 2009. Lower molybdenum sales volumes in 2009 reflected reduced demand in the metallurgical and chemicals sectors.

Provisionally Priced Sales

Under the long-established structure of sales agreements prevalent in the industry, substantially all of our concentrate and cathode sales are provisionally priced at the time of shipment. The provisional prices are finalized in a contractually specified future period (generally one to four months from the shipment date) based primarily on quoted LME monthly average spot prices (refer to “Disclosures About Market Risks – Commodity Price Risk” for further discussion). Adjustments to the December 31, 2009, provisionally priced copper sales resulted in a net decrease to consolidated revenues of $24 million ($10 million to net income attributable to FCX common stockholders or $0.01 per share) in 2010. Adjustments to the December 31, 2008, provisionally priced copper sales resulted in a net increase to consolidated revenues of $132 million ($61 million to net income attributable to FCX common stockholders or $0.07 per share) in 2009. Adjustments to the December 31, 2007, provisionally priced copper sales resulted in an increase of $268 million ($114 million to net loss attributable to FCX common stockholders or $0.15 per share) in 2008.

Purchased Copper and Molybdenum

We primarily purchase copper cathode to be processed by our Rod & Refining segment when production from our North America copper mines does not meet customer demand. We also purchase molybdenum concentrates when customer demand requires it. The decrease in purchased copper and molybdenum for 2009, compared to 2008,

resulted from lower demand.

Atlantic Copper Revenues

The increase in Atlantic Copper's revenues in 2010, compared with 2009, primarily reflected higher copper revenues associated with higher prices. Atlantic Copper's revenues decreased in 2009, compared with 2008, primarily reflecting lower copper prices.

Table of Contents

Production and Delivery Costs

2010 Compared with 2009

Consolidated production and delivery costs totaled $8.4 billion in 2010, compared with $7.0 billion in 2009. Higher production and delivery costs for 2010 primarily reflect higher input costs at our mining operations and higher costs of concentrate purchases at Atlantic Copper associated with higher copper prices.

Consolidated unit site production and delivery costs for our copper mining operations averaged $1.40 per pound of copper in 2010, compared with $1.12 per pound of copper in 2009. Higher site production and delivery costs in 2010 primarily reflected the impact of lower copper sales volumes and increased input costs, including materials, labor and energy, higher North America mining rates and lower volumes at Grasberg. Refer to “Operations – Unit Net Cash Costs” for further discussion of unit net cash costs associated with our operating divisions, and to “Product Revenues and Production Costs” for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements.

Our copper mining operations require significant energy, principally electricity, diesel, coal and natural gas. Energy costs approximated 20 percent of our consolidated copper production costs in 2010 and 2009, and included purchases of approximately 215 million gallons of diesel fuel; 6,100 gigawatt hours of electricity at our North America, South America and Africa copper mining operations (we generate all of our power at our Indonesia mining operation); 800 thousand metric tons of coal for our coal power plant in Indonesia; and 1 million MMBTU (million British thermal units) of natural gas at certain of our North America mines. For 2011, we estimate energy costs will approximate 20 percent of our consolidated copper production costs.

2009 Compared with 2008

Consolidated production and delivery costs totaled $7.0 billion in 2009, compared with $10.4 billion in 2008. Lower production and delivery costs for 2009 primarily reflect the effects of lower operating rates at our North America copper mines, lower commodity-based input costs and lower purchases of copper.

Depreciation, Depletion and Amortization

2010 Compared with 2009

Consolidated depreciation, depletion and amortization expense totaled $1.0 billion in 2010 and 2009. Higher depreciation, depletion and amortization expense in 2010 for a full year of operations at our Tenke mine was offset by lower expense under the unit-of-production method at our South America and Grasberg mines.

2009 Compared with 2008

Consolidated depreciation, depletion and amortization expense totaled $1.0 billion in 2009, compared with $1.8 billion in 2008. The decrease in depreciation, depletion and amortization expense reflected the impact of long-lived asset impairments recognized at December 31, 2008, on our depreciable net book values.

Lower of Cost or Market (LCM) Inventory Adjustments

Inventories are required to be recorded at the lower of cost or market. In 2009, we recognized charges of $19 million ($15 million to net income attributable to FCX common stockholders or $0.02 per share) for LCM molybdenum inventory adjustments. We recorded no further LCM inventory adjustments subsequent to first-quarter 2009.

In 2008, we recorded LCM inventory adjustments totaling $782 million ($479 million to net loss attributable to FCX common stockholders or $0.63 per share). Inventories acquired in connection with the acquisition of Phelps Dodge (including long-term mill and leach stockpiles) were recorded at fair value using near-term price forecasts reflecting the then-current price environment and management’s projections for long-term average metal prices.

Selling, General and Administrative Expenses

2010 Compared with 2009

Consolidated selling, general and administrative expenses totaled $381 million in 2010, compared with $321 million in 2009. Approximately half of the increase in selling, general and administrative expenses reflected higher stock-based compensation and other incentive compensation costs related to financial performance.

Table of Contents

2009 Compared with 2008
Consolidated selling, general and administrative expenses totaled $321 million in 2009, compared with $269 million in 2008. Higher selling, general and administrative expenses primarily reflected a net increase in incentive compensation costs related to financial performance, partly offset by reductions associated with administrative costs savings initiatives.

Exploration and Research Expenses
Consolidated exploration and research expenses totaled $143 million in 2010, $90 million in 2009 and $292 million in 2008. Throughout most of 2008, expenditures primarily reflected increased exploration efforts in North America and also in Africa, including targets outside the area of initial development at Tenke. However, in response to weak market conditions at the end of 2008, we revised operating plans to significantly reduce exploration costs in 2009. During 2009 and 2010, we focused on analyzing exploration data gained through the core drilling previously undertaken in addition to conducting new activities.

Exploration activities are being conducted near our existing mines with a focus on opportunities to expand reserves that will support additional future production capacity in the large minerals districts where we currently operate. Favorable exploration results indicate opportunities for significant future potential reserve additions in North and South America and in the Tenke minerals district. The drilling data in North America continue to indicate the potential for expanded sulfide production.

For 2011, exploration and research expenditures are being increased to an estimated $250 million, including approximately $200 million for exploration. Exploration activities will continue to focus primarily on the potential for future reserve additions in our existing minerals districts.

Long-Lived Asset Impairments and Other Charges
During 2009, net restructuring and other charges totaled $77 million ($61 million to net income attributable to FCX common stockholders or $0.07 per share), which included a charge of $54 million ($43 million to net income attributable to FCX common stockholders or $0.05 per share) associated with the partial settlement of the City of Blackwell lawsuit.

During 2008, we recognized charges totaling $11.0 billion ($6.7 billion to net loss attributable to FCX common stockholders or $8.76 per share) for long-lived asset impairments and other charges. During fourth-quarter 2008, we concluded that the declines in copper and molybdenum prices and the deterioration of the economic environment represented significant adverse changes in the business and evaluated our long-lived assets for impairment as of December 31, 2008, which resulted in the recognition of asset impairment charges totaling $10.9 billion ($6.6 billion to net loss attributable to FCX common stockholders or $8.67 per share). In addition, we recorded net restructuring and other charges totaling $111 million ($67 million to net loss attributable to FCX common stockholders or $0.09 per share) associated with our revised operating plans, including contract termination costs, other project cancellation costs, employee severance and benefits and special retirement benefits and curtailments.

Refer to Note 17 for further discussion of these charges.

Goodwill Impairment
Our annual impairment test of goodwill at December 31, 2008, resulted in the full impairment of goodwill and the recognition of charges totaling $6.0 billion ($6.0 billion to net loss attributable to FCX common stockholders or $7.84 per share). Refer to Note 5 for further discussion.

Interest Expense, Net

Consolidated interest expense (before capitalization) totaled $528 million in 2010, $664 million in 2009 and $706 million in 2008. Lower interest expense primarily reflected the impact of debt repayments during 2009 and 2010 (refer to “Capital Resources and Liquidity – Financing Activities” for discussion of debt repayments). Lower interest expense in 2009, compared with 2008, also reflected lower interest rates on our variable-rate debt.

Capitalized interest is primarily related to our development projects and totaled $66 million in 2010, $78 million in 2009 and $122 million in 2008.

Table of Contents

Losses on Early Extinguishment of Debt

During 2010, we recorded losses on early extinguishment of debt totaling $81 million ($71 million to net income attributable to FCX common stockholders or $0.07 per share) associated with the redemption of our Senior Floating Rate Notes and open-market purchases of our 8.25%, 8.375% and 9.50% Senior Notes.

During 2009, we recorded losses on early extinguishment of debt totaling $48 million ($43 million to net income attributable to FCX common stockholders or $0.04 per share), associated with the redemption of our 6 % Senior Notes and for open-market purchases of our 8.25%, 8.375% and 8¾% Senior Notes.

During 2008, we recorded net losses on early extinguishment of debt totaling $6 million ($5 million to net loss attributable to FCX common stockholders or $0.01 per share) associated with an open-market purchase of our 9½% Senior Notes.

Refer to Note 9 for further discussion of these transactions.

(Provision for) Benefit from Income Taxes

Our income tax provision for 2010 resulted from taxes on international operations ($2.7 billion) and U.S. operations ($244 million). As presented in the table below, our consolidated effective income tax rate was 35 percent for 2010.

Our income tax provision for 2009 resulted from taxes on international operations ($2.3 billion) and U.S. operations ($35 million). During 2009, our consolidated effective income tax rate was highly sensitive to changes in commodity prices and the mix of income between U.S. and international operations. The difference between our consolidated effective income tax rate of 40 percent in 2009 and the U.S. federal statutory rate of 35 percent primarily was attributable to the high proportion of income earned in Indonesia, which was taxed at an effective tax rate of 42 percent.

A summary of the approximate amounts in the calculation of our consolidated provision for income taxes for 2010 and 2009 follows (in millions, except percentages):

	Year Ended December 31, 2010			Year Ended December 31, 2009		
	Income (Loss)a	Effective Tax Rate	Income Tax (Provision) Benefit	Income (Loss)a	Effective Tax Rate	Income Tax (Provision) Benefit
U.S.	$ 1,307	19%	$ (244)	$ 98	36%	$ (35)b
South America	2,995	33%	(999)	2,010	32%	(650)
Indonesia	3,873	42%	(1,635)	4,000	42%	(1,697)
Africa	395	30%	(118)	(60)	25%	15
Eliminations and other	(58)	N/A	13	(232)	N/A	60
Consolidated FCX	$ 8,512	35%	$ (2,983)	$ 5,816	40%	$ (2,307)

a. Represents income (loss) by geographic location before income taxes and equity in affiliated companies' net earnings.

b. Includes a favorable adjustment totaling $43 million resulting from completion of a review of U.S. deferred income tax accounts.

Our estimated consolidated effective tax rate for 2011 will vary with commodity price changes and the mix of income from international and U.S. operations. Assuming average prices of $4.25 per pound for copper, $1,350 per ounce for

gold, $15 per pound for molybdenum and current sales estimates, we estimate our annual consolidated effective tax rate will approximate 34 percent.

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

Table of Contents

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

	Year Ended December 31, 2008		
	Income (Loss)a	Effective Tax Rate	Income Tax (Provision) Benefit
U.S.	$ 1,258	15%	$ (191)
South America	1,752	32%	(553)
Indonesia	1,432	43%	(612)
Africa	(187)	35%	66
Asset impairment charges	(10,867)	39%	4,212
Goodwill impairment charges	(5,987)	N/A	–
LCM inventory adjustments	(782)	38%	299
Eliminations and other	72	N/A	(18)
Adjustments	N/A	N/A	(359)b
Consolidated FCX	$ (13,309)	21%	$ 2,844

a. Represents income (loss) by geographic location before income taxes and equity in affiliated companies' net earnings.

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

Refer to Note 12 for further discussion of income taxes.

OPERATIONS

North America Copper Mines

We currently operate seven copper mines in North America – Morenci, Sierrita, Bagdad, Safford and Miami in Arizona, and Tyrone and Chino in New Mexico. All of these mining operations are wholly owned, except for Morenci, an unincorporated joint venture, in which we own an 85 percent undivided interest.

The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and solution extraction/electrowinning (SX/EW) operations. Molybdenum is also produced by Sierrita and Bagdad. A majority of the copper produced at our North America copper mines is cast into copper rod by our Rod & Refining operations. Rod and wire sales to outside wire and cable manufacturers represented approximately 81 percent of our North America copper sales in 2010. The remainder of our North America copper sales is primarily in the form of copper cathode or copper concentrate. Refer to Note 18 for further discussion of our reportable segment (Morenci) in the North America copper mines division.

Operating and Development Activities. We have restarted the Morenci mill and have commenced a staged ramp up of Morenci's mining rates. We have also resumed certain project development activities, including initiating restarts of mining at the Miami and Chino mines.

Morenci Mill Restart and Mine Ramp-up. In March 2010, we restarted the Morenci mill to process available sulfide material currently being mined. Mill throughput averaged 42,200 metric tons of ore per day in fourth-quarter 2010 and 26,000 metric tons of ore per day during the year 2010 and is expected to increase to approximately 50,000 metric tons per day in 2011. We have also commenced a staged ramp up at the Morenci mine from the 2009 rate of 450,000 metric tons per day to 635,000 metric tons per day. The mining rate averaged 566,000 metric tons per day in fourth-quarter 2010 and over 480,000 metric tons per day during the year 2010. These activities are expected to enable copper production to increase by approximately 125 million pounds per year in 2011. Further increases to Morenci's mining rate are being evaluated. We are also evaluating the potential for a new mill at Morenci, which would involve significant investment.

Miami Restart. We initiated limited mining activities at the Miami mine to improve efficiencies of ongoing reclamation projects associated with historical mining operations at the site. During an approximate five-year mine life, we expect to ramp up production at Miami to approximately 100 million pounds of copper per year by 2012. We are investing approximately $40 million for this project, which is benefiting from the use of existing mining equipment.

Table of Contents

Chino Restart. We have initiated a restart of mining and milling activities at the Chino mine, which were suspended in late 2008. The ramp up of mining and milling activities will significantly increase copper production at Chino, which is currently producing small amounts of copper from existing leach stockpiles. Planned mining and milling rates are expected to be achieved by the end of 2013. Incremental annual copper production is expected to be 100 million pounds in 2012 and 2013 and 200 million pounds in 2014. Costs for the project are expected to approximate $150 million, associated with equipment and mill refurbishment.

Safford Sulphur Burner. We are completing construction of a sulphur burner at the Safford mine, which will provide a more cost-effective source of sulphuric acid used in SX/EW operations and lower transportation costs. This project is expected to be completed in second-quarter 2011 at a capital investment of approximately $150 million. Project costs of $98 million have been incurred as of December 31, 2010, of which $69 million was incurred during the year 2010.

Twin Buttes. In December 2009, we purchased the Twin Buttes copper mine, which ceased operations in 1994, and is adjacent to our Sierrita mine. The purchase provides significant synergies in the Sierrita minerals district, including the potential for expanded mining activities and access to material that can be used for Sierrita tailings and stockpile reclamation purposes. Studies have commenced to incorporate the Twin Buttes resources in our development plans.

Other Matters. Refer to Note 13 for information on contingencies at the North America copper mines.

Operating Data. Following is summary operating data for the North America copper mines for the years ended December 31.

	2010	2009	2008
Operating Data, Net of Joint Venture Interest			
Copper (millions of recoverable pounds)			
Production	1,067	1,147	1,430
Sales, excluding purchases	1,085	1,187	1,434
Average realized price per pound	$ 3.42	$ 2.38	$ 3.07
Molybdenum (millions of recoverable pounds)			
Productiona	25	25	30
100% Operating Data			
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	648,800	589,400	1,095,200
Average copper ore grade (percent)	0.24	0.29	0.22
Copper production (millions of recoverable pounds)	746	859	943
Mill operations			
Ore milled (metric tons per day)	189,200	169,900	249,600
Average ore grade (percent):			
Copper	0.32	0.33	0.40
Molybdenum	0.03	0.02	0.02
Copper recovery rate (percent)	83.0	86.0	82.9
Production (millions of recoverable pounds):			
Copper	398	364	599
Molybdenum	25	25	30

a.

Reflects molybdenum production from certain of our North America copper mines. Sales of molybdenum are reflected in the Molybdenum division.

2010 Compared with 2009

Copper sales volumes from our North America copper mines decreased to 1.1 billion pounds in 2010, compared with 1.2 billion pounds in 2009, primarily because of anticipated lower ore grades at Safford and Sierrita, lower mill throughput because of unscheduled crusher maintenance at Bagdad and mill maintenance at Sierrita. Copper sales volumes from our North America copper mines are expected to approximate 1.2 billion pounds in 2011. The impact of increased mining and milling rates at the Morenci mine and the restarts of the Miami and Chino mines are expected to further increase production in future periods. Molybdenum production from our North America copper mines is expected to approximate 35 million pounds in 2011.

Table of Contents

2009 Compared with 2008

Copper sales volumes from our North America copper mines decreased to 1.2 billion pounds in 2009, compared with 1.4 billion pounds in 2008, which reflects certain of our North America copper mines operating at reduced rates in response to reduced demand for copper in the western world.

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

Gross Profit per Pound of Copper and Molybdenum

The following tables summarize unit net cash costs and gross profit per pound at the North America copper mines for the years ended December 31. Refer to “Product Revenues and Production Costs” for an explanation of the “by-product” and “co-product” methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2010			2009		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molyb-denuma		Copper	Molyb-denuma
Revenues, excluding adjustments	$ 3.42	$ 3.42	$ 15.60	$ 2.38	$ 2.38	$ 10.96
Site production and delivery, before net noncash and other costs shown below	1.50	1.35	7.95	1.25	1.15	5.67
By-product creditsa	(0.35)	–	–	(0.23)	–	–
Treatment charges	0.09	0.09	–	0.09	0.09	–
Unit net cash costs	1.24	1.44	7.95	1.11	1.24	5.67
Depreciation, depletion and amortization	0.24	0.22	0.54	0.22	0.21	0.40
Noncash and other costs, net	0.12	0.12	0.01	0.11	0.11	0.07
Total unit costs	1.60	1.78	8.50	1.44	1.56	6.14
Revenue adjustments, primarily for hedging	–	–	–	0.08	0.08	–
Idle facility and other non-inventoriable costs	(0.08)	(0.08)	(0.02)	(0.08)	(0.08)	–
Gross profit per pound	$ 1.74	$ 1.56	$ 7.08	$ 0.94	$ 0.82	$ 4.82
Copper sales (millions of recoverable pounds)	1,082	1,082		1,185	1,185	
Molybdenum sales (millions of recoverable pounds)b			25			25

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

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

Unit net cash costs (net of by-product credits) for our North America copper mines increased to $1.24 per pound of copper in 2010, compared with $1.11 per pound in 2009, primarily reflecting higher site production and delivery costs ($0.25 per pound) associated with higher input costs and increased mining and milling activities at certain mines. Partly offsetting these higher costs were higher molybdenum credits ($0.12 per pound) primarily resulting from higher molybdenum prices.

Some of our U.S. copper rod customers request a fixed market price instead of the COMEX average price in the month of shipment. We hedge this price exposure in a manner that allows us to receive market prices in the month of shipment while the customer pays the fixed price they requested. Because these contracts previously did not meet the criteria to qualify for hedge accounting, revenue adjustments in 2009 reflected unrealized gains on these copper derivative contracts (refer to Note 15 for further discussion).

Our operating North America copper mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-products and other factors. During 2010, unit net cash costs for the North America copper mines ranged from a net cost of $0.64 per pound to $2.25 per pound at the individual mines and averaged $1.24 per pound. Based on current operating plans and assuming achievement of current sales volume

Table of Contents

and cost estimates and an average price of $15 per pound of molybdenum for 2011, we estimate that average unit net cash costs (net of by-product credits) for our North America copper mines would approximate $1.39 per pound of copper in 2011. Unit net cash costs for 2011 are expected to be higher, compared with 2010, primarily because of higher mining rates and input costs. Each $2 per pound change in the average price of molybdenum during the year would have an approximate $0.05 per pound impact on the North America copper mines' 2011 unit net cash costs.

	2009			2008		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molyb-denuma		Copper	Molyb-denuma
Revenues, excluding adjustments	$ 2.38	$ 2.38	$ 10.96	$ 3.07	$ 3.07	$ 30.25
Site production and delivery, before net noncash and other costs shown below	1.25	1.15	5.67	1.88	1.63	12.67
By-product creditsa	(0.23)	–	–	(0.64)	–	–
Treatment charges	0.09	0.09	–	0.09	0.09	–
Unit net cash costs	1.11	1.24	5.67	1.33	1.72	12.67
Depreciation, depletion and amortization	0.22	0.21	0.40	0.53	0.46	2.81
Noncash and other costs, net	0.11	0.11	0.07	0.52	0.49	1.34
Total unit costs	1.44	1.56	6.14	2.38	2.67	16.82
Revenue adjustments, primarily for hedging	0.08	0.08	–	(0.05)	(0.05)	–
Idle facility and other non-inventoriable costs	(0.08)	(0.08)	–	(0.06)	(0.06)	(0.05)
Gross profit per pound	$ 0.94	$ 0.82	$ 4.82	$ 0.58	$ 0.29	$ 13.38
Copper sales (millions of recoverable pounds)	1,185	1,185		1,430	1,430	
Molybdenum sales (millions of recoverable pounds)b			25			30

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

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

Unit net cash costs (net of by-product credits) for our North America copper mines decreased to $1.11 per pound of copper in 2009, compared with $1.33 per pound in 2008, primarily reflecting a net decrease in site production and delivery costs ($0.63 per pound) associated with cost reduction and efficiency efforts, including the impact of lower operating rates and reduced input costs (principally for energy), partly offset by changes in inventory, which reflects the impact of historical higher cost production on inventory carrying values. The decrease in site production and delivery costs was partly offset by lower molybdenum credits ($0.41 per pound) primarily resulting from lower molybdenum prices and sales volumes.

The decrease in depreciation, depletion and amortization in 2009, compared with 2008, primarily reflected the impact of the long-lived asset impairment charges recognized in fourth-quarter 2008 (refer to Note 17 for further discussion).

Noncash and other costs for 2008 include charges of $661 million ($0.46 per pound) for LCM inventory adjustments; there were no LCM copper inventory adjustments recorded at the North America copper mines in 2009.

Revenue adjustments in 2009 and 2008 primarily reflect unrealized gains (losses) on copper derivative contracts with U.S. copper rod customers (refer to Note 15 for further discussion).

South America Mining
We operate four copper mines in South America – Cerro Verde in Peru, and Candelaria, Ojos del Salado and El Abra in Chile. We own a 53.56 percent interest in Cerro Verde, an 80 percent interest in both Candelaria and Ojos del Salado and a 51 percent interest in El Abra. All operations in South America are consolidated in our financial statements.

South America mining includes open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. In addition to copper, the Cerro Verde mine also produces molybdenum concentrates, and the Candelaria and Ojos del Salado mines also produce gold and silver. Production from our South America mines is sold as copper concentrate or copper cathode under long-term contracts. Beginning in 2008, our South America mines began selling a portion of their copper concentrate and cathode inventories to Atlantic Copper, an affiliated

Table of Contents

smelter. Refer to Note 18 for further discussion of our reportable segment (Cerro Verde) in the South America mining division.

Operating and Development Activities. We have advanced certain project development activities, including the El Abra sulfide project and the completion of the Cerro Verde mill optimization project.

El Abra Sulfide. We are completing construction activities associated with the development of a large sulfide deposit at El Abra to extend its mine life by over 10 years. Construction activities for the initial phase of the project are approximately 80 percent complete. Production from the sulfide ore, which is projected to ramp up to approximately 300 million pounds of copper per year, is expected to replace the currently depleting oxide copper production. The aggregate capital investment for this project is expected to total $725 million through 2015, of which approximately $565 million is for the initial phase of the project that is expected to be completed in second-quarter 2011. Aggregate project costs of $361 million have been incurred as of December 31, 2010, of which $286 million was incurred during 2010.

We are also engaged in studies for a potential large-scale milling operation at El Abra to process additional sulfide material and to achieve higher recoveries.

Cerro Verde Expansion. We have completed a project to increase throughput at the Cerro Verde concentrator. This project increased mill throughput from 108,000 metric tons of ore per day to 120,000 metric tons of ore per day resulting in incremental annual production of approximately 30 million pounds of copper. The aggregate capital investment for this project totaled approximately $50 million.

In addition, we are completing our evaluation of a large-scale concentrator expansion at Cerro Verde. Significant reserve additions in recent years have provided opportunities to significantly expand the existing facility’s capacity. A range of expansion options is being reviewed and the related feasibility study is expected to be completed in second-quarter 2011.

Candelaria Water Plant. As part of our overall strategy to supply water to the Candelaria mine, we have recently completed construction of a pipeline to bring water from a nearby water treatment facility. In addition, we have started engineering for a desalination plant that will supply all of Candelaria’s longer term water needs. The plant is expected to be completed by the end of 2012 and the aggregate capital investment for this project is expected to total approximately $280 million.

Other Matters. Refer to Note 13 for information on contingencies at our South America mining operations.

Table of Contents

Operating Data. Following is summary operating data for the South America mining operations for the years ended December 31.

	2010	2009	2008
Copper (millions of recoverable pounds)			
Production	1,354	1,390	1,506
Sales	1,335	1,394	1,521
Average realized price per pound	$ 3.68	$ 2.70	$ 2.57
Gold (thousands of recoverable ounces)			
Production	93	92	114
Sales	93	90	116
Average realized price per ounce	$ 1,263	$ 982	$ 853
Molybdenum (millions of recoverable pounds)			
Productiona	7	2	3
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	268,800	258,200	279,700
Average copper ore grade (percent)	0.41	0.45	0.45
Copper production (millions of recoverable pounds)	504	565	560
Mill operations			
Ore milled (metric tons per day)	188,800	181,300	181,400
Average ore grade:b			
Copper (percent)	0.65	0.66	0.75
Molybdenum (percent)	0.02	0.02	0.02
Copper recovery rate (percent)	90.0	88.9	89.2
Production (recoverable):			
Copper (millions of pounds)	850	825	946
Gold (thousands of ounces)	93	92	114
Molybdenum (millions of pounds)	7	2	3

a. Reflects molybdenum production from our Cerro Verde copper mine. Sales of molybdenum are reflected in the Molybdenum division.

b. Average ore grades of gold produced at our South America mining operations rounds to less than 0.001 grams per metric ton.

2010 Compared with 2009

Copper sales volumes from our South America mining operations decreased to 1.3 billion pounds in 2010, compared with 1.4 billion in 2009, primarily reflecting anticipated lower ore grades at El Abra. Consolidated sales volumes from our South America mines are expected to approximate 1.3 billion pounds of copper and 100 thousand ounces of gold in 2011.

2009 Compared with 2008

Copper sales volumes from our South America mining operations decreased to 1.4 billion pounds in 2009, compared with 1.5 billion in 2008, primarily reflecting lower ore grades at Candelaria and downtime for mill maintenance at Cerro Verde.

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

Table of Contents

Gross Profit per Pound of Copper

The following tables summarize unit net cash costs and gross profit per pound at our South America mining operations for the years ended December 31. These tables reflect unit net cash costs per pound of copper under the by-product and co-product methods as our South America mining operations also had small amounts of molybdenum, gold and silver sales. Refer to “Product Revenues and Production Costs” for an explanation of the “by-product” and “co-product” methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2010		2009	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	$ 3.68	$ 3.68	$ 2.70	$ 2.70
Site production and delivery, before net noncash and other costs shown below	1.21	1.14	1.08	1.02
By-product credits	(0.21)	–	(0.11)	–
Treatment charges	0.15	0.15	0.15	0.15
Unit net cash costs	1.15	1.29	1.12	1.17
Depreciation, depletion and amortization	0.19	0.18	0.20	0.19
Noncash and other costs, net	0.01	0.01	0.02	0.02
Total unit costs	1.35	1.48	1.34	1.38
Revenue adjustments, primarily for pricing on prior year open sales	(0.01)	(0.01)	0.08	0.08
Other non-inventoriable costs	(0.04)	(0.04)	(0.02)	(0.02)
Gross profit per pound	$ 2.28	$ 2.15	$ 1.42	$ 1.38
Copper sales (millions of recoverable pounds)	1,335	1,335	1,394	1,394

Unit net cash costs (net of by-product credits) for our South America mining operations increased to $1.15 per pound of copper in 2010, compared with $1.12 per pound in 2009, primarily reflecting higher site production and delivery costs ($0.13 per pound) associated with higher input costs and the impact of higher copper prices on profit sharing programs. Partly offsetting higher site production and delivery costs were higher by-product credits ($0.10 per pound) associated with higher molybdenum volumes and prices and higher gold prices.

Our South America mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-products and other factors. During 2010, unit net cash costs for the South America mines ranged from $1.04 per pound to $1.38 per pound at the individual mines and averaged $1.15 per pound. Assuming achievement of current sales volume and cost estimates and an average price of $15 per pound of molybdenum and an average price of $1,350 per ounce of gold in 2011, we estimate that average unit net cash costs (net of by-product credits) for our South America mining operations would approximate $1.25 per pound of copper in 2011. Higher unit net cash costs for 2011 primarily reflect higher input costs.

	2009	2008

	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	$ 2.70	$ 2.70	$ 2.57	$ 2.57
Site production and delivery, before net noncash and other costs shown below	1.08	1.02	1.13	1.07
By-product credits	(0.11)	–	(0.13)	–
Treatment charges	0.15	0.15	0.14	0.14
Unit net cash costs	1.12	1.17	1.14	1.21
Depreciation, depletion and amortization	0.20	0.19	0.33	0.32
Noncash and other costs, net	0.02	0.02	0.07	0.06
Total unit costs	1.34	1.38	1.54	1.59
Revenue adjustments, primarily for pricing on prior year open sales	0.08	0.08	0.15	0.15
Other non-inventoriable costs	(0.02)	(0.02)	(0.02)	(0.02)
Gross profit per pound	$ 1.42	$ 1.38	$ 1.16	$ 1.11
Copper sales (millions of recoverable pounds)	1,394	1,394	1,521	1,521

Table of Contents

Unit net cash costs (net of by-product credits) for our South America mining operations decreased to $1.12 per pound of copper in 2009, compared with $1.14 per pound in 2008, primarily reflecting lower site production and delivery costs ($0.05 per pound) associated with lower input costs (primarily energy).

The decrease in depreciation, depletion and amortization in 2009, compared with 2008, primarily reflected the impact of the long-lived asset impairment charges recognized in fourth-quarter 2008 (refer to Note 17 for further discussion of these impairment charges).

Indonesia Mining

Indonesia mining includes PT Freeport Indonesia's Grasberg minerals district. We own 90.64 percent of PT Freeport Indonesia, including 9.36 percent owned through our wholly owned subsidiary, PT Indocopper Investama.

PT Freeport Indonesia produces copper concentrates, which contain significant quantities of gold and silver. Substantially all of PT Freeport Indonesia's copper concentrates are sold under long-term contracts, of which approximately one-half is sold to affiliated smelters, Atlantic Copper and PT Smelting (PT Freeport Indonesia's 25-percent owned copper smelter and refinery in Indonesia – refer to Note 2 for further discussion), and the remainder to other customers.

Refer to Note 2 for further discussion of our joint ventures with Rio Tinto plc and to Note 14 for further discussion of PT Freeport Indonesia's Contract of Work with the Government of Indonesia.

Development Activities. We have several projects in progress in the Grasberg minerals district, including development of the large-scale, high-grade underground ore bodies located beneath and adjacent to the Grasberg open pit. Aggregate capital spending on these projects approximated $288 million for the year 2010 ($228 million net to PT Freeport Indonesia). Over the next five years, aggregate capital spending on these projects is expected to average $600 million per year ($470 million net to PT Freeport Indonesia). Considering the long-term nature and large size of these projects, actual costs could differ materially from these estimates.

The following provides additional information on these projects, including the continued development of the Common Infrastructure project, the Grasberg Block Cave and Big Gossan underground mines, the completed expansion of the Deep Ore Zone (DOZ) underground mine and development of the Deep Mill Level Zone (DMLZ) ore body.

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

In 2008, we completed the feasibility study for the development of the Grasberg Block Cave underground mine, which accounts for over one-third of our reserves in Indonesia. Production at the Grasberg Block Cave mine is currently scheduled to commence at the end of mining the Grasberg open pit, which is currently expected to continue until mid-2016. The timing of the transition to underground Grasberg Block Cave mine development will continue to be assessed.

Aggregate mine development capital for the Grasberg Block Cave mine and associated Common Infrastructure is expected to approximate $3.7 billion (to be incurred between 2008 and 2021), with PT Freeport Indonesia's share totaling approximately $3.4 billion. Aggregate project costs totaling $260 million have been incurred through December 31, 2010, of which $143 million was incurred during 2010. Targeted production rates once the Grasberg Block Cave mining operation reaches full capacity are expected to approximate 160,000 metric tons of ore per day.

Big Gossan. The Big Gossan underground mine is a high-grade deposit located near PT Freeport Indonesia's existing milling complex. The Big Gossan mine is being developed as an open-stope mine with backfill consisting of mill tailings and cement, an established mining methodology expected to be higher cost than the block-cave

Table of Contents

method used at the DOZ mine. Production, which began in fourth-quarter 2010, is designed to ramp up to 7,000 metric tons of ore per day by late 2012 (equal to average annual aggregate incremental production of 125 million pounds of copper and 65,000 ounces of gold, with PT Freeport Indonesia receiving 60 percent of these amounts). The aggregate capital investment for this project is currently estimated at approximately $535 million, with PT Freeport Indonesia's share totaling approximately $500 million. Aggregate project costs of $444 million have been incurred through December 31, 2010, of which $67 million was incurred during 2010.

DOZ Expansion. PT Freeport Indonesia's further expansion of the DOZ mine to 80,000 metric tons of ore per day was completed in first-quarter 2010. The capital cost for this expansion approximated $100 million, with PT Freeport Indonesia's share totaling approximately $60 million. The success of the development of the DOZ mine, one of the world's largest underground mines, provides confidence in the future development of PT Freeport Indonesia's large-scale undeveloped underground ore bodies.

DMLZ. The DMLZ ore body lies below the DOZ mine at the 2,590-meter elevation and represents the downward continuation of mineralization in the Ertsberg East Skarn system and neighboring Ertsberg porphyry. The DMLZ feasibility study was completed in fourth-quarter 2009. We plan to mine the ore body using a block-cave method with production beginning in 2015, near completion of mining at the DOZ. Drilling efforts continue to determine the extent of this ore body. We continue to develop the Common Infrastructure project and tunnels from mill level. In 2009, we completed a portion of the spur to the DMLZ mine and reached the edge of the DMLZ terminal and development continued on terminal infrastructure and mine access in 2010. Aggregate mine development capital costs for the DMLZ are expected to approximate $2.0 billion (to be incurred from 2009 to 2020), with PT Freeport Indonesia's share totaling approximately $1.2 billion. Aggregate project costs totaling $103 million have been incurred through December 31, 2010, including $78 million during 2010. Targeted production rates once the DMLZ mining operation reaches full capacity are expected to approximate 80,000 metric tons of ore per day.

Other Matters. Refer to Note 13 for information on contingencies at our Indonesia mining operations.

Operating Data. Following is summary operating data for our Indonesia mining operations for the years ended December 31.

	2010	2009	2008
Operating Data, Net of Joint Venture Interest			
Copper (millions of recoverable pounds)			
Production	1,222	1,412	1,094
Sales	1,214	1,400	1,111
Average realized price per pound	$ 3.69	$ 2.65	$ 2.36
Gold (thousands of recoverable ounces)			
Production	1,786	2,568	1,163
Sales	1,765	2,543	1,182
Average realized price per ounce	$ 1,271	$ 994	$ 861
100% Operating Data			
Ore milled (metric tons per day): a			
Grasberg open pit	149,800	166,300	129,800
DOZ underground mine	79,600	72,000	63,100
Big Gossan underground mine	800	–	–
Total	230,200	238,300	192,900
Average ore grade:			

Copper (percent)	0.85	0.98	0.83
Gold (grams per metric ton)	0.90	1.30	0.66
Recovery rates (percent):			
Copper	88.9	90.6	90.1
Gold	81.7	83.7	79.9
Production (recoverable):			
Copper (millions of pounds)	1,330	1,641	1,109
Gold (thousands of ounces)	1,964	2,984	1,163

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

Table of Contents

2010 Compared with 2009

At the Grasberg mine, the sequencing in mining areas with varying ore grades causes fluctuations in the timing of ore production resulting in varying quarterly and annual sales of copper and gold. PT Freeport Indonesia's share of sales decreased to 1.2 billion pounds of copper and 1.8 million ounces of gold in 2010, compared with 1.4 billion pounds of copper and 2.5 million ounces of gold in 2009. Anticipated changes in ore grades throughout the year resulted in significant variability in quarterly volumes during 2010. Lower copper and gold sales volumes in 2010 primarily reflect mining in a lower grade section of the Grasberg open pit during the first half of 2010.

We expect to mine in a lower grade section of the Grasberg open pit during 2011. As a result, PT Freeport Indonesia's projected sales of 1.0 billion pounds of copper and 1.3 million ounces of gold for 2011 are lower than 2010 volumes. Ore grades and copper and gold sales volumes are expected to be higher in the second half of 2011, compared with the first half, with approximately 53 percent of copper and 57 percent of gold expected in the second half.

2009 Compared with 2008

PT Freeport Indonesia's share of sales increased to 1.4 billion pounds of copper and 2.5 million ounces of gold in 2009, compared with 1.1 billion pounds of copper and 1.2 million ounces of gold in 2008, as a result of mining in a higher grade section of the Grasberg open pit during 2009, including accelerated mining of a higher grade section that was previously scheduled to be mined in future periods.

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

Gross Profit per Pound of Copper/per Ounce of Gold

The following tables summarize the unit net cash (credits) costs and gross profit per pound of copper and per ounce of gold at our Indonesia mining operations for the years ended December 31. Refer to "Production Revenues and Production Costs" for an explanation of "by-product" and "co-product" methods and a reconciliation of unit net cash (credits) costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2010			2009		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, after adjustments	$ 3.69	$ 3.69	$ 1,271	$ 2.65	$ 2.65	$ 994
Site production and delivery, before net noncash and other costs shown below	1.53	1.01	347	1.05	0.62	232
Gold and silver credits	(1.92)	–	–	(1.86)	–	–
Treatment charges	0.22	0.15	50	0.22	0.13	49
Royalty on metals	0.13	0.08	29	0.10	0.06	23
Unit net cash (credits) costs	(0.04)	1.24	426	(0.49)	0.81	304
Depreciation and amortization	0.21	0.14	48	0.20	0.11	43

Noncash and other costs, net	0.04	0.02	9	0.03	0.02	6
Total unit (credits) costs	0.21	1.40	483	(0.26)	0.94	353
Revenue adjustments, primarily for pricing on prior year open sales	(0.01)	(0.01)	1	0.04	0.04	2
PT Smelting intercompany profit	(0.03)	(0.02)	(8)	(0.04)	(0.02)	(9)
Gross profit per pound/ounce	$ 3.44	$ 2.26	$ 781	$ 2.91	$ 1.73	$ 634
Copper sales (millions of recoverable pounds)	1,214	1,214		1,400	1,400	
Gold sales (thousands of recoverable ounces)			1,765			2,543

Because of the fixed nature of a large portion of PT Freeport Indonesia’s costs, unit costs vary significantly from period to period depending on volumes of copper and gold sold during the period. Unit net cash costs (net of gold

Table of Contents

and silver credits) increased to a net credit of $0.04 per pound of copper in 2010, compared with a net credit of $0.49 per pound in 2009, reflecting higher site production and delivery costs ($0.48 per pound) primarily associated with higher input costs (including materials, labor and energy), higher maintenance and support costs and higher cost sharing under joint venture arrangements. Partly offsetting higher site production and delivery costs were higher gold credits ($0.06 per pound) associated with higher gold prices.

Treatment charges vary with the volume of metals sold and the price of copper, and royalties vary with the volume of metals sold and the prices of copper and gold.

Projected lower copper and gold volumes for 2011 and the effect of higher input costs are expected to result in an increase in PT Freeport Indonesia's unit net cash costs. Assuming achievement of current sales volume and cost estimates, and an average gold price of $1,350 per ounce in 2011, we estimate that average unit net cash costs for PT Freeport Indonesia (net of gold and silver credits) would approximate $0.60 per pound of copper in 2011. Each $50 per ounce change in average gold prices during the year would have an approximate $0.065 per pound impact on PT Freeport Indonesia's 2011 unit net cash costs. Quarterly unit net cash costs will vary significantly with variations in quarterly metal sales volumes, and unit net cash costs are expected to be higher in the first half of 2011 compared with the second half.

	2009			2008		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, after adjustments	$ 2.65	$ 2.65	$ 994	$ 2.36	$ 2.36	$ 861
Site production and delivery, before net noncash and other costs shown below	1.05	0.62	232	1.59	1.13	413
Gold and silver credits	(1.86)	–	–	(0.97)	–	–
Treatment charges	0.22	0.13	49	0.24	0.17	63
Royalty on metals	0.10	0.06	23	0.10	0.07	26
Unit net cash (credits) costs	(0.49)	0.81	304	0.96	1.37	502
Depreciation and amortization	0.20	0.11	43	0.20	0.14	52
Noncash and other costs, net	0.03	0.02	6	0.03	0.02	7
Total unit (credits) costs	(0.26)	0.94	353	1.19	1.53	561
Revenue adjustments, primarily for pricing on prior year open sales	0.04	0.04	2	0.09	0.09	6
PT Smelting intercompany profit	(0.04)	(0.02)	(9)	0.01	0.01	4
Gross profit per pound/ounce	$ 2.91	$ 1.73	$ 634	$ 1.27	$ 0.93	$ 310
Copper sales (millions of recoverable pounds)	1,400	1,400		1,111	1,111	
Gold sales (thousands of recoverable ounces)			2,543			1,182

Unit net cash costs (net of gold and silver credits) decreased to a net credit of $0.49 per pound of copper in 2009, compared with a net cost of $0.96 per pound in 2008, reflecting higher gold and silver credits ($0.89 per pound) resulting from higher gold sales volumes and prices in 2009, and lower site production and delivery costs ($0.54 per pound) primarily associated with higher copper sales volumes and lower commodity-based input costs.

Africa Mining

Africa mining, which is consolidated in our financial statements, includes the Tenke copper and cobalt mining concessions in the Katanga province of the DRC. The Tenke mine includes open-pit mining, leaching and SX/EW operations. Copper production from the Tenke mine is sold as copper cathode. In addition to copper, the Tenke mine produces cobalt hydroxide.

In October 2010, the government of the DRC announced the conclusion of the review of TFM's contracts, and confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. In connection with the review, TFM made several commitments that have been reflected in amendments to its mining contracts. In December 2010, the addenda to TFM's Amended and Restated Mining Convention and Amended and Restated Shareholders' Agreement were signed by the parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained. After giving effect to the amendments and obtaining approval of the modification to TFM's bylaws, our effective ownership interest in the project will be 56.0 percent, compared to our previous ownership interest of 57.75 percent (refer to Note 14 for further discussion).

Table of Contents

Operating and Development Activities. Construction activities for the initial development project are complete, and copper production commenced in late March 2009, with targeted copper production rates achieved in September 2009. The cobalt and sulphuric acid plants were commissioned in third-quarter 2009.

We continue to engage in drilling activities, exploration analyses and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in future plans to evaluate opportunities for expansion. We are planning a second phase of the project, which would include optimizing the current plant and increasing capacity. As part of the second phase, a range of near-term expansion options are being considered, which have the potential of adding 100 million to 200 million pounds of copper per year over the next two to three years. We expect production volumes from the project to expand significantly over time. Future expansions are subject to a number of factors, including economic and market conditions and the business and investment climate in the DRC.

Operating Data. Following is summary operating data for our Africa mining operations for the years ended December 31.

	2010	2009a
Copper (millions of recoverable pounds)		
Production	265	154
Sales	262	130
Average realized price per poundb	$ 3.45	$ 2.85
Cobalt (millions of recoverable pounds)		
Production	20	N/Ac
Sales	20	N/Ac
Average realized price per pound	$ 10.95	N/Ac
Ore milled (metric tons per day)	10,300	7,300
Average ore grade (percent):		
Copper	3.51	3.69
Cobalt	0.40	N/Ac
Copper recovery rate (percent)	91.4	92.1

a. Results for 2009 represent mining operations that began production in March 2009.

b. Includes adjustments for point-of-sale transportation costs as negotiated in customer contracts.

c. Comparative results for the 2009 periods have not been included as start-up activities were still under way.

Copper sales volumes from the Tenke mine increased to 262 million pounds of copper in 2010, compared with 130 million pounds of copper in 2009, reflecting higher operating rates and a full year of production in 2010. Consolidated sales volumes from Tenke are expected to approximate 285 million pounds of copper and over 20 million pounds of

cobalt in 2011.

The milling facilities at Tenke, which were designed to produce at a capacity rate of 8,000 metric tons of ore per day, continue to perform above capacity, with 2010 mill throughput averaging 10,300 metric tons of ore per day. Additionally, Tenke has procured additional equipment, which is enabling additional high-grade material to be mined and processed in 2011. As a result of these enhancements to the mine plan and using an expected mill throughput rate of 10,000 metric tons of ore per day, we estimate the average annual copper production at Tenke will increase from the initial rate of 250 million pounds of copper per year to approximately 290 million pounds of copper.

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

Table of Contents

Gross Profit per Pound of Copper/per Pound of Cobalt

The following table summarizes the unit net cash costs and gross profit per pound of copper and cobalt at our Africa mining operations for the year ended December 31. Comparative information for the 2009 and 2008 periods have not been included as start-up activities were still under way. Refer to “Production Revenues and Production Costs” for an explanation of “by-product” and “co-product” methods and a reconciliation of unit net cash costs to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2010		
	By-Product Method	Co-Product Method	
		Copper	Cobalt
Revenues, excluding adjustmentsa	$ 3.45	$ 3.45	$ 10.95
Site production and delivery, before net noncash and other costs shown below	1.40	1.23	5.78
Cobalt credits	(0.58)b	–	–
Royalty on metals	0.08	0.06	0.19
Unit net cash costs	0.90	1.29	5.97
Depreciation, depletion and amortization	0.49	0.41	1.03
Noncash and other costs, net	0.11	0.10	0.23
Total unit costs	1.50	1.80	7.23
Revenue adjustments, primarily for pricing on prior period open sales	–	–	0.18
Other non-inventoriable costs	(0.08)	(0.07)	(0.16)
Gross profit per pound	$ 1.87	$ 1.58	$ 3.74
Copper sales (millions of recoverable pounds)	262	262	
Cobalt sales (millions of recoverable pounds)			20

a. Includes adjustments for point-of-sale transportation costs as negotiated in customer contracts.

b. Net of cobalt downstream processing and freight costs.

Unit net cash costs (net of cobalt credits) for Tenke averaged $0.90 per pound of copper in 2010. Assuming achievement of current sales volumes, our revised cost estimates and an average cobalt price of $14 per pound for 2011, we estimate that average unit net cash costs for Tenke (net of cobalt credits) would approximate $0.85 per pound of copper in 2011. Each $2 per pound change in the average price of cobalt would have an approximate $0.09 per pound impact on Tenke’s unit net cash costs.

Molybdenum

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

Development Activities. Construction activities at the Climax molybdenum mine are continuing, and recent activities include completion of concrete foundations for various equipment installations and commencement of the ball mill shell assembly. We plan to advance construction and conduct mine preparation activities during 2011. The timing for start up of mining and milling activities is dependent on market conditions. We believe that this project is one of the most attractive primary molybdenum development projects in the world, with large-scale production capacity, attractive cash costs and future growth options. The Climax molybdenum mine would have an initial annual design capacity of 30 million pounds with significant expansion options. Total estimated costs for the project approximate $700 million, of which approximately $254 million has been incurred ($54 million in 2010).

Table of Contents

Operating Data. Following is summary operating data for the Molybdenum operations for the years ended December 31.

	2010	2009	2008
Molybdenum (millions of recoverable pounds)			
Productiona	40	27	40
Sales, excluding purchasesb	67	58	71
Average realized price per pound	$ 16.47	$ 12.36	$ 30.55
Henderson molybdenum mine			
Ore milled (metric tons per day)	22,900	14,900	24,100
Average molybdenum ore grade (percent)	0.25	0.25	0.23
Molybdenum production (millions of recoverable pounds)	40	27	40

a. Reflects production at the Henderson molybdenum mine.

b. Includes sales of molybdenum produced at certain of our North and South America mines.

As a result of improved market conditions, Henderson operated at approximately 90 percent capacity during 2010, compared with 60 percent capacity during most of 2009. Molybdenum sales volumes increased to 67 million pounds in 2010, compared with 58 million pounds in 2009, reflecting improved demand in the chemicals sector.

Molybdenum sales volumes are expected to approximate 70 million pounds for the year 2011, of which approximately 45 million pounds represents production from our North and South America mines.

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

Gross Profit per Pound of Molybdenum

The following table summarizes the unit net cash costs and gross profit per pound of molybdenum at our Henderson molybdenum mine for the years ended December 31. Refer to “Product Revenues and Production Costs” for a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2010	2009	2008
Revenues	$ 15.89	$ 12.78	$ 29.94
Site production and delivery, before net noncash and other costs shown below	4.82	5.43	5.35
Treatment charges and other	1.08	1.09	0.67
Unit net cash costs	5.90	6.52	6.02
Depreciation, depletion and amortization	0.83	0.98	4.25

Noncash and other costs, net	0.03	0.04	0.19a
Total unit costs	6.76	7.54	10.46
Gross profit per poundb	$ 9.13	$ 5.24	$ 19.48
Molybdenum sales (millions of recoverable pounds)c	40	27	40

a. Includes charges of $0.03 per pound in 2008 associated with LCM inventory adjustments.

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

c. Reflects molybdenum produced by the Henderson molybdenum mine.

Henderson’s unit net cash costs were $5.90 per pound of molybdenum in 2010, $6.52 per pound in 2009 and $6.02 per pound in 2008. Henderson’s unit net cash costs benefited in 2010 from higher production volumes,

Table of Contents

partly offset by higher mining costs. Higher unit net cash costs in 2009, compared with 2008, primarily reflected lower production volumes, partly offset by the impact of cost reduction efforts. Assuming achievement of current sales volume and cost estimates, we estimate that the 2011 average unit net cash costs for Henderson would approximate $7.20 per pound of molybdenum, which are higher than 2010 primarily because of anticipated lower volumes from Henderson.

The decrease in Henderson's depreciation, depletion and amortization in 2009, compared with 2008, reflects the impact of long-lived asset impairment charges recognized in fourth-quarter 2008 (refer to Note 17 for further discussion).

Atlantic Copper Smelting & Refining

Atlantic Copper, our wholly owned subsidiary located in Spain, smelts and refines copper concentrates and markets refined copper and precious metals in slimes. Our Indonesia mining operation sells copper concentrate and our South America mining operations sell copper concentrate and copper cathode to Atlantic Copper. Through downstream integration, we are assured placement of a significant portion of our concentrate production. During 2010, Atlantic Copper purchased approximately 28 percent of its concentrate requirements from our Indonesia mining operation and approximately 25 percent from our South America mining operations.

Smelting and refining charges consist of a base rate and, in certain contracts, price participation based on copper prices. Treatment charges for smelting and refining copper concentrates represent a cost to our Indonesia and our South America mining operations, and income to Atlantic Copper and PT Smelting, our 25 percent owned smelter and refinery in Gresik, Indonesia. Thus, higher treatment and refining charges benefit our smelter operations at Atlantic Copper and adversely affect our mining operations in Indonesia and South America. Our North America copper mines are not significantly affected by changes in treatment and refining charges because these operations are fully integrated with our Miami smelter located in Arizona.

Atlantic Copper had operating losses of $37 million in 2010 and $56 million in 2009, compared with operating income of $10 million in 2008. The improvement in Atlantic Copper's operating results in 2010, compared with 2009, primarily reflected higher sulphuric acid and gold revenues associated with higher prices. Atlantic Copper's operating results in 2009, compared with 2008, primarily reflect lower sulphuric acid revenues resulting from lower prices.

We defer recognizing profits on sales from our Indonesia and our South America mining operations to Atlantic Copper and on 25 percent of our Indonesia mining sales to PT Smelting until final sales to third parties occur. Our net deferred profits on our Indonesia and South America mining operations' inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income after taxes and noncontrolling interests totaled $271 million at December 31, 2010. Changes in these net deferrals attributable to variability in intercompany volumes resulted in net reductions to net income attributable to FCX common stockholders totaling $67 million ($0.07 per share) in 2010, compared with net additions of $21 million ($0.02 per share) in 2009 and $12 million ($0.02 per share) in 2008. Quarterly variations in ore grades, the timing of intercompany shipments and changes in prices will result in variability in our net deferred profits and quarterly earnings.

CAPITAL RESOURCES AND LIQUIDITY

Our operating cash flows vary with prices realized from copper, gold and molybdenum sales, our sales volumes, production costs, income taxes and other working capital changes and other factors. As a result of weak economic conditions, we revised our operating plans at the end of 2008 and in early 2009 to protect liquidity while preserving our large mineral resources and growth options for the longer term (refer to Note 17 for further discussion). However, strong operating performance and improved copper prices since the end of 2008 have enabled us to enhance our financial and liquidity position, reduce debt and reinstate cash dividends to shareholders, while maintaining our future

growth opportunities. In addition, we resumed certain project development activities at our mining operations (refer to "Operations" for further discussion). We view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper in the world's economy, and will continue to adjust our operating strategy as market conditions change.

Based on current mine plans and subject to future copper, gold and molybdenum prices, we expect estimated operating cash flows for the year 2011 to be greater than our budgeted capital expenditures, expected debt payments, dividends, noncontrolling interest distributions and other cash requirements.

Table of Contents

Cash and Cash Equivalents

At December 31, 2010, we had consolidated cash and cash equivalents of $3.7 billion. The following table reflects the U.S. and international components of consolidated cash and cash equivalents at December 31, 2010 and 2009 (in billions):

	2010	2009
Cash at domestic companiesa	$ 1.9	$ 1.5
Cash at international operations	1.8	1.2
Total consolidated cash and cash equivalents	3.7	2.7
Less: Noncontrolling interests' share	(0.4)	(0.3)
Cash, net of noncontrolling interests' share	3.3	2.4
Less: Withholding taxes and other	(0.2)	(0.2)
Net cash available to FCX	$ 3.1	$ 2.2

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

Operating Activities

During 2010, we generated operating cash flows totaling $6.3 billion, net of $834 million for working capital uses. Operating cash flows in 2009 totaled $4.4 billion, net of $770 million for working capital uses, which included approximately $600 million related to settlement of final pricing with customers on 2008 provisionally priced copper sales. Operating cash flows in 2008 totaled $3.4 billion, net of $965 million for working capital uses, which included $598 million to settle the 2007 copper price protection program contract.

Our operating cash flows vary with prices realized from copper, gold and molybdenum sales, our sales volumes, production costs, income taxes and other working capital changes and other factors. Higher operating cash flows for 2010, compared with 2009, primarily reflected higher copper and gold price realizations. Higher operating cash flows for 2009, compared with 2008, primarily reflected lower operating costs and higher gold sales volumes and price realizations.

Refer to "Outlook" for further discussion of projected 2011 operating cash flows.

Investing Activities

Capital Expenditures. Capital expenditures, including capitalized interest, totaled $1.4 billion in 2010 (including $0.7 billion for major projects), $1.6 billion in 2009 (including $1.0 billion for major projects and the Twin Buttes property acquisition) and $2.7 billion in 2008 (including $1.6 billion for major projects). The decrease in capital expenditures in 2010, compared with 2009, primarily reflected lower capital spending for the initial Tenke development project for which construction activities were substantially complete by mid-2009, partly offset by higher spending associated with underground development projects at Grasberg and the sulfide ore project at El Abra. The decrease in capital expenditures in 2009, compared with 2008, primarily reflected the effects of the decision to defer capital spending for several projects, lower capital spending for the initial Tenke development project and reduced spending for sustaining capital.

Capital expenditures for the year 2011 are expected to approximate $2.5 billion (including $1.3 billion for major projects), primarily associated with underground development activities at Grasberg, construction activities at the Climax molybdenum mine and completion of the initial phase of the sulfide ore project at El Abra. In addition, we are considering additional investments at several of our sites. Capital spending plans will continue to be reviewed and adjusted in response to changes in market conditions and other factors. Refer to “Operations” for further discussion.

Investment in McMoRan Exploration Co. (MMR). In December 2010, we completed the purchase of 500,000 shares of MMR’s 5¾% Convertible Perpetual Preferred Stock (the Preferred Stock) for an aggregate purchase price of $500 million. The Preferred Stock is initially convertible into 62.5 shares of MMR common stock per share of Preferred Stock (an aggregate of 31.25 million shares or approximately 14 percent of MMR’s common stock on a fully converted basis at December 31, 2010), or an initial conversion price of $16 per share of MMR common stock.

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

Table of Contents

Financing Activities

Debt and Equity Transactions. Total debt approximated $4.8 billion at December 31, 2010, $6.3 billion at December 31, 2009, and $7.4 billion at December 31, 2008. Since January 1, 2009, we have repaid approximately $2.6 billion in debt, resulting in estimated annual interest savings of $167 million based on current interest rates.

During 2010, we redeemed all of our $1 billion Senior Floating Rate Notes due 2015 for which holders received 101 percent of the principal amount together with accrued and unpaid interest. In addition, we made open-market purchases of $565 million of our senior notes at a cost of $621 million.

During 2009, we redeemed $340 million of our 6 % Senior Notes for $352 million (plus accrued and unpaid interest), and also made open-market purchases of $387 million of our senior notes for $416 million.

In February 2008, we made open-market purchases of $33 million of our 9½% Senior Notes for $46 million.

Refer to Note 9 for further discussion of these debt repayment transactions.

We have no significant debt maturities in the near term; however, we may consider opportunities to prepay debt in advance of scheduled maturities. Our 8.375% Senior Notes are redeemable in whole or in part, at our option, at make-whole redemption prices prior to April 1, 2012, and afterwards at stated redemption prices. Refer to Note 9 for further discussion of these notes.

We have revolving credit facilities available until March 19, 2012, which are composed of (i) a $1.0 billion revolving credit facility available to FCX and (ii) a $0.5 billion revolving credit facility available to both FCX and PT Freeport Indonesia. Interest on the revolving credit facilities accrues at the London Interbank Offered Rate (LIBOR) plus 1.00 percent, subject to an increase or decrease in the interest rate margin based on the credit ratings assigned by Standard & Poor's Rating Services and Moody's Investors Service. At December 31, 2010, we had no borrowings and $43 million of letters of credit issued under the facilities, resulting in availability of approximately $1.5 billion ($957 million of which could be used for additional letters of credit). The revolving credit facilities contain restrictions on the amount available for dividend payments, purchases of our common stock and certain debt prepayments. However, these restrictions do not apply as long as availability under the revolvers plus domestic cash exceeds $750 million. At December 31, 2010, we had availability under the revolvers plus available domestic cash (as defined by the revolving credit facility) of approximately $4.1 billion.

In addition, the indenture governing certain of our senior notes contains restrictions on incurring debt, making restricted payments and selling assets. As a result of the investment grade ratings on these notes, these covenants are currently suspended. However, to the extent the rating is downgraded below investment grade by both Standard & Poor's Rating Services and Moody's Investors Service, the covenants would again become effective.

In February 2009, we completed a public offering of 53.6 million shares of our common stock at an average price of $14.00 per share, which generated gross proceeds of $750 million (net proceeds of approximately $740 million after fees and expenses), which were used for general corporate purposes.

We have an open-market share purchase program for up to 30 million shares. During 2008, on a pre-split basis, we purchased 6.3 million shares of our common stock for $500 million ($79.15 per share average) under our open-market share purchase program; however, because of financial market turmoil and the declines in copper and molybdenum prices, in September 2008, we suspended purchases of our common stock under the program. We made no purchases under this program during 2009 or 2010. There are 23.7 million shares remaining under this program, and the timing of future purchases of our common stock is dependent on many factors, including our operating results; cash flows and financial position; copper, gold and molybdenum prices; the price of our common shares; and general economic

and market conditions.

Dividends. The declaration of dividends is at the discretion of our Board of Directors (the Board). The amount of cash dividends on our common stock is dependent upon our financial results, cash requirements, future prospects and other factors deemed relevant by the Board. Because of the deterioration in copper and molybdenum prices and in general economic conditions, in December 2008, the Board suspended the cash dividend on our common stock; accordingly, there were no common stock dividends paid in 2009, compared with $693 million ($0.90625 per share) in 2008. In October 2009, the Board reinstated a cash dividend on our common stock at an annual rate of $0.30 per share ($0.075 per share quarterly). In April 2010, the Board authorized an increase in the cash

Table of Contents

dividend to an annual rate of $0.60 per share ($0.15 per share quarterly) and in October 2010, the Board authorized another increase in the cash dividend to an annual rate of $1.00 per share ($0.25 per share quarterly).

In December 2010, the Board also declared a supplemental common stock dividend of $0.50 per share, which was paid on December 30, 2010. For 2010, common stock dividends paid totaled $885 million, which included $472 million for the supplemental dividend paid on December 30, 2010. On December 29, 2010, the Board declared a regular quarterly dividend of $0.25 per share, which was paid on February 1, 2011, to common shareholders of record at the close of business on January 15, 2011. Based on outstanding common shares of 945 million at December 31, 2010, at current levels our estimated common stock dividend for 2011 approximates $945 million.

In December 2010, the Board declared a two-for-one split of our common stock, which was effected on February 1, 2011. On February 2, 2011, our common stock began trading on the New York Stock Exchange on a split adjusted basis. As discussed previously, all common share and per share amounts have been adjusted to reflect the two-for-one stock split, unless otherwise noted. Refer to Note 11 for further discussion.

Preferred stock dividends paid totaled $95 million in 2010 representing dividends on our 6¾% Mandatory Convertible Preferred Stock. Preferred stock dividends totaled $229 million in 2009 and $255 million in 2008 representing dividends on our 5½% Convertible Perpetual Preferred Stock and 6¾% Mandatory Convertible Preferred Stock. During 2010, our 6¾% Mandatory Convertible Preferred Stock converted into 78.9 million shares of our common stock, and in 2009, we redeemed our 5½% Convertible Perpetual Preferred Stock in exchange for 35.8 million shares of our common stock (refer to Note 11 for further discussion). As a result of these transactions, we no longer have requirements to pay preferred stock dividends.

Cash dividends and distributions paid to noncontrolling interests totaled $816 million in 2010, $535 million in 2009 and $730 million in 2008, reflecting dividends and distributions paid to the noncontrolling interest owners of PT Freeport Indonesia and our South America mines.

CONTRACTUAL OBLIGATIONS

We have contractual and other long-term obligations, including debt maturities, which we expect to fund with projected operating cash flows, availability under our revolving credit facilities or future financing transactions, if necessary. A summary of these various obligations at December 31, 2010, follows (in millions):

	Total	2011	2012 to 2013	2014 to 2015	Thereafter
Debt maturities	$ 4,755	$ 95	$ 2	$ 1,081	$ 3,577
Scheduled interest payment obligationsa	2,728	381	755	711	881
Reclamation and environmental obligationsb	4,881	207	287	211	4,176
Take-or-pay contractsc	2,831	2,026	650	37	118
Operating lease obligations	183	33	39	27	84
Atlantic Copper obligation to insurance companyd	58	10	19	19	10
PT Freeport Indonesia mine closure and reclamation funde	19	2	1	1	15
Totalf	$ 15,455	$ 2,754	$ 1,753	$ 2,087	$ 8,861

a. Scheduled interest payment obligations were calculated using stated coupon rates for fixed-rate debt and interest rates applicable at December 31, 2010, for variable-rate debt.

b.

Represents estimated cash payments, on an undiscounted and unescalated basis, associated with reclamation and environmental activities. The timing and the amount of these payments could change as a result of changes in regulatory requirements, changes in scope and costs of reclamation activities and as actual spending occurs. Refer to Note 13 for additional discussion of environmental and reclamation matters.

c. Represents contractual obligations for purchases of goods or services that are defined by us as agreements that are enforceable and legally binding and that specify all significant terms. Take-or-pay contracts primarily comprise the procurement of copper concentrates and cathodes ($2.1 billion), transportation ($201 million), electricity ($144 million) and oxygen ($143 million). Some of our take-or-pay contracts are settled based on the prevailing market rate for the service or commodity purchased, and in some cases, the amount of the actual obligation may change over time because of market conditions. Obligations for copper concentrates and cathodes provide for deliveries of specified volumes, at market-based prices, primarily to Atlantic Copper and the North America copper mines. Transportation obligations are primarily for South America contracted ocean freight rates and for North America natural gas transportation. Electricity obligations are primarily for contractual minimum demand at the South America and Tenke mines. Oxygen obligations provide for deliveries of specified volumes, at fixed prices, primarily to Atlantic Copper.

Table of Contents

d. In August 2002, Atlantic Copper complied with Spanish legislation by agreeing to fund 7.2 million euros annually for 15 years to an approved insurance company for an estimated 72 million euro contractual obligation to supplement amounts paid to certain retired employees. Atlantic Copper had $48 million recorded for this obligation at December 31, 2010.

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

f. This table excludes certain other obligations in our consolidated balance sheets, including estimated funding for pension obligations as the funding may vary from year-to-year based on changes in the fair value of plan assets and actuarial assumptions, and accrued liabilities totaling $133 million that relate to unrecognized tax benefits where the timing of settlement is not determinable. This table also excludes purchase orders for the purchase of inventory and other goods and services, as purchase orders typically represent authorizations to purchase rather than binding agreements.

In addition to our debt maturities and other contractual obligations, we have other commitments, which we expect to fund with projected operating cash flows, available credit facilities or future financing transactions, if necessary. These include (i) PT Freeport Indonesia's commitment to provide one percent of its annual revenue for the development of the local people in its area of operations through the Freeport Partnership Fund for Community Development, (ii) Cerro Verde's local mining fund contributions equal to 3.75 percent of after-tax profits (refer to Note 14), (iii) Tenke's commitment to provide 0.3 percent of its annual revenue for the development of the local people in its area of operations and (iv) other commercial commitments, including standby letters of credit, surety bonds and guarantees (refer to Notes 13 and 14 for further discussion).

ENVIRONMENTAL AND RECLAMATION MATTERS

Environmental

The cost of complying with environmental laws is a fundamental and substantial cost of our business. We had $1.4 billion at December 31, 2010, and $1.5 billion at December 31, 2009, recorded in our consolidated balance sheets for environmental obligations attributed to CERCLA or analogous state programs and for estimated future costs associated with environmental matters at closed facilities and closed portions of certain operating facilities. Refer to Note 13 for further information about environmental regulation, including significant environmental matters.

During 2010, we incurred environmental capital expenditures and other environmental costs (including our joint venture partners' shares) of $372 million for programs to comply with applicable environmental laws and regulations that affect our operations, compared to $289 million in 2009 and $377 million in 2008. The increase in environmental costs for 2010, compared with 2009, primarily related to settlement of legal proceedings (see Note 13 for further discussion). The decrease in environmental capital spending for 2009, compared with 2008, primarily related to completion of large projects in 2008, combined with reduced discretionary spending and extended project timelines. For 2011, we expect to incur approximately $460 million of aggregate environmental capital expenditures and other environmental costs, which are part of our overall 2011 operating budget and primarily relates to ongoing environmental compliance.

Asset Retirement Obligations

We recognize AROs as liabilities when incurred, with the initial measurement at fair value. These liabilities, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to income. Reclamation costs for future disturbances are recorded as an ARO in the period of disturbance. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible, long-lived

assets. We had recorded AROs totaling $856 million at December 31, 2010, and $731 million at December 31, 2009, in current and long-term liabilities on the consolidated balance sheets. Spending on AROs totaled $38 million in 2010, $28 million in 2009 and $91 million in 2008. The decrease in ARO spending for 2009, compared with 2008, primarily related to extended project timelines that resulted in reduced required expenditures for 2009. For 2011, we expect to incur approximately $51 million for aggregate ARO payments. Refer to Note 13 for further discussion of reclamation and closure costs.

Table of Contents

DISCLOSURES ABOUT MARKET RISKS

Commodity Price Risk

Our consolidated revenues include the sale of copper concentrates, copper cathodes, copper rod, molybdenum, gold and other metals by our North and South America mines, the sale of copper concentrates (which also contain significant quantities of gold and silver) by our Indonesia mining operations, the sale of copper cathodes and cobalt hydroxide by our Africa mining operations, the sale of molybdenum in various forms by our Molybdenum operations, and the sale of copper cathodes, copper anodes and gold in anodes and slimes by Atlantic Copper. Our financial results can vary significantly as a result of fluctuations in the market prices of copper and, to a lesser extent, gold and molybdenum. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs and operating cash flow. Refer to “Outlook” for further discussion of projected sales volumes, unit net cash costs and operating cash flows for 2011.

For 2010, 52 percent of our mined copper was sold in concentrate, 26 percent as cathodes and 22 percent as rod (principally from our North America copper mines). Substantially all of our copper concentrate and cathode sales contracts provide final copper pricing in a specified future period (generally one to four months from the shipment date) based primarily on quoted LME monthly average spot prices. We receive market prices based on prices in the specified future period, which results in price fluctuations recorded through revenues until the date of settlement. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisional priced concentrate and cathode sales that is adjusted to fair value through earnings each period, using the period-end forward prices, until the date of final pricing. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from higher prices received for contracts priced at current market rates and also from an increase related to the final pricing of provisionally priced sales pursuant to contracts entered into in prior years; in times of falling copper prices, the opposite occurs.

At December 31, 2009, we had provisionally priced copper sales totaling 378 million pounds at our copper mining operations (net of intercompany sales and noncontrolling interests) recorded at an average of $3.34 per pound. Consolidated revenues for 2010 include net reductions for adjustments related to these prior year copper sales totaling $24 million ($10 million to net income attributable to FCX common stockholders or $0.01 per share), compared with net additions of $132 million ($61 million to net loss attributable to FCX common stockholders or $0.07 per share) in 2009 and $268 million ($114 million to net income attributable to FCX common stockholders or $0.15 per share) in 2008.

At December 31, 2010, we had provisionally priced copper sales totaling 417 million pounds of copper at our copper mining operations (net of intercompany sales and noncontrolling interests) recorded at an average price of $4.36 per pound, subject to final pricing over the next several months. We estimate that each $0.05 change in the price realized from the December 31, 2010, provisional price recorded would have a net impact on our 2011 consolidated revenues of approximately $27 million ($13 million to net income attributable to FCX common stockholders). The LME spot copper price closed at $4.50 per pound on February 11, 2011.

On limited past occasions, in response to market conditions, we have entered into copper and gold price protection contracts for a portion of our expected future mine production to mitigate the risk of adverse price fluctuations. We do not currently intend to enter into similar hedging programs in the future.

Table of Contents

Foreign Currency Exchange Risk

The functional currency for most of our operations is the U.S. dollar. All of our revenues and a significant portion of our costs are denominated in U.S. dollars; however, some costs and certain assets and liability accounts are denominated in local currencies, including the Indonesian rupiah, Australian dollar, Chilean peso, Peruvian nuevo sol and euro. Generally, our results are positively affected when the U.S. dollar strengthens in relation to those foreign currencies and adversely affected when the U.S. dollar weakens in relation to those foreign currencies. Following is a summary of estimated annual payments and the impact of changes in foreign currency rates on our annual operating costs:

	Exchange Rate per $1 at December 31,			Estimated Annual Payments		10% Change in Exchange Rate (in millions)b	
	2010	2009	2008	(in local currency)	(in millions)a	Increase	Decrease
Indonesia							
Rupiah	8,990	9,420	10,850	2.8 trillion	$ 311	$ (28)	$ 35
Australian dollar	0.98	1.12	1.43	250 million	$ 255	$ (23)	$ 28
South America							
Chilean peso	468	506	648	240 billion	$ 512	$ (47)	$ 57
Peruvian nuevo sol	2.81	2.89	3.17	280 million	$ 100	$ (9)	$ 11
Atlantic Copper							
Euro	0.75	0.69	0.72	100 million	$ 134	$ (12)	$ 15

a. Based on December 31, 2010, exchange rates.

b. Reflects the estimated impact on annual operating costs assuming a 10 percent increase or decrease in the exchange rate reported at December 31, 2010.

Interest Rate Risk

At December 31, 2010, we had total debt of $4.8 billion, of which approximately 4 percent was variable-rate debt with interest rates based on LIBOR or the Euro Interbank Offered Rate (EURIBOR). The table below presents average interest rates for our scheduled maturities of principal for our outstanding debt and the related fair values at December 31, 2010 (in millions, except percentages):

	2011	2012	2013	2014	2015	Thereafter	Fair Value
Fixed-rate debt	$ 85	$ 1	$ 1	$ 1	$ 1,080	$ 3,415	$ 4,974
Average interest rate	8.7%	5.8%	5.7%	5.7%	8.2%	8.3%	8.3%
Variable-rate debt	$ 10	$ –	$ –	$ –	$ –	$ 162	$ 172
Average interest rate	0.8%					4.0%	3.8%

NEW ACCOUNTING STANDARDS

We do not expect the impact of recently issued accounting standards to have a significant impact on our future financial statements and disclosures.

OFF-BALANCE SHEET ARRANGEMENTS

Refer to Note 14 for discussion of off-balance sheet arrangements.

Table of Contents

PRODUCT REVENUES AND PRODUCTION COSTS

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

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

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

Table of Contents

North America Copper Mines Product Revenues and Production Costs

Year Ended December 31, 2010

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenuma	Otherb	Total
Revenues, excluding adjustments	$ 3,702	$ 3,702	$ 383	$ 58	$ 4,143
Site production and delivery, before net noncash and other costs shown below	1,621	1,456	195	29	1,680
By-product creditsa	(382)	–	–	–	–
Treatment charges	105	102	–	3	105
Net cash costs	1,344	1,558	195	32	1,785
Depreciation, depletion and amortization	256	241	13	2	256
Noncash and other costs, net	131	131	–	–	131
Total costs	1,731	1,930	208	34	2,172
Revenue adjustments, primarily for hedging	(2)	(2)	–	–	(2)
Idle facility and other non-inventoriable costs	(87)	(86)	(1)	–	(87)
Gross profit	$ 1,882	$ 1,684	$ 174	$ 24	$ 1,882

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 4,143	$ 1,680	$ 256
Treatment charges per above	N/A	105	N/A
Net noncash and other costs per above	N/A	131	N/A
Revenue adjustments, primarily for hedging per above	(2)	N/A	N/A
Idle facility and other non-inventoriable costs per above	N/A	87	N/A
Eliminations and other	(5)	12	17
North America copper mines	4,136	2,015	273
South America mining	4,991	1,678	250
Indonesia mining	6,377	1,904	257
Africa mining	1,106	488	128
Molybdenum	1,205	784	51
Rod & Refining	4,470	4,443	8
Atlantic Copper Smelting & Refining	2,491	2,470	38
Corporate, other & eliminations	(5,794)	(5,428)	31
As reported in FCX's consolidated financial statements	18,982	8,354	1,036
	$	$	$

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

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

Table of Contents

North America Copper Mines Product Revenues and Production Costs (continued)

Year Ended December 31, 2009

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenuma	Otherb	Total
Revenues, excluding adjustments	$ 2,823	$ 2,823	$ 274	$ 45	$ 3,142
Site production and delivery, before net noncash and other costs shown below	1,483	1,364	142	22	1,528
By-product creditsa	(274)	–	–	–	–
Treatment charges	102	100	–	2	102
Net cash costs	1,311	1,464	142	24	1,630
Depreciation, depletion and amortization	264	251	10	3	264
Noncash and other costs, net	129	127	2	–	129
Total costs	1,704	1,842	154	27	2,023
Revenue adjustments, primarily for hedging	92	92	–	–	92
Idle facility and other non-inventoriable costs	(100)	(100)	–	–	(100)
Gross profit	$ 1,111	$ 973	$ 120	$ 18	$ 1,111

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
Totals presented above	$ 3,142	$ 1,528	$ 264
Treatment charges per above	N/A	102	N/A
Net noncash and other costs per above	N/A	129	N/A
Revenue adjustments, primarily for hedging per above	92	N/A	N/A
Idle facility and other non-inventoriable costs per above	N/A	100	N/A
Eliminations and other	1	52	16
North America copper mines	3,235	1,911	280
South America mining	3,839	1,563	275
Indonesia mining	5,908	1,505	275
Africa mining	389	315	66
Molybdenum	847	660c	49
Rod & Refining	3,356	3,336	8
Atlantic Copper Smelting & Refining	1,892	1,895	36
Corporate, other & eliminations	(4,426)	(4,150)	25
As reported in FCX's consolidated financial statements	15,040	7,035c	1,014
	$	$	$

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

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

c. Includes LCM molybdenum inventory adjustments of $19 million.

Table of Contents

North America Copper Mines Product Revenues and Production Costs (continued)

Year Ended December 31, 2008

(In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenuma	Otherb	Total
Revenues, excluding adjustments	$ 4,382	$ 4,382	$ 892	$ 72	$ 5,346
Site production and delivery, before net noncash and other costs shown below	2,681	2,326	374	35	2,735
By-product creditsa	(910)	–	–	–	–
Treatment charges	134	130	–	4	134
Net cash costs	1,905	2,456	374	39	2,869
Depreciation, depletion and amortization	753	664	83	6	753
Noncash and other costs, net	743c	701	39	3	743
Total costs	3,401	3,821	496	48	