

PHELPS DODGE CORP  
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February 12, 2007

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Phelps Dodge Corporation**

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(Name of Registrant as Specified In Its Charter)

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Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**JOINT PROXY STATEMENT/PROSPECTUS**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

The boards of directors of Freeport-McMoRan and Phelps Dodge have approved a merger agreement pursuant to which Freeport-McMoRan will acquire Phelps Dodge. As we describe in greater detail in this document, we believe the transaction will result in significant benefits to each company's shareholders and will create the world's largest publicly traded copper company.

**If the transaction is completed, Phelps Dodge shareholders will have the right to receive 0.67 of a share of Freeport-McMoRan Class B common stock (which we sometimes refer to in this document as Freeport-McMoRan common stock or common stock) and \$88.00 in cash, without interest, for each Phelps Dodge common share they hold. Freeport-McMoRan shareholders will continue to own their existing shares of Freeport-McMoRan common stock. Based on the closing sale price of shares of Freeport-McMoRan common stock on November 17, 2006, the implied value of the merger consideration to be received by Phelps Dodge shareholders in the transaction is \$126.46 per share. This value will fluctuate prior to the completion of the transaction as a result of changes in the value of Freeport-McMoRan common stock.**

Approximately 137 million shares of Freeport-McMoRan common stock will be issued to Phelps Dodge shareholders in the transaction, based on the number of Phelps Dodge common shares, restricted stock and stock options outstanding on September 30, 2006, and assuming that all of the Phelps Dodge stock options are exercised prior to the completion of the transaction. These shares will represent approximately 41% of the outstanding common stock of the combined company immediately after the transaction (38% on a fully diluted basis). Shares of Freeport-McMoRan common stock held by Freeport-McMoRan shareholders before the transaction will represent approximately 59% of the outstanding common stock of the combined company immediately after the transaction (62% on a fully diluted basis).

**Your vote is important.** We cannot complete the transaction unless, among other things, the holders of Phelps Dodge common shares vote to approve and adopt the merger agreement and the holders of Freeport-McMoRan common stock vote to approve the amendment of the Freeport-McMoRan certificate of incorporation to increase the amount of authorized common stock and to approve the issuance of shares of Freeport-McMoRan common stock in connection with the transaction. Each of us will hold a special meeting of our shareholders at the date, time and location set forth below to vote on these proposals. Whether or not you plan to attend your company's special meeting, please take the time to vote by completing and mailing the enclosed proxy card to us, or by submitting your proxy by telephone or the Internet, using the procedures in the voting instructions included with your proxy card.

**For Freeport-McMoRan shareholders:**  
March 14, 2007  
11:00 a.m., Eastern Standard Time  
**Freeport-McMoRan Copper & Gold Inc.**

**Hotel du Pont  
11th and Market Streets  
Wilmington, Delaware**

**For Phelps Dodge shareholders:**  
March 14, 2007  
10:00 a.m., Mountain Standard Time  
**Phelps Dodge Corporation**

**The Heard Museum  
2301 North Central Avenue  
Phoenix, Arizona**

**The Freeport-McMoRan board of directors recommends that Freeport-McMoRan shareholders vote FOR the amendment of the certificate of incorporation and FOR the issuance of Freeport-McMoRan common stock in connection with the transaction and related items.**

**The Phelps Dodge board of directors recommends that Phelps Dodge shareholders vote FOR the approval and adoption of the merger agreement and related items.**

This document describes the shareholder meetings, the transactions contemplated by the merger agreement (which we refer to generally in this document as the transaction), documents related to the transaction and other related matters. **Please read this entire document carefully, including the section discussing risk factors beginning on page 22.** You can also obtain information about our companies from documents that we have each filed with the Securities and Exchange Commission.

Freeport-McMoRan Class B common stock is listed on the New York Stock Exchange under the symbol **FCX** . Phelps Dodge common shares are listed on the New York Stock Exchange under the symbol **PD** .

James R. Moffett  
Chairman of the Board  
Freeport-McMoRan Copper & Gold Inc.

J. Steven Whisler  
Chairman and Chief Executive Officer  
Phelps Dodge Corporation

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Freeport-McMoRan common stock to be issued in connection with the transaction or determined if this document is truthful and complete. Any representation to the contrary is a criminal offense.**

**The date of this document is February 12, 2007, and it is first being mailed or otherwise delivered to Freeport-McMoRan shareholders and Phelps Dodge shareholders on or about February 13, 2007.**

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**REFERENCES TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about Freeport-McMoRan and Phelps Dodge from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Freeport-McMoRan Copper & Gold Inc.  
1615 Poydras Street  
New Orleans, Louisiana 70112  
Attention: Investor Relations  
Telephone: (504) 582-4000

Phelps Dodge Corporation  
One North Central Avenue  
Phoenix, Arizona 85004-4414  
Attention: Assistant General Counsel and Secretary  
Telephone: (602) 366-8100

*You will not be charged for any of these documents that you request. If you wish to request documents, the applicable company must receive your request by March 7, 2007 (which is five business days before the scheduled date of the special meetings) in order for you to receive them before the special meetings.*

See [Where You Can Find More Information](#) , beginning on page 120.

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**Phelps Dodge Corporation  
One North Central Avenue  
Phoenix, Arizona 85004-4414**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
To Be Held On March 14, 2007**

To the Shareholders of Phelps Dodge:

NOTICE IS HEREBY GIVEN that the special meeting of the shareholders of Phelps Dodge Corporation, a New York corporation, will be held at The Heard Museum, 2301 North Central Avenue, Phoenix, Arizona on March 14, 2007, at 10:00 a.m., Mountain Standard Time, to consider and vote upon the following:

1. a proposal to approve and adopt the Agreement and Plan of Merger (referred to in this document as the merger agreement), dated as of November 18, 2006, among Freeport-McMoRan Copper & Gold Inc., Phelps Dodge Corporation and Panther Acquisition Corporation, a direct wholly owned subsidiary of Freeport-McMoRan, as amended;
2. a proposal to approve an adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposal; and
3. any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The Phelps Dodge board of directors recommends that Phelps Dodge shareholders vote **FOR** the approval and adoption of the merger agreement and **FOR** an adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposal.

All Phelps Dodge shareholders are cordially invited to attend this special meeting, although only holders of record of our common shares at the close of business on February 12, 2007, will be entitled to receive notice of and to vote at the Phelps Dodge special meeting or any postponement or adjournment thereof. A list of shareholders entitled to receive notice of and vote at the special meeting will be available at our offices located at One North Central Avenue, Phoenix, Arizona 85004-4414, during ordinary business hours for the ten-day period preceding the date of the special meeting. This list also will be available at the special meeting.

**The accompanying document describes the proposed transaction in more detail. We encourage you to read the entire document carefully, including the merger agreement, which is included as Appendix A to the document.**

Whether or not you expect to attend the special meeting, to ensure that your shares are represented at the special meeting, please complete, date, sign and return the enclosed proxy card in the envelope that has been provided or vote your shares by using a touch-tone telephone or through the Internet, as explained in the proxy voting instructions

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attached to the proxy card. No postage is required for mailing in the United States. Voting by mail, by telephone or through the Internet will not prevent you from voting in person at the meeting. If you are able to attend the meeting, you may revoke your proxy and vote your shares in person even if you have previously completed and returned the enclosed proxy card or voted by telephone or through the Internet. Thank you for acting promptly.

J. Steven Whisler  
*Chairman and Chief Executive Officer*

February 12, 2007  
Phoenix, Arizona

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**QUESTIONS AND ANSWERS ABOUT THE TRANSACTION  
AND THE SPECIAL SHAREHOLDER MEETINGS**

**Q: When are the shareholder meetings?**

A: Each company's meeting will take place on March 14, 2007, at the time and location specified on the cover page of this document.

**Q: What do I need to do now?**

A: After you have carefully read this entire document, please vote your shares of Freeport-McMoRan common stock or your Phelps Dodge common shares. You may do this either by completing, signing, dating and mailing the enclosed proxy card or by submitting your proxy by telephone or through the Internet, as explained in the voting instructions attached to your proxy card. This will enable your shares to be represented and voted at the Freeport-McMoRan special meeting or the Phelps Dodge special meeting, as applicable. If you submit a valid proxy and do not indicate how you want to vote, we will count your proxy as a vote in favor of the proposals described in this document submitted at your shareholder meeting.

**The Freeport-McMoRan board of directors recommends that Freeport-McMoRan shareholders vote FOR the amendment to the Freeport-McMoRan certificate of incorporation, FOR the issuance of Freeport-McMoRan common stock in connection with the transaction and FOR the adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposals.**

**The Phelps Dodge board of directors recommends that Phelps Dodge shareholders vote FOR the approval and adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposal.**

**Q: What shareholder votes are required?**

A: Freeport-McMoRan shareholders are being asked to approve an amendment of the Freeport-McMoRan certificate of incorporation, which includes increasing the authorized number of shares of Freeport-McMoRan capital stock to 750,000,000 and increasing the authorized number of shares of common stock to 700,000,000. The approval of this proposal, and therefore the consummation of the transaction, requires the affirmative vote of the holders of a majority of the outstanding shares of Freeport-McMoRan common stock.

Freeport-McMoRan shareholders are also being asked to approve the issuance of Freeport-McMoRan common stock in the transaction. The approval of this proposal, and therefore the consummation of the transaction, requires the affirmative vote of a majority of the votes cast in person or by proxy at the Freeport-McMoRan special meeting.

Phelps Dodge shareholders are being asked to approve and adopt the merger agreement. The approval of this proposal, and therefore the consummation of the transaction, requires the affirmative vote of the holders of 66 $\frac{2}{3}$ % of the outstanding Phelps Dodge common shares.

**Q: Why is my vote important?**

A:

If you do not return your proxy card, submit your proxy by telephone or through the Internet or vote in person at your special meeting, it will be more difficult for each of Freeport-McMoRan and Phelps Dodge to obtain the necessary quorum to hold its special meeting and the shareholder approval necessary to consummate the proposed transaction.

**Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. Your broker will only vote your shares if you provide your broker with voting instructions. You should instruct your broker to vote your shares by following the directions your broker provides you. Please check the voting instruction form used by your broker to see if it offers telephone or Internet voting.

**Q: What if I fail to instruct my broker with respect to those items that are necessary to consummate the transaction?**

A: If you are a Freeport-McMoRan shareholder:

with respect to the proposal to amend the Freeport-McMoRan certificate of incorporation, a broker non-vote will be counted toward a quorum at the Freeport-McMoRan special meeting but will have the same effect as a vote against the proposal; and

with respect to the proposal to issue additional shares of Freeport-McMoRan common stock to Phelps Dodge shareholders in connection with the transaction, broker non-votes will not be considered a vote cast for purposes of satisfying the 50% vote cast requirement and will have the effect of reducing the aggregate number of shares voting and the number of affirmative votes required to approve this proposal.

If you are a Phelps Dodge shareholder, a broker non-vote will be counted toward a quorum at the Phelps Dodge special meeting but will have the same effect as a vote against the proposal to approve and adopt the merger agreement.

**Q: Can I attend the special meeting and vote my shares in person?**

A: All Freeport-McMoRan and Phelps Dodge shareholders are invited to attend their respective special meetings. However, only shareholders of record as of February 12, 2007 will be entitled to vote in person at the special meetings. If a bank, broker or other nominee holds your shares, then you are not the holder of record and you must ask your bank, broker or other nominee how you can vote in person at the special meeting. If your shares are held in the name of a bank, broker or other nominee, your admission ticket is the left side of your voting instruction form.

**Q: How do I vote my shares if I am a participant in a Phelps Dodge employee benefit plan?**

A: If you are a participant in the Phelps Dodge Employee Savings Plan or The Phelps Dodge Corporation Supplemental Savings Plan, you can direct the plans trustee to vote the Phelps Dodge shares credited to your account as of the record date. Any of your shares for which no directions are received will be voted by the trustee in accordance with the provisions of the trust agreement. The trustee of the Phelps Dodge Employee Savings Plan and The Phelps Dodge Corporation Supplemental Savings Plan is JP Morgan Chase Bank.

**Q: Can I change my vote?**

A: Yes. If you are a holder of record, you can change your proxy instructions after you have submitted your proxy card, or submitted your proxy by telephone or through the Internet, by:

submitting a written notice revoking your proxy to the corporate secretary of Freeport-McMoRan or Phelps Dodge, as applicable;

submitting a new proxy card bearing a later date, or submitting a new proxy by telephone or through the Internet; or

attending the special meeting and voting in person.

For more detailed procedures on revoking a proxy, see the description under [The Freeport-McMoRan Special Meeting Proxies Revoking Your Proxy](#) or [The Phelps Dodge Special Meeting Proxies Revoking Your Proxy](#), as applicable.

If you own your shares through a broker, you must follow the directions you receive from your broker in order to change or revoke your vote.

**Q: Should I send in my Phelps Dodge stock certificates now?**

A: No. You should not send in your stock certificates at this time. Phelps Dodge shareholders who hold their shares in certificated form will need to exchange their Phelps Dodge stock certificates for the cash and Freeport-McMoRan common stock provided for in the merger agreement after we complete the transaction. We will send Phelps Dodge shareholders instructions for exchanging Phelps Dodge stock certificates at that time. Phelps Dodge shareholders who hold their shares in book-entry form will also receive

instructions for exchanging their shares after we complete the transaction. Freeport-McMoRan shareholders will retain their current stock certificates after the transaction and should not send in their stock certificates.

**Q: Should I send in my Freeport-McMoRan stock certificates?**

A: No. There is no need to send in stock certificates representing shares of Freeport-McMoRan common stock, which will remain outstanding following completion of the transaction. If the proposal to amend the Freeport-McMoRan certificate of incorporation is approved by Freeport-McMoRan shareholders, the Class B common stock will be renamed common stock, but you will not need to send in your stock certificates or take any other action as a result of this name change.

**Q: Is the transaction expected to be taxable to Phelps Dodge shareholders?**

A: Generally, yes. The receipt of the merger consideration for holders of Phelps Dodge common shares pursuant to the transaction will be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize capital gain or loss as a result of the transaction equal to the difference, if any, between (i) the sum of the fair market value of the Freeport-McMoRan common stock as of the effective time of the merger and the cash received in the transaction and (ii) your adjusted tax basis in the Phelps Dodge common shares exchanged in the merger.

You should read *Material United States Federal Income Tax Considerations of the Transaction* beginning on page 82 for a more complete discussion of the U.S. federal income tax consequences of the transaction. Tax matters can be complicated, and the tax consequences of the transaction to you will depend on your particular tax situation. **You should consult your tax advisor to determine the tax consequences of the transaction to you.**

**Q: When do you expect to complete the transaction?**

A: We expect to complete the transaction during the first calendar quarter of 2007. However, we cannot assure you when or if the transaction will be completed. We must first obtain the necessary approvals of our respective shareholders at the special meetings and any necessary regulatory approvals.

**Q: Whom should I call with questions?**

A: Freeport-McMoRan shareholders with any questions about the transaction should call Georgeson Inc., Freeport-McMoRan's proxy solicitors, toll-free at (866) 767-8979 or the Freeport-McMoRan shareholder investor relations department at (504) 582-4000.

Phelps Dodge shareholders with any questions about the transaction should call D.F. King & Co., Inc., Phelps Dodge's proxy solicitors, toll-free at (800) 769-4414 or collect at (212) 269-5550. Non-U.S. holders may call D.F. King & Co. at +44 20 7920 9700.

## SUMMARY

*This summary highlights information from this document that we believe is important to you in deciding how to vote on the proposals described in this document. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this document refers you in order for you to fully understand the proposed transaction. See *Where You Can Find More Information* beginning on page 120. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.*

### **Information About the Companies (page 34)**

#### ***Freeport-McMoRan Copper & Gold Inc.***

1615 Poydras Street  
New Orleans, Louisiana 70112  
(504) 582-4000  
<http://www.fcx.com>

Freeport-McMoRan Copper & Gold Inc. is one of the world's largest producers of copper and gold. Freeport-McMoRan's operations are conducted through its principal operating subsidiaries, PT Freeport Indonesia, PT Irja Eastern Minerals and Atlantic Copper, S.A.

PT Freeport Indonesia's operations in Papua, Indonesia, involve mineral exploration and development, mining and milling of ore containing copper, gold and silver and the worldwide marketing of concentrates containing those metals. PT Freeport Indonesia is also a 25% owner of PT Smelting, which operates a copper smelter and refinery in Gresik, Indonesia.

PT Irja Eastern Minerals conducts mineral exploration activities (currently suspended) on land adjacent to that held by PT Freeport Indonesia. Freeport-McMoRan also conducts mineral exploration activities (currently suspended) in Papua pursuant to a joint venture through PT Nabire Bakti Mining. All these companies operate through Contracts of Work with the Government of Indonesia which, at the end of 2005, covered approximately 2.2 million acres. Atlantic Copper operates a copper smelter and refinery in Huelva, Spain.

#### ***Phelps Dodge Corporation***

One North Central Avenue  
Phoenix, Arizona 85004-4414  
(602) 366-8100  
<http://www.phelpsdodge.com>

Phelps Dodge is one of the world's leading producers of copper. Phelps Dodge is a world leader in the production of molybdenum, and the largest producer of molybdenum-based chemicals and continuous-cast copper rod. Phelps Dodge employs 15,000 people worldwide, primarily through its two divisions, Phelps Dodge Mining Company, which is referred to in this document as PDMC, and Phelps Dodge Industries, which is referred to in this document as PDI.

PDMC is an industry leader in the safe, efficient and environmentally responsible production of high-quality metals and minerals. PDMC is a fully integrated producer of copper and molybdenum, with mines and processing facilities in

North and South America and Europe and processing capabilities for other minerals as by-products, such as gold, silver and rhenium. Phelps Dodge Exploration Corp., a subsidiary of Phelps Dodge, and the Process Technology Center, a division of PDMC, focus on continued discovery and development of economically viable mineral reserves and the refinement and creation of production and process technologies.

PDI consists of Phelps Dodge Wire and Cable, which manufactures engineered products principally for the global energy sector. Phelps Dodge Wire and Cable manufactures products for power distribution, heavy industry, and medical and electronic devices and products, with operations in the United States, Latin America, Asia and Africa.



### ***Panther Acquisition Corporation***

Panther Acquisition Corporation is a New York corporation and a wholly owned subsidiary of Freeport-McMoRan. Panther Acquisition Corporation was formed exclusively for the purpose of completing the transaction.

### **Reasons for the Transaction (page 41 and page 44)**

Our companies are proposing to combine because, among other things, we believe that the transaction will accelerate the progress being made by each of us toward achieving our respective strategic objectives.

Our boards of directors believe that:

the assets and development projects of the combined company, including geographically diverse ore reserves totaling 75 billion pounds of copper, 41 million ounces of gold, and 1.9 billion pounds of molybdenum, and expansion and development projects in the United States, Chile, Peru, Indonesia and the Democratic Republic of the Congo will strengthen the industry position of the combined company;

the assets and operations of the combined company will be well positioned to benefit from the strong market for copper resulting from a scarcity of development projects and a strong global demand for copper;

the combined company will have exploration rights with significant potential in copper regions around the world, including Freeport-McMoRan's prospective acreage in Papua, Indonesia, and Phelps Dodge's opportunities at its Tenke Fungurume concessions in the Democratic Republic of the Congo, in the United States and in South America;

the combination of the companies' proven management and the application of best practices in open pit and underground mining and processing will facilitate the sharing of expertise to optimize operations across the asset base of the combined company; and

the size and scale of the combined company will allow it to better compete for customers, development projects, human resources and suppliers.

Both companies also recognize that there are significant risks associated with the transaction, as described under "Risk Factors" beginning on page 22.

### **Recommendations to Shareholders (page 41 and page 44)**

The Freeport-McMoRan board of directors has approved and deemed it advisable that the shareholders of Freeport-McMoRan approve the proposals to amend the Freeport-McMoRan certificate of incorporation and issue the Freeport-McMoRan common stock in connection with the transaction. The Freeport-McMoRan board of directors recommends that the Freeport-McMoRan shareholders vote:

**FOR** the amendment to the Freeport-McMoRan certificate of incorporation;

**FOR** the issuance of Freeport-McMoRan common stock in connection with the transaction; and

**FOR** the adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposals.

The Phelps Dodge board of directors has determined that the merger agreement and the transaction are fair to and in the best interests of Phelps Dodge shareholders. The Phelps Dodge board of directors recommends that Phelps Dodge shareholders vote:

**FOR** the approval and adoption of the merger agreement; and

**FOR** the adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposal.

**The Merger (page 68)**

Under the terms of the proposed transaction, Panther Acquisition Corporation, a wholly owned subsidiary of Freeport-McMoRan, will merge into Phelps Dodge. As a result, Phelps Dodge will continue as a surviving

corporation and will become a wholly owned subsidiary of Freeport-McMoRan. Accordingly, Phelps Dodge shares will no longer be publicly traded.

### **Merger Consideration (page 68)**

As a result of the transaction, each Phelps Dodge shareholder will have the right to receive 0.67 of a share of Freeport-McMoRan common stock and \$88.00 in cash, without interest, for each Phelps Dodge common share held. We expect that, upon completion of the transaction, former Phelps Dodge shareholders will own approximately 41% of the combined company (38% on a fully diluted basis) and Freeport-McMoRan shareholders will own approximately 59% of the combined company (62% on a fully diluted basis). Freeport-McMoRan will not issue any fractional shares in the transaction. Phelps Dodge shareholders will instead receive amounts in cash equal to the value of any fractional shares that would have been issued, based on the closing price of Freeport-McMoRan common stock on the trading day immediately following the day on which the transaction is completed.

### **Comparative Market Prices and Share Information (page 21 and page 107)**

Freeport-McMoRan common stock is listed on the New York Stock Exchange under the symbol `FCX`. Phelps Dodge common shares are listed on the New York Stock Exchange under the symbol `PD`. The following table sets forth the closing sale prices of Freeport-McMoRan common stock as reported on the New York Stock Exchange and the closing sale prices of Phelps Dodge common shares as reported on the New York Stock Exchange, each on November 17, 2006, the last trading day before we announced the transaction, and on February 9, 2007. This table also shows the implied value of a Phelps Dodge common share, which we calculated by adding \$88.00 to the product of the closing price of Freeport-McMoRan common stock on those dates and the exchange ratio of 0.67.

	<b>Freeport- McMoRan Common Stock</b>	<b>Phelps Dodge Common Shares</b>	<b>Implied Value of Phelps Dodge Common Shares</b>
November 17, 2006	\$ 57.40	\$ 95.02	\$ 126.46
February 9, 2007	\$ 53.65	\$ 121.95	\$ 123.95

The market prices of Freeport-McMoRan common stock and Phelps Dodge common shares will fluctuate before the special meetings and before the transaction is completed. Therefore, you should obtain current market quotations for Freeport-McMoRan common stock and Phelps Dodge common shares.

### **No Appraisal Rights (page 48)**

Phelps Dodge shareholders are not entitled to appraisal rights in connection with the transaction.

Freeport-McMoRan shareholders are not entitled to appraisal rights in connection with the transaction.

### **Material United States Federal Income Tax Considerations of the Transaction (page 82)**

The receipt of the merger consideration by a Phelps Dodge shareholder in exchange for Phelps Dodge common shares pursuant to the transaction will be a taxable transaction for U.S. federal income tax purposes. In general, a Phelps Dodge shareholder who receives the merger consideration in exchange for Phelps Dodge common shares pursuant to

the transaction will recognize capital gain or loss for United States federal income tax purposes equal to the difference, if any, between (i) the sum of the fair market value of the Freeport-McMoRan common stock as of the effective time of the merger and the cash received in the transaction and (ii) the shareholder's adjusted tax basis in the Phelps Dodge common shares exchanged for the merger consideration pursuant to the transaction. Any gain or loss would be treated as long-term capital gain or loss if the shareholder held Phelps Dodge common shares for more than one year.

**Tax matters can be complicated and the tax consequences of the transaction to Phelps Dodge shareholders will depend on each shareholder's particular tax situation. Phelps Dodge shareholders should consult their tax advisors to fully understand the tax consequences of the transaction to them.**

### **Interests of Certain Persons in the Transaction (page 77)**

When considering the recommendations of the Freeport-McMoRan and Phelps Dodge boards of directors that shareholders vote in favor of the proposals described in this document, you should be aware that some Freeport-McMoRan and Phelps Dodge executive officers and directors may have interests in the transaction that may be different from, or in addition to, yours.

### **Opinions of Freeport-McMoRan's Financial Advisors (page 50)**

Each of J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Freeport-McMoRan's financial advisors, delivered its opinion to the Freeport-McMoRan board of directors that, as of the date of its opinion and based upon and subject to the assumptions, qualifications and limitations set forth in its opinion, the merger consideration to be paid by Freeport-McMoRan pursuant to the transaction was fair, from a financial point of view, to Freeport-McMoRan.

The full texts of the written opinions of each of J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, dated November 18, 2006, which set forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinions are attached to this document as Appendix B and Appendix C, respectively. Freeport-McMoRan shareholders are urged to read the opinions carefully in their entirety. **Each written opinion is addressed to the Freeport-McMoRan board of directors, is directed only to the consideration to be paid pursuant to the transaction and does not constitute a recommendation to any Freeport-McMoRan shareholder as to how such shareholder should vote at the Freeport-McMoRan special meeting.**

### **Opinions of Phelps Dodge's Financial Advisors (page 59)**

In connection with the transaction, Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, Phelps Dodge's financial advisors, delivered their respective opinions as of November 18, 2006 to the Phelps Dodge board of directors, which were subsequently confirmed in writing, as to the fairness, from a financial point of view, to the Phelps Dodge shareholders of the merger consideration to be received by such holders pursuant to the merger agreement.

The full text of the written opinions of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, dated November 18, 2006, are included in this document as Appendix D and Appendix E, respectively. You should read the opinions carefully in their entirety for a description of the respective assumptions made, matters considered and limitations on the review undertaken by each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated. **The opinions of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated were provided for the information and assistance of the Phelps Dodge board of directors in connection with its consideration of the transaction. The opinions of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated are not a recommendation as to how any shareholder should vote or as to any action that a shareholder should take with respect to the transaction.**

### **The Merger Agreement (page 68)**

The merger agreement is included in this joint document as Appendix A. We urge you to read the entire merger agreement because it is the legal document governing the transaction.

### **Conditions that Must Be Satisfied or Waived for the Transaction to Occur (page 74)**

As more fully described in this document and the merger agreement, the completion of the transaction depends on a number of conditions being satisfied or waived, including receipt of shareholder approvals and regulatory approvals.

Although we expect to complete the transaction in the first calendar quarter of 2007, we cannot be certain when, or if, the conditions to the transaction will be satisfied or waived, or that the transaction will in fact be completed.

### **Termination of the Merger Agreement (page 75)**

The merger agreement may be terminated by either party if:

the transaction has not been completed prior to August 31, 2007;

applicable law makes the consummation of the transaction illegal or a final non-appealable injunction prohibits Freeport-McMoRan or Phelps Dodge from consummating the transaction;

either Freeport-McMoRan shareholders or Phelps Dodge shareholders fail to give the necessary approvals at their respective shareholder meetings;

the other party's board of directors changes its recommendation of the transaction;

there has been an incurable breach by the other party of any representation or warranty or failure to perform any covenant or agreement that would result in the failure of that party to satisfy a condition to the closing;

the other party has willfully and materially breached certain obligations in the merger agreement concerning the solicitation of alternative transactions, holding a shareholder meeting to obtain the required shareholder approvals or recommending the transaction to its shareholders; or

that party's board of directors authorizes that party to enter into a written agreement for a transaction that constitutes a superior proposal, subject to compliance with notice and other requirements of the merger agreement including payment of the applicable termination fee.

### **Termination Fees; Other Expenses (page 76)**

Each party has agreed to pay the other party a termination fee if the transaction is terminated because:

such party willfully and materially breached certain obligations in the merger agreement concerning the solicitation of alternative transactions, holding a shareholder meeting to obtain the required shareholders approvals or recommending the transaction to its shareholders;

such party's board of directors changed its recommendation of the transaction, unless (i) the other party suffered a material adverse effect prior to the shareholder meeting of the party whose board of directors changed its recommendation and (ii) such party's board of directors subsequently changed its recommendation after determining in good faith (after receipt of advice from its legal and financial advisors) that the failure to change its recommendation would be inconsistent with its fiduciary duties; or

such party proposes to enter into a superior transaction.

Each party has agreed to pay the other party one-half of the termination fee if the merger agreement is terminated because such party's shareholders do not approve the transaction, unless (i) the other party suffered a material adverse effect prior to the shareholder meeting of the party whose shareholders do not approve the transaction and (ii) such party's board of directors subsequently changed its recommendation after determining in good faith (after receipt of advice from its legal and financial advisors) that the failure to change its recommendation would be inconsistent with its fiduciary duties.

In addition, each party has agreed to pay the other party the termination fee (or, if one-half of the termination fee was previously paid as described above, the remainder of the termination fee) if each of the following occurs:

the merger agreement is terminated because the transaction was not completed by August 31, 2007, or such party's shareholders do not approve the transaction (except in circumstances in which one-half of the break-up fee was not payable as described above);

a proposal for an alternative transaction has been made prior to August 31, 2007, or the shareholder meeting, as applicable; and

within 12 months following the termination, that party completes or enters into an agreement providing for an alternative transaction.



The amount of the termination fee, in the case of a payment from Phelps Dodge to Freeport-McMoRan, is \$750 million and, in the case of a payment from Freeport-McMoRan to Phelps Dodge, is \$375 million.

Each party has agreed to reimburse the other party for its transaction expenses (up to \$40 million) if the merger agreement is terminated because that party incurably breached its representations, warranties or covenants.

### **Phelps Dodge Stock Options and Other Stock-Based Awards (page 69)**

Except as otherwise provided below, the terms of each outstanding option to purchase Phelps Dodge common shares under any employee stock option or compensation plan or arrangement of Phelps Dodge, whether or not exercisable or vested, shall be adjusted as necessary to provide that each Phelps Dodge stock option outstanding immediately prior to the closing of the transaction shall be deemed to constitute a fully vested option to acquire, on the same terms and conditions as were applicable under such Phelps Dodge stock option, the number of shares of Freeport-McMoRan common stock equal to the product of (i) the number of Phelps Dodge common shares subject to such Phelps Dodge stock option immediately prior to the effective time of the merger multiplied by (ii) the sum of 0.67 plus the quotient of (a) \$88.00 divided by (b) the closing price of a share of Freeport-McMoRan common stock on the New York Stock Exchange on the trading day immediately preceding the effective time of the merger. The exercise price per share of Freeport-McMoRan common stock subject to any such adjusted option will be an amount equal to the quotient of (i) the exercise price per Phelps Dodge common share subject to such Phelps Dodge stock option immediately prior to the effective time of the merger divided by (ii) the sum referred to in the previous clause (ii) above.

Phelps Dodge has agreed, by a waiver letter dated February 8, 2007, that stock options granted as part of Phelps Dodge's annual award program on February 6, 2007 will not vest upon the closing of the merger. Instead, such options will generally vest in equal installments on each of the first three anniversaries of the date of grant, in accordance with Phelps Dodge's usual practices. However, such options will become fully vested if the grantee incurs a qualifying termination within two years of the closing of this transaction or retires.

Each outstanding restricted share awarded to a Phelps Dodge employee shall be converted into a right to receive 0.67 shares of Freeport-McMoRan common stock and \$88.00 in cash. Generally, each such restricted share that is outstanding as of the effective time of the merger will vest as of the closing of the transaction. Restricted shares awarded as part of Phelps Dodge's annual award program on February 6, 2007 will not vest upon the closing of the merger but contain provisions that will accelerate the vesting for any such employee who retires or whose employment is involuntarily terminated within one year of the closing (or within two years, in the case of any executive who incurs a qualifying termination under a change-of-control agreement).

The members of the Phelps Dodge board of directors participate in Phelps Dodge's 1997 and 2007 Directors Stock Unit Plans, which award deferred stock units to directors as part of their compensation. Upon the effective time of the merger, all deferred stock units will be cashed out based on the fair market value of Phelps Dodge common shares immediately prior to the effective time.

### **Governance After the Transaction (page 47)**

At the closing of the transaction, the Freeport-McMoRan board of directors will consist of sixteen directors, thirteen of whom will be the Freeport-McMoRan directors prior to the closing of the transaction and three of whom will be current independent directors of Phelps Dodge (the identity of whom will be agreed upon by Freeport-McMoRan and Phelps Dodge prior to the closing of the transaction).

### **Regulatory and Other Approvals Required for the Transaction (page 34)**

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to as the HSR Act, and the rules and regulations thereunder, provide that the transaction may not be completed until pre-merger notification filings have been made with the Federal Trade Commission, referred to as the FTC, and the Antitrust Division of the Department of Justice, referred to as the Antitrust Division, and the specified waiting period thereunder has expired or is terminated. Even after the waiting period expires or is terminated, the Antitrust Division and the FTC retain the authority to challenge the transaction on antitrust grounds before or

after the transaction is completed. Each of Freeport-McMoRan and Phelps Dodge filed a notification and report form for the transaction with the FTC and the Antitrust Division on December 4, 2006. Early termination of the waiting period was granted on December 22, 2006. Thus, as far as the HSR Act is concerned, the parties are free to consummate the transaction.

Both Freeport-McMoRan and Phelps Dodge sell products to customers based in the European Union. The EC Merger regulation (Regulation 139 of 2004) requires notification of and approval by the European Commission of mergers or acquisitions involving parties with worldwide sales and European Union sales exceeding given thresholds. Freeport-McMoRan and Phelps Dodge filed a formal notification of the merger with the European Commission on January 16, 2007. The European Commission will have until February 20, 2007, which is 25 business days after receipt of such formal notification, to issue its decision regarding the merger. This 25-business day period is extendable for an additional ten-business day period in certain circumstances. After that period, if the European Commission has serious doubts as to the compatibility of the merger with the common market, it will enter into a Phase II investigation. The standard timetable for a Phase II investigation is 90 working days. This timetable may be extended in certain circumstances by either the parties or the European Commission. There are also procedures for the European Commission to Stop the Clock if the parties have not supplied information required by the European Commission.

#### **Listing of Freeport-McMoRan Common Stock (page 87)**

Freeport-McMoRan has agreed to file an application to have the Freeport-McMoRan common stock to be issued in the transaction listed on the New York Stock Exchange.

#### **Accounting Treatment (page 82)**

The transaction will be accounted for as a purchase by Freeport-McMoRan under accounting principles generally accepted in the United States. Under the purchase method of accounting, the assets and liabilities of Phelps Dodge will be recorded, as of completion of the transaction, at their respective fair values. The financial condition and results of operations of Freeport-McMoRan after completion of the transaction will reflect Phelps Dodge's net assets and results.

Following the completion of the transaction, the earnings of the combined company will reflect purchase accounting adjustments, including the effect of changes in the cost bases for assets and liabilities on production costs and depreciation, depletion and amortization expense. Long-lived assets will be evaluated for impairment when events or changes in economic circumstances indicate the carrying amount of such assets may not be recoverable. Metal inventories will be subject to periodic assessments for lower-of-cost-or-market adjustments. The goodwill resulting from the transaction, which is not subject to amortization, will be reviewed for impairment at least annually. Any future impairments or market value adjustments would reduce the asset carrying values and result in charges to earnings for the combined company.

#### **Freeport-McMoRan Special Meeting (page 27)**

*Meeting.* The Freeport-McMoRan special meeting will be held on March 14, 2007, at 11:00 a.m., Eastern Standard Time, at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware. At the Freeport-McMoRan special meeting, Freeport-McMoRan shareholders will be asked to approve (i) an amendment of the Freeport-McMoRan certificate of incorporation to increase the authorized number of shares of Freeport-McMoRan capital stock to 750,000,000, to increase the authorized number of shares of Class B common stock to 700,000,000, to rename the Class B common stock as common stock and to delete the provisions and references to the previously designated classes and series of Freeport-McMoRan preferred stock of which no shares are outstanding (other than the Series A Participating

Cumulative Preferred Stock and the 51/2% Convertible Perpetual Preferred Stock), (ii) the issuance of shares of Freeport-McMoRan common stock in connection with the transaction and (iii) if necessary, the related adjournment proposal.

*Record Date.* Freeport-McMoRan has fixed the close of business on February 12, 2007 as the record date for determining the Freeport-McMoRan shareholders entitled to receive notice of and to vote at the Freeport-McMoRan special meeting. Only holders of record of Freeport-McMoRan common stock on the record date are entitled to receive notice of and to vote at the Freeport-McMoRan special meeting, and any

adjournment or postponement thereof. Each share of Freeport-McMoRan common stock is entitled to one vote.

*Required Vote.* The approval of the proposal to amend the Freeport-McMoRan certificate of incorporation requires the affirmative vote of a majority of the outstanding shares of the Freeport-McMoRan common stock. The approval of the proposal to issue Freeport-McMoRan common stock in the transaction requires the affirmative vote of a majority of the votes cast in person or by proxy at the Freeport-McMoRan special meeting. With respect to the proposal to amend the Freeport-McMoRan certificate of incorporation, a broker non-vote will be counted toward a quorum but will have the same effect as a vote against the proposal. With respect to the proposal to issue additional shares of Freeport-McMoRan common stock in connection with the transaction, broker non-votes will not be considered a vote cast for purposes of satisfying the 50% vote cast requirement and will have the effect of reducing the aggregate number of shares voting and the number of affirmative votes required to approve this proposal.

As of the Freeport-McMoRan record date, directors and executive officers of Freeport-McMoRan and their affiliates beneficially owned or had the right to vote approximately 4.2 million shares of Freeport-McMoRan common stock, or less than 1.6% of the outstanding Freeport-McMoRan common stock entitled to be voted at the special meeting. To Freeport-McMoRan's knowledge, the directors and executive officers of Freeport-McMoRan and their affiliates intend to vote their Freeport-McMoRan common stock in favor of the issuance of Freeport-McMoRan common stock in connection with the transaction.

#### **Phelps Dodge Special Meeting (page 30)**

*Meeting.* The Phelps Dodge special meeting will be held on March 14, 2007 at 10:00 a.m., Mountain Standard Time, at The Heard Museum, 2301 North Central Avenue, Phoenix, Arizona. At the Phelps Dodge special meeting, Phelps Dodge shareholders will be asked to vote on the approval and adoption of the merger agreement and, if necessary, the related adjournment proposal.

*Record Date.* Phelps Dodge has fixed the close of business on February 12, 2007 as the record date for determining the Phelps Dodge shareholders entitled to receive notice of and to vote at the Phelps Dodge special meeting. Only holders of record of Phelps Dodge common shares on the record date are entitled to receive notice of and to vote at the Phelps Dodge special meeting, and any adjournment or postponement thereof. Each Phelps Dodge common share is entitled to one vote.

*Required Vote.* The approval and adoption of the merger agreement, and therefore the consummation of the transaction, requires the affirmative vote of the holders of 66<sup>2</sup>/<sub>3</sub>% of the outstanding Phelps Dodge common shares. The failure of a Phelps Dodge shareholder to vote with respect to the proposal will have the same effect as a vote against the approval and adoption of the merger agreement.

As of the Phelps Dodge record date, directors and executive officers of Phelps Dodge and their affiliates beneficially owned or had the right to vote approximately 884,391 Phelps Dodge common shares, or less than 1% of the outstanding Phelps Dodge common shares entitled to be voted at the special meeting. To Phelps Dodge's knowledge, the directors and executive officers of Phelps Dodge and their affiliates intend to vote their Phelps Dodge common shares in favor of the approval and adoption of the merger agreement.

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF FREEPORT-MCMORAN

Freeport-McMoRan is providing the following financial information to aid you in your analysis of the financial aspects of the transaction. Freeport-McMoRan derived the selected historical consolidated balance sheet data, consolidated statement of income data and consolidated statement of cash flows data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, from the audited consolidated financial statements of Freeport-McMoRan for those periods. Freeport-McMoRan derived the consolidated statement of income data and consolidated statement of cash flows data for the nine months ended September 30, 2006 and 2005, and the consolidated balance sheet data as of September 30, 2006 and 2005, from the unaudited consolidated financial statements of Freeport-McMoRan for those periods. In the opinion of Freeport-McMoRan management, the unaudited consolidated financial statements of Freeport-McMoRan for the nine months ended September 30, 2006 and 2005, have been prepared on a basis consistent with its audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods. The operating results for the nine months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the entire fiscal year of Freeport-McMoRan or the combined company.

You should read the table below together with the historical financial statements and related notes contained in Freeport-McMoRan's annual report on Form 10-K for the year ended December 31, 2005 and its quarterly report on Form 10-Q for the period ended September 30, 2006 and other information that Freeport-McMoRan has filed with the Securities and Exchange Commission and incorporated by reference into this document. See [Where You Can Find More Information](#) beginning on page 120.

	At or for the Nine Months Ended September 30,			At or for the Years Ended December 31,			
	2006	2005	2005	2004	2003	2002	2001
(Financial Data in Dollars, Except Average Shares, and in Millions, Except Per Share Amounts)							
<b>CONSOLIDATED FINANCIAL DATA</b>							
Revenues	\$ 4,148.4	\$ 2,689.2	\$ 4,179.1	\$ 2,371.9	\$ 2,212.2	\$ 1,910.5	\$ 1,838.9
Operating income	2,006.5	1,247.6	2,177.3	703.6(a)	823.3	640.1	542.9
Net income before cumulative effect of changes in accounting principles	969.6(b)(c)	471.4(b)	934.6(d)	156.8(e)	169.8(f)	130.1	76.5
Cumulative effect of changes in accounting principles, net					(15.6)(g)	(3.0)(h)	
Net income applicable to common stock	969.6(b)(c)	471.4(b)	934.6(d)	156.8(e)	154.2(f)	127.1	76.5
Basic net income per common share	5.14	2.64	5.18	0.86	0.99	0.88	0.53
Diluted net income per common share	4.64(b)(c)	2.48(b)	4.67(d)	0.85(e)	0.97(f)(g)	0.87	0.53
Dividends paid per common share	2.9375	1.75	2.50	1.10	0.27		
Basic average shares outstanding	188.7	178.5	180.3	182.3	155.8	144.6	144.0
Diluted average shares outstanding	221.4	220.3	220.5	184.9	159.1	146.4	144.9
Cash, restricted cash and investments	698.9	392.8	763.6	552.0	498.6	115.8	149.5
Total assets	5,280.4	4,877.8	5,550.2	5,087.0	4,718.4	4,192.2	4,211.9
Long-term debt, including current portion and short-term borrowings	774.5	1,386.1	1,255.9	1,951.9	2,228.3(g)	2,038.4	2,338.6
Redeemable preferred stock					(g)	450.0	462.5
Stockholders equity	2,392.2	1,448.0	1,843.0	1,163.6	776.0	266.8	104.4
Net cash provided by operating activities	1,068.5	883.0	1,552.5	341.4	572.1	512.7	509.0
Capital expenditures and investments in	(179.9)	(95.6)	(143.0)	(142.9)	(208.5)	(188.0)	(167.0)

subsidiaries, net of  
 cash acquired  
 Net cash used in  
 investing activities  
 Net cash provided  
 by (used in)  
 financing activities

(147.3)	(93.6)	(134.3)	(64.0)	(132.8)	(148.3)	(300.8)
(985.9)	(948.0)	(1,206.1)	(189.6)	16.6	(364.2)	(208.6)



	At or for the Nine Months Ended September 30,		At or for the Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
<b>PFT FREEPORT INDONESIA OPERATING DATA, NET OF PERITO TINTO'S INTEREST</b>							
Copper (recoverable) Production (000s of pounds)	766,000	982,400	1,455,900	996,500	1,291,600	1,524,200	1,393,400
Production (metric tons)	347,500	445,600	660,400	452,000	585,900	691,400	632,000
Sales (000s of pounds)	768,900	988,100	1,456,500	991,600	1,295,600	1,522,300	1,399,100
Sales (metric tons)	348,800	448,200	660,700	449,800	587,700	690,500	634,600
Average realized price per pound	\$ 3.38	\$ 1.67	\$ 1.85	\$ 1.37	\$ 0.82	\$ 0.71	\$ 0.69
Gold (recoverable) Production	1,217,800	1,672,800	2,789,400	1,456,200	2,463,300	2,296,800	2,634,900
Sales	1,228,500	1,686,700	2,790,200	1,443,000	2,469,800	2,293,200	2,644,800
Average realized price per ounce	\$ 540.67(i)	\$ 431.88	\$ 456.27	\$ 412.32	\$ 366.60(j)	\$ 311.97	\$ 269.24
<b>ATLANTIC COPPER OPERATING DATA</b>							
Concentrate and scrap Produced (metric tons)	724,100	716,300	975,400	768,100	964,400	1,016,700	891,100
Anodes Production (000s of pounds)	444,200	469,100	626,600	494,400	640,000	657,000	617,300
Production (metric tons)	201,500	212,800	284,200	224,300	290,300	298,000	280,000
Sales (000s of pounds)	57,700	64,100	85,100	36,700	97,000	101,200	87,500
Sales (metric tons)	26,200	29,100	38,600	16,600	44,000	45,900	39,700
Cathodes Production (000s of pounds)	385,500	407,700	545,300	454,700	544,700	552,200	518,700
Production (metric tons)	174,900	184,900	247,300	206,200	247,100	250,500	235,300
Sales (including wire rod and wire) (000s of pounds)	392,900	411,900	548,600	479,200	546,800	556,500	549,800

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metric tons)	178,200	186,800	248,800	217,400	248,000	252,400	249,400
Gold sales in anodes							
and slimes (ounces)	569,200	422,600	542,800	316,700	929,700	813,900	831,300

- (a) Includes a \$95.0 million gain on insurance settlement related to the fourth-quarter 2003 slippage and debris flow events at the Grasberg open pit and a \$12.0 million charge related to Atlantic Copper's workforce reduction plan.
- (b) Includes losses on early extinguishment and conversion of debt totaling \$30.4 million (\$0.14 per share) for the nine months ended September 30, 2006 and \$30.3 million (\$0.14 per share) for the nine months ended September 30, 2005, net of related reduction of interest expense.
- (c) Includes \$29.7 million (\$0.13 per share) of gains on sales of assets by Atlantic Copper.
- (d) Includes \$40.2 million (\$0.18 per share) of losses on early extinguishment and conversion of debt, net of related reduction of interest expense, and a \$4.9 million (\$0.02 per share) gain from the sale of a parcel of land in Arizona held by a Freeport-McMoRan joint venture.
- (e) Includes a \$48.8 million (\$0.26 per share) gain on insurance settlement related to the fourth-quarter 2003 slippage and debris flow events at the Grasberg open pit; a \$20.4 million (\$0.11 per share) gain from the sale of a parcel of land in Arizona held by a Freeport-McMoRan joint venture; a \$7.5 million (\$0.04 per share) gain from Atlantic Copper's sale of its wire rod and wire assets; a \$12.0 million (\$0.06 per share) charge related to Atlantic Copper's workforce reduction plan; \$13.8 million (\$0.07 per share) of losses on early extinguishment and conversion of debt; and a \$6.3 million (\$0.03 per share) reduction of interest expense for conversion of debt.

- (f) Includes losses on early extinguishment and conversion of debt totaling \$31.9 million (\$0.20 per share), net of related reduction of interest expense.
- (g) Effective January 1, 2003, Freeport-McMoRan adopted Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, and recorded a \$9.1 million (\$0.06 per share) cumulative effect gain. Effective July 1, 2003, Freeport-McMoRan adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, and recorded a \$24.7 million (\$0.16 per share) cumulative effect charge. Freeport-McMoRan's mandatorily redeemable preferred stock was classified as debt effective July 1, 2003. SFAS No. 150 does not allow restatement of prior periods.
- (h) Effective January 1, 2002, Freeport-McMoRan changed the methodology used in the determination of depreciation associated with PT Freeport Indonesia's mining and milling life-of-mine assets.
- (i) Amount was \$597.07 before a loss resulting from redemption of Freeport-McMoRan's Gold-Denominated Preferred Stock, Series II.
- (j) Amount was \$357.61 before a gain resulting from redemption of Freeport-McMoRan's Gold-Denominated Preferred Stock.

**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PHELPS DODGE**

Phelps Dodge is providing the following financial information to aid you in your analysis of the financial aspects of the transaction. Phelps Dodge derived the selected historical consolidated balance sheet data, consolidated statement of operations data and consolidated statement of cash flows data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, from the audited consolidated financial statements of Phelps Dodge for those periods. Phelps Dodge derived the consolidated statement of income data and the consolidated statement of cash flows data for the nine months ended September 30, 2006 and 2005, and the consolidated balance sheet data as of September 30, 2006 and 2005, from the unaudited consolidated financial statements of Phelps Dodge for those periods. In the opinion of Phelps Dodge management, the unaudited consolidated financial statements of Phelps Dodge for the nine months ended September 30, 2006 and 2005, have been prepared on a basis consistent with its audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods. The operating results for the nine months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the entire fiscal year of Phelps Dodge or the combined company.

You should read the table below together with the historical financial statements and related notes contained in Phelps Dodge's annual report on Form 10-K for the year ended December 31, 2005, and its quarterly report on Form 10-Q for the period ended September 30, 2006, and other information that Phelps Dodge has filed with the Securities and Exchange Commission and incorporated by reference into this document. See [Where You Can Find More Information](#) beginning on page 120.

	<b>At or for the Nine Months Ended September 30,</b>		<b>At or for the Years Ended December 31,*</b>				
	<b>2006(a)</b>	<b>2005(b)</b>	<b>2005(c)</b>	<b>2004(d)</b>	<b>2003(e)</b>	<b>2002(f)</b>	<b>2001(g)</b>

**(Financial Data in Dollars and in Millions, Except Per Share Amounts)**

**CONSOLIDATED  
FINANCIAL DATA**

Sales and other operating revenues	\$ 8,675.1	\$ 6,031.5	\$ 8,287.1	\$ 6,415.2	\$ 3,498.5	\$ 3,173.2	\$ 3,420.4
Operating income (loss)	2,871.5	1,260.9	1,764.9	1,474.9	142.8	(257.4)	(90.6)
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	1,711.2	1,412.6	1,583.9	1,023.6	(21.1)	(356.5)	(377.7)
Income (loss) from discontinued operations, net of taxes**	(17.7)	22.5	(17.4)	22.7	39.2	41.3	48.2
Income (loss) before extraordinary item and	1,693.5	1,435.1	1,566.5	1,046.3	18.1	(315.2)	(329.5)

cumulative effect of accounting changes							
Net income (loss)	1,693.5	1,435.1	1,556.4	1,046.3	94.8	(338.1)	(331.5)
Basic earnings (loss) per common share from continuing operations***	8.46	7.26	8.06	5.41	(0.19)	(2.17)	(2.41)
Diluted earnings (loss) per common share from continuing operations***	8.42	6.99	7.82	5.18	(0.19)	(2.17)	(2.41)

	At or for the Nine Months Ended September 30,			At or for the Years Ended December 31,*			
	2006(a)	2005(b)	2005(c)	2004(d)	2003(e)	2002(f)	2001(g)
<b>(Financial Data in Dollars and in Millions, Except Per Share Amounts)</b>							
Basic earnings (loss) per common share from discontinued operations, extraordinary item and cumulative effect of accounting changes***	(0.09)	0.11	(0.14)	0.12	0.65	0.11	0.30
Diluted earnings (loss) per common share from discontinued operations, extraordinary item and cumulative effect of accounting changes***	(0.09)	0.11	(0.13)	0.11	0.65	0.11	0.30
Basic earnings (loss) per common share***	8.37	7.37	7.92	5.53	0.46	(2.06)	(2.11)
Diluted earnings (loss) per common share***	8.33	7.10	7.69	5.29	0.46	(2.06)	(2.11)
Cash dividends declared per common share****	4.5875	0.4375	3.125	0.25			0.375
Cash (including restricted cash)	4,126.2	2,505.3	1,937.5	1,200.1	683.8	349.8	386.9
Current assets (including cash)	6,678.1	4,479.3	4,070.7	2,661.7	1,790.0	1,428.2	1,531.2
Total assets	13,449.1	10,242.0	10,358.0	8,594.1	7,272.9	7,029.0	7,584.3
Total debt	921.6	730.7	694.5	1,096.9	1,959.0	2,110.6	2,871.6
Long-term debt	796.4	656.6	677.7	972.2	1,703.9	1,948.4	2,538.3
Shareholders' equity	6,483.9	5,824.3	5,601.6	4,343.1	3,063.8	2,813.6	2,730.1
Net cash provided by operating activities	3,326.2	1,299.1	1,769.7	1,700.1	461.6	359.1	310.7
Capital expenditures and investments in subsidiaries, net of cash received and acquired	(830.0)	(403.7)	(698.2)	(317.3)	(102.4)	(133.2)	(311.0)
Net cash used in investing activities	(478.5)	(47.2)	(368.0)	(291.0)	(87.7)	(140.3)	(266.8)
Net cash provided by (used in) financing activities	(687.7)	(53.2)	(685.8)	(947.2)	(48.8)	(244.8)	101.0



	At or for the Nine Months Ended September 30,		At or for the Years Ended December 31,*				
	2006(a)	2005(b)	2005(c)	2004(d)	2003(e)	2002(f)	2001(g)
<b>(Financial Data in Dollars and in Millions, Except Per Share Amounts)</b>							
<b>COPPER</b>							
Copper production (pro rata basis thousand tons)	755.3	787.6	1,042.3	1,081.7	1,042.5	1,012.1	1,145.2
Copper production (pro rata basis million pounds)	1,510.6	1,575.2	2,084.6	2,163.4	2,085.0	2,024.2	2,290.4
Copper sales from own mines (pro rata basis thousand tons)	754.0	791.0	1,051.6	1,089.1	1,052.6	1,034.5	1,156.0
Copper sales from own mines (pro rata basis million pounds)	1,508.0	1,582.0	2,103.2	2,178.2	2,105.2	2,069.0	2,312.0
COMEX copper price (per pound)(h)	\$ 3.06	\$ 1.57	\$ 1.68	\$ 1.29	\$ 0.81	\$ 0.72	\$ 0.73
LME copper price (per pound)(i)	\$ 3.00	\$ 1.58	\$ 1.67	\$ 1.30	\$ 0.81	\$ 0.71	\$ 0.72

\* 2005 and 2004 reflected full consolidation of El Abra and Candelaria; prior to 2004, El Abra and Candelaria are reflected on a pro rata basis (51% and 80%, respectively).

\*\* As a result of Phelps Dodge's sale of Columbian Chemicals Company, which is referred to in this document as Columbian, previously disclosed as its Specialty Chemicals segment, the operating results for Columbian have been reported separately from continuing operations and shown as discontinued operations for all periods presented in the consolidated statement of income data.

\*\*\* Basic and diluted earnings per common share have been adjusted to reflect the March 10, 2006, stock split for all periods presented.

\*\*\*\* All periods presented reflect post-split cash dividends per common share.

All references below to earnings or losses per common share are based on diluted earnings or losses per common share and have been adjusted to reflect the March 10, 2006 stock split.

(a) Reported amounts for the first nine months of 2006 included after-tax, net special charges of \$38.8 million, or 19 cents per common share, for environmental provisions; \$30.3 million, or 15 cents per common share, associated with discontinued operations in connection with the sale of Columbian; \$7.7 million, or 4 cents per common share, for asset impairment charges; \$5.1 million or 3 cents per common share, associated with the completion of the sale of substantially all of Phelps Dodge's North American magnet wire assets; \$4.7 million, or 2 cents per common share, associated with the sale of Phelps Dodge's High Performance Conductors of SC & GA, Inc., which is referred to in this document as HPC; and \$1.2 million, or 1 cent per common share, for the



dissolution of an international wire and cable entity; partially offset by after-tax, net special gains of \$62.5 million, or 31 cents per common share, associated with the termination of the combination agreement with Inco Ltd.; \$5.0 million, or 3 cents per common share, for historical legal matters; and \$0.4 million for the sale of non-core real estate.

- (b) Reported amounts for the first nine months of 2005 included after-tax, net special gains of \$388.0 million, or \$1.92 per common share, for the sale of a cost-basis investment; \$172.9 million, or 86 cents per common share, for a change in interest gain at Cerro Verde; and \$15.7 million, or 8 cents per common share, for legal matters; partially offset by after-tax, net special charges of \$322.8 million, or \$1.60 per common share, for asset impairment charges; \$60.0 million, or 30 cents per common share, for environmental provisions; \$41.3 million, or 21 cents per common share, for early debt extinguishment costs; and tax expense of \$2.4 million, or 1 cent per common share, for foreign dividend taxes.
- (c) Reported amounts for 2005 included after-tax, net special charges of \$331.8 million, or \$1.64 per common share, for asset impairment charges; tax expense of \$88.1 million, or 44 cents per common share,

for foreign dividend taxes; \$86.4 million, or 42 cents per common share, for environmental provisions; \$42.6 million, or 21 cents per common share, associated with discontinued operations in connection with the sale of Columbian; \$41.3 million, or 20 cents per common share, for early debt extinguishment costs; \$34.5 million (net of minority interest), or 17 cents per common share, for tax on unremitted foreign earnings; \$23.6 million, or 12 cents per common share, for a tax charge associated with minimum pension liability reversal; \$10.1 million, or 5 cents per common share, for cumulative effect of accounting change; \$5.9 million, or 3 cents per common share, for transaction and employee-related costs associated with the sale of substantially all of Phelps Dodge's North American magnet wire assets; partially offset by after-tax, net special gains of \$388.0 million, or \$1.92 per common share, for the sale of a cost-basis investment; \$181.7 million, or 89 cents per common share, for change in interest gains at Cerro Verde and Ojos del Salado; \$15.6 million, or 8 cents per common share, for legal matters; \$11.9 million, or 6 cents per common share, for the reversal of PD Brazil's deferred tax asset valuation allowance; \$8.5 million, or 4 cents per common share, for the sale of non-core real estate; \$4.0 million, or 2 cents per common share, for the reversal of U.S. deferred tax asset valuation allowance; \$0.4 million for environmental insurance recoveries; and \$0.1 million for Magnet Wire restructuring activities. The after-tax, net special charges of \$42.6 million associated with discontinued operations consisted of \$67.0 million (net of minority interests), or 33 cents per common share, for a goodwill impairment charge; taxes of \$7.6 million, or 4 cents per common share, associated with the sale and dividends paid in 2005; and \$5.0 million, or 2 cents per common share, for a loss on disposal of Columbian associated with transaction and employee-related costs; partially offset by a deferred income tax effect of \$37.0 million, or 18 cents per common share.

- (d) Reported amounts for 2004 included after-tax, net special charges of \$44.7 million, or 23 cents per common share, for environmental provisions; \$30.9 million (net of minority interests), or 15 cents per common share, for early debt extinguishment costs; \$9.9 million, or 5 cents per common share, for the write-down of two cost-basis investments; \$9.6 million, or 5 cents per common share, for taxes on anticipated foreign dividends; \$9.0 million, or 5 cents per common share, for a deferred tax asset valuation allowance at Phelps Dodge's Brazilian wire and cable operation; \$7.6 million, or 4 cents per common share, for Magnet Wire restructuring activities; \$5.9 million, or 3 cents per common share, for asset impairment charges (included \$4.5 million, or 2 cents per common share, for discontinued operations); and \$0.7 million for interest on a Texas franchise tax matter; partially offset by after-tax, net special gains of \$30.0 million, or 15 cents per common share, for the reversal of a U.S. deferred tax asset valuation allowance; \$15.7 million (net of minority interest), or 8 cents per common share, for the reversal of an El Abra deferred tax asset valuation allowance; \$10.1 million, or 5 cents per common share, for the gain on the sale of uranium royalty rights; \$7.4 million, or 4 cents per common share, for environmental insurance recoveries; and \$4.7 million, or 3 cents per common share, for the settlement of historical legal matters.
- (e) Reported amounts for 2003 included after-tax, net special gains of \$68.3 million, or 38 cents per common share, for an extraordinary gain associated with the acquisition of Phelps Dodge's partner's one-third interest in Chino Mines Company; \$8.4 million, or 5 cents per common share, for the cumulative effect of an accounting change; \$6.4 million, or 4 cents per common share, for the sale of a cost-basis investment; \$2.4 million, or 1 cent per common share, for the termination of a foreign postretirement benefit plan associated with discontinued operations; a tax benefit of \$1.0 million, or 1 cent per common share, related to additional 2001 net operating loss carryback; \$0.5 million for environmental insurance recoveries; and \$0.2 million for the reassessment of prior restructuring programs; partially offset by after-tax, net special charges of \$27.0 million, or 16 cents per common share, for environmental provisions (included a gain of \$0.5 million for discontinued operations); \$8.0 million or 4 cents per common share, for a potential Texas franchise tax matter; \$2.9 million, or 2 cents per common share, for the settlement of historical legal matters; and \$2.6 million, or 1 cent per common share, for asset and goodwill impairment charges.

- (f) Reported amounts for 2002 included after-tax, net special charges of \$153.5 million, or 91 cents per common share, for PDMC asset impairment charges and closure provisions; \$53.0 million, or 31 cents per common share, for historical lawsuit settlements; \$45.0 million, or 27 cents per common share, for a

historical arbitration award; \$26.6 million, or 16 cents per common share, for early debt extinguishment costs; \$23.0 million, or 14 cents per common share, for restructuring activities; \$22.9 million, or 13 cents per common share, for the cumulative effect of an accounting change; \$14.0 million, or 8 cents per common share, for environmental provisions (included a gain of \$0.6 million for discontinued operations); \$1.2 million, or 1 cent per common share, for the write-off of two cost-basis investments; and \$1.0 million, or 1 cent per common share, for the settlement of legal matters; partially offset by a tax benefit of \$66.6 million, or 40 cents per common share, related to the net operating loss carryback prior to 2002 resulting from a change in U.S. tax legislation; after-tax, net special gains of \$29.1 million, or 17 cents per common share, for environmental insurance recoveries; \$22.6 million, or 13 cents per common share, for the gain on the sale of a non-core parcel of real estate; and \$13.0 million, or 8 cents per common share, for the release of deferred taxes previously provided with regard to Plateau Mining Corporation.

- (g) Reported amounts for 2001 included after-tax, net special gains of \$61.8 million, or 39 cents per common share, for environmental insurance recoveries; \$39.9 million, or 25 cents per common share, for the gain on the sale of Sossego; and \$9.0 million, or 6 cents per common share, for an insurance settlement for potential legal matters; offset by after-tax, net special charges of \$57.9 million, or 37 cents per common share, for a deferred tax valuation allowance at El Abra; \$31.1 million, or 20 cents per common share, for environmental provisions (including \$1.4 million, or 1 cent per common share, for discontinued operations); \$29.8 million, or 19 cents per common share, for restructuring activities; \$12.9 million, or 8 cents per common share, for investment write-downs; \$3.3 million, or 2 cents per common share, for asset impairment charges; \$2.0 million, or 1 cent per common share, for the cumulative effect of an accounting change; and \$0.1 million, net, for other items.
- (h) New York Commodity Exchange average spot price per pound cathodes.
- (i) London Metal Exchange average spot price per pound cathodes.

#### **SUMMARY SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

The transaction will be accounted for under the purchase method of accounting, which means that the assets and liabilities of Phelps Dodge will be recorded, as of completion of the transaction, at their fair values and added to those of Freeport-McMoRan. For a more detailed description of purchase accounting, see Accounting Treatment .

For illustrative purposes only, we have presented below summary selected unaudited pro forma combined financial information that is intended to provide you with a better picture of what the financial results might have looked like had Freeport-McMoRan and Phelps Dodge already been combined. The unaudited pro forma combined balance sheet combines the historical consolidated balance sheets of Freeport-McMoRan and of Phelps Dodge as of September 30, 2006, giving effect to the transaction as if it occurred on September 30, 2006. The unaudited pro forma combined statements of income combine the historical consolidated statements of income of Freeport-McMoRan and of Phelps Dodge for the year ended December 31, 2005, and the nine months ended September 30, 2006, giving effect to the transaction as if it occurred on January 1, 2005. The combined financial information would have been different, perhaps materially, had the companies actually been combined as of that date. The pro forma information does not reflect the effect of asset dispositions, if any, or cost savings that may result from the transaction or non-recurring charges directly attributable to the transaction. You should not rely on the pro forma information as being indicative of the historical results that would have occurred had the companies been combined as of any earlier date or the future results that may be achieved after the transaction. The following information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes included in this document.



**Pro Forma Combined Statement of Income Data (amounts in millions):**

	<b>Nine Months Ended September 30, 2006</b>	<b>Year Ended December 31, 2005</b>
Revenues	\$ 12,823(a)	\$ 12,466(a)
Cost of products sold	8,021	8,730
Selling, general and administrative expenses	245	243
Other operating expenses	113	126
Operating income	4,444	3,367
Interest expense, net	1,049	1,493
Income from continuing operations before income taxes, minority interests and preferred dividends	3,617	2,515
Income from continuing operations applicable to common stock	1,500(a)	940(a)

**Pro Forma Combined Balance Sheet Data (amounts in millions):**

	<b>September 30, 2006</b>
Cash and cash equivalents	\$ 2,313
Working capital	5,842
Total assets	40,674
Total debt	17,759

(a) Amounts are net of charges for mark-to-market losses on Phelps Dodge's copper price protection program totaling \$1,215.1 million in revenues and \$923.5 million in income from continuing operations applicable to common stock for the nine months ended September 30, 2006, and \$411.0 million in revenues and \$255.4 million in income from continuing operations applicable to common stock for the year ended December 31, 2005.

**COMPARATIVE PER SHARE DATA**

The following table sets forth selected historical share, net income per share and book value per share information of Freeport-McMoRan and Phelps Dodge and unaudited pro forma combined share, net income per share and book value per share information after giving effect to the proposed transaction, assuming that 0.67 shares of Freeport-McMoRan common stock had been issued in exchange for each outstanding Phelps Dodge common share. You should read this information in conjunction with the selected historical financial information included elsewhere in this document and the historical financial statements of Freeport-McMoRan and Phelps Dodge and related notes that are incorporated in this document by reference. See *Where You Can Find More Information* on page 120.

The unaudited pro forma combined share, net income per share and book value per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes included in this document. The historical share, net income per share and book value per share information is derived from unaudited consolidated financial statements of Freeport-McMoRan and Phelps Dodge as of and for the

nine months ended September 30, 2006. The historical share and net income per share information is derived from audited consolidated financial statements of Freeport-McMoRan and Phelps Dodge as of and for the year ended December 31, 2005. Phelps Dodge historical per share amounts have been adjusted to reflect the March 10, 2006 stock split.

**Nine Months Ended September 30, 2006**

	<b>Freeport-McMoRan Historical</b>	<b>Phelps Dodge Historical</b>	<b>Pro Forma Combined</b>
Basic earnings per share from continuing operations	\$ 5.14	\$ 8.46(a)	\$ 4.61(a)
Diluted earnings per share from continuing operations	\$ 4.64	\$ 8.42(a)	\$ 4.35(a)
Book value per share	\$ 12.15	\$ 31.79	\$ 30.49
Dividends per share	\$ 2.9375	\$ 4.5875	\$ 2.9375(b)
Shares used in calculating per share information:			
Basic (in millions)	188.7	202.3	325.7
Diluted (in millions)	221.4	203.4	358.5
Book value (in millions)	196.9	204.0	334.0

**Year Ended December 31, 2005**

	<b>Freeport-McMoRan Historical</b>	<b>Phelps Dodge Historical</b>	<b>Pro Forma Combined</b>
Basic earnings per share from continuing operations	\$ 5.18	\$ 8.06(a)	\$ 2.96(a)
Diluted earnings per share from continuing operations	\$ 4.67	\$ 7.82(a)	\$ 2.92(a)
Dividends per share	\$ 2.50	\$ 3.13	\$ 2.50(b)
Shares used in calculating per share information:			
Basic (in millions)	180.3	195.7	317.3
Diluted (in millions)	220.5	202.5	357.5

(a) Earnings per share as presented above are net of the following per share charges for mark-to-market losses from Phelps Dodge's copper price protection program:

	<b>Phelps Dodge Historical</b>	<b>Pro Forma Combined</b>
Nine months ended September 30, 2006		
Basic	\$ 4.57	\$ 2.84
Diluted	\$ 4.54	\$ 2.58
Year ended December 31, 2005		
Basic	\$ 1.31	\$ 0.80
Diluted	\$ 1.26	\$ 0.71

(b) Pro forma dividends per share are based solely on historical dividends for Freeport-McMoRan.

The equivalent Phelps Dodge amounts below are calculated by multiplying the pro forma combined Freeport-McMoRan and Phelps Dodge amounts by the exchange ratio of 0.67.



	<b>Nine Months Ended</b>		<b>Year Ended December 31,</b>
	<b>September 30, 2006</b>		<b>2005</b>
<b>Equivalent Phelps Dodge</b>			
Basic earnings per share from continuing operations	\$	3.09	\$ 1.98
Diluted earnings per share from continuing operations	\$	2.91	\$ 1.96
Book value per share	\$	20.43	N/A
Dividends per share(a)	\$	1.968	\$ 1.675

(a) Pro forma dividends per share are based solely on historical dividends for Freeport-McMoRan.

**COMBINED HISTORICAL RESERVES**

The following reserve data is derived from Freeport-McMoRan's and Phelps Dodge's annual reports on Form 10-K for the year ended December 31, 2005. Updated information concerning Freeport-McMoRan's and Phelps Dodge's reserves will be available in each company's annual report on Form 10-K for the year ended December 31, 2006, when such reports are filed with the Securities and Exchange Commission. You should read the table below together with other information about reserves that Freeport-McMoRan and Phelps Dodge have filed with the Securities and Exchange Commission and incorporated by reference into this document. See "Where You Can Find More Information" beginning on page 120.

	<b>As of December 31, 2005</b>		
	<b>Freeport- McMoRan</b>	<b>Phelps Dodge</b>	<b>Total</b>
Total Reserves by Company, net interest			
Copper (billion lbs.)	36.5	38.4(a)	75.0(b)
Gold (million ozs.)	39.8	1.2	41.0
Molybdenum (billion lbs.)		1.9	1.9
	<b>Copper (billion lbs.)</b>	<b>Gold (million ozs.)</b>	<b>Molybdenum (billion lbs.)</b>
Total Reserves by Geographical Region, net interest			
Indonesia(c)	36.5	39.8	0.0
United States(d)	25.2(a)	0.0	1.7
Chile(d)	5.5(a)	1.2	0.0
Peru(d)	7.7(a)	0.0	0.2
Total	75.0(b)	41.0	1.9

(a) Includes recoverable pounds from mill and leach stockpiles.

(b) Represents the sum of the numbers before rounding.

(c) Freeport-McMoRan mine.

(d) Phelps Dodge mines.

**COMPARATIVE MARKET PRICE INFORMATION**

The table below sets forth the closing sale prices of Freeport-McMoRan common stock and Phelps Dodge common shares as reported on the New York Stock Exchange each on November 17, 2006, the last trading day prior to the public announcement of the transaction, and on February 9, 2007. The table also shows the implied value of one Phelps Dodge common share, which we calculated by adding the \$88.00 in cash to be paid per Phelps Dodge common share to the product of the closing price of Freeport-McMoRan common stock on those dates and the exchange ratio of 0.67. The market prices of Freeport-McMoRan common stock and Phelps Dodge common shares will fluctuate between the date of this document and the time of the special meetings or the completion of the transaction. No assurance can be given concerning the market prices of Freeport-McMoRan common stock or Phelps Dodge common shares before the completion of the transaction or the market price of Freeport-McMoRan common stock after the completion of the transaction. The exchange ratio and cash consideration are fixed in the merger agreement. One result of this is that the market value of the Freeport-McMoRan common stock that Phelps Dodge shareholders will receive in the transaction may vary significantly from the prices shown in the table below. Freeport-McMoRan and Phelps Dodge shareholders are advised to obtain current market prices for Freeport-McMoRan common stock and Phelps Dodge common shares.

	<b>Freeport- McMoRan Common Stock</b>	<b>Phelps Dodge Common Shares</b>	<b>Implied Value of Phelps Dodge Common Shares</b>
November 17, 2006	\$ 57.40	\$ 95.02	\$ 126.46
February 9, 2007	\$ 53.65	\$ 121.95	\$ 123.95

See Comparative Market Prices and Dividends for additional market price information.

## **RISK FACTORS**

In addition to the other information included in this document, including the matters addressed in *Cautionary Statement Regarding Forward-Looking Statements*, you should carefully consider the following risk factors in determining how to vote at the special meetings of Freeport-McMoRan and Phelps Dodge. In addition, you should read and consider the risk factors associated with each of the businesses of Freeport-McMoRan and Phelps Dodge because these risk factors may also affect the operations and financial results reported by the combined company. Descriptions of the risk factors specific to each of our respective businesses can be found in the documents that have been filed by each company with the Securities and Exchange Commission and are incorporated by reference into this document. See *Where You Can Find More Information* beginning on page 120.

### **Risk Factors Relating to the Transaction**

***Shareholders cannot be sure of the market value of the shares of Freeport-McMoRan common stock that will be issued in the transaction.***

Upon the completion of the transaction, each Phelps Dodge common share outstanding immediately prior to the transaction will be converted into the right to receive a combination of 0.67 of a share of Freeport-McMoRan common stock and \$88.00 in cash, without interest. Because the exchange ratio for the stock consideration is fixed in the merger agreement, the market value of the Freeport-McMoRan common stock issued in the transaction will depend upon the market price of a share of Freeport-McMoRan common stock upon the completion of the transaction. This market value of Freeport-McMoRan common stock will fluctuate prior to the completion of the transaction and therefore may be different at the time the transaction is completed from what it was at the time the merger agreement was signed, the date of this document or at the time of the shareholder meetings. Accordingly, shareholders cannot be sure of the market value of the Freeport-McMoRan common stock that will be issued in the transaction or the market value of Freeport-McMoRan common stock at any time after the transaction. Therefore, we recommend that you obtain current market quotations for Freeport-McMoRan common stock and Phelps Dodge common shares before voting at your company's special meeting.

***Freeport-McMoRan may not be able to obtain the financing needed for the transaction on favorable terms.***

Freeport-McMoRan has received commitments from certain lenders to provide financing of up to \$17.5 billion in the aggregate for the transaction. However, if the proceeds of this financing are unavailable for any reason, Freeport-McMoRan will be forced to obtain an alternate source of financing, which may be more expensive for Freeport-McMoRan, may have an adverse impact on the combined company's capital structure or may be unavailable.

***The combined company will be highly leveraged, and its high level of debt may limit its financial and operating flexibility.***

Freeport-McMoRan is incurring significant debt to consummate the transaction and to refinance existing debt. It is expected that Freeport-McMoRan will utilize much of the financing to be made available pursuant to the financing commitments discussed above to fund a portion of the cash consideration payable to the Phelps Dodge shareholders in the transaction. The combined company, on a pro forma basis, will have approximately \$10.0 billion of debt under its new senior secured term credit facilities, and either \$6.0 billion in aggregate principal amount of new unsecured senior notes or a \$6.0 billion bridge loan (or some combination of the two). In addition, approximately \$1.6 billion of existing debt of the combined companies will remain outstanding following the transaction. The combined company is also expected to have a new \$1.5 billion senior secured revolving credit facility with at least \$1.0 billion of

availability.

This debt could limit the combined company's financial and operating flexibility, including by requiring the combined company to dedicate a substantial portion of its cash flows from operations and the proceeds of equity issuances to the repayment of its debt and the interest on its debt, making it more difficult for the combined company to obtain additional financing on favorable terms, limiting the combined company's ability to capitalize on significant business opportunities and making the combined company more vulnerable to

economic downturns. Additionally, the combined company's ability to satisfy financial tests or utilize third-party guarantees for financial assurance with respect to reclamation obligations may be adversely impacted if its credit ratings were downgraded below investment grade.

Upon consummation of the transaction, Freeport-McMoRan and all of its restricted subsidiaries must comply with various covenants contained in its credit agreement. These covenants will, among other things, limit the ability of the respective restricted entities to:

incur additional debt or liens or enter into sale/leaseback transactions;

make payments in respect of, or redeem or acquire, debt or equity issued by Freeport-McMoRan or its subsidiaries, including the payment of dividends on Freeport-McMoRan common stock;

sell assets or enter into mergers or acquisitions;

make loans or investments; or

enter into hedging transactions.

In addition, the combined companies will be subject to financial covenants requiring them to maintain a minimum ratio of consolidated EBITDA to consolidated interest expense and not to exceed a maximum ratio of total indebtedness to consolidated EBITDA.

***Declines in the market prices of copper, gold and molybdenum could adversely affect the combined company's earnings and cash flows, and therefore its ability to repay its debt.***

The earnings and cash flows of the combined company will be affected significantly by the market prices of copper and, to a lesser extent, gold and molybdenum. The world market prices of these commodities have fluctuated historically and will be affected by numerous factors beyond the control of the combined company. Many financial analysts who follow the metals markets are predicting that copper prices will decline significantly from their current, historically high, levels over the next few years. A decline in the world market price of one or more of these commodities could adversely affect the combined company's earnings and cash flows and therefore could adversely affect its ability to repay its debt and depress its stock price.

***The combined company will operate on a broader geographical scope than either Freeport-McMoRan or Phelps Dodge has operated individually, and will be exposed to a broader range of political, social and geographic risks than either company has been exposed to on an individual basis.***

Freeport-McMoRan's primary operating assets are located in Indonesia. Accordingly, the business of the combined company may be adversely affected by Indonesian political, economic and social uncertainties, in addition to the usual risks associated with conducting business in a foreign country. Because Phelps Dodge does not have any significant operations in Indonesia, these risks are different from and in addition to those to which the business of Phelps Dodge has historically been exposed.

Phelps Dodge conducts mining operations in the United States, Chile and Peru and has a significant development project in the Democratic Republic of the Congo (which is expected to begin production by 2009). Accordingly, the business of the combined company may be adversely affected by political, economic and social uncertainties in these countries, in addition to the usual risks associated with conducting business in a foreign country. Because Freeport-McMoRan has no significant operations in any of these countries, these risks are different from and in

addition to those to which the business of Freeport-McMoRan has historically been exposed.

In addition, all of the combined company's revenues and a significant portion of its costs will be denominated in U.S. dollars; however, some of its costs, and certain of its asset and liability accounts, will be denominated in Indonesian rupiah, Chilean pesos, Peruvian nuevos soles and other foreign currencies. As a result, the combined company will be generally less profitable when the U.S. dollar weakens in relation to these foreign currencies. From time to time, the combined company may implement currency hedges intended to reduce its exposure to changes in foreign currency exchange rates. However, its hedging strategies may not be successful, and any of its unhedged foreign exchange payments will continue to be subject to market fluctuations.

For further discussion of certain factors to be considered in connection with the geographical scope of operations of Freeport-McMoRan and Phelps Dodge, see the documents incorporated by reference in this document and referred to under "Where You Can Find More Information" beginning on page 120.

***The impact of purchase accounting could adversely affect the combined company's earnings.***

Purchase accounting will require the combined company to allocate the price being paid in the transaction to Phelps Dodge's assets on the basis of their fair values at the time of the closing of the transaction. Those adjustments are expected to result in significant increases in the carrying values of certain acquired assets, including, based on preliminary estimates, increases of \$4.0 billion in metal inventories and \$11.9 billion in property, plant, equipment and development costs, as reflected in the unaudited pro forma condensed combined balance sheet contained elsewhere in this document. The increased value of property, plant, equipment and development costs will increase the combined company's depreciation expense, which will reduce reported earnings but have no effect on cash flows.

A decline in the market price of commodities produced by the combined company could result in a write down of metal inventories to recoverable values and the recognition of impairment charges to property, plant, equipment and development costs. In addition, the increased value of metal inventories would cause the combined company's cost of goods sold to increase in the year those inventories are recognized as sold. If the combined company changes the historical method of accounting for Phelps Dodge's metal inventories from the current method of last-in, first-out, this increase in the combined company's cost of goods would occur in the near term. These factors would have the effect of reducing reported earnings, although they would have no effect on cash flows.

In addition, the preliminary estimate of goodwill associated with the transaction is approximately \$8.5 billion, as reflected in the unaudited pro forma condensed combined balance sheet contained elsewhere in this document. The combined company will annually assess this amount for impairment. If the combined company concludes that the goodwill associated with the transaction is impaired, the amount of the impairment would reduce the combined company's reported earnings but would have no effect on cash flows.

***Freeport-McMoRan and Phelps Dodge may experience difficulties in integrating their businesses, which could cause the combined company to fail to realize many of the anticipated potential benefits of the transaction.***

We have entered into the merger agreement because we believe that the transaction will be beneficial to Freeport-McMoRan, Phelps Dodge and their respective shareholders. Achieving the anticipated benefits of the transaction will depend in part upon whether our two companies integrate our businesses in an efficient and effective manner. We may not be able to accomplish this integration process smoothly or successfully. The difficulties of combining the two companies' businesses potentially will include, among other things:

the necessity of coordinating geographically separated organizations and addressing possible differences in corporate cultures and management philosophies, and the integration of certain operations following the transaction will require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day business of the combined company;

any inability of our management to integrate successfully the operations of our two companies or to adapt to the addition of lines of business in which Freeport-McMoRan has not historically engaged; and

any inability of our management to cause best practices to be applied to the combined company's businesses.



An inability to realize the full extent of the anticipated benefits of the transaction, as well as any delays encountered in the transition process, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may affect the value of the Freeport-McMoRan common stock after the closing of the transaction.

***The combined company will depend on its senior management team and other key employees, and the loss of any of these employees could adversely affect the combined company's business.***

The success of the combined company after the transaction will depend in part upon the ability of Freeport-McMoRan and Phelps Dodge to retain senior management and other key employees of both companies. Competition for qualified personnel can be very intense. In addition, senior management and key employees may depart because of issues relating to the uncertainty or difficulty associated with the integration of the companies or a desire not to remain with the combined company. Accordingly, no assurance can be given that Freeport-McMoRan or Phelps Dodge will be able to retain senior management and key employees to the same extent that they have been able to do so in the past.

***Resales of shares of Freeport-McMoRan common stock following the transaction and future issuances of equity or equity-linked securities by Freeport-McMoRan may cause the market price of shares of Freeport-McMoRan common stock to fall.***

As of November 10, 2006, Freeport-McMoRan had approximately 197 million shares of common stock outstanding, approximately 23 million shares authorized for issuance upon conversion of preferred stock and convertible notes, and approximately six million shares authorized for issuance upon the exercise of outstanding options or the vesting of restricted stock units. Freeport-McMoRan expects that it will issue approximately 137 million shares of common stock in connection with the transaction. The issuance of these new shares and the sale of additional shares that may become eligible for sale in the public market from time to time upon the exercise of options (including Freeport-McMoRan options that will replace existing Phelps Dodge options) could have the effect of depressing the market price for shares of Freeport-McMoRan common stock. Also, because many Phelps Dodge shareholders are also shareholders of Freeport-McMoRan, some may decide to sell rather than hold the additional shares of Freeport-McMoRan common stock they will receive in the transaction. The sale of those shares could also have the effect of depressing the market price for shares of Freeport-McMoRan common stock.

In addition, Freeport-McMoRan intends to consider opportunities following the transaction to reduce debt through issuances of equity and equity-linked securities. The issuance of those securities could also have the effect of depressing the market price for the shares of Freeport-McMoRan common stock.

***The trading price of shares of Freeport-McMoRan common stock following the transaction may be affected by factors different from those affecting the trading price of Phelps Dodge common shares and shares of Freeport-McMoRan common stock prior to the transaction.***

Following completion of the transaction, the results of operations of the combined company, as well as the trading price of its common stock, may be affected by factors different from those currently affecting Phelps Dodge's results of operations and the trading price of Phelps Dodge common shares. Certain of the significant risks relating to Freeport-McMoRan's business that the Phelps Dodge board of directors considered in connection with the proposed transaction are set forth under "The Transaction" Phelps Dodge Reasons for the Transaction; Recommendation of the Phelps Dodge Board of Directors on page 44. For further discussion of the businesses of Freeport-McMoRan and Phelps Dodge and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under "Where You Can Find More Information" beginning on page 120.

In addition, the trading price of shares of Freeport-McMoRan common stock following the transaction may be affected by factors different from those affecting the trading price of shares of Freeport-McMoRan common stock prior to the transaction. Following the transaction, Freeport-McMoRan will have significantly greater indebtedness and will derive a significantly smaller proportion of its revenues from gold. Current shareholders of Freeport-McMoRan may decide to sell their shares as a result of those changes, which could have the effect of

depressing the market price of shares of Freeport-McMoRan common stock.

***Some of Freeport-McMoRan's and Phelps Dodge's officers and directors have interests in the transaction that may influence them to support or approve the transaction.***

Some of the directors of Freeport-McMoRan and Phelps Dodge who recommend that you vote in favor of the proposals to be considered at the special meetings, and the officers of Freeport-McMoRan and Phelps

Dodge who provided information to their respective boards of directors relating to the transaction, have employment, indemnification and severance benefit arrangements, rights to acceleration of the vesting of stock options and rights to ongoing indemnification and insurance that provide them with interests in the transaction that may differ from yours. The receipt of compensation or other benefits in the transaction may have influenced these directors in making their recommendation that you vote in favor of the proposals to be considered at the special meetings, and these officers in making recommendations to their boards of directors relating to the transaction. For a more detailed discussion, see [Interests of Certain Persons in the Transaction](#) .

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

This document contains certain forward-looking information about Freeport-McMoRan, Phelps Dodge and the combined company after completion of the transaction that is intended to be covered by the safe harbor to forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this document or may be incorporated in this document by reference to other documents and may include statements for the period following the completion of this transaction. Representatives of Freeport-McMoRan and Phelps Dodge may also make forward-looking statements. When used in this document, the words anticipates , may , can , plans , feels , believes , estimates , expects , projects , intends , likely , will , should , t expressions and any other statements that are not historical facts, in each case as they relate to Freeport-McMoRan or Phelps Dodge, the management of either such company or the transaction are intended to identify those assertions as forward-looking statements. In making any of those statements, the person making them believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. These forward-looking statements are subject to numerous risks and uncertainties, including the risks described in this document under [Risk Factors](#) , that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Some other risks and uncertainties include, but are not limited to:

macroeconomic conditions and general industry conditions, such as the competitive environment of the mining industry;

unanticipated mining, milling and other processing problems;

accidents that lead to personal injury or property damage;

persistent commodity price reductions;

changes in political, social or economic circumstances in areas where Freeport-McMoRan and Phelps Dodge operate or plan to operate;

expropriation;

variances in ore grades;

labor relations;

adverse weather conditions and natural disasters, such as earthquakes;

the speculative nature of mineral exploration;

fluctuations in interest rates and other adverse financial market conditions;

regulatory and litigation matters and risks;

changes in tax and other laws;

the risk that a condition to closing of the transaction may not be satisfied;

the risk that a regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated; and

other risks to consummation of the transaction.

The actual results or performance by Freeport-McMoRan or Phelps Dodge, and issues relating to the transaction, could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of Freeport-McMoRan or Phelps Dodge, the combined company or the transaction. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

### **THE FREEPORT-MCMORAN SPECIAL MEETING**

This section contains information from Freeport-McMoRan for Freeport-McMoRan shareholders about the special meeting of shareholders it has called to consider and approve amendments to the Freeport-McMoRan certificate of incorporation and the issuance of Freeport-McMoRan common stock in connection with the transaction. Together with this document, Freeport-McMoRan is also sending you a notice of the Freeport-McMoRan special meeting and a form of proxy that is being solicited by the Freeport-McMoRan board of directors for use at the Freeport-McMoRan special meeting. **The information and instructions contained in this section are addressed to Freeport-McMoRan shareholders and all references to you in this section should be understood to be addressed to Freeport-McMoRan shareholders.**

#### **Date, Time and Place of the Special Meeting**

The Freeport-McMoRan special meeting will take place on March 14, 2007, at 11:00 a.m., Eastern Standard Time, at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware.

#### **Purpose of the Special Meeting**

The purpose of the Freeport-McMoRan special meeting is to consider and vote on the following:

1. a proposal to amend the Freeport-McMoRan certificate of incorporation to increase the authorized number of shares of Freeport-McMoRan capital stock to 750,000,000, to increase the authorized number of shares of Class B common stock to 700,000,000 and to rename the Class B common stock (the only class of common stock currently outstanding) as common stock and delete the provisions and references to the previously designated classes and series of Freeport-McMoRan preferred stock of which no shares are outstanding (other than the Series A Participating Cumulative Preferred Stock and 51/2% Convertible Perpetual Preferred Stock);
2. a proposal to issue shares of Freeport-McMoRan common stock in connection with the transaction;
3. a proposal to approve an adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposals; and
4. any other business as may properly come before the special meeting.

#### **Record Date and Outstanding Shares**

Freeport-McMoRan has fixed the close of business on February 12, 2007 as the record date for determining the Freeport-McMoRan shareholders entitled to receive notice of and to vote at the Freeport-McMoRan special meeting. As of that date, there were approximately 197,157,825 shares of Freeport-McMoRan common stock outstanding. Only

holders of record of Freeport-McMoRan common stock on the record date are entitled to receive notice of and to vote at the Freeport-McMoRan special meeting, and any adjournment or postponement thereof. Each share of common stock is entitled to one vote.

**Quorum Requirement**

Under Delaware law and the Freeport-McMoRan bylaws, the presence in person or by proxy of a majority of the outstanding shares of Freeport-McMoRan common stock is necessary to constitute a quorum at the special meeting. Votes of shareholders of record who are present at the special meeting in person or by

proxy, abstentions and broker non-votes (as defined below) are counted as present or represented at the special meeting for purposes of determining whether a quorum exists.

If you hold your shares of Freeport-McMoRan common stock through a broker, bank or other representative, generally the broker or your representative may only vote the common stock that it holds for you in accordance with your instructions. However, if it has not timely received your instructions, the broker or your representative may vote on certain matters for which it has discretionary voting authority. If a broker or your representative cannot vote on a particular matter because it does not have discretionary voting authority, this is a broker non-vote on that matter.

### **Votes Required**

The approval of the proposal to amend the Freeport-McMoRan certificate of incorporation requires the affirmative vote of the majority of the outstanding shares of the Freeport-McMoRan common stock. The approval of the proposal to issue shares of Freeport-McMoRan common stock in connection with the transaction requires the affirmative vote of a majority of the votes cast in person or by proxy at the Freeport-McMoRan special meeting. With respect to the proposal to amend the Freeport-McMoRan certificate of incorporation, a broker non-vote will be counted toward a quorum at the Freeport-McMoRan special meeting but will have the same effect as a vote against the proposal. With respect to the proposal to issue additional shares of Freeport-McMoRan common stock to Phelps Dodge shareholders in connection with the transaction, broker non-votes will not be considered a vote cast for purposes of satisfying the 50% vote cast requirement and will have the effect of reducing the aggregate number of shares voting and the number of affirmative votes required to approve this proposal.

The proposal to approve an adjournment of the Freeport-McMoRan special meeting to permit solicitation of additional proxies will be approved if a majority of the outstanding shares of common stock present in person or represented by proxy at the Freeport-McMoRan special meeting are voted in favor of the proposal, whether or not a quorum exists. Your failure to vote on this proposal, other than by abstention or broker non-vote, will have the effect of reducing the aggregate number of shares voting with respect to the proposal, and as a result, the number of affirmative votes required to approve the proposal. However, both abstentions and broker non-votes will have the same effect as a vote against the adjournment proposal.

### **Shares Beneficially Owned as of the Record Date**

To our knowledge, no Freeport-McMoRan shareholders have entered into voting agreements with Phelps Dodge. Based on the number of shares of Freeport-McMoRan common stock outstanding as of February 12, 2007, the directors and executive officers of Freeport-McMoRan and their affiliates, as a group, beneficially owned or had the right to vote approximately 4.2 million shares of Freeport-McMoRan common stock, or less than 1.6% of the outstanding shares of Freeport-McMoRan common stock entitled to be voted at the special meeting. To Freeport-McMoRan's knowledge, the directors and executive officers of Freeport-McMoRan and their affiliates intend to vote their Freeport-McMoRan common stock in favor of the amendment to the Freeport-McMoRan certificate of incorporation and the issuance of Freeport-McMoRan common stock in connection with the transaction.

### **Voting at the Freeport-McMoRan Special Meeting**

Record holders may vote in person at the Freeport-McMoRan special meeting or by proxy. Freeport-McMoRan recommends that record holders vote by proxy even if they plan to attend the Freeport-McMoRan special meeting. Record holders can always revoke their proxy and change their votes at the Freeport-McMoRan special meeting.

### **Proxies**



Voting instructions are attached to your proxy card. If you properly submit your proxy to Freeport-McMoRan in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against any or all of the proposals submitted at the Freeport-McMoRan special meeting or abstain from voting.

*How to Vote by Proxy.* If your shares are registered in your name, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your telephone vote or Internet vote authorizes James R. Moffett, Richard C. Adkerson or Kathleen L. Quirk, and each of them, as proxies, each with the power to appoint his or her substitute, to represent and vote your shares in the same manner as if you marked, signed and returned your proxy form by mail.

Vote by Telephone Toll-Free 1-800-732-4052

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on March 13, 2007.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

Vote by Internet <http://proxy.georgeson.com>

Use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern Standard Time) on March 13, 2007.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

Vote by Mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided; or

Return it to Freeport-McMoRan Copper & Gold Inc., c/o Secretary, P.O. Box 17149, Wilmington, Delaware 19885-9808.

Only the latest dated proxy received from you, whether by mail, telephone or internet, will be voted at the Freeport-McMoRan special meeting. If you vote by telephone or Internet, please do not mail your proxy form.

If your shares are held in street name (through a broker, bank or other nominee), you may receive a separate voting instruction form, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the telephone or Internet.

*How Proxies Will Be Voted.* If you sign and submit a proxy but do not mark a box with respect to one or more of the Freeport-McMoRan proposals, your proxies will follow the Freeport-McMoRan board of directors' recommendations and vote these shares:

**FOR** the amendment to the Freeport-McMoRan certificate of incorporation, which includes increasing the authorized number of shares of Freeport-McMoRan capital stock to 750,000,000 and increasing the authorized number of shares of common stock to 700,000,000 shares;

**FOR** approval of the proposal to issue shares of Freeport-McMoRan common stock in connection with the transaction; and

**FOR** the adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposals.

Shares represented by a proxy that have been returned with instructions to vote against the proposal to amend the Freeport-McMoRan certificate of incorporation to increase the amount of authorized shares of common stock and issue shares of Freeport-McMoRan common stock in connection with the transaction but which does not include instructions with respect to the adjournment proposal will not be voted in favor of the adjournment proposal.

*Revoking Your Proxy.* You may revoke your proxy before it is voted by:

submitting a new proxy card bearing a later date, or submitting a new proxy by telephone or through the Internet;

providing a written notice revoking your proxy to Freeport-McMoRan's corporate secretary before the Freeport-McMoRan special meeting; or

attending the special meeting and voting in person.

If you have instructed your broker to vote your shares, you must follow directions you receive from your broker in order to change or revoke your vote.

### **Solicitation of Proxies**

Freeport-McMoRan and Phelps Dodge will each pay their own expenses incurred in connection with the printing and mailing of this document. Freeport-McMoRan has retained Georgeson Inc. for a fee of \$25,000, plus certain expenses, to assist in the solicitation of proxies and otherwise in connection with the Freeport-McMoRan special meeting. Freeport-McMoRan and its proxy solicitor will also request banks, brokers and other intermediaries holding shares of Freeport-McMoRan common stock beneficially owned by others to send this document to, and obtain proxies from, the beneficial owners and will reimburse holders for their reasonable expenses in so doing. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitation by the directors, officers and employees of Freeport-McMoRan. No additional compensation will be paid to directors, officers or employees for such solicitation efforts.

The extent to which these proxy soliciting efforts will be necessary depends largely upon how promptly proxies are submitted. Please send in your proxy by mail, telephone or Internet without delay.

### **No Other Business; Adjournments**

Under the Freeport-McMoRan bylaws, the business to be conducted at the Freeport-McMoRan special meeting will be limited to the purposes stated in the notice to Freeport-McMoRan shareholders provided with this document.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time with the approval of a majority of the votes present in person or by proxy at the time of the vote, whether or not a quorum exists. Under Delaware law, Freeport-McMoRan is not required to notify shareholders of any adjournment of less than 30 days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting.

References to the Freeport-McMoRan special meeting in this document are to such special meeting as adjourned or postponed.

### **Communications by Freeport-McMoRan Shareholders with Freeport-McMoRan**

Any written revocation of a proxy or other communications in connection with this document and requests for additional copies of this document or the proxy card should be addressed to Georgeson Inc. If you have any questions or need further assistance in voting your shares, please call Georgeson Inc. toll-free at (866) 767-8979.

### **THE PHELPS DODGE SPECIAL MEETING**

This section contains information from Phelps Dodge for Phelps Dodge shareholders about the special meeting of shareholders it has called to adopt the merger agreement and approve the transaction. Together with this document, Phelps Dodge is also sending you a notice of the Phelps Dodge special meeting and a form of proxy that is being solicited by the Phelps Dodge board of directors for use at the Phelps Dodge special meeting. **The information and instructions contained in this section are addressed to Phelps Dodge shareholders and all references to you in this section should be understood to be addressed to Phelps Dodge shareholders.**

**Date, Time and Place of the Special Meeting**

This document is being furnished by the Phelps Dodge board of directors in connection with the solicitation of proxies from holders of Phelps Dodge common shares for use at Phelps Dodge's special meeting of shareholders to be held at The Heard Museum, 2301 North Central Avenue, Phoenix, Arizona on March 14, 2007, beginning at 10:00 a.m., Mountain Standard Time, and at any adjournment or postponement of the meeting.

### **Purpose of the Special Meeting**

The Phelps Dodge special meeting will be held to consider and vote upon:

1. a proposal to approve and adopt the merger agreement;
2. a proposal to approve an adjournment of the special meeting, if necessary, to permit solicitation of additional proxies in favor of the above proposal; and
3. any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

### **Record Date and Outstanding Shares**

The Phelps Dodge board of directors has fixed the close of business on February 12, 2007, as the record date. Only holders of record of Phelps Dodge common shares on the books of Phelps Dodge as of the close of business on the record date will be entitled to notice of, and to vote at, the special meeting and any postponements or adjournments of the special meeting. As of that date, there were approximately 204,118,665 Phelps Dodge common shares issued and outstanding held by approximately 15,500 holders of record. The number of record holders does not include persons whose stock is held in nominee or street name accounts through brokers.

### **Quorum and Requirement**

Under the Phelps Dodge bylaws, a majority of all Phelps Dodge common shares outstanding on the record date, represented in person or by proxy, constitutes a quorum for the transaction of business at the special meeting. Votes of shareholders of record who are present at the special meeting in person or by proxy, abstentions and broker non-votes (as defined below) are counted as present or represented at the special meeting for purposes of determining whether a quorum exists.

If a quorum is not obtained, or if fewer Phelps Dodge common shares are voted in favor of the proposal for the approval and adoption of the merger agreement at the special meeting than the number of shares necessary to approve the proposal, Phelps Dodge may seek to adjourn the special meeting to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as those proxies would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn before the reconvened special meeting.

References to the Phelps Dodge special meeting in this document are to that special meeting as adjourned or postponed.

### **Votes Required**

Each holder of Phelps Dodge common shares will be entitled to one vote, in person or by proxy, for each Phelps Dodge common share registered in the holder's name on the books of Phelps Dodge as of the record date on any matter submitted for the vote of Phelps Dodge shareholders. The proposal for the approval and adoption of the merger agreement will be approved if 66 $\frac{2}{3}$ % of the outstanding Phelps Dodge common shares entitled to vote at the special meeting are voted in favor of the proposal. If the proposal to approve an adjournment of the special meeting to permit the solicitation of additional proxies is presented for a vote, it will be approved, whether or not there is a quorum, if a majority of the Phelps Dodge common shares present in person or represented by proxy and entitled to vote at the

Phelps Dodge special meeting are voted in favor of the adjournment proposal.

With respect to both the proposal to approve and adopt the merger agreement and the proposal to approve an adjournment of the special meeting to permit the solicitation of additional proxies, abstentions and broker non-votes will have the same effect as a vote against the proposal. If a Phelps Dodge shareholder fails to vote on the adjournment proposal, other than by abstention or broker non-vote, this will reduce the total number of shares voting with respect to the proposal and, as a result, the number of affirmative votes required to approve the proposal.

A broker non-vote may occur on a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given by the beneficial owner.

A broker is not permitted to vote on the proposal to approve and adopt the merger agreement or on the proposal to approve an adjournment of the special meeting without instruction from the beneficial owner of the Phelps Dodge shares held by the broker.

### **Shares Beneficially Owned as of the Record Date**

To our knowledge, no Phelps Dodge shareholders have entered into voting agreements with Freeport-McMoRan. Based on the number of Phelps Dodge common shares outstanding as of February 12, 2007, the directors and executive officers of Phelps Dodge and their affiliates, as a group, beneficially owned or had the right to vote approximately 884,391 Phelps Dodge common shares, or less than 1% of the outstanding Phelps Dodge common shares entitled to be voted at the special meeting. To Phelps Dodge's knowledge, the directors and executive officers of Phelps Dodge and their affiliates intend to vote their Phelps Dodge common shares in favor of the approval and adoption of the merger agreement.

### **Voting at the Phelps Dodge Special Meeting**

If you are a Phelps Dodge shareholder of record on the record date and you attend the special meeting, you may vote in person by completing a ballot at the special meeting even if you already have signed, dated and returned a proxy card. If your shares are held in the name of a broker or nominee, you may not vote your shares in person at the special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

### **Proxies**

Voting instructions are attached to your proxy card. If you properly submit your proxy to Phelps Dodge in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. You may vote for or against any or all of the proposals submitted at the Phelps Dodge special meeting or abstain from voting.

*How to Vote by Proxy.* If your shares are registered in your name, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your telephone vote or Internet vote authorizes Timothy R. Snider, Ramiro G. Peru and S. David Colton, and each of them, as proxies, each with the power to appoint his substitute, to represent and vote your shares in the same manner as if you marked, signed and returned your proxy form by mail.

Vote by Telephone Toll-Free (888) 693-8683

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 4:00 a.m. (Mountain Standard Time) on March 14, 2007.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

Vote by Internet <http://www.cesvote.com>

Use the Internet to vote your proxy 24 hours a day, seven days a week until 4:00 a.m. (Mountain Standard Time) on March 14, 2007.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

Vote by Mail



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Mark, sign and date your proxy card and return it in the postage-paid envelope provided; or

Return it to Phelps Dodge Corporation, c/o Corporate Election Services, P.O. Box 1150, Pittsburgh, PA 15230-1150.

Only the latest dated proxy received from you, whether by mail, telephone or Internet, will be voted at the Phelps Dodge Corporation special meeting. If you vote by telephone or Internet, please do not mail your proxy form.

If your shares are held in street name (through a broker, bank or other nominee), you may receive a separate voting instruction form with voting instructions, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the telephone or Internet.

A Phelps Dodge shareholder whose shares are held in the name of a broker or nominee should follow the instructions provided by that broker or nominee on how to direct the voting of the shareholder's shares.

*How Proxies will be Voted.* All Phelps Dodge common shares represented by proxies properly executed and received by Phelps Dodge before or at Phelps Dodge's special meeting will be voted in accordance with the instructions indicated on the proxies. If the proxy is properly completed, signed and returned but no instructions are indicated, the shares will be voted:

**FOR** the approval and adoption of the merger agreement; and

**FOR** the approval of an adjournment of the special meeting, if necessary, to permit the solicitation of additional proxies in favor of the above proposal.

Phelps Dodge shares represented by a proxy that has been returned with instructions to vote against the proposal to approve and adopt the merger agreement but which does not include instructions with respect to the adjournment proposal will not be voted in favor of the adjournment proposal.

*Revoking Your Proxy.* You may revoke your proxy before it is voted by:

submitting a new proxy card bearing a later date, or submitting a new proxy by telephone or through the Internet;

providing a written notice revoking your proxy to the Assistant General Counsel and Secretary of Phelps Dodge before the special meeting; or

attending the special meeting and voting in person.

If you have instructed your broker to vote your shares, you must follow directions you receive from your broker in order to change or revoke your vote.

### **Solicitation of Proxies**

Freeport-McMoRan and Phelps Dodge will each pay their own expenses incurred in connection with the printing and mailing of this document. Phelps Dodge has retained D.F. King & Co., Inc. for a fee estimated to be \$300,000, plus certain expenses, including out-of-pocket expenses, to assist in the solicitation of proxies and otherwise in connection with the Phelps Dodge special meeting. Phelps Dodge and its proxy solicitor will also request banks, brokers and other intermediaries holding Phelps Dodge common shares beneficially owned by others to send this document to, and obtain proxies from, the beneficial owners and will reimburse holders for their reasonable expenses in so doing. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitation by the directors, officers and employees of Phelps Dodge. No additional compensation will be paid to directors, officers or employees for such solicitation efforts.

### **Other Business**

The Phelps Dodge board of directors currently is not aware of any business to be acted upon at the special meeting other than as described in this document. If, however, other matters are properly brought before the special meeting or any adjournments or postponements of the meeting, in the absence of instructions to the contrary, persons appointed as proxies will have discretion to vote or act on those matters in their best judgment.

**Communications by Phelps Dodge Shareholders with Phelps Dodge**

Any written revocation of a proxy or other communications in connection with this document and requests for additional copies of this document or the proxy card should be addressed to D.F. King & Co., Inc. If you have any questions or need further assistance in voting your shares, please call D.F. King & Co., Inc. toll-free at (800) 769-4414 or collect at (212) 269-5550. Non-U.S. holders may call D.F. King & Co. at +44 20 7920 9700.

## INFORMATION ABOUT THE COMPANIES

### Freeport-McMoRan

Freeport-McMoRan Copper & Gold Inc.  
1615 Poydras Street  
New Orleans, Louisiana 70112  
Telephone: (504) 582-4000  
<http://www.fcx.com>

Freeport-McMoRan Copper & Gold Inc. is one of the world's largest producers of copper and gold. Freeport-McMoRan's operations are conducted through its principal operating subsidiaries, PT Freeport Indonesia, PT Irja Eastern Minerals and Atlantic Copper, S.A.

PT Freeport Indonesia's operations in Papua, Indonesia, involve mineral exploration and development, mining and milling of ore containing copper, gold and silver and the worldwide marketing of concentrates containing those metals. PT Freeport Indonesia is also a 25% owner of PT Smelting, which operates a copper smelter and refinery in Gresik, Indonesia.

PT Irja Eastern Minerals conducts mineral exploration activities (currently suspended) on land adjacent to that held by PT Freeport Indonesia. Freeport-McMoRan also conducts mineral exploration activities (currently suspended) in Papua pursuant to a joint venture through PT Nabire Bakti Mining. All these companies operate through Contracts of Work with the Government of Indonesia which, at the end of 2005, covered approximately 2.2 million acres. Atlantic Copper operates a copper smelter and refinery in Huelva, Spain.

### Phelps Dodge

Phelps Dodge Corporation  
One North Central Avenue  
Phoenix, AZ 85004-4414  
Telephone: (602) 366-8100  
<http://www.phelpsdodge.com>

Phelps Dodge is one of the world's leading producers of copper. Phelps Dodge is a world leader in the production of molybdenum, and the largest producer of molybdenum-based chemicals and continuous-cast copper rod. Phelps Dodge employs 15,000 people worldwide, primarily through its two divisions, Phelps Dodge Mining Company, which is referred to in this document as PDMC, and Phelps Dodge Industries, which is referred to in this document as PDI.

PDMC is an industry leader in the safe, efficient and environmentally responsible production of high-quality metals and minerals. PDMC is a fully integrated producer of copper and molybdenum, with mines and processing facilities in North and South America and Europe, and processing capabilities for other minerals as by-products, such as gold, silver and rhenium. Phelps Dodge Exploration Corp., a subsidiary of Phelps Dodge, and the Process Technology Center, a division of PDMC, focus on continued discovery and development of economically viable mineral reserves and the refinement and creation of production and process technologies.

PDI consists of Phelps Dodge Wire and Cable, which manufactures engineered products principally for the global energy sector. Phelps Dodge Wire and Cable manufactures products for power distribution, heavy industry, and

medical and electronic devices and products, with operations in the United States, Latin America, Asia and Africa.

**REGULATORY AND OTHER APPROVALS REQUIRED FOR THE TRANSACTION**

*HSR Act.* As a condition to the transaction, the HSR Act requires Freeport-McMoRan and Phelps Dodge to observe the HSR Act's notification and waiting period. The HSR Act provides for an initial 30-calendar-day waiting period following the necessary filings by the parties to the merger. If the 30th calendar day of the initial waiting period is not a business day, the initial waiting period is extended until 11:59 p.m. of the next business day. Each of Freeport-McMoRan and Phelps Dodge filed a notification and report form for the transaction with the FTC and the Antitrust Division on December 4, 2006. Early termination of the waiting

period was granted on December 22, 2006. Thus, as far as the HSR Act is concerned, the parties are free to consummate the transaction.

*European Union.* Both Freeport-McMoRan and Phelps Dodge sell products to customers based in the European Union. The EC Merger Regulation (Regulation 139 of 2004) requires notification of and approval by the European Commission of mergers or acquisitions involving parties with worldwide sales and European Union sales exceeding given thresholds. Freeport-McMoRan and Phelps Dodge filed a formal notification of the merger with the European Commission on January 16, 2007. The European Commission will have until February 20, 2007, which is 25 business days after receipt of such formal notification, to issue its decision regarding the merger. This 25-business day period is extendable for an additional ten-business day period in certain circumstances. After that period, if the European Commission has serious doubts as to the compatibility of the merger with the common market, it will enter into a Phase II investigation. The standard timetable for a Phase II investigation is 90 working days. This timetable may be extended in certain circumstances by either the parties or the European Commission. There are also procedures for the European Commission to Stop the Clock if the parties have not supplied information required by the European Commission.

*Other Filings.* Other than the merger filings described above, notifications of the transaction have been filed in the following jurisdictions: Brazil, Bulgaria, China, South Korea and Mexico. We will endeavor to obtain required merger control clearances with the relevant competition authorities in these, and any other required jurisdictions, as soon as practicable.

*General.* The FTC, the Antitrust Division or any other regulatory authority could take action under the applicable antitrust laws with respect to the transaction, including seeking to enjoin the completion of the transaction or seeking the divestiture by either party of shares or assets, or seeking to subject Freeport-McMoRan or Phelps Dodge to operating conditions, before or after we complete the transaction. We cannot assure you that an antitrust challenge to the transaction will not be made and, if such a challenge is made, we cannot predict the result. We have agreed to use our reasonable best efforts to obtain and maintain from governmental entities and any necessary third party any approvals, consents, registrations, permits, authorizations and other confirmations required in connection with the transaction and to make all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents necessary under applicable law with respect to the transaction.

## THE TRANSACTION

*The following discussion contains material information pertaining to the transaction. This discussion is subject and qualified in its entirety by reference to the merger agreement attached as Appendix A to this document. We urge you to read and review the entire merger agreement as well as the discussion in this document.*

### General

This section provides material information about the transaction involving Freeport-McMoRan and Phelps Dodge and the circumstances surrounding the transaction. You can find a more detailed description of the terms of the merger agreement, including information about the conditions to completion of the transaction and the provisions for terminating the merger agreement, below under The Merger Agreement .

We are furnishing this document to Freeport-McMoRan and Phelps Dodge shareholders in connection with the solicitation of proxies by the board of directors of each of Freeport-McMoRan and Phelps Dodge for use at their respective special meetings of shareholders and any adjournment or postponement of the meetings.

*Freeport-McMoRan Proposals.* At the Freeport-McMoRan special meeting, holders of Freeport-McMoRan common stock will be asked to vote upon a proposal to amend the Freeport-McMoRan certificate of incorporation, which includes increasing the amount of authorized common stock; a proposal to issue shares of Freeport-McMoRan common stock in connection with the transaction and, if necessary, a proposal to approve an adjournment of the special meeting to permit solicitation of additional proxies in favor of the previous proposals.

*Phelps Dodge Proposals.* At the Phelps Dodge special meeting, holders of Phelps Dodge common shares will be asked to vote upon a proposal to approve and adopt the merger agreement and, if necessary, a proposal to approve an adjournment of the special meeting to permit solicitation of additional proxies in favor of the previous proposal.

**Approval by Freeport-McMoRan shareholders of the proposal to amend the Freeport-McMoRan certificate of incorporation and the proposal to issue Freeport-McMoRan common stock in connection with the transaction, and approval by Phelps Dodge shareholders of the proposal to approve and adopt the merger agreement, are each conditions to the completion of the transaction.**

### **Structure of the Transaction**

Under the terms of the proposed merger, Panther Acquisition Corporation, a wholly owned subsidiary of Freeport-McMoRan, will merge into Phelps Dodge. As a result, Phelps Dodge will continue as a surviving corporation and will become a wholly owned subsidiary of Freeport-McMoRan. Accordingly, Phelps Dodge shares will no longer be publicly traded after the completion of the transaction.

At the completion of the merger, sometimes referred to in this document as the effective time, each issued and outstanding Phelps Dodge common share will be converted into the right to receive a combination of 0.67 of a share of Freeport-McMoRan common stock and \$88.00 in cash, without interest. Phelps Dodge shareholders will receive cash in lieu of any fractional shares of Freeport-McMoRan common stock that would have otherwise been issued at the completion of the transaction. The 0.67 of a share of Freeport-McMoRan common stock that will be issued for each Phelps Dodge common share is sometimes referred to in this document as the exchange ratio, the \$88.00 in cash, without interest, that will be issued for each Phelps Dodge common share is sometimes referred to in this document as the cash consideration, and the exchange ratio and the cash consideration are together sometimes referred to in this document as the merger consideration.

If, during the period between the date of the merger agreement and the effective time of the merger, any change in the outstanding shares of capital stock of Phelps Dodge or Freeport-McMoRan occurs, including by reason of any reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, or any stock dividend thereon with a record date during such period (not including any change that results from any exercise of options outstanding as of the date of the merger agreement to purchase Phelps Dodge common shares under Phelps Dodge's stock option or compensation plans or arrangements), the exchange ratio and the cash consideration will be adjusted accordingly to provide to the holders of Phelps Dodge common shares the same economic effect as contemplated by the merger agreement prior to such event.

We expect that, upon completion of the transaction, the Freeport-McMoRan shareholders immediately prior to the transaction will own approximately 59% of the outstanding common stock of the combined company immediately after the transaction (62% on a fully diluted basis), and the Phelps Dodge shareholders immediately prior to the transaction will own approximately 41% of the outstanding common stock of the combined company immediately after the transaction (38% on a fully diluted basis). These figures are calculated assuming the number of shares of Freeport-McMoRan common stock outstanding as of September 30, 2006, and the number of Phelps Dodge common shares, restricted stock and stock options outstanding as of September 30, 2006 and assuming that all of the Phelps Dodge stock options are exercised prior to the completion of the transaction.

The corporate headquarters of the combined company will be located in Phoenix, Arizona and Freeport-McMoRan will maintain its New Orleans, Louisiana office to service the accounting and administrative needs of its Indonesian operations.



**Background of the Transaction**

Each of the managements of Freeport-McMoRan and Phelps Dodge separately have periodically evaluated the opportunity to achieve their respective companies' long-term strategic goals and objectives and to enhance shareholder value with a strategic transaction. Freeport-McMoRan and Phelps Dodge have been familiar with each other's businesses for many years.

Freeport-McMoRan and Phelps Dodge each regularly reviews the possibility of selected strategic acquisitions, divestitures and business combinations with others.

In 1996, Freeport-McMoRan and Phelps Dodge entered into a confidentiality and standstill agreement and discussed a potential business combination. No agreement was reached and those discussions terminated. Since that time, representatives of senior management of Freeport-McMoRan and Phelps Dodge have from time to time discussed the strategic benefits of a business combination between Freeport-McMoRan and Phelps Dodge.

In June 2006, Phelps Dodge entered into a combination agreement with Inco Limited pursuant to which Phelps Dodge agreed to acquire Inco.

In July 2006, representatives of JPMorgan and representatives of Merrill Lynch separately met with Mr. Richard C. Adkerson, president and chief executive officer of Freeport-McMoRan and Ms. Kathleen L. Quirk, senior vice president, chief financial officer and treasurer of Freeport-McMoRan, to suggest that Freeport-McMoRan consider a potential acquisition of Phelps Dodge.

On August 1, 2006, at a meeting of the board of directors of Freeport-McMoRan, Mr. Adkerson reported on the recent merger and acquisition activity in the mining industry and reported that Freeport-McMoRan had been contacted separately by JPMorgan and Merrill Lynch regarding a potential acquisition of Phelps Dodge. Mr. Adkerson reported that management would gather pertinent information and continue its analysis of such an acquisition.

In August 2006, Mr. Adkerson telephoned Mr. J. Steven Whisler, chairman and chief executive officer of Phelps Dodge. Mr. Adkerson and Mr. Whisler had a general discussion about the consolidation occurring in the mining industry. Mr. Adkerson commented on the attractiveness of combining the assets of Phelps Dodge and Freeport-McMoRan, consistent with previous discussions between him and Mr. Whisler, while recognizing that Phelps Dodge had entered into a definitive agreement to acquire Inco. Mr. Whisler informed Mr. Adkerson that Phelps Dodge was focused on the combination agreement with Inco. That agreement was subsequently termina