



MEMORANDUM

Date: March 12, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CH", is written over the printed name "C.H. Huckelberry".

Re: **Economic Development and Mining**

A pillar of the Economic Development Plan adopted by the Board of Supervisors is protecting our existing employment base and allowing it to expand in place. This component of the plan applies directly to the mining industry within Pima County. Mining is, has been and will continue to be a significant part of our local economy.

I recently asked Freeport-McMoRan Copper and Gold (Freeport) a number of questions related to their operations in Pima County and Arizona and, specifically, questions regarding employment and our ranking on a national level regarding production. Attached for your information is my February 7, 2013 letter to Freeport and their March 5, 2013 response, which provides a fundamental basis for the County assisting Freeport and other mining activities within Pima County to protect their existing employment base and expand in place.

It is important to note that Freeport is actually expanding employment in Pima County, and the value of their activities in molybdenum facilities is significant to our tax base.

Statewide comparisons indicate Pima County ranks second to Maricopa County for income and direct, as well as indirect, employment from mining activities; with Pima County employing approximately 14,000 and Maricopa 18,000. When considering Maricopa County's population is four times greater than Pima County, this is a significant amount of employment dedicated to mining activities. More importantly, for direct employment, Pima County has the greatest number of employees actively engaged in mining activities within Arizona; nearly twice any other county and three times higher than Maricopa County. For these reasons, Pima County has and will continue to cooperate with Freeport in their expansion activities related to their Sierrita facilities.

We will also continue to assist ASARCO, LLC with their continuing operations at their Mission and Silverbell facilities. County management and other County regulatory departments meet quarterly with Freeport and will do so with ASARCO as well. The purpose of these meetings is to discuss industry activities, as well as understand how

The Honorable Chairman and Members, Pima County Board of Supervisors
Re: **Economic Development and Mining**
March 12, 2013
Page 2

Pima County can assist these mining operations to be successful and continue to employ Pima County residents, providing an essential component of our tax base.

I have also attached additional information related to Freeport's active and inactive mining operations in Arizona.

CHH/dph

Attachment

c: John Bernal, Deputy County Administrator for Public Works
 Dr. John Moffatt, Director, Strategic Planning
 Ursula Kramer, Director, Environmental Quality
 Diana Durazo, Special Staff Assistant to the County Administrator
 Lyn Harry White, Government and Public Relations Manager, Freeport-McMoRan
 Copper and Gold, Inc.



COUNTY ADMINISTRATORS OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

February 7, 2013

Ms. Lyn Harry White
Director, Government Relations
Freeport-McMoRan Copper & Gold, Inc.
One North Central Avenue
Phoenix, Arizona 85004

Re: Mining Activities in Pima County

Dear Ms. White:

County staff and I are looking forward to meeting with you and other Freeport representatives on March 5, 2013 to discuss current Freeport activities and those of the County.

I believe you are aware the County, Raytheon, Tucson Airport Authority, Tucson Regional Economic Opportunities, Inc. and others are engaged in activities to retain jobs and increase employment in Pima County, including developing a research and business park in the Tucson International Airport environs. Relative to this effort, I would be very interested in receiving information regarding Freeport's economic impact in Pima County, as well as the economic impacts of mining in Arizona as compared to mining activities nationally.

It would be very helpful to review the following data:

1. How many employees does Freeport have in Pima County?
2. What is the dollar value of Freeport's Pima County mining activity and molybdenum facilities?
3. Does the Arizona Mining Association have similar data for all mining activity in Pima County?
4. Does the National Mining Association compile data on how many counties in the nation have registered copper or molybdenum mines?

Ms. Lyn Harry White
Re: Mining Activities in Pima County
February 7, 2013
Page 2

5. If yes, what is Pima County's ranking in comparison with other counties?
6. How does Pima County rank nationally in terms of the total dollar value of mine production?

Any assistance you and your staff could provide in obtaining this information would be greatly appreciated. Again, we look forward to meeting with you on March 5.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/mjk

Phoenix Corporate Office
333 N. Central Ave.
Phoenix, AZ 85004

Lyn Harry White
Director, Government Relations
Telephone: 602-366-8075
Fax: 602-366-7691
e-mail: Lynda_White@fmi.com

March 5, 2013

Mr. C.H. Huckelberry
Pima County Governmental Center
130 W. Congress
Tucson, AZ 85701-1317

Re: Mining Activities in Pima County

Dear Mr. Huckleberry:

This letter is in response to your request dated February 7, 2013, for more information on Freeport-McMoRan Copper & Gold's (FCX) economic impact on Pima County and the economic impacts of mining in Arizona.

1. How many employees does FCX have in Pima County?

As of December 31, 2012, 1,676 FCX employees work at a Pima County facility and 1,500 FCX employees live in Pima County.

In late 2012, FCX announced that we are moving a portion of our mining, process and environmental technology activities along with administrative functions from Safford, Arizona to an 85,000 sq. ft. facility at 3350 E. Valencia Road in Tucson, Arizona. The facility was previously owned by American Airlines. **Approximately 100 employees are scheduled to begin to relocate to Tucson in the third quarter of 2013.**

2. What is the dollar value of FCX's Pima County mining activity and molybdenum facilities?

As of December 31, 2011, the total direct and indirect economic impact of the FCX Sierrita Mine on Pima County was \$237 million. The total direct and indirect economic impact of the FCX Sierrita Mine on the state of Arizona was \$359 million.

The value of our FCX Sierrita site which comprises most of our Pima County mining assets was \$699 million for the 2013 valuation period.

The value of our FCX Sahuarita Moly Tech Center was \$631,778 for the 2013 valuation period.

There may be some other Pima County located assets that are not included within this figure but that value is not significant.

3. Does the Arizona Mining Association have similar data for all mining activity in Pima County?

As of December 31, 2011, the total (direct and indirect) employee impact from mining activity in Pima County was 13,870 (see Table 1). Of those 13,870, 2,056 are Arizona mining employees who work at a Pima County facility and 2,449 of those employees live in Pima County (see Table 2).

It's also important to note that the average labor income for employees directly and indirectly employed by the Arizona mining industry is \$65,000 compared to the \$47,000 labor average of all Arizona workers.

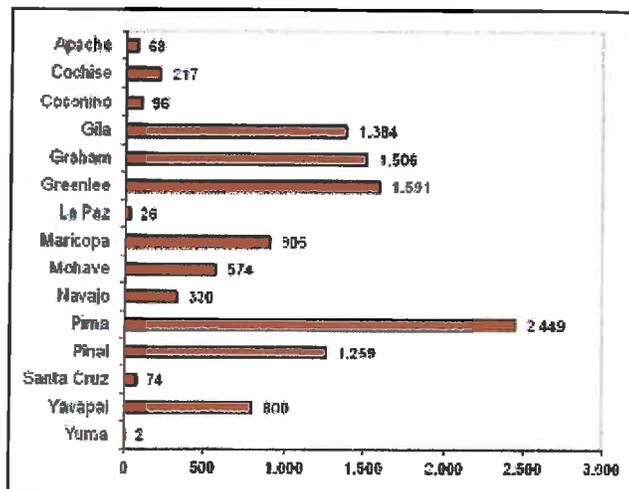
Table 1: Total (direct and indirect) Economic Impact of Mining Activities by County, 2011

County	Total Income (in mill \$s)	Labor Income (in mill \$s)	Employment
Apache	27	22	405
Cochise	64	46	721
Cocconino	65	46	771
Gila	289	231	3,224
Graham	217	190	2,548
Greenlee	237	192	2,296
La Paz	5	4	75
Maricopa	1,700	1,095	18,177
Mohave	121	85	1,516
Navajo	161	78	1,277
Pima	1,268	879	13,870
Pinal	272	221	2,787
Santa Cruz	5	4	80
Yavapai	174	126	1,752
Yuma	24	18	347
Total impact	4,631	3,238	49,844

Source: L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University

Per the chart above, you can see that Pima County ranks 2nd to Maricopa County in total economic impacts of mining activity in Arizona.

Table 2: Arizona Mining Employees by County of Residence, 2011



Source: L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University

4. Does the National Mining Association compile data on how many counties in the nation have registered copper or molybdenum mines?

Per the NMA, they do keep a register of companies and their location based on their primary commodity. Please see chart below.

COPPER			
ASARCO LLC, A DELAWARE LIMITED	MISSION/SAN XAVIER/EISENHOWER	SAHUARITA AZ 85629	PIMA, AZ
ASARCO LLC, A DELAWARE LIMITED	SILVER BELL MINING LLC	MARANA AZ 85653	PIMA, AZ
BHP COPPER INC	PINTO VALLEY OPERATIONS	MIAMI AZ 85539	GILA, AZ
CARLOTA COPPER COMPANY	CARLOTA COPPER COMPANY	MIAMI AZ 85539	GILA, AZ
COPRECO LLC (FREEPORT MCMORAN)	COPRECO LLC	BISBEE AZ 85603	COCHISE, AZ
CYPRUS TOHONO CORP (FREEPORT MCMORAN)	CYPRUS TOHONO CORPORATION	CASA GRANDE AZ 85130	PINAL, AZ
FREEPORT MCMORAN CORPORATION	COPPER QUEEN BRANCH	BISBEE AZ 85603	COCHISE, AZ
FREEPORT MCMORAN MIAMI INC	FREEPORT MCMORAN MIAMI INC	CLAYPOOL AZ 85532	GILA, AZ
FREEPORT-MCMORAN BAGDAD INC	FREEPORT-MCMORAN BAGDAD INC	BAGDAD AZ 86321	YAVAPAI, AZ
FREEPORT-MCMORAN CHINO MINES C	CHINO MINES CO MINE	BAYARD NM 88023	GRANT, NM
FREEPORT-MCMORAN COBRE MINING	OPEN PIT & CONTINENTAL SURF CO	BAYARD NM 88023	GRANT, NM
FREEPORT-MCMORAN MORENCI INC.	FREEPORT-MCMORAN MORENCI INC.	MORENCI AZ 85540	GREENLEE, AZ
FREEPORT-MCMORAN SAFFORD INC	FREEPORT-MCMORAN SAFFORD INC	SAFFORD AZ 85548	GRAHAM, AZ
FREEPORT-MCMORAN SIERRITA INC	FREEPORT-MCMORAN SIERRITA INC	GREEN VALLEY AZ 85614	PIMA, AZ
FREEPORT-MCMORAN SIERRITA INC.	TWIN BUTTES MINE	GREEN VALLEY AZ 85622	PIMA, AZ
FREEPORT-MCMORAN TYRONE INC	TYRONE MINE	TYRONE NM 88065	GRANT, NM
KENNECOTT UTAH COPPER LLC	BINGHAM CANYON MINE	MAGNA UT 84044	SALT LAKE, UT
LISBON VALLEY MINING CO LLC	LISBON VALLEY MINING CO	MOAB UT 84532	SAN JUAN, UT
MINERAL PARK INC.	MINERAL PARK INC.	GOLDEN VALLEY AZ	MOHAVE, AZ
MONTANA RESOURCES	CONTINENTAL MINE	BUTTE MT 59701	SILVER BOW, MT
NORD RESOURCES CORPORATION	JOHNSON CAMP MINE	DRAGOON AZ 85609	COCHISE, AZ
POLYMET MINING INC.	POLYMET	HOYT LAKES MN 55750	ST LOUIS, MN
ROBINSON NEVADA MINING COMPANY	ROBINSON OPERATION	RUTH NV 89319	WHITE PINE, NV
ROSEMONT COPPER COMPANY	ROSEMONT COPPER PROJECT	TUCSON AZ 85705	PIMA, AZ
MOLYBDENUM			
CLIMAX MOLYBDENUM (FREEPORT MCMORAN)	CLIMAX MINE	CLIMAX CO 80429	LAKE, CO
THOMPSON CREEK MINING CO.	THOMPSON CREEK MINE	CLAYTON ID 83227	CUSTER, ID

5. If yes, what is Pima County's ranking in comparison with other counties?

Per the NMA, they do not track that data.

6. How does Pima County rank nationally in terms of the total dollar value of mine production?

Per the NMA, they do not track that data.

Please let me know if further information is needed, we are more than happy to provide.

Sincerely,



Lyn Harry-White



Freeport-McMoRan Copper & Gold

www.fcx.com

Arizona Economic Effects 2011

(Dollars in millions)
Direct & Indirect
Total \$2,777



- Direct Effects from Operations
- Direct Effects from Supplier Purchases
- Indirect Effects from Spending by Employees
- Indirect Effects from Supplier Purchases
- Indirect Effects from Spending from Tax Revenues
- Indirect Effects from Spending from Pension Income

Economic Impact Upon the Economy of Arizona – 2011

Freeport-McMoRan Copper & Gold contributes in many ways to the sustainability of the various communities, counties and states in which we operate. They rely heavily on the economic benefits directly and indirectly provided by our various operations in the form of wages and taxes we pay as well as the goods and services we buy. The economic benefits derived from our operations not only fuel the local economy but, thanks to the multiplier effect, extend across the economic landscape of Arizona.

The top chart reveals the estimated total direct and indirect economic impact of Freeport-McMoRan on Arizona in 2011, which was approximately \$2.8 billion. Direct impacts include approximately \$860 million from operations and \$627 million from supplier purchases. Indirect impacts were estimated to be \$330 million from spending by employees and \$546 million from supplier purchases. There was approximately \$386 million from spending out of new state and local tax revenues and \$28 million in effects from spending from pension income.

Included in these figures is an estimated \$274 million impact of FCX operations on state and local tax revenues in 2011. These figures encompass all of the taxes directly and indirectly generated throughout the economic impact process.

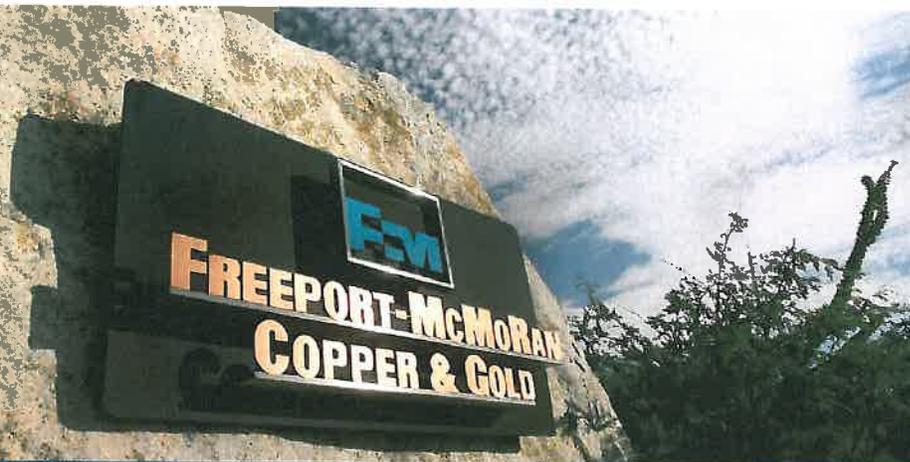
Across the state, Freeport-McMoRan employed over 7,600 workers at the end of 2011. The total direct and indirect impact of Freeport-McMoRan operations on the Arizona economy was estimated to be nearly 30,000 jobs.

Finally, Freeport-McMoRan is committed to ongoing engagement with the communities in which we operate, investing in programs that help communities realize plans and initiatives that help them become increasingly sustainable over time and less dependent on a single industry. In 2011, we contributed over \$26 million to Arizona communities focusing our efforts on education and training, economic development, safety and wellness, the environment and cultural heritage programs.

Arizona Total Employment



All economic impact numbers here were produced by the L. William Seidman Research Institute, Arizona State University



Freeport-McMoRan Copper & Gold

www.fcx.com

Sierrita Mine Economic Effects on Pima County in 2011

(Dollars in millions)
Direct & Indirect
Total \$237



Economic Impact of the Sierrita Mine Upon Pima County and Arizona – 2011

Freeport-McMoRan Copper & Gold contributes in many ways to the sustainability of the various communities, counties and states in which we operate. They rely heavily on the economic benefits directly and indirectly provided by our various operations in the form of wages and taxes we pay as well as the goods and services we buy. The economic benefits derived from our operations not only fuel the local economy but, thanks to the multiplier effect, extend across the economic landscape of Arizona.

The top chart reveals the estimated total direct and indirect economic impact of the Sierrita mine on Pima County in 2011, which was \$237 million. Direct impacts include approximately \$106 million from operations and \$47 million from supplier purchases. Indirect impacts were estimated to be \$33 million from spending by employees and \$28 million from supplier purchases. There was an estimated \$23 million from spending out of new state and local tax revenues.

The bottom chart reveals the estimated total direct and indirect economic impact of the Sierrita mine on the state of Arizona in 2011, which was \$359 million. Direct impacts include approximately \$124 million from operations and \$74 million from supplier purchases. Indirect impacts were estimated to be \$44 million from spending by employees and \$58 million from supplier purchases. There was an estimated \$59 million of indirect effects from spending out of new state and local tax revenues.

At the end of 2011 Freeport-McMoRan had over 1,100 employees at Sierrita. Across the entire state, Sierrita was directly and indirectly responsible for approximately 3,800 jobs in 2011.

All economic impact numbers here were produced by the L. William Seidman Research Institute, Arizona State University

Sierrita Mine Economic Effects on the State of Arizona in 2011

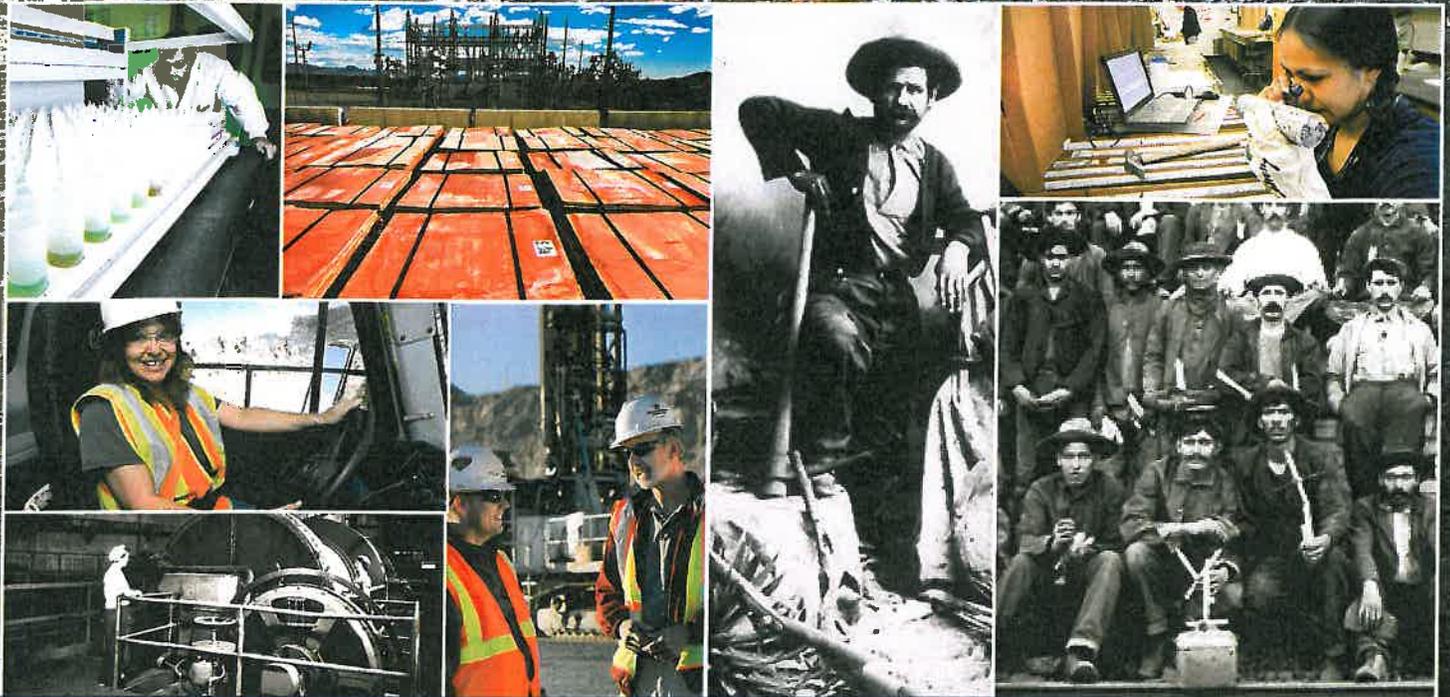
(Dollars in millions)
Direct & Indirect
Total \$359



- Direct Effects from Operations
- Direct Effects from Supplier Purchases
- Indirect Effects from Spending by Employees
- Indirect Effects from Supplier Purchases
- Indirect Effects from Spending from Tax Revenues



**FREEPORT-McMoRAN
COPPER & GOLD**



**How The Arizona Copper Mines Of
Freeport-McMoRan
Copper & Gold**

**Helped The State Blossom Over The Last Century
and Position the State for Future Success**



Arizona's flag is made of thirteen red and gold rays of a western sunset for the thirteen original colonies. The lower half is Liberty blue to match that of the U.S. flag. And in the center, it's no coincidence that the flag proudly displays a large copper star.

For more than a century, copper mining has played a significant role in Arizona. The red metal has long been a source of growth, community building, economic prosperity and pride for the state.

As we move closer to celebrating our state's centennial, we take a glance at the role the copper mines of Freeport-McMoRan Copper & Gold Inc. played in Arizona's history.



Our Arizona Operations

Morenci

An open-pit copper mining complex located in Greenlee County. The expansive operations make it one of North America's largest producers of copper and one of the largest open-pit mines in the world.

Bagdad

Located in Yavapai County, our northernmost active mine in Arizona. The open-pit mine produces both copper and molybdenum. The mine is an important part of our North American operations, accounting for roughly 20% of our North American copper production.

Safford

Our newest mine; it has been in operation since 2007. The mine, located in Graham County, is a zero-discharge facility and one of the most environmentally advanced open-pit copper mines ever built. Within the city of Safford we also operate a Technology Center, providing direct support and innovative mining, processing and environmental solutions to our operations around the world.

Sierrita

An open-pit copper and molybdenum mining complex located in Pima County. It began producing copper in 1970 and significantly expanded production of the then-existing mining operations in the area.

Miami

Located in Gila County, the open-pit mine is also home to our only smelter and rod mill in Arizona. Limited mining activities have been initiated at the mine to improve efficiencies of ongoing reclamation projects associated with historical mining operations at the site.

Worldwide Headquarters

Located in downtown Phoenix, the staff of approximately 700 employees provides management for the company's worldwide businesses as well as technical and administrative support for our operations.

1860

1866 Robert Metcalf discovers copper outcroppings at what became Morenci

1870

1872 First commercial mining operations are developed at Morenci

1876 First mining claims staked in Jerome

1880

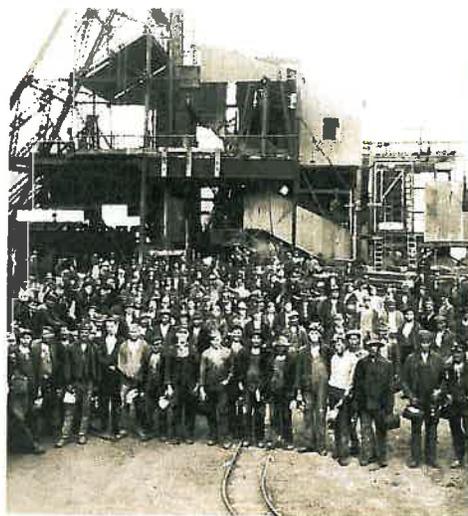
1872 First mining claims staked in Ajo

1877 First mining claims staked in Bisbee

More than a century ago,

scores of prospectors came to the Arizona Territory in search of minerals yet unsure of what they would find. Harsh summers, a rough desert environment, and the lawlessness of the Old West were just some of the challenges these mining pioneers faced.

Traversing the state they carried on. Prospecting in the Miami/Globe area dates back to the 1860s. Minerals at what is now Morenci were discovered in 1866. Mining claims were first staked in Ajo in 1872, Jerome in 1876, Bagdad in 1882 and the Green Valley/Sahuarita area in 1895.



Workers gather at the Junction Shaft in Bisbee in the early 1900s.

The area now known as Bisbee was discovered in the mid-late 1800s when Army scouts on a mission noticed signs of mineralization in the area. By the 1910s Bisbee, led by the Copper Queen mine, quickly transformed from a sleepy mine camp into one of Arizona's largest cities.

Near the turn of the 20th century, a new smelter was built in what is now the City of Douglas, driven by the need for larger, more modern and accessible processing facilities.

The sudden growth in mining communities also brought the need for schools, libraries, churches and hospitals to serve the miners and their families. Community development and outreach became key to running a successful mining operation and ultimately played a vital role in helping the Arizona Territory grow.

An early prospector, George Warren, in mining's early days. His likeness appears on Arizona's official state seal.

To say employees are our #1 asset is an understatement.

We are often the largest employer in communities where we operate around the globe and our success relies on the individual contributions of all employees. For this reason, we seek to attract and retain the most qualified employees for every position. At the end of 2010, our diverse workforce included approximately 30,000 employees, of which over 7,000 were here in Arizona.

The safety of all Freeport-McMoRan employees and contractors is a core value. Central to safe production are the training and incentive programs we have in place to safeguard from accidents.

We also recognize that having up-to-date, specialized and technical skills help our employees perform their jobs better. One way we support this important initiative is the state-of-the-art Mine Training Institute we opened south of Tucson.

Today's mining process requires a variety of personnel in order to be a successful operation. Engineers, geologists, truck drivers, mechanics and administrative personnel are just a few of the many team players needed to successfully produce copper and other metals.

We also highly encourage employees to become more involved in their communities. From our company-matching charitable contribution program to company-organized volunteer opportunities, we applaud our employees in supporting the communities where they live, work and play.



A group of employees at our Morenci operations.

1886 Bisbee's first company mercantile store was established

1895 First mining claims staked in what is now the Green Valley/Sahuarita area

1900 United Verde Mine in Jerome was the world's sixth largest copper producer

1890

1900

1886 Arizona's first copper concentrator was built at Morenci

1904 Bisbee smelter closes; relocated to Douglas



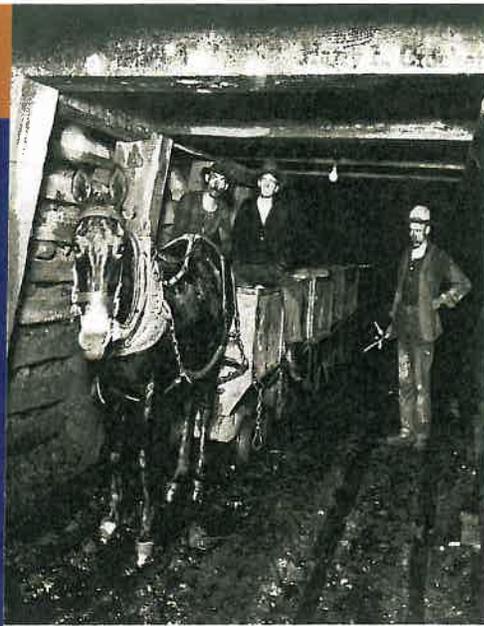
Sustaining Long Term Success In Our Communities

Dating back to the early days of mining, our Arizona operations quickly recognized the importance of a strong community infrastructure.

Mercantiles, churches, hospitals and schools were some of the first installations added by the operations to support the miners and their families. Movie theaters, swimming pools and community centers were among the facilities added in later years.

Today, we remain committed to working with all of the communities where we have a presence to support social development and sustainability. We do this by engaging with community leaders and members through our Community Partnership Panels, which provide an avenue for open dialogue with a goal of identifying the community's self-defined priorities. Members of the Community Partnership Panel in Green Valley/Sahuarita area are featured in the photo below. Additionally, the company sets aside Community Investment Funds to support sustainable solutions addressing these priorities.

Our success has mutually benefited the state. In 2010, Freeport-McMoRan had a total estimated impact of \$2.1 billion on Arizona's economy, of which \$920 million benefitted the southern Arizona counties where we operate. The impacts come in the form of wages and taxes we pay as well as the goods and services we buy. Separately, in 2010 we invested more than \$23 million in Arizona community programs, mostly in southern Arizona communities, to bolster education, economic development, social services, health, safety, the environment and cultural heritage programs.



Tramming in the depths beneath Bisbee in the early 1900s.

While the Roaring Twenties were good to the state, the 1930s would be much different. The Great Depression would prove to be devastating to many Arizonans and the biggest test to date for Arizona's copper mines.

With a low demand for copper, some mines closed temporarily and others never reopened.

By the end of the decade, global tensions took center stage leading to a second World War.

The Allies – ever in need of more copper for communications and artillery – relied, in part, on copper from Arizona's mines to help meet demand.

Workmen drilling holes at a mine in Ajo's earlier mining days.



During the 1910s, worldwide events drove the need for more of Arizona's red metal. America was growing rapidly, the world became more reliant on electricity, and the Allies needed artillery and communications in World War I.

All of this required copper, and Arizona mines were able to deliver.

In 1912, Arizona's prosperity had earned it a spot as the forty-eighth state in the United States. Copper was quickly recognized as an integral part of Arizona's economy and the state's transformation to statehood.

By the 1920s, booming copper mining towns dotted the Grand Canyon state. Bisbee had become one of Arizona's largest cities. Further north, people were also flocking to Jerome, a budding community atop Cleopatra Hill to mine its copper creating another one of Arizona's more populous towns.

1912 Arizona becomes the 48th state in the U.S.

1917 Open-pit mining begins in Bisbee

1928 Bagdad's mill begins to process ore from its underground mine

1910

1920

1930

1915 Clarkdale smelter operations commence

1919 Bisbee's population swells to 25,000; one of the state's largest cities

1932 Production reduced at Bisbee & temporarily suspended at Ajo, Jerome & Morenci



A once familiar scene in Bisbee: going to work underground in this undated post-World War II photograph. Photo inset: A change house for women at Morenci in 1944.

During the early 1940s with World War II in full swing, the mines quickly expanded production and many mining communities, particularly Morenci and Clifton, grew rapidly. The mining operations responded by adding or expanding hospitals, schools, homes, shopping and recreational facilities to nearby communities for the new arrivals.

Arizona's mines were doing everything possible to produce more of the red metal which was in high demand. Morenci completed its conversion to open-pit mining and was becoming an increasingly significant copper producer. The Copper Queen Mine in Bisbee was operating at full production. Ajo's mine was running at peak capacity around the clock and the town's population swelled. The mine in Jerome was performing well, although

its production began to decline. The smelter in Clarkdale, near Jerome, had extra capacity to handle additional loads from elsewhere to meet war-time needs.

Arizona's miners joined with the rest of the U.S. by working to support Allied efforts or were drafted into military service and an increasing number of women throughout the U.S. entered the workforce, including in Arizona's mining operations.

In 1954, Bisbee's Lavender Pit opened which further increased copper production. Also during the 1950s, on-going mineral exploration activity led to the discovery of a large ore body at Safford. However, times were changing in Jerome. After decades of copper mining, production ceased, resulting in the closing of this historic operation.

We endeavor to take land once used for mining operations and convert it to economically productive land or restore it back to its natural or semi-natural state. In the U.S., a team of Freeport-McMoRan project managers, technical experts, and equipment operators are currently executing projects to reclaim areas no longer required for current or future operations.

At the Bisbee mine, we completed the reclamation of several historic stockpiles during 2010. During 2011, reclamation activities will transition from stockpile areas to the former tailings areas. This three-year voluntary test reclamation tailings project will allow our teams to evaluate innovative reclamation designs that may be applicable to other Freeport-McMoRan tailings facilities.

In the Jerome/Clarkdale area, mining-related activities ceased many decades ago, yet we continue to be active in the community through environmental and sustainable development efforts to remedy the effects of previous mining eras. The environmental reclamation project in Clarkdale, completed in 2007, was honored with an award from the U.S. Bureau of Land Management.

As a leader in our industry, we understand our commitments to the global community and the environment in which we live. We recognize our obligation to mine our properties in balance with our corporate, social and environmental responsibilities to safeguard future generations. We embrace this core concept of sustainable development both as our corporate civic duty and as a prudent business practice.



1936 Ajo mine is the state's leading copper producer

1944 Morenci adds 770 new homes & expands hospital due to growth

1948 Ajo commences construction of copper smelter

1950 Clarkdale smelter closes

1954 Bisbee's new Lavender open-pit mine begins producing

1940

1950

1937 Morenci launches development of open-pit mining

1942 Morenci's new mine, mill, & smelter complex begins production from its new open-pit mine

1945 Bagdad transitions to open-pit mining

1953 United Verde Mine in Jerome ceases production

1957 Commercial exploration of Safford begins



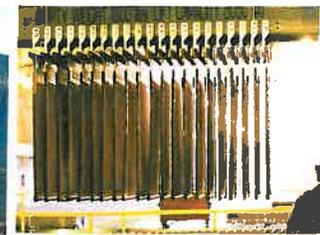
Metals To Sustain Modern Living

We mine and process ore to supply metals that connect and sustain the world's infrastructure. Here in Arizona we primarily produce copper and molybdenum.

Copper is closely tied to economic growth, as it is a key component of energy, aerospace, transportation, and telecommunications systems throughout the world. The red metal remains essential to plumbing, conductivity and connectivity, and is a critical element in new technology. And antimicrobial copper is gaining prominence for its ability to reduce the spread of infections.



Molybdenum strengthens steel, resists heat and adds corrosion resistance to a wide variety of products. Molybdenum chemical products remove sulfur from crude oil, which results in cleaner-burning fuels and cleaner air. Moly sulfide is used as a lubricant that can sustain its durability in tough operating conditions, such as with automotive brakes.



The expansive Morenci mine. Photo inset: Copper cathodes produced from SX-EW technology.

In the 1960s, Morenci's plans for expansion left it with a unique challenge – the original town was built over part of its ore body. Typically, mine expansions require a building or processing facility to be moved but this time it would require the entire town to be relocated. No small feat, a relocation of the entire Morenci community started in 1965 and took 17 years to complete.

Later that decade, Morenci also opened the Metcalf pit (across the valley from the Morenci pit), where much of the original mining in the Morenci district had taken place. By the mid-1970s, this expansion of the Morenci mine was complete.

During the 1970s, the state also welcomed a new mine when Sierrita began producing. The mine significantly expanded production capacity and efficiency of the then-existing mining operations in the Green Valley/Sahuarita area.

Sadly, the decade of the '70s also brought an end to a century of production at Bisbee. For the first time ever, mining did not set the pace of life in this long-standing mining community. The city has now transformed itself into a charming and picturesque community that celebrates its nostalgic past.

Heading into the 1980s, times were tough on Arizona's copper mines. The economy was in a recession leading to low copper prices and decreased production. A number of Arizona mines closed. Lingering uncertainty in the international copper market made it difficult for higher cost producing mines to continue operating.

Tough times called for creative and innovative solutions in order to survive. By the mid-1980s, a process technology called solution extraction-electrowinning (SX-EW) was implemented at Morenci. This process, although not new, helped Morenci and other mines produce copper more cost-effectively.

1960s Open-pit mines expand at Ajo, Morenci & Bisbee

1966 Miami rod plant commissioned

1973 Bagdad adds nearly 400 more housing units & a concentrator

1975 Closure of underground mines in Bisbee

1984 Ajo Mine closes

1960

1970

1980

1965 Morenci begins relocation of then-existing town site due to mine expansion

1970 Initial copper production begins at Sierrita

1974 Bisbee Lavender pit ceases production

1979 Solution extraction-electrowinning (SX/EW) plant commissioned in Miami to recover low grade copper

Nonetheless, some operations could not survive these turbulent times. The mine at Ajo shut down. Smelters at Ajo, Douglas and Morenci were closed and eventually decommissioned.

By the 1990s, an increase in the use of new technologies improved production efficiencies. Global positioning system (GPS) technology was first introduced at the Morenci mine. The technology was initially used as a surveying tool but later was adapted to other mine applications to improve efficiencies for drilling, loading and hauling in the mines.

Although the dawn of a new millennium brought hope for a bright future, copper prices lingered near unfamiliar lows. By the middle of the decade, a resurgence of the global economy, particularly in China, sparked an increase in demand for the red metal and a rebound in price. Averaging just \$0.76 per pound from 2000 to 2003, the price of copper began its sharp upswing in 2004 and averaged approximately \$3.03 per pound from 2007 through 2010, stimulating a period of strong growth opportunities for the copper industry.

So where are we today and what lies ahead?

Our Morenci Mine continues to be a top producer with room for possible expansion.

Bagdad continues to play

a significant role in our North America Operations, and Sierrita produces significant quantities of molybdenum in addition to copper.

The Safford Mine is our newest open-pit copper mining complex with its first copper production occurring in late 2007. It is one of the most environmentally advanced copper mines ever built. The Miami Operations include an open-pit copper mine, an operating smelter and a rod mill, our only operation in Arizona of this kind.



Safford's state-of-the-art Technology Center provides innovative solutions to our operations around the world.

Bisbee no longer relies on mining but now attracts tourists, artists and retirees. Ajo is a large draw for seasonal visitors when the Arizona sun is less intense. Jerome and Clarkdale, known historically for their mining-related activities, now rely on their comfortable climate and Old West nostalgia to attract tourists and ghost hunters.

Although production has ceased at some of our historic locations, we are committed to environmental remediation of our properties that operated in past mining eras. And today's mining takes into account detailed planning, including environmental impacts, from start-up through closure.

For over 100 years, our copper mines have helped Arizona's communities and economic development by producing metals used throughout society. At Freeport-McMoRan, we're glad to be part of this joyous centennial celebration and look forward to a bright future led by the star of our state – copper.

Growing Today For A Better Tomorrow

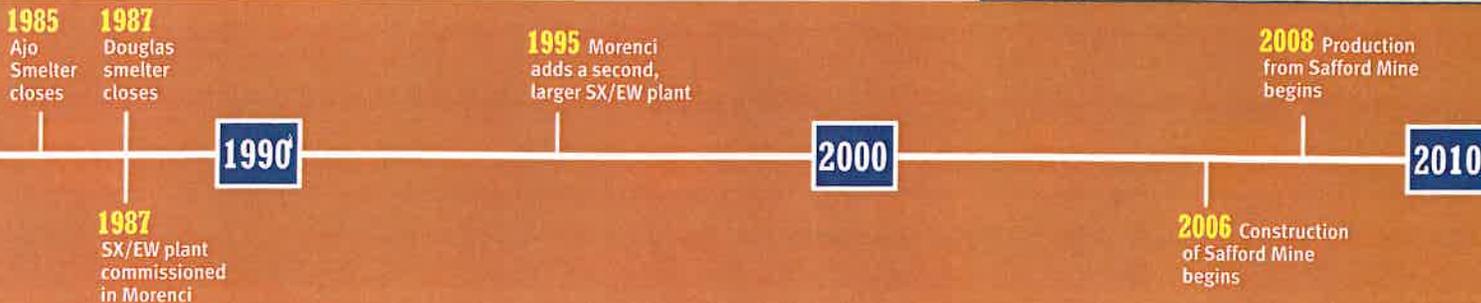
We operate our business and our development plans prudently with an optimistic view about long-term demand for copper globally, driven by China and the developing world.

However, the industry faces continued challenges to maintain and develop new supplies of copper to meet that demand. We are aggressively pursuing growth opportunities due to our positive view of the long-term markets for our products and our strong ore reserve positions. Positive exploratory drilling in recent years near existing Arizona mine sites supports future growth opportunities in the region.

During 2011 the company commenced a feasibility study to add additional mining and milling capacity at our Morenci Mine. This expansion would process additional sulfide ores identified through positive exploratory drilling in recent years.

Also under preliminary consideration in Arizona are a further expansion at Morenci, expansions at Sierrita and Bagdad, as well as mining restarts at Twin Buttes and Ajo. We are also pursuing expansion projects at our international sites.

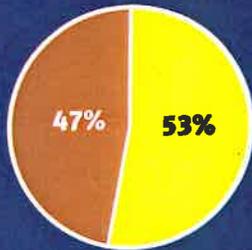
Expanding our mining operations to meet global demand for our products is one of the most challenging issues we currently face, particularly attracting talented professionals and skilled labor over the long term. If you are interested in seeking career opportunities with Freeport-McMoRan, please visit our website, fcx.com, and help us grow today for a better tomorrow.



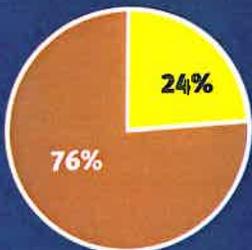
Linking to the Past. Connecting the Future.

Freeport-McMoRan Copper & Gold proudly looks forward to Arizona's centennial celebration in February 2012. For more than 100 years, our copper mines in Arizona have played a significant role in connecting the world by producing metals that are vital to the world's economies and today's standard of living.

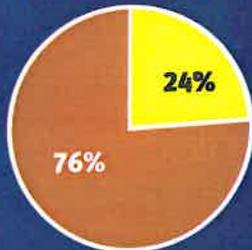
Estimated Proven and Probable Reserves at 12/31/10



2010 Production



2010 Year-end Employee Count



- Arizona
- All Other Company Locations

