Tenke Fungurume
World-class copper/cobalt project

An investment in the future of the Democratic Republic of the Congo

**Inside:**

- New mine under construction with initial production by late 2008 or early 2009.
- One of the largest undeveloped copper/cobalt deposits in the world.
- Significant impact to the DRC with jobs, taxes, infrastructure, business development and state ownership participation.
- Strong commitment to safety, environmental standards and sustainable development.
- Community programs already under way related to health, education, infrastructure and more.

Tenke Fungurume Mining S.A.R.L.
NRC 7325-IDN 6-118-K30745D
A commitment to responsible development
It’s an exciting time for mining and the DRC

Claude Polet
Managing Director
Tenke Fungurume Mining S.A.R.L.

The successful elections of 2006 were important milestones for the people of the Democratic Republic of Congo. As we have worked to develop the Tenke Fungurume copper/cobalt project, we have had good support from the government, are pleased with the progress being made, and are excited about the future of the mine and the nation.

Projects like Tenke Fungurume are essential as the DRC strives to improve the quality of life of its people and to further enhance the stability of the country. The DRC government recognizes this fact. It was through the cooperation of the various elements of the transitional government, and now the elected government, that the project has been able to proceed.

Construction began late 2006, and we plan to be in production by late 2008 or in early 2009. We are grateful for the cooperation of local residents, the national government and so many others who are working to make this project a success for all involved.

• We are looking forward to a close cooperation with the elected government and the newly elected Katangan Parliament.
• We recognized the key role of the Mines Cadaster in Kinshasa, and at the provincial and local level, who have made major contributions to the project.
• Local towns are working with us to develop education and other resources for the people in the area.
• We are committed to developing the project in an environmentally and socially responsible manner that contributes significantly to the quality of life for the people of the DRC.
• We’re employing some of the world’s top firms to help us: GRD Minproc (feasibility study), Golder Associates (environmental), Arcadis (social) and others.
• The mine itself will provide good jobs and will generate significant tax revenue. Beyond that, we believe we have a responsibility to help with other issues, including health, safety and education. And we know the mine must be developed with modern, world-class environmental standards.

These efforts already are providing meaningful benefits to the region. Learn more about those benefits and details of our project in this special report.

Sincerely,
Claude Polet
Managing Director
Tenke Fungurume Mining S.A.R.L.

Quick Facts
Tenke Fungurume Project

Location: In Katanga Province, about 180 km (112 miles) northwest of the provincial capital, Lubumbashi.

Concession size: Approximately 1,600 sq km (approx. 600 sq miles).

Operator: Phelps Dodge Mining Company

Ownership of Tenke Fungurume Mining S.A.R.L.:

<table>
<thead>
<tr>
<th>Phelps Dodge</th>
<th>Tenke Mining Corp.</th>
<th>State-owned Gecamines</th>
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<td>57.75%</td>
<td>24.75%</td>
<td>17.5%</td>
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Benefits to the DRC:
• Significant initial capital investment – US $650 million.
• 40+ years of operation.
• 1,100+ permanent employees and 4 to 6 indirect employees per direct employee.
• 1,200 – 2,400 contractor employees during two-year construction.
• Significant investment in local and regional infrastructure.
• Power generation and transmission system.
• Major improvement to national highway and regional roads.
• Health care and clinics.
• Education, schools.
• Engine for industry growth in Katanga – regional support.
• Associated sustainable development projects.
• Small business initiatives – aggregate and limestone quarries, waste management, brick and fence manufacturing.
• Agriculture.

More than 60 percent of cash to stay in the DRC

Once operating, we project that between 60 percent and 65 percent of the cash generated by the initial project will flow to Congolese entities. In the form of taxes and royalties paid to the government, in dividends and transfer bonus payments made to Gecamines, and in local salaries and payments made to DRC businesses for goods and services. The mine’s initial production will be 115,000 tons per year of copper and 8,000 tons per year of cobalt. It should be noted that we anticipate reinvesting and expanding the initial facility if feasibility studies prove to be positive. Projections are that the first such expansion could occur sometime after 2012.

Democratic Republic of Congo Government
• Corporate income tax
• Withholding taxes
• Mining royalty
• Export duties
• Import duties
• Local development fund

Gecamines (Congolese state mining company)
• Annual common dividend (17.5% ownership)
• Transfer bonus payments

DRC Businesses and Citizens
• Electric power (SNEL)
• Labor (~1,100 employees)
• DRC consumables and others
• Transportation and other services

CONGO FACT
The DRC population is estimated at more than 56 million.
TFM’s Commitments

TFM is committed to developing the Tenke Fungurume project in a manner that supports basic needs, infrastructure and employment in the DRC and that expands the capacity of the local area to build and manage its own future. A set of formal principles is guiding us:

- Equator Principles
- Voluntary Principles — Security and Human Rights
- WHO water quality criteria and IFC guidelines
- Extractive Industries Transparency Initiative
- TFM social programs managed by NGOs
- Phelps Dodge high corporate standards

Examples of commitments already made include:

- A portion of net sales revenue from production will be set aside in a trust fund for local development.
- TFM observes fundamental human rights and will preserve the dignity of all individuals within its area of operations.
- TFM management and employees receive anti-corruption training. Corruption or bribery will not be tolerated.
- TFM will not employ child labor.
- TFM already provides employment opportunities to women, and will continue to do so.

Community development projects already under way

Agriculture, water, education among priorities

As the Tenke Fungurume project has been under development, community leaders and nearby residents have been surveyed to establish a baseline of community needs. The public consultation process revealed the following needs:

- Agricultural support
- Health facilities
- Education facilities
- Road infrastructure and transportation
- Safe drinking water and sanitation
- Housing
- Electricity
- Communication infrastructure and facilities

Tenke Fungurume Mining is preparing a community development plan to make sure that social development takes place in a sustainable manner and helps provide for the needs of the local communities. Some projects already are under way.

Three schools – two new, and one renovated – are now providing education for some 900 primary students from the region. TFM built the schools, and the local communities run them.

Ten community water wells are being developed to improve the quality and supply of drinking water. The wells will be constructed in the villages of Mpala, Pumpi, Mutaka, Kafwaya, Salabwe, Mwanga Kakunta, Kamungu Kitambo/Kabombwa, Kamungu Mulowa, Kwatebala Gare and Nguba.

One of the more ambitious programs is to help improve agricultural production for a sustainable future. Thirty pair of oxen, along with seed and fertilizer, are being provided to farmers selected through village committees. The program was developed in cooperation with the Oeuvre Missionaire Ekumene Lokotola. The mission will purchase additional oxen and extend the project to more farmers as the first crops are produced.

Public participation has been central to the process

More than 120 meetings, open houses

Public input is an essential element in creating the Environmental and Social Impact Statement for the Tenke Fungurume project. Scoping meetings began in February 2006, and final open houses for public comments were conducted Nov. 29 – Dec. 2, 2006, in Lubumbashi, Tenke, Fungurume, Kolwezi and the villages of Lukotola, Mulunbu and Kilusonsa.
TFM will use modern mining equipment and technology

The mine plans to begin operation using open-pit mining technologies and an agitated leaching process. Material is ground in a mill, then sent to large tanks where it is leached. The resulting metal-bearing solution is then processed to produce copper and cobalt products. The remaining material is sent to a tailing impoundment. The process is efficient with high-grade ores and produces solution in a matter of hours, versus the 90 days or more required for traditional heap leaching. Cobalt is produced as a byproduct.

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Mining and Grinding
Overburden and low-grade ores are removed and set aside in stockpiles. The high-grade ore is mined using surface miners that crush the rock to a consistency suitable for milling. The crushed material is loaded by front-end loaders into haul trucks and taken to the mill where it is ground to a powder.

Agitated Leaching
The milled material is sent to large tanks where it is constantly stirred and leached with a weak acidic solution. The remaining material is neutralized with lime and is sent into a lined tailing impoundment. Cobalt is produced as a byproduct.

Solvent Extraction
The copper/cobalt-bearing solution is mixed with a product similar to kerosene that contains an organic compound specifically designed to extract the metals. This process produces an even richer copper-bearing solution that is ready to be shipped to an electrowinning tankhouse.

Electrowinning
In this final step, the rich electrolyte is pumped through a series of tanks or "cells" in the electrowinning tankhouse. Copper from the solution is formed into metal sheets. These sheets, called cathodes, are 99.999 percent pure copper. The solution that has passed through the tankhouse, now depleted of its copper, is recycled for further use. A similar process produces cobalt.

How mining is done

CONGO FACT
At 2,345,410 sq km (905,567 sq miles), the DRC is comparable in size to Western Europe.

Tenke Fungurume is named for two small communities that border the mine area, which is located between the major cities of Lubumbashi and Kolwezi in the Katanga Province in the southern area of the DRC.

A Katangan village.

Phelps Dodge is helping to renovate a hydroelectric facility as part of its commitment to help restore and expand the basic infrastructure of the area.
Developing world requires more copper to improve quality of life

It’s easy for the developed world to take the benefits of mining for granted, but there are 2.5 billion people in the world without electricity. Mining makes it possible to bring clean water, energy and education to more and more people. The American Southwest, South America, Indonesia, the DRC and other mining regions help provide the building blocks of modern societies.

In 2003, China became the world’s largest consumer of copper, surpassing the United States. In a few years, India may be right behind. Responding to worldwide demand, copper prices and molybdenum prices set all-time highs this year.

History tells us that prices go up and they go down. Phelps Dodge is managing its resources for the long term. We’re focused on safety and efficiency at our existing operations. We’re developing new mining projects in the United States, South America and Africa. We’re exploring around the world for new deposits.

Copper and cobalt are essential building blocks of modern life...
What do Phelps Dodge employees mean when they say Zero and Beyond?

The only acceptable goal for safety incidents or injuries at any Phelps Dodge property is zero. The same philosophy should be true for our families and our communities. To capture that idea, Phelps Dodge implemented an initiative called Zero and Beyond—zero incidents not only at work but beyond the workplace as well.

Phelps Dodge requires extensive safety training of its employees to meet our own requirements and those of appropriate agencies worldwide. Regular refresher courses are required to ensure employees are up to date. Every meeting at Phelps Dodge—whether in a mine or at corporate headquarters—begins with a safety share, which can be a reminder of specific safety procedures or a report of how a safety issue elsewhere was addressed.

The mining industry, and Phelps Dodge in particular, has an overall safety record as good as or better than many other industries. But we aren’t at zero, and because we work with such huge, powerful equipment in rugged environments, mining accidents can be serious when they happen. One of the worst things any company interested in safety can do is to become complacent or too proud of its past safety record.

Bringing the Congo culture to America

Phelps Dodge sponsored the WACONGO Dance Company, many of whose members come from the DRC, on a visit to Safford, Arizona, where the company also has a new copper mine under development. During one performance Congo drummers invited students from Fort Thomas Elementary School, which serves the nearby San Carlos Apache Reservation, to join them on stage.
Freeport-McMoRan and Phelps Dodge mining locations

Freeport-McMoRan, parent company of Phelps Dodge, owns and operates the Grasberg Mine in Indonesia, the world’s largest gold mine and third-largest copper mine. Phelps Dodge produces about 55 percent of its copper in the United States, where it is the largest producer, and about 45 percent in Chile and Peru. Phelps Dodge also has molybdenum mines in the United States and produces molybdenum as a byproduct at three of its mines in the United States and its mine in Peru.

Expansions and new development are needed both to replace declining reserves and to meet increasing worldwide demand.

Some of the remaining buildings from a former underground mine near Safford, Ariz., will be adapted for use in a new open-pit copper mine proposed to begin production in 2008. Construction began in August 2006.

Under construction at the Morenci Mine is the world’s first commercial-scale concentrate leaching facility, which eliminates the need for smelting and refining of certain types of ores. In a related project, the mine’s World War II-era mill and concentrator, idle since 1999, is being restarted.

Capacity at the Henderson molybdenum mine near Empire, Colo., (above) was increased in 2006. We have announced plans to modernize and resume production at the Climax molybdenum mine near Leadville, Colo., in 2009.

The proposed Tenke Fungurume copper/cobalt mine in the Democratic Republic of the Congo could begin production in late 2008 or early 2009. Consultants for Phelps Dodge are visiting with families and communities in the area to establish a baseline of economic and social needs.

The Grasberg Mine Papua, Indonesia, is the world’s largest copper and gold mine.