Phelps Dodge Corporation (the Company, which also may be referred to as Phelps Dodge, PD, we, us or our) is one of the world's leading producers of copper and molybdenum, and is the world's largest producer of molybdenum-based chemicals and continuous-cast copper rod.

On November 18, 2006, Phelps Dodge and Freeport-McMoRan Copper & Gold Inc. (Freeport) entered into a definitive merger agreement under which Freeport will acquire Phelps Dodge, creating the world's largest publicly traded copper company. The combined company will represent one of the most geographically diversified portfolios of operating, expansion and growth projects in the copper mining industry.

The transaction, which is subject to Phelps Dodge and Freeport shareholder approval, regulatory approvals and customary closing conditions, is expected to close in March 2007. Phelps Dodge and Freeport will each hold a special meeting of shareholders on March 14, 2007, to vote on the proposed acquisition. Phelps Dodge and Freeport common shareholders of record at the close of business on February 12, 2007, will be entitled to vote on the proposed transaction.

Under the terms of the transaction, Freeport will acquire all of the outstanding common shares of Phelps Dodge for a combination of cash and common shares of Freeport. Each Phelps Dodge shareholder would receive $88.00 per share in cash plus 0.67 common shares of Freeport for each Phelps Dodge share. Freeport will deliver a total of approximately 137 million shares to Phelps Dodge shareholders, resulting in Phelps Dodge shareholders owning approximately 38 percent of the combined company on a fully diluted basis. Based upon the closing price of Freeport stock on February 16, 2007, the combination of cash and common shares would have a value of $126.57 per Phelps Dodge share.

The Company consists of two divisions, Phelps Dodge Mining Company (PDMC) and Phelps Dodge Industries (PDI).

PDMC includes our worldwide, vertically integrated copper operations from mining through rod production, marketing and sales; molybdenum operations from mining through conversion to chemical and metallurgical products, marketing and sales; other mining operations and investments; and worldwide mineral exploration, technology and project development programs. PDMC includes 11 reportable segments – Morenci, Bagdad, Sierrita, Chino/Cobre and Tyrone (located in the United States), Candelaria/Ojos del Salado, Cerro Verde and El Abra (located in South America), Manufacturing, Sales and Primary Molybdenum and other mining activities. We are also currently developing a copper mine in Safford, Arizona, and a copper/cobalt mine in the Katanga province in the Democratic Republic of Congo (DRC). The Primary Molybdenum segment includes our Henderson and Climax molybdenum mines in the United States.

In 2006, PDMC produced 1,218,700 tons of copper on a consolidated basis (1,006,300 tons on a pro rata basis, which reflects our ownership interest) from worldwide mining operations, and an additional 61,200 tons of copper for our partner's 15 percent undivided interest in the Morenci mine. Gold, silver, molybdenum, rhenium and sulfuric acid are by-products of our copper and molybdenum operations. Production of copper for our own account (our pro rata share) from our U.S. operations constituted approximately 48 percent of the copper mined in the United States in 2006. Much of our U.S. copper cathode production, together with additional copper cathode purchased from others, is used to produce continuous-cast copper rod, the basic feed for the electrical wire and cable industry.

In 2006, PDMC produced 68.2 million pounds of molybdenum from mining operations. High-purity, chemical-grade molybdenum concentrate is produced at our Henderson mine in Colorado. Most of the concentrate produced at Henderson is roasted at our Fort Madison, Iowa, facility and is further processed at the facility's chemical plant into value-added molybdenum chemical products. In addition, some of the concentrate is processed into salable molybdenum disulfide for use primarily in the lubricant industry.

Molybdenum concentrate also is produced as a by-product at three of our U.S. copper operations. This concentrate generally is roasted at one of our three roasting operations to

produce technical-grade molybdic oxide for sale into metallurgical markets (*i.e.* , steel industries).

We are engaged in exploration efforts for metals and minerals throughout the world. We also have research and process technology facilities primarily at our Process Technology Center in Safford, Arizona, and a research and development facility for engineered materials at our Climax Technology Center in Sahuarita, Arizona.

PDI, our international manufacturing division, consists of our Wire and Cable segment, which produces engineered products principally for the global energy sector. Our Wire and Cable segment has operations in Latin America, Asia and Africa. Its operations are characterized by products with internationally competitive costs and quality, and specialized engineering capabilities. Its factories, which are located in nine countries, manufacture energy cables for international markets.

Prior to the below-mentioned dispositions in the 2006 first quarter, PDI consisted of two reportable segments – Specialty Chemicals and Wire and Cable. Specialty Chemicals consisted of Columbian Chemicals Company and its subsidiaries (Columbian Chemicals or Columbian), one of the world's largest producers of carbon black. Additionally, the Wire and Cable segment also produced magnet wire and specialty conductors.

On November 15, 2005, the Company entered into an agreement to sell Columbian Chemicals to a company owned jointly by One Equity Partners, a private equity affiliate of JPMorgan Chase & Co., and South Korean-based DC Chemical Co. Ltd. The transaction was completed on March 16, 2006. (Refer to Note 2, Divestitures, for further discussion.)

In addition, on November 15, 2005, the Company entered into an agreement to sell substantially all of its North American magnet wire assets, previously reported as part of the Wire and Cable segment, to Rea Magnet Wire Company, Inc. (Rea). The transaction was

completed on February 10, 2006. On March 4, 2006, Phelps Dodge entered into an agreement to sell High Performance Conductors of SC & GA, Inc. (HPC), previously reported as part of the Wire and Cable segment, to International Wire Group, Inc. (IWG). The transaction was completed on March 31, 2006. Neither transaction met the criteria for classification as discontinued operations as the Company is continuing to supply Rea with copper rod and IWG with copper rod and certain copper alloys. (Refer to Note 2, Divestitures, for further discussion of these transactions.)

Note 24, Business Segment Data, to our Consolidated Financial Statements contained herein includes financial data for each of the last three years relating to our business segments, including data by geographic area.

Phelps Dodge was incorporated as a business corporation under the laws of the state of New York in 1885. Our corporate headquarters is located in Phoenix, Arizona, and is a leased property. We employed approximately 16,000 people worldwide on February 15, 2007.

Throughout this document, unless otherwise stated, all references to tons are to short tons, and references to ounces are to troy ounces.

Available Information. Phelps Dodge files annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the SEC). You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains a Web site that contains annual, quarterly and current reports, proxy statements and other information that issuers (including Phelps Dodge) file electronically with the SEC. The SEC's Web site is *http://www.sec.gov.*

Phelps Dodge's Web site is *http://www.phelpsdodge.com.* Phelps Dodge makes available free of charge through its internet site, via a link to the SEC's Web site at *http://www.sec.gov* , its annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; Forms 3, 4 and 5 filed on behalf of directors and executive officers; and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934 as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

Phelps Dodge also makes available free of charge on its internet site its most recent annual report on Form 10-K, its quarterly reports on Form 10-Q for the current fiscal year, its most recent proxy statement and its most recent summary annual report to shareholders, although in some cases these documents are not available on our site as soon as they are available on the SEC's site. Some of these documents are in PDF format and require Adobe Acrobat® Reader software for viewing, which is available at no cost. A link to Adobe's Internet site is provided to download the software, if needed. The information on Phelps Dodge's Web site is not incorporated by reference into this report.

PHELPS DODGE MINING COMPANY

PDMC has five reportable copper production segments in the United States (Morenci, Bagdad, Sierrita, Chino/Cobre and Tyrone) and three reportable copper production segments in South America (Candelaria/Ojos del Salado, Cerro Verde and El Abra). These segments include open-pit mining, underground mining, sulfide ore concentrating, leaching, solution extraction and electrowinning. In addition, the following mines produce by-products: the Candelaria, Ojos del Salado, Morenci, Bagdad, Sierrita and Chino mines produce gold and silver; the Bagdad, Sierrita and Chino mines produce molybdenum and rhenium; and the Cerro Verde mine produces molybdenum and silver. We are also currently developing a copper mine in Safford, Arizona, and a copper/cobalt mine in the Katanga province in the DRC.

The Manufacturing segment consists of conversion facilities including our smelter, refinery, rod mills and specialty copper products facility. The Manufacturing segment processes copper produced at our mining operations and copper purchased from others into copper anode, cathode, rod and custom copper shapes. In addition, at times it smelts and refines copper and produces copper rod and shapes for customers on a toll basis. Toll arrangements require the tolling customer to deliver appropriate copper-bearing material to our facilities, which we then process into a product that is returned to the customer. The customer pays PDMC for processing its material into the specified products.

The Sales segment functions as an agent to purchase and sell copper from our U.S. mines and Manufacturing segment. It also purchases and sells any copper not sold by our South American Mines to third parties. Copper is sold to others primarily as rod, cathode or concentrate. Copper rod historically was sold to the HPC and Magnet Wire North American operations of PDI's Wire and Cable segment. Since the disposition of those businesses, we have continued to sell copper rod and certain copper alloys to them.

The Primary Molybdenum segment consists of the Henderson and Climax mines, related conversion facilities and a technology center. This segment is an integrated producer of molybdenum, with mining, roasting and processing facilities that produce high-purity, molybdenum-based chemicals, molybdenum metal powder and metallurgical products, which are sold to customers around the world. In addition, at times this segment roasts and/or processes material on a toll basis. Toll arrangements require the tolling customer to deliver appropriate molybdenum-bearing material to our facilities, which we then process into a product that is returned to the customer. The customer pays PDMC for processing its material into the specified products. This segment also includes a technology center whose primary activity is developing, marketing and selling new engineered products and applications.

PDMC Other, although not a reportable segment, includes our worldwide mineral exploration and development programs, a process technology center whose primary activities comprise improving existing processes and developing new cost-competitive technologies, other ancillary operations, including our Miami, Bisbee and Tohono operations, and eliminations within PDMC.

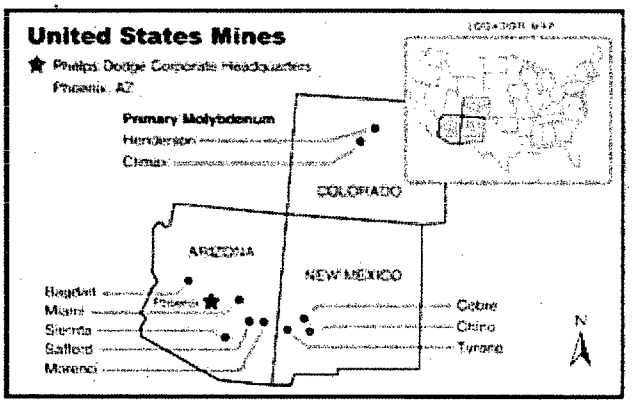
Our U.S. Mining Operations and our South American Mines are discussed herein together, where appropriate, as our Worldwide Copper Mining Operations. U.S. Mining Operations comprise the following reportable segments: Morenci, Bagdad, Sierrita, Chino/Cobre, Tyrone, Manufacturing and Sales, along with other mining activities. South American Mines comprise the following

reportable segments: Candelaria/Ojos del Salado, Cerro Verde and El Abra.

Properties, Facilities and Production

Following are maps indicating the approximate location of PDMC's U.S. copper and molybdenum mines:

United States Mines

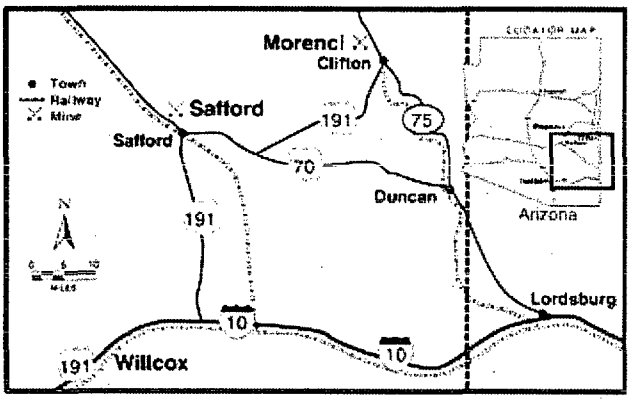


We produce electrowon copper cathode at leaching and solution extraction/electrowinning (SX/EW) operations located near Tyrone and Silver City, New Mexico (Tyrone and Chino mines, respectively), and near Morenci, Bagdad, Green Valley and Miami, Arizona (Morenci, Bagdad, Sierrita and Miami mines, respectively). We produce copper concentrate from open-pit mines and concentrators located at Bagdad, Green Valley and Morenci, Arizona, and Silver City, New Mexico. Our Miami mine in Arizona, which has the capability to produce electrowon copper cathode, has been curtailed since 2002.

We are the world's leading producer of copper using the SX/EW process. In 2006, we produced a total of 506,400 tons of copper cathode at our SX/EW facilities in the United States, which includes our partner's 15 percent undivided interest in our Morenci mine. This compares with 532,700 tons in 2005 and 567,100 tons in 2004. SX/EW is a cost-effective process for extracting copper from certain types of ores and is a major factor in our continuing efforts to maintain internationally competitive costs.

Arizona Mines

Morenci



Morenci is an open-pit copper mining complex located in Greenlee County, Arizona, approximately 50 miles northeast of Safford on U.S. Highway 191. The site is accessible by a paved highway and a railway spur. Phelps Dodge Corporation, which operates the facility, owns an 85 percent undivided interest in Morenci. The remaining 15 percent was acquired in 1986 by Sumitomo Metal Mining Arizona, Inc., a jointly owned subsidiary of Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation. Each partner takes in kind its share of Morenci's production.

The Morenci mine is developed on a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper mineral is chrysocolla; chalcocite is the most important secondary copper sulfide mineral and chalcopyrite the dominant primary copper sulfide.

The Morenci operation consists of a 54,000 ton-per-day concentrator that produces copper concentrate, an 88,000 ton-per-day crushed-ore leach pad and stacking system, a large low-grade run-of-mine (ROM) leaching system, four solution-extraction (SX) plants, and three electrowinning (EW) tankhouses that produce copper cathode. Total EW tankhouse capacity is approximately 890 million pounds of copper per year. The mining capacity will be sufficient by mid-2007 to move an average of 870,000 tons of material per day, utilizing a fleet of 260-ton haul trucks loaded by shovels with bucket sizes ranging from 62 to 72 cubic yards. The open-pit mine has been in continuous operation since 1939 and was mined prior to that date through underground workings.

In June 2005, the Phelps Dodge board of directors approved expenditures of $210 million (100 percent basis) to construct a concentrate-leach, direct-electrowinning facility at Morenci, and to restart its concentrator, which had been idle since 2001. The concentrate-leach facility will utilize Phelps Dodge's proprietary medium-temperature, pressure-leaching and direct-electrowinning technology that has been demonstrated at our Bagdad, Arizona, copper mine. The concentrate-leach, direct-electrowinning facility is expected to be in operation by mid-2007, with copper production projected to be approximately 150 million pounds per year. Concentrate-leach technology, in conjunction with a conventional milling and flotation concentrator, allows copper in sulfide ores to be transformed into copper cathode through efficient pressure-leaching and EW processes instead of smelting and refining.

Morenci is located in a high-desert environment. The highest bench elevation is 6,400 feet above sea level, and the ultimate pit bottom will have an elevation of 3,000 feet above sea level. Rainfall averages 13 inches per year, with most occurring during late summer monsoons (July through September).

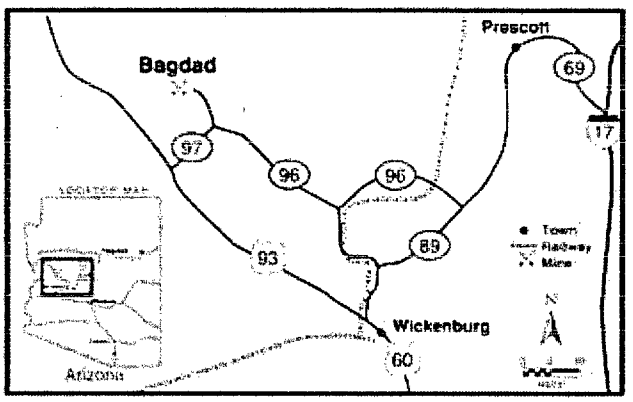
The Morenci operation encompasses approximately 53,944 acres comprising 47,609 acres of patented mining claims and other fee lands, 5,914 acres of unpatented mining claims, and 421 acres of land held by state or federal permits, easements and rights-of-way.

Morenci receives electrical power through Tucson Electric Power Company, Arizona Public Service, and the Luna Energy Facility (Luna) in Deming, New Mexico (in which we own a one-

third interest). The Morenci operation has sufficient approved water sources for the duration of its operating life.

We are, at present, a party to litigation that could adversely impact the allocation of available water supplies for the Morenci operation and our other properties in Arizona. (Refer to Item 3, Legal Proceedings, for information concerning the status of these proceedings.)

Bagdad



Bagdad is an open-pit copper and molybdenum mining complex located in Yavapai County in west-central Arizona. It is approximately 60 miles west of Prescott and 100 miles northwest of Phoenix. The property can be reached by Arizona Highway 96, which ends at the town of Bagdad. The closest railroad siding is at Hillside, Arizona, approximately 24 miles southeast on Arizona Highway 96. Bagdad is wholly owned and operated by Phelps Dodge.

The Bagdad mine is developed on a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper minerals are chrysocolla, malachite and azurite; chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite the dominant primary sulfides.

The Bagdad operation consists of an 85,000 ton-per-day concentrator that produces copper and molybdenum concentrates, and an SX/EW plant that produces copper cathode from solution generated by low-grade ROM leaching and from conversion of a portion of mill copper concentrates in a concentrate-leach plant. Annual copper production from the Bagdad concentrator varies from 150 million to 200 million pounds per year. The majority of concentrate produced is smelted at PD's Miami, Arizona, facility, and up to 35 million pounds per year are produced as cathode from the SX/EW and concentrate-leach plants. The EW tankhouse has a design capacity of approximately 65 million pounds of copper per year, which includes 35 million pounds of copper associated with its concentrate-leach facility. Bagdad produces 15 million to 20 million pounds per year of copper cathode from its ROM leaching system, with the copper plated at its SX/EW facility. Molybdenum production at the Bagdad mill ranges from 8 million to 11 million pounds per year. The current mining fleet has the capacity to move in excess of 200,000 tons of material per day using 260-ton haul trucks loaded by shovels with bucket sizes ranging from 26 to 62 cubic yards. The open-pit mining operations have been ongoing since 1945. The deposit was mined through underground workings prior to 1945.

In 2002, Bagdad constructed a high-temperature, concentrate-leaching demonstration plant designed to recover annually 35 million pounds of commercial-grade copper cathode from chalcopyrite concentrates. The plant was commissioned in 2003 and continues to operate. The facility is the first of its kind in the world to use high-temperature, pressure leaching to process

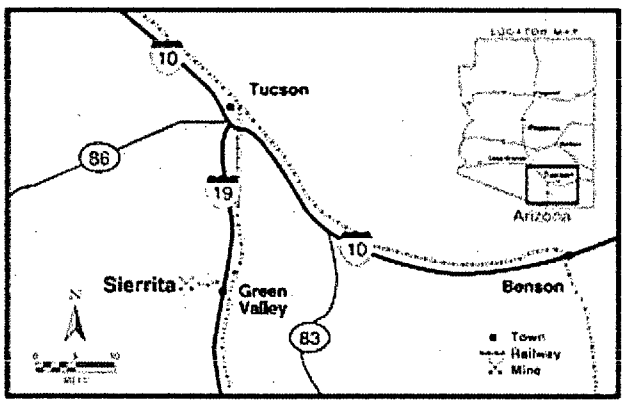
chalcopyrite concentrates. In 2005, this facility was used to test and demonstrate medium-temperature, pressure-leaching and direct-electrowinning technology, which will be used at the Morenci concentrate-leaching facility. The plant was converted back to high-temperature, pressure leaching in December 2005. This technology could assist in our long-term, cost-reduction strategy.

Bagdad is located in a semi-arid desert environment. The highest bench elevation is 3,950 feet above sea level, and the ultimate pit bottom will have an elevation of 1,550 feet above sea level. The Bagdad region has annual average precipitation of approximately 15 inches, with most occurring during the months of July through September and from December through April.

The Bagdad operation encompasses approximately 21,743 acres comprising 21,143 acres of patented mining claims and other fee lands, and 600 acres of unpatented mining claims.

Bagdad receives electrical power from Arizona Public Service Company. The Bagdad operation has sufficient approved groundwater sources for the duration of its operating life.

Sierrita



Sierrita is an open-pit copper and molybdenum mining complex located in Pima County, Arizona, approximately 20 miles southwest of Tucson and seven miles west of the town of Green Valley and Interstate Highway 19. The site is accessible by a paved highway and by rail. Sierrita is wholly owned and operated by Phelps Dodge.

The Sierrita mine is developed on a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper minerals are malachite, azurite and chrysocolla; chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite the dominant primary sulfides.

The Sierrita operation consists of a 112,000 ton-per-day concentrator, two molybdenum roasters and a rhenium processing facility. The facility produces copper and molybdenum concentrates. Sierrita also produces copper from a ROM oxide-leaching system. The copper is plated at the leased Twin Buttes EW facility with a design capacity of approximately 50 million pounds of copper per year. In 2004, a copper sulfate crystal plant began production. The facility

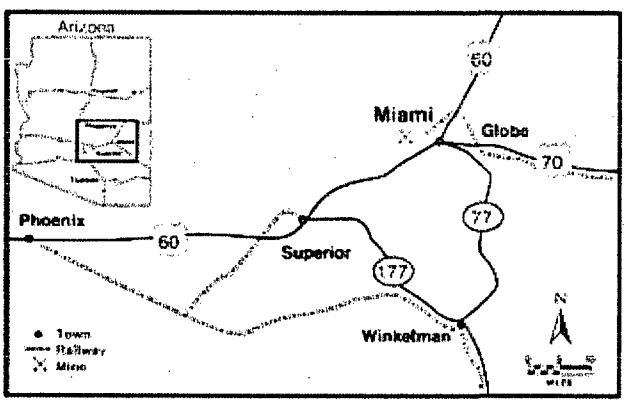
has the capacity to produce 40 million pounds of copper sulfate per year. Copper production from Sierrita averages 170 million pounds per year. Molybdenum production averages approximately 20 million pounds per year. The molybdenum facility consists of a leaching circuit, two molybdenum roasters and a metallurgical (technical oxide) packaging facility. The molybdenum roasting plants process concentrates from Sierrita, Bagdad, Chino and third-party sources. The current mining fleet has the capacity to move an average of 172,000 tons of material per day using 260-ton haul trucks loaded by shovels with bucket sizes ranging from 28 to 62 cubic yards. The mine has been an open-pit operation since 1959.

Sierrita is located in a desert environment. The highest bench elevation is 4,450 feet above sea level, and the ultimate pit bottom will have an elevation of 2,100 feet above sea level. Rainfall averages 12 inches per year, with most occurring during the late summer monsoons (July through September).

The Sierrita operation encompasses approximately 22,427 acres comprising 14,507 acres of patented mining claims and other fee lands, 5,725 acres of unpatented mining claims (includes 3,655 acres overlaying federal minerals on previously counted fee lands), and 2,195 acres of leased lands.

Sierrita receives electrical power through long-term contracts with the Tucson Electric Power Company. The Sierrita operation has sufficient approved groundwater sources for the duration of its operating life.

Miami



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

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

The Miami mining operation has been on care-and-maintenance status since 2002, but has historically processed copper ore using both flotation and leaching technologies since about 1915. Since 2002, residual leaching of stockpiles has continued with copper recovered (from solution) by the SX/EW process. The design capacity of the SX/EW plant is 200 million pounds

per year. The Miami smelter processes concentrates primarily from Bagdad, Sierrita, Morenci and Chino, and has been in production for over 80 years. The smelter has been upgraded during that period to implement new technologies, to improve production and to comply with current air quality standards. During 2006 and 2005, approximately 675,000 and 750,000 tons of concentrate, respectively, were processed through the smelter. The Miami smelter is the most significant source of sulfuric acid for the various PD domestic leaching operations. The sulfuric acid is a by-product as sulfur released during the smelting of concentrates is captured. The rod plant produces about 316 million pounds of 5/16 inch diameter ISO9001 rod per year. An electro-refinery at the site has been permanently closed (see discussion under Manufacturing Segment beginning on page 10).

Miami is located in a high-desert environment. The highest bench elevation is 4,550 feet above sea level, and the ultimate pit bottom will have an elevation of 2,650 feet above sea level. Rainfall averages over 18 inches per year, equally divided between summer and winter.

The Miami operation encompasses approximately 9,058 acres comprising 8,725 acres of patented mining claims and other fee lands, and 333 acres of unpatented mining claims.

Miami receives electrical power through long-term contracts with the Salt River Project and natural gas through long-term contracts with El Paso Natural Gas as the transporter. It has sufficient water sources for its future operations.

Safford

See the Morenci Mine map on page 3 for the location of our Safford mine.

The Safford project is currently under construction and is expected to produce ore from two open-pit copper mines located in Graham County, Arizona, approximately eight miles north of the town of Safford and 170 miles east of Phoenix. The site is accessible by paved county road, off U.S. Highway 70. The two pits are to be operated as one property with a single process facility. The Safford project is wholly owned by Phelps Dodge.

The Safford mine is developed on two porphyry copper deposits that have leachable oxide and secondary sulfide mineralization. The predominant oxide copper minerals are chrysocolla and copper-bearing iron oxides; chalcocite is the most important secondary copper sulfide mineral.

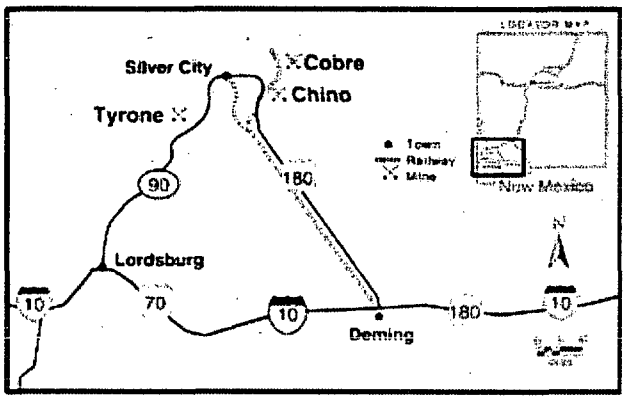
The property is a mine-for-leach project and will produce copper cathodes. The operation will consist of two open pits feeding a crushing facility with a nominal capacity of 114,000 tons per day of crushed ore. The crushed ore will be delivered to a single leach pad by a series of overland and portable conveyors. ROM ore will be placed on the leach pad by haulage trucks. Leach solutions will feed an SX/EW facility with a capacity of 240 million pounds of copper per year. The mining fleet will consist of 260-ton haul trucks loaded by 40- and 44-cubic yard shovels, capable of moving approximately 314,000 tons of material per day. We anticipate the Safford mine will be in production during the first half of 2008, with full copper production initially expected to be approximately 240 million pounds per year. The life of the operation is expected to be at least 18 years.

Safford is located in a semi-arid desert environment. The highest bench elevation is expected to be 4,400 feet above sea level, and the lowest ultimate pit bottom is expected to have an elevation of 2,450 feet above sea level. Rainfall averages 10 inches per year, equally divided between summer and winter.

The Safford operation encompasses approximately 24,957 acres comprising 20,994 acres of patented lands, 3,932 acres of unpatented lands and 31 acres of land held by federal permit.

The Safford project receives electrical power through the Southwest Transmission Cooperative, a subsidiary of Arizona Electric Power Cooperative, Inc. Adequate groundwater resources for the project have been identified and pump tested, and are sufficient for the duration of its operating life.

New Mexico Mines



Chino

Chino is an open-pit copper mining complex located in southwestern New Mexico in Grant County, approximately 15 miles east of the town of Silver City, off of State Highway 180. The mine is accessible by paved roads and by rail. Chino is wholly owned and operated by Phelps Dodge. Prior to December 19, 2003, we held a two-thirds interest. Heisei Minerals Corporation (Heisei), a subsidiary of Mitsubishi Materials Corporation and Mitsubishi Corporation, owned the remaining one-third interest.

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

The Chino operation consists of a 43,000 ton-per-day concentrator that produces copper and molybdenum concentrates, and a 150 million pound-per-year SX/EW plant that produces copper cathode from solution generated by ROM leaching. The mining capacity is sufficient to move an average of 200,000 tons of material per day utilizing a fleet of 320-ton haul trucks loaded by shovels with bucket sizes ranging from 40 to 62 cubic yards. Copper ore is crushed and sent to a 43,000 ton-per-day concentrator. Leach ore is placed on stockpiles located throughout the property and the leach solution is processed at Chino's SX/EW facility that has a maximum capacity of 153 million pounds of copper in cathode per year. Chino's annual metal production averages about 200 million pounds of copper and up to 1 million pounds of molybdenum. Open-

pit operations began in 1910.

Chino is located in a semi-arid environment. Rainfall averages 16 inches per year, with most occurring during the late summer monsoons (July through September). The highest bench elevation is 7,400 feet above sea level, and the ultimate pit bottom will have an elevation of 4,950 feet above sea level.

The Chino operation encompasses approximately 118,062 acres comprising 113,258 acres of patented mining claims and other fee lands, and 4,804 acres of unpatented mining claims (includes 22,907 acres overlaying federal and state minerals on previously counted fee lands).

Chino receives power from Luna and from the open market. It also has the ability to self-generate. Chino has sufficient approved groundwater sources for the duration of its operating life.

Cobre

Cobre is an open-pit and underground copper mining complex located in southwestern New Mexico in Grant County. The mine is located approximately 15 miles east of the town of Silver City and seven miles northeast of the town of Bayard. It is approximately five miles north of Chino and State Road 152. The mine is accessible by paved roads and by rail. Cobre is wholly owned by Phelps Dodge.

The Cobre mine is developed on a porphyry copper deposit and adjacent copper skarn deposits. There is leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper mineral is azurite; chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite the dominant primary copper sulfide.

Copper production at Cobre was temporarily suspended in 1999. The remaining Cobre reserves are all located within a proposed open-pit leaching operation. The planned operation will employ 260-ton haul trucks loaded by shovels with bucket sizes ranging from 40 to 62 cubic yards, capable of moving 60,000 tons of material per day. The ore will be hauled four miles to leach stockpiles at Chino and the waste rock will be hauled to stockpiles located at Cobre. Chino will process the leach solutions at its existing SX/EW facility.

Cobre is located in a semi-arid environment. The highest bench elevation is 7,500 feet above sea level, and the ultimate pit bottom will have an elevation of 6,000 feet above sea level. Rainfall averages 16 inches per year, with most occurring during the late summer monsoons (July through September).

The Cobre operation encompasses approximately 10,817 acres comprising 5,319 acres of patented mining claims and other fee lands, and 5,498 acres of unpatented mining claims.

Cobre receives electrical power from Luna. Cobre has sufficient approved groundwater sources for the duration of its operating life.

Tyrone

Tyrone is an open-pit copper mining complex located in southwestern New Mexico in Grant County, approximately 10 miles south of Silver City, New Mexico, along State Highway 90. The site is accessible via paved road and by rail. Tyrone is wholly owned and operated by Phelps Dodge.

The Tyrone mine is developed on a porphyry copper deposit. Mineralization is dominantly leachable secondary sulfide consisting of chalcocite.

Copper processing facilities consist of an SX/EW operation with a maximum capacity of 168 million tons of copper cathodes per year. The current mining fleet has the capacity to move an average of 120,000 tons of material per day using a fleet of 190-ton haul trucks loaded by shovels with bucket sizes ranging from 22 to 54 cubic yards. The open-pit mine has been in operation since 1967. Historically, ore production has occurred from numerous open pits throughout the site. Mining is currently ongoing in a single, large, central open pit.

Tyrone is located in a high desert woodland environment. The highest bench elevation is 6,500 feet above sea level, and the ultimate pit bottom has an elevation of 5,000 feet above sea level. Rainfall averages approximately 16 inches per year with most occurring during the late summer monsoons (July through September).

The Tyrone operation encompasses approximately 35,200 acres comprising 18,755 acres of patented mining claims and other fee lands, and 16,445 acres of unpatented mining claims (includes 1,116 acres overlaying federal minerals on previously counted fee lands).

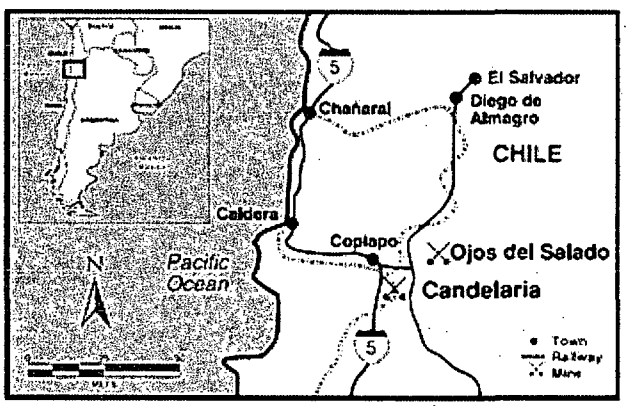
Tyrone receives electrical power from Luna and from the open market. It also has the ability to self-generate. The Tyrone operation has sufficient approved groundwater sources for the duration of its operating life.

South American Mines

We produce electrowon copper cathode at leaching and SX/EW operations near Arequipa, Peru, and near Calama, Chile. We produce copper concentrate from an open-pit and three underground mines and two concentrators located near Copiapó, Chile, and an open-pit mine and new concentrator located near Arequipa, Peru.

In 2006, we produced a total of 347,400 tons of copper cathode at our SX/EW facilities in South America, compared with 335,300 tons in 2005 and 337,900 tons in 2004. Our total annual design capacity of electrowon copper cathode production is 248,000 tons at El Abra and 96,000 tons at Cerro Verde.

Candelaria



Candelaria is an open-pit and underground copper mining complex located approximately 12 miles south of Copiapó in northern Chile's Atacama province, Region III. The site is accessible by

two maintained dirt roads, one coming through the Tierra Amarilla community and the other off of Route 5 of the International Pan-American Highway. Phelps Dodge holds an 80 percent partnership interest in Candelaria through Phelps Dodge Candelaria, Inc., a wholly owned subsidiary. The remaining 20 percent interest is owned by SMMA Candelaria, Inc., Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation.

The Candelaria mine is developed on an iron oxide, copper/gold deposit. Millable primary sulfide mineralization consists of chalcopyrite.

The Candelaria operation consists of an open-pit copper mine and a 4,400 ton-per-day underground copper mine feeding a 74,000 ton-per-day concentrator. On average, open-pit mining operations move 320,000 tons of material per day using a fleet of 249-ton haul trucks loaded by shovels with bucket sizes ranging from 17 to 56 cubic yards. Concentrates containing 300 million to 500 million pounds of copper per year are transported by truck to a port facility, Punta Padrones, which is located in Caldera, approximately 50 miles northwest of the mine. The open-pit copper mine has been in operation since 1993 and the underground copper mine since 2005.

Candelaria is located in a desert environment at an elevation of 2,200 feet above sea level, and the ultimate pit bottom will have an elevation of 100 feet below sea level. Rainfall averages less than one inch per year, generally occurring in July and August.

The Candelaria property encompasses approximately 13,390 acres, including approximately 544 acres for the port facility in Caldera. The remaining property consists of mineral rights owned by the Company in which the surface is not owned but rather controlled consistent with Chilean law.

Candelaria receives electrical power through long-term contracts with Empresa Eléctrica Guacolda S.A., a local energy company. Candelaria's water supply comes from wellfields in the area of Tierra Amarilla and Copiapó that draw water from the Copiapó River aquifer. Ongoing studies currently are addressing the adequacy of this water supply for the remaining life of the operations.

Ojos del Salado

See the Candelaria Mine map to the left for the location of our Ojos del Salado mine.

Ojos del Salado consists of two underground copper mines (Santos and Alcaparrosa) and a 4,400 ton-per-day concentrator. The operation is located approximately 10 miles east of Copiapó in northern Chile's Atacama province, Region III, and is accessible by paved highway. Phelps Dodge holds an 80 percent partnership interest in Ojos del Salado through our Chilean subsidiary, Compañía Contractual Minera Ojos del Salado. On December 22, 2005, Ojos del Salado completed a general capital increase transaction in which SMMA Candelaria, Inc. acquired a 20 percent partnership interest, thereby reducing PD's interest from 100 percent to its current 80 percent.

The Ojos del Salado mines are developed on iron oxide, copper/gold deposits. Millable primary sulfide mineralization consists of chalcopyrite.

The Ojos del Salado operation has a capacity of 4,200 tons per day of ore from the Santos underground mine and 4,400 tons per day

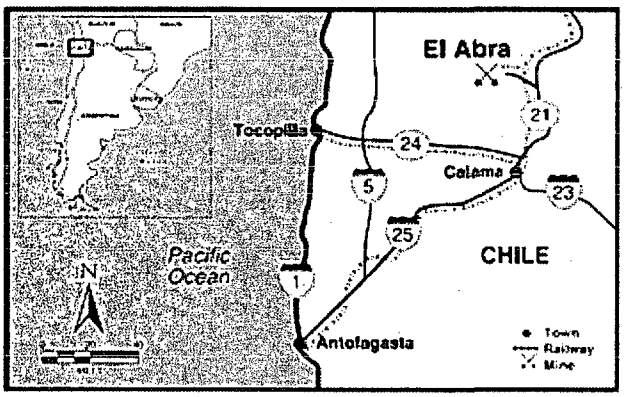
from the Alcaparrosa underground mine. The ore from both mines is mined by sublevel stoping, which is a variation of blasthole stoping, since both the ore and enclosing rocks are competent. The broken ore is removed from the stopes using front-end loaders and loaded into 20- to 30-ton trucks, which transport the ore to the surface. The ore from the Santos mine is hauled directly to the Ojos del Salado mill for processing, and the ore from the Alcaparrosa mine is reloaded into 60-ton trucks and hauled 12 miles to the Candelaria mill for processing. The Ojos del Salado operation has the capacity to produce 30 million pounds of copper and 15,000 ounces of gold per year. Tailing from the Ojos del Salado mill is pumped to the Candelaria tailing facility for final deposition. The Candelaria facility has sufficient capacity for the remaining Ojos del Salado tailing in addition to Candelaria's tailing.

Ojos del Salado is located in a desert environment at an elevation of 1,600 feet above sea level, with the lowest underground level at an elevation of 500 feet above sea level. Rainfall averages less than one inch per year, generally occurring in July and August.

The Ojos del Salado mineral rights encompass approximately 15,815 acres, which includes approximately 6,784 acres of owned land in and around the Ojos del Salado underground mines and plant site.

Ojos del Salado receives electrical power through long-term contracts with Empresa Eléctrica Guacolda S.A. The Ojos operation has sufficient approved groundwater sources for the duration of its operating life.

El Abra



El Abra is an open-pit copper mining complex located 47 miles north of Calama in Chile's El Loa province, Region II. The site is accessible by paved highway and by rail. Phelps Dodge has a 51 percent partnership interest in Sociedad Contractual Minera El Abra (El Abra), a Chilean contractual mining company. The remaining interest is held by the state-owned copper enterprise Corporación Nacional del Cobre de Chile (CODELCO).

The El Abra mine is developed on a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper minerals are chrysocolla, pseudomalachite, copper-bearing clays and tenorite; chalcocite is the most important secondary copper sulfide mineral, bornite and chalcopyrite the dominant primary copper sulfide.

The El Abra operation consists of an open-pit copper mine and an SX/EW facility recovering up to 500 million pounds of copper cathode per year from a 130,000 ton-per-day crushed leach

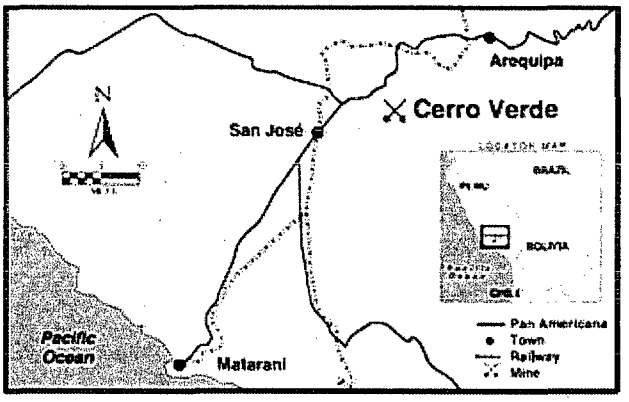
circuit and a similar-sized, ROM leaching operation. The mining operation has sufficient equipment to move an average of 245,000 tons per day using a fleet of 274-ton haul trucks loaded by shovels with buckets ranging in size from 34 to 54 cubic yards. Beginning in 2010, El Abra is expected to shift from an oxide-leach, on-off pad operation to a bornite-dominant, sulfide-leach operation, where ore will be leached on a permanent pad. ROM ore mining and leaching will continue throughout the life of the property. The mine has been in operation since 1996.

El Abra is located in a high-desert environment and in an active seismic zone. The highest bench elevation is 13,600 feet above sea level, and the ultimate pit bottom will have an elevation of 12,300 feet above sea level. Rainfall averages less than one inch per year, primarily occurring during January through March.

El Abra controls a total of 110,268 acres of mining claims covering the ore deposit, stockpiles, process plant, and water wellfield and pipeline. In addition, El Abra has acquired surface rights for the plant-mine access road, the wellfield, power transmission line, and for the water pipeline from the Salar de Ascotán. Acquisition of all additional surface area required for the future development of the sulfide project is in process.

El Abra currently receives electrical power under a contract with Electroandina, which will expire at the end of 2007. Alternative power sources are being studied, including joint efforts with other mining firms in the region. Diesel generation exists as a backup system. The El Abra operation has obtained sufficient water rights to ensure water supply throughout its mine life.

Cerro Verde



Cerro Verde is an open-pit copper and molybdenum mining complex located 20 miles southwest of Arequipa, Peru. The site is accessible by paved highway. Beginning June 1, 2005, Phelps Dodge has a 53.56 percent equity interest in Sociedad Minera Cerro Verde S.A.A. (Cerro Verde). The remaining 46.44 percent is held by SMM Cerro Verde Netherlands B.V. (21.0 percent), Compañia de Minas Buenaventura S.A.A. (18.5 percent) and other minority shareholders through shares publicly traded on the Lima Stock Exchange (6.94 percent). Prior to the general capital increase transaction in June 2005, Phelps Dodge held an 82.5 percent equity interest in Cerro Verde.

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

Cerro Verde's current operation consists of an open-pit copper mine and SX/EW leaching facilities. Leach-copper production is derived from a 40,000 ton-per-day crushed leach facility and a ROM leach system. This leaching operation produces over 200 million pounds of copper per year. Construction of Cerro Verde's new 119,000 ton-per-day concentrator was completed in late 2006. Processing of sulfide ore began in the 2006 fourth quarter. The expanded production rate should be achieved in the first half of 2007. With the completion of Cerro Verde's expansion, copper production is initially expected to approximate 300,000 tons per year (approximately 160,700 tons per year for PD's share). In addition, the expansion is expected to produce an average of approximately 3,900 tons of molybdenum per year (approximately 2,100 tons per year for PD's share) for the next 10 years. The mine has been in operation since 1976.

The mine has sufficient equipment, including new equipment with scheduled 2007 delivery dates, to move an average of 300,000 tons of material per day using a fleet of 200-ton and 255-ton haul trucks loaded by shovels with bucket sizes ranging in size from 28 to 60 cubic yards.

Copper cathodes and concentrate production are transported approximately 70 miles by truck and rail to the Pacific Port of Matarani for shipment to international markets.

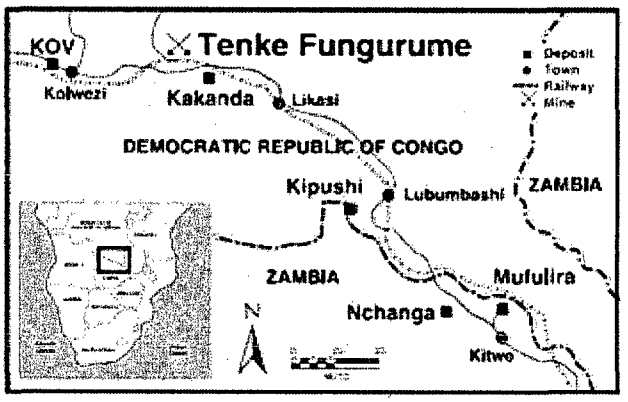
Cerro Verde is located in a desert environment. The highest bench elevation is 9,500 feet above sea level, and the ultimate pit bottom will have an elevation of 6,600 feet above sea level. Rainfall averages 1.5 inches per year, with most occurring during January through March.

Cerro Verde has a mining concession covering approximately 53,094 acres plus 15 acres of real properties and 22 acres of rights-of-way outside the mining concession area.

Cerro Verde receives electrical power under long-term contracts with Electroperu and EGASA. The existing freshwater intake and supply system on the Rio Chili was expanded for the Cerro Verde mill project. Cerro Verde's participation in the Pillones Reservoir Project has secured water rights sufficient to support the new Cerro Verde milling operations for the life of the operations.

Africa Deposit

Tenke Fungurume



The Tenke Fungurume copper/cobalt deposits are located in the Katanga province of the DRC approximately 110 miles northwest of Lubumbashi. The deposits are accessible by unpaved roads and by rail. Phelps Dodge, through a wholly owned subsidiary, holds an effective 57.75 percent interest in the concessions. The remaining ownership is held by Tenke Mining Corp. (TMC) (24.75 percent) and La Generale des Carrieres et des Mines (Gecamines) (17.5 percent).

The Tenke Fungurume deposits are sediment-hosted copper/cobalt deposits with leachable oxide, mixed oxide-sulfide and sulfide mineralization. The dominant oxide minerals are malachite, pseudomalachite and heterogenite. Important sulfide minerals consist of bornite, carrollite, chalcocite and chalcopyrite.

Copper and cobalt will be recovered through an agitation-leach plant capable of processing 7,700 tons per day of ore. We anticipate the commencement of production beginning in late 2008 or early 2009, with production of approximately 250 million pounds of copper (approximately 144 million pounds for PD's share) and approximately 18 million pounds of cobalt (approximately 10 million pounds for PD's share) per year for the first 10 years. The initial mining fleet includes 6-cubic-yard, front-end loaders, a fleet of 50-ton haul trucks, surface miners, production drills, sampling machines and crawler dozers.

Tenke Fungurume is located in a tropic region; however, temperatures are moderated by its higher altitudes. Weather in this region is characterized by a dry season and a wet season, each lasting about six months. Average rainfall is 47 inches per year, with nearly all occurring between the months of October and April. The highest bench elevation is expected to be 4,870 feet above sea level, and the lowest ultimate pit bottom is expected to have an elevation of 4,170 feet above sea level.

The Tenke Fungurume copper/cobalt deposits are located within four concessions totaling 394,455 acres of mining claims.

La Societe Nationale d'Electricite (SNEL) is the state-owned electric utility company serving the region. Tenke Fungurume has entered into a long-term power supply agreement with SNEL; however, an infrastructure funding agreement, associated with the power supply agreement, is awaiting ministerial approval by the DRC government. The results of a recent water exploration program, as well as the regional geological and hydro-geological conditions,

indicate that adequate water will be available for the expected life of the operation.

Manufacturing Segment

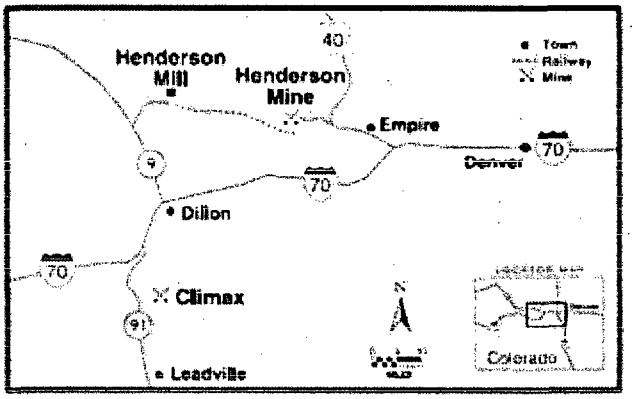
We own and operate a copper smelter in Miami, Arizona, and, prior to 2002, we operated a smelter in Hurley, New Mexico (Chino smelter). We smelt virtually all of our share of our U.S. copper concentrate production and, on occasion, depending on market circumstances and internal production requirements, concentrate production from our South American operations. In addition, we may purchase concentrate to keep our smelter operating at efficient levels. We refine our share of anode copper production from our smelter at our refinery in El Paso, Texas, and, from late 1999 to early 2002, also at our refinery in Miami, Arizona. The El Paso refinery has an annual production capacity of about 450,000 tons of copper cathode, which is sufficient to refine all the anode copper we produce for our account at our operating smelter.

Our El Paso refinery also produces nickel carbonate, copper telluride, and autoclaved slimes material containing gold, silver, platinum and palladium.

In January 2002, the Chino smelter was temporarily closed. From 2001 to 2005, the El Paso refinery operated significantly below capacity due to the conversion of the Morenci operation to a mine-for-leach operation in 2001 and the curtailment of certain production facilities in early 2002. As a result of production curtailments announced in the 2001 fourth quarter, the Miami refinery was temporarily closed in 2002. In June 2005, the decision to construct a concentrate-leach, direct-electrowinning facility at the Morenci copper mine had consequences for several of Phelps Dodge's southwestern U.S. operations, including our Chino smelter and Miami refinery. With future Morenci copper concentrate production being fed into the concentrate-leach facility, the Miami smelter will be sufficient to treat virtually all remaining concentrate expected to be produced by Phelps Dodge at our operations in the southwestern United States. Accordingly, the Chino smelter, which had been on care-and-maintenance status since 2002, was permanently closed and demolition was initiated. With the closing of the Chino smelter, we had unnecessary refining capacity in the region. Because of its superior capacity and operating flexibility, the El Paso refinery continues to operate. The El Paso refinery is more than twice the size of the Miami refinery and has sufficient capacity to refine all anodes expected to be produced from Phelps Dodge's operations in the southwestern United States given the changes brought by the above-mentioned Morenci project. Accordingly, the Miami refinery, which had been on care-and-maintenance since 2002, was permanently closed. As a result of the decision to close the Chino smelter and Miami refinery, we recorded asset impairment charges during the 2005 second quarter of $89.6 million ($68.6 million after-tax) and $59.1 million ($45.2 million after-tax), respectively, to reduce the related carrying values of these properties to their respective salvage values.

We are the world's largest producer of continuous-cast copper rod, the basic feed for the electrical wire and cable industry. Most of our refined copper and additional purchased copper cathode is converted into rod at our continuous-cast copper rod facilities in El Paso, Texas; Norwich, Connecticut; Miami, Arizona; and Chicago, Illinois. Our four plants have a collective annual capacity to convert more than 1.1 million tons of refined copper into rod and other refined copper products.

Primary Molybdenum Segment



Phelps Dodge owns two primary molybdenum mines in Colorado, the Henderson underground mine and the Climax mine.

The Henderson mine is located approximately 42 miles west of Denver, Colorado, off U.S. Highway 40. Nearby communities include the towns of Empire, Georgetown and Idaho Springs. The Henderson mill site is located approximately 15 miles west of the mine, and is accessible from Colorado State Highway 9. The Henderson mine and mill are connected by a 10-mile conveyor tunnel under the Continental Divide and an additional five-mile surface conveyor. The tunnel portal is located five miles east of the mill.

The Henderson deposit is a classic Climax-type porphyry molybdenum deposit with molybdenite as the primary sulfide mineral.

The Henderson operation consists of a large block-cave underground mining complex feeding a 40,000 ton-per-day concentrator. Henderson has the capacity to produce up to 40 million pounds of molybdenum per year. The underground mining equipment fleet consists of 10-ton load-haul-dumps, 40- and 80-ton haul trucks and an underground crusher feeding a series of three overland conveyors to the mill stockpiles. The mine has been in operation since 1976. Active extraction is currently from two production levels. The majority of the molybdenum concentrate produced is shipped to our Fort Madison, Iowa, processing facility.

The Henderson mine is located in a mountain region with the collar of the main access shaft at 10,433 feet above sea level. The main production levels are currently at elevations of 7,700 and 7,210 feet above sea level. This region experiences significant snowfall during the winter months.

The Henderson mine and mill operations encompass approximately 11,878 acres comprising 11,843 acres of patented mining claims and other fee lands, and a 35 acre easement with the U.S. Forest Service for the surface portion of the conveyor corridor.

Henderson operations receive electrical power through long-term contracts with Xcel Energy and natural gas through long-term contracts with BP Energy with Xcel Energy as the transporter. The property has sufficient approved water resources at the mine and mill for any planned production scenarios.

Phelps Dodge also owns the Climax molybdenum mine located 13 miles northeast of Leadville, Colorado, off Colorado State Highway

91 at the top of Freemont Pass. The mine is accessible by paved roads.

The Climax mine deposit is a classic porphyry molybdenum deposit with molybdenite as the primary sulfide mineral.

The Climax mine was placed on care-and-maintenance status in 1995 by its previous owner. On April 5, 2006, the Phelps Dodge board of directors conditionally approved the restart of the Climax mine. Final approval is contingent upon completion of a new mill feasibility study and obtaining all required operating permits and regulatory approvals. Prior studies indicated that the open-pit mine could annually produce approximately 20 million to 30 million pounds of molybdenum contained in high-quality concentrates at highly competitive per-pound production costs. The restart of the Climax mine will require a capital investment of approximately $200 million to $250 million for a new, state-of-the-art concentrator and associated facilities. Assuming favorable market conditions and timely receipt of permits, the Company expects to have the Climax mine in production by the end of 2009.

The Climax mine is located in a mountain region. The highest bench elevation is approximately 13,300 feet above sea level, and the ultimate pit bottom will have an elevation of approximately 10,300 feet above sea level. This region experiences significant snowfall during the winter months.

The Climax operation encompasses approximately 14,339 acres of patented mining claims and other fee lands.

Climax's electrical power is supplied by Xcel Energy. We expect that if operations are restarted, Xcel Energy will be able to supply sufficient energy to the Climax mine. The water rights held by Climax are sufficient to support future mining activities.

Phelps Dodge processes molybdenum concentrates at its conversion plants in the United States and Europe into such products as technical-grade molybdic oxide, ferromolybdenum, pure molybdic oxide, ammonium molybdates, molybdenum metal powders and molybdenum disulfide. The Company operates molybdenum roasters at Green Valley, Arizona; Fort Madison, Iowa; and Rotterdam, the Netherlands.

The Fort Madison, Iowa, facility consists of two molybdenum roasters, a sulfuric acid plant, a metallurgical (technical oxide) packaging facility, and a chemical conversion plant, which includes a wet-chemicals plant and sublimation equipment. In the chemical plant, molybdic oxide is further refined into various high-purity molybdenum chemicals for a wide range of uses by chemical and catalyst manufacturers. In addition to metallurgical oxide products, the Fort Madison facility produces ammonium dimolybdate, pure molybdic oxide, ammonium heptamolybdate, ammonium octamolybdate, sodium molybdate, sublimed pure molybdic oxide and molybdenum disulfide.

The Rotterdam conversion plant consists of a molybdenum roaster, sulfuric acid plant, a metallurgical packaging facility and a chemical conversion plant. The plant produces metallurgical products primarily for third parties. Ammonium dimolybdate and pure molybdic oxide are produced in the wet-chemicals plant.

We also produce ferromolybdenum and molybdenum disulfide for worldwide customers at our conversion plant located in Stowmarket, United Kingdom. The plant is operated both as an internal and external customer tolling facility.

Climax has a technology center located in Sahuarita, Arizona, focused on new product development and product applications as an extension of our metals business. The Climax technology center produces molybdenum metal powders.

Copper Production, by Source, Other Metal Production and Sales Data, and Manufacturing

and Sales Production

The following tables show our worldwide copper production by source for the years 2002 through 2006; aggregate production and sales data for copper, gold, silver, molybdenum and sulfuric acid from these sources for the same years; annual average copper and molybdenum prices; and production from our smelters and refineries. Major changes in operations during the five-year period included:

- completion of the run-of-mine leach project at El Abra with production commencing January 2002;
- curtailment of mill throughput at Bagdad to approximately one-half capacity in January 2002, followed by an increase in mill throughput to approximately 80 percent in January 2003, and an increase in production in January 2004, reaching full capacity in the 2004 second quarter;
- curtailment of mill throughput at Sierrita to approximately one-half capacity in January 2002, followed by an increase in production in January 2004, reaching full capacity in the 2004 fourth quarter;
- temporary closure of the Miami mine and refinery in January 2002; partial curtailment of Miami's smelter throughput in January 2003, followed by restart at full capacity in the 2004 second quarter; permanent closure of the Miami refinery in the 2005 second quarter;
- curtailment of Chino operations beginning in the 1998 fourth quarter, followed by temporary shut-down of the concentrator in March 2001 and temporary closure of the mine and smelter in January 2002; a partial restart of mining for leach material in April 2003, with a full restart of mining for leach materials in September 2003; an increase in milling operations to 80 percent of capacity in the 2004 third quarter; permanent closure of the Chino smelter in the 2005 second quarter;
- partial curtailment at Tyrone beginning in September 2003; Tyrone mining operations were temporarily curtailed in 2004 to focus on stockpile reclamation. A combination of mining and reclamation activities were conducted in 2005, and continued through 2006, as Tyrone focuses on site reclamation while mining its remaining ore reserves. Tyrone SX/EW operations continue at a declining production rate;
- restart of Ojos del Salado underground mining and milling operations in the 2004 second quarter;
- partial curtailment of Henderson operations beginning in the 2000 second quarter to 18 million pounds, followed by increases in annual production to approximately 28 million pounds in 2004, 32 million pounds in 2005 and 37 million pounds in 2006;
- Morenci concentrator, which had been idled since 2001, was restarted in the 2006 second quarter; and

- completion of the expansion at Cerro Verde Mine in the 2006 fourth quarter. The expansion permits the mining of a primary sulfide ore body beneath the leachable ore body currently in production. Once it reaches full production, the expansion will allow the mine to triple annual production from approximately 100,000 tons of copper to 300,000 tons. In addition, the expansion will allow the mine to produce an average of approximately 3,900 tons of molybdenum per year for the next 10 years.

Phelps Dodge Copper Production Data, by Source
(thousand tons)

	2006	2005	2004	2003	2002
Material mined (a)					
Morenci	271,713	255,887	234,491	237,338	248,505
Bagdad	63,646	64,093	61,194	48,935	42,912
Sierrita	60,633	63,358	53,231	35,525	23,066
Chino	63,276	65,060	43,443	12,299	220
Tyrone	22,154	28,840	1,647	16,319	45,515
Candelaria	107,188	105,344	106,585	108,442	109,211
Ojos del Salado	3,190	2,800	836	—	—
Cerro Verde	72,811	68,620	75,727	72,965	75,982
El Abra	84,865	85,140	83,705	87,682	76,831
Total material mined	749,476	739,142	660,859	619,505	622,242
Less 15% undivided interest at Morenci	40,757	38,383	35,174	35,601	37,276
Material mined on a consolidated basis	708,719	700,759	625,685	583,904	584,966
Less minority participants' shares previously accounted for on a pro rata basis:					
Chino (b)	—	—	—	3,785	73
Candelaria (c)	21,438	21,069	21,317	21,688	21,842
Ojos del Salado (d)	638	15	—	—	—
Cerro Verde (e)	33,813	23,810	13,252	12,769	13,297
El Abra (f)	41,584	41,719	41,015	42,964	37,647
Material mined on a pro rata basis	611,246	614,146	550,101	502,698	512,107
Mill ore processed					
Morenci	4,504	—	—	—	—
Bagdad	27,826	26,592	27,157	26,103	19,783
Sierrita	38,439	39,199	34,885	26,654	21,439
Chino	9,418	12,604	4,895	—	—
Cerro Verde	834	—	—	—	—
Candelaria (g)	23,640	25,064	27,318	26,407	28,507
Ojos del Salado	3,068	2,586	742	—	—
Total mill ore processed	107,729	106,045	94,997	79,164	69,729
Less 15% undivided interest at Morenci	676	—	—	—	—
Mill ore processed on a consolidated basis	107,053	106,045	94,997	79,164	69,729
Less minority participants' shares previously accounted for on a pro rata basis:					
Cerro Verde (e)	387	—	—	—	—
Candelaria (c)	4,728	5,013	5,464	5,281	5,701

Ojos del Salado (d)	614	12	—	—	—
Mill ore processed on a pro rata basis	101,324	101,020	89,533	73,883	64,028
Leach ore placed in stockpiles					
Morenci	253,879	239,052	224,918	228,940	241,955
Bagdad (h)	28,530	23,857	23,627	—	328
Sierrita	6,013	1,888	1,330	375	170
Chino (h)	19,339	28,103	30,799	11,066	198
Tyrone (h)	14,615	20,328	18,185	10,722	34,835
Cerro Verde	29,720	22,839	22,628	21,014	24,096
El Abra (h)	73,851	83,620	71,361	80,604	71,224
Total leach ore placed in stockpiles	425,947	419,687	392,848	352,721	372,806
Less 15% undivided interest at Morenci	38,082	35,858	33,738	34,341	36,293
Leach ore placed in stockpiles on a consolidated basis	387,865	383,829	359,110	318,380	336,513