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FREEMPORT-McMORAN COPPER AND GOLD (FCX \$95.00, 9-19-05, rated Overweight) EARNINGS ESTIMATES AND PRICE TARGET RAISED OWING TO BETTER THAN EXPECTED COPPER, GOLD AND MOLY PRICES

	2007E	2008E	2009E	2010E
Earnings per share revised 9-18	\$7.85	\$12.06	\$12.39	\$6.64
Gold	\$685	\$800	\$750	\$650
Copper	\$3.20	\$3.25	\$3.00	\$2.00
Realized Molybdenum	\$24.00	\$24.90	\$22.00	\$18.50
Prior EPS at Pru Eq Group 5-24	\$7.62	\$7.42	\$4.43	\$4.30
Gold	\$650	\$575	\$575	\$575
Copper	\$3.20	\$2.75	\$2.00	\$2.00
Realized Molybdenum	\$21.90	\$18.40	\$12.90	\$8.00

(Please note we had raised gold forecasts in our Aug 2nd Barrick upgrade and Aug 29th Goldcorp research report, and this FCX report incorporates TWO metals price rises in one revision of our excel spreadsheet. Sorry, but we have been very busy.)

We raised our price target to \$125 from \$82 and our earnings estimates as shown above and tables in body following to reflect combinations of higher copper, gold and moly prices, recent global monetary stimulus and tightening of copper markets in which demand appears to grow 2% faster than supply. More increases are possible.

FCX's \$2.00 per share pretax depreciation writeup and \$1.2 billion inventory writeup carrying into 2008 serves to reduce reported earnings, and the market should afford a higher P/E to compensate but to date has not.

The September 19th report of the World Bureau of Metals Statistics estimated a 4.6% global copper demand growth ytd to July, a 3.0% gain in mine output and just a 2.5% gain in refined output suggesting a 2% supply shortfall and consistent with the failure of inventories to build in the third-quarter seasonally. Further, the WBMS estimates a 122,000 tonne demand decline outside China and the U.S., which we doubt owing to robust aluminum and steel global data, and suggests ultimately a 6% 2007 demand gain and even larger supply shortfall should favorable revisions get made later.

We are pleased at the \$735 mm sale of the wire and cable unit, which had been for sale off or on since 2002. We also are pleased that FCX rejected offers for copper or moly

mining assets. This analyst is similarly pleased at the job offers recently rejected, and saying “no” can be quite effective.

The “risk-premium” associated with possible copper mine output shortfalls, a weaker US dollar, moderation in thirty year bond yields now well down from peaks and continued investment funds flows into metals has caused September copper prices to hold up well.. Ytd mine output failures have been just 1%-2% of annual demand, but several key mines have experienced lower ore grades.

Further, “high specialty alloys” such as 316, 316L, 718 are booming and more than offsetting any moderation in the growth rates of “big volume, zero moly” stainless steel alloys 304, 409, 201, etc. We believe the moly market exceeds 600 mm lbs including scrap and that demand growth rates have been 3%-5% higher than commonly published in 2004-07 to average > 10% each year.

On July 24th the company forecast a cash flow rate of \$3.2 billion or \$533 mm per month over the balance of 2007 at \$3.25 copper, \$650 gold and \$25 moly conservatively 5% to 20% below current spot prices. It forecast \$200+ mm per month of debt repayment, almost \$200 mm of capital spending and implicitly \$133+ mm per month of dividends, share repurchases, investments or increases in working capital. With the benefit of the wire and cable sale, the remaining \$2.45 billion in term bank debt should be repaid by year-end 2007.

COPPER MARKET OUTLOOK RAISED

Copper inventories have not risen in this seasonally slower third-quarter, and the WBMS reported 4.6% global demand growth to July even as a 172,000 tonne demand decline outside China and the U.S. offset part of the 38.60% Chinese gain. While we raised our 2008 copper price basis to \$3.25 from \$2.75 and 2009 to \$3.00 from \$2.00, current \$3.40+ prices suggest more upward revisions could happen.

The September 19th 6 am email from the World Bureau of Metals Statistics reported global consumption to July up 469,300 tonnes or 4.6%, mine output 254,900 tonnes or 3.0% (heap leach up 54,300 tonnes), and refined output up 236,700 tonnes or 2.4%. Consumption in China rose 768,100 tonnes or 38.6%, the U.S. fell 118,000 tonnes and the world other than the U.S. and China fell 182,000 tonnes.

We question the degree of decline outside the U.S. and China at 182,000 tonnes, since other markets such as steel or aluminum suggest very brisk growth. Future demand revisions could be upwards towards a 5%-6% global demand growth rate.

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GOLD MARKET OUTLOOK RAISED

We raised our gold price estimate to \$685 from \$675 for 2007, to \$800 from \$650 for 2008 and to \$750 from \$650 for 2009 while keeping \$650 from 2010 owing to the nearly \$1 trillion global injection of funds to banking systems, 0.5% September 18th U.S. rate cut, weaker dollar and widespread banking fraud in the U.S. This scenario warms the hearts of the \$3,000 gold believers, who are looking smarter daily

Printing money can only enhance the gold market. A nearly \$1 trillion global injection to the world financial system, 0.5% rate cut, record oil prices and related stimulus can only benefit gold. It isn't clear to us that these measures will remedy loans or bonds for which borrower employment was not verified, but we just aren't qualified to be a monetary policymaker.

Reported inflation continues to be minimal, which suggests to us that we have the best economic statistics that our policymakers can make up.

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We had raised our 2008 onwards gold price estimate in August to \$650 from \$575 per oz when we upgraded Barrick Gold to Overweight on August 2nd and wrote on Goldcorp on August 29th. This earnings revision, our first writing on Newmont Mining as "John Tumazos Very Independent Research, LLC," updates the earnings model last published on May 24, 2007 as "Prudential Equities Group" and incorporates TWO GOLD PRICE REVISIONS. We added an employee on September 4th, another will arrive October 1st and we hope to be more prolific and prompt as "setup issues" pass.

MOLYBDENUM DEMAND STRONG IN SPECIALIZED USES AND ABSENT IN COMMODITY MAINSTREAMS

Our revised molybdenum price forecasts represented almost a doubling in revenues in the 2009 to 2011 time frame as we now forecast a much lesser rate of commodity price decline, and increases to above \$10 per pound for contract moly purchases.

We raised our "realized" moly price estimate for FCX, a blend of 30% contract and 70% spot prices, to \$24 from \$21.90 for 2007, to \$24.90 from \$18.40 for 2008, to \$22 from \$12.90 for 2009, to \$18.50 from \$8 for 2010, to \$14.10 from \$7.30 for 2011 and to \$10 from \$7.30 both for 2012 and 2013. We estimate "spot" prices at \$30, \$30, \$25, \$20 \$15, \$10 and \$10 per pound, respectively from 2007 to 2013. We estimate "contract" prices at \$10, \$13, \$15, \$15, \$12, \$10 and \$10 per pound, respectively, from 2007 to 2013.

SOME MOLY MARKET BACKGROUND

In the 1980s moly market data, interpretation and industry consultant writeups were much more insightful than today. Alex Sutolov at Molymet in Chile, Don Horenstein and Dan Loh of Amax Inc. IR, internal industry commentaries that the former Amax Inc. made available to investors and related data sources no longer exist.

Something like 75% of ordinary steel and 75% of stainless steel contains no moly, and the broad generalizations voiced equating moly demand to GDP and the steel industry do not quite jive. Please forgive me as a "mill hunk from Pittsburgh" that enjoys studying specific alloy formulas, applications, etc.

In the 2005 carbon and stainless steel inventory drawdowns and the 2007 current stainless and US only carbon drawdowns the moly-intensive deep capital spending grades of steel appear largely untouched, and continue to grow. Focus on oilfield explo, refinery retrofit, salt water corrosion applications like offshore explo or desal, aerospace jet engine, power turbines, heavy plate, etc. have been continuing to grow 5%-10% or more.

Further, a large moly scrap market exists that has not been estimated. Allegheny Tech. buys almost no virgin moly, maybe just 2 mm lbs per year, and buys scrap instead. The 700 series alloys with 3% moly for "high temperature" uses like jet engines, electricity turbines, hip implants, etc. have near 90% recycling rates. Scrap brokers segregations of 300 or 400 series scraps are imperfect, and it is difficult to estimate recycling by specific stainless alloy formula.

I have found the web sites of stainless producers to be very helpful in understanding your product. For example, Allegheny Tech's web site gives THE EXACT FORMULA OF EACH ALLOY if you go to their web site link below and then follow the "blue sheets", find by alloy and click FIND.

<http://www.alleghenytechnologies.com/ludlum/pages/assistance/TechnicalData.asp>

Technical data "blue sheets," find by alloy and click FIND

To the best of my knowledge the common alloy 304, your kitchen sink 8% ni, 18% cr and the rest fe, has no moly. It used to be 40% of the market, but may have shrunk towards 25% as ni prices boomed in last few years. Alloy 409 for auto exhausts or similar ones were 20% of the US market, and it is 10% cr, no ni, and rest iron. The entire 200 family has no moly, and alloy 201 (4% ni) has jumped from 10% towards 30% of Allegheny Tech's stainless mix. THUS, 304, 409 AND 201 approach 2/3 of stainless tons and have zero moly content. Further, these three or similar alloys represent most of the "inventory swings" when products restock or destock.

It is noteworthy that the entire 200 series has no moly, and grades 304 and 409 are the most popular grades of stainless and contain no moly. Many of the other formulas are "tailored" for a specific application, such as the 316 and 316L desalination and salt water corrosion-resistant alloy. The specialty steel literature makes clear that particular applications are key, and that "mainstream" carbon steel or most stainless steel are not key to moly.

Thus, counting the number of desal plants worldwide or GE's backlog for jet engines, power turbines, desal or specific specialties is much more relevant than a study of the commodity inventory cycle at the moment.

Moly tends to be used in VERY SPECIALIZED uses, such as alloys 316 and 316L for desalination plants, salt water applications and high corrosion resistance. Or alloy 718 for jet engines, GE gas turbines, hip implants 56.7% ni and 3% mo. Or commonly 0.3% mo for carbon steel light alloy plate, oil country tubular goods, etc largely in plates and tubes and 75% or more

of carbon steels have no moly. Any general discussions of ordinary commodity steel or stainless steel may prove misleading and cause a tendency to underestimate the moly market potential.

OUR 2010 COPPER, GOLD AND MOLYBDENUM OUTLOOKS

Our 2010 price estimates of \$650 for gold in 2010, \$10 in 2012 for moly and \$2.00 for copper in 2010 are conservative, cost-based parameters that leave room for upward revisions. Bond buyers, the happy souls often patient with fraud or nonexistent collateral or a weaker U.S. dollar, could wise up and demand better yields or legitimate principal safety. Hopefully there is room for future upside revisions in our post-2010 estimates.

EARNINGS ESTIMATES RAISED EVEN THOUGH OUR METALS PRICE ESTIMATES ARE CONSERVATIVE

We raised our 2007 earnings estimate to \$785 from \$7.62, 2008 to \$12.06 from \$7.42, 2009 to \$12.39 from \$4.43 per share, 2010 to \$6.64 from \$4.30, 2011 to \$5.37 from \$4.26, 2012 to \$5.29 from \$4.69 and 2013 to \$4.90 from 4.34 per share.

Earnings will be MORE if management buys back common stock or if commodity or stock market selloffs provide good opportunity to buy back stock or buy other companies. Exploration success could enhance earnings after 2010.

Earnings will be a little less if the company directly distributes cash dividends to the shareholders, which would leave a little less cash to pay down debt. It looks like debt will disappear fairly quickly.

Table 1 Earnings	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Revenues								
Mine revenues - Grasberg	4,635.0	5,392.7	6,018	5,820.7	4,375.2	3,937.5	4,068.8	3,246.1
Smelter revenues	2,347.5	2,240.0	2,275	2,100.0	1,400.0	1,400.0	1,400.0	1,400.0
Outside smelter charges & elimir	(1,053.5)	(469.1)	(444)	(394.8)	(343.6)	(338.9)	(336.2)	(252.7)
Copper Mined and Sold - PD mines		5,465.2	7,771.8	7,814.7	5,365.8	5,349.8	5,281.8	6,005.8
Byproducts, Copper resold		633.3	800	800.0	800.0	800.0	800.0	800.0
Hedge Loss		(39.1)						
Primary Molybdenum		1,330.0	1,917	1,760.0	1,665.0	1,269.0	950.0	950.0
Carbon Black		600.3	624	649.3	675.3	702.3	730.4	759.6
Wire and Cable		1040.2	832	665.7	692.3	720.0	748.8	561.6
Discontinued, other, net (Industries)		0.0	-	0.0	0.0	0.0	0.0	0.0
Provisional Pricing Adjustments	(138.5)							
Net Revenues	5,790.5	16,193.5	19,794.3	#####	14,630.0	#####	#####	13,470.4
Atlantic Copper costs	1,423.6	2,175.0	2,185.0	2,030.0	1,380.0	1,380.0	1,380.0	1,380.0
Mine production costs	975.2	1,527.5	1,405.8	1,306.2	1,309.6	1,307.8	1,295.5	1,222.4
Royalties	126.0	139.2	160.8	149.5	105.8	99.7	100.5	82.0
Depreciation (FCX)	227.6	187.8	196.8	192.5	203.7	199.0	197.1	163.8
SG&A	157.1	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Mineral Exploration Costs	12.3	20.0	25.0	10.0	15.0	15.0	15.0	15.0
Operating Income - Indonesia	2,868.7	2,994.0	3,755.3	3,717.7	2,297.4	1,877.1	2,024.4	1,410.2
Copper Mining		3,751.3	5,443.6	5,436.7	2,812.7	2,676.4	2,534.9	2,722.3
Primary Molybdenum		429.3	768.8	712.0	656.0	409.0	228.0	228.0
Carbon Black		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wire and Cable		39.6	0.0	0.0	0.0	0.0	0.0	0.0
Wheels and Gains on sales		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deduct Unallocated Corporate Exp.		(227.3)	(150.0)	(150.0)	(115.0)	(115.0)	(115.0)	(115.0)
Oper. Income - North & South America	3,992.9	6,062.4	5,998.7	5,998.7	3,353.7	2,970.4	2,647.9	2,835.3
Noncash CGs Inv Stepup			100	100	100	300	300	300
Depreciation Step-up		678	900	900	900	900	900	900
Interest and Misc. Income	(75.6)	45.4	107.3	231.3	394.2	550.5	681.6	805.3
Less Interest Expense	6.5	546.0	529.3	343.8	256.3	256.3	256.3	256.3
Less Restructuring Write-off net gai	26.2	(773.8)	0.0	0.0	0.0			
Pretax Income	2,826	5,034	8,396	8,604	4,789	3,942	3,898	3,595
Income Taxes	(1,201.2)	(1,927.7)	(3,106.4)	(3,183.5)	(1,771.9)	(1,458.5)	(1,442.1)	(1,330.0)
Minority Interest to Indonesians	(168.2)	(155.5)	(195.7)	(192.0)	(114.5)	(91.6)	(98.4)	(65.7)
Net Income	1,456.5	2,951.3	5,093.7	5,228.5	2,902.6	2,391.7	2,357.2	2,198.9
Preferred dividends	(60.5)	(80.5)	(115.5)	(115.5)	(115.5)	(115.5)	(115.5)	(115.5)
Pfd. Div. (convertible portion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounting Charges								
Net income to common	1,396.0	2,870.8	4,978.2	5,113.0	2,787.1	2,276.2	2,241.7	2,083.4
Primary Shares Out. (mm)	190.7	335.6	373.7	373.7	373.7	373.7	373.7	373.7
F.D. Shares Outstanding (mm)	221.5	401.8	449.3	449.3	449.3	449.3	449.3	449.3
Primary EPS	\$7.32	\$8.55	\$13.32	\$13.68	\$7.46	\$6.09	\$6.00	\$5.57
FD Earnings Per Share	\$6.63	\$7.85	\$12.06	\$12.39	\$6.64	\$5.37	\$5.29	\$4.90
CF Per Primary Share	\$8.93	\$16.16	\$19.53	\$20.02	\$13.10	\$11.55	\$11.43	\$11.02
Cash Flow	1,703.7	5,423.2	7,298.3	7,480.5	4,896.8	4,317.1	4,271.7	4,119.1
FCF Per Primary Share	\$7.71	\$11.39	\$16.32	\$17.61	\$10.72	\$9.17	\$8.75	\$8.75
Dividends Per Common Share	\$4.75	\$2.25	\$2.25	\$2.25	\$2.25	\$2.00	\$2.00	\$2.00
Year End Book Value per Prima	\$7.05	\$16.27	\$25.68	\$37.11	\$42.32	\$46.41	\$50.41	\$53.98
Copper Price (\$/lb)	\$3.13	\$3.20	\$3.25	\$3.00	\$2.00	\$2.00	\$2.00	\$2.00

Source: Company Reports and JT Very Independent Research, LLC estimates.

DEPLOYMENT OF CASH BECOMES KEY CONSIDERATION

The company could generate over \$3 billion of excess cash both in 2008 and 2009. We would not rule out a \$7 per share total dividend payout, large share repurchases or some fine acquisition. However, higher metals prices and stock markets do not make future acquisitions any easier.

Table 2 Cash Flows	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Sources:								
Net Income	1,456.5	2,951.3	5,093.7	5,228.5	2,902.6	2,391.7	2,357.2	2,198.9
Depreciation	227.6	1,312.6	1,583.3	1,615.3	1,639.8	1,633.7	1,626.1	1,654.3
Deferred Taxes	15.7	385.5	621.3	636.7	354.4	291.7	288.4	266.0
Other Non-Cash Items, net	3.9	773.8	0.0	0.0	0.0	0.0	0.0	0.0
Minority Interests, net div. paid	168.2	116.6	146.7	144.0	85.9	68.7	73.8	49.3
Debt (inc. Lyons, Cnv Exch Pfd))	96.1	18,000.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Stock	15.3	2,000.0						
Step-up/Convertible Preferred Stock		1,150.0						
Asset Sales (pur 4.9% fr Bakrie)	33.6	800.0	0.0	0.0				
Other	108.4		0.0	0.0	0.0	0.0	0.0	0.0
Total Sources of Funds	2,125.3	27,489.8	7,445.1	7,624.5	4,982.7	4,385.9	4,345.5	4,168.4
Uses:								
Capital Expenditures for mines	233.7	1,600.0	1,200.0	900.0	890.0	890.0	1,000.0	850.0
Capital Spending - Smelters, etc	16.8	15.0	10.0	10.0	10.0	10.0	10.0	10.0
Purchase of indirect interest of P	6.5							
PD Acquisition		17,899.2						
Common and Pfd Dividends	1,116.6	835.6	956.4	956.4	956.4	863.0	863.0	863.0
Debt Repayment	394.1	16,500.0	2,800.0	2,500.0				
Gold and Silver-Index Pfd Reder	82.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock Repurchase	99.8		0.0	0.0				
Change in Non Cash Wrkg Cap	113.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Cash	61.9	590	2,478.6	3,258.1	3,126.2	2,622.9	2,472.5	2,445.4
Total Use of Funds	2,125.3	27,489.8	7,445.1	7,624.5	4,982.7	4,385.9	4,345.5	4,168.4

Source: FCX for history and JT Very Independent Research, LLC estimates

Table 3: Balance Sheet	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Cash & short-term investments	907	2,147	4,712	8,060	11,280	13,999	16,571	19,119
Restricted investments	-	-	-	-	-	-	-	-
Accounts receivable, net	486	1,619	1,979	1,922	1,463	1,384	1,364	1,347
Total inventories and supplies	724	7,060	3,959	3,651	2,633	2,491	2,456	2,425
Other current assets	34	34	34	34	34	34	34	34
Total Current Assets	2,151	10,860	10,684	13,666	15,410	17,907	20,425	22,925
Gross P, P & E	6,386	33,893	35,103	36,013	36,913	37,813	38,823	39,683
Less accumulated depreciation	(3,307)	(9,943)	(11,526)	(13,142)	(14,782)	(16,415)	(18,041)	(19,696)
P, P, & E, net	3,099	23,950	23,577	22,872	22,132	21,398	20,782	19,988
Investments and other assets	140	(226)	(226)	(226)	(226)	(226)	(226)	(226)
Intangible Assets		6,992	6,992	6,992	6,992	6,992	6,992	6,992
Total Assets	5,390	41,576	41,028	43,304	44,308	46,072	47,973	49,679
Short term debt	19	19	19	19	19	19	19	19
A/P & other current liabilities	953	6,614	3,874	3,508	2,032	1,810	1,755	1,707
Total Current Liabilities	972	6,634	3,893	3,527	2,051	1,830	1,775	1,726
Long term debt	661	7,200	4,400	1,900	1,900	1,900	1,900	1,900
Deferred taxes	800	7,000	7,630	8,277	8,641	8,943	9,241	9,518
Other long term liabilities	298	1,189	1,189	1,189	1,189	1,189	1,189	1,189
Redeemable preferred stock	(82)	(82)	(82)	(82)	(82)	(82)	(82)	(82)
Minority interests	213	1,579	1,726	1,870	1,956	2,024	2,098	2,147
Conv. preferred stock	1,100	3,975	3,975	3,975	3,975	3,975	3,975	3,975
Common equity	1,345	14,082	18,297	22,649	24,679	26,294	27,877	29,306
Total Liabilities and Equity	5,308	41,576	41,028	43,304	44,308	46,072	47,973	49,679
Accts Rec / Sales	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Inventories / Sales	18.0%	18.0%	20.0%	19.0%	18.0%	18.0%	18.0%	18.0%
AP & Other CL / Sales	16.5%	40.8%	19.6%	18.3%	13.9%	13.1%	12.9%	12.7%

Source: John Tumazos Very Independent Research, LLC

DELIVERY OF \$1.2 BILLION INVENTORY STOCKPILE “WRITTEN UP” AN EARNINGS CONSIDERATION

While FCX wrote up the former Phelps Dodge depreciation by \$900 mm or \$75 mm per month, it also wrote up “inventory” by \$1.7 billion. In this case the “inventory” involves long-term ore stockpiles probably of sulphides at Morenci, El Abra, Cerro Verde or elsewhere.

FCX will deliver \$96 mm of this in March 2007, \$268 mm in June, \$100 in September and \$40 mm in the December quarter to leave \$1.2 billion carrying into 2008. We have estimated \$100 mm each delivered in 2008-10 and \$300 mm each delivered in 2011, 2012 and 2013. The timing of such deliveries will influence reported earnings, but not cash flow.

SECOND-HALF GOLD GRADES TO SUFFER

Quarterly gold deliveries will drop from 978,000 oz in 1Q to 913,000 in 2Q and 125,000 oz both in the September and December quarters of 2007. Deliveries ease from 2.1 mm oz in 2007 to 1.7 in 2008 to 1.9 mm oz in 2010.

Quarterly copper deliveries will be 10% less in the second-half of 2007 while moly deliveries will improve each quarter and the 4Q should be 3 mm lbs or 20% more than the 15 mm June quarter.

New projects and expansions at Cerro Verde, Safford, Morenci, Tenke Fungurume and El Abra and maybe other Congo locations should increase subsequent annual copper outputs.

INVESTMENT OVERVIEW AND PRICE OBJECTIVE

We rate Freeport-McMoRan Copper & Gold Overweight with a price target of \$125 because the three key commodities continue to rise, depreciation and inventory writeups understate earnings, copper output should grow due to defined expansions, peer companies trade > 10 times earnings and the management has a sound track record of deploying or returning capital to shareholders.

The prospects for PD and FCX are highly sensitive to copper, molybdenum and gold prices. Probably investor discounts future metals prices to some degree as we do owing to inherent uncertainty, providing room for upside surprises. Almost 30% of each separate company's cash flow arises from the "other metal" other than copper.

We believe the tremendous thirty-year reputation and track record of FCX and predecessor companies, the personal relationships of its key executives and the cash generation of standalone FCX and PD give great comfort to lenders.

The \$3.58 per ton of ore or 40% lower cost of underground mining compared to open pit due to no stripping and impressive underground productivity could create (1) low costs per pound of copper less than gold revenues or (2) operating profit more than copper revenue in 2018 in a super-win situation.

The PD acquisition looks most accretive to FCX when Grasberg is worst in 2013-17 or after 2021. PD should benefit FCX more after 2021 when RTP owns a full 40% of all output.

Certain underground ores belonging to FCX, especially at the Kucing Liar zone are two to three times richer than "average" open pit and even richer in relation to "incremental" open pit ores.

FREEPORT-MCMORAN COPPER & GOLD RISKS

The strength of auto, construction, and capital goods markets worldwide will influence future copper and moly prices, which are important to the outlook of FCX. Many variables will influence them, including interest rates, oil prices, exchange rates and political shocks that influence business confidence.

Copper prices could be impacted if mine output grows, although projects after 2007 appear the biggest risk as output resumes even as PD may face delays. Demand in China, Europe, Japan, the US, or emerging markets could fall short. End markets, such as construction, power generation, technology and secondarily telecom spending impact copper usage and could fall short. Cost issues include energy, mine productivity, proposed Chilean royalties and most importantly, the tendency to relax controls after commodity prices more than double.

Delay of zone 8 South at Grasberg is 100 million tonnes of almost "double rich " ore at 1.8% cu and 1.6 grams/t gold or 4 billion lb copper and 5 mm oz gold or 2 years output in 13 or 14 months of ore. Its delay hampers 2013-15, but endows 2018 or so. However, after 2021, Rio Tinto owns a full 40% of all output, lessening economics.

After June 2015 ore tonnages could drop up to half as underground tunnels, ventilation, ore withdrawal points, etc are blasted.

Indonesian risks have been mitigated in part as the PD acquisition diversified the country portfolio. Global environmental risks, Chile region two water supplies, and political risks in Congo, Peru and Indonesia remain. Indonesian issues include potential religious violence in West Papua as many indigenous tribesmen are Christian, the suitability of the steep jungle terrain to guerilla warfare, or eventual unification with New Guinea.

CHANGE IN THIS RESEARCH OPERATION

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Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d’Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or “due diligenced” for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny

Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

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Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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