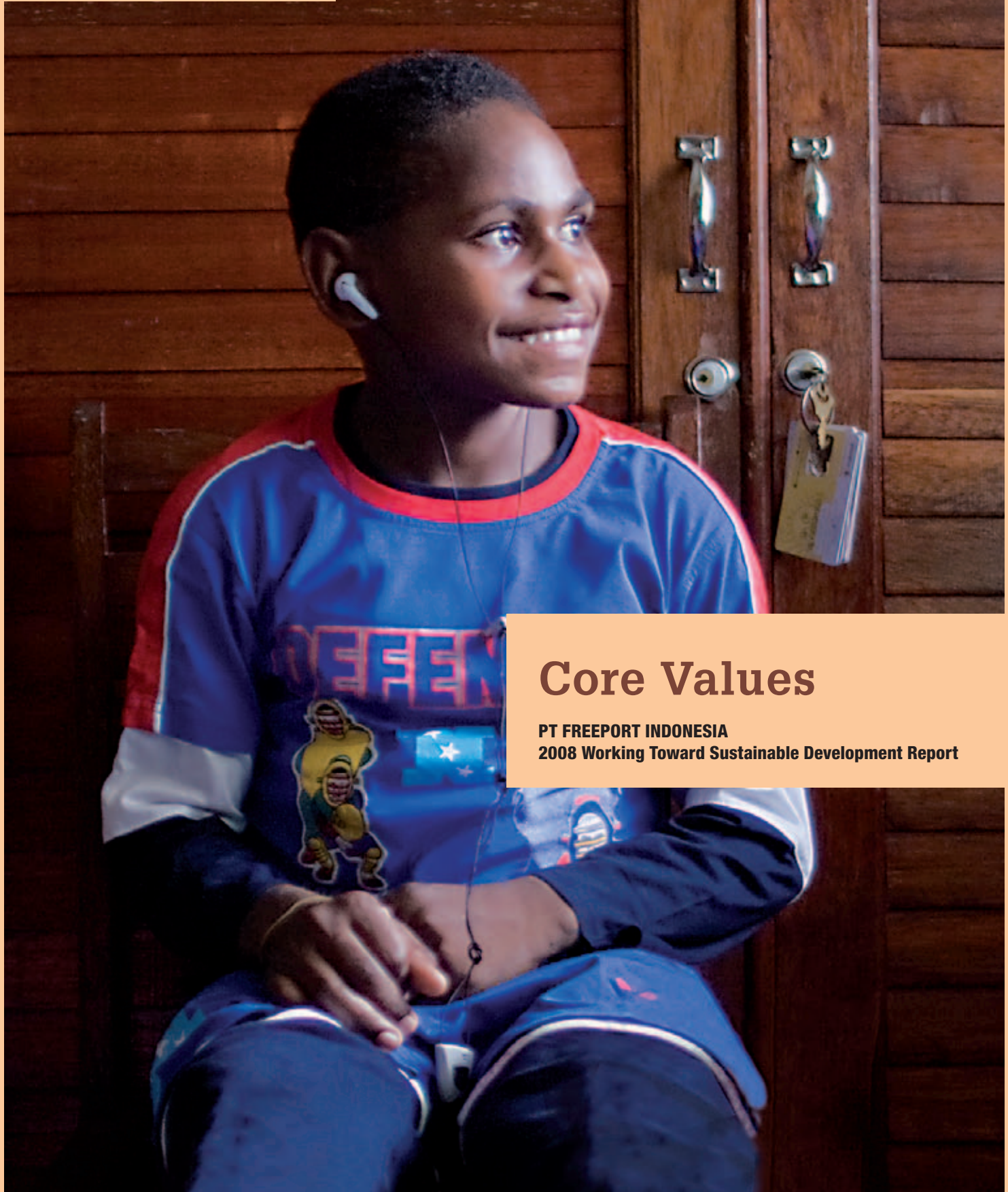




PT FREEPORT INDONESIA

Affiliate of Freeport-McMoRan Copper & Gold



Core Values

PT FREEPORT INDONESIA

2008 Working Toward Sustainable Development Report

Our Vision for Sustainability

PT Freeport Indonesia is the Indonesian mining affiliate of Freeport-McMoRan Copper & Gold Inc. As one of the world's leading producers of copper and gold, PT Freeport Indonesia recognizes the importance of providing these essential metals to today's economies. Fulfilling this need for our products must be balanced with social and environmental responsibilities so that, in meeting the needs of the current generation, we do not compromise the ability of future generations to meet their own needs. This is the core tenet of "sustainable development" and the underlying premise of our commitments.

As a subsidiary of Freeport-McMoRan Copper & Gold Inc., PT Freeport Indonesia has adopted and abides by the ethical, social and environmental policies of the parent organization. Strong policies guide PT Freeport Indonesia on the path toward sustainable development. Our 40 years of experience in Indonesia shape the implementation of these policies in the community. A commitment to transparency enables our stakeholders to track our performance.

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To Our Stakeholders

We are committed to making a positive impact in the communities in which we operate, because to do so is not only a sound business strategy, but also the responsibility of a good corporate citizen. Working toward sustainable development in our business operations and programs helps ensure healthy environments for our workforce and vibrant communities in our areas of operation, which are vital to our ongoing success. As a guest and important stakeholder in the community, PT Freeport Indonesia is committed to creating and supporting programs that transfer skills to the local community and generate a lasting positive impact long after mining in the district ceases.

We embrace the responsibility granted us by the Government of Indonesia as stewards of the minerals we mine in the province of Papua. We are mining the world's largest reserve of copper and gold, and our planning horizons extend decades into the future. We do not make these plans alone. Our operations, projects and programs are carried out in partnership with the Government of Indonesia, the Province of Papua, Mimika Regency and neighboring communities – who all have a stake in seeing that our contributions result in a sustainable future that benefits all. We maintain active engagement and dialogue with our stakeholders to ensure mutual success.

***On the Cover:** Among our “Core Values” is a commitment to sustainable development and helping communities reach their goals to improve opportunities for future generations. The child pictured is Melinus Magal, a fourth grade student at the company-supported Penjunan dormitory and school managed by our community partner LPMMAK in the Mimika Regency of Papua, which is the host community for our mining operations. We manage our operations in a way that benefits communities, promotes good governance, respects local culture, minimizes disruption to the environment and supports regional and national development.*

Despite the sudden market downturn our industry experienced beginning in late 2008, PT Freeport Indonesia has maintained its position as one of the leading producers of copper and gold and is one of the major contributors to economic development in Indonesia and Papua. The taxes, royalties, dividends and fees we paid to the Government of Indonesia in 2008 alone totaled approximately \$1.2 billion. Since our current contract with the Indonesian government began in 1992, these direct benefits to Indonesia have totaled more than \$8 billion. We are the largest private employer in Papua and one of the largest taxpayers in Indonesia. PT Freeport Indonesia's operations have contributed to Indonesia and Papua in many other ways as well. Our voluntary support for community development, recognition for local community land rights and our expenditures on our comprehensive environmental management programs are substantial. In the following pages, you will find considerable information detailing our commitments and the economic benefits and opportunities that derive from our operations.

We appreciate the response and engagement by our employees and stakeholders in these challenging economic times. Although we have adjusted our business plans according to the economic conditions, we have not compromised our environmental, economic and social commitments. The spirit of dedication and cooperation among all our stakeholders is critical to supporting our sustainable development efforts now and long into the future.

Sincerely,



Armando Mahler

President Director and CEO
PT Freeport Indonesia

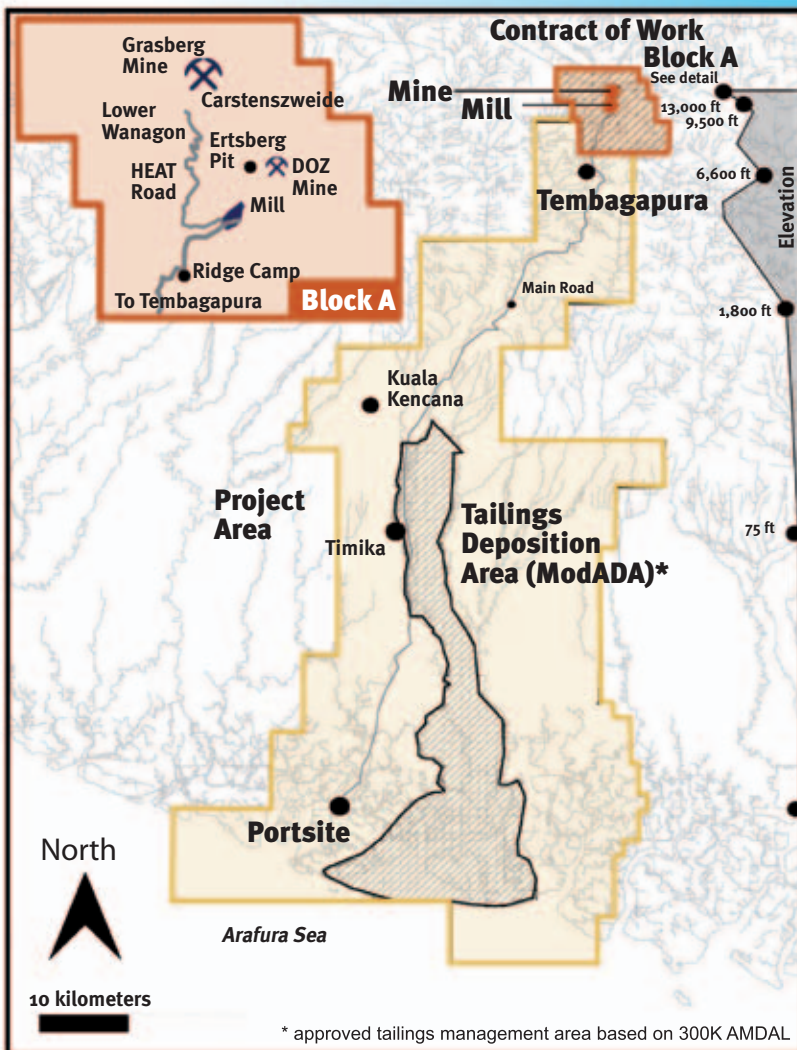


About PT Freeport Indonesia

PT Freeport Indonesia is the Indonesian mining affiliate of Freeport-McMoRan Copper & Gold Inc. PT Freeport Indonesia mines, processes and explores for ore containing copper, gold and silver. We operate in the remote highlands in the Province of Papua, Indonesia, which is on the western half of the island of New Guinea. We market concentrates containing copper, gold and silver worldwide.

Our Grasberg mining complex is one of the world's largest single producers of both copper and gold, and contains the largest recoverable reserves of copper and the largest single gold reserve in the world. Grasberg is at the heart of a highly prospected minerals district, where ongoing exploration is providing opportunities to continue to add to our long-lived reserves.

PT-Freeport Indonesia Project Area Map



About Freeport-McMoRan Copper & Gold Inc.

Freeport-McMoRan Copper & Gold Inc. (FCX) is a leading international mining company with headquarters in Phoenix, Arizona, U.S.A. FCX operates large, long-lived, geographically diverse assets on four continents, with significant proven and probable reserves of copper, gold and molybdenum. From the equatorial mountains of Papua, Indonesia, the southwestern deserts of the United States, the majestic volcanoes of Peru, the traditional copper-producing regions of Chile and the exciting emerging opportunities in the Democratic Republic of Congo, we are at the forefront of supplying the world with essential metals.

FCX is the world's largest publicly traded copper company, the world's leading producer of molybdenum – a metal used in high strength steel alloys, chemical products and the production of lubricants – and a significant producer of gold. As an industry leader, we demonstrate proven expertise in both technology and production methods to produce copper, gold and molybdenum.

FCX operates through principal subsidiaries; PT Freeport Indonesia, Freeport-McMoRan Corporation and Atlantic Copper.

Major Active Operations & Development Projects

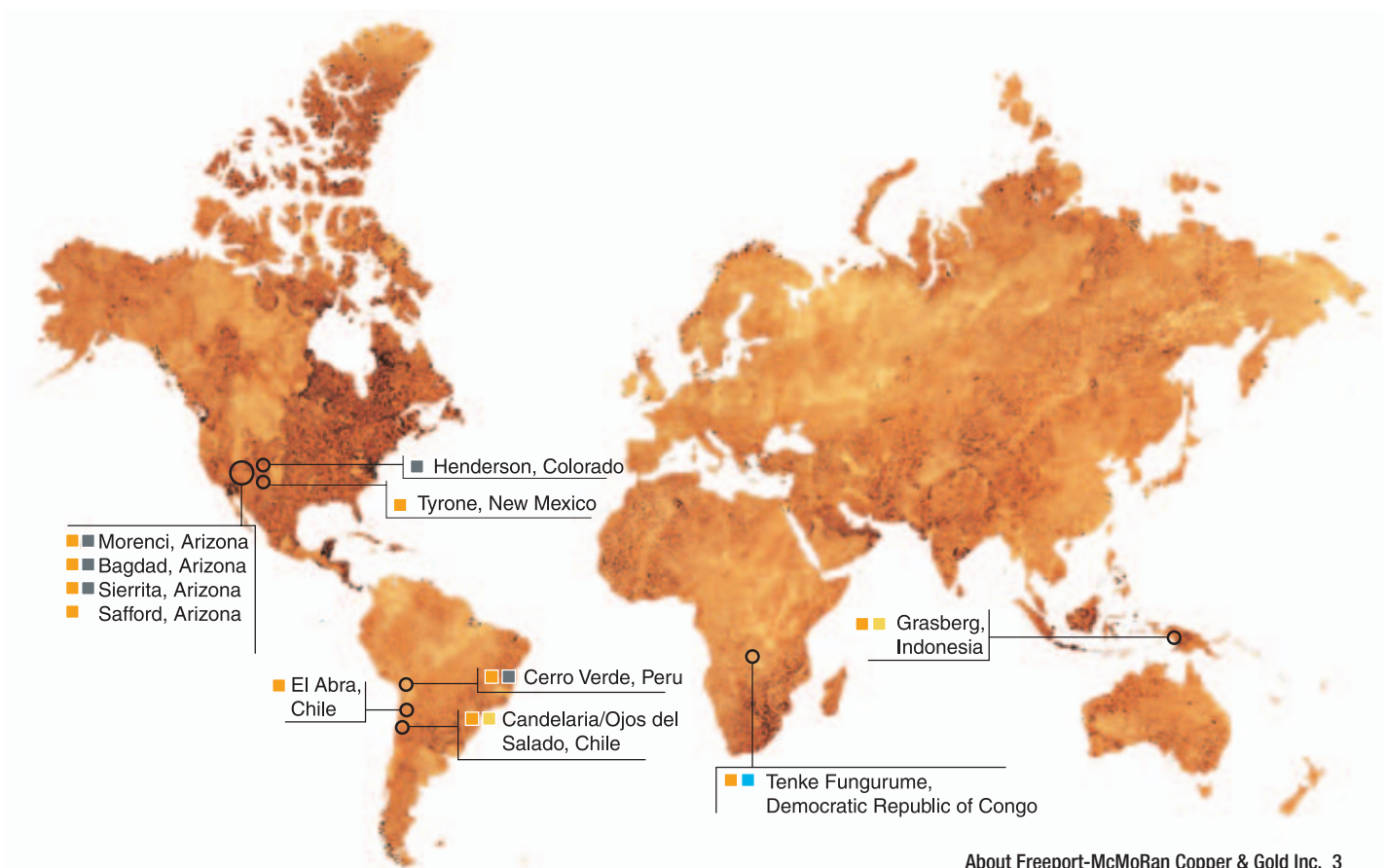
All major assets majority-owned and operated

Key

- Locations
- Copper (Cu)
- Gold (Au)
- Molybdenum (Mo)
- Cobalt (Co)

Production from Our Mines in 2008

- **4.1 billion pounds of copper**
- **1.3 million ounces of gold**
- **71 million pounds of molybdenum**



ICMM Sustainable Development Framework

Freeport-McMoRan Copper & Gold Inc., as a founding member of the International Council on Mining and Metals (ICMM), has adopted the ICMM Sustainable Development Framework, and this commitment underpins our efforts in identifying and managing challenges and opportunities across our operations. The framework (www.icmm.com) comprises three elements that are mandatory for corporate members to meet:

1) implement the ICMM 10 Sustainable Development Principles throughout the business, 2) report in line with the Global Reporting Initiative (GRI) G3 guidelines and the Mining and Metals Sector Supplement and 3) provide independent assurance that our commitments are being fulfilled.

In 2009, we are developing and implementing a risk-based approach for our entire operating portfolio to further define, manage and monitor sustainable development challenges and opportunities most material to our stakeholders and to our

business. In the near future, we will also meet the assurance commitment by reporting on the following:

- The alignment of our sustainability policies to the ICMM 10 Sustainable Development Principles and mandatory requirements set out in ICMM position statements;
- Our material sustainable development risks and opportunities based on our review of the business and information provided from our stakeholders;
- The existence and status of systems and approaches used to manage our material sustainable development risks and opportunities;
- Our performance with respect to identified material sustainable development risks and opportunities; and
- The required disclosures for application level of A+ of the GRI (G3) Sustainability Reporting Guidelines.

ICMM 10 Sustainable Development Principles

1
ICMM

Implement and maintain ethical business practices and sound systems of corporate governance

2
ICMM

Integrate sustainable development considerations within the corporate decision-making process

3
ICMM

Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities

4
ICMM

Implement risk management strategies based on valid data and sound science

5
ICMM

Seek continual improvement of our health and safety performance

6
ICMM

Seek continual improvement of our environmental performance

7
ICMM

Contribute to conservation of biodiversity and integrated approaches to land use planning

8
ICMM

Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products

9
ICMM

Contribute to the social, economic and institutional development of the communities in which we operate

10
ICMM

Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders

Summary of Material Risks and Opportunities

This report addresses a wide variety of topics of interest to our stakeholders. In our view, the most material issues for Freeport-McMoRan Copper & Gold Inc. and PT Freeport Indonesia are those raised by multiple stakeholder groups, both internal and external to the company, and that pose the greatest risk to our business success if not managed responsibly.

In 2008, concurrent with transitioning to a risk-based approach for working toward sustainable development, we began a comprehensive, multi-discipline exercise to identify the company's sustainable development risks and opportunities. A challenge we face in this transition period is the development and implementation of a process to blend the internal and external perspectives on sustainability risks.

We have taken a balanced approach to the identification of material risks and opportunities presented in this report. Key sustainability topics of interest to our stakeholders are identified through evaluating data and assessments from a cross-section of company representatives who interact regularly with local communities, governments, employees, business executives, investors, non-governmental organizations and other groups. The results of our internal materiality surveys and stakeholder communications allow us to prioritize key material issues.

The table below outlines significant sustainability challenges for PT Freeport Indonesia (the listed order is not intended to suggest the relative importance of each issue).

More information regarding our management and response on page(s)...

Material Risks and Opportunities

ENVIRONMENT		
Environmental Impacts	Mining operations can have adverse effects on land, air and water. Our largest impacts, as defined by footprint, are associated with the management of solid materials such as tailings and overburden stockpiles. If we do not properly identify, control, minimize and mitigate the environmental impacts of our operations, our risks include non-compliance with regulatory obligations, the potential for costly closure activities and broad public disapproval.	10-21
Energy Use, Climate Change and Greenhouse Gases	Our mining operations require significant amounts of energy, and energy costs approximated 25 percent of our consolidated copper production costs in 2008. Our principal energy sources are petroleum products and coal.	12
SOCIAL		
Safety and Health	Safety is a "Core Value" of our company. We believe that all injuries and occupational illnesses are preventable. Our focus on "Safe Production" captures the essence of our philosophy that safety and health considerations are integral to, and compatible with, all other management functions in the organization. The occurrence of any workplace injury is unacceptable, and we regret that three fatalities occurred at our operations in 2008.	26-29
Artisanal Mining	We recognize that artisanal mining, although unauthorized, can be a substantial source of income for developing economies in remote and rural locations. In PT Freeport Indonesia's project area, a large number of artisanal miners are illegally panning for gold in the Otomona river system, which raises concerns about environmental, health and safety risks associated with these artisanal practices. Through continual coordination and outreach with the local community and government, we aim to address these risks.	36
Indigenous People	In order to maintain our social license to operate, we recognize and actively engage with indigenous communities near our Project Area. We have negotiated agreements with the two ethnolinguistic groups most affected by our mining operations to provide payments to the communities in recognition of land rights. We also support programs to promote, protect and preserve their indigenous cultural heritage.	31-37
Community	Our local community partners are concerned with impacts and opportunities associated with mining operations, including community development benefits derived from mining while avoiding community dependence on the mining operation. Consistent and transparent engagement with community members, throughout the project life cycle, is critical to our operational success, as well as to establishing partnerships with local communities and governments that will lead to positive, long-term sustainable development.	30-37
Security and Human Rights	Our challenge is to promote and protect human rights and provide a mechanism for grievances to be reported, reviewed and processed. Through this approach we aim to ensure professional and respectful relationships between government security personnel, our company employees and the local communities where we work.	8-9
ECONOMIC		
Economic Impacts	We recognize that our operations have significant direct and indirect economic impacts for many of our stakeholders, particularly on communities near our operations. We must remain a partner in assisting communities in diversifying and building capacity to reduce economic dependence on mining.	38-40

Corporate Governance

Strong policies guide our commitment to ethical corporate behavior and respect for local communities.

Photo: Our Grasberg mining complex in Papua is one of the world's largest single producers of both copper and gold. The Grasberg open-pit mine is at the heart of a highly prospected minerals district, which includes numerous underground deposits.

The Public Policy Committee of the Board of Directors of Freeport-McMoRan Copper & Gold Inc. assists in fulfilling the Board's oversight responsibilities with respect to the company's 1) environmental programs; 2) governmental and community relations programs; 3) social, employment and human rights policies and practices; 4) health and safety programs; and 5) charitable and philanthropic contributions through the development and implementation of comprehensive policies.

PT Freeport Indonesia, through its parent company, is a signatory to the U.S. State Department-British Foreign Office Voluntary Principles on Security and Human Rights. We are committed to ensuring that we conduct our operations in a manner consistent with the U.N. Universal Declaration on Human Rights, the laws and regulations of Indonesia and the culture of the people who are indigenous to the company's operational areas. We endorse the Extractive Industries Transparency Initiative (EITI), making an international commitment to disclose revenues and payments to governments. PT Freeport Indonesia, through Freeport-McMoRan Copper & Gold Inc., subscribes to the U.N. Millennium Development Goals, which we are now evaluating for alignment with our risk-based approach to sustainable development.

Principles of Business Conduct

The cornerstone of our commitment to integrity is our Principles of Business Conduct. They are designed to reinforce what is important in our everyday work life – hard work, honesty, treating people fairly and working safely and ethically. Our commitment to these principles is the bond that binds us all in pursuing our common vision, from senior management to entry-level employees.

Environmental Policy

This policy outlines our guidelines to minimize and mitigate environmental impacts, to protect and enhance the quality of the environment wherever we operate, to comply with all applicable regulations and to seek continuous improvement in environmental performance. The policy also includes commitments to achieve ISO 14001 certification at all operating facilities, which we have accomplished; to recognize and protect biodiversity; and to protect and remediate sites for which we are responsible. The policy adopts the ICMM Sustainable Development Principles.

Environmental Auditing Policy

An effective corporate environmental auditing program increases environmental management effectiveness and our confidence that we are addressing the risks of potential exposure to adverse environmental issues. Our Environmental Auditing Policy requires all major properties worldwide to be internally audited at least every two years and provides additional details on auditing procedures.

Safety & Health Policy

This policy lays out our objective of zero workplace fatalities, injuries and occupational illnesses, and provides for the establishment of benchmarks to evaluate our performance in achieving that objective. The policy also strengthens and emphasizes the implementation of safety and industrial health audits at all facilities.

Human Rights Policy

We are committed to conducting our operations in a manner that ensures all employees treat everyone in and around our operations with dignity and respect.

Community Policy

We conduct our activities in a manner that promotes positive and open relationships with community, government and other stakeholders to support sustainable benefits where we operate, throughout the life cycle of a project. We recently updated this policy, in part to explicitly recognize our commitment to the ICMM Sustainable Development Principles and the vital role that stakeholder engagement plays as we align our operations with those principles.

To read the complete policies please visit www.fcx.com.

Human Rights

PT Freeport Indonesia has an unequivocal commitment to human rights. The Universal Declaration of Human Rights and Voluntary Principles are our guide. We educate our employees on these principles and encourage employees to report any suspected violation of our policies to management or a human rights compliance officer. Our policy forbids child or forced labor or discrimination in any of our operations. We take our human rights policy seriously and expect all of our contractors to comply with our standards when working with our company.

Overseeing the development and implementation of our policy on human rights is an internationally recognized expert, Judge Gabrielle Kirk McDonald. Judge McDonald has been a distinguished civil rights attorney and U.S. federal judge, and she now serves as Special Counsel on Human Rights to Freeport-McMoRan Copper & Gold Inc. As a member of our Board of Directors, Judge McDonald reports regularly to the Board on human rights issues and developments.

Our updated corporate Human Rights Policy was approved by the Freeport-McMoRan Copper & Gold Inc. Board of Directors on February 3, 2009. The new policy sets out the company's standards regarding human rights as well as individual operating site accountabilities. The policy requires the following:

- Establishment of local guidelines and procedures consistent with this corporate policy, in-country laws and regulations, the Voluntary Principles and the ICMM Sustainable Development Principles;
- Implementation of an effective program and management structure for compliance, promotion, education, training, reporting and responding to human rights issues and ongoing assessment of these programs;
- Periodic certification of compliance with this policy for all relevant personnel; and
- Implementation of this policy or similar guidelines and procedures by our contractors and supplier companies.

PT Freeport Indonesia manages a well-developed human rights education, training and compliance program. We have assigned a senior Papuan as our Human Rights Compliance Officer. This individual and staff support the full implementation of our Human Rights Policy and the education of our employees and contract partners in the areas of social responsibility and human rights. The Human Rights Compliance Officer reports to an executive vice president within PT Freeport Indonesia.

During 2008, we conducted an expanded educational program on human rights, and PT Freeport Indonesia provided human rights education and training to approximately 10,000 employees, contractors, security personnel and community partners. During 2008, several instances of alleged human rights matters were reported and investigated. These matters were generally determined to be workplace related issues or criminal matters which were investigated and handled by the local government authorities. No human rights violations occurred.

Freeport-McMoRan Copper & Gold Inc. in 2000 played a leadership role in the development and organization of the joint U.S. State Department-British Foreign Office Voluntary Principles on Security and Human Rights. Each year, participants in this program, including other mining, oil and gas companies and human rights organizations, meet to review implementation of the principles and also to seek better ways to provide security for extractive industry operations around the world to protect employees and investments while assuring the highest level of human rights compliance. We present our programs and results annually at the Voluntary Principles Plenary. Our work plan for 2009 is posted on our web site at www.fcx.com.

Security

Consistent with our Contract of Work in Indonesia, our responsibility as a corporate citizen and the Voluntary Principles on Security and Human Rights as well as our company's duty to protect its employees and property, PT Freeport Indonesia has taken appropriate steps to provide a safe and secure working environment. As part of our security program, the company maintains its own internal security department, which performs functions such as protecting company facilities, monitoring the shipment of company goods through the airport and terminal, assisting in traffic control and aiding in rescue operations.

PT Freeport Indonesia's civilian security employees (numbering approximately 750) are unarmed and perform duties consistent with their internal security role. For 2008, the total costs for our internal civilian security department were \$22.7 million (\$22.5 million net to PT Freeport Indonesia). All security department employees participate in ongoing human rights training and each is required to certify annually his or her compliance with our human rights policy.

PT Freeport Indonesia, on the same basis as all businesses and residents of Indonesia, relies on the Government of Indonesia for the provision of public order, upholding the rule of law and protection of personnel and property. The

Grasberg mine has been designated by the government as one of Indonesia's national vital assets. This designation results in the Indonesian security institutions playing a significant role in protecting the area of company operations. The Government of Indonesia is responsible for employing police and military personnel and funding and directing their operations. From the outset of PT Freeport Indonesia's operations, because of the limited resources of the Government of Indonesia and the remote location and lack of development in Papua, the Government of Indonesia has looked to the company to provide logistical and infrastructure support as well as supplemental funding for these necessary services.

The government security personnel serving in the area and receiving support from the company currently number approximately 1,860, including, among other units, Coast Guard at the port site, Air Force at the airport, riot control personnel to deal with civil disturbances, and both perimeter and on-site security at the mine and the mill.

In addition to establishing separate infrastructure (such as offices and housing), the support for the government-provided security in Papua includes in-kind assistance and monetary allowances to mitigate living costs and the hardship elements of posting in Papua. Approximately 80 percent of these costs

are paid directly by the company to vendors and represent the portion of the costs that are allocated to this cost center. A small portion of the budget (less than 20 percent) is paid in the form of wire transfer or check to government security institutions to provide a monthly allowance for each of the personnel assigned to protect our property and to reimburse for administrative costs incurred directly by the unit. This provision of support is consistent with the company's obligations under the Contract of Work, our philosophy of responsible corporate citizenship and the joint U.S. State Department-British Foreign Office Voluntary Principles on Security and Human Rights, and is in keeping with our commitment to pursue practices to promote human rights. The company periodically reviews its support practices to ensure that they are appropriate, lawful and properly controlled.

For 2008, the expenses associated with support for government-provided security for the operations were approximately \$8.2 million (\$8.1 million net to PT Freeport Indonesia). The support consisted of costs incurred and allocated by the company for infrastructure, food, housing, fuel, travel, vehicle repairs and allowances to cover incidental and administrative costs. The capital costs for associated infrastructure for 2008 were \$0.7 million.



PT Freeport Indonesia expanded its human rights education and training program to reach more than 10,000 employees, contractors, security personnel and community partners.

Photo: A community human rights dialogue session.

Environmental Performance

Our challenge is to provide metals that support economic and social development while protecting natural resources for future generations.

We are committed to managing the impact of our operations on the surrounding environment, to reclaiming and revegetating affected land, and to comprehensive monitoring to determine the effectiveness of our management practices.

Photo: Monitoring the growth of mangroves planted as part of an assisted colonization initiative in the Ajkwa Estuary as part of our tailings management program.

Management Approach

PT Freeport Indonesia is committed to managing and minimizing the impact of our operations on the surrounding environment, protecting and enhancing the quality of the environment and continuously improving our performance. As part of our Environmental Policy, we employ risk management strategies based on valid data and sound science.

We routinely undergo internal and external environmental audits to assess our environmental compliance, management systems and practices. Employees throughout our organization take personal responsibility for environmental stewardship and develop action plans based on audit results.

Our environmental program is guided by the requirements of our Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL), which are submitted to the government annually in accordance with the requirements of our Environmental Impact Assessment (AMDAL), and by regulatory requirements and related permits issued by the government.

For 2008, we have reported our environmental performance against the Global Reporting Initiative (GRI) G3 indicators. We adjusted some 2007 indicators reported under the prior GRI guidelines to compare indicators on the same basis. As part of our 2008/2009 transition to implementing the ICMM Sustainable Development Framework, we also developed a process for identifying our material risks and opportunities. In early 2009, Freeport-McMoRan Copper & Gold Inc. established performance goals and targets that we will report against next year. These company-wide goals and targets will be available in our 2008 GRI G3 report, which will be posted on the web site at www.fcx.com.

Compliance and Environmental Audits

PT Freeport Indonesia's environmental audits provide our managers with information on current performance and help identify opportunities for improvement. We respond to the audits with action plans to implement suggestions made by the auditors.

PT Freeport Indonesia participates in the environmental management performance rating program, known as PROPER, which is administered by the Indonesian Ministry of Environment. The rating evaluation is mainly based on the performance of companies in managing effluent discharges, air emissions and hazardous wastes. The most recent PROPER audit was conducted in early 2009, but results have not yet been released. Additionally, the PT Freeport Indonesia operations underwent a fifth triennial independent external audit at the end of the year, and the results of this audit have been posted on the web site at www.fcx.com.

Energy Use

Energy is a significant input to our mining and processing operations. Our principal energy sources are petroleum products and coal.

In 2008, PT Freeport Indonesia operations consumed approximately 15,500 terajoules of liquid fossil fuels and 20,000 terajoules of coal energy. This energy was utilized primarily to produce electric power and provide fuel for trucks used in mining and for other vehicular traffic.

We are actively pursuing the development, implementation and transfer of cleaner, more efficient, cost-effective technologies and seeking to expand the role of alternative energy sources through initiatives at our mining operations and local communities.

Climate Change and Greenhouse Gases

In 2008, PT Freeport Indonesia's total carbon dioxide equivalent emissions were 3.1 million metric tonnes primarily from fuel combustion in haul trucks and from electric power generation. Because we generate all of our electric power, these are classified as direct emissions. Emissions in 2008 were 15 percent greater than in 2007 as we increased our mining rate, requiring longer truck hauls and increased power production to support higher underground ore production.

A major component of our direct emissions is associated with our mining equipment. Our key supplier has established a corporate goal of reducing greenhouse gas emissions from their products by 20 percent by 2020. In the near-term, we will focus on improving the operating efficiencies of our truck haulage fleet as a method of reducing direct emissions.

Supporting Climate Change Research within Indonesia's Glaciers

Many of the world's glaciers are rapidly receding. Locked within these mountains of ice is a history of the world's climate changes and other environmental events, and climate scientists are working to extract as much data as possible from these glaciers. PT Freeport Indonesia has sponsored and supported a number of scientific glacier expeditions in the past and has now committed to supporting a significant research expedition at the glaciers near Puncak Jaya in Papua Province, Indonesia, in 2010. Conducted in collaboration with the Indonesian National Bureau for Meteorology and Geophysics, the expedition will include leading international scientists in the fields of glacier and climate studies from Ohio State University and Columbia University. The purpose of the research is to extract ice cores that can provide valuable scientific information before evidence is lost.

Professor Lonnie G. Thompson is team leader for the Ice Core Paleoclimate Research Group at Ohio State University's Byrd Polar Research Center. He says of the expedition, "Puncak Jaya is the highest point between the Himalayas and the Andes and home to the only glaciers situated in the Equatorial Pacific Ocean region. Locked in these glaciers may be an incredible wealth of information on climatic and environmental changes in the Austral-Asian monsoon region for at least the last several hundred years and possibly much longer. The research team will seek to develop a history of temperature and precipitation variations, along with a record of vegetation changes provided by pollen and a fire history recorded by plant fragments and organic substances in the ice."

Professor Lonnie Thompson (left, holding ice core) recently visited Papua with PT Freeport Indonesia's support to set the stage for a major 2010 scientific research expedition to study the only glaciers in the Equatorial Pacific Ocean region.



The Northwall Firn glacier in Papua, Indonesia





In February 2008, PT Freeport Indonesia facilitated the repatriation of more than 10,000 “pig-nosed turtles” to the Mawati and Otakwa Rivers within the Lorentz World Heritage Site in Papua. The turtles, which are indigenous to Papua, had been confiscated in raids conducted against illegal traders in Java. The release, coordinated with Indonesian government agencies and wildlife rescue groups, was the third company-supported turtle release program since 2006. The company has also facilitated similar programs involving endangered kangaroos.

Biodiversity

The PT Freeport Indonesia project area consists of 292,000 hectares leased from the Government of Indonesia in the Indonesian Province of Papua. Approximately 26,000 hectares (9 percent of the contract area) are utilized for production activities and extraction of minerals. The entire region of southern Papua exhibits a high level of endemism and one of the highest levels of biodiversity in Southeast Asia.

We have conducted, facilitated and supported numerous ecological and biodiversity studies to facilitate effective biodiversity management. These biodiversity studies, done in conjunction with Indonesian and international experts, include surveys of vegetation, ethno-botany, medicinal plants, mammals, birds, butterflies, amphibians, reptiles, fish, soil fauna, and both aquatic and terrestrial insects. Available information indicates a possibility of 50 area species that are on the International Union for Conservation of Nature Red List of Threatened Species, most of them for lack of data as work remains to be done in this area.

PT Freeport Indonesia’s biodiversity programs have contributed significantly to the knowledge of natural science in Papua through the discovery of new species, reference collections, and publication of papers, books and posters.

The large majority of our work in biodiversity is directly applicable and available to researchers charged with developing management plans for the Lorentz National Park, a 2.5 million hectare area named a United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Site in 1999. Similar to the PT Freeport Indonesia project area (which is located nearby), the park encompasses a continuous, intact transect from high mountains to tropical marine environment, including extensive wetlands near and along the coast. PT Freeport Indonesia has no operations in Lorentz National Park.

Tailings Management

One of the largest volume of wastes generated at our operations is tailings – finely ground natural rock residue and water that remain after the concentrate has been removed from the ore at the mill. PT Freeport Indonesia's milling/concentrating process is a physical process where the ore is finely crushed and the copper and gold-bearing minerals are separated from the rock particles that do not have economic value. Because of the site-specific topography, seismic activity and annual rainfall in excess of 10 meters in some locations, we use a controlled riverine tailings management system that transports the tailings to a designated area in the lowlands and coastal zone, called the Modified Deposition Area. The deposition area is a portion of the floodplain of the river, and is an engineered, managed system for the deposition and control of tailings.

The management system is operated under PT Freeport Indonesia's comprehensive tailings management plan, approved by the Government of Indonesia following numerous technical studies and a multi-year review process.

This system involved construction of lateral containment structures, or levees, for the deposition area. These levees were later extended and work is continually conducted on various enhancements to the system, including inspections, monitoring and physical works. We continually evaluate and update the tailings management plan to minimize risks. When mining is completed our research has shown that the deposition area can be reclaimed with natural vegetation or used for agriculture, forestry or aquaculture. The average cost to implement the tailings management program over the past three years was approximately \$15.5 million per year.

We have implemented a program to reuse tailings as concrete aggregate for local infrastructure development. In 2007 and 2008, we constructed 39 kilometers of roads in the Papua province using tailings as a primary component. We also made bricks, bridges, parking lots and a number of buildings. The response from government and local communities has been enthusiastic and we intend to continue these efforts in the coming years.



Early stage reclamation activities in the tailings deposition area include the establishment of native coniferous forests, adding nitrogen to the sediment.



Agricultural crops, fruit trees and other plants are successfully grown at a scientific research center, providing important input for future reclamation considerations.

During 2008, we completed a detailed publication on PT Freeport Indonesia's tailings management program, providing details on how our company is managing tailings transport and deposition in a controlled, engineered manner that is consistent with international best practices. This publication is available to download at www.fcx.com and www.ptfi.com.



From Sand to Soil: A Natural Transformation in Tailings Management

PT Freeport Indonesia supported and facilitated research by Sartji Taberima, researcher and lecturer at Papua State University and graduate students from Bogor Agricultural Institute (IPB) on the evolution of tailings into soil in the Modified Ajkwa Deposition Area (ModADA). A nine-month field study was carried out in 2005. This was followed by laboratory analyses that continued to July 2006. Taberima's doctoral thesis was completed in 2008. Research was aimed at studying the properties of soil evolving from tailings. Since late 2008, Sartji has been working on advanced studies in Perth, Australia.

The research encompassed the 1,500-hectare "Double Levee" demonstration area in the tailings deposition area. Research began with identification of dominant vegetation species. Then the properties of soil formed from tailings were observed through the preparation of representative profiles and tailings samples from each layer for laboratory analyses. Two IPB professors and soil specialists acting as research supervisor and sponsor also personally observed and supervised the research, which indicated that within 8-20 years, tailings in the surface layers (less than 50 centimeters) of the tailings area studied have developed into soil and may be categorized as entisol (newly developed soil).

In the study area, vegetation was able to grow naturally without human intervention. *Phragmites karka* is a pioneer grass species growing in the lowlands with a tolerance for wet conditions, and can reach a height of 4 meters, as well as having abundant roots. This species helps to increase the amount of organic material, repairs soil structure, prevents the washing out of trace elements, and aids in retaining fine tailings particles. Its roots also provide organic materials that help boost growth of other plants in the next stage of succession.

The planting of cover crops contributes positively to the evolution of tailings into soil. This is because cover crops such as *leguminosae* fix nitrogen from air, acting together with *Rhizobium* bacteria found in root nodules. The supplement of organic materials in reclamation also boosts growth of woody plants such as Matoa and other species.

Soil development is proceeding successfully in the demonstration area of the ModADA. "In time, tailings form into soil, which will allow the tailings in ModADA to be utilized for productive and sustainable agricultural and forestry activities if that is the ultimate use selected. The research results showcase the success of our reclamation activities, which are in line with the Environmental Management System, comprised of the Environmental Management Plan - Environmental Monitoring Plan and based on the Environmental Impact Analysis document, which was approved by the Government of Indonesia," said PT Freeport Indonesia Manager - Environmental Andi Mukhsia.



Researchers from Papua State University and Bogor Agricultural Institute work with PT Freeport Indonesia staff to study soil evolution in the tailings deposition area.



Sartji Taberima (left), researcher and lecturer at Papua State University, completed a doctoral thesis on the natural evolution of new soil in deposited tailings.



Workers prepare endemic grasses for placement in a highlands overburden reclamation plot near the Grasberg open-pit mine.

Revegetation and Reclamation

PT Freeport Indonesia is committed to reclaiming or revegetating disturbed land when it is no longer used for mining operations. We have conducted comprehensive scientific reclamation studies and programs for many years in both the highlands and the lowlands portions of the project area to provide sound data on the options for land reclamation.

Highlands

The highlands ecosystem is shaped by environmental extremes that include very low nocturnal temperatures, and high solar radiation during the day with short periods of photosynthesis, heavy fog, high rainfall and nutrient-poor soils. Plants growing there are highly specialized, having evolved to survive in these harsh conditions. Many of these species, including local grasses and several species of rhododendron and mosses, have been found suitable for overburden stockpile reclamation.

We monitor the performance of various planting techniques and modify the programs to enhance their long-term success. Through 2008, more than 50 hectares of disturbed land at the mine in the highlands have been revegetated as part of the longer term reclamation program.

Lowlands

Our studies of tailings reclamation and establishment of demonstration plots on deposited tailings have shown that tailings are not toxic to native forests and agricultural plants. The studies have also provided important information on the range of plant species that can thrive when grown in tailings media. The tailings area is suitable for growing various agricultural crops when tailings are enhanced with organic carbon. The objective of PT Freeport Indonesia's reclamation and revegetation program in the lowlands is to demonstrate sustainable ways to transform the tailings deposits into productive land use, or to return them to native vegetation after mining is completed.

Through the end of 2008, more than 160 plant species had been successfully grown on soils containing tailings. These include legume cover crops for fodder; local trees such as casuarinas, matoa, eucalyptus and coconut; agricultural crop plants such as pineapple, melon, sugar cane, sago and banana; and vegetables and grains such as chili peppers, cucumbers, tomatoes, rice, corn, beans and pumpkins.

Another strategy of tailings reclamation is to allow natural ecological succession (the natural regrowth of native species) in designated areas. An independent research project on natural succession of vegetation on tailings in the deposition area found that, in a period of only a few years, more than 500 plant species had naturally colonized and are growing well.

The Minister of Environment in July 2008 published a decree specifically addressing conditions at the PT Freeport Indonesia project area for managing the deposition of tailings. This decree limits the quantity of the tailings and natural sediments that can pass through the tailings area into the estuary or sea. PT Freeport Indonesia has been addressing this issue over the past decade through engineering and biological programs.

New land formed in the estuary from tailings and natural sediments that pass through has been colonized by mangroves without assistance. Within the past several years, dozens of mangrove species, crabs, shrimp, snails, clams, fish and marine polychaetes (worms) were identified in the mangrove colonization areas. To accelerate the primary succession process in these newly formed lands, PT Freeport Indonesia planted hundreds of thousands of mangroves in the area, employing contractors from the Kamoro people, the traditional lowlands inhabitants. Monitoring of the project shows growth and survival rates of the planted seedlings are similar to rates reported for other assisted colonization programs from around the world as described in scientific literature.



PT Freeport Indonesia has planted hundreds of thousands of mangroves in the estuary below the tailings deposition area as part of an assisted colonization and land-building program.

PT Freeport Indonesia in Compliance with 2nd Five-Year Reclamation Plan

Reclamation of disturbed areas is guided by Five-Year Reclamation Plans submitted to and approved by the Department of Energy and Mineral Resources (DEMR). In 2008, these activities were audited by mine inspectors from the central government agency and the Mimika Regency Mining and Energy Agency. Field visits included tailings, coast and mine reclamation areas.

The verification results stated that PT Freeport Indonesia carried out reclamation activities in 2007 according to the proposed plan. The inspectors asked for additional mapping to more clearly show reclamation progress, and this will be provided for the next inspections, which will take place in 2009. The Five-Year Reclamation Plan submitted in December 2008 was prepared in accordance with a new DEMR regulation passed in 2008.

PT Freeport Indonesia's reclamation budget for 2004 to 2008 was \$7.8 million. The total area reclaimed at the Grasberg mine through 2008 was 78 hectares, while 690 hectares of tailings areas were reclaimed. Reclamation activities are limited to overburden areas that have reached their final stacking height or tailings land areas that are no longer part of active sediment deposition.



The Five-Year Reclamation Plan includes establishment of native fruits, vegetables and starch sources in demonstration plots in the tailings deposition area.

Overburden and Acid Rock Drainage Management

Overburden is the rock that must be moved aside to gain access to ore that is mined and processed to recover metals for commercial purposes. PT Freeport Indonesia handles this material under a comprehensive Overburden Management Plan approved by the Government of Indonesia. Many metals occur in nature as sulfide minerals. When ore is mined and overburden containing sulfides is exposed to the elements, the action of water, oxygen and naturally occurring bacteria has the potential to create dilute sulfuric acid. This acidic water can dissolve metals contained in overburden rock and cause adverse environmental impacts in water drainage systems if not properly managed. This process is known as acid rock drainage.

The company employs a formal risk assessment focused on overburden and tailings management. Standard Operating Procedures are developed and implemented based on these risk assessments.

Under the Government-approved Overburden Management Plan, PT Freeport Indonesia places overburden in managed areas around the Grasberg open pit. Acid rock drainage is captured and treated or neutralized in conjunction with limestone blending and capping in the overburden stockpiles.



Independent audits have concluded that PT Freeport Indonesia's overburden management programs, including reclamation activities, are "well integrated" and "consistent with international best practices."

Photo: The flowering alpine plant Anaphalis hellowigii (Eidelweiss Papua), known as Kawini in the local Amungme language, is one of dozens of indigenous species being conserved and replanted in overburden management areas as they become available for reclamation.

Environmental Monitoring

PT Freeport Indonesia's long-term Environmental Monitoring Program is designed to monitor for potential environmental impacts by routinely measuring characteristics of water quality, biology, hydrology, sediments, air quality and meteorology throughout our area of operations.

In a typical year, more than 7,000 samples resulting in more than 50,000 separate analyses are used to develop the scientific information necessary to make management decisions about our operations so that we can minimize and mitigate environmental impacts.

PT Freeport Indonesia has an on-site environmental laboratory, which generates the analytical data used in the monitoring program. This laboratory is certified to the ISO 17025 quality standard for analytical laboratories by the National Accreditation Committee of Indonesia. As part of routine environmental audits by the Government of Indonesia regulators, Sarpedal (the government's environmental laboratory) samples water, sediment, fish, ambient air and stack emissions. Results routinely confirm PT Freeport Indonesia's data.

PT Freeport Indonesia also submitted to the Government of Indonesia in 2002 a detailed Ecological Risk Assessment of the tailings management system, which evaluated potential pathways that could affect flora, fauna and human health. This detailed assessment confirmed the basis for the tailings management system approvals of the AMDAL. We commissioned a review of critical conclusions of that study in 2007, which is still in progress.

Our biological program monitors more than 200 sampling locations for nekton, benthos, and plankton. In the last five years, more than 2,000 samples of aquatic fauna were analyzed for trace elements, with the total number of analyses exceeding 15,000. Results of current monitoring have shown that fish and shrimp flesh samples from tailings areas are suitable for consumption as regulated by Indonesian food standards.

Data from biological sampling continue to demonstrate that the estuary downstream of the tailings deposition area is a functioning ecosystem based both on the number of species and the number of specimens collected of nektonic, or free-swimming, organisms such as fish and shrimp.



PT Freeport Indonesia's environmental monitoring program includes 200 sampling locations for water quality and aquatic fauna. Researchers collect data in the Ajkwa Estuary downstream of the tailings deposition area.

Waste Management and Recycling

PT Freeport Indonesia's environmental management programs encompass all aspects of its operations, not just those related to mining. We have a comprehensive waste management system using the principles of reuse, recycling and reduction. Our waste minimization programs involve waste reduction and substitution with environmentally friendly products. Bulk containers, used oil, used papers and tires are all reused locally in an environmentally acceptable manner. Other recyclable materials such as scrap metals and used batteries are collected and stored in a temporary storage area for subsequent recycling in accordance with the requirements of the Indonesian government.

Wastes, including small amounts of hazardous waste, are segregated at the point of origin. Collection, packaging and storage of hazardous wastes generated by assay work on ore samples, analytical laboratories, medical facilities and other processes are managed in compliance with Indonesian government regulations. Transported hazardous waste goes to licensed Indonesian processors and does not cross international boundaries.

PT Freeport Indonesia's non-hazardous wastes are handled in three designated locations, including landfills for inert wastes and a landfill for biodegradable and other wastes, which is lined and equipped with a leachate collection and treatment system. Our 10 sewage treatment plants are managed in accordance with the Government of Indonesia regulations. The effluent quality from all sewage treatment plants is monitored regularly for the parameters of pH, biological oxygen demand, chemical oxygen demand, total suspended solids and oil and grease in accordance with the standard.

We developed a plan and obtained approval from the Ministry of Environment to utilize boiler ash produced in our coal-fired power plant mixed with five to ten percent cement for infill projects in the operating areas. This will put the material in our ash stockpile to productive use. Over 350,000 cubic meters of ash were utilized in 2008.

"Three R" Program Supports Environmental Preservation

PT Freeport Indonesia's Environmental team invokes a simple acronym as a reminder to all to Reuse, Reduce and Recycle as a way to manage waste and to reduce our operation's impact on the environment. The operations-wide "3-R" initiative requires recycling several waste materials – plastic, wood pallets, drums and paper – found throughout the PT Freeport Indonesia area of operation. Instead of sending these voluminous items to the landfill for further waste management processing, the 3R program routes some of this material to students and other community groups, where they are recycled into usable items that are functional, decorative or educational in nature.

"There are still other types of waste materials around our work area that can be recycled into usable items, and our group is currently finding various ways and correct procedures to better manage waste materials and reuse them as items that are part of our daily activities," explained PT Freeport Indonesia Superintendent – Environmental Awareness and Education Jimmy Ruminum, who also added that one of the more recent recycling activities involved transforming waste paper into 2008 Christmas cards that were distributed to management and environmental education partners in Timika.



PT Freeport Indonesia's environmental education team works with local schools to promote the importance of "Reuse, Reduce and Recycle."

PT Freeport Indonesia Plants 15,000 Trees to Commemorate World Environment Day 2008

"Plant trees for life. Without trees there is no life," stated Papua Governor Barnabas Suebu in his opening remarks at the ceremony commencing the planting of 15,000 ball nut trees (*Calophyllum inophyllum*) at the west levee of PT Freeport Indonesia's tailings deposition area on June 7, 2008.

Governor Suebu related his appreciation toward PT Freeport Indonesia for the initiative, and emphasized the sustainable nature of the species as a possible energy source. "The ball nut tree was chosen based on the recommendation from the Papua Provincial government's Regional Environmental Impact Management Agency (Bapedalda) because its seed can be used as a biodiesel alternative," explained PT Freeport Indonesia's General Superintendent - Reclamation and Biodiversity, Arief Hermono.

The tree planting took place in commemoration of World Environment Day, and was the result of cooperation between PT Freeport Indonesia, Bapedalda and Mimika Regency government, represented by acting Mimika Regent Atanasius Allo Rafra at the event.

Approximately 1,000 PT Freeport Indonesia employees and local community members participated in the planting on 5.9 hectares of tailings land. This is in addition to completion of reclamation activities over 122 hectares of the tailings area with more than 100,000 other trees including casuarinas, eucalyptus, coconut, acacia, matoa and sago.

Approximately 1,000 PT Freeport Indonesia employees and local students participated in tree planting activities.



Papua Governor Barnabas Suebu plants a Ball Nut tree in the PT Freeport Indonesia tailings management area to commemorate World Environment Day.



Environmental Education Program

PT Freeport Indonesia supports an active program of public outreach to help make employees and local inhabitants more aware of the environment and their relation to it. The program makes use of the Twin Levees Reclamation Demonstration Area, the surrounding natural ecosystems and operations related to the environment such as the environmental laboratory and our waste handling facilities. The program focuses on students and teachers, but also includes other local stakeholders, employees, government officials, local non-governmental organizations, media and members of government security units. Earth Day, World Environment Day and Clean Town Day activities in local communities are enthusiastically attended.

For several years, we have been helping to implement an Environmental Education Program at schools near the PT Freeport Indonesia area. Bapedalda Papua (provincial environmental agency) is adopting this program for schools throughout Papua. PT Freeport Indonesia has assisted with curriculum development.

Employee Engagement

We strive to provide the best environment possible for a well-trained and diverse workforce.



Underground operator training at PT Freeport Indonesia

Management Approach

We are dedicated to providing our employees with a safe and professionally rewarding work climate. Our policies, programs and practices are designed to help our employees grow both personally and professionally. We know success as a company relies on the individual contributions of employees. That is why our commitment to excellence extends to the needs of every person we employ.

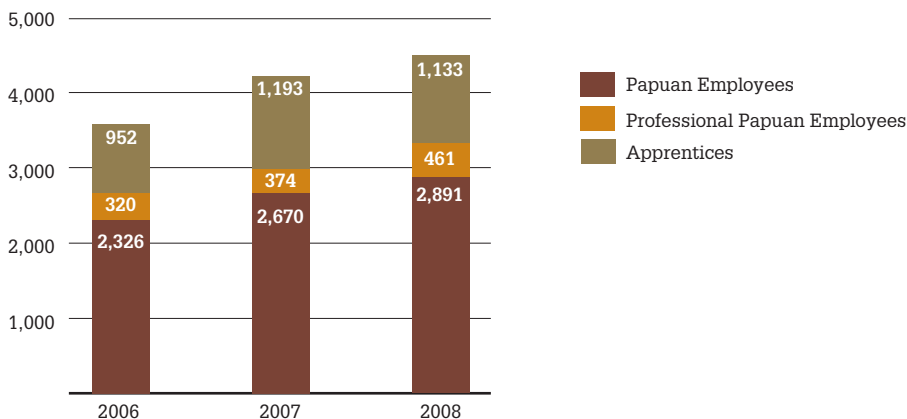
At December 31, 2008, our workforce numbered 11,659 employees and 9,394 contractors. Approximately 98 percent of PT Freeport Indonesia employees are Indonesian, 29 percent of which are Papuan. In 2008, the total number of Papuans directly employed by PT Freeport Indonesia was 3,352, an increase from 3,044 in 2007 — a trend that the company is committed to continuing.

Principles of Business Conduct

Freeport-McMoRan Copper & Gold Inc.'s Principles of Business Conduct define how we work and the behavior we expect of our employees across the globe. These principles are an affirmation of our commitment to integrity. Anyone who does business on behalf of Freeport-McMoRan Copper & Gold Inc. and PT Freeport Indonesia is bound by our principles. We believe in doing business with suppliers, contractors, consultants and other business partners who demonstrate high standards of ethical business conduct.

The Principles of Business Conduct require all employees to adhere to ethical standards established by the company and consistent with applicable laws, including anti-corruption laws and the U.S. Sarbanes-Oxley Act. Appropriate company personnel are required to annually certify their adherence to this policy and training is provided to support employees' understanding of the policy. Employees are required to notify the company compliance officer of any suspected violation of the principles. Any reported incidents or concerns about violations or potential violations are investigated and resolved appropriately.

**PT Freeport Indonesia
Papuan Employees**



Training, Education and Papuan Development

Training, continuing education and development are critical components to ensuring long-term operating efficiency in any business. These matters become even more important when operating in a developing region without a long history of advanced educational programs. Job training programs in Papua must offer more than technical skills development. During 2008, PT Freeport Indonesia provided 8 million hours of training to over 20,000 participants, a 14 percent increase over 2007. Training programs range from basic literacy and mathematics to “pre-apprenticeship” programs for individuals with no prior career training, advanced technical apprenticeships, career and leadership development, and business management programs that provide world-class skills to our workers.

In 2003, with a view toward long-term development of Papuans in the workforce, PT Freeport Indonesia formed the Nemangkawi Mining Institute. The Institute’s goal is to provide pre-apprentice, apprenticeship and advanced career development opportunities for hundreds of Papuans and other Indonesians each year. In 2008, the Institute made significant advances. Over 1,450 Papuans are enrolled in the Institute’s apprentice and pre-apprentice programs. These

students receive on- and off-the-job training in welding, heavy duty mechanics, equipment operations, electrical and instrumentation work, clerical and administration duties and numerous other trades. Graduates of the apprenticeship program can accept employment anywhere they like, but it is expected that most of these students will be hired by PT Freeport Indonesia and its associated partners. Since Nemangkawi’s opening, more than 1,000 apprentices have been hired as employees of PT Freeport Indonesia or one of our partner companies. Further, 730 pre-apprentices, all from the seven local ethnolinguistic groups, have graduated to the full apprentice program.

Nemangkawi and PT Freeport Indonesia management are engaged in a partnership with the prestigious Bandung Institute of Technology (ITB) to offer a Master of Business Administration degree from ITB through Nemangkawi. This year 40 staff level employees graduated from the MBA program.

Nemangkawi, through a partnership with Polytechnic State Semarang, now offers a Diploma in Business Administration Apprenticeship program. The Class of 2008’s second intake commenced in July 2008 and increased to 44 the number of Papuans participating in the program.



PT Freeport Indonesia’s Nemangkawi Mining Institute provides training and career development opportunities for hundreds of members of the community near the Grasberg operations. Enrollment has grown to include approximately 1,500 apprentices, building a skilled workforce for planned underground mining expansions.

Supporting Women's Empowerment through Family Financial Training

PT Freeport Indonesia's Social Outreach and Local Development Department, in cooperation with Maria Bintang Laut cooperative, Timika Diocese and Resources & Restore (R&R) Consulting Jakarta, have created a partnership to address a desire among local women for knowledge to improve the way they manage family resources.

The objective of the training is to provide participants with information on asset identification and capitalization; family financial planning based on needs and potential development; various ways to save; and identifying financial excess and its prevention. Several dozen women from the villages of Nayaro, Tipuka, Ayuka, Nawaripi Baru, Koperapoka, Wangirja (SP9) and Utikini Baru (SP12) participated in the program, themed "Handle Your Finances Badly, Live Miserably; Handle Your Finances Well, Live Fully."

R&R Consulting Jakarta lead facilitator Heru Sukarsono explained that the material presented is simple to understand and was customized for this type of training. "We use study patterns that help develop creativity so that participants can be more active during the training. This makes the training more beneficial for them, and in the end the participants will be able to act as agents of change for other women in their respective villages," he continued.

This program is one of several that PT Freeport Indonesia implements to support women's development. Other programs focusing on women's development are in the areas of health and nutrition, micro-enterprise development, and human rights. PT Freeport Indonesia believes that programs with specific outreach to women are crucial for sustainable development programs. Empowering women in turn creates opportunities for children and families and develops better communities from the household level up.



The financial training workshops include hands-on educational activities at local financial institutions.



AITOMONA sewing enterprise participants hone both sewing and business skills in a company-sponsored training program.

Mahnar Parigade of PT Freeport Indonesia's business development unit, who handles the day-to-day liaison with AITOMONA Sewing Cooperative, explained that sewing training workshops have been conducted at the five company-supported lowlands villages of Koperapoka, Nawaripi Baru, Nayaro, Tipuka and Ayuka. "Along with an instructor contracted by Freeport, we have visited each village once a week for the past four years to conduct training and observe the development of the talent and also the drive of the women in this particular home industry," says Mahnari. "The main objective of this training is to provide the sewing skillset to the women in the villages. All development activities by our Social Outreach and Local Development group aim to improve the ability of the local community to generate income for their families through productive economic activities. With the women having a direct experience in an income-generating activity such as sewing, it is our hope that they will become more independent as time goes by," she added.

Fashioning Sustainable Business Skills

PT Freeport Indonesia's Women's Development Program consultants have found a common thread among women in the lowlands Kamoro villages known as "Lima Desa Kamoro" (Five Kamoro Villages). Local women with a love and aptitude for creating clothing joined together to form an enterprise group with aspirations for a sustainable business.

With the skills and knowledge acquired over the past four years, participants in a company-sponsored women's sewing cooperative established the AITOMONA sewing enterprise group during 2008. The group has generated savings of more than \$1,000 through sales in the Mimika Regency. One of their more significant orders for 2009 comes from the LPMK Health Bureau, which has requested 1,000 bags. Other orders include school uniforms from State Junior High School 5 in Mimika, and sewing orders from individuals as well.

Safety and Health

The ultimate goal of our safety program is to send every worker home safe and healthy, every day.



Management Approach

Occupational health and safety is a core value of our company and one of our most material sustainable development issues. We believe that all injuries and occupational illnesses are preventable. “Safe Production” captures the essence of our philosophy that safety and health considerations are integral to, and compatible with, all other management functions in the organization. We consider safety and health initiatives, both on and off the job, to be a critically important investment in our employees.

Encouraging employees to assume personal responsibility for their safety and to look out for their co-workers is a good business practice. As such, we promote safety as a central value to our operations. Safety is a key metric used in the company’s performance management and employee development program, thereby encouraging safe work practices throughout our workforce.

Implementing an effective safety program for such a large and diverse operation — involving more than 20,000 employees and contractors engaged in mining and milling, ore flow and processing, power plants, ground transportation, aviation, port and marine vessel operation, residential towns, dormitories and a hotel — is a complex undertaking. It involves management and supervisory focus; a comprehensive safety management system for every aspect of operations; introductory, fundamental, specific skill and supervisory training — including annual refresher courses; and a system to track results and progress in achieving safety goals.

Safety Performance

Our Safe Production program sets the goal of continuous improvement in our safety and health performance. By establishing specific safety targets at each operation in 2009, we will focus continued attention on improving our safety performance. The measurable components of each site’s safety targets become part of the operation’s annual performance review at the end of the year.

During 2008, the lost time incident rate per 200,000 working hours among PT Freeport Indonesia employees was 0.10, which is a 29 percent improvement over 2007. Our total reportable injury rate was 0.37. Unfortunately, there were three work-related fatalities during the year. PT Freeport Indonesia is focusing on a risk assessment approach to prevent accidents, to avoid any future fatality events, and emphasize non-staff involvement in the safety management process. The occurrence of any workplace fatality is unacceptable, and we deeply regret the loss of life. The company has identified the root causes of these fatalities and is executing action plans to prevent any recurrence. In addition, we have implemented the ICMM fatality reduction program.

In March 2008, PT Freeport Indonesia achieved the five-star rating for excellent safety performance, the highest rating available, awarded by the National Occupational Safety Association (NOSA), a leading global supplier of occupational risk management services. While our safety performance in 2008 saw an improvement from the prior year, we strive toward the goal of zero injuries and illnesses.

Emergency Preparedness and Response

Emergency preparedness and response is a fundamental component of our site safety program activities. We have 253 trained responders to effectively manage potential emergencies. Working with local government entities, we identify and plan for a range of response scenarios to ensure

the proper coordination of emergency response equipment and personnel to address potential emergencies. Mock drills, community education and regular coordination meetings help us develop the knowledge and skills necessary to manage any kind of emergency event to protect our workforce and the communities surrounding our operations.

Emergency Response Team Wins National Title

PT Freeport Indonesia's Emergency Response team was named overall winner at the 11th Indonesian Fire & Rescue Challenge in November 2008. The PT Freeport Indonesia team won three gold and two silver medals in the week-long event, in which first responders from 16 national and international mining, oil and gas, and other industries participated. The team members were selected from among dozens of full-time, highly skilled first responders who work in PT Freeport Indonesia's rugged project area, which spans from the Grasberg mine at an elevation of 4,200 meters to port facilities near the Arafura Sea coast.





PT Freeport Indonesia's employee volunteer and community outreach team supports public health education programs across the Indonesian archipelago.

Photo: Jakarta-based employees and family members help to raise HIV/AIDS awareness in the AIDS Walk 2008.

Occupational Health

Mining has historically been viewed as a dangerous and hazardous enterprise. Recognizing and managing the physical hazards that occur in the mining process are important components of our safety and health program. Identifying these hazards allows each operation to mitigate them through engineering or administrative controls, or through the use of personal protective equipment.

Our approach is, and will continue to be, the ongoing evaluation of processes and operations where a potential hazard may be present. Where a risk is identified, we take steps to quantify and then to control it through proactive measures to protect the health of our workforce.

We are aware of and concerned about the incidence and prevalence of HIV and AIDS, particularly in the community within PT Freeport Indonesia's Contract of Work area. The company recognizes that HIV and AIDS are illnesses that must be addressed with standard medical approaches and cognizance of the social aspects of the problem.

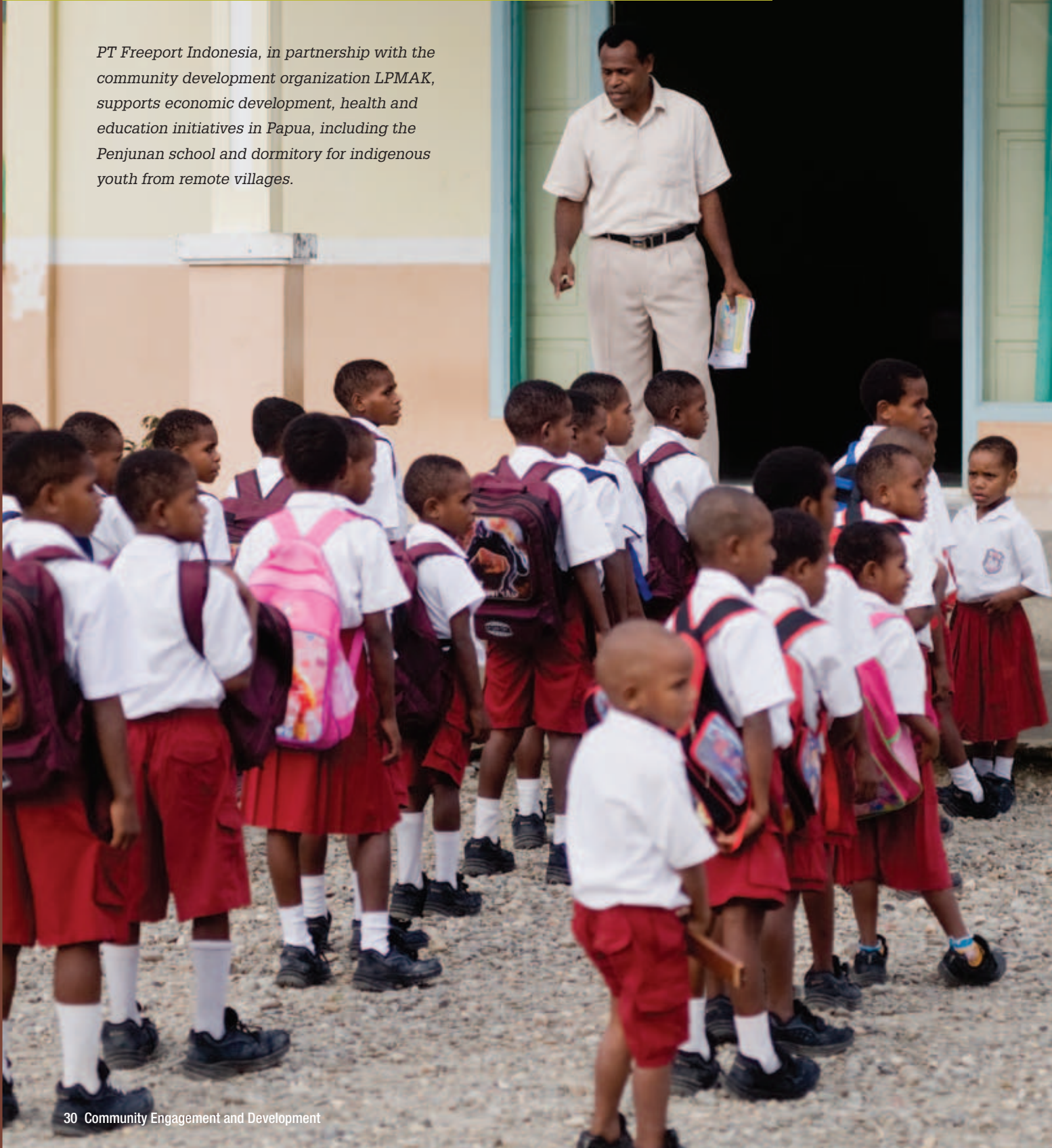
PT Freeport Indonesia's policy statement on HIV/AIDS recognizes the serious implications of HIV and AIDS to the workforce and to the local community and endeavors to control the transmission of the diseases in accordance with regulations of the Government of Indonesia and recommendations of the World Health Organization (WHO), the International Labor Organization (ILO), the U.S. Center for Disease Control and Prevention (CDC), and other relevant international health organizations. In accordance with the company policies of non-discrimination, government regulations regarding HIV and AIDS, and the tenets of the ILO, PT Freeport Indonesia maintains a non-discriminatory and fair approach to people with HIV or AIDS.

PT Freeport Indonesia received the 2008 Millennium Development Goals Award in the category "Fighting HIV/AIDS, Malaria, Tuberculosis and other Diseases," from the United Nations, Indonesia's National Development Planning Ministry and the Indonesian television network Metro TV for its commitment and work to implement programs aimed at supporting millennium development targets.

Community Engagement and Development

By collaborating with communities and organizations, we help provide sustainable benefits in the areas where we operate.

PT Freeport Indonesia, in partnership with the community development organization LPMK, supports economic development, health and education initiatives in Papua, including the Penjunan school and dormitory for indigenous youth from remote villages.



Management Approach

Community engagement is a fundamental sustainable development commitment. Our objective is to incorporate sustainable development principles, including the needs and concerns of our stakeholders, in our business decisions and ensure that we prevent, mitigate and ameliorate the social impacts of our operations. PT Freeport Indonesia contributed over \$55 million in voluntary donations, development programs and other community investment in 2008.

Freeport-McMoRan Copper & Gold Inc. and PT Freeport Indonesia launched a new Community Policy approved by the company's Board of Directors in early 2009, which states our commitment toward continuous improvement in our social assessments, interactions with our stakeholders, community partnerships and local development programs.

Our stakeholder engagement programs include working to understand the needs of the communities; providing resources, including technical and financial support; offering knowledge and expertise from company and external resources, and energizing employee volunteers to help our communities help themselves. Helping to build and sustain healthy communities is a responsibility PT Freeport Indonesia shares with local governments, civic groups, business leaders and other community members. It is in everyone's best interest to create strong communities and robust, diverse economies that can weather the ups and downs so common to the mining industry.

We believe we can best ensure the long-term viability and success of the communities near our operations by working closely with the communities themselves. Through both formal and informal methods such as community meetings, joint boards and forums and PT Freeport Indonesia Community Liaison officers who work alongside community members daily — we seek input from our stakeholders regarding priority community issues and needs. We use this feedback to inform our social investment and charitable giving partnerships and decisions. This not only supports the development of strong and credible relationships with community members, but also facilitates the best use of our community investments.

Social and Cultural Commitments

We are committed to building and maintaining positive relationships with our Papuan neighbors, in particular the indigenous communities closest to our area of operation. We have in place Community and Human Rights Policies, which are available on our web site at www.fcx.com. We are committed to providing opportunities for social, educational and economic development, including special efforts to train and hire those indigenous to the area. We also continually strive to learn more about the Papuan people, their histories, culture and changing circumstances, to build more constructive relationships and to enhance our outreach efforts. Most important is our commitment to extend respect to indigenous Papuans and their cultures and to engage with them in an ongoing dialogue on issues of mutual interest.



Kamoro artists from the lowlands communities in the PT Freeport Indonesia project area in a company-sponsored cultural exchange in Bali.

Building Mutually Beneficial Relationships

In furtherance of our commitment to build and maintain constructive and positive relationships with our Papuan neighbors, we engage in continual dialogue with local leaders. These dialogues have led to important agreements with the Amungme and Kamoro people, and other indigenous groups with traditional ties to the area.

PT Freeport Indonesia and our joint venture partner have since 1996 committed a portion of revenues for the benefit of the local community through the Freeport Partnership Fund for Community Development. The Partnership Fund is administered and disbursed by an organization called the Lembaga Pembangunan Masyarakat Amungme dan Kamoro (LPMAK), or, in English, the Amungme and Kamoro Community Development Organization. LPMAK is managed by a Board of Commissioners consisting of representatives from the local government, Papuan regional leaders, leaders from the local Amungme and Kamoro communities and PT Freeport Indonesia.

LPMAK's Board of Commissioners establishes annual budgets for three main development program areas — health, education and economic development — as well as funding for programs supporting cultural and religious activities. The budgets are based on development priorities determined by LPMAK's Board of Directors. The projects supported by LPMAK directly benefit the Amungme and Kamoro people and five other indigenous communities in the Mimika Regency — the Dani, Moni, Ekari/Mee, Damal and Nduga peoples. These groups are represented on the LPMAK Board of Directors through their community, church and government leaders. LPMAK's secretariat office and program bureaus, which handle the daily activity of the organization, at the end of December 2008 consisted of 122 employees, 75 percent of whom are Papuan.

LPMAK has made a significant impact on the lives of the local people by funding projects benefiting residents in villages throughout the Mimika area. Examples include hospitals in Timika and Banti that treat thousands of patients each year; the LPMAK education program, which has provided scholarships or educational assistance to thousands of Papuan



PT Freeport Indonesia funds public health initiatives, including hospitals and clinics, through the Amungme and Kamoro Community Development Organization (LPMAK).

students; and economic and village development programs that have provided rural income generation projects, clean water, church facilities and other infrastructure to remote villages in Papua. LPMAK is an accountable, professionally managed and successful development program. It is one of the largest privately funded social development programs in Asia.

Commitments to the partnership fund attributable to 2008 totaled approximately \$34 million, with total commitments to the fund amounting to nearly \$329 million since inception.

In 2001 PT Freeport Indonesia separately established voluntary trust funds for the Amungme and Kamoro to which the company has contributed approximately \$27 million through 2008 and, in conformance with the applicable land rights agreement, will continue to make contributions of \$1 million annually. These funds are in addition to the Freeport Partnership Fund for Community Development.

A Memorandum of Understanding (MOU) consummated in 2000 by Amungme and Kamoro local community organizations and PT Freeport Indonesia focuses on socioeconomic resources, human rights, land rights and environmental issues. This landmark agreement, achieved after five years of negotiations, fosters continuous dialogue to improve mutual understanding and respect, to enable the local people to achieve their aspirations and to continue harmonious relationships.

As part of the 2000 agreement, the MOU Forum was created, consisting of representatives of LEMASA, the Amungme tribal agency; LEMASKO, the Kamoro tribal agency; YAHAMAK, a nonprofit human rights advocacy group for Papuan women and children; the regional governments; and PT Freeport Indonesia. The MOU Forum meets regularly to discuss issues related to implementation of the 2000 Memorandum of Understanding. This continual dialogue has led to further agreements and mutually beneficial projects and has instilled a sense of partnership and community between us and our Papuan neighbors, aligning our shared interests in a sustainable and more promising future.

Economic Development

We contribute to the economic vitality of the communities where we operate, in particular by supporting local business development. In addition, we prioritize purchases from local suppliers. The total value of domestic goods that PT Freeport Indonesia purchased locally was \$271 million in 2008, an increase of 43.8 percent from 2007.

The PT Freeport Indonesia Small and Medium Enterprise Development Program offers entrepreneurs professional guidance. In 2008, Papuan-owned small businesses that received training and support from PT Freeport Indonesia provided employment to 993 local residents. More than 47 percent of these workers are Papuan. The aggregate revenue from these assisted local entrepreneurs increased by over \$1.5 million or about 24 percent – from \$6.4 million in 2007 to \$8 million in 2008.

One method of support provided to local entrepreneurs is a microcredit program. Since inception in 2005, the microcredit loan foundation has loaned over \$2 million to 98 local Papuan entrepreneurs, who participate in the company's small to medium enterprise development program.



Entrepreneurs Establish Roots in Mimika's Growing Business Landscape

Wempy Jitmau (center) started his landscaping and cleaning business CV Mimika Lestari in 2001 with less than \$100 in assets and six employees planting trees in one of the Freeport communities. With assistance from PT Freeport Indonesia's Small and Medium Enterprise Development Program, Jitmau's business branched outward into the greater Mimika community, where he now employs 56 workers. Contracts include provision of cleaning services at the Moses Kilangin International Airport and landscaping services for numerous local businesses.

Growing Partnerships Work Toward Sustainable Economic Growth in Papua

The Mimika Regency population has increased rapidly over the past decade, with government statistics indicating a population rise from 67,000 in 1998 to more than 150,000 in 2007. Most of the population growth has been around the urban center of Timika, which is located near the PT Freeport Indonesia project area. In discussions with local community leaders over the years, PT Freeport Indonesia and these leaders observed that many community members living in rural and remote villages were drawn to the urban centers for economic opportunities. As the urban centers grew, younger persons had fewer reasons to remain in and support their home villages.

In response to this concern, in 2007 PT Freeport Indonesia launched a two-year partnership with the U.S. Agency for International Development called the Papua Agribusiness Development Alliance (PADA). With a budget of \$2 million, the objectives of the PADA program are to increase revenues and jobs within remote Papuan communities through the development of agriculture and agribusiness, thus promoting improvements in farming and fishing livelihoods. One successful pilot project, among several launched so far, has been implemented in the remote Kamoro coastal village of Kokonao, approximately 21 miles southeast of Timika. One of the greatest challenges to local fishermen has been the inability to adequately preserve their catch during transport to market. In cooperation with a local sponsor, PADA provided assistance to build an ice factory in the village where fishermen can purchase ice for an affordable price. In addition, PADA provided a local church organization with a seven-ton boat to facilitate transportation. As a result of this program, fishermen in Kokonao have seen their profits improve by as much as 400 percent, thus making village livelihoods more viable for current and future generations.



Participants celebrate the first ice blocks produced as part of the Papua Agribusiness Development Alliance program in Kokonao, Papua.



Bertha You

Brightening and Healing the Mimika District

In 2003, Bertha You saw the need for a pharmaceutical supplier in Timika. Due to her hard work and development assistance from the Social Outreach and Local Development Department of PT Freeport Indonesia, PT Aweida Farma has become the only Papuan major pharmaceutical supplier in Mimika District, and now supplies medicine as far away as Papua's Yohukimo District.

"Aweida in my language means light or bright. So, the meaning of Aweida Farma is to brighten, enlighten, encourage and heal those who suffer illnesses by supplying medicine," said You who is a native of the Mee tribe.

As early as ten years ago, she saw that despite the rapid development in Mimika, the regency often lacked medical supplies. The situation fed You's entrepreneurial spirit and encouraged her to open a business under CV Aweida Awii Farma. She quit her job as a nurse in Jayapura so that she could focus on developing her business.

CV Awieda Awii Farma's business permit was issued in 2003. By 2004, You was supplying medicine for Mitra Masyarakat Hospital, clinics and pharmacies in Mimika. In the following year, You visited SLD and asked for assistance and training in business development and management, as well as financial aid. In 2007, You decided to start a new business entity, which today is her pharmaceutical flagship business, PT Aweida Farma.

"One of my plans for next year is to become an authorized sub-distributor in Mimika for a number of medicine distributors from Jakarta, Surabaya, Bandung and Makassar, and my long-term plan is to establish a health center with facilities such as a laboratory, a pharmacy and physician services," explained You.

Public Health

One of the highest priorities for Freeport-McMoRan Copper & Gold Inc. and PT Freeport Indonesia is improving public health in the communities in which we operate. Illness and disease can devastate employees, their families and the network of people who support a community's infrastructure. We coordinate with local governments and other organizations to identify and prioritize unmet needs for health care infrastructure and services, and we work with partners to try to fill those gaps. Funding from the company has helped advance medical care, access to medicines, health education and prevention programs.

In the Mimika Regency of Papua, PT Freeport Indonesia is a leading partner in curative and preventive health care services. The company supplements government health services for the whole population of Mimika with financing, infrastructure and technical support. We fund two hospitals through our community partnership with LPMMAK, and we operate four primary community health centers as part of our Public Health and Malaria Control Department. These health centers provide outpatient care and consultations totaling between 150,000 and 200,000 patient visits and inpatient care to more than 10,000 hospital patients every year. Additionally,

we provide maternal and child health education programs, free X-ray and laboratory services in partnership with the local government clinic in Timika, and clean water supply for a number of sponsored communities.

Mimika is one of the fastest-growing regencies in all of Indonesia. The area that only three decades ago supported a few thousand individuals in scattered, isolated villages is now home to more than 150,000 people. As new residents arrive from around the province and across the Indonesian archipelago in search of employment and opportunity, the battle against diseases such as malaria, tuberculosis and sexually transmitted infections including HIV/AIDS becomes more complex. PT Freeport Indonesia is addressing these challenges by supporting quality health care programs. We have also supported major international malaria drug studies in the local area.

In 2008, PT Freeport Indonesia's Public Health and Malaria Control Department worked with LPMMAK to provide training to LPMMAK health staff and a local non-governmental organization (NGO) to implement malaria control programs in remote areas in Mimika. By transferring skills and knowledge to local partners, PT Freeport Indonesia hopes to increase sustainability of health programs that will provide benefits for years to come.



Company-supported hospitals and community health centers provide outpatient care and consultations totaling between 150,000 and 200,000 patient visits per year.

Artisanal Mining – Addressing the Risk to Public Health

One of the many social challenges of operating at PT Freeport Indonesia's Grasberg Mine in Papua is the large number of artisanal miners illegally panning for gold in the Otomona River system. These activities hamper the progress toward long-term sustainable development for the region. While the company cannot regulate their practices or presence, the company coordinates and communicates regularly with the local and provincial government authorities on the issue. The company and the local government are seriously concerned about the potential use of mercury by artisanal miners in the gold-refining process, which could potentially pollute the environment and create health risks for the local community and the miners themselves.

In 2008, PT Freeport Indonesia met many times with the local government and police authorities to discuss the risk of mercury that could be potentially used by artisanal miners. As an outcome of the discussions, a presentation was made to over 250 artisanal miners and gold store operators. Many of those in attendance were unaware of the health risks of direct exposure to mercury vapors when using it to extract gold. In addition to this presentation, the company reached hundreds of other artisanal miners throughout the year, both in the highlands and lowlands, by handing out flyers in Indonesian and local tribal languages and working with local churches to promote awareness and education on the environmental and health dangers of using mercury.

PT Freeport Indonesia does not use mercury in its processes, but is monitoring potential environmental risks and impacts related to the possible use of mercury by illegal miners. In June 2008, the company installed a continuous mercury air monitoring system, one of the most advanced mercury analyzers currently available.



Gold panning activities in the Otomona river system in Papua, Indonesia.



PT Freeport Indonesia Community Liaison Officer Salmon Naa meets with a group of illegal panners to discuss the challenging issue of moving their activities from unsafe areas.



PT Freeport Indonesia installed a state-of-the-science continuous air monitoring system to detect the possible presence of mercury sometimes associated with artisanal mining activities.

At present, the monitor has not detected any significantly elevated mercury level in the air, with all detected values falling within global background. Also as part of the company's routine environmental monitoring system, we regularly check mercury levels in the river ecosystem, generating an extensive data set from a large geographic area. Results to date have shown no difference between rivers inside and outside the company's area of operations, and mercury concentrations detected in all media are at levels believed to be safe for humans and ecosystems.

PT Freeport Indonesia is committed to protecting and promoting the health of the environment and the local community through meaningful engagement with the artisanal miners and other neighbors. Indications to date are that mercury is not being used in the area, and that education and other tools are raising awareness to help ensure that mercury is not introduced.

Cultural Preservation

We learn much from the communities near our operations, especially from our indigenous neighbors. It is important to support them in celebrating their culture and traditions to ensure that their cultural heritage is preserved for future generations.

In 2008, in partnership with the Papua Provincial government, PT Freeport Indonesia supported the development and publication of the book, *Introducing Papua*, which is targeted for youth in Papua to learn about their unique history and cultural heritage. Papua, being one of the least well-known regions in all of Indonesia, has few resources for local students. We have also sponsored two books about the Kamoro and Amungme to help us and others throughout the world understand and appreciate their societies.

We have long supported the Asmat and Kamoro Art and Cultural Festivals. We have also sponsored social, artistic, cultural, language and economic studies of the Amungme and Kamoro people, the traditional inhabitants of our area of operations. These studies have improved mutual communication with and understanding of our neighbors and contributed significantly to the international knowledge of their unique cultures.



Planting Prime Sago to Boost Community Food Resilience

PT Freeport Indonesia, the Timika Catholic Church Diocese and Papua State University are working in partnership with the Kamoro community to boost production and sustainability of a staple food source. The Sago Crop Hamlet was established during 2008 in the Nayaro community. During the first project year, more than 100 local families participated in the planting of prime sago palm trees on 74 hectares of land. University researchers worked with local land owners whose knowledge handed down through generations aided in the development of superior sago cultivars. Sago, a staple in the coastal Papuan diet, is often referred to as a “super food” because the starch is a rich carbohydrate whose productivity per hectare per year is five times that of rice, maize, wheat or potatoes.

Land Rights Recognition

Under the Indonesian constitution, all unimproved land is, by law, owned by the Government of Indonesia and all minerals belong to the Government of Indonesia. PT Freeport Indonesia’s “January Agreement” of 1974 with the Amungme was the first recognition in Indonesia of *hak ulayat*, or the right of traditional people to land used for hunting and gathering. Subsequent to that agreement, the Government of Indonesia formally recognized the right to compensation for *hak ulayat* land rights. Compensation in the form of *rekognisi*, or recognition, is paid to communities for a release of *hak ulayat* rights, as *hak ulayat* is a communal property right. Such payments are made in the form of mutually agreed projects or programs benefiting the community. PT Freeport Indonesia has paid *rekognisi* in several instances over the years through programs mutually agreed upon with the local Papuans and the Government of Indonesia.

Two such multi-year *rekognisi* programs are currently ongoing in the highland and lowland areas of our operations. These two programs are providing millions of dollars worth of infrastructure, social and economic development projects including housing, school buildings and student dormitories, medical clinics, places of worship, community buildings, office buildings, roads, bridges, water tanks, electrical power, motorboats for transportation and fishing, sports facilities and feasibility studies for business opportunities.

The Kamoro Village Recognition Program is compensating for the release of land to the Government of Indonesia by five Kamoro villages in the lowlands, including land used for the tailings deposition area, cargo dock facilities, the port and electrical transmission line corridor. The program initially focused on physical infrastructure, including housing and community facilities, but now targets ongoing needs such as economic development and income generation, health education and access to health facilities, nutritional instruction, continuing education for post-secondary students, village and social institution development and preservation of the Kamoro culture. Included are programs to develop sago and coconut plantations and to foster commercialization of the local fishing industry.

The Tiga Desa (Three Village) Development Program is a similar program for three Amungme villages in the highlands. This program provided additional *rekognisi* to the Amungme living nearest the mine who had been compensated in the 1974 agreement, but who have been affected by the expanded scope and continuing success of our operations. This program includes construction of bridges, roads, protective levees, housing, water and sewer service, and hydroelectric development.

Economic Impacts

In addition to providing jobs and tax revenues, our operations support broader economic development that extends beyond mining.



Benefits to Government of Indonesia \$ in millions

Cash Basis	2008	1992-2008
Dividend	\$ 49	\$ 702
Royalty	\$ 121	\$ 852
Taxes	\$1,039	\$6,557
Total	\$1,209	\$8,111

Attributable Basis	2008	1992-2008
Dividend	\$ 49	\$ 702
Royalty	\$ 115	\$ 879
Taxes	\$ 484	\$6,086
Total	\$ 648	\$7,667

Students from the Amungme community of Banti at the company-supported Tomawin dormitory in Tembagapura.

PT Freeport Indonesia provides substantial economic benefits for the central, provincial and local governments of Indonesia, and for the economies of Papua and the Indonesian nation as a whole. Direct benefits to the Republic of Indonesia include taxes, royalties, dividends, fees and other direct support. We are the largest employer in Papua and one of the nation's largest taxpayers. During 2008, PT Freeport Indonesia's direct benefits totaled approximately \$1.2 billion. Since our current contract with the Indonesian government began in 1992, these direct benefits to Indonesia have totaled more than \$8 billion.

Indirect contributions to Indonesia include investment in infrastructure in Papua, such as towns, electricity generation, air and sea ports, roads, bridges, waste disposal facilities and modern communications systems. Social infrastructure provided by the company includes schools, dormitories, hospitals and clinics, places of worship, recreational facilities and the development of small and medium-sized businesses. PT Freeport Indonesia has invested approximately \$6 billion in these projects over the life of the project.

Total value of domestic goods purchased locally was \$271 million in 2008, an increase of 43.8 percent from 2007; domestic goods comprised 21.3 percent of all goods purchased by PT Freeport Indonesia.

PT Freeport Indonesia purchased 80 percent of all services domestically with a total value of \$469 million. Of all services purchased domestically, 7 percent are sourced from companies based in Papua; and of all services purchased in Papua 28 percent are purchased from Papuan-owned businesses with a total value of more than \$9 million.

Based on research conducted by the Institute for Economics and Social Research, Faculty of Economics, University of Indonesia, PT Freeport Indonesia accounted for 1.3 percent, 40 percent and 96 percent of the gross domestic product (GDP) for the country of Indonesia, Papua Province and Kabupaten Mimika respectively in 2008.

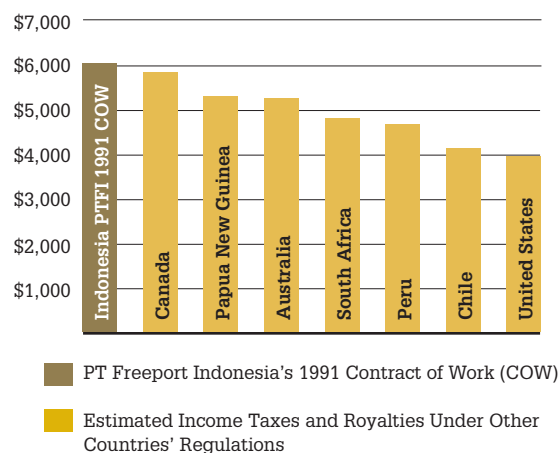
At the end of 2008, PT Freeport Indonesia directly employed 11,659 workers; of these, 3,353 (29 percent) were Papuans. Including contractor employees, a total of 21,053 workers were employed at PT Freeport Indonesia operations at the end of 2008.

Under an MOU signed with the Governor of Papua, PT Freeport Indonesia has committed to contribute tailings as construction material for infrastructure development in Papua, including roads and public facilities. PT Freeport Indonesia has also committed \$400,000 a year for five years (starting in 2006) for Mimika Regency development projects.

PT Freeport Indonesia committed \$34.6 million to the Freeport Partnership Fund for Community Development managed by the Amungme and Kamoro Community Development Organization (LPMAK) in 2008. Out of this total, \$25 million was paid to the LPMAK and the remaining \$9.6 million will be granted upon renewal of the organization's Memorandum of Understanding. The LPMAK partners with local government, NGOs and community partners to support education, health and economic development in the local communities.

In addition to the Partnership Fund, PT Freeport Indonesia contributed \$30.5 million to community investment initiatives, including \$2.4 in cash donations, \$25.6 in community programs and services directly managed by PT Freeport Indonesia and \$2.5 million in infrastructure investments.

Royalty and Income-based Tax Comparison from 1992-2008 by Country
in millions of dollars



This chart illustrates the amount of royalties and income-based taxes paid by PT Freeport Indonesia from 1992 through 2008, compared to the estimated amounts that the company would have paid on the same operations under the regulations of several other countries where mining is prevalent.

Entrepreneur Assisted by PT Freeport Indonesia Receives 2008 Citi Micro-Entrepreneurship Award

Dimas Tibuni, a member of the Dani ethnolinguistic group in Papua's highlands, was making his livelihood as a hunter and farmer when he moved to the coastal area of Mimika. In 2003, Dimas decided to open a kiosk and build a five-room house for his relatives.

After going through a competitive selection process, Tibuni was selected as a guided entrepreneur of Social Outreach and Local Development (SLD) by Freeport Indonesia. SLD provided him with managerial guidance and training, as well as revolving loan assistance for his kiosk business operation activities.

Tibuni has successfully developed his kiosk and is now able to reap a profit of up to more than \$9,000 per year due to his perseverance, under guidance from counselors with Freeport Indonesia's small business development group. Tibuni has plans to increase the electric power of the kiosk to add freezers. "(With the freezers) I can sell more types of commodities needed by the SP 12 citizens," said Tibuni, referring to the surrounding settlement.

In November 2008, Dimas Tibuni won third place for the trade category of the 2008 Citi Micro-Entrepreneurship Awards sponsored by Citi Peka and organized by the University of Indonesia Faculty of Economics SME Center. The CMA is aimed at honoring micro-businesspeople that have successfully freed themselves from poverty, and at providing opportunities for their development.



Dimas Tibuni's business has flourished with guidance from PT Freeport Indonesia's small business development unit.



Demianus Samin (right, wearing white shirt) shares ancestral wisdom with fellow carvers in the Kamoro community.

Developing Business While Preserving Kamoro Culture

Many around the world are familiar with the culture and art of the Asmat coastal people of southeastern Papua and think of this tribe as representative of all traditional cultures in Papua. In fact, Papua is home to diverse cultures and many art forms.

Demianus Samin, known as Demi to friends, has made it his life's work to honor and preserve his Kamoro heritage through wood carvings. The Kamoro ethnolinguistic group lives along the southern Papuan coast, including the lowlands portion of the PT Freeport Indonesia project area. "I want to create something sacred. But before I carve, I have to ask for directions from my ancestors," the 36-year old son of master carver Timotius Samin explains.

Not everyone can become a Kamoro sculptor or carver. Samin explains that the best come from families with a long lineage of carvers who receive a kind of "divine inspiration" from the ancestors before being allowed to carve. The Kamoro carvings include ancestral totems, everyday items such as gathering tools and animals that are part of their lives. The most sought-after Kamoro carvings are those that depict or stem from a compelling story or legend.

Residents and visitors can enjoy Samin's carvings and sculptures around the PT Freeport Indonesia community in Kuala Kencana and at the International School in Tembapapura. Samin is also actively promoting the Kamoro culture at various exhibitions in Bali and Jakarta with the support of the SLD Department at PT Freeport Indonesia.

In addition to the Kamoro handicraft business, Samin received support from PT Freeport Indonesia to purchase a motorboat to create a transportation business for local residents and tourists interested in visiting Kamoro villages. Samin's enterprise, CV Sinar Mimika, generates hundreds of dollars per year.

Awards and Recognition



Silver Award for Mineral, Coal and Geothermal Mining

Awarded by: Department of Energy and Mineral Resources

The award is based on an overall analysis of company policy regarding environmental mining management, compliance toward prevailing government legislation, organization of environmental mining management, environmental management programs and implementation of environmental management strategy.



2008 Millennium Development Goals (MDGs)

Award in the category "Fighting HIV/AIDS, Malaria, Tuberculosis and other Diseases"

The awarding group is a joint cooperation between the United Nations, the National Development Planning Ministry and Metro TV.

The MDG Awards are given to institutions and private sector entities implementing programs aimed at supporting millennium development targets.



Emergency Response team was named overall winner at the 11th Indonesian Fire & Rescue Challenge (IFRC)

Awarded by: National Fire & Rescue Board

The 11th IFRC included eight challenges, with 16 teams participating from various national and international companies in the mining, oil and gas, and other industries. The PT Freeport Indonesia team won three gold medals in the Warehouse Fire Search & Rescue, Rescue from Height and Written Test categories; and two silver medals in the Skills Event and Fireman Fitness Drill categories.



Primary Certificate of Appreciation

Awarded by: State Ministry of People's Housing

The award was granted for PT Freeport Indonesia's efforts in providing housing as part of its corporate social responsibility. The aim of the Certificate of Appreciation is to encourage businesses to show more attention toward housing development so that more employees and communities can be placed in adequate housing.



12th most ideal place to work in Indonesia

Awarded by: *Warta Ekonomi*

Warta Ekonomi, a business magazine, conducted a survey of 1,200 Jakarta area business managers who ranked PT Freeport Indonesia as the 12th most ideal place to work.



Commendation for Sustainability Reporting

Awarded by: Indonesian Public Relations Association

PT Freeport Indonesia (PTFI) received a "Commendation for Sustainability Reporting: First Time Sustainability Report 2007" from the National Center for Sustainability Reporting (NCSR), an independent group that promotes standardized sustainability reporting guidelines in Jakarta (8/28). NCSR was founded in 2005 by the Indonesian Institute of Management Accountants, National Committee on Corporate Governance, Indonesian Association of Publicly Listed Companies, Forum for Corporate Governance in Indonesia, and Indonesia Netherlands Association. While PTFI's Working Toward Sustainable Development annual report has provided this reporting for many years, this was PTFI's first entry in this competition.



PT FREEPORT INDONESIA

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