

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1998-03-31** | Period of Report: **1997-12-31**
SEC Accession No. **0000831259-98-000003**

([HTML Version](#) on [secdatabase.com](#))

FILER

FREEPORT MCMORAN COPPER & GOLD INC

CIK: **831259** | IRS No.: **742480931** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **001-09916** | Film No.: **98581371**
SIC: **1000** Metal mining

Business Address
*1615 POYDRAS ST
NEW ORLEANS LA 70112
5045824000*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-9916

Freeport-McMoRan Copper & Gold Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-2480931

(I.R.S. Employer
Identification No.)

1615 Poydras Street

New Orleans, Louisiana

(Address of principal executive offices)

70112

(Zip Code)

Registrant's telephone number, including area code: (504) 582-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Class A Common Stock par value \$0.10 per share	New York Stock Exchange
Class B Common Stock par value \$0.10 per share	New York Stock Exchange
Depository Shares representing 0.05 shares of Step-Up Convertible Preferred Stock, par value \$0.10 per share	New York Stock Exchange
Depository Shares representing 0.05 shares of Gold-Denominated Preferred Stock, par value \$0.10 per share	New York Stock Exchange
Depository Shares, Series II, representing 0.05 shares of Gold-Denominated Preferred Stock, Series II, par value \$0.10 per share	New York Stock Exchange
Depository Shares representing 0.025 shares of Silver-Denominated Preferred Stock, par value	

\$0.10 per share
9-3/4% Senior Notes due 2001 of P.T. ALatieF
Freeport Finance Company B.V., guaranteed by
the registrant

New York Stock Exchange

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

The aggregate market value of classes of voting stock (common and preferred) held by non-affiliates of the registrant on March 9, 1997 was approximately \$2,871,700,000.

On March 9, 1997 there were issued and outstanding 72,570,444 shares of Class A Common Stock and 108,333,838 shares of Class B Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to stockholders for the year ended December 31, 1997 are incorporated by reference into Parts II and IV of this Report and portions of the Proxy Statement submitted to the registrant's stockholders in connection with its 1998 Annual Meeting to be held on May 5, 1998 are incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

	Page
Part I	
Items 1. and 2. Business and Properties.....	1
Item 3. Legal Proceedings.....	10
Item 4. Submission of Matters to a Vote of Security Holders....	11
Executive Officers of the Registrant	11
Part II	
Item 5. Market for Registrant's Common Equity and Related	

Stockholder Matters.....	12
Item 6. Selected Financial Data.....	12
Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk.....	13
Item 8. Financial Statements and Supplementary Data.....	13
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	13
Part III	
Item 10. Directors and Executive Officers of the Registrant.....	13
Item 11. Executive Compensation.....	13
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	13
Item 13. Certain Relationships and Related Transactions.....	13
Part IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	14
Signatures.....	S-1
Index to Financial Statements.....	F-1
Report of Independent Public Accountants.....	F-1
Exhibit Index.....	E-1
[Page] i	

PART I

Items 1. and 2. Business and Properties.

General

Freeport-McMoRan Copper & Gold Inc., a Delaware corporation ("FCX" or the "Company"), is one of the world's largest copper and gold companies in terms of reserves and production, and believes that it has one of the lowest cost copper producing operations in the world, taking into account customary credits for related gold and silver production.

FCX's principal operating subsidiary is P.T. Freeport Indonesia Company ("PT-FI"), a limited liability company organized under the laws of the Republic of Indonesia and domesticated in Delaware. PT-FI engages in the exploration for and development, mining and processing of ore containing copper,

gold and silver in Irian Jaya, Indonesia pursuant to an agreement (a "Contract of Work" or "COW") with the government of the Republic of Indonesia (the "Indonesian Government") and in the worldwide marketing of concentrates containing those metals. FCX owns directly an 81.28 percent interest in PT-FI. Of the remaining 18.72 percent, 9.36 percent is owned by each of the Indonesian Government and P.T. Indocopper Investama Corporation, an Indonesian limited liability company ("PT-II"), in which FCX owns a 49 percent interest, giving FCX an aggregate 85.87 percent ownership interest in PT-FI. PT-FI's operations are located in the remote rugged highlands of the Sudirman Mountain Range in the province of Irian Jaya, Indonesia, located on the western half of the island of New Guinea. The PT-FI COW permits extensive exploration, mining and production activities in a 24,700 acre area, referred to as "Block A," and an exploration area consisting of approximately 3.25 million acres referred to as "Block B." PT-FI's largest mine, Grasberg, was discovered in Block A in 1988 and contains the largest single gold reserve and one of the three largest open-pit copper reserves of any mine in the world.

Through P.T. IRJA Eastern Minerals Corporation ("Eastern Mining"), FCX holds an additional COW in Irian Jaya covering an approximately 1.8 million acre exploration area. Eastern Mining was formed in 1994 for the purpose of acquiring, holding and developing the Eastern Mining COW. FCX owns 90 percent of the outstanding common stock of Eastern Mining through a wholly owned subsidiary, and the remaining 10 percent is owned by PT-II, giving FCX an aggregate 94.9 percent ownership interest in Eastern Mining.

In 1996, FCX and Rio Tinto plc ("Rio Tinto") established exploration and expansion joint ventures. Pursuant to the exploration joint ventures, Rio Tinto has a 40 percent interest in future development projects under the PT-FI COW and the Eastern Mining COW. Rio Tinto also has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021.

In December 1997, FCX signed a letter of intent to acquire an ownership interest in an entity that holds a COW covering an area of approximately 1.2 million acres in central Irian Jaya. See "Exploration."

FCX is also engaged in the smelting and refining of copper concentrates in Spain and marketing refined copper products through its indirect, wholly owned subsidiary, Atlantic Copper, S.A., formerly Atlantic Copper Holding, S.A. ("Atlantic"). At December 31, 1997, Atlantic's smelter had a capacity of 290,000 metric tons of metal per year. PT-FI has a 25 percent interest in P.T. Smelting Co. ("PT Smelting") an Indonesian company formed

to construct and operate a copper smelter and refinery in Gresik, East Java, Indonesia having a design capacity of 200,000 metric tons of copper cathode per year. The smelter is expected to become fully operational during the second half of 1998 and it is anticipated that PT-FI will provide all of the smelter's copper concentrate.

Republic of Indonesia

The Republic of Indonesia consists of more than 17,000 islands stretching 3,000 miles along the equator from Malaysia to Australia and is the fourth most populous nation in the world with over 200 million people. Following many years of Dutch colonial rule, Indonesia gained independence in 1945 and now has a presidential republic system of government in which parliamentary and presidential elections are held every five years. President Suharto, who assumed power in 1966 and is now 76, was re-elected in March 1998 to a seventh consecutive five-year term.

[Page] 1

Maintaining a good relationship with the Indonesian Government is of particular importance to the Company because all of its mining operations are located in Indonesia. PT-FI's mining complex was Indonesia's first copper mining project and was the first major foreign investment in Indonesia following the economic development program instituted by the Suharto administration in 1967. PT-FI works closely with the central, provincial and local governments in development efforts in the vicinity of its operations. The Company's current mining operations in Indonesia are conducted through PT-FI by virtue of the PT-FI COW and through Eastern Mining by virtue of the Eastern Mining COW, both of which have 30-year terms, provide for two 10-year extensions under certain conditions, and govern PT-FI's and Eastern Mining's rights and obligations relating to taxes, exchange controls, royalties, repatriation and other matters. Both COWs were concluded pursuant to the 1967 Foreign Capital Investment Law, which expresses Indonesia's foreign investment policy and provides basic guarantees of remittance rights and protection against nationalization, a framework for economic incentives and basic rules regarding other rights and obligations of foreign investors.

PT-FI's current mining operations are located in the Indonesian province of Irian Jaya, which occupies the western half of the island of New Guinea and became part of Indonesia during the early 1960s. The area surrounding PT-FI's mining development is sparsely populated by primitive local tribes and former residents of more populous areas of Indonesia, some of whom have resettled in Irian Jaya under the Indonesian

Government's transmigration program. Certain members of the local population oppose Indonesian rule over Irian Jaya, and several small separatist groups seek political independence for the province. Sporadic attacks on civilians by the separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military have led to allegations of human rights violations. PT-FI personnel have not been involved in those conflicts. The Indonesian military occasionally has exercised its right to appropriate transportation and other equipment of PT-FI to use in its security operations.

PT-FI's policy has been to operate in Irian Jaya in compliance with Indonesian laws and in a manner that improves the lives of the local population. PT-FI incurs significant costs associated with its social and cultural activities. These activities include comprehensive job training programs, basic education programs, extensive malaria control and several public health programs, agricultural assistance programs, a business incubator program to encourage the local people to establish their own small scale businesses, cultural preservation programs, and charitable donations. In early 1996, the international consulting firm of LABAT-Anderson undertook a comprehensive independent audit of social programs at PT-FI's operations in Irian Jaya. In July 1997, the LABAT-Anderson team submitted its final report to the Indonesian Government and PT-FI, which noted that PT-FI had gone beyond requirements in providing assistance for the development of the local people. The report also made a number of recommendations designed to make PT-FI's programs more effective, including restructuring PT-FI's participation in the Indonesian Government's development plan for the area to provide for more direct input by local people through their leaders. In implementing these recommendations, PT-FI has undertaken a restructuring of its role in the Indonesian Government's development plan for the Timika area. Through the Freeport Fund for Irian Jaya Development, PT-FI would make available expertise to support the economic and social development of the area. PT-FI has agreed to dedicate one percent of its annual revenues for ten years beginning in 1996 to this fund, which will work closely with the Indonesian Government's local and regional planning boards to coordinate developmental projects and activities. While management believes that its efforts to be responsive to the issues relating to the impact of its operations on the local villages and tribes should serve to avoid disruptions of mining operations, social and political instability in the area may, in the future, have an adverse impact on PT-FI's mining operations.

Contracts of Work

The PT-FI COW covers both Block A, which was originally the subject of a 1967 COW between PT-FI's predecessor and the Indonesian Government, and Block B, to which PT-FI gained rights

in 1991. The initial term of the PT-FI COW expires in December 2021 with provisions for two 10-year extensions under certain conditions. Pursuant to the PT-FI COW, PT-FI is required to relinquish its rights to portions of Block B in amounts equal to 25 percent of the original 6.5 million acres at the end of each of three specified periods during a span of four to seven years, depending on extensions requested by PT-FI and granted by the Indonesian Government. The acreage to be released is determined by PT-FI and need not be contiguous. PT-FI has relinquished approximately 3.25 million acres. The final 25 percent relinquishment (approximately 1.6 million acres) will occur no later than December 1998, unless PT-FI requests and the Indonesian Government grants an extension. In order to determine which acreage to relinquish pursuant to these requirements, PT-FI has conducted an active exploration program since 1989, focusing on what PT-FI believes to be the most promising exploration opportunities in Block B.

[Page] 2

In August 1994, Eastern Mining was granted the Eastern Mining COW originally covering approximately 2.5 million acres in three separate blocks. The Eastern Mining COW provides for a four-to-seven year exploratory term and a 30-year term for actual mining operations with provisions for two 10-year extensions under certain conditions. Like the PT-FI COW, the Eastern Mining COW requires Eastern Mining to relinquish its right to portions of the Eastern Mining COW area determined by Eastern Mining in amounts equal to 25 percent of the original approximately 2.5 million acres at the end of each of three specified periods. Eastern Mining has relinquished approximately 0.7 million acres and must relinquish an additional approximately 1.2 million acres in two equal installments no later than August 1998 and August 2001.

Ore Reserves

All of PT-FI's proved and probable reserves, including the Grasberg deposit, lie within Block A. In 1997, PT-FI increased its proved and probable reserves by approximately 204.8 million metric tons of ore representing 5.0 billion recoverable pounds of copper, 9.2 million recoverable ounces of gold and 22.3 million recoverable ounces of silver. December 31, 1997 aggregate proved and probable recoverable reserves, net of 1997 production, totaled 2.17 billion metric tons of ore averaging 1.20 percent copper, 1.20 grams of gold per metric ton and 3.95 grams of silver per metric ton representing 47.1 billion pounds of copper, 62.7 million ounces of gold and 138.4 million ounces of silver. Pursuant to joint venture arrangements, Rio Tinto has a 40 percent interest in future production exceeding specified annual amounts of copper, gold and silver through 2021 calculated by

reference to PT-FI's proved and probable reserves as of December 31, 1994. Rio Tinto's 40 percent share of joint venture proved and probable reserves as of December 31, 1997 was approximately 9.3 billion pounds of copper, 11.4 million ounces of gold and 27.1 million ounces of silver. Net of Rio Tinto's share, additions and revisions to PT-FI's proved and probable copper, gold and silver reserves represent 2.6 times 1997 copper production, over 3 times 1997 gold production and over 5 times 1997 silver production. Net of Rio Tinto's share, PT-FI's share of proved and probable recoverable copper, gold and silver reserves was 37.8 billion pounds of copper, 51.3 million ounces of gold and 111.3 million ounces of silver as of December 31, 1997. Estimated recoverable reserves were assessed using a copper price of \$0.90 per pound and a gold price of \$325 per ounce. Using prices of \$0.75 per pound of copper and \$280 per ounce of gold would reduce estimated recoverable reserves by approximately 12 percent for copper, 9 percent for gold and 15 percent for silver.

The Grasberg deposit contains the largest single gold reserve and is one of the three largest open-pit copper reserves of any mine in the world. The Grasberg deposit contained combined open pit and underground proved and probable ore reserves as of December 31, 1997 of 1.76 billion metric tons at an average grade of 1.12 percent copper, 1.20 grams of gold per metric ton and 3.22 grams of silver per metric ton. Kucing Liar contained as of December 31, 1997 proved and probable ore reserves of 221.9 million metric tons at an average grade of 1.42 percent copper, 1.57 grams of gold per metric ton and 5.12 grams of silver per metric ton.

The Company's reserves as of December 31, 1996 and 1997 included in this report have been verified by Independent Mining Consultants, Inc., and this reserve information has been included in this report in reliance upon the authority of Independent Mining Consultants, Inc. as experts in mining, geology and reserve determination. See "Cautionary Statements."

Mining Operations

Mines in Production. PT-FI currently has two mines in operation: the Grasberg and the Intermediate Ore Zone (the "IOZ"), both within Block A. Open pit mining of the Grasberg ore body commenced in January 1990, and in 1997 the Grasberg mine output totaled approximately 44.5 million metric tons of ore, providing approximately 92 percent of PT-FI's total ore production in 1997. The IOZ is an underground block cave operation that was placed in production in the first half of 1994. Production is at the 3,550 meter elevation level, approximately 300 meters below the Ertsberg East deposit, which was depleted in the second half of 1994. In 1997, output from

the IOZ mine totaled approximately 3.9 million metric tons of ore.

Mines in Development. Four other significant ore bodies, referred to as the Deep Ore Zone ("DOZ"), the DOM, the Big Gossan and Kucing Liar are located in Block A. These ore bodies are currently at various stages of development, and are carried as proved and probable reserves. See "Cautionary Statements."

[Page] 3

The DOZ ore body lies vertically below the IOZ. Initial production from the DOZ ore body commenced in 1989 but was suspended in favor of production from the Grasberg deposit. Production is anticipated to recommence as the overlying IOZ reserve is depleted.

The DOM ore body lies approximately 1,200 meters southeast of the depleted Ertsberg East deposit. Pre-production development was completed as the Grasberg began open pit production in 1990, and all maintenance, warehouse and service facilities are in place. Production at the DOM ore body was deferred as a result of the increasing reserves and production capabilities of the Grasberg.

The Big Gossan ore body is located approximately 1,000 meters southwest of the original Ertsberg deposit. Initial underground development of the ore body began in 1993 when tunnels were driven from the mill area into the ore zone at the 2,900 meter elevation level. A variety of stopping methods will be used to mine the deposit, with production expected to commence within the next ten years as other underground mines are depleted.

The Kucing Liar ore body lies on the southern flank of and underneath the southern portion of the Grasberg open pit. Delineation drilling is currently under way in three underground stations at Kucing Liar.

Exploration

In addition to continued delineation of the Grasberg deposit and other deposits discussed under "Mining Operations," PT-FI is continuing its exploration program within Block A. Exploration drilling continues at other targets including the IOZ/DOZ Extensions, Guru East, Idenberg, West Grasberg, DOM-SE and Kay, while surface geological evaluations continue to develop targets at the South Wanagon, Zaagkam Ridge, VN and Wanagon prospects.

Exploration of Block B has indicated more than 70

exploration targets, and follow-up exploration of these anomalies is now in progress. PT-FI has focused its Block B drilling in an area 35 kilometers north of the Grasberg deposit at a prospect called Wabu, which lies within the Hitalipa District. A pre-feasibility study on the Wabu Ridge gold prospect is ongoing with a potential commercial operation being studied. Because of its size and number of geologic leads, the Hitalipa District is likely to be explored for many years. Drilling results are being interpreted, and no assurance can be given that any of these new areas contain commercially exploitable mineral deposits.

Pursuant to the exploration joint ventures, Rio Tinto has a 40 percent interest in future development projects under the PT-FI COW and the Eastern Mining COW. Under these arrangements, Rio Tinto funded \$100 million in 1996 for approved exploration costs in the areas covered by the PT-FI COW and the Eastern Mining COW. As of December 31, 1997, \$11.4 million in PT-FI's Block A remains to be applied to the \$100 million Rio Tinto exploration funding and is classified as a current liability. Mutually agreed upon exploration costs in PT-FI's Block B and Eastern Mining's COW areas are now being shared 60 percent by FCX and 40 percent by Rio Tinto.

In December 1997, FCX signed a letter of intent to acquire an ownership interest in P.T. Iriana Mutiara Mining ("Iriana"). Iriana holds a COW covering an area of approximately 1.2 million acres in central Irian Jaya, in part contiguous to Eastern Mining's COW area. The transaction is subject to execution of definitive documentation pursuant to which FCX would become operator of the Iriana COW area. As operator, FCX would be required to spend at least \$0.5 million on exploration in 1998. If FCX elects to continue participation beyond June 30, 1999, it would acquire a 90 percent ownership interest and would fund all exploration costs up to and including a feasibility study. FCX would also be responsible for arranging construction financing for Iriana for any economically feasible projects in the Iriana COW area. Pursuant to the Rio Tinto joint venture arrangements, Rio Tinto has the option to participate with respect to 40 percent of FCX's interest in this 1.2 million acre COW area.

Milling and Production

The ore from PT-FI's mines moves by a conveyor system to a series of ore passes through which it drops to the mill complex located at approximately 2,900 meters above sea level. At the mill, the ore is crushed and ground and mixed in tanks with water and small amounts of chemical reagents where it is continuously agitated with air. During this physical separation process, copper-bearing particles rise to the top of the tanks and are collected and thickened. The

concentrate leaves the mill complex as a thickened concentrate slurry, consisting of approximately 65 percent solids by weight, and is pumped through three 115 kilometer pipelines to the port site facility at Amamapare where it is filtered, dried and stored for shipping. Ships are loaded at dock facilities at the port until they draw their maximum water, then move to deeper water, where loading is completed from shuttling barges.

In 1997, FCX produced 1.17 billion pounds of copper, approximately 4 percent more than in 1996, and 1,798,300 ounces of gold, approximately 6 percent more than in 1996, resulting from record average ore throughput of 128,600 metric tons of ore per day ("MTPD"), as compared to an average of 127,400 MTPD for 1996. Average cash production costs in 1997, net of customary gold and silver credits, were \$0.221 per pound of copper, which were higher than the comparable 1996 average primarily because of lower gold credits.

During 1997, recovery rates averaged 85.4 percent of the copper content, 81.4 percent of the gold content and 65.6 percent of the silver content of the ore processed, compared to 83.8 percent, 77.1 percent and 64.6 percent, respectively, during 1996.

Construction on the "fourth concentrator mill expansion" of PT-FI's facilities is expected to be completed during the first half of 1998. The expanded mill facilities provide the Company an opportunity to increase throughput beyond 200,000 MTPD and improve profitability by optimizing the ore available from PT-FI's mines. Costs for the expansion are expected to approximate \$960 million, including both working capital and a coal-fired power plant and related facilities. The new power facilities were sold in December 1997 to the joint venture that owns the assets that provide electricity to PT-FI. See "Infrastructure Improvements." To finance the expansion, Rio Tinto agreed to make available to PT-FI a nonrecourse loan of up to \$450 million. Through December 31, 1997, Rio Tinto has funded \$744.0 million of expansion costs (\$446.4 million loaned to PT-FI and the remainder funded directly by Rio Tinto). Expansion costs above \$750 million will be funded 60 percent by PT-FI and 40 percent by Rio Tinto except for approximately \$80 million for costs to be funded solely by PT-FI to enhance the profitability of PT-FI's existing operations. Incremental cash flow attributable to these expansion projects will be shared 60 percent PT-FI and 40 percent Rio Tinto. PT-FI has assigned its interest in the incremental cash flow to Rio Tinto until Rio Tinto has received an amount equal to the funds lent to PT-FI plus interest based on Rio Tinto's cost of borrowing. The incremental production from the

expansion, as well as production from PT-FI's existing operations, will share proportionately in operating and administrative costs. PT-FI will continue to receive 100 percent of cash flow from specified annual amounts of copper, gold and silver through 2021 calculated by reference to its proved and probable reserves as of December 31, 1994.

In December 1997, PT-FI received approval from the Indonesian authorities to expand its milling rate up to a maximum of 300,000 MTPD. See "Environmental Matters."

Gresik Smelter

In July 1996, PT Smelting commenced construction of a copper smelter in Gresik, East Java, Indonesia having a design capacity of 200,000 metric tons of copper cathode per year. PT-FI, Mitsubishi Materials Corporation ("Mitsubishi Materials"), Mitsubishi Corporation ("Mitsubishi") and Nippon Mining & Metals Co., Ltd. ("Nippon") own 25.0 percent, 60.5 percent, 9.5 percent and 5.0 percent interests, respectively, of the outstanding PT Smelting stock. The estimated aggregate project cost, before working capital requirements, is approximately \$625 million. PT Smelting has a \$300 million nonrecourse term loan and a \$110 million working capital facility with a group of banks. The remaining funding will be provided by PT-FI, Mitsubishi Materials, Mitsubishi and Nippon in accordance with their interests. Construction is expected to be completed in mid-1998. It is anticipated that PT-FI will provide all of the smelter's copper concentrate requirements at market rates; however, for the first 15 years of operations the treatment and refining charges would not fall below a specified minimum rate. PT-FI has also agreed to assign, if necessary, its earnings in PT Smelting to support a 13 percent cumulative annual return to Mitsubishi Materials, Mitsubishi and Nippon for the first 20 years of commercial operations.

Infrastructure Improvements

The location of PT-FI's current operations in a remote area requires that its operations be virtually self-sufficient. In addition to the mining facilities described above, the facilities originally constructed by or with the

[Page] 5

participation of PT-FI include an airport, a port, a 119 kilometer road, an aerial tramway, a hospital and two town sites with housing, schools and other facilities sufficient to support more than 17,000 persons.

In 1996, PT-FI completed the first phase of the Enhanced

Infrastructure Program ("EIP"), which includes various residential, community and commercial facilities. The EIP is designed to provide the infrastructure needed for PT-FI's operations, to enhance the living conditions of PT-FI's employees, and to develop and promote the growth of local and other third party activities and enterprises in Irian Jaya. The full EIP includes plans for various commercial, residential, educational, retail, medical, recreational, environmental and other infrastructure facilities to be constructed over a ten-to-twenty year period. The facilities constructed through the EIP have been and are expected to continue to be developed by PT-FI through joint ventures or direct ownership involving local Indonesian interests and other investors.

In March 1997, PT-FI completed the final \$75.0 million sale of infrastructure assets to joint ventures owned one-third by PT-FI and two-thirds by P.T. ALatieF Nusakarya Corporation ("ALatieF"), an Indonesian investor. The sales to the ALatieF joint ventures totaled \$270.0 million during the period from December 1993 to March 1997. PT-FI subsequently sold its one-third interest in the joint ventures to ALatieF and is leasing the infrastructure assets under infrastructure asset financing arrangements. PT-FI continues to guarantee an approximately \$50 million bank loan associated with the purchases.

In December 1997, PT-FI completed a \$366.4 million sale, including \$74.4 million for the remaining costs expected to be incurred to complete construction, of the new power plant facilities associated with the fourth concentrator mill expansion to the joint venture that owns the assets that already provide electricity to PT-FI. The purchase price included \$123.2 million for Rio Tinto's share of the new power plant facilities. PT-FI subsequently sold its 30 percent interest in the joint venture to the other partners and is purchasing power under infrastructure asset financing arrangements pursuant to a power sales agreement.

Marketing

PT-FI supplies copper concentrates, which contain significant quantities of gold and silver, primarily to Asian and European smelters and international trading companies. All of PT-FI's concentrate sales are made in United States dollars. Substantially all of PT-FI's budgeted production of copper concentrates is sold under long-term contracts, pursuant to which the selling price is based on world metals prices (generally the London Metal Exchange ("LME") settlement prices for Grade A copper) less certain allowances. Under these contracts, initial billing occurs at the time of shipment and final settlement on the copper portion generally occurs three months after arrival based on average LME prices for that month. Gold generally is

sold at the London Bullion Market Association average price for the month of shipment. Revenues from concentrate sales are recorded net of royalties, treatment and refining costs and the impact of derivative financial instruments, if any, used to hedge against risks from copper and gold price fluctuations. Per unit royalty payments to the Indonesian Government increase with increased copper values and range from 1.5 percent to 3.5 percent of copper prices at the time of shipment, net of delivery costs and treatment and refining charges. A 1.0 percent royalty is paid to the Indonesian Government on gold and silver sales. PT-FI has agreed with the Indonesian Government that on production in excess of 200,000 MTPD it will pay a second royalty. Treatment and refining costs represent payments to smelters and refiners and are either fixed or in certain cases float with the price of copper. A small portion of PT-FI's budgeted production of copper concentrates, and any production in excess of budgeted amounts, is sold in the spot market. See "Cautionary Statements."

PT-FI has obtained commitments, including commitments from Atlantic, for essentially all of its estimated 1998 production at market prices. PT-FI's share of sales for 1998 is expected to approximate 1.4 billion pounds of copper and 2.2 million ounces of gold. PT-FI's estimated 1998 copper and gold sales reflect management's expectation of producing at higher mill throughput rates than in 1997 because of the fourth concentrator mill expansion, partially offset by lower average grades than during 1997. PT-FI has a long-term contract to provide Atlantic with approximately 60 percent of its copper concentrate requirements at market prices.

[Page] 6

Competition

PT-FI competes with other mining companies in the sale of its mineral concentrates and the recruitment and retention of qualified personnel. Some competing companies possess financial resources equal to or greater than those of PT-FI. Management believes, however, that PT-FI is one of the lowest cost copper producers in the world, taking into account customary credits for related gold and silver production.

Environmental Matters

Management believes that PT-FI's operations are being conducted pursuant to applicable permits and are in compliance in all material respects with applicable Indonesian environmental laws, rules and regulations. In 1996, PT-FI began contributing to a fund designed to accumulate at least \$100 million at the end of its Indonesian mine's life for eventual mine closure and

reclamation. Although the ultimate amount of reclamation and closure costs to be incurred is currently indeterminable, based on recent analyses PT-FI estimates that ultimate reclamation and closure costs may require as much as \$100 million but would not exceed \$150 million.

Mining operations on the scale of PT-FI's operations in Irian Jaya involve significant environmental challenges, primarily related to the disposition of tailings, which are the crushed and ground rock material resulting from the physical separation of commercially valuable minerals from the ore. The Company has an extensive, ongoing management system for the disposal of tailings in connection with discharging them into a river system downstream from its milling operations. In January 1997, PT-FI completed a levee system, as part of its Indonesian Government-approved Tailings Management Plan, to minimize the impact of the tailings on the environment through a controlled deposition area that ultimately will be reclaimed and revegetated.

In 1995, PT-FI participated in an independent environmental audit of its Irian Jaya operations under a program monitored by the Indonesian Government. The environmental audit report was released in 1996 and included a total of 33 recommendations, all of which have been implemented. The audit team identified the disposal of tailings as the most critical environmental issue facing PT-FI, requiring significant study, engineering and monitoring over the life of the mine. The audit concluded that PT-FI's Tailings and River Management Plan represented the most suitable option for tailings disposal considering the engineering and environmental challenges in Irian Jaya. The audit also confirmed that the tailings from PT-FI's mining operations are non-toxic, the mining operations do not pose any significant risk to Irian Jaya's bio-diversity and PT-FI's operations are being conducted in all material respects in compliance with applicable Indonesian environmental laws, rules and regulations. PT-FI intends to implement a program of independent external audits and continue its internal audits through the life of its mining operations so that PT-FI's environmental management and monitoring programs remain sound to ensure compliance in all material respects with applicable Indonesian environmental laws, rules and regulations and to preserve and protect the environment in its area of operations.

In December 1997, PT-FI received approval from the Minister of Environment for its Regional AMDAL (comprehensive environmental assessment, monitoring plan and management plan) study, which is necessary to allow PT-FI to expand its milling rate up to a maximum of 300,000 MTPD. PT-FI also has received approval from the Department of Mines and Energy for operations up to 300,000 MTPD. All of PT-FI's environmental programs are

being expanded and upgraded in accordance with the approved 300,000 MTPD Regional AMDAL study.

Management believes that Atlantic's facilities and operations are in compliance in all material respects with all applicable Spanish environmental laws, rules and regulations. Atlantic recently completed modifications to and expanded its sulfuric acid plants, which has resulted in significant reductions in air emissions. In addition, Atlantic expects to realize significant additional environmental improvements upon completion of other projects currently under way.

The Indonesian and Spanish governments may periodically revise their environmental laws and regulations or adopt new ones, and the effects on the Company's operations of new or revised regulations cannot be predicted.

The Company has expended significant resources, both financial and managerial, to comply with environmental regulations and permitting and approval requirements, and anticipates that it will continue to do so in the future. There can be no assurance that additional significant costs and liabilities will not be incurred to comply with such

[Page] 7

current and future regulations or that such regulations will not have a material effect on the Company's operations. See "Cautionary Statements."

Sale of PT-II Stock

In March 1997, P.T. Nusamba Mineral Industri ("NMI"), a subsidiary of P.T. Nusantara Ampera Bakti, acquired from a third party approximately 51 percent of the capital stock of PT-II. NMI financed \$254 million of the \$315 million purchase price with a variable rate commercial loan maturing in March 2002. FCX has agreed that if NMI defaults on the loan, FCX will purchase the PT-II stock or the lenders' interest in the commercial loan for the amount then due by NMI under the loan. FCX also agreed to lend to NMI any amounts to cover any shortfalls between the interest payments due on the commercial loan and the dividends received by NMI from PT-II.

Employees of PT-FI and Relationship with FM Services Company

As of December 31, 1997, PT-FI had approximately 6,300 employees (approximately 96 percent Indonesian). In addition, as of December 31, 1997, PT-FI had approximately 10,300 contract workers, most of whom were Indonesian. Approximately 56 percent

of PT-FI's Indonesian employees are members of the All Indonesia Workers' Union, which operates under Indonesian Government supervision and is party to a labor agreement covering PT-FI's hourly-paid Indonesian employees that expires on September 30, 1999. PT-FI experienced no work stoppages in 1997, and relations with the union have generally been good. As of December 31, 1997, Atlantic had approximately 800 employees, of which approximately 34 percent are covered by union contracts. Atlantic experienced no work stoppages in 1997 and relations with these unions have also generally been good.

Since January 1, 1996, FM Services Company, a Delaware corporation 40 percent owned by FCX ("FMS"), has furnished executive, administrative, financial, accounting, legal, tax, sales and similar services to FCX, PT-FI, Eastern Mining and Atlantic. FCX reimburses FMS, at its cost, including allocated overhead, for these services on a monthly basis. As of December 31, 1997, FCX had 271 employees and FMS had 220 employees.

Cautionary Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are all statements other than statements of historical fact included in this report, including, without limitation, statements under the headings "Business and Properties," "Market for Registrant's Common Equity and Related Stockholder Matters," and "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk" regarding the Company's financial position and liquidity, payment of dividends, strategic growth initiatives, future capital needs, development and capital expenditures (including the amount and nature thereof), reclamation and closure costs, exploration efforts, reserve estimates and additions, production levels, ore grades, commodity prices, revenues, business strategies, and other plans and objectives of the Company's management for future operations and activities.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including the risk factors discussed below and in the Company's other filings with the Securities and Exchange Commission, general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the

Company's control. Readers are cautioned that these statements are not guarantees of future performance, and the actual results or developments may differ materially from those projected, predicted or assumed in the forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Important factors that could cause actual results to differ materially from those projected in the forward-looking statements include, among others:

Commodity Price Risk. FCX's revenues are derived primarily from PT-FI's sale of copper concentrates, which also contain significant amounts of gold, and from Atlantic's sale of copper cathodes and wire rod. FCX's net

[Page] 8

income can vary significantly with fluctuations in the market prices of copper and gold. Prices for copper and gold historically have fluctuated widely and are affected by numerous factors beyond FCX's control. In addition, PT-FI's concentrate sales agreements, with regard to copper, provide for provisional billings when shipped with final settlement generally based on the average LME price for a specified future month. Copper revenues on provisionally priced open pounds are adjusted monthly based on then current prices. Movement in the average price used for these open pounds will have an impact on FCX's net income.

Location and Industry Risks. PT-FI's mining operations are located in steeply mountainous terrain in a very remote area of Indonesia, which makes the conduct of its operations difficult and has required PT-FI to overcome special engineering difficulties and develop extensive infrastructure facilities. The area is subject to considerable rainfall, which has led to periodic floods and mud slides. The mine site is also in an active seismic area, and earth tremors have been experienced from time to time. PT-FI also is subject to the usual risks encountered in the mining industry, including unexpected geological conditions resulting in cave-ins, floodings and rock-bursts and unexpected changes in rock stability conditions. None of these factors have caused any significant interruptions to production or significant property damage, although no assurance can be given that delays or damage will not occur in the future. PT-FI has substantial insurance involving the amounts and types of coverage as it believes are appropriate for its exploration, development, mining and processing activities in Indonesia.

Political and Social Factors. Recently, unfavorable economic developments have negatively affected Southeast Asia in

general and Indonesia in particular. Indonesia's national debt ratings have been downgraded, the Indonesian rupiah has devalued significantly and the Indonesian economic growth rate and stock market values have declined. The International Monetary Fund and certain countries are making loans and other commitments to Indonesia, as well as certain other Asian nations, to stabilize their currencies' values and their ability to service debt. In return, changes in these countries' financial and regulatory practices are being required. Repercussions of these and other economic developments have also negatively affected commodity markets, including copper and gold prices, because of anticipated declines in Asian demand.

Maintaining a good working relationship with the Indonesian Government is of particular importance to the Company because its principal operations are located in Indonesia. PT-FI's mining complex was Indonesia's first copper mining project and was the first major foreign investment in Indonesia following the economic development program instituted by the Suharto administration in 1967. PT-FI works closely with the central, provincial and local governments in development efforts in the vicinity of its operations.

The Company operates in Indonesia through PT-FI by virtue of the PT-FI COW and through Eastern Mining by virtue of the Eastern Mining COW, both of which have 30-year terms, provide for two 10-year extensions under certain conditions, and govern PT-FI's and Eastern Mining's rights and obligations relating to taxes, exchange controls, royalties, repatriation and other matters. Both COWs were concluded pursuant to the 1967 Foreign Capital Investment Law, which expresses Indonesia's foreign investment policy and provides basic guarantees of remittance rights and protection against nationalization, a framework for economic incentives and basic rules regarding other rights and obligations of foreign investors. Any disputes under the COWs are subject to international arbitration.

PT-FI's mining operations are located in the Indonesian province of Irian Jaya, which occupies the western half of the island of New Guinea and became part of Indonesia during the early 1960s. The area surrounding PT-FI's mining development is sparsely populated by primitive local tribes and former residents of more populous areas of Indonesia, some of whom have resettled in Irian Jaya under the Indonesian Government's transmigration program. Certain members of the local population oppose Indonesian rule over Irian Jaya, and several small separatist groups seek political independence for the province. Sporadic attacks on civilians by the separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military have led to allegations of human rights violations. PT-FI personnel have not been involved in those conflicts. The

Indonesian military occasionally has exercised its right to appropriate transportation and other equipment of PT-FI.

PT-FI's policy has been to operate in Irian Jaya in compliance with Indonesian laws and in a manner that improves the lives of the local population. PT-FI incurs significant costs associated with its social and cultural activities. Such activities include comprehensive job training programs, basic education programs, extensive malaria control and general public health programs, agricultural assistance programs, a business incubator program to encourage the local

[Page] 9

people to establish their own small scale businesses, cultural preservation programs, and charitable donations. While management believes that its efforts to be responsive to the issues relating to the impact of its operations on the local tribes should serve to avoid disruptions of mining operations, social and political instability in the area may, in the future, have an adverse impact on PT-FI's mining operations.

Reserves. FCX reserve amounts, which are determined in accordance with established mining industry practices and standards, are estimates only. PT-FI's mines, whether in the production or development stages, may not conform to geological concepts or other expectations, so that the volume and grade of reserves recovered and the rates of production may be more or less than anticipated. Because ore bodies do not contain uniform grades of minerals, ore recovery rates will vary from time to time, resulting in variations in volumes of minerals sold from period to period. Further, market price fluctuations in copper, gold and, to a lesser extent, silver, and changes in operating and capital costs may render certain ore reserves uneconomic to develop. No assurance can be given that FCX's exploration programs will result in the discovery of commercially exploitable mineral deposits.

Environmental and Government Regulation. The Company's exploration and mining activities in Irian Jaya involve significant engineering and environmental challenges that relate primarily to the location of the mine in remote, rugged highlands and the disposition of tailings through discharge into a river and a controlled deposition area near the sea. The Company has sought to preserve and protect the environment in its area of operations. The Company has expended significant resources, both financial and managerial, to comply with environmental regulations and permitting and approval requirements and anticipates that it will continue to do so in the future. There can be no assurance that additional significant costs and

liabilities will not be incurred in order to comply with such current and future regulations.

Foreign Currency Exchange Risk. FCX conducts the majority of its operations in Indonesia and Spain where its functional currencies are U.S. dollars. All of FCX's revenues are denominated in U.S. dollars; however, some costs are denominated in either Indonesian rupiah or Spanish pesetas. FCX's results are adversely affected when the U.S. dollar weakens against these foreign currencies and positively affected when the U.S. dollar strengthens against these foreign currencies.

Holding Company Structure. Because FCX is primarily a holding company, conducting business through its subsidiaries, its ability to meet its financial obligations and to pay dividends on its preferred and common stock will depend on the earnings and cash flow of its subsidiaries and the ability of its subsidiaries to pay dividends and to advance funds to the Company. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of PT-FI and the Company's other subsidiaries, could limit the Company's ability to obtain cash from its subsidiaries for the purpose of meeting its debt service obligations and to pay dividends. Any right of the Company to participate in any distribution of the assets of PT-FI and its other subsidiaries upon the liquidation, reorganization or insolvency thereof would, with certain exceptions, be subject to the claims of creditors (including trade creditors) and preferred stockholders (if any) of such subsidiaries.

Item 3. Legal Proceedings.

Tom Beanal v. Freeport-McMoRan Inc. and Freeport-McMoRan Copper & Gold Inc., Civ. No. 96-1474 (E.D. La. filed Apr. 29, 1996). In March 1998, the U. S. District Court for the Eastern District of Louisiana dismissed with prejudice the plaintiff's third amended complaint. The court held that the plaintiff failed to plead facts underlying his claims against FCX. The plaintiff has appealed the court's decision. The plaintiff alleges environmental, human rights and social/cultural violations in Indonesia and seeks \$6 billion in monetary damages and other equitable relief. FCX will continue to defend this action vigorously.

Yosefa Alomang v. Freeport-McMoRan Inc. and Freeport-McMoRan Copper & Gold Inc., Civ. No. 96-9962 (Orleans Civ. Dist. Ct. La. filed June 19, 1996). The plaintiff alleges substantially similar violations as those alleged in the Beanal suit and seeks unspecified monetary damages and other equitable relief. In February 1997, the Civil District Court of the Parish of Orleans, State of Louisiana dismissed this purported class

action for lack of subject matter jurisdiction because the alleged conduct and damages occurred in Indonesia. In March 1998, the Louisiana Fourth Circuit Court of Appeal reversed the trial court's dismissal and found that subject matter jurisdiction existed over some claims. FCX is seeking review of the Fourth Circuit's opinion, and otherwise has additional legal defenses to the action it will pursue upon any remand. FCX will continue to defend this action vigorously.

[Page] 10

In addition to the foregoing proceedings, FCX may be from time to time involved in various legal proceedings of a character normally incident to the ordinary course of its business. Management believes that potential liability in any proceedings would not have a material adverse effect on the financial condition or results of operations of FCX. FCX maintains liability insurance to cover some, but not all, potential liabilities normally incident to the ordinary course of its business as well as other insurance coverage customary in its business, with coverage limits as management deems prudent.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Executive Officers of the Registrant.

Certain information as of March 9, 1998 about the executive officers of FCX, including their position or office with FCX, PT-FI and Atlantic, is set forth in the following table and accompanying text:

Name ----	Age ---	Position or Office -----
Richard C. Adkerson	51	President, Chief Operating Officer and Chief Financial Officer of FCX. Director and Executive Vice President of PT-FI.
Michael J. Arnold	45	Senior Vice President of FCX.
W. Russell King	48	Senior Vice President of FCX.
Adrianto Machribie	56	President Director of PT-FI.
John A. Macken	46	Senior Vice President of FCX. Executive Vice President of PT-FI.
James R. Moffett	59	Director, Chairman of the Board and Chief Executive Officer

of FCX. President Commissioner of PT-FI.

Craig E. Saporito	46	Senior Vice President and Treasurer of FCX. Treasurer of PT-FI.
Steven D. Van Nort	58	Senior Vice President of FCX. Executive Vice President of PT-FI.
Robert M. Wohleber	47	Senior Vice President of FCX. Senior Vice President of PT-FI. Chairman of Atlantic

Richard C. Adkerson has served as FCX's President and Chief Operating Officer since April 1997 and Chief Financial Officer since July 1995. Mr. Adkerson is also Executive Vice President and a director of PT-FI, Co-Chairman of the Board and Chief Executive Officer of McMoRan Oil & Gas Co. ("MOXY"), Vice Chairman of the Board of Freeport-McMoRan Sulphur Inc. ("FSC") and Chairman of the Board and Chief Executive Officer of FM Properties Inc. From July 1995 to April 1997, Mr. Adkerson served as Executive Vice President of the Company and from February 1994 to July 1995, he served as Senior Vice President of the Company. Mr. Adkerson served as Vice Chairman of the Board of Freeport-McMoRan Inc. ("FTX") from August 1995 to December 1997 and as Senior Vice President of FTX from May 1992 to August 1995.

Michael J. Arnold has served as Senior Vice President of the Company since November 1996. From July 1994 to November 1996, Mr. Arnold was Vice President and Controller - Operations of the Company. Mr. Arnold also served as a Senior Vice President of FTX from November 1996 until December 1997. From October 1991 to November 1996, he was Vice President of FTX, serving as Controller - Operations from May 1993 to November 1996.

[Page] 11

W. Russell King has served as Senior Vice President of the Company since July 1994. Mr. King served as Senior Vice President of FTX from November 1993 to December 1997 and as Vice President of FTX from October 1984 to November 1993.

Adrianto Machribie has served as President Director of PT-FI since March 1996. From September 1992 to March 1996, Mr. Machribie was a director and Executive Vice President of PT-FI.

John A. Macken has served as FCX's Senior Vice President since December 1997. He is also Executive Vice President of PT-FI. From April 1996 to December 1997, Mr. Macken was a Vice President of FCX. From April 1995 to March 1996, Mr. Macken served as a director and Executive Vice President of PT-FI and

from April 1993 to April 1995, he served as a Vice President of PT-FI.

James R. Moffett has served as Chairman of the Board and Chief Executive Officer of the Company since July 1995 and has served as a director of the Company since May 1992. He is also President Commissioner of PT-FI, Co-Chairman of the Board of MOXY, Co-Chairman of the Board of FSC and a director of IMC Global Inc. Mr. Moffett served as Chairman of the Board of FTX from May 1992 to December 1997 and as President of FTX from May 1992 to May 1993.

Craig E. Saporito has served as Senior Vice President and Treasurer of the Company since November 1997. Mr. Saporito is also Treasurer of PT-FI and Vice President of MOXY. From July 1994 to November 1997, Mr. Saporito was a Vice President of FCX and from May 1988 to December 1997, he was a Vice President of FTX.

Steven D. Van Nort has served as FCX's Senior Vice President since December 1997. Mr. Van Nort also serves as Executive Vice President of PT-FI. From March 1995 to December 1997, Mr. Van Nort was a Vice President of FCX and from June 1992 to June 1997, he served as a Senior Vice President of PT-FI.

Robert M. Wohleber has served as Senior Vice President of the Company since November 1997. He is also Senior Vice President of PT-FI, Chairman of Atlantic, and President, Chief Executive Officer and a director of FSC. He served as a Vice President of the Company from July 1994 to November 1997, as Vice President and Treasurer of the Company from July 1993 to May 1994 and as Treasurer from August 1990 to May 1993. Mr. Wohleber served as Senior Vice President and Chief Financial Officer of FTX from November 1996 to December 1997. He was Vice President of FTX from June 1994 to November 1996 and Vice President and Treasurer of FTX from May 1992 to June 1994.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information set forth under the captions "FCX Class A Common Shares," "FCX Class B Common Shares" and "Common Share Dividends," on the inside back cover of the Annual Report is incorporated herein by reference. As of March 9, 1998, there were 14,602 and 9,498 holders of record of FCX's Class A and Class B common stock, respectively.

Item 6. Selected Financial Data.

The information set forth under the caption "Selected Financial and Operating Data," on page 14 of the Annual Report is incorporated herein by reference.

FCX's ratio of earnings to fixed charges for each of the years 1993 through 1997, inclusive, was 3.6x, 7.5x, 5.9x, 4.5x and 3.8x, respectively. For this calculation, earnings consist of income from continuing operations before income taxes, minority interests and fixed charges. Fixed charges include interest and that portion of rent deemed representative of interest. FCX's ratio of earnings to fixed charges, preferred stock dividends and minimum distributions for each of the years 1993 through 1997, inclusive, was 1.2x, 2.1x, 3.0x, 2.6x and 2.8x, respectively. For this calculation,

[Page] 12

the preferred stock dividend requirements were assumed to be equal to the pre-tax earnings which would be required to cover such dividend requirements. The amount of such pre-tax earnings required to cover preferred stock dividends was computed using tax rates for the applicable years. "Minimum Distributions" for purposes of calculating this ratio consist of the required minimum distribution for the Company's Class A Common Stock that expired May 1, 1993.

Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk.

The information set forth under the caption "Management's Discussion and Analysis" on pages 15 through 22, inclusive, 25, 27 and 29, as well as the "Environmental & Social Responsibility Report" on pages 8 through 13, inclusive, of the Annual Report are incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The financial statements of FCX appearing on pages 24, 26, 28 and 30, the notes thereto appearing on pages 31 through 45, the report thereon of Arthur Andersen LLP appearing on page 23, and the report of management on page 23 of the Annual Report are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Items 10. Directors and Executive Officers of the Registrant.

The information set forth under the caption "Information About Nominees and Directors" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1998 Annual Meeting to be held on May 5, 1998 is incorporated herein by reference.

Items 11. Executive Compensation.

The information set forth under the captions "Director Compensation" and "Executive Officer Compensation" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1998 Annual Meeting to be held on May 5, 1998 is incorporated herein by reference.

Items 12. Security Ownership of Certain Beneficial Owners and Management.

The information set forth under the captions "Stock Ownership of Directors and Executive Officers" and "Stock Ownership of Certain Beneficial Owners" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1998 Annual Meeting to be held on May 5, 1998 is incorporated herein by reference.

Items 13. Certain Relationships and Related Transactions.

The information set forth under the caption "Certain Transactions" of the Proxy Statement submitted to the stockholders of the registrant in connection with its 1998 Annual Meeting to be held on May 5, 1998 is incorporated herein by reference.

[Page] 13

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1). Financial Statements.

Reference is made to the Index to Financial Statements appearing on page F-1 hereof.

(a) (2). Financial Statement Schedules.

Reference is made to the Index to Financial Statements appearing on page F-1 hereof.

(a) (3). Exhibits.

Reference is made to the Exhibit Index beginning on page E-1 hereof.

(b). Reports on Form 8-K.

During the last quarter of the period covered by this report, FCX filed no reports on Forms 8-K.

[Page] 14

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 1998.

Freeport-McMoRan Copper & Gold Inc.

By: /s/ James R. Moffett

James R. Moffett
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 30, 1998.

Signatures

/s/ James R. Moffett

Chairman of the Board, Chief Executive Officer and
Director (Principal Executive Officer)

James R. Moffett

President, Chief Operating Officer and Chief
Financial Officer (Principal Financial Officer)

*

Richard C. Adkerson

Vice President and Controller- Financial Reporting
(Principal Accounting Officer)

*

C. Donald Whitmire

*

Director

Robert W. Bruce III

*

Director

Leon A. Davis

*

Director

Robert A. Day

*

Director

William B. Harrison, Jr.

*

Director

J. Bennett Johnston

[Page] S-1

*

Director

Henry A. Kissinger

*

Director

Bobby Lee Lackey

*

Director

Rene L. Latiolais

*

Director

Jonathan C. A. Leslie

* Director
Gabrielle K. McDonald

* Director
George A. Mealey

* Director
George Putnam

* Director
B. M. Rankin

* Director
J. Taylor Wharton

*By: /s/ James R. Moffett

James R. Moffett
Attorney-in-Fact

[Page] S-2

FREEPORT-McMoRan COPPER & GOLD INC.
INDEX TO FINANCIAL STATEMENTS

The financial statements of FCX appearing on pages 24, 26, 28, and 30, the notes thereto appearing on pages 31 through 45 inclusive, and the report thereon of Arthur Andersen LLP appearing on page 23 of FCX's 1997 Annual Report to stockholders are incorporated by reference.

The financial statements in the schedule listed below should be read in conjunction with such financial statements contained in FCX's 1997 Annual Report to stockholders.

	Page
Report of Independent Public Accountants	F-1
III-Condensed Financial Information of Registrant	F-2
VIII-Valuation and Qualifying Accounts	F-4

Schedules other than the ones listed above have been omitted since they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited, in accordance with generally accepted auditing standards, the financial statements as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997 included in Freeport-McMoRan Copper & Gold Inc.'s Annual Report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 20, 1998. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the index above is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

New Orleans, Louisiana,
January 20, 1998

[Page] F-1
<TABLE>

FREEPORT-McMoRan COPPER & GOLD INC.
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS

<CAPTION>

	December 31,	
	1997	1996
	(In Thousands)	
<S>	<C>	<C>
Assets		
Cash and cash equivalents	\$ 1,501	\$ 242
Interest receivable	12,597	12,610
Due from affiliates	88,098	44,133
Notes receivable from PT-FI	982,492	1,307,812
Investment in PT-FI and PTII	455,610	427,115
Investment in Atlantic Copper	46,744	43,077

Other assets	48,111	36,710
	-----	-----
Total assets	\$1,635,153	\$1,871,699
	=====	=====
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	\$ 18,999	\$ 19,938
Long-term debt	825,250	662,561
Other liabilities and deferred credits	12,005	13,814
Mandatory redeemable preferred stock	500,007	500,007
Stockholders' equity	278,892	675,379
	-----	-----
Total liabilities and stockholders' equity	\$1,635,153	\$1,871,699
	=====	=====

</TABLE>

<TABLE>

STATEMENTS OF INCOME

<CAPTION>

	Years Ended December 31,		
	1997	1996	1995
	-----	-----	-----
	(In Thousands)		
	<C>	<C>	<C>
Income from investment in PT-FI and PTII, net of PT-FI tax provision	\$ 218,293	\$ 253,895	\$ 293,279
Net income (loss) from investment in Atlantic Copper	3,391	(24,258)	(37,787)
Intercompany charge for stock option exercises	43,846	-	-
Elimination of intercompany profit	9,271	7,244	(24,851)
General and administrative expenses	(8,855)	(9,141)	(7,534)
Depreciation and amortization	(3,873)	(3,590)	(3,819)
Interest expense, net	(59,626)	(21,191)	(15,027)
Interest income on PT-FI notes receivable:			
Promissory notes	47,219	29,150	28,130
8.235% debenture	11,723	12,353	13,333
Step-up debenture	3,083	6,327	20,203
Gold and silver production payment loans	20,451	23,696	23,636
Other expense, net	(9,861)	(1,698)	(3,664)
Provision for income taxes	(29,954)	(46,538)	(32,281)
	-----	-----	-----

Net income	245,108	226,249	253,618
Preferred dividends	(36,567)	(51,569)	(54,153)
	-----	-----	-----
	\$ 208,541	\$ 174,680	\$ 199,465
	=====	=====	=====

</TABLE>

The footnotes contained in FCX's 1997 Annual Report to stockholders are an integral part of these statements.

[Page] F-2

<TABLE>

FREEPORT-McMoRan COPPER & GOLD INC.
SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOW

<CAPTION>

	Years Ended December 31,		
	1997	1996	1995
	-----	-----	-----
	(In Thousands)		
<S>	<C>	<C>	<C>
Cash flow from operating activities:			
Net income	\$ 245,108	\$ 226,249	\$ 253,618
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from investment in PT-FI and PTII	(218,293)	(253,895)	(293,279)
Net (income) loss from investment in Atlantic Copper	(3,391)	24,258	37,787
Elimination of intercompany profit	(9,271)	(7,244)	24,851
Dividends received from PT-FI and PTII	205,092	220,916	161,144
Depreciation and amortization	3,873	3,590	3,819
Increase in accounts receivable	(44,358)	(5,214)	(4,501)
Increase (decrease) in accounts payable	(1,898)	4,501	(296)
Other	8,936	3,733	(3,755)
	-----	-----	-----
Net cash provided by operating activities	185,798	216,894	179,388
	-----	-----	-----
Cash flow from investing activities:			
Investment in Atlantic Copper	-	-	(23,622)

Investment in Freeport Copper Company	-	-	(25,000)
Other	(11,895)	(11,138)	(26,860)
	-----	-----	-----
Net cash used in investing activities	(11,895)	(11,138)	(75,482)
	-----	-----	-----
Cash flow from financing activities:			
Cash dividends paid:			
Class A common stock	(73,309)	(69,425)	(51,318)
Class B common stock	(105,032)	(106,341)	(86,245)
Convertible exchangeable preferred stock	-	(15,498)	(15,673)
Step-up convertible preferred stock	(24,642)	(19,250)	(17,500)
Mandatory redeemable preferred stock	(15,901)	(17,689)	(17,418)
Proceeds from sale of Senior notes	-	445,570	-
Proceeds from debt	180,000	31,561	128,000
Repayment of debt	(17,310)	(137,000)	-
Loans to PT-FI	-	(244,682)	-
Repayment from PT-FI	325,320	147,315	124,485
Purchase of FCX common shares	(438,388)	(220,997)	(177,755)
Other	(3,382)	829	9,440
	-----	-----	-----
Net cash used in financing activities	(172,644)	(205,607)	(103,984)
	-----	-----	-----
Net decrease in cash and cash equivalents	1,259	149	(78)
Cash and cash equivalents at beginning of year	242	93	171
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 1,501	\$ 242	\$ 93
	=====	=====	=====
Interest paid	\$ 59,798	\$ 28,249	\$ 23,237
	=====	=====	=====
Taxes paid	\$ 28,286	\$ 41,586	\$ 34,871
	=====	=====	=====

</TABLE>

The footnotes contained in FCX's 1997 Annual Report to stockholders are an integral part of these statements.

[Page] F-3

<TABLE>

FREEPORT-McMoRan COPPER & GOLD INC.
SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

<CAPTION>

Col. A	Col. B	Col. C		Col. D	Col. E
-----	-----	-----		-----	-----
		Additions			

	Balance at	Charged to	Charged to	Other-Add	Balance at
	Beginning	Cost and	Other	(Deduct)	End of
	of Period	Expense	Accounts		Period
	-----	-----	-----	-----	-----
		(In Thousands)			
<S>	<C>	<C>	<C>	<C>	<C>
Reserves and allowances deducted from assets accounts:					
1997					
Materials and supplies	\$ 19,340	\$ 12,000	\$-	\$ (1,827)	\$29,513
reserves					
1996					
Materials and supplies	\$ 26,040	\$ 3,000	\$-	\$ (9,700)	\$19,340
reserves					
1995					
Materials and supplies	\$ 11,271	\$ 14,600	\$-	\$ 169	\$26,040
reserves					
Reclamation and mine shutdown reserves:					
1997					
PT-FI	\$ 500	\$ 4,966	\$-	\$ -	\$ 5,466
1996					
PT-FI	\$ -	\$ 500	\$-	\$ -	\$ 500

</TABLE>

[Page] F-4

Freeport-McMoRan Copper & Gold Inc.

EXHIBIT INDEX

Exhibit
Number

2.1 Agreement, dated as of May 2, 1995 by and between Freeport-McMoRan Inc. ("FTX") and FCX and The RTZ Corporation PLC, RTZ Indonesia Limited, and RTZ America, Inc. (the "Rio Tinto Agreement"). Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of FTX dated as of May 26, 1995.

- 2.2 Amendment dated May 31, 1995 to the Rio Tinto Agreement. Incorporated by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q of FTX for the quarter ended June 30, 1995.
- 2.3 Distribution Agreement dated as of July 5, 1995 between FTX and FCX. Incorporated by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q of FTX for the quarter ended September 30, 1995 (the "FTX 1995 Third Quarter Form 10-Q").
- 3.1 Composite copy of the Certificate of Incorporation of FCX. Incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of FCX for the quarter ended June 30, 1995 (the "FCX 1995 Second Quarter Form 10-Q").
- 3.2 By-Laws of FCX. Incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K of FCX for the fiscal year ended December 31, 1996 (the "FCX 1996 Form 10-K").
- 4.1 Certificate of Designations of the Step-Up Convertible Preferred Stock of FCX. Incorporated by reference to Exhibit 4.2 to the FCX 1995 Second Quarter Form 10-Q.
- 4.2 Deposit Agreement dated as of July 1, 1993 among FCX, ChaseMellon Shareholder Services, L.L.C. ("ChaseMellon"), as Depositary, and holders of depositary receipts ("Step-Up Depositary Receipts") evidencing certain Depositary Shares, each of which, in turn, represents 0.05 shares of Step-Up Convertible Preferred Stock. Incorporated by reference to Exhibit 4.5 to the Annual Report on Form 10-K of FCX for the fiscal year ended December 31, 1993 (the "FCX 1993 Form 10-K").
- 4.3 Form of Step-Up Depositary Receipt. Incorporated by reference to Exhibit 4.6 to the FCX 1993 Form 10-K.
- 4.4 Certificate of Designations of the Gold-Denominated Preferred Stock of FCX. Incorporated by reference to Exhibit 4.3 to the FCX 1995 Second Quarter Form 10-Q.
- 4.5 Deposit Agreement dated as of August 12, 1993 among FCX, ChaseMellon, as Depositary, and holders of depositary receipts ("Gold-Denominated Depositary Receipts") evidencing certain Depositary Shares, each of which, in turn, represents 0.05 shares of Gold-Denominated Preferred Stock. Incorporated by reference to Exhibit 4.8 to the FCX 1993 Form 10-K.
- 4.6 Form of Gold-Denominated Depositary Receipt. Incorporated by reference to Exhibit 4.9 to the FCX 1993 Form 10-K.

4.7 Certificate of Designations of the Gold-Denominated Preferred Stock, Series II (the "Gold-Denominated Preferred Stock II") of FCX. Incorporated by reference to Exhibit 4.4 to the FCX 1995 Second Quarter Form 10-Q.

[Page] E-1

4.8 Deposit Agreement dated as of January 15, 1994, among FCX, ChaseMellon, as Depositary, and holders of depositary receipts ("Gold-Denominated II Depositary Receipts") evidencing certain Depositary Shares, each of which, in turn, represents 0.05 shares of Gold-Denominated Preferred Stock II. Incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q of FCX for the quarter ended March 31, 1994 (the "FCX 1994 First Quarter Form 10-Q").

4.9 Form of Gold-Denominated II Depositary Receipt. Incorporated by reference to Exhibit 4.3 to the FCX 1994 First Quarter Form 10-Q.

4.10 Certificate of Designations of the Silver-Denominated Preferred Stock of FCX. Incorporated by reference to Exhibit 4.5 to the FCX 1995 Second Quarter Form 10-Q.

4.11 Deposit Agreement dated as of July 25, 1994 among FCX, ChaseMellon, as Depositary, and holders of depositary receipts ("Silver-Denominated Depositary Receipts") evidencing certain Depositary Shares, each of which, in turn, initially represents 0.025 shares of Silver-Denominated Preferred Stock. Incorporated by reference to Exhibit 4.2 to the July 15, 1994 Form 8-A.

4.12 Form of Silver-Denominated Depositary Receipt. Incorporated by reference to Exhibit 4.1 to the July 15, 1994, Form 8-A.

4.13 \$550 million Composite Restated Credit Agreement dated as of July 17, 1995 (the "PT-FI Credit Agreement") among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, Chemical Bank, as administrative agent and FCX collateral agent, and The Chase Manhattan Bank (National Association), as documentary agent. Incorporated by reference to Exhibit 4.16 to the Annual Report of FCX on Form 10-K for the year ended December 31, 1995 (the "FCX 1995 Form 10-K").

4.14 Amendment dated as of July 15, 1996 to the PT-FI Credit Agreement among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, Chemical Bank,

as administrative agent and FCX collateral agent, and The Chase Manhattan Bank (National Association), as documentary agent. Incorporated by reference to Exhibit 4.2 to the Quarterly Report of FCX on Form 10-Q for the quarter ended September 30, 1996 (the "FCX 1996 Third Quarter Form 10-Q").

4.15 Amendment dated as of October 9, 1996 to the PT-FI Credit Agreement among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, The Chase Manhattan Bank (formerly Chemical Bank), as administrative agent, security agent and JAA security agent, and The Chase Manhattan Bank (as successor to The Chase Manhattan Bank (National Association)), as documentary agent. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of FCX dated and filed November 13, 1996 (the "FCX November 13, 1996 Form 8-K").

4.16 Amendment dated as of March 7, 1997 to the PT-FI Credit Agreement among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, The Chase Manhattan Bank, as administrative agent, security agent and JAA security agent, and The Chase Manhattan Bank, as documentary agent.

4.17 Amendment dated as of July 24, 1997 to the PT-FI Credit Agreement among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, The Chase Manhattan Bank, as administrative agent, security agent and JAA security agent, and The Chase Manhattan Bank, as documentary agent.

4.18 \$200 million Credit Agreement dated as of June 30, 1995 (the "CDF") among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National

[Page] E-2

Association, as PT-FI Trustee, Chemical Bank, as administrative agent and FCX collateral agent, The Chase Manhattan Bank (National Association), as documentary agent. Incorporated by reference to Exhibit 4.2 to the FCX 1995 Third Quarter Form 10-Q.

4.19 Amendment dated as of July 15, 1996 to the CDF among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, Chemical Bank, as administrative agent and FCX collateral agent, and The Chase Manhattan Bank (National

Association), as documentary agent. Incorporated by reference to Exhibit 4.1 to the FCX 1996 Third Quarter Form 10-Q.

- 4.20 Amendment dated as of October 9, 1996 to the CDF among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, The Chase Manhattan Bank (formerly Chemical Bank), as administrative agent, security agent and JAA security agent, and The Chase Manhattan Bank (as successor to The Chase Manhattan Bank (National Association)), as documentary agent. Incorporated by reference to Exhibit 10.1 to the FCX November 13, 1996 Form 8-K.
- 4.21 Amendment dated as of March 7, 1997 to the CDF among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, The Chase Manhattan Bank, as administrative agent, security agent and JAA security agent, and The Chase Manhattan Bank, as documentary agent.
- 4.22 Amendment dated as of July 24, 1997 to the CDF among PT-FI, FCX, the several financial institutions that are parties thereto, First Trust of New York, National Association, as PT-FI Trustee, The Chase Manhattan Bank, as administrative agent, security agent and JAA security agent, and The Chase Manhattan Bank, as documentary agent.
- 4.23 Senior Indenture dated as of November 15, 1996 from FCX to The Chase Manhattan Bank, as Trustee. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of FCX dated November 13, 1996 and filed November 15, 1996.
- 4.24 First Supplemental Indenture dated as of November 18, 1996 from FCX to The Chase Manhattan Bank, as Trustee, providing for the issuance of the Senior Notes and supplementing the Senior Indenture dated November 15, 1996 from FCX to such Trustee, providing for the issuance of Debt Securities. Incorporated by reference to Exhibit 4.20 to the FCX 1996 Form 10-K.
- 10.1 Contract of Work dated December 30, 1991 between The Government of the Republic of Indonesia and PT-FI. Incorporated by reference to Exhibit 10.2 to the FCX 1995 Form 10-K.
- 10.2 Contract of Work dated August 15, 1994 between The Government of the Republic of Indonesia and P.T. IRJA Eastern Minerals Corporation. Incorporated by reference to Exhibit 10.2 to the FCX 1995 Form 10-K.

10.3 Agreement dated as of October 11, 1996 to Amend and Restate Trust Agreement among PT-FI, FCX, the RTZ Corporation PLC, P.T. RTZ-CRA Indonesia, RTZ Indonesian Finance Limited and First Trust of New York, National Association, and The Chase Manhattan Bank, as Administrative Agent, JAA Security Agent and Security Agent. Incorporated by reference to Exhibit 10.3 to the FCX November 13, 1996 Form 8-K.

10.4 Credit Agreement dated October 11, 1996 between PT-FI and RTZ Indonesian Finance Limited. Incorporated by reference to Exhibit 10.4 to the FCX November 13, 1996 Form 8-K.

[Page] E-3

10.5 Participation Agreement dated as of October 11, 1996 between PT-FI and P.T. RTZ-CRA Indonesia with respect to a certain contract of work. Incorporated by reference to Exhibit 10.5 to the FCX November 13, 1996 Form 8-K.

10.6 Second Amended and Restated Joint Venture and Shareholders' Agreement dated as of December 11, 1996 among Mitsubishi Materials Corporation, Nippon Mining and Metals Company, Limited and PT-FI. Incorporated by reference to Exhibit 10.3 of the FCX 1996 Form 10-K.

10.7 Put and Guaranty Agreement dated as of March 21, 1997 between FCX and The Chase Manhattan Bank.

10.8 Subordinated Loan Agreement dated as of March 21, 1997 between FCX and PT Nusamba Mineral Industri.

10.9 Amended and Restated Power Sales Agreement dated as of December 18, 1997 between PT-FI and P.T. Puncakjaya Power.

10.10 Option, Mandatory Purchase and Right of First Refusal Agreement dated as of December 19, 1997 among PT-FI, P.T. Puncakjaya Power, Duke Irian Jaya, Inc., Westcoast Power, Inc. and P.T. Prasarana Nusantara Jaya.

Executive Compensation Plans and Arrangements (Exhibits 10.11 through 10.28)

10.11 Annual Incentive Plan of FCX. Incorporated by reference to Exhibit 10.8 to the FCX 1996 Form 10-K.

10.12 1995 Long-Term Performance Incentive Plan of FCX. Incorporated by reference to Exhibit 10.9 to the FCX 1996 Form 10-K.

10.13 FCX Performance Incentive Awards Program. Incorporated by reference to Exhibit 10.7 to the FCX 1995 Form 10-K.

- 10.14 FCX President's Award Program. Incorporated by reference to Exhibit 10.8 to the FCX 1995 Form 10-K.
- 10.15 FCX Adjusted Stock Award Plan, as amended.
- 10.16 FCX 1995 Stock Option Plan. Incorporated by reference to Exhibit 10.13 to the FCX 1996 Form 10-K.
- 10.17 FCX 1995 Stock Option Plan for Non-Employee Directors, as amended.
- 10.18 Financial Counseling and Tax Return Preparation and Certification Program of FCX. Incorporated by reference to Exhibit 10.12 to the FCX 1995 Form 10-K.
- 10.19 FM Services Company Performance Incentive Awards Program. Incorporated by reference to Exhibit 10.13 to the FCX 1995 Form 10-K.
- 10.20 FM Services Company Financial Counseling and Tax Return Preparation and Certification Program. Incorporated by reference to Exhibit 10.14 to the FCX 1995 Form 10-K.
- 10.21 Consulting Agreement dated as of December 22, 1988 between FTX and Kissinger Associates, Inc. ("Kissinger Associates").
- [Page] E-4
- 10.22 Letter Agreement dated May 1, 1989 between FTX and Kent Associates, Inc. ("Kent Associates," predecessor in interest to Kissinger Associates).
- 10.23 Letter Agreement dated January 27, 1997 among Kissinger Associates, Kent Associates, FTX, FCX and FMS. Incorporated by reference to Exhibit 10.20 to the FCX 1996 Form 10-K.
- 10.24 Agreement for Consulting Services between FTX and B. M. Rankin, Jr. effective as of January 1, 1991 (assigned to FMS as of January 1, 1996).
- 10.25 Supplemental Agreement between FMS and B. M. Rankin Jr. dated December 15, 1997.
- 10.26 Letter Agreement dated March 8, 1996 between George A. Mealey and FCX. Incorporated by reference to Exhibit 10.22 of the FCX 1996 Form 10-K.
- 10.27 Letter Agreement effective as of January 4, 1997 between Senator J. Bennett Johnston, Jr. and FCX.

Incorporated by reference to Exhibit 10.25 of the FCX 1996 Form 10-K.

10.28 Letter Agreement dated December 22, 1997 between FMS and Rene L. Latiolais.

12.1 FCX Computation of Ratio of Earnings to Fixed Charges.

13.1 Those portions of the 1997 Annual Report to stockholders of FCX that are incorporated herein by reference.

21.1 Subsidiaries of FCX.

23.1 Consent of Arthur Andersen LLP.

23.2 Consent of Independent Mining Consultants, Inc.

24.1 Certified resolution of the Board of Directors of FCX authorizing this report to be signed on behalf of any officer or director pursuant to a Power of Attorney.

24.2 Powers of Attorney pursuant to which this report has been signed on behalf of certain officers and directors of FCX.

27.1 FCX Financial Data Schedule.

27.2 FCX Restated Financial Data Schedule.

[Page] E-5

CONFORMED COPY

AMENDMENT dated as of March 7, 1997 (this "Amendment") to the Credit Agreement dated as of June 30, 1995 (as heretofore amended, the "Credit Agreement"), among PT FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of the Republic of Indonesia and also domesticated in Delaware ("FI"), FREEPORT-MCMORAN COPPER & GOLD INC., a Delaware corporation ("FCX"), the undersigned financial institutions (collectively, the "Banks"), FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION, a national banking association, as trustee under the FI Trust Agreement (in such capacity, the "FI Trustee"), THE CHASE MANHATTAN BANK (formerly Chemical Bank), a New York banking corporation ("Chase"), as administrative agent for the Banks (in such capacity, the "Administrative Agent"), as security agent for the Banks (in such capacity, the "Security Agent") under the Bank Security Documents (as defined in the Credit Agreement) and as security agent for the Banks and RTZ-IIL (in such capacity, the "JAA Security Agent") under the JAA Fiduciary Transfer (as defined in the Credit Agreement) and the JAA Fiduciary Power (as defined in the Credit Agreement), and THE CHASE MANHATTAN BANK (as successor to the Chase Manhattan Bank (National Association)), as documentary agent for the Banks (in such capacity the "Documentary Agent"; the Administrative Agent, the Security Agent, the JAA Security Agent and the Documentary Agent being collectively referred to herein as the "Agents"). Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Credit Agreement.

PT Nusamba Mineral Industri ("PTMI"), an Indonesian limited liability company and a special purpose subsidiary owned 99% by PT Nusantara Ampera Bakti ("PT Nusamba") and 1% by PT Mapindo Parama ("PTMP", and together with PT Nusamba, the "PTMI Shareholders"), proposes to

acquire for an aggregate purchase price not to exceed \$312 million approximately 51% of the capital stock of PT Indocopper Investama Corporation ("PTII") that is currently owned or controlled by PT Bakrie & Brothers ("PTBB") and PT Bakrie Investindo ("PTBI", and together with PTBB, the "Bakrie Group"). PTII in turn owns 9.36% of the capital stock of FI.

In conjunction with the acquisition, PTMI will finance (a) up to \$256,000,000 of the purchase price and financing fees with the proceeds of a senior secured term loan facility (the "PTMI Facility") and (b) the remainder of such purchase in the amount of \$61,780,000 through a combination of (i) a common equity contribution by the PTMI shareholders to PTMI and (ii) the issuance by PTMI of subordinated indebtedness to the PTMI shareholders in a principal amount not to exceed 50% of \$61,780,000.

The PTMI Facility will be structured as a five-year term loan, with full recourse to FCX through a Put and Guaranty Agreement (the "Put Agreement"). FCX will also loan to PTMI (on a subordinated basis) such amounts as may be necessary to cover any differences between the interest payments due on the PTMI Facility and the dividends received by PTMI in connection with its ownership interest in PT Indocopper Investama Corporation (the "Interest Shortfall Loans"). The PTMI Facility will be secured by a first priority pledge of the PTII shares held by PTMI (the "Pledged PTII Shares"), a pledge of all the capital stock of PTMI (the "Pledged Borrower Shares") and a first priority security interest in a dividend reserve account to be established for the deposit of all dividends attributable to PTMI's indirect interest in FI. FCX also will have a second priority lien on the Pledged PTII Shares and on the Pledged Borrower Shares to secure any amounts advanced by FCX to pay principal or interest on the PTMI Facility. Under the Put Agreement, FCX will be obligated to purchase the Pledged PTII Shares, the Pledged Borrower Shares, or the interests of the lenders under the PTMI Facility under certain conditions for a purchase price equal to the aggregate amount of the outstanding principal, interest and other amounts then owed by PTMI in respect of the PTMI Facility.

Pursuant to the terms of the Credit Agreement, FCX's obligations under the Put Agreement would constitute a Guarantee of Debt of PTMI and would therefore count against the Borrowing Base. Moreover, FCX is limited by Section 5.2(1) in its ability to make a Guarantee on behalf of and/or loans to a Third Party. FCX and FI have requested that the Banks agree to amend the Credit Agreement in order to, among other things, modify the Borrowing Base

determination and modify Section 5.2(1) to permit FCX to enter into and perform its obligations under the Put Agreement and to make the Interest Shortfall Loans; the Banks have advised FCX that they are willing to do so, on the terms and subject to the conditions hereinafter set forth.

Accordingly, FCX, FI, the FI Trustee, the Banks and the Agents agree as follows:

SECTION 1. Amendments. Effective as of the Effective Date, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following defined terms in the appropriate alphabetical order:

(i) "Interest Shortfall Loans" means the loans made by FCX to PTMI (on a subordinated basis) to cover any differences between the interest payments made on the PTMI Facility and the dividends received by PTMI in connection with its ownership interest in PT Indocopper Investama Corporation.

(ii) "Obligations Amount" means the price at which FCX will be obligated to purchase the Pledged PTII Shares and/or the Pledged Borrower Shares or the interest of the lenders under the PTMI Facility under the terms of the Put Agreement, which will be an amount equal to the aggregate amount of the outstanding principal, interest and other amounts then owed by PTMI under the PTMI Facility.

(iii) "Pledged Borrower Shares" means all the shares of capital stock of PTMI pledged by PT Nusantara Ampera Bakti and PT Mapindo Parama as security under the PTMI Facility, to the extent so pledged;

(iv) "Pledged PTII Shares" means all shares of the capital stock of PT Indocopper Investama Corporation, now or hereafter owned by PTMI, pledged by PTMI as security under the PTMI Facility, to the extent so pledged.

(v) "PTMI" means PT Nusamba Mineral Industri, an Indonesian limited liability company.

(vi) "PTMI Facility" means the senior secured term loan agreement among PTMI, Chase, as administrative agent, Union Bank of Switzerland, as managing agent, and the financial institutions named therein in an aggregate principal amount of up to \$256,000,000, which facility will be full recourse to FCX through the Put Agreement, and any and all notes or other instruments and all security agreements, pledge agreements and other agreements executed in connection therewith.

(vii) "Put Agreement" means the Put and Guaranty Agreement among FCX and Chase, as security agent, pursuant to which Chase will be entitled to sell, for the Obligations Amount, to FCX all, but not a portion of, the Pledged PTII Shares, the Pledged Borrower Shares or all right, title and interest of the lenders in, to and under the PTMI Facility following the occurrence of an Event of Default (as defined in each of the Put Agreement and the PTMI Facility) and under certain other conditions specified in the Put Agreement.

(b) Section 2.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"SECTION 2.1. Annual Determination of Borrowing Base. As of the Fifth Amendment Closing Date, and until the next redetermination of the Borrowing Base, the Borrowing Base shall be \$2,000,000,000. FI shall, on or prior to April 1 in each year commencing with 1996, furnish to each Bank a Borrowing Base Certificate dated as of April 1 of such year. Such Borrowing Base Certificate shall have attached thereto (A) a report on the operations, results and outlook for the FI Project prepared by FI and satisfactory to the Administrative Agent, (B) a schedule setting forth the projected ownership interest of FI and FCX in each of the Restricted Subsidiaries and FCX's projected ownership interest in FI (other than any interest attributable to the Pledged PTII Shares) and the projected cash flow associated with the FI Project and the assets of each of the Restricted Subsidiaries of FI (an update of such schedule shall also be required to be delivered to each Bank on or prior to each Borrowing Base redetermination) and, commencing with the Borrowing Base Certificate due April 1, 1997, (C) FI's estimate of the market value of the

Pledged PTII Shares and an explanation in reasonable detail of the manner in which such estimate was calculated, together with supporting information. On or prior to May 1 following the receipt by each Bank of such annual Borrowing Base Certificate, the Administrative Agent shall determine, based upon the information (including information as to projected cash flows) contained in such Borrowing Base Certificate and the reports and schedules attached thereto and on the Administrative Agent's Policies, a borrowing base calculation for FI (the "Borrowing Base") based on the projected future cash flow associated with the Base Production (as such term is defined in the Final FI Trust Agreement) and, after the RTZ Lender loan is repaid in full and so long as the Banks have a first priority security interest in the FIEC Interests under the Final FI Trust Agreement, the FIEC Interests and including, as an addition to the Borrowing Base, an amount equal to the lesser of (i) 50% of the market value of the Pledged PTII Shares (as determined by the Administrative Agent based on the information contained in the Borrowing Base Certificate and such other factors as the Administrative Agent shall deem relevant) and (ii) the Obligations Amount. The recommended Borrowing Base as determined by the Administrative Agent shall be promptly communicated to the Banks together with the list of the Nonrestricted Subsidiaries (if any) included in such calculation. The Banks shall promptly consider and approve or disapprove the recommended Borrowing Base in writing, and upon approval of such recommendations by the Required Banks by written notice to the Administrative Agent, such approved amount shall constitute the then effective Borrowing Base. In the event that the Administrative Agent's recommended Borrowing Base is not approved by the Required Banks, the Administrative Agent shall work with the Banks to agree upon a revised Borrowing Base acceptable to Banks sufficient to constitute the Required Banks. Such determination of the Borrowing Base by the Administrative Agent and such approval or nonapproval by the Required Banks of the effective Borrowing Base shall be based on their respective Policies. Each such determination (and each redetermination as provided for below) of the Borrowing Base shall remain in effect until the next succeeding calculation and approval of the Borrowing Base in

the manner provided in this Article II."

(c) Section 5.2(1) of the Credit Agreement is hereby amended by adding the following immediately after the last sentence:

"Notwithstanding anything in this Section 5.2(1), FCX may enter into the Put Agreement and may make the Interest Shortfall Loans, and FCX's obligations under the Put Agreement and the Interest Shortfall Loans will not be included in the calculation of the \$150,000,000 annual limit provided for above."

SECTION 2. Representations and Warranties. Each of FCX and FI represents and warrants as of the effective date of this Amendment to the Administrative Agent and to each of the Banks that:

(a) The representations and warranties set forth in Article IV of the Credit Agreement and in the other Loan Documents are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

(b) As of the date hereof, no Default or Event of Default has occurred and is continuing under the Credit Agreement.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof when the Agents shall have received counterparts of this Amendment that, when taken together, bear the signatures of each of FCX, FI and the Required Banks.

SECTION 4. Agreement. Except as specifically stated herein, the provisions of the Credit Agreement are and shall remain in full force and effect. As used in the Credit Agreement the terms "Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereto" and words of similar import shall, unless the context otherwise requires, refer to the Credit Agreement as amended hereby.

SECTION 5. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall

constitute an original but all of which when taken together shall constitute but one contract.

SECTION 7. Expenses. The Company agrees to reimburse the Agents for all out-of-pocket expenses incurred by it in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

PT FREEPORT INDONESIA
COMPANY,

by
/s/R. Foster Duncan

Name: R. Foster Duncan
Title: Treasurer

FREEPORT-MCMORAN COPPER & GOLD
INC.,

by
/s/R. Foster Duncan

Name: R. Foster Duncan
Title: Vice President and

Treasurer

FIRST TRUST OF NEW YORK,
NATIONAL ASSOCIATION, as FI
Trustee,

by
/s/Ward A. Spooner

Name: Ward A. Spooner
Title: Vice President

THE CHASE MANHATTAN BANK,
individually and as

Administrative Agent, Security Agent, JAA Security Agent and Documentary Agent,

by
/s/ James H. Ramage

Name: James H. Ramage
Title: Vice President

ABN AMRO BANK N.V., HOUSTON AGENCY,

by

ABN AMRO NORTH AMERICA, INC.,
as Agent for ABN AMRO BANK N.V.,

by
/s/H. Gene Shiels

Name: H. Gene Shiels
Title: Vice President

by
/s/ David P. Orr

Name: David P. Orr
Title: Vice President

ARAB BANKING CORPORATION (B.S.C.),

by
/s/ Stephen A. Plauche

Name: Stephen A. Plauche
Title: Vice President

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, CAYMAN ISLANDS BRANCH,

by
/s/ Kyle Loughlin

Name: Kyle Loughlin
Title: Vice President

BANK AUSTRIA
AKTIENGESELLSCHAFT,

by
/s/J. Anthony Seay

Name: J. Anthony Seay
Title: Vice President

by
/s/Mark Nolan

Name: Mark Nolan
Title: Assistant Vice
President

BANK OF AMERICA ILLINOIS,

by
/s/

Name:
Title:

BANK OF MONTREAL,

by
/s/Michael D. Peist

Name: Michael D. Peist
Title: Director

THE BANK OF NOVA SCOTIA,

by
/s/A. S. Norsworthy

Name: A. S. Norsworthy
Title: Sr. Team Leader-

THE BANK OF TOKYO-MITSUBISHI,

LTD. HOUSTON AGENCY,

by
/s/ John W. McGhee

Name: John W. McGhee
Title: Vice President and
Manager

BANQUE NATIONALE DE PARIS,

by
/s/ John Stacy

Name: John Stacy
Title: Vice President

BANQUE PARIBAS,

by
/s/ Douglas R. Liftman

Name: Douglas R. Liftman
Title: Vice President

by
/s/ Brian Malone

Name: Brian Malone
Title: Vice President

BARCLAYS BANK PLC,

by
/s/ Carol A. Cowan

Name: Carol A. Cowan
Title: Director

CHRISTIANIA BANK OG
KREDITKASSE,

by
/s/ William S. Phillips

Name: William S. Phillips

Title: Vice President

by

/s/ Peter M. Dodge

Name: Peter M. Dodge

Title: First Vice
President

DAI-ICHI KANGYO BANK, LTD.,

by

/s/ Masayoshi Komaki

Name: Masayoshi Komaki

Title: Assistant Vice
President

DEUTSCHE BANK, AG, SINGAPORE
BRANCH,

by

/s/ Raymond Lee

Name: Raymond Lee

Title: Head of Credit

by

/s/ Norbert Wanninger

Name: Dr. Norbert
Wanninger

Title: General Manager

DRESDNER BANK AG, NEW YORK
BRANCH AND GRAND CAYMAN
BRANCH,

by

Name:

Title:

by

Name:

Title:

THE FIRST NATIONAL BANK OF
CHICAGO,

by
/s/ George R. Schanz

Name: George R. Schanz
Title: Vice President

FIRST NATIONAL BANK OF
COMMERCE,

by
/s/ Joshua C. Cummings

Name: Joshua C. Cummings
Title: Relationship
Manager

THE FUJI BANK, LIMITED,
HOUSTON AGENCY,

by
/s/ David Kelly

Name: David Kelly
Title: Senior Vice
President

HIBERNIA NATIONAL BANK,

by
/s/ Steven Nance

Name: Steven Nance
Title: Banking Officer

THE INDUSTRIAL BANK OF JAPAN,
LIMITED NEW YORK BRANCH,

by
/s/ Kazutoshi Kuwahara

Name: Kazutoshi Kuwahara
Title: Executive Vice
President

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED,

by
/s/ Satoru Otsubo

Name: Satoru Otsubo
Title: Joint General
Manager

THE MITSUI TRUST AND BANKING
COMPANY, LIMITED,

by
/s/ Margaret Holloway

Name: Margaret Holloway
Title: Vice President &
Manager

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

by

Name:
Title:

NATIONAL WESTMINSTER BANK PLC,

by
/s/ Ian M. Plester

Name: Ian M. Plester
Title: Vice President

NATIONAL WESTMINSTER BANK PLC
(NASSAU BRANCH),

by
/s/ Ian M. Plester

Name: Ian M. Plester
Title: Vice President

THE NORINCHUKIN BANK, NEW YORK
BRANCH,

by

Name:
Title:

PT BANK NEGARA INDONESIA
(PERSERO),

by

/s/ Mohamed El-Shazly

Name: Mohamed E. Shazly
Title: Deputy General
Manager

P.T. BANK RAKYAT INDONESIA
(PERSERO),

by

/s/Kemas M. Arief

Name: Kemas M. Arief
Title: General Manager

by

/s/David W. Opdyke

Name: David W. Opdyke
Title: Deputy General
Manager

REPUBLIC NATIONAL BANK OF
NEW YORK,

by

/s/ Richard J. Ward

Name: Richard J. Ward
Title: Vice President

THE ROYAL BANK OF SCOTLAND
PLC,

by

/s/Russell M. Gibson

Name: Russell M. Gibson
Title: Vice President &

Deputy Manager

THE SAKURA BANK, LIMITED,
HOUSTON AGENCY,

by
/s/Yasumasa Kikuchi

Name: Yasumasa Kikuchi
Title: Senior Vice
President

THE SANWA BANK LIMITED, DALLAS
AGENCY,

by
/s/L. J. Perenyi

Name: L. J. Perenyi
Title: Vice President

SOCIETE GENERALE, SOUTHWEST
AGENCY,

by
/s/Elizabeth W. Hunter

Name: Elizabeth W. Hunter
Title: Vice President

THE SUMITOMO BANK, LIMITED,
HOUSTON AGENCY,

by
/s/Harumitsu Seki

Name: Harumitsu Seki
Title: General Manager

THE TOKAI BANK, LIMITED,

by
Name:
Title:

UNION BANK OF SWITZERLAND,
HOUSTON AGENCY,

by
/s/Dan O. Boyle

Name: Dan O. Boyle
Title: Managing Director

by
/s/J. Finley Biggerstaff
Name: J. Finley Biggerstaff
Title: Assistant Vice
President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE,

by
/s/Alan S. Bookspan
Name: Alan S. Bookspan
Title: Vice President

by
/s/Thomas Lee

Name: Thomas Lee
Title: Associate

YASUDA TRUST AND BANKING
COMPANY,

by
/s/Price I. Chenault

Name: Price I. Chenault
Title: First Vice
President

CONFORMED COPY

AMENDMENT dated as of July 24, 1997 (this "Amendment") to the Credit Agreement dated as of June 30, 1995 (as heretofore amended, the "Credit Agreement"), among PT FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of the Republic of Indonesia and also domesticated in Delaware ("FI"), FREEPORT-MCMORAN COPPER & GOLD INC., a Delaware corporation ("FCX"), the undersigned financial institutions (collectively, the "Banks"), FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION, a national banking association, as trustee under the FI Trust Agreement (in such capacity, the "FI Trustee"), THE CHASE MANHATTAN BANK (formerly Chemical Bank), a New York banking corporation ("Chase"), as administrative agent for the Banks (in such capacity, the "Administrative Agent"), as security agent for the Banks (in such capacity, the "Security Agent") under the Bank Security Documents (as defined in the Credit Agreement) and as security agent for the Banks and RTZ-IIL (in such capacity, the "JAA Security Agent") under the JAA Fiduciary Transfer (as defined in the Credit Agreement) and the JAA Fiduciary Power (as defined in the Credit Agreement), and THE CHASE MANHATTAN BANK (as successor to The Chase Manhattan Bank (National Association)), as documentary agent for the Banks (in such capacity the "Documentary Agent"; the Administrative Agent, the Security Agent, the JAA Security Agent and the Documentary Agent being collectively referred to herein as the "Agents"). Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Credit Agreement.

WHEREAS FCX, FI, the FI Trustee and the Agents have agreed, subject to the terms and conditions hereof, to amend the Credit Agreement in the manner set forth in this Amendment.

WHEREAS, this Amendment shall constitute the written consent of each of the Banks in accordance with Section 10.7(b) of the Credit Agreement.

Accordingly, FCX, FI, the FI Trustee, the Banks and the Agents agree as follows:

SECTION 1. Amendments. Effective as of the Effective Date (as hereinafter defined), the Credit Agreement is hereby amended as follows:

(a) The definition of "Maturity Date" in Section 1.1 of the Credit Agreement is hereby amended to replace the words "December 31, 1999" with "December 31, 2002".

SECTION 2. Representations and Warranties. Each of FCX and FI represents and warrants to the Administrative Agent and to each of the Banks that:

(a) The representations and warranties set forth in Article IV of the Credit Agreement and in the other Loan Documents are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

(b) As of the date hereof, no Default or Event of Default has occurred and is continuing under the Credit Agreement.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective on the date that each of the following conditions shall have been satisfied (such date of effectiveness being the "Effective Date"):

(a) Receipt by Cravath, Swaine & Moore, special counsel for the Agents, of executed counterparts of this Amendment which, when taken together, bear the signatures of FI, FCX, the FI Trustee, the Agents and each Bank.

(b) The representations and warranties on the part of FI and FCX contained in Article IV of the Credit Agreement shall be true and correct in all material respects at and as of the Effective Date as though made on and as of such date.

(c) The Administrative Agent shall have received

on behalf of itself and the Banks a favorable written opinion of (i) Jones, Walker, Waechter, Poitevent, Carrere & Denegre, counsel for FCX and FI, (ii) Ali Budiardjo, Nugroho, Reksodiputro, special Indonesian counsel for FI, (iii) Henry A. Miller, general counsel of FCX and (iv) Mochtar, Karuwin & Komar, special Indonesian counsel for the Agents, each dated the Effective Date and addressed to the Administrative Agent and the Banks, each in the form approved by the Agents and Cravath, Swaine & Moore, special counsel for the Agents. FCX and FI and, in the case of (iv) above, the Agents, hereby instruct such counsel to deliver such opinions.

SECTION 4. Reallocation of the Banks' Commitments under the Credit Agreement. (a) It is hereby acknowledged that, pursuant to the terms of this Amendment, the Total Commitment under the Credit Agreement is not being changed but the allocations of the Banks' commitments are being changed (the "Commitment Reallocation"), effective as of the Effective Date. The Commitment Reallocation will be implemented through the increase of the Commitments of one or more of the Banks (each such Bank that is willing to increase its Commitment hereunder being an "Increasing Bank"), the decrease of the Commitments of one or more of the Banks (each such Bank that is willing to reduce its Commitment hereunder being a "Reducing Bank") and the continuation of the amount of the Commitments of one or more Banks (each such bank whose Commitment is not changing, a "Non-Changing Bank"). If agreement is reached on or prior to the Effective Date with any Increasing Banks or Reducing Banks as to a commitment increase or a commitment reduction, as the case may be, the Commitments of such Increasing Banks, such Reducing Banks and the Non-Changing Banks shall be, as of the Effective Date, the amounts set forth in Schedule II to this Amendment; provided that each Bank shall have delivered to the Administrative Agent within 30 Business Days of the Effective Date, its existing Promissory Notes of FCX and FI issued under the Credit Agreement as in effect prior to the Effective Date. The Administrative Agent, upon receipt of such Promissory Notes from each Bank, shall promptly deliver such Promissory Notes to FCX and FI.

(b) On the Effective Date, the Administrative Agent shall record in the Register the relevant information with respect to each Increasing Bank and each Reducing Bank. Each Increasing Bank shall, before 2:00 P.M. (New York City time) on the Effective Date, make available to the Administrative Agent in New York, New York, in immediately available funds, an amount equal to the excess of (i) such Increasing Bank's ratable portion of the borrowings then outstanding (calculated based on its Commitment as a

percentage of the Total Commitments outstanding after giving effect to the Commitment Reallocation) over (ii) such Increasing Bank's pro rata share of the borrowings then outstanding (calculated based on its Commitment (without giving effect to the Commitment Reallocation) as a percentage of the Total Commitments (without giving effect to the Commitment Reallocation). After the Administrative Agent's receipt of such funds from each such Increasing Bank, the Administrative Agent will promptly thereafter cause to be distributed like funds to the Reducing Banks for their account in an amount to each Reducing Bank such that the aggregate amount of the outstanding borrowings owing to each Reducing Bank after giving effect to such distribution equals such Reducing Bank's pro rata share of the borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the Commitment Reallocation). Pursuant to Section 3.13 of the Credit Agreement, FCX and FI shall pay any losses any Bank may sustain or incur as a consequence of any Breakage Event that may occur in connection with or as a result of the transactions contemplated by this Amendment. Within one Business Day prior to the Effective Date, each of FCX and FI, at its own expense, shall execute and deliver to the Administrative Agent Promissory Notes payable to the order of each Bank, dated as of June 30, 1995, in a principal amount equal to such Bank's Commitment after giving effect to the Commitment Reallocation, substantially in the form of Exhibits A-1 and A-2 to this Amendment. The Administrative Agent, upon receipt of such Promissory Notes from each of FCX and FI, shall promptly deliver such Promissory Notes to the Banks.

SECTION 5. Agreement. Except as specifically stated herein, the provisions of the Credit Agreement are and shall remain in full force and effect. As used in the Credit Agreement the terms "Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereof" and words of similar import shall, unless the context otherwise requires, refer to the Credit Agreement as amended hereby.

SECTION 6. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 8. Expenses. Each of FCX and FI agrees to reimburse the Agents for all out-of-pocket expenses incurred by them in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

PT FREEPORT INDONESIA
COMPANY,

by
/s/ R. Foster Duncan

Name: R. Foster Duncan
Title: Vice President &
Treasurer

FREEPORT-MCMORAN COPPER & GOLD
INC.,

by
/s/R. Foster Duncan

Name: R. Foster Duncan
Title: Vice President &
Treasurer

FIRST TRUST OF NEW YORK,
NATIONAL ASSOCIATION, as FI
Trustee,

by
/s/ Ward A. Spooner

Name: Ward A. Spooner
Title: Vice President

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent, Security

Agent, JAA Security Agent and
Documentary Agent,

by
/s/James H. Ramage

Name: James H. Ramage
Title: Vice President

ABN AMRO BANK N.V., HOUSTON
AGENCY,

by

ABN AMRO NORTH AMERICA, INC.,
as Agent for ABN AMRO BANK
N.V.,

by
/s/H. Gene Shiels

Name: H. Gene Shiels
Title: Vice President

by
/s/W. Bryan Chapman

Name: W. Bryan Chapman
Title: Group Vice
President

ARAB BANKING CORPORATION
(B.S.C.),

by
/s/Stephen A. Plauche

Name: Stephen A. Plauche
Title: Vice President

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED, CAYMAN
ISLANDS BRANCH,

by
/s/K. Loughlin

Name: K. Loughlin
Title: Vice President

BANK AUSTRIA
AKTIENGESELLSCHAFT,

by
/s/J. Anthony Seay

Name: J. Anthony Seay
Title: Vice President

by
/s/Mark Nolan

Name: Mark Nolan
Title: Assistant Vice
President

BANK OF AMERICA ILLINOIS,

by
/s/W. Thomas Barnett

Name: W. Thomas Barnett

BANK OF MONTREAL,

by
/s/Michael P. Sassos

Name: Michael P. Sassos
Title: Director

THE BANK OF NOVA SCOTIA,

by
/s/F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager
Loan Operations

THE BANK OF TOKYO-MITSUBISHI,

LTD. HOUSTON AGENCY,

by

/s/John W. McGhee

Name: John W. McGhee

Title: Vice President and
Manager

BANQUE NATIONALE DE PARIS,

by

/s/John L. Stacy

Name: John L. Stacy

Title: Vice President

BANQUE PARIBAS,

by

/s/Marian Livingston

Name: Marian Livingston

Title: Vice President

by

/s/Michael Fiuzat

Name: Michael Fiuzat

Title: Vice President

BARCLAYS BANK PLC,

by

/s/Carol A. Cowan

Name: Carol A. Cowan

Title: Director

CHRISTIANIA BANK OG
KREDITKASSE,

by

/s/Peter M. Dodge

Name: Peter M. Dodge

Title: First Vice

President

by
/s/Carl-Petter Svendsen

Name: Carl-Petter Svendsen
Title: First Vice
President

DAI-ICHI KANGYO BANK, LTD.,

by
/s/Masayoshi Komaki

Name: Masayoshi Komaki
Title: Vice President

DEUTSCHE BANK, AG, SINGAPORE
BRANCH,

by
/s/Raymond Lee

Name: Raymond Lee
Title: First Vice
President, Head of
Credit Department

by
/s/Tan Tiat Hern

Name: Tan Tiat Hern
Title: First Vice
President, Head of
Corporate Banking

DRESDNER BANK AG, NEW YORK
BRANCH AND GRAND CAYMAN
BRANCH,

by
/s/Wayne Colquhoun

Name: Wayne Colquhoun
Title: Vice President

by
/s/P. Douglas Sherrod

Name: P.Douglas Sherrod
Title: Vice President

THE FIRST NATIONAL BANK OF
CHICAGO,

by
/s/William V. Clifford

Name: William V. Clifford
Title: Vice President

FIRST NATIONAL BANK OF
COMMERCE,

by
/s/Joshua C. Cummings

Name: Joshua C. Cummings
Title: Assistant Vice
President

THE FUJI BANK, LIMITED,
HOUSTON AGENCY,

by
/s/David Kelley

Name: David Kelley
Title: Sr. Vice President

HIBERNIA NATIONAL BANK,

by
/s/Steven Nance

Name: Steven Nance
Title: Banking Officer

THE INDUSTRIAL BANK OF JAPAN,
LIMITED NEW YORK BRANCH,

by
/s/Kensaku Iwata

Name: Kensaku Iwata
Title: Senior Vice
President,
Houston Office

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED,

by
/s/Sadao Muraoka

Name: Sadao Muraoka
Title: Head of Southwest
Region

THE MITSUI TRUST AND BANKING
COMPANY, LIMITED,

by
/s/Margaret Holloway

Name: Margaret Holloway
Title: Vice President and
Manager

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

by
/s/John Kowalczyk

Name: John Kowalczyk
Title: Vice President

NATIONAL WESTMINSTER BANK PLC,

by
/s/David Rowley

Name: David Rowley
Title: Vice President

NATIONAL WESTMINSTER BANK PLC
(NASSAU BRANCH),

by
/s/David Rowley

Name: David Rowley
Title: Vice President

THE NORINCHUKIN BANK, NEW YORK
BRANCH,

by
/s/Takeshi Akimoto

Name: Takeshi Akimoto
Title: General Manager

PT BANK NEGARA INDONESIA
(PERSERO),

by
/s/Dewa Suthapa

Name: Dewa Suthapa
Title: General Manager

P.T. BANK RAKYAT INDONESIA
(PERSERO),

by
/s/Kemas M. Arie

Name: Kemas M. Arie
Title: General Manager

by
/s/David W. Opdyke

Name: David W. Opdyke
Title: Deputy General
Manager

REPUBLIC NATIONAL BANK OF
NEW YORK,

by
/s/W.S. Eobie III

Name: W. S. Eobie III
Title: Senior Vice
President

THE ROYAL BANK OF SCOTLAND
PLC,

by
/s/Russell M. Gibson

Name: Russell M. Gibson
Title: Vice President &
Deputy Manager

THE SAKURA BANK, LIMITED, NEW
YORK BRANCH,

by
/s/Yasumasa Kikuchi

Name: Yasumasa Kikuchi
Title: Senior Vice
President

THE SANWA BANK LIMITED, DALLAS
AGENCY,

by
/s/L.J. Perenyi

Name: L. J. Perenyi
Title: Vice President

SOCIETE GENERALE, SOUTHWEST
AGENCY,

by
/s/Elizabeth W. Hunter

Name: Elizabeth W. Hunter
Title: Vice President

THE SUMITOMO BANK, LIMITED,

by
/s/Harumitsu Seki

Name: Harumitsu Seki
Title: General Manager

THE TOKAI BANK, LIMITED,

by
/s/Kaoru Oda

Name: Kaoru Oda
Title: Assistant General
Manager

UNION BANK OF SWITZERLAND,
HOUSTON AGENCY,

by
/s/Dan O. Boyle

Name: Dan O. Boyle
Title: Managing Director

by
/s/J. Finley Biggerstaff

Name: J. Finley Biggerstaff
Title: Assistant Vice
President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE,

by
/s/ Richard R. Newman

Name: Richard R. Newman
Title: Vice President

by
/s/Thomas Lee

Name: Thomas Lee
Title: Associate

EXHIBIT A-1

PROMISSORY NOTE

\$

New York, New York
June 30, 1995

FOR VALUE RECEIVED, the undersigned, P.T. FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of Indonesia and also domesticated in Delaware (the "Borrower"), hereby promises to pay to the order of [name of Bank] (the "Bank"), at the office of The Chase Manhattan Bank (the "Administrative Agent"), at 270 Park Avenue, New York, New York 10017, on the Maturity Date as defined in the Credit Agreement entered into as of June 30, 1995 (as amended, restated or modified from time to time, the "Credit Agreement"), among the Borrower, FREEPORT-McMoRan COPPER & GOLD INC., a Delaware corporation, the Banks named therein, FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION (for purposes of Article VIII thereof only), as trustee for the Banks under the FI Trust Agreement (as defined therein), and the Agents (as defined in the Credit Agreement), the lesser of the principal sum of [amount of commitment] Dollars (\$)) and the aggregate unpaid principal amount of all Loans made by the Bank to the Borrower pursuant to Section 3.2 of the Credit Agreement, in lawful money of the United States of America in same day funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at a rate or

rates per annum and payable on such dates as determined pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at a rate or rates determined as set forth in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Promissory Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that any failure of the holder hereof to make a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Promissory Note and the Credit Agreement.

This Promissory Note is one of the Promissory Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Promissory Note and the borrowings evidenced hereby are entitled to the benefits of the FI Security Documents (as defined in the Credit Agreement). THIS PROMISSORY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

P.T. FREEPORT INDONESIA
COMPANY,

by

Name:

Title:

Loans and Payments

Date	Amount and Type of Loan	Maturity Date	Payments		Unpaid Principal Balance of Note	Name of Person Making Notation
			Principal	Interest		

EXHIBIT A-2

PROMISSORY NOTE

\$

New York, New York
June 30, 1995

FOR VALUE RECEIVED, the undersigned, FREEPORT-McMoRan COPPER & GOLD INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of [name of Bank] (the "Bank"), at the office of The Chase Manhattan Bank (the "Administrative Agent"), at 270 Park Avenue, New York, New York 10017, on the Maturity Date as defined in the Credit Agreement entered into as of June 30, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, P.T. FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of Indonesia and also domesticated in Delaware, the Banks named therein, FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION (for purposes of Article VIII thereof only), as trustee for the Banks under the FI Trust Agreement (as defined therein), and the Agents (as defined in the Credit Agreement), the lesser of the principal sum of [amount of commitment] Dollars (\$) and the aggregate unpaid principal amount of all Loans made by the Bank to the Borrower pursuant to Section 3.2 of the Credit Agreement, in lawful money of the United States of America in same day funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like

funds, at said office, at a rate or rates per annum and payable on such dates as determined pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at a rate or rates determined as set forth in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Promissory Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that any failure of the holder hereof to make a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Promissory Note and the Credit Agreement.

This Promissory Note is one of the Promissory Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. THIS PROMISSORY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

FREEPORT-McMoRan COPPER &
GOLD INC.,

by

Name:

Title:

Note: All Schedules have been omitted and will be

provided upon request.

CONFORMED COPY

AMENDMENT dated as of March 7, 1997 (this "Amendment") to the Credit Agreement dated as of October 27, 1989 (as heretofore amended, the "Credit Agreement"), among PT FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of the Republic of Indonesia and also domesticated in Delaware ("FI"), FREEPORT-MCMORAN COPPER & GOLD INC., a Delaware corporation ("FCX"), the undersigned financial institutions (collectively, the "Banks"), FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION, a national banking association, as trustee under the FI Trust Agreement (in such capacity, the "FI Trustee"), THE CHASE MANHATTAN BANK (formerly Chemical Bank), a New York banking corporation ("Chase"), as administrative agent for the Banks (in such capacity, the "Administrative Agent"), as security agent for the Banks (in such capacity, the "Security Agent") under the Bank Security Documents (as defined in the Credit Agreement) and as security agent for the Banks and RTZ-IIL (in such capacity, the "JAA Security Agent") under the JAA Fiduciary Transfer (as defined in the Credit Agreement) and the JAA Fiduciary Power (as defined in the Credit Agreement), and THE CHASE MANHATTAN BANK (as successor to the Chase Manhattan Bank (National Association)), as documentary agent for the Banks (in such capacity the "Documentary Agent"; the Administrative Agent, the Security Agent, the JAA Security Agent and the Documentary Agent being collectively referred to herein as the "Agents"). Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Credit Agreement.

PT Nusamba Mineral Industri ("PTMI"), an Indonesian limited liability company and a special purpose subsidiary owned 99% by PT Nusantara Ampera Bakti ("PT Nusamba") and 1% by PT Mapindo Parama ("PTMP", and together with PT Nusamba, the "PTMI Shareholders"), proposes to

acquire for an aggregate purchase price not to exceed \$312 million approximately 51% of the capital stock of PT Indocopper Investama Corporation ("PTII") that is currently owned or controlled by PT Bakrie & Brothers ("PTBB") and PT Bakrie Investindo ("PTBI", and together with PTBB, the "Bakrie Group"). PTII in turn owns 9.36% of the capital stock of FI.

In conjunction with the acquisition, PTMI will finance (a) up to \$256,000,000 of the purchase price and financing fees with the proceeds of a senior secured term loan facility (the "PTMI Facility") and (b) the remainder of such purchase in the amount of \$61,780,000 through a combination of (i) a common equity contribution by the PTMI shareholders to PTMI and (ii) the issuance by PTMI of subordinated indebtedness to the PTMI shareholders in a principal amount not to exceed 50% of \$61,780,000.

The PTMI Facility will be structured as a five-year term loan, with full recourse to FCX through a Put and Guaranty Agreement (the "Put Agreement"). FCX will also loan to PTMI (on a subordinated basis) such amounts as may be necessary to cover any differences between the interest payments due on the PTMI Facility and the dividends received by PTMI in connection with its ownership interest in PT Indocopper Investama Corporation (the "Interest Shortfall Loans"). The PTMI Facility will be secured by a first priority pledge of the PTII shares held by PTMI (the "Pledged PTII Shares"), a pledge of all the capital stock of PTMI (the "Pledged Borrower Shares") and a first priority security interest in a dividend reserve account to be established for the deposit of all dividends attributable to PTMI's indirect interest in FI. FCX also will have a second priority lien on the Pledged PTII Shares and on the Pledged Borrower Shares to secure any amounts advanced by FCX to pay principal or interest on the PTMI Facility. Under the Put Agreement, FCX will be obligated to purchase the Pledged PTII Shares, the Pledged Borrower Shares, or the interests of the lenders under the PTMI Facility under certain conditions for a purchase price equal to the aggregate amount of the outstanding principal, interest and other amounts then owed by PTMI in respect of the PTMI Facility.

Pursuant to the terms of the Credit Agreement, FCX's obligations under the Put Agreement would constitute a Guarantee of Debt of PTMI and would therefore count against the Borrowing Base. Moreover, FCX is limited by Section 5.2(1) in its ability to make a Guarantee on behalf of and/or loans to a Third Party. FCX and FI have requested that the Banks agree to amend the Credit Agreement in order to, among other things, modify the Borrowing Base

determination and modify Section 5.2(1) to permit FCX to enter into and perform its obligations under the Put Agreement and to make the Interest Shortfall Loans; the Banks have advised FCX that they are willing to do so, on the terms and subject to the conditions hereinafter set forth.

Accordingly, FCX, FI, the FI Trustee, the Banks and the Agents agree as follows:

SECTION 1. Amendments. Effective as of the Effective Date, the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following defined terms in the appropriate alphabetical order:

(i) "Interest Shortfall Loans" means the loans made by FCX to PTMI (on a subordinated basis) to cover any differences between the interest payments made on the PTMI Facility and the dividends received by PTMI in connection with its ownership interest in PT Indocopper Investama Corporation.

(ii) "Obligations Amount" means the price at which FCX will be obligated to purchase the Pledged PTII Shares and/or the Pledged Borrower Shares or the interest of the lenders under the PTMI Facility under the terms of the Put Agreement, which will be an amount equal to the aggregate amount of the outstanding principal, interest and other amounts then owed by PTMI under the PTMI Facility.

(iii) "Pledged Borrower Shares" means all the shares of capital stock of PTMI pledged by PT Nusantara Ampera Bakti and PT Mapindo Parama as security under the PTMI Facility, to the extent so pledged;

(iv) "Pledged PTII Shares" means all shares of the capital stock of PT Indocopper Investama Corporation, now or hereafter owned by PTMI, pledged by PTMI as security under the PTMI Facility, to the extent so pledged.

(v) "PTMI" means PT Nusamba Mineral Industri, an Indonesian limited liability company.

(vi) "PTMI Facility" means the senior secured term loan agreement among PTMI, Chase, as administrative agent, Union Bank of Switzerland, as managing agent, and the financial institutions named therein in an aggregate principal amount of up to \$256,000,000, which facility will be full recourse to FCX through the Put Agreement, and any and all notes or other instruments and all security agreements, pledge agreements and other agreements executed in connection therewith.

(vii) "Put Agreement" means the Put and Guaranty Agreement among FCX and Chase, as security agent, pursuant to which Chase will be entitled to sell, for the Obligations Amount, to FCX all, but not a portion of, the Pledged PTII Shares, the Pledged Borrower Shares or all right, title and interest of the lenders in, to and under the PTMI Facility following the occurrence of an Event of Default (as defined in each of the Put Agreement and the PTMI Facility) and under certain other conditions specified in the Put Agreement.

(b) Section 2.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"SECTION 2.1. Annual Determination of Borrowing Base. As of the Fifth Amendment Closing Date, and until the next redetermination of the Borrowing Base, the Borrowing Base shall be \$2,000,000,000. FI shall, on or prior to April 1 in each year commencing with 1996, furnish to each Bank a Borrowing Base Certificate dated as of April 1 of such year. Such Borrowing Base Certificate shall have attached thereto (A) a report on the operations, results and outlook for the FI Project prepared by FI and satisfactory to the Administrative Agent, (B) a schedule setting forth the projected ownership interest of FI and FCX in each of the Restricted Subsidiaries and FCX's projected ownership interest in FI (other than any interest attributable to the Pledged PTII Shares) and the projected cash flow associated with the FI Project and the assets of each of the Restricted Subsidiaries of FI (an update of such schedule shall also be required to be delivered to each Bank on or prior to each Borrowing Base redetermination) and, commencing with the Borrowing Base Certificate due April 1, 1997, (C) FI's estimate of the market value of the

Pledged PTII Shares and an explanation in reasonable detail of the manner in which such estimate was calculated, together with supporting information. On or prior to May 1 following the receipt by each Bank of such annual Borrowing Base Certificate, the Administrative Agent shall determine, based upon the information (including information as to projected cash flows) contained in such Borrowing Base Certificate and the reports and schedules attached thereto and on the Administrative Agent's Policies, a borrowing base calculation for FI (the "Borrowing Base") based on the projected future cash flow associated with the Base Production (as such term is defined in the Final FI Trust Agreement) and, after the RTZ Lender loan is repaid in full and so long as the Banks have a first priority security interest in the FIEC Interests under the Final FI Trust Agreement, the FIEC Interests and including, as an addition to the Borrowing Base, an amount equal to the lesser of (i) 50% of the market value of the Pledged PTII Shares (as determined by the Administrative Agent based on the information contained in the Borrowing Base Certificate and such other factors as the Administrative Agent shall deem relevant) and (ii) the Obligations Amount. The recommended Borrowing Base as determined by the Administrative Agent shall be promptly communicated to the Banks together with the list of the Nonrestricted Subsidiaries (if any) included in such calculation. The Banks shall promptly consider and approve or disapprove the recommended Borrowing Base in writing, and upon approval of such recommendations by the Required Banks by written notice to the Administrative Agent, such approved amount shall constitute the then effective Borrowing Base. In the event that the Administrative Agent's recommended Borrowing Base is not approved by the Required Banks, the Administrative Agent shall work with the Banks to agree upon a revised Borrowing Base acceptable to Banks sufficient to constitute the Required Banks. Such determination of the Borrowing Base by the Administrative Agent and such approval or nonapproval by the Required Banks of the effective Borrowing Base shall be based on their respective Policies. Each such determination (and each redetermination as provided for below) of the Borrowing Base shall remain in effect until the next succeeding calculation and approval of the Borrowing Base in

the manner provided in this Article II."

(c) Section 5.2(1) of the Credit Agreement is hereby amended by adding the following immediately after the last sentence:

"Notwithstanding anything in this Section 5.2(1), FCX may enter into the Put Agreement and may make the Interest Shortfall Loans, and FCX's obligations under the Put Agreement and the Interest Shortfall Loans will not be included in the calculation of the \$150,000,000 annual limit provided for above."

SECTION 2. Representations and Warranties. Each of FCX and FI represents and warrants as of the effective date of this Amendment to the Administrative Agent and to each of the Banks that:

(a) The representations and warranties set forth in Article IV of the Credit Agreement and in the other Loan Documents are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

(b) As of the date hereof, no Default or Event of Default has occurred and is continuing under the Credit Agreement.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof when the Agents shall have received counterparts of this Amendment that, when taken together, bear the signatures of each of FCX, FI and the Required Banks.

SECTION 4. Agreement. Except as specifically stated herein, the provisions of the Credit Agreement are and shall remain in full force and effect. As used in the Credit Agreement the terms "Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereof" and words of similar import shall, unless the context otherwise requires, refer to the Credit Agreement as amended hereby.

SECTION 5. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. Counterparts. This Amendment may be

executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 7. Expenses. The Company agrees to reimburse the Agents for all out-of-pocket expenses incurred by it in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

PT FREEPORT INDONESIA
COMPANY,

by

/s/ R. Foster Duncan

Name: R. Foster Duncan
Title: Treasurer

FREEPORT-MCMORAN COPPER & GOLD
INC.,

by

/s/ R. Foster Duncan

Name: R. Foster Duncan
Title: Vice President and

Treasurer

FIRST TRUST OF NEW YORK,
NATIONAL ASSOCIATION, as FI
Trustee,

by

/s/ Ward A. Spooner

Name: Ward A. Spooner
Title: Vice President

THE CHASE MANHATTAN BANK,

individually and as
Administrative Agent, Security
Agent, JAA Security Agent and
Documentary Agent,

by

/s/ James H. Ramage

Name: James H. Ramage
Title: Vice President

ABN AMRO BANK N.V., HOUSTON
AGENCY,

by

ABN AMRO NORTH AMERICA, INC.,
as Agent for ABN AMRO BANK
N.V.,

by

/s/ H. Gene Shiels

Name: H. Gene Shiels
Title: Vice President

by

/s/ David P. Orr

Name: David P. Orr
Title: Vice President

ARAB BANKING CORPORATION
(B.S.C.),

by

/s/ Stephen A. Plauche

Name: Stephen A. Plauche
Title: Vice President

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED, CAYMAN
ISLANDS BRANCH,

by

/s/ Kyle Loughlin

Name: Kyle Loughlin
Title: Vice President

BANK AUSTRIA
AKTIENGESELLSCHAFT,

by
/s/ J. Anthony Seay

Name: J. Anthony Seay
Title: Vice President

by
/s/ Mark Nolan

Name: Mark Nolan
Title: Assistant Vice
President

BANK OF AMERICA ILLINOIS,

by
/s/ Signed

Name:
Title:

BANK OF MONTREAL,

by
/s/ Michael D. Peist

Name: Michael D. Peist
Title: Director

THE BANK OF NOVA SCOTIA,

by
/s/ A. S. Norsworthy

Name: A. S. Norsworthy
Title: Sr. Team Leader-

THE BANK OF TOKYO-MITSUBISHI,
LTD. HOUSTON AGENCY,

by

/s/ John W. McGhee

Name: John W. McGhee
Title: Vice President and
Manager

BANQUE NATIONALE DE PARIS,

by

/s/ John Stacy

Name: John Stacy
Title: Vice President

BANQUE PARIBAS,

by

/s/ Douglas R. Liftman

Name: Douglas R. Liftman
Title: Vice President

by

/s/ Brian Malone

Name: Brian Malone
Title: Vice President

BARCLAYS BANK PLC,

by

/s/ Carol A. Cowan

Name: Carol A. Cowan
Title: Director

CHRISTIANIA BANK OG
KREDITKASSE,

by

/s/ William S. Phillips

Name: William S. Phillips
Title: Vice President

by

/s/ Peter M. Dodge

Name: Peter M. Dodge
Title: First Vice
President

DAI-ICHI KANGYO BANK, LTD.,

by
/s/ Masayoshi Komaki

Name: Masayoshi Komaki
Title: Assistant Vice
President

DEUTSCHE BANK, AG, SINGAPORE
BRANCH,

by
/s/ Raymond Lee

Name: Raymond Lee
Title: Head of Credit

by
/s/ Norbert Wanninger

Name: Dr. Norbert
Wanninger
Title: General Manager

DRESDNER BANK AG, NEW YORK
BRANCH AND GRAND CAYMAN
BRANCH,

by /s/ Signed

Name:
Title:

by /s/ Signed

Name:
Title:

THE FIRST NATIONAL BANK OF
CHICAGO,

by
/s/ George R. Schanz

Name: George R. Schanz
Title: Vice President

FIRST NATIONAL BANK OF
COMMERCE,

by
/s/ Joshua C. Cummings

Name: Joshua C. Cummings
Title: Relationship
Manager

THE FUJI BANK, LIMITED,
HOUSTON AGENCY,

by
/s/ David Kelly

Name: David Kelly
Title: Senior Vice
President

HIBERNIA NATIONAL BANK,

by
/s/ Steven Nance

Name: Steven Nance
Title: Banking Officer

THE INDUSTRIAL BANK OF JAPAN,
LIMITED NEW YORK BRANCH,

by
/s/ Kazutoshi Kuwahara

Name: Kazutoshi Kuwahara
Title: Executive Vice
President

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED,

by

/s/ Satoru Otsubo

Name: Satoru Otsubo
Title: Joint General
Manager

THE MITSUI TRUST AND BANKING
COMPANY, LIMITED,

by

/s/ Margaret Holloway

Name: Margaret Holloway
Title: Vice President &
Manager

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

by /s/ Signed

Name:
Title:

NATIONAL WESTMINSTER BANK PLC,

by

/s/ Ian M. Plester

Name: Ian M. Plester
Title: Vice President

NATIONAL WESTMINSTER BANK PLC
(NASSAU BRANCH),

by

/s/ Ian M. Plester

Name: Ian M. Plester
Title: Vice President

THE NORINCHUKIN BANK, NEW YORK
BRANCH,

by /s/ Signed

Name:

Title:

PT BANK NEGARA INDONESIA
(PERSERO),

by

/s/ Mohamed El-Shazly

Name: Mohamed E. Shazly
Title: Deputy General
Manager

P.T. BANK RAKYAT INDONESIA
(PERSERO),

by

/s/ Kemas M. Arief

Name: Kemas M. Arief
Title: General Manager

by

/s/ David W. Opdyke

Name: David W. Opdyke
Deputy General
Manager

REPUBLIC NATIONAL BANK OF
NEW YORK,

by

/s/ Richard J. Ward

Name: Richard J. Ward
Title: Vice President

THE ROYAL BANK OF SCOTLAND
PLC,

by

/s/ Russell M. Gibson

Name: Russell M. Gibson
Title: Vice President &
Deputy Manager

THE SAKURA BANK, LIMITED,

HOUSTON AGENCY,

by

/s/ Yasumasa Kikuchi

Name: Yasumasa Kikuchi
Title: Senior Vice
President

THE SANWA BANK LIMITED, DALLAS
AGENCY,

by

/s/ L. J. Perenyi

Name: L. J. Perenyi
Title: Vice President

SOCIETE GENERALE, SOUTHWEST
AGENCY,

by

/s/ Elizabeth W. Hunter

Name: Elizabeth W. Hunter
Title: Vice President

THE SUMITOMO BANK, LIMITED,
HOUSTON AGENCY,

by

/s/ Harumitsu Seki

Name: Harumitsu Seki
Title: General Manager

THE TOKAI BANK, LIMITED,

by /s/ Signed

Name:
Title:

UNION BANK OF SWITZERLAND,
HOUSTON AGENCY,

by
/s/ Dan O. Boyle

Name: Dan O. Boyle
Title: Managing Director

by
/s/ J. Finley Biggerstaff

Name: J. Finley Biggerstaff
Title: Assistant Vice
President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE,

by
/s/ Alan S. Bookspan

Name: Alan S. Bookspan
Title: Vice President

by
/s/ Thomas Lee

Name: Thomas Lee
Title: Associate

YASUDA TRUST AND BANKING
COMPANY,

by
/s/ Price I. Chenault

Name: Price I. Chenault
Title: First Vice
President

CONFORMED COPY

AMENDMENT dated as of July 24, 1997 (this "Amendment") to the Credit Agreement dated as of June 30, 1995 (as heretofore amended, the "Credit Agreement"), among PT FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of the Republic of Indonesia and also domesticated in Delaware ("FI"), FREEPORT-MCMORAN COPPER & GOLD INC., a Delaware corporation ("FCX"), the undersigned financial institutions (collectively, the "Banks"), FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION, a national banking association, as trustee under the FI Trust Agreement (in such capacity, the "FI Trustee"), THE CHASE MANHATTAN BANK (formerly Chemical Bank), a New York banking corporation ("Chase"), as administrative agent for the Banks (in such capacity, the "Administrative Agent"), as security agent for the Banks (in such capacity, the "Security Agent") under the Bank Security Documents (as defined in the Credit Agreement) and as security agent for the Banks and RTZ-IIL (in such capacity, the "JAA Security Agent") under the JAA Fiduciary Transfer (as defined in the Credit Agreement) and the JAA Fiduciary Power (as defined in the Credit Agreement), and THE CHASE MANHATTAN BANK (as successor to The Chase Manhattan Bank (National Association)), as documentary agent for the Banks (in such capacity the "Documentary Agent"; the Administrative Agent, the Security Agent, the JAA Security Agent and the Documentary Agent being collectively referred to herein as the "Agents"). Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Credit Agreement.

WHEREAS FCX, FI, the FI Trustee and the Agents have agreed, subject to the terms and conditions hereof, to amend the Credit Agreement in the manner set forth in this Amendment.

WHEREAS, this Amendment shall constitute the written consent of each of the Banks in accordance with Section 10.7(b) of the Credit Agreement.

Accordingly, FCX, FI, the FI Trustee, the Banks and the Agents agree as follows:

SECTION 1. Amendments. Effective as of the Effective Date (as hereinafter defined), the Credit Agreement is hereby amended as follows:

(a) The definition of "Maturity Date" in Section 1.1 of the Credit Agreement is hereby amended to replace the words "December 31, 1999" with "December 31, 2002".

SECTION 2. Representations and Warranties. Each of FCX and FI represents and warrants to the Administrative Agent and to each of the Banks that:

(a) The representations and warranties set forth in Article IV of the Credit Agreement and in the other Loan Documents are true and correct in all material respects with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

(b) As of the date hereof, no Default or Event of Default has occurred and is continuing under the Credit Agreement.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective on the date that each of the following conditions shall have been satisfied (such date of effectiveness being the "Effective Date"):

(a) Receipt by Cravath, Swaine & Moore, special counsel for the Agents, of executed counterparts of this Amendment which, when taken together, bear the signatures of FI, FCX, the FI Trustee, the Agents and each Bank.

(b) The representations and warranties on the part of FI and FCX contained in Article IV of the Credit Agreement shall be true and correct in all material respects at and as of the Effective Date as though made on and as of such date.

(c) The Administrative Agent shall have received on behalf of itself and the Banks a favorable written opinion of (i) Jones, Walker, Waechter, Poitevent, Carrere & Denegre, counsel for FCX and FI, (ii) Ali Budiardjo, Nugroho, Reksodiputro, special Indonesian counsel for FI, (iii) Henry A. Miller, general counsel of FCX and (iv) Mochtar, Karuwin & Komar, special Indonesian counsel for the Agents, each dated the Effective Date and addressed to the Administrative Agent and the Banks, each in the form approved by the Agents and Cravath, Swaine & Moore, special counsel for the Agents. FCX and FI and, in the case of (iv) above, the Agents, hereby instruct such counsel to deliver such opinions.

SECTION 4. Reallocation of the Banks' Commitments under the Credit Agreement. (a) It is hereby acknowledged that, pursuant to the terms of this Amendment, the Total Commitment under the Credit Agreement is not being changed but the allocations of the Banks' commitments are being changed (the "Commitment Reallocation"), effective as of the Effective Date. The Commitment Reallocation will be implemented through the increase of the Commitments of one or more of the Banks (each such Bank that is willing to increase its Commitment hereunder being an "Increasing Bank"), the decrease of the Commitments of one or more of the Banks (each such Bank that is willing to reduce its Commitment hereunder being a "Reducing Bank") and the continuation of the amount of the Commitments of one or more Banks (each such bank whose Commitment is not changing, as a "Non-Changing Bank"). If agreement is reached on or prior to the Effective Date with any Increasing Banks or Reducing Banks as to a commitment increase or a commitment reduction, as the case may be, the Commitments of such Increasing Banks, such Reducing Banks and the Non-Changing Banks shall be, as of the Effective Date, the amounts set forth in Schedule II to this Amendment; provided that each Bank shall have delivered to the Administrative Agent within 30 Business Days of the Effective Date, its existing Promissory Notes of FCX and FI issued under the Credit Agreement as in effect prior to the Effective Date. The Administrative Agent, upon receipt of such Promissory Notes from each Bank, shall promptly deliver such Promissory Notes to FCX and FI.

(b) On the Effective Date, the Administrative Agent shall record in the Register the relevant information with respect to each Increasing Bank and each Reducing Bank. Each Increasing Bank shall, before 2:00 P.M. (New York City time) on the Effective Date, make available to the Administrative Agent in New York, New York, in immediately available funds, an amount equal to the excess of (i) such Increasing Bank's ratable portion of the borrowings then

outstanding (calculated based on its Commitment as a percentage of the Total Commitments outstanding after giving effect to the Commitment Reallocation) over (ii) such Increasing Bank's pro rata share of the borrowings then outstanding (calculated based on its Commitment (without giving effect to the Commitment Reallocation) as a percentage of the Total Commitments (without giving effect to the Commitment Reallocation)). After the Administrative Agent's receipt of such funds from each such Increasing Bank, the Administrative Agent will promptly thereafter cause to be distributed like funds to the Reducing Banks for their account in an amount to each Reducing Bank such that the aggregate amount of the outstanding borrowings owing to each Reducing Bank after giving effect to such distribution equals such Reducing Bank's pro rata share of the borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the Commitment Reallocation). Pursuant to Section 3.13 of the Credit Agreement, FCX and FI shall pay any losses any Bank may sustain or incur as a consequence of any Breakage Event that may occur in connection with or as a result of the transactions contemplated by this Amendment. Within one Business Day prior to the Effective Date, each of FCX and FI, at its own expense, shall execute and deliver to the Administrative Agent Promissory Notes payable to the order of each Bank, dated as of June 30, 1995, in a principal amount equal to such Bank's Commitment after giving effect to the Commitment Reallocation, substantially in the form of Exhibits A-1 and A-2 to this Amendment. The Administrative Agent, upon receipt of such Promissory Notes from each of FCX and FI, shall promptly deliver such Promissory Notes to the Banks.

SECTION 5. Agreement. Except as specifically stated herein, the provisions of the Credit Agreement are and shall remain in full force and effect. As used in the Credit Agreement the terms "Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereof" and words of similar import shall, unless the context otherwise requires, refer to the Credit Agreement as amended hereby.

SECTION 6. Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 8. Expenses. Each of FCX and FI agrees to reimburse the Agents for all out-of-pocket expenses incurred by them in connection with this Amendment, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

PT FREEPORT INDONESIA
COMPANY,

by /s/R. Foster Duncan

Name: R. Foster Duncan
Title: Vice President &
Treasurer

FREEPORT-MCMORAN COPPER & GOLD
INC.,

by
/s/R. Foster Duncan

Name: R. Foster Duncan
Title: Vice President &
Treasurer

FIRST TRUST OF NEW YORK,
NATIONAL ASSOCIATION, as FI
Trustee,

by
/s/ Ward A. Spooner

Name: Ward A. Spooner
Title: Vice President

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent, Security
Agent, JAA Security Agent and

Documentary Agent,

by

/s/James H. Ramage

Name: James H. Ramage
Title: Vice President

ABN AMRO BANK N.V., HOUSTON
AGENCY,

by

ABN AMRO NORTH AMERICA, INC.,
as Agent for ABN AMRO BANK
N.V.,

by

/s/ H. Gene Shiels

Name: H. Gene Shiels
Title: Vice President

by

/s/ W. Bryan Chapman

Name: W. Bryan Chapman
Title: Group Vice
President

ARAB BANKING CORPORATION
(B.S.C.),

by

/s/ Stephen A. Plauche

Name: Stephen A. Plauche
Title: Vice President

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED, CAYMAN
ISLANDS BRANCH,

by

/s/ K. Loughlin

Name: K. Loughlin
Title: Vice President

BANK AUSTRIA
AKTIENGESELLSCHAFT,

by
/s/ J. Anthony Seay

Name: J. Anthony Seay
Title: Vice President

by
/s/ Mark Nolan

Name: Mark Nolan
Title: Assistant Vice
President

BANK OF AMERICA ILLINOIS,

by
/s/ W. Thomas Barnett

Name: W. Thomas Barnett

BANK OF MONTREAL,

by
/s/ Michael P. Sassos

Name: Michael P. Sassos
Title: Director

THE BANK OF NOVA SCOTIA,

by
/s/ F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager
Loan Operations

THE BANK OF TOKYO-MITSUBISHI,
LTD. HOUSTON AGENCY,

by

/s/ John W. McGhee

Name: John W. McGhee
Title: Vice President and
Manager

BANQUE NATIONALE DE PARIS,

by

/s/ John L. Stacy

Name: John L. Stacy
Title: Vice President

BANQUE PARIBAS,

by

/s/ Marian Livingston

Name: Marian Livingston
Title: Vice President

by

/s/ Michael Fiuzat

Name: Michael Fiuzat
Title: Vice President

BARCLAYS BANK PLC,

by

/s/ Carol A. Cowan

Name: Carol A. Cowan
Title: Director

CHRISTIANIA BANK OG
KREDITKASSE,

by

/s/ Peter M. Dodge

Name: Peter M. Dodge
Title: First Vice
President

by

/s/ Carl-Petter Svendsen

Name: Carl-Petter Svendsen
Title: First Vice
President

DAI-ICHI KANGYO BANK, LTD.,

by

/s/ Masayoshi Komaki

Name: Masayoshi Komaki
Title: Vice President

DEUTSCHE BANK, AG, SINGAPORE
BRANCH,

by

/s/ Raymond Lee

Name: Raymond Lee
Title: First Vice
President, Head of
Credit Department

by

/s/ Tan Tiat Hern

Name: Tan Tiat Hern
Title: First Vice
President, Head of
Corporate Banking

DRESDNER BANK AG, NEW YORK
BRANCH AND GRAND CAYMAN
BRANCH,

by

/s/ Wayde Colquhoun

Name: Wayde Colquhoun
Title: Vice President

by
/s/ P. Douglas Sherrod

Name: P. Douglas Sherrod
Title: Vice President

THE FIRST NATIONAL BANK OF
CHICAGO,

by
/s/ William V. Clifford

Name: William V. Clifford
Title: Vice President

FIRST NATIONAL BANK OF
COMMERCE,

by
/s/ Joshua C. Cummings

Name: Joshua C. Cummings
Title: Assistant Vice
President

THE FUJI BANK, LIMITED,
HOUSTON AGENCY,

by
/s/ David Kelley

Name: David Kelley
Title: Sr. Vice President

HIBERNIA NATIONAL BANK,

by
/s/ Steven Nance

Name: Steven Nance
Title: Banking Officer

THE INDUSTRIAL BANK OF JAPAN,

LIMITED NEW YORK BRANCH,

by

/s/ Kensaku Iwata

Name: Kensaku Iwata
Title: Senior Vice
President,
Houston Office

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED,

by

/s/ Sadao Muraoka

Name: Sadao Muraoka
Title: Head of Southwest
Region

THE MITSUI TRUST AND BANKING
COMPANY, LIMITED,

by

/s/ Margaret Holloway

Name: Margaret Holloway
Title: Vice President and
Manager

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,

by

/s/ John Kowalczyk

Name: John Kowalczyk
Title: Vice President

NATIONAL WESTMINSTER BANK PLC,

by

/s/ David Rowley

Name: David Rowley
Title: Vice President

NATIONAL WESTMINSTER BANK PLC
(NASSAU BRANCH),

by
/s/ David Rowley

Name: David Rowley
Title: Vice President

THE NORINCHUKIN BANK, NEW YORK
BRANCH,

by
/s/ Takeshi Akimoto

Name: Takeshi Akimoto
Title: General Manager

PT BANK NEGARA INDONESIA
(PERSERO),

by
/s/ Dewa Suthapa

Name: Dewa Suthapa
Title: General Manager

P.T. BANK RAKYAT INDONESIA
(PERSERO),

by
/s/ Kemas M. Arie

Name: Kemas M. Arie
Title: General Manager

by
/s/ David W. Opdyke

Name: David W. Opdyke
Title: Deputy General
Manager

REPUBLIC NATIONAL BANK OF
NEW YORK,

by
/s/ W.S. Eobie III

Name: W. S. Eobie III
Title: Senior Vice
President

THE ROYAL BANK OF SCOTLAND
PLC,

by
/s/ Russell M Gibson

Name: Russell M. Gibson
Title: Vice President &
Deputy Manager

THE SAKURA BANK, LIMITED, NEW
YORK BRANCH,

by
/s/ Yasumasa Kikuchi

Name: Yasumasa Kikuchi
Title: Senior Vice
President

THE SANWA BANK LIMITED, DALLAS
AGENCY,

by
/s/ L. J. Perenyi

Name: L. J. Perenyi
Title: Vice President

SOCIETE GENERALE, SOUTHWEST
AGENCY,

by
/s/ Elizabeth W. Hunter

Name: Elizabeth W. Hunter
Title: Vice President

THE SUMITOMO BANK, LIMITED,

by

/s/ Harumitsu Seki

Name: Harumitsu Seki
Title: General Manager

THE TOKAI BANK, LIMITED,

by

/s/ Kaoru Oda

Name: Kaoru Oda
Title: Assistant General
Manager

UNION BANK OF SWITZERLAND,
HOUSTON AGENCY,

by

/s/ Dan O. Boyle

Name: Dan O. Boyle
Title: Managing Director

by

/s/ J. Finley Biggerstaff

Name: J. Finley Biggerstaff
Title: Assistant Vice
President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE,

by

/s/ Richard R. Newman

Name: Richard R. Newman
Title: Vice President

by

/s/ Thomas Lee

Name: Thomas Lee
Title: Associate

EXHIBIT A-1

PROMISSORY NOTE

\$

New York, New York
June 30, 1995

FOR VALUE RECEIVED, the undersigned, P.T. FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of Indonesia and also domesticated in Delaware (the "Borrower"), hereby promises to pay to the order of [name of Bank] (the "Bank"), at the office of The Chase Manhattan Bank (the "Administrative Agent"), at 270 Park Avenue, New York, New York 10017, on the Maturity Date as defined in the Credit Agreement entered into as of June 30, 1995 (as amended, restated or modified from time to time, the "Credit Agreement"), among the Borrower, FREEPORT-McMoRan COPPER & GOLD INC., a Delaware corporation, the Banks named therein, FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION (for purposes of Article VIII thereof only), as trustee for the Banks under the FI Trust Agreement (as defined therein), and the Agents (as defined in the Credit Agreement), the lesser of the principal sum of [amount of commitment] Dollars (\$) and the aggregate unpaid principal amount of all Loans made by the Bank to the Borrower pursuant to Section 3.2 of the Credit Agreement, in lawful money of the United States of America in same day funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at a rate or rates per annum and payable on such dates as determined pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at a rate or rates determined as set forth in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof

in that or any subsequent instance.

All borrowings evidenced by this Promissory Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that any failure of the holder hereof to make a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Promissory Note and the Credit Agreement.

This Promissory Note is one of the Promissory Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Promissory Note and the borrowings evidenced hereby are entitled to the benefits of the FI Security Documents (as defined in the Credit Agreement). THIS PROMISSORY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

P.T. FREEPORT INDONESIA
COMPANY,
by

Name:
Title:

EXHIBIT A-2

PROMISSORY NOTE

§

New York, New York
June 30, 1995

FOR VALUE RECEIVED, the undersigned, FREEPORT-McMoRan COPPER & GOLD INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of [name of Bank] (the "Bank"), at the office of The Chase Manhattan Bank (the "Administrative Agent"), at 270 Park Avenue, New York, New York 10017, on the Maturity Date as defined in the Credit Agreement entered into as of June 30, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, P.T. FREEPORT INDONESIA COMPANY, a limited liability company organized under the laws of Indonesia and also domesticated in Delaware, the Banks named therein, FIRST TRUST OF NEW YORK, NATIONAL ASSOCIATION (for purposes of Article VIII thereof only), as trustee for the Banks under the FI Trust Agreement (as defined therein), and the Agents (as defined in the Credit Agreement), the lesser of the principal sum of [amount of commitment] Dollars (\$) and the aggregate unpaid principal amount of all Loans made by the Bank to the Borrower pursuant to Section 3.2 of the Credit Agreement, in lawful money of the United States of America in same day funds, and to pay interest from the date hereof on such principal amount from time to time outstanding, in like funds, at said office, at a rate or rates per annum and payable on such dates as determined pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at a rate or rates determined as set forth in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Promissory Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached

hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that any failure of the holder hereof to make a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Promissory Note and the Credit Agreement.

This Promissory Note is one of the Promissory Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. THIS PROMISSORY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

FREEPORT-McMoRan COPPER &
GOLD INC.,

by
Name:
Title:

Note:
All Schedules have been omitted and will be provided upon request.

PUT AND GUARANTY AGREEMENT (this "Agreement") dated as of March 21, 1997, among FREEPORT-MCMORAN COPPER & GOLD INC., a Delaware corporation ("FCX") and THE CHASE MANHATTAN BANK, a banking corporation organized under the laws of the State of New York ("Chase"), as Security Agent (in such capacity, the "Security Agent") under (a) the Pledge Agreement dated as of the date hereof between PT Nusamba Mineral Industri, a limited liability company organized under the laws of the Republic of Indonesia (the "Borrower"), and the Security Agent (the "Borrower Pledge Agreement") and (b) the Pledge Agreement dated as of the date hereof among PT Nusantara Ampera Bakti and PT Mapindo Parama (collectively, the "PTMI Shareholders"), each a limited liability company organized under the laws of the Republic of Indonesia, and the Security Agent (the "Parents' Pledge Agreement").

The Borrower, certain banks (collectively, the "Banks" and each, individually, a "Bank") and Chase, as Agent (the "Agent"), have entered into a Loan Agreement dated as of the date hereof (the "Loan Agreement") providing for certain advances to be made by such banks to the Borrower to finance the purchase by the Borrower of the Pledged PTII Shares (as defined below). The Pledged PTII Shares are being pledged to the Security Agent pursuant to the Borrower Pledge Agreement and the Pledged Borrower Shares (as defined below) are being pledged to the Security Agent pursuant to the Parents' Pledge Agreement, in each case to secure the obligations of the Borrower under the Loan Agreement. It is a condition to the making of the advances under the Loan Agreement that FCX shall have entered into this Agreement with the Security Agent.

Accordingly, FCX and the Security Agent agree as follows:

SECTION 1. Defined Terms. Subject to the following sentence, all capitalized terms used in this Agreement but not otherwise defined herein shall be defined as set forth in each of the PTFI Revolver and the FCX Revolver referred to below; provided that all capitalized terms used in the provisions incorporated by reference into this Agreement from each of the PTFI Revolver and the FCX Revolver but not otherwise defined herein shall be defined as set forth in each of the PTFI Revolver and the FCX Revolver, each as in effect on the date hereof; provided further that all references in each of the PTFI Revolver and the FCX Revolver (or in provisions incorporated herein from each of the PTFI Revolver and the FCX Revolver) to (a) any "Borrower" shall be deemed to be references to FCX, (b) "FI" shall be deemed to be references to PTFI, (c) "this Agreement" shall be deemed to be references to this Agreement, (d) any "Loan Document" or the "Loan Documents" shall be deemed to be references to any Loan Document or the Loan Documents as defined herein, (e) any "Bank" shall be deemed to be references to any Bank as defined herein, (f) "Required Banks" shall be deemed to be references to the Majority Banks as defined herein, (g) the "Administrative Agent" shall be deemed to be references to the Agent as defined herein, (h) the "Documentary Agent" shall be disregarded, (i) the "Collateral Agent" shall be deemed to be references to the Security Agent as defined herein, (j) "Agents" shall be deemed to be references to the Agent and the Security Agent as defined herein and (k) any "Commitment" or "Loan" shall be deemed to be references to each Bank's Commitment under the Loan Agreement and the Advances made pursuant to such Commitment (except that for purposes of Section 5.2(e) of the FCX Revolver and the PTFI Revolver, as incorporated by reference herein under Section 9, the terms "Commitment" and "this Agreement" shall have the respective meanings assigned to them in the FCX Revolver and the PTFI Revolver. As used in this Agreement (or in provisions incorporated herein from each of the PTFI Revolver and the FCX Revolver), the following terms shall have the meanings specified below:

"Advances" shall mean the advances outstanding under the Loan Agreement.

"Banking Day" shall mean a day other than Saturday and Sunday, on which banks are open for business in New York City and for interbank Dollar deposits in London.

"Bankruptcy Event" shall mean if (a) FCX or any

Restricted Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, liquidation or similar law, (ii) consent to the institution of, or fail to contravene in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (b) below, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for FCX or such Restricted Subsidiary or for a substantial part of its property or assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing; or (b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of FCX or any Restricted Subsidiary, or of a substantial part of the property or assets of FCX or any Restricted Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for FCX or any Restricted Subsidiary or for a substantial part of the property of FCX or any Restricted Subsidiary or (iii) the winding-up or liquidation of FCX or any Restricted Subsidiary; and such proceeding or petition shall continue undismissed for 60 days, or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

"Capital Stock" shall mean any and all shares, interests, rights to purchase, options, participations or other equivalents of or interests (however designated) in corporate stock, including any Preferred Stock.

"Change in Control" shall have the meaning assigned to it under the PTFI Revolver and the FCX Revolver, each as in effect on the date hereof.

"Commitment" shall have the meaning assigned to it under the Loan Agreement.

"Dividend Reserve Account" shall have the meaning assigned to it under the Loan Agreement.

"Event of Default" shall have the meaning assigned

to it under the Loan Agreement.

"FCX Obligations" shall mean the due and punctual payment of all amounts payable hereunder by FCX and the due and punctual performance of all other obligations of FCX hereunder.

"FCX Option Agreement" shall have the meaning assigned to it under the Loan Agreement.

"FCX Payment Date" shall have the meaning assigned to it in Section 4(a).

"FCX Revolver" shall mean the \$450,000,000 Credit Agreement dated June 30, 1995, among PTFI, FCX and the financial institutions named therein, as from time to time amended, renewed or replaced with another loan agreement which replacement facility has terms and conditions reasonably satisfactory in all respects to the Agent.

"GAAP" shall have the meaning assigned to it under the FCX Revolver and the PTFI Revolver, each as in effect on the date hereof.

"Governmental Authority" shall mean any United States Federal, state or local court or governmental agency, authority, instrumentality or regulatory body, or any Indonesian or other foreign (central or local) court or governmental agency, authority, instrumentality or regulatory body.

"Guaranteed Obligations" shall have the meaning assigned to it in Section 4(b).

"Interest Shortfall Loans" shall have the meaning assigned to it under the Loan Agreement.

"Lien" shall mean any mortgage, hypothecation, power of attorney to establish hypothecation, power of attorney to sell, assignment, pledge, lien, charge, security interest, option or other encumbrance.

"Loan Documents" shall mean the Loan Agreement, any promissory notes issued thereunder, the Borrower Pledge Agreement, the Parents' Pledge Agreement, this Agreement, the Pledge of Account and the Fee Letter dated as of January 24, 1997, among Chase, the Borrower and FCX.

"Loan Parties" shall mean the Borrower, FCX and the pledgors under each of the Pledge Agreements referred to under the definition of the term "Loan Documents".

"Majority Banks" shall have the meaning assigned to it under the Loan Agreement.

"Material Adverse Effect" shall mean (a) a materially adverse effect on the business, assets, operations or condition, financial or otherwise, of FCX and its Restricted Subsidiaries taken as a whole, (b) a material impairment of the ability of FCX to perform any of its obligations hereunder or (c) a material impairment of the rights of or benefits available to the Banks hereunder.

"Obligations" shall mean each of the payment and performance obligations of each of the Loan Parties under each of the Loan Documents.

"person" shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pledged Borrower Shares" shall mean the shares of capital stock of the Borrower pledged to the Security Agent pursuant to the Parents' Pledge Agreement, excluding any such shares released by the Security Agent from the Lien of the Parents' Pledge Agreement in connection with the sale by the PTMI Shareholders of such shares as contemplated by Sections 2.04 and 7.01 of the Loan Agreement.

"Pledged PTII Shares" shall mean the shares of capital stock of PTII pledged to the Security Agent pursuant to the Borrower Pledge Agreement, excluding any such shares released by the Security Agent from the Lien of the Borrower Pledge Agreement in connection with the sale by the Borrower of such shares as contemplated by Sections 2.04 and 7.01 of the Loan Agreement.

"Preferred Stock", as applied to the Capital Stock of any corporation, shall mean Capital Stock of any class or classes, however designated, which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"PTFI" shall mean PT Freeport Indonesia Company, a limited liability company organized under the laws of the Republic of Indonesia and domesticated in Delaware, and its successors and assigns.

"PTFI Revolver" shall mean the \$550,000,000 Credit

Agreement, dated as of October 27, 1989, among PTFI, FCX and the financial institutions named therein, as from time to time amended, renewed or replaced by another loan agreement which replacement facility has terms and conditions reasonably satisfactory in all respects to the Agent.

"PTII" shall mean PT Indocopper Investama Corporation, a limited liability company organized under the laws of the Republic of Indonesia.

"Put Price" shall mean, as of any date, (a) the sum of (i) the principal of and interest accrued but unpaid on all Advances outstanding (or, if the Advances shall be deemed no longer to be outstanding as a result of any foreclosure or similar proceeding, that would have been outstanding but for such proceeding) under the Loan Agreement as of such date and (ii) all fees, expenses (including any enforcement expenses) and other amounts due to the Secured Parties under the Loan Documents as of such date and (iii) the unwind amounts related to all terminated Permitted Secured Hedges, reduced by (b) all cash received by the Security Agent on or prior to such date (i) upon the disposition by the Security Agent of any securities or other collateral held by the Security Agent under any Loan Document or (ii) representing the Borrower's interest (based on the Borrower's then percentage equity interest in PTII) in the dividends payable to PTII, in each case to the extent the Security Agent is permitted under applicable law to apply such cash to the payment of the principal of or interest accrued on outstanding Advances; provided, however, that no reduction shall be made under this clause (b) to the extent such cash has been applied to the payment of the principal of or interest accrued on outstanding Advances or other amounts payable under the Loan Documents prior to the determination of the amount referred to in clause (a) (i) above. The amounts received by the Security Agent on account of the Put Price shall be distributed to the Agent and the individual lenders and applied to satisfy the amounts owed them under the Loan Agreement and the Permitted Secured Hedges.

"Restricted Subsidiary" shall have the meaning assigned to it in the PTFI Revolver and the FCX Revolver, each as in effect on the date hereof.

"Secured Parties" shall mean the Banks, the Agent and the Security Agent.

"Taxes" shall have the meaning assigned to it in Section 10(a) hereof.

"Transactions" shall have the meaning assigned to it in Section 7(b) hereof.

SECTION 2. Put of Shares. (a) In the event (i) the Advances shall have become due in accordance with the terms of the Loan Agreement (at their final maturity or upon acceleration) but shall not have been paid and (ii) FCX shall have notified the Security Agent that it will not exercise its option to purchase the Pledged PTII Shares or the Pledged Borrower Shares pursuant to the FCX Option Agreement, the Security Agent shall have the right, upon notice to FCX, to require FCX to purchase the Pledged PTII Shares (or, if the Security Agent shall be unable at the time to sell the Pledged PTII Shares to FCX, the Pledged Borrower Shares), together, in each case, with any Related Assets (as hereinafter defined), from the Security Agent at the Put Price (determined as of the date of payment set forth below and payable as provided in paragraph (e) below), whether pursuant to the power of sale provided for in the Borrower Pledge Agreement (or the Parents' Pledge Agreement, in the case of the Pledged Borrower Shares), upon any foreclosure or similar proceeding or otherwise, at a time set forth in such notice, but not less than two Banking Days after the giving of such notice. Any such purchase shall be final and without recourse to or representation by the Security Agent or any other Secured Party, other than as to the satisfaction of the conditions set forth in paragraph (b) below. For purposes hereof, the "Related Assets" means, if any dividends payable to PTII have been declared or paid to the Security Agent and the Borrower's interest (based on the Borrower's then percentage equity interest in PTII) in such dividends has not been reflected in a reduction of the Put Price, all rights of the Security Agent in and to such dividends.

(b) It is a condition to FCX's obligation to purchase the Pledged PTII Shares or the Pledged Borrower Shares pursuant to this Section 2 that (i) following such purchase, such Pledged PTII Shares or Pledged Borrower Shares, as the case may be, shall be free and clear of all Liens that have been created or consented to in writing by the Banks, the Agent or the Security Agent without the written consent of FCX; and (ii) if Pledged Borrower Shares are to be so purchased, no action shall have been taken or consented to by the Banks, the Agent or the Security Agent that would prevent such shares from constituting all the capital stock of the Borrower, or the assets of the Borrower from consisting solely of the Pledged PTII Shares, or the Borrower from being free of outstanding liabilities other than those arising under the Loan Documents or any guarantee thereof, so that following such purchase FCX would own, directly or

indirectly, 100% of the Pledged PTII Shares free and clear of all Liens or liabilities that have been created or consented to in writing by the Banks, the Agent or the Security Agent without the consent of FCX other than those arising under the Loan Documents or any guarantee thereof (it being expressly understood, however, that no provision of the Loan Documents that permits or does not prohibit any action referred to above shall be deemed to be a consent of the Banks, the Agent or the Security Agent to such action).

In the event that, after FCX has received the notice referred to in the first sentence of paragraph (a) above, FCX is of the opinion that any of the conditions set forth in clause (i) or (ii) above of this paragraph (b) have not been met, it shall notify the Security Agent of such opinion and of its basis therefor in reasonable detail in writing on or before the time set forth in the notice referred to in the first sentence of paragraph (a) above, whereupon the Security Agent shall promptly (A) determine whether the objections specified by FCX can be remedied and the conditions set forth in this paragraph can be met within a reasonable period of time and (B) notify FCX in writing of such determination. If the Security Agent shall have determined that the objections specified by FCX can be remedied, the Security Agent shall be entitled to attempt to remedy such objections within such reasonable period of time and to redeliver the notice referred to in the first sentence of paragraph (a) above once such objections have been remedied, notwithstanding the 30-day limitation set forth in paragraph (c) below.

(c) The Security Agent's notice referred to in the first sentence of paragraph (a) above shall, except as provided in paragraph (j) below, in no event be given after 11:59 p.m., New York City time, on the 30th day (or, if such 30th day shall not be a Banking Day, on the first Banking Day thereafter) after the date on which the Security Agent shall have obtained the right under this Agreement, the Borrower Pledge Agreement (or the Parents' Pledge Agreement, in the case of the Pledged Borrower Shares) and applicable law to sell the Pledged PTII Shares (or the Pledged Borrower Shares) as provided herein following receipt by the Security Agent of actual notice of the occurrence of a payment default by the Borrower upon the final maturity or acceleration of the Advances (or, if the Security Agent shall notify FCX that the Security Agent reasonably believes that it is prevented by an injunction or any other legal restraint from exercising its right to require that FCX purchase the Pledged PTII Shares or the Pledged Borrower Shares hereunder, or that it has been advised by counsel that the exercise of such right would or may be contrary to applicable standards for the disposition of pledged securities or

would entail significant risk of liability on the part of the Security Agent or the Banks, on the 30th day (or, if such 30th day shall not be a Banking Day, on the first Banking Day thereafter) after the date on which the Security Agent believes that such restraint has ceased to be applicable or such advice of counsel shall have been withdrawn).

(d) The Security Agent shall be conclusively deemed to have given the notice referred to in the first sentence of paragraph (a) above on the last day of the 30-day period specified in paragraph (c) above (and shall thereafter specify a time for the purchase of Pledged PTII Shares or Pledged Borrower Shares) unless the Security Agent shall have previously (i) given such notice or (ii) acting on the instructions of all the Banks, given notice to FCX that the Security Agent will not exercise its rights under this Section 2. If the Security Agent shall have given the notice referred to in clause (ii) of the immediately preceding sentence after the Security Agent has obtained the right to sell the Pledged PTII Shares (or the Pledged Borrower Shares) to FCX hereunder (A) all obligations of FCX under this Section 2 and all expense reimbursement, indemnity and other obligations of FCX under Section 10 and Section 18 shall terminate and (B) the Security Agent shall (1) request from the other Secured Parties the amount of any funds theretofore paid by FCX to any of such other Secured Parties pursuant to this Agreement, together with interest thereon at the rate borne by the Advances, and (2) return to FCX any such amounts received by the Security Agent from such other Secured Parties or received by the Security Agent from FCX and not previously paid by the Security Agent to such other Secured Parties. No Bank shall be deemed to have consented to the delivery by the Security Agent of the notice referred to in clause (ii) of this paragraph (d) unless such Bank shall have returned to the Security Agent, in immediately available funds, any amounts received by such Bank representing payments previously made by FCX hereunder, which funds each Bank hereby authorizes the Security Agent to return to FCX pursuant to this paragraph (d).

(e) If the Security Agent shall deliver or be deemed to have delivered a notice pursuant to paragraph (a) or paragraph (d) above, FCX shall pay the Put Price in cash in immediately available funds.

(f) FCX agrees that it will remain bound under this Section 2 and under Section 3 in the event of any extension or renewal of any Obligation made with its written consent.

(g) Except as otherwise provided herein with respect to the conditions to the obligations of FCX under this Section 2 or under Section 3, as the case may be, the obligations of FCX under this Section 2 or under Section 3, respectively, shall not be discharged or impaired or otherwise affected by (i) the failure of any Secured Party to enforce any right or remedy under the provisions of any Loan Document or any guarantee or any other agreement; (ii) any waiver, amendment or modification of any of the terms or provisions of any Loan Document not materially affecting the rights or obligations of FCX or made with the written consent of FCX; (iii) the voluntary release of any security held by any Secured Party for the Obligations made with the written consent of FCX or pursuant to any provision contained in any Loan Document; (iv) the failure of any Secured Party to exercise any right or remedy against any other guarantor, if any, of any of the Obligations; (v) any default, failure or delay, wilful or otherwise, in the performance of the Obligations; or (vi) except to the extent covered by clauses (i) through (v) above, any other act or omission that may or might in any manner or to any extent vary the risk of FCX or otherwise operate as a discharge of FCX as a matter of law or equity.

(h) FCX further waives any right to require that any resort be had by the Security Agent to any security held for payment of the Obligations or to any balance of any deposit account or credit on the books of an Secured Party in favor of the Borrower or any other person (but the Security Agent will endeavor in good faith to realize upon liquid assets held by it as security and apply the same to reduce the Obligations).

(i) The obligations of FCX hereunder shall not be affected by the actual or asserted invalidity, illegality or unenforceability of any of the Obligations.

(j) FCX further agrees that its obligations under this Section 2 or under Section 3 shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Secured Party upon the bankruptcy or reorganization of any Loan Party, or otherwise. In any such event, the 30-day period described in paragraph (c) of this Section 2 shall not begin to run until the day on which such payment is rescinded or must otherwise be restored and the other conditions referred to in such paragraph have been satisfied.

SECTION 3. Purchase and Assumption of Certain Interests of Banks under Loan Documents. FCX (a) shall have

the right, upon notice to the Agent and the Security Agent at any time after either (i) the Advances shall have become due and payable pursuant to Section 9.02 of the Loan Agreement or (ii) FCX shall have been obligated to make any payment to the Security Agent under Section 2 or Section 4, and (b) shall have the obligation, upon the occurrence of any of the following events and notice thereof from the Security Agent, namely that

(i) 60 days have elapsed following the occurrence of any Event of Default and such Event of Default is continuing or the Advances have become due and payable pursuant to Section 9.02 of the Loan Agreement,

(ii) either (A) FCX is in default of its obligations under Section 2, 4, 8 or 9 (and, in the case of any default under Section 8 or 9, any applicable grace period set forth herein or in the FCX Revolver or the PTFI Revolver has expired) or (B) any representation made by FCX hereunder proves to have been false or misleading in any material respect when made (unless such misrepresentation does not result in or entail a Material Adverse Effect),

(iii) an event of default has occurred and is continuing under any agreement or agreements to which PTFI, FCX or PTFI is a party relating to the borrowing of money in an aggregate amount for all such agreements collectively in excess of \$10,000,000 or any guarantee thereof, as a result of which indebtedness in such amount has become or may immediately be declared due and payable prior to its scheduled final maturity,

(iv) a Bankruptcy Event occurs,

(v) a Change in Control occurs,

(vi) an Event of Default occurs due to (a) a failure to renew (or replace with a revolving credit facility or facilities that has or have terms and conditions reasonably satisfactory in all respects to the Security Agent) by October 31, 1999 each of the PTFI Revolver and the FCX Revolver to a maturity date beyond the maturity date under the Loan Agreement or (b) a failure, at any time, to maintain under the PTFI Revolver and the FCX Revolver a minimum aggregate commitment level of \$600,000,000,

to purchase and assume, without recourse to or representation by any Secured Party other than as to the satisfaction of the conditions set forth in this Section 3, all inter-

ests, rights and obligations of the Secured Parties under the Loan Documents (other than any rights of the Secured Parties to reimbursement of expenses, yield protection payments or indemnities, all of which shall continue to benefit the Secured Parties following any such purchase and assumption) at a price equal to the Put Price, determined as of and payable by FCX in cash in immediately available funds on the closing date specified in the applicable notice referred to above (which closing date shall be not fewer than two Banking Days after the date of such notice). Notwithstanding the giving of the notice required by clause (b) above in connection with the occurrence of an event of default described in subclause (iii) above, FCX shall not be obligated to purchase and assume the interests of the Secured Parties under the Loan Documents as a result of the occurrence of such event of default described in subclause (iii) if, prior to the time at which FCX would be required to purchase and assume such interests, the event of default described in such subclause (iii) is waived by the lenders under the affected agreements and no other events described in clause (b) shall have occurred and be continuing at the time. Notwithstanding the foregoing, in the case of an occurrence of an Event of Default described in subclause (iv) above, such occurrence, without further action by the Security Agent, will automatically be deemed to be notice to FCX of its obligation to perform the actions contemplated by this Section 3, and the closing date for FCX's purchase and assumption of all the Secured Parties' interests under the Loan Documents shall be the date of the occurrence of such Event of Default.

In the event that following any purchase by FCX of the Pledged PTTI Shares or Pledged Borrower Shares pursuant to Section 2, or any payment by FCX of the Put Price pursuant to this Section 3, (a) any Secured Party shall be required to return to the Borrower or any other Loan Party, pursuant to any bankruptcy, insolvency or similar law or any order of a court or other Governmental Authority, or otherwise, any principal, interest or other amount received by it under any Loan Document, or (b) any such payment of principal, interest or other amount shall be rescinded, the Put Price shall be deemed to have been increased by such amount and FCX shall promptly pay such amount to such Secured Party.

SECTION 4. Limited Guaranty of Payment of Advances. (a) In addition to, and not in lieu of, any other obligation of FCX under this Agreement, FCX guarantees and agrees, as a primary obligor and not merely as surety, that, in the event that, at any time prior to (i) the date on which all amounts due (or which would have been due but

for any foreclosure or similar proceeding) to the Secured Parties under the Loan Documents have been paid in full in cash following the exercise or deemed exercise by the Security Agent of its rights under Section 2 or (ii) in the event the Security Agent shall have notified FCX that it will not exercise its rights under Section 2, the last day of the 30-day period described in paragraph (c) of Section 2, any scheduled payment of interest on or principal of the Advances (excluding principal due by reason of the acceleration of the Advances prior to their scheduled maturity) shall remain unpaid for 90 days following the due date thereof (or such shorter period as would, in the judgment of the Agent, result in the Advances being required to be classified as "nonperforming" for regulatory or reporting purposes) (the last day of such 90-day or shorter period being referred to herein as the "FCX Payment Date"), (A) FCX will pay to the Security Agent on such FCX Payment Date the full amount of such unpaid interest or principal and (B) if the Borrower shall fail or continue in its failure after such FCX Payment Date to make scheduled payments of interest on or principal of the Advances, FCX will, in each case not later than two Banking Days after receipt of notice from the Security Agent, pay to the Security Agent the full amount of interest and principal when and as due.

(b) The payment obligations of the Borrower guaranteed by FCX pursuant to clauses (A) and (B) of paragraph (a) of this Section 4 above are referred to herein as the "Guaranteed Obligations". FCX agrees that it will remain bound upon its guarantee under this Section 4 in the event of any extension or renewal of any Guaranteed Obligation made with its written consent.

(c) The obligations of FCX under this Section 4 shall not be discharged or impaired or otherwise affected by (i) the failure of any Secured Party to enforce any right or remedy under the provisions of any Loan Document or any guarantee or any other agreement; (ii) any waiver, amendment or modification of any of the terms or provisions of any Loan Document not materially affecting the rights or obligations of FCX or made with the written consent of FCX; (iii) the voluntary release of any security held by any Secured Party for the Obligations or any of them made with the written consent of FCX; (iv) any default, failure or delay, wilful or otherwise, in the performance of the Obligations; or (v) except to the extent covered by clauses (i) through (iv) above, any other act or omission that may or might in any manner or to any extent vary the risk of FCX or otherwise operate as a discharge of FCX as a matter of law or equity.

(d) FCX further waives any right to require that any resort be had by the Security Agent to any security held for payment of the Guaranteed Obligations or to any balance of any deposit account or credit on the books of any Secured Party in favor of the Borrower or any other person (but the Security Agent will endeavor in good faith to realize upon liquid assets held by it as security and apply the same to reduce the Obligations).

(e) The obligations of FCX hereunder shall not be affected by the actual or asserted invalidity, illegality or unenforceability of any of the Obligations.

(f) FCX further agrees that its guarantee under this Section 4 shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Guaranteed Obligation is rescinded or must otherwise be restored by any Secured Party upon the bankruptcy or reorganization of any Loan Party, or otherwise.

SECTION 5. Notice of Acceleration; Cooperation with FCX. (a) The Security Agent shall promptly notify FCX of any acceleration of the maturity of the Advances pursuant to Section 9.02 of the Loan Agreement.

(b) At any time when an Event of Default shall have occurred and be continuing, and whether or not FCX shall have given the notice described in Section 2(a)(ii), the Security Agent, acting on behalf of the Banks, will use its commercially reasonable best efforts to cooperate with FCX's efforts to protect its rights and interests as a party entitled or obligated under the circumstances set forth in Sections 2 and 3 to purchase the Pledged PTII Shares or the Pledged Borrower Shares or to purchase and assume the interests, rights and obligations of the Secured Parties under the Loan Documents. Without limiting the foregoing, the Security Agent shall promptly take such actions (including, without limitation, the implementation of foreclosure or similar proceedings, the diligent pursuit of other remedies available to it hereunder and, if action by the shareholders of PTII shall be required, cooperation with FCX in calling a shareholders' meeting of PTII to take such action and voting the Pledged PTII Shares in the manner necessary to approve such action) as are available to it, and as FCX may reasonably request, to acquire title to the Pledged PTII Shares or the Pledged Borrower Shares or the right to dispose of such shares pursuant to Section 2. Notwithstanding the foregoing, the Security Agent shall not be required to take any action under this Section (i) that it reasonably believes to be prevented by any injunction or

other legal restraint, (ii) that it reasonably believes would (A) expose it to any material expense or liability for which it shall not have been reimbursed or indemnified by CX, (B) expose any officer or agent of the Security Agent to danger or (C) materially affect the economic interests of the Security Agent, or (iii) that it believes in good faith, after consultation with counsel, to be contrary to applicable standards of good faith and fair dealing or to applicable standards for the disposition of pledged securities. The Security Agent shall have no obligation to take any action under this Section (x) following the sale of the Pledged PTII Shares or the Pledged Borrower Shares to FCX pursuant to Section 2 or pursuant to the FCX Option Agreement, (y) following the purchase and assumption of the interests, rights and obligations of the Secured Parties under the Loan Documents pursuant to Section 3 or (z) during the continuance of an Event of Default resulting from any act or omission of FCX.

(c) FCX acknowledges and agrees for the benefit of each Bank that its obligations under Section 2 and Section 3 of this Agreement will not be suspended or reduced by any breach by the Security Agent of its obligations under this Section 5; provided that nothing herein shall be construed to prevent FCX from bringing an action at law or in equity against the Security Agent to compel performance by the Security Agent or to collect damages resulting from such breach.

SECTION 6. Right of First Refusal. The Security Agent agrees that if the Security Agent shall have acquired the right to sell any Pledged PTII Shares or Pledged Borrower Shares pursuant to any exercise of its remedies and if at any time thereafter it shall receive a Bona Fide Offer (as hereinafter defined) from a third party to purchase all or any portion of such Pledged PTII Shares or Pledged Borrower Shares, the Security Agent shall first notify FCX of such Bona Fide Offer by providing FCX all relevant data and information concerning the proposed transaction, including, but not limited to, a copy of the purchase contract (if any) with the proposed buyer and shall give to FCX the right to purchase such shares, upon the terms and conditions stipulated in such Bona Fide Offer (the "Offer"), such right to purchase to be communicated by the Security Agent by notice given hereunder; provided, however, that the obligation of the Security Agent to offer the Pledged PTII Shares or the Pledged Borrower Shares to FCX hereunder shall terminate if (a) a Bankruptcy Event occurs or (b) FCX shall be in default of any payment obligation under Section 2, 3 or 4. For the purposes of the foregoing, a "Bona Fide Offer" shall be an offer reflected in an executed purchase

contract with a ready, willing and able buyer (or a contract in a fully-negotiated form which the Security Agent and such a buyer are willing to execute) providing for the purchase of the shares referred to in the Offer subject only to the obtaining of any necessary governmental approvals and the waiver or non-exercise of FCX's rights in this Section 6. Any such right to purchase may be exercised in whole only and not merely in part. In the event that such right to purchase shall not be exercised in full by notice given hereunder and received by the Security Agent within fifteen days after the date of the notice to FCX with respect to such right to purchase, the Security Agent shall be entitled to sell, as a whole and not in part only, the number of Pledged PTII Shares or Pledged Borrower Shares described in the Offer to the third party making the Offer on terms and conditions no more favorable to such third party than the terms and conditions of the Offer. If the Security Agent shall fail to consummate a sale to such third party of the entire number of Pledged PTII Shares or Pledged Borrower Shares set forth in the Offer within sixty days after the Security Agent shall become entitled under this Section 6 to sell such Pledged PTII Shares or Pledged Borrower Shares to such third party, no sale or transfer to a third party of such Pledged PTII Shares or Pledged Borrower Shares may thereafter be made by the Security Agent without again complying with the provisions of this Section 6.

SECTION 7. Representations and Warranties. FCX represents and warrants to each of the Banks that as of the date hereof:

(a) Each of FCX and any Restricted Subsidiary thereof (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) has all requisite power and authority to own its property and assets and to carry on its business as now conducted, (iii) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect and (iv) has the corporate power and authority to execute, deliver and perform its obligations hereunder.

(b) The execution, delivery and performance by FCX of this Agreement and the transactions contemplated hereby (collectively, the "Transactions") (i) have been duly authorized by all requisite corporate and, if required, stockholder action and (ii) will not (A) violate (x) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of FCX or any Restricted

Subsidiary thereof, (y) any order of any Governmental Authority or (z) any provision of any indenture, agreement or other instrument to which FCX or any Restricted Subsidiary thereof is a party or by which any of them or any of their property is or may be bound, (B) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (C) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by FCX or any Restricted Subsidiary thereof.

(c) This Agreement has been duly executed and delivered by FCX and constitutes a legal, valid and binding obligation of FCX enforceable against FCX in accordance with its terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally).

(d) No action, consent or approval of, registration or filing with or any other action by any Governmental Authority or other third party is required in connection with the Transactions, except such as have been made or obtained and are in full force and effect and such appropriate governmental approvals as may be necessary to delist PTII from the Surabaya Stock Exchange prior to any sale of the Pledged PTII Shares pursuant to Section 2.

(e) FCX has heretofore furnished to the Security Agent the following items with respect to FCX and its consolidated subsidiaries: (i) its consolidated balance sheets and statements of operations and changes in retained earnings and cash flow as of and for the fiscal year ended December 31, 1996, audited by and accompanied by the opinion of Arthur Andersen LLP, independent public accountants, included in FCX's Annual Report on Form 10-K for the year ended December 31, 1996 and (ii) a certificate of the Treasurer or another authorized financial officer of FCX certifying that FCX (and, as applicable, PTFI) is in compliance with the Borrowing Base under each of the PTFI Revolver and the FCX Revolver. All such balance sheets and statements of operations and cash flow present fairly the financial condition and results of operations of each entity as of such dates and for such periods. Such financial statements and the notes thereto disclose all material liabilities, direct or indirect, fixed or contingent, of each entity as of the date thereof which are required to be disclosed in the footnotes to financial statements prepared in accordance with GAAP. The financial statements referred to in this Section 7(e) have been prepared in accordance with GAAP.

(f) There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of FCX or any Restricted Subsidiary thereof since the date of the last balance sheet described in paragraph (e) above.

(g) No information, report, financial statement, exhibit or schedule furnished by or on behalf of FCX to the Security Agent in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) Except as disclosed in FCX's Annual Report on Form 10-K for the year ended December 31, 1996, there are no actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency or regulatory authority now pending or, to the knowledge of FCX or PTFI, threatened against or affecting FCX or PTFI or any Restricted Subsidiary or the businesses, assets or rights of FCX or PTFI or any Restricted Subsidiary (i) which involve this Agreement or any of the other Loan Documents or any of the Transactions or the collateral for the Advances or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could, individually or in the aggregate, materially impair the ability of FCX or PTFI to conduct its business substantially as now conducted, or materially and adversely affect the businesses, assets, operations, prospects or condition, financial or otherwise, of FCX or PTFI, or impair the validity or enforceability of, or the ability of FCX to perform its obligations under, this Agreement or any of the other Loan Documents to which it is a party.

(i) Neither FCX nor any Restricted Subsidiary thereof is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default would reasonably be expected to result in a Material Adverse Effect.

(j) With respect to environmental matters:

(i) the properties owned or operated by FCX and its Restricted Subsidiaries and by PTFI (the "Properties") and all operations of FCX and its Restricted Subsidiaries and by PTFI are in compliance,

and in the last three years have been in compliance, with all Environmental Laws and all necessary Environmental Permits have been obtained and are in effect, except to the extent that such non-compliance or failure to obtain any necessary permits, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect;

(ii) there have been no Releases or threaten Releases at, from, under or proximate to the Properties or otherwise in connection with the operations of FCX, its Restricted Subsidiaries or PTFI, which Releases or threatened Releases, in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(iii) none of FCX, its Restricted Subsidiaries or PTFI has received any notice of an Environmental Claim in connection with the Properties or the operations of FCX, its Restricted Subsidiaries or PTFI or with regard to any person whose liabilities for environmental matters FCX, its Restricted Subsidiaries or PTFI has retained or assumed, in whole or in part, contractually, by operation of law or otherwise, which, in the aggregate, could reasonably be expected to result in a Material Adverse Effect, nor do FCX, its Restricted Subsidiaries or PTFI have reason to believe that any such notice will be received or is being threatened; and

(iv) Hazzardous Materials have not been transported from the Properties, nor have Hazardous Materils been generated, treated, stored or disposed of at, on or under any of the Properties in a manner that could give rise to liability under any Environmental Law, nor have FCX, its Restricted Subsidiaries or PTFI retained or assumed any liability, contractually, by operation of law or otherwise, with respect to the generation, treatment, storage or disposal of Hazardous Materials, which transportation, generation, treatment, storage or disposal, or retained or assumed liabilities, in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

(k) No stamp or similar tax is required to be paid on or in connection with this Agreement to ensure the legality, validity, enforceability or admissibility in evidence thereof in Delaware, New York or the Republic of Indonesia, except that a copy of this Agreement should be stamped in nominal amounts when it is first used in Indonesia if it is to be admissible in an Indonesian court.

(l) None of FCX, its Restricted Subsidiaries or any of their property has any right to immunity in any jurisdiction or court from set-off, legal proceedings, attachment prior to judgment or other attachment, judgment or execution of judgment or other legal process on the grounds of sovereignty or otherwise, and, to the extent FCX any of its Restricted Subsidiaries or any of their property may acquire any such right to immunity, each of FCX and its Restricted Subsidiaries hereby irrevocably waives such right to immunity in respect of its respective obligations under the Loan Documents.

(m) Each of FCX and its Restricted Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such subsidiary has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 8. Covenants. FCX covenants and agrees with the Security Agent that so long as this Agreement shall remain in effect or any amounts payable hereunder shall be unpaid and unless the Security Agent shall otherwise consent in writing:

(a) FCX will furnish to the Security Agent:

(i) within 95 days after the end of each fiscal year of each of FCX and PTFI, the following items with respect to FCX and its consolidated subsidiaries and with respect to PTFI: its consolidated balance sheet and consolidated statements of operations and changes in retained earnings and cash flow, showing its financial condition as of the close of such fiscal year and the results of its operations during such year, all audited by independent public accountants of recognized national standing in the United States and accompanied by an opinion of such accountants to the effect that such consolidated financial statements fairly present its financial condition and results of operations on a consolidated basis in accordance with GAAP, except as disclosed in such auditor's report;

(ii) within 50 days after the end of each of the first three fiscal quarters of each fiscal year of each of FCX and PTFI, the following items with respect to FCX and its consolidated subsidiaries and with respect

to PTFI: its consolidated balance sheet and consolidated statements of income of each such entity, showing its financial condition as of the close of such fiscal quarter and the results of its operations during such fiscal quarter and the then elapsed portion of the fiscal year, all certified by one of its financial officers as fairly presenting its financial condition and results of operations on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;

(iii) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by either FCX or PTFI with the Securities and Exchange Commission or any other Governmental Authority, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(iv) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of each of FCX and PTFI, or compliance with the terms hereof as the Security Agent may reasonably request.

(b) FCX shall, at the time of provision of the financial statements referred to in Sections 8(a) (i) and (ii) above, furnish to the Agent a certificate of the Treasurer or another authorized Financial Officer of FCX certifying that FCX (and, as applicable, PTFI) is in compliance with the Borrowing Base under each of the PTFI Revolver and the FCX Revolver.

(c) FCX shall, and shall cause each of its Restricted Subsidiaries to, obtain all authorizations and approvals, and other actions by, and shall make all notices to or filings with, any Governmental Authority or regulatory body now or hereafter required for its making and performance of the Loan Documents to be made and performed by FCX and promptly furnish copies thereof to the Agent.

(d) If FCX chooses to exercise its option to purchase the Pledged PTII Shares or the Pledged Borrower Shares under the FCX Option Agreement, FCX will, at the time it takes title to such shares, assume all the Obligations, and will cause such Obligations to be paid in full within three Banking Days after such assumption.

(e) FCX shall promptly, upon the request of the Security Agent, give such further assurances and perform such other acts, as shall be necessary to effectuate the

purposes of any Loan Document.

(f) FCX shall not create, incur, assume or permit to exist any Lien securing any Debt upon any Capital Stock or other equity interest of PTFI owned by FCX or any of its Subsidiaries unless, contemporaneously therewith, effective provision is made to secure the obligations of FCX to the Banks under this Agreement and the other Loan Documents equally and ratably with such Debt for so long as such Debt is so secured.

SECTION 9. Incorporation by Reference. The provisions of Sections 5.1 (a) (4) and (8), (b), (c), (d), (e), (g), (i) (but only the first sentence thereof) and (j), and 5.2(c), (e), (f), (i) and (p) of each of the PTFI Revolver and the FCX Revolver, each as in effect on the date hereof, are incorporated herein by reference in their entirety (but with the defined terms used therein and the definitions of such terms being construed in accordance with Section 1 above). It is acknowledged that the failure of PTFI to conduct its existing mining operations in Irian Jaya will constitute a material alteration in the nature of the business of FCX and PTFI for purposes of such Section 5.2(i).

SECTION 10. Taxes. (a) Any and all payments by FCX hereunder shall be made, in accordance with Section 19, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings imposed by a Governmental Authority, and all liabilities with respect thereto, excluding taxes imposed on the net income of any Secured Party (or any transferee or assignee thereof, including a participation holder (any such entity being called a "Transferee")) and franchise taxes imposed on any Secured Party (or Transferee), in either case by any jurisdiction under the laws of which such Secured Party (or Transferee), is organized (including the United States, in the case of any Secured Party (or Transferee) organized under the laws of a state of the United States), or in which such Secured Party (or Transferee) books this transaction, or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If FCX shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Secured Party (or any Transferee), (i) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 10) such Secured Party (or Transferee) shall receive an amount equal to the sum it would

have received had no such deductions been made, (ii) FCX shall make such deductions and (iii) FCX shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, FCX agrees to pay any present future stamp or documentary taxes or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(c) FCX will indemnify each Secured Party (or Transferee) for the full amount of Taxes and Other Taxes paid by such Secured Party (or Transferee) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by a Governmental Authority. Such indemnification shall be made within 30 days after the date any Secured Party (or Transferee) makes written demand therefor. Such demand shall be made by a responsible account officer of the Secured Party (or Transferee) and shall set forth the computation of the amount or amounts as shall be necessary to compensate such Secured Party (or Transferee) under this Section 10. The Security Agent agrees, on behalf of itself, the Agent and each Bank, that each such Secured Party will promptly notify FCX of any event which would entitle any Secured Party to any additional payment pursuant to this Section 10 (provided that the Security Agent shall not be liable for any other Secured Party's failure so to notify FCX). The Security Agent agrees, on behalf of itself, the Agent and each Bank, that each such Secured Party will, to the extent such Secured Party is actually aware of a Tax or Other Tax with respect to which such Secured Party would be entitled to payments from FCX hereunder, use reasonable diligence (consistent with legal and regulatory restrictions) to, at FCX's expense, (i) file any certificate or document, (ii) in the case of a Bank, change the jurisdiction of its Banking Office (as defined in the Loan Agreement) or (iii) take other appropriate action if (A) the making of such a filing or change or the taking of such other action would avoid the need for or reduce the amounts that would be payable by FCX under this Section 10 and would not otherwise adversely affect such Secured Party (as determined by such Secured Party in good faith) and (B) either (1) FCX has requested such Secured Party to make such filing or change or to take such other action or (2) the officers of such Secured Party administering this transaction are actually aware that the making of such filing or change or the taking of such other action will have the effect specified in clause (A) above (provided that the Security Agent shall not be liable for

any other Secured Party's failure to take any of the actions specified in clauses (i), (ii) or (iii) above).

(d) Within 30 days after the date of any payment of Taxes or Other Taxes withheld by FCX in respect of any payment to any Secured Party (or Transferee), FCX will furnish to the Security Agent, at its address referred to in Section 17, the original or a certified copy of a receipt evidencing payment thereof.

(e) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 10 shall survive the payment in full of all Obligations.

SECTION 11. Subordination of Rights of FCX.

(a) FCX hereby agrees that all its rights to payments arising by virtue of any payment made by FCX to the Security Agent hereunder, whether pursuant to Section 2, Section 4 or otherwise (collectively, the "Subordinated Obligations"), are hereby expressly subordinated, to the extent and in the manner set forth in this Section, to the prior indefeasible payment in full in cash of all Obligations in accordance with the terms thereof.

(b) No payment in respect of the Subordinated Obligations shall be made (other than payments with respect to the Interest Shortfall Loans made with funds in the Dividend Reserve Account as permitted under the Loan Agreement), or any security therefor given (other than a security interest over the Pledged PTII Shares and the Pledged Borrower Shares securing FCX's rights against the Borrower arising by virtue of any payment made by FCX hereunder with respect to any obligations for which the Borrower is liable to any Secured Party under the Loan Documents, provided such security interest is expressly junior in right of payment to the security interest held by or on behalf of the Secured Parties on terms satisfactory to the Security Agent), by the Borrower or FCX or received or accepted by or on behalf of FCX unless and until all Obligations then due and payable have been paid in full in cash and (i) no Default or Event of Default exists under the Loan Agreement and (ii) no default exists hereunder.

(c) Upon any distribution of the assets of the Borrower or of FCX or upon any dissolution, winding up, liquidation or reorganization of the Borrower or of FCX, whether in bankruptcy, insolvency, reorganization, arrangement or receivership proceedings or otherwise, or upon any assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Borrower or

FCX, or otherwise:

(i) the Secured Parties shall first be entitled to receive payment in full of the Obligations in accordance with the terms of the Obligations before FCX shall be entitled to receive any payment on account of any Subordinated Obligation; and

(ii) any payment by, or distribution of the assets of, the Borrower or of FCX of any kind or character, whether in cash, property or securities, to which FCX would be entitled except for the provisions of this Agreement shall be paid or delivered by the person making such payment or distribution (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Security Agent to the extent necessary to make payment in full in cash of all Obligations remaining unpaid, after giving effect to any concurrent payment or distribution to the Secured Parties in respect of Obligations.

(d) In the event that any payment by or distribution of the assets of the Borrower or FCX of any kind or character, whether in cash, property or securities, and whether directly, by exercise of any right of set-off or otherwise, shall be received by or on behalf of FCX at a time when such payment is prohibited by this Agreement, such payment or distribution shall be held in trust for the benefit of, and shall be paid over to, the Security Agent to the extent necessary to make payment in full of all Obligations remaining unpaid, after giving effect to any concurrent payment or distribution to the Secured Parties in respect of Obligations.

(e) FCX agrees that, except upon the request or with the consent of the Security Agent, it will not exercise any remedies or take any action or proceeding to enforce any Subordinated Obligation until the Obligations have been paid in full in cash, and FCX further agrees not to join with any other creditors of the Borrower or of FCX, as the case may be, in filing any petition commencing any bankruptcy, insolvency, reorganization, arrangement or receivership proceeding or any assignment for the benefit of creditors against or in respect of the Borrower or FCX, respectively, or any other marshalling of the assets and liabilities of the Borrower or FCX, respectively.

(f) FCX shall be entitled to be secured, on terms acceptable to the Banks and on a basis fully subordinated to the rights of the Secured Parties, by the Pledged PTII Shares and the Pledged Borrower Shares, with respect to

payments made by FCX relating to obligations for which the Borrower is liable to any Secured Party under the Loan Documents. Payment by FCX of amounts payable by the Borrower under the Loan Documents shall not relieve the Borrower of its obligation to make such payments, and FCX shall be subrogated to all rights of the Secured Parties against the Borrower or any of the other Loan Parties, as the case may be, with respect to such amounts. If, after all Obligations then due and payable have been paid in full in cash, any of the Secured Parties shall receive payment from the Borrower of any such amounts with respect to which FCX shall have made a payment hereunder, such Secured Party shall, provided that (i) no Default or Event of Default under the Loan Agreement shall have occurred and be continuing at the time and (ii) no default hereunder shall have occurred and be continuing at the time, pay such amounts so received to FCX. Until FCX has received payment of all amounts payable to it pursuant to such subrogation, FCX shall remain secured by the collateral referred to in the first sentence of this paragraph (f).

SECTION 12. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of FCX that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns. FCX may not assign or transfer any of its rights or obligations hereunder without the prior written consent of all the Banks and any such purported assignment or transfer without such consent shall be void.

SECTION 13. Waivers; Amendments. (a) No failure on the part of the Security Agent to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Security Agent preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. No waiver of any provision of this Agreement or consent to any departure by FCX therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on FCX in any case shall entitle FCX to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to

an agreement or agreements in writing entered into by FCX and the Security Agent acting on instructions from the Majority Banks; provided that (i) any amendment or waiver of this Section 13(b) or any amendment or waiver that changes or could have the effect of changing the amount of any payment required to be made by FCX under Section 2, 3 or 4 hereof, or the timing of any such payment, or the conditions under which FCX shall be required to purchase the Pledged PTII Shares or the Pledged Borrower Shares or to purchase and assume the interests, rights and obligations of the Secured Parties under the Loan Documents, or this Section 13, shall require the consent of each Bank; (ii) amendments to and waivers of the covenants (including the definitions used in such covenants) set forth or incorporated by reference in Section 8 or 9 may be effected by the Security Agent acting on instructions from Banks representing more than 51% of the principal amount of the Advances outstanding under the Loan Agreement or, if no Advances are outstanding, more than 51% of the aggregate Commitments of the Banks; and (iii) any release of the Pledged PTII Shares or the Pledged Borrower Shares pursuant to and in compliance with Sections 2.04 and 7.01 of the Loan Agreement, and any amendment or modification to this Agreement required to give effect thereto, shall not require any instructions from the Banks, but shall be effected by the Security Agent at the request of the Borrower in accordance with Section 11.02 of the Loan Agreement.

SECTION 14. Applicable Law; Submission to Jurisdiction; Consent to Service of Process. (a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT THE SHARE PLEDGES, WHICH SHALL BE GOVERNED BY THE LAWS PROVIDED FOR THEREIN) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

(b) FCX hereby irrevocably and unconditionally submits, for itself and its property, to the jurisdiction of any New York State court and of any Federal court of the United States of America, in each case sitting in New York City, and any appellate court from any thereof, for the purpose of any suit, action or other proceeding arising out of, or relating to, this Agreement, Article 11 of each of the Share Pledges or any of the other Loan Documents, and FCX hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state or Federal court. FCX hereby irrevocably waives, to the fullest extent it may effectively do so, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject to the jurisdiction of the above-named courts for any reason whatsoever, that such suit, action or pro-

ceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper or that this Agreement, Article 11 of each of the Share Pledges or any of the other Loan Documents may not be enforced in or by such courts. FCX agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each party to this Agreement, each of the Share Pledges and each of the other Loan Documents irrevocably consents to service of process in the manner provided for notices in Section 17. Nothing in this Agreement, Article 11 of each of the Share Pledges or any of the other Loan Documents will affect the right of any party to this Agreement, either of the Share Pledges or any of the other Loan Documents to serve process in any other manner permitted by law.

SECTION 15. Waiver of Trial By Jury. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement or any of the other Loan Documents. Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the other Loan Documents, as applicable, by, among other things, the mutual waivers and certifications in this Section 15.

SECTION 16. Severability. In case any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid, legal and enforceable provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 17. Notices. Any notice by a party hereto required or permitted to be given hereunder shall be in writing and shall be (a) personally delivered, (b) transmitted by postage prepaid registered mail (air mail if international), or (c) transmitted by facsimile to the addressee at the address or facsimile number indicated below

or at such other address or facsimile number as such addressee shall have conveyed by notice to the other party:

(i) if to FCX, to it at 1615 Poydras Street, New Orleans, Louisiana 70112, Attention of the Treasurer (Telecopy No. (504) 582-4511); and

(ii) if to the Security Agent, to it at One Chase Manhattan Plaza, 5th Floor, New York, New York 10081, Attention of James H. Ramage (Telecopy No. (212) 552-5555).

Unless otherwise provided herein, the date of any notice hereunder shall be deemed to be (A) the date of receipt if delivered personally or transmitted by facsimile or (B) the date seven days after posting if transmitted by mail (air mail if international).

SECTION 18. Expenses; Indemnity. (a) FCX agrees to pay all out-of-pocket expenses incurred by the Security Agent or the Agent in connection with the exercise, enforcement or protection of the rights or remedies of any of the Secured Parties under each of the Loan Documents, including the fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Security Agent, and the fees, charges and disbursements of any other counsel for the Security Agent or the Agent.

(b) FCX agrees to indemnify each of the Secured Parties and each of their respective directors, officers, employees and agents (each such person being called an "Indemnatee") against, and to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including counsel fees, charges and disbursements, incurred by or asserted against any Indemnatee arising out of, in any way connected with, or as a result of (i) the exercise, enforcement or purported exercise or enforcement by the Security Agent or the Agent of any of the rights and remedies of any of the Secured Parties hereunder (including, without limitation, any exercise by the Security Agent or the Agent of any action in accordance with Section 5 of this Agreement) or under any of the other Loan Documents, or the Transactions and the other transactions contemplated hereby or (ii) any actual or threatened claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from

the gross negligence or wilful misconduct of such Indemnitee (it being understood that actions contemplated by the Loan Documents will in no event be deemed to constitute gross negligence or wilful misconduct).

(c) The provisions of this Section 18 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, and repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Security Agent or any other Secured Party. All amounts due under this Section 18 shall be payable on written demand therefor.

SECTION 19. Payments. FCX shall make each payment hereunder not later than 12:00 noon, New York City time, on the date when due in United States dollars to the Security Agent at its offices at 270 Park Avenue, New York, N.Y. 10017, or at such other address as the Security Agent may have specified in writing, in immediately available funds.

SECTION 20. Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 21. Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

SECTION 22. Banks as Third Party Beneficiaries. This Agreement is made for the benefit of the Banks that are parties to the Loan Agreement, and each Bank shall have the right to enforce any agreement of FCX hereunder as if it were a party hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

FREEPORT-MCMORAN COPPER & GOLD INC.,

by

Name: Signed

Title:

THE CHASE MANHATTAN BANK, as Security
Agent,

by

Name: Signed

Title:

ANNEX I

NON-INTERFERENCE AGREEMENT AND ACKNOWLEDGMENT

The undersigned hereby acknowledge and agree that, upon the occurrence of an Event of Default under the Loan Agreement and the acceleration of the Advances thereunder (a) the Security Agent intends to exercise its rights under Section 2 of the foregoing Put and Guaranty Agreement to sell the Pledged PTII Shares or the Pledged Borrower Shares to FCX for a price equal to the Put Price (which the undersigned understand may be substantially less than the value of the Pledged PTII Shares or Pledged Borrower Shares), and the undersigned hereby consent to such sale; and (b) the Security Agent shall have no obligation to offer or sell the Pledged PTII Shares or the Pledged Borrower Shares to any third party even if a higher price could be obtained from such a third party. The undersigned hereby consent to the other agreements and arrangements set forth in the foregoing Put and Guaranty Agreement and waive any and all claims that they might otherwise have against the Security Agent or any Bank as a result of the exercise of

any right or the performance of any obligation that the Security Agent or such Bank may have hereunder or under any other Loan Document. The undersigned agree to take no action to interfere with or restrain the exercise by the Security Agent of its rights under the foregoing Put and Guaranty Agreement or under the Pledge Agreements referred to therein. The undersigned also agree that (i) payment by FCX of amounts payable by the Borrower under the Loan Documents shall not relieve the Borrower of its obligations to make such payments and (ii) FCX shall be subrogated to all rights of the Secured Parties against the Borrower or any of the other Loan Parties, as the case may be, with respect to such amounts.

PT NUSAMBA MINERAL INDUSTRI,

by

Name:
Title:

PT NUSANTARA AMPERA BAKTI,

Name:
Title:

PT MAPINDO PARAMA,

by

Name:

FCX SUBORDINATED LOAN AGREEMENT

THIS SUBORDINATED LOAN AGREEMENT (this "Subordinated Loan Agreement") is made and entered into as of March 21, 1997, by and between FREEPORT-McMoRan COPPER & GOLD INC., a corporation organized under the laws of the State of Delaware, United States of America (the "Subordinated Lender"), and PT NUSAMBA MINERAL INDUSTRI, a limited liability company organized under the laws of the Republic of Indonesia (the "Borrower").

RECITALS

WHEREAS, the Borrower and the Bakrie Group (as defined in the Loan Agreement referred to below) have entered into the Purchase Agreement (as defined in the Loan Agreement referred to below), pursuant to which the Borrower will purchase from the Bakrie Group the Subject Shares (as defined in the Loan Agreement referred to below);

WHEREAS, the Borrower has entered into that certain Loan Agreement dated as of March 21, 1997, as the same may be amended and/or restated and in effect from time to time (the "Loan Agreement"), among the Borrower, the banks parties thereto (the "Banks"), The Chase Manhattan Bank, as administrative agent and as security agent for the Banks, and Union Bank of Switzerland, as managing agent for the Banks;

WHEREAS, pursuant to the Loan Agreement, the Banks will make Advances (as defined in the Loan Agreement) to the Borrower in order to finance not more than \$254,000,000.00 of the amount payable by the Borrower on account of the purchase of the Subject Shares and related fees and expenses; and

WHEREAS, the Borrower has requested that the Subordinated Lender make, at any time at which the amounts in the Dividend Reserve Account (as defined in the Loan Agreement) are insufficient to meet any scheduled payment of interest and related fees due on the Advances, loans to cover such

insufficiency (referred to in the Loan Agreement as the "Interest Shortfall Loans'), and the Subordinated Lender has agreed to make such Interest Shortfall Loans subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the promises and mutual agreements set forth herein, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used and not defined herein shall have the meanings assigned to them, respectively, in the Loan Agreement.

Section 2. Subordinated Loans. At any time at which the amounts in the Dividend Reserve Account are insufficient to meet any scheduled payment of interest on the Advances or fees due under the Loan Agreement, the Subordinated Lender shall make a subordinated loan to the Borrower (each a "Subordinated Loan"; collectively, the "Subordinated Loans") in an amount, in United States Dollars, equal to the amount by which the amounts in the Dividend Reserve Account shall be insufficient to meet such scheduled payment (the "Interest Shortfall Amount"). The Borrower shall give the Subordinated Lender written notice of such insufficiency not less than ten (10) days prior to the date of such scheduled payment (the "Payment Date"), which notice shall specify (a) the Interest Shortfall Amount and (b) the Payment Date. Not later than 11:00 a.m. (New York time) on the Payment Date, the Subordinated Lender shall make available a Subordinated Loan in an amount equal to the Interest Shortfall Amount by paying such Interest Shortfall Amount, in immediately available funds, to the Security Agent for deposit into the Dividend Reserve Account.

Section 3. Promise to Pay. For value received, the Borrower hereby promises to pay to the Subordinated Lender the aggregate unpaid principal balance of the Subordinated Loans made to the Borrower pursuant to the terms of this Subordinated Loan Agreement, together with interest thereon as provided in Section 5 hereof, and all other amounts due to the Subordinated Lender by the Borrower hereunder, all at the times and on the terms and conditions set forth herein.

Section 4. Evidence of Outstanding Amounts. The aggregate amount of the Subordinated Loans owed to the Subordinated Lender, each payment of interest and principal on account of such Subordinated Loans, and the unpaid balance of such Subordinated Loans shall, absent manifest error, be as recorded on the books and records of the Subordinated Lender.

Section 5. Interest; Payments.

(a) Each Subordinated Loan shall bear interest

(computed on the basis of the actual number of days elapsed over a year of 360 days) on the aggregate unpaid principal amount thereof from time to time outstanding at the rate (the "Prescribed Rate") equal to the weighted average daily cost of borrowings by the Subordinated Lender under the FCX Revolver during the applicable period when each such Subordinated Loan is outstanding, as determined by the Subordinated Lender in its sole discretion, or if no such borrowings by the Subordinated Lender under the FCX Revolver are outstanding during such period, then at a rate approximately equivalent to such rate, as determined by the Subordinated Lender in its sole discretion.

(b) Interest shall be due and payable on the aggregate unpaid principal amount of the Subordinated Loans from time to time outstanding hereunder on the last day of each calendar quarter, subject, however, to the provisions of Section 5(d) below. There shall be added to and become part of each Subordinated Loan, on the last day of each calendar quarter, interest accrued on such Subordinated Loan, to the extent not paid in accordance with the terms hereof.

(c) The Subordinated Lender shall give to the Borrower such explanation regarding the calculation of the Prescribed Rate and the amounts due hereunder as the Borrower may reasonably request.

(d) Subject to Section 7 hereof and the Terms of Subordination (as hereafter defined), the Borrower shall make no payments of principal or interest, or any other amount, on account of the Subordinated Loans until the maturity thereof; provided that, in accordance with the Loan Agreement, any amounts in the Dividend Reserve Account in excess of the amounts required to pay interest on the Advances or fees under the Loan Agreement to become due during the next 90 days shall be applied to repay outstanding principal and interest on account of the Subordinated Loans upon receipt by the Security Agent of a certificate signed by an authorized financial officer of the Subordinated Lender calculating the amount of such excess and directing the Security Agent to pay such amount to the Subordinated Lender; provided that no default or Event of Default shall have occurred and be continuing.

Section 6. Maturity. Subject to Section 7 hereof and the Terms of Subordination (as hereafter defined), the principal of all Subordinated Loans outstanding on the fifth (5th) anniversary of the date hereof shall mature and be payable on such date, together with all accrued and unpaid interest on such Subordinated Loans.

Section 7. Subordination. The Subordinated Loans and all amounts payable under this Subordinated Loan Agreement, including upon any acceleration thereof, shall be and hereby are subordinated in accordance with the Terms of Subordination attached as Exhibit A hereto and made a part hereof (the "Terms of Subordination").

Section 8. Collateral Security. Subject to Section 7 hereof and the Terms of Subordination, the prompt payment when due of the Subordinated Loans, in principal and accrued interest, and all other amounts payable under this Subordinated Loan Agreement shall be secured by the FCX Liens, as further provided in the Share Pledges.

Section 9. Order of Application of Payments. Subject to Section 7 hereof and the Terms of Subordination, all payments made by the Borrower hereunder shall be credited in the following order of priority:

(a) First, to any fees, costs and expenses (including, without limitation, attorneys fees) incurred in connection with the administration and enforcement of the Subordinated Loans and the Subordinated Lender's rights hereunder;

(b) Second, to accrued and unpaid interest on the outstanding Subordinated Loans;

(c) Third, to current interest then due on the outstanding Subordinated Loans; and

(d) Fourth, to principal on the outstanding Subordinated Loans.

The Borrower shall make payments of principal and interest in accordance with the terms hereof without presentment, demand, protest, or notice of any kind, all of which are hereby waived by the Borrower.

Section 10. Withholding Taxes. All payments of principal of and interest on the Subordinated Loans, and all other amounts payable by the Borrower hereunder, shall be made free and clear of and without reduction by reason of any present or future taxes, duties, levies, imposts, assessments, or other governmental charges, other than taxes, duties, levies, imposts, assessments or other governmental charges based upon net income payable by the Subordinated Lender or franchise taxes, in each case imposed by the jurisdiction of incorporation of the Subordinated Lender or the jurisdiction in which the Subordinated Lender has its principal executive office, or any department, agency or other political subdivision or taxing authority in either of such jurisdictions, ("Withholding Taxes"), all of which

will be for the account of and paid in full when due by the Borrower. In case any deduction or withholding for or on account of any Withholding Taxes is (a) levied by the government of the Republic of Indonesia on the amounts payable to the Subordinated Lender pursuant to this Subordinated Loan Agreement and (b) required to be withheld from such payments, the Borrower shall make the required deduction or withholding, promptly pay the amount of such Withholding Taxes to the appropriate taxing authorities, and pay to the Subordinated Lender such additional amounts as may be required, after the deduction or withholding of such Withholding Taxes, to enable the Subordinated Lender to receive from the Borrower on the due date thereof an amount equal to the full amount that the Subordinated Lender should have received had the relevant deduction or withholding not been made from such payment for or on account of such Withholding Taxes. The Subordinated Lender shall cooperate with the Borrower to reduce the rate of such Withholding Taxes to the lowest legal rate. Promptly after each such payment of Withholding Taxes, the official tax receipts or other evidence of such payment issued by the tax authorities concerned shall be forwarded to the Subordinated Lender.

Section 11. Notices. All notices hereunder shall be in writing and delivered personally or sent by telecopier or by registered or certified mail (return receipt requested) to the Subordinated Lender or the Borrower at the following addresses (or such other addresses as shall be specified by like notice):

If to the Subordinated Lender, to:

Freeport-McMoRan Copper & Gold Inc.
1615 Poydras Street
New Orleans, Louisiana 70112
Attention: R. Foster Duncan
Treasurer
Telecopier: (504) 582-4511

If to the Borrower, to:

PT Nusamba Mineral Industri
Wisma Kalimanis, Lt. 8
Jl. Let. Jen. Haryono MT Kav 33
Jakarta 12770
Attention: Mr. AbdulMadjid, President Director
Mr. Paulce D. Wenas, Director
Telecopier: 62-21-798-19333 or 799-6328

All notices shall be deemed given as of (a) the date upon which such notice is first delivered by hand or sent by telecopier (receipt confirmed, with a copy simultaneously mailed by registered mail), (b) one (1) day after depositing for

delivery, fee prepaid, with Federal Express or similar overnight delivery service, or (c) five (5) days after mailing, postage prepaid and properly addressed.

Section 12. Prepayment. Subject to Sections 5 and 7 hereof and the Terms of Subordination, principal and/or interest on the Subordinated Loans may be prepaid by the Borrower, in whole or in part, at any time without penalty or premium.

Section 13. Acceleration; Termination of Commitment. Subject to Section 7 hereof and the Terms of Subordination, the Subordinated Loans, together with all accrued and unpaid interest thereon and all other amounts then payable with respect thereto, shall be accelerated and due and payable in full by the Borrower, and the commitment of the Subordinated Lender to make any further Subordinated Loans shall terminate, in each case, at the option of the Subordinated Lender, upon: (a) the acceleration of the Senior Debt (as defined in the Terms of Subordination), or (b) the repayment in full of the Senior Debt (regardless of whether then due). The commitment of the Subordinated Lender to make any further Subordinated Loans shall also terminate, at the option of the Subordinated Lender, upon (x) the occurrence of an Event of Default, or (y) the occurrence of any default or other breach of the Borrower's obligations under the Acquisition Documents.

Section 14. Choice of Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN NEW YORK COUNTY FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 15. Miscellaneous. This Subordinated Loan Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The provisions of this Subordinated Loan Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, successors and assigns. In the event any suit, legal action or proceeding arising out of or in connection with this Agreement is brought in the Republic of Indonesia against the Borrower or the Subordinated Lender or any of their property, each of the Borrower and Subordinated Lender elects its legal and permanent domicile at the Clerk's Office of the District Court in Central Jakarta (Kantor Panitera Pengadilan Negeri Jakarta Pusat).

IN WITNESS WHEREOF, the parties have caused this Subordinated Loan Agreement to be duly executed as of the date first above written.

SUBORDINATED LENDER:

FREEPORT-McMoRan COPPER & GOLD INC.

By: /s/R. Foster Duncan

R. Foster Duncan

Its: Treasurer

BORROWER:

PT NUSAMBA MINERAL INDUSTRI

By: Signed

Name:

Title:

EXHIBIT "A"
TO
FCX SUBORDINATED LOAN AGREEMENT

Terms of Subordination

Capitalized terms used and not defined herein shall have the meanings assigned to them, respectively, in the Loan Agreement referred to below.

(a) All obligations of PT Nusamba Mineral Industri (the "Borrower"), howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, due or to become due, including, without limitation, all amounts owing from time to time in respect of the Advances, and the fees, indemnities, and expenses payable by the Borrower under the Loan Agreement referred to below and the related documentation, and all amounts owing from time to time by the Borrower to any of the Banks pursuant to any Permitted Secured Hedge and the related documentation, are hereinafter called "Liabilities". All Liabilities arising under or in connection with (i) the Loan Agreement dated as of March 21, 1997, and the related documentation (including the other Loan Documents), as the same may be amended and/or restated and in effect from time to time (the "Loan Agreement"), among the Borrower, the banks

from time to time parties thereto (the "Banks"), The Chase Manhattan Bank, as administrative agent and as security agent for the Banks (in such capacities, the "Agent"), and Union Bank of Switzerland, as managing agent for the Banks, and (ii) any and all Permitted Secured Hedges; in each case whether acquired directly, by assignment, or otherwise, and any refunding (it being understood that any person extending credit in a transaction that shall constitute such a refunding may waive in writing (or be deemed to have waived by the agreement pursuant to which such credit is issued) its rights hereunder as a holder of Senior Debt), renewal, or extension thereof, are hereinafter collectively called "Senior Debt", and all Liabilities to FCX (the "Subordinated Lender") arising under the FCX Subordinated Loan Agreement dated as of March 21, 1997, as the same may be amended and/or restated and in effect from time to time (the "FCX Subordinated Loan Agreement"), between the Borrower and the Subordinated Lender are hereinafter called "Subordinated Debt", it being expressly understood and agreed that the term "Senior Debt" as used herein shall include, without limitation, any and all interest accruing on any of the Senior Debt after the commencement of any proceedings referred to in paragraph (c) hereof, notwithstanding any provision or rule of law that might restrict the rights of the holders of the Senior Debt, as against the Borrower or anyone else, to collect such interest.

(b) So long as any amount of Senior Debt shall be outstanding, and until the Senior Debt shall have been paid in full, (i) the payment of all Subordinated Debt shall be postponed and subordinated as herein provided to the payment in full of all Senior Debt, (ii) the Borrower will not make and the Subordinated Lender will not take or receive from the Borrower, in any manner, payment of the whole or any part of the principal of or interest on the Subordinated Debt, and (iii) the Subordinated Lender will not sue or seek to enforce any judgment for, and will not take any action towards the enforcement of the FCX Liens or any other Liens in respect of, such Subordinated Debt, or exercise any rights granted under the FCX Liens or any other such Liens in respect of the collateral subject thereto, as further provided in the Share Pledges; provided, however, that payments of principal and interest, or any other amount, on account of Subordinated Debt, including any applicable Withholding Taxes (as defined in the FCX Subordinated Loan Agreement), may be made as permitted under the Loan Agreement.

(c) Upon any distribution of assets of the Borrower to its creditors upon any dissolution, winding-up, total or partial liquidation, readjustment of debt, reorganization, or similar proceeding of the Borrower or its property, or in any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshaling of assets and liabilities of the Borrower, or other proceeding, whether any of the foregoing is voluntary or

involuntary, partial or complete, all amounts due in respect of the Senior Debt shall first be paid in full before the Subordinated Lender shall be entitled to receive or retain any payment or distribution from the Borrower in respect of the Subordinated Debt.

(d) Upon any such dissolution, winding-up, liquidation, readjustment, reorganization, or other proceeding, the Subordinated Lender irrevocably authorizes the holders of the Senior Debt to file all claims, proofs of debt, petitions, consents, and other documents related to the Subordinated Debt or the FCX Liens or any other Liens on any collateral granted in favor of the Subordinated Lender to the extent not filed by the Subordinated Lender (in form and substance reasonably satisfactory to the Agent) by the thirtieth (30th) day before the bar date or other similar date on which any claim in connection with any such proceeding would be barred from being asserted if such document were not filed; and any payment or distribution of assets or securities of the Borrower of any kind or character, whether in cash, property, or securities, to which the Subordinated Lender would be entitled shall be paid by the Borrower or by any receiver, trustee in bankruptcy, liquidating trustee, agent, or other person making such payment or distribution directly to the holders of the Senior Debt to the extent necessary to pay all the Senior Debt in full before any payment or distribution is made to the Subordinated Lender in respect of the Subordinated Debt.

(e) If any payment or any distribution of assets or securities of the Borrower of any kind or character, whether in cash, property, or securities, shall be received by the Subordinated Lender in respect of the Subordinated Debt, whether upon any such dissolution, winding-up, liquidation, readjustment, reorganization, or other proceeding, pursuant to the subordination of any other indebtedness or obligation to the Subordinated Debt, or pursuant to any realization on any collateral for the Subordinated Debt, or otherwise, before all the Senior Debt is paid in full, such payment or distribution will be held in trust for the benefit of, and shall promptly be paid over in trust for the benefit of, and in the form received (duly endorsed, if necessary, to the holders of the Senior Debt), to, the holders of the Senior Debt (or their appointed trustee or agent) for application to the payment of the Senior Debt until all the Senior Debt shall have been paid in full; provided, however, that this subsection (e) shall not in any way be deemed to include or apply to payments received by the Subordinated Lender in accordance with the proviso in subsection (b) above.

(f) The Subordinated Lender will mark its books and records, and cause the Borrower to mark its books and records, so as to clearly indicate that the Subordinated Debt is subordinated

in accordance with the terms hereof.

(g) All payments and distributions received by the holders of the Senior Debt in respect of the Subordinated Debt, to the extent received in or converted into cash, may be applied by the holders of the Senior Debt, first to the payment of any and all expenses (including attorneys' fees and legal expenses) paid or incurred by the holders of the Senior Debt in enforcing the provisions hereof or in endeavoring to collect or realize upon any of the Subordinated Debt or any security herefor or therefor, and any balance thereof shall, solely as between the Subordinated Lender and the holders of the Senior Debt, be applied by the holders of the Senior Debt to the payment of the Senior Debt held by the holders of the Senior Debt until paid in full in such order of application as the holders of the Senior Debt may from time to time select; provided that, as between the Borrower and its creditors generally, no such payments or distributions of any kind or character shall be deemed to be payments or distributions in respect of the Senior Debt; provided further that, notwithstanding any such payments or distributions received by the holders of the Senior Debt in respect of the Subordinated Debt and so applied by the holders of the Senior Debt toward the payment of the Senior Debt, the Subordinated Lender shall be subrogated to the then existing rights of the holders of the Senior Debt, if any, in respect of the Senior Debt only at such time as the holders of the Senior Debt shall have received final payment of the full amount of the Senior Debt.

(h) The Subordinated Lender hereby waives notice of acceptance by the holders of the Senior Debt hereof.

(i) Until all the Senior Debt shall have been indefeasibly paid in full, the Subordinated Lender will not: (i) subordinate any Subordinated Debt or any rights in respect thereof to any Liabilities other than the Senior Debt; (ii) take from the Borrower or any of the Borrower's Affiliates for any Subordinated Debt any collateral security not specifically permitted under the Loan Agreement or the Share Pledges; or (iii) commence, or join with any other creditor in commencing, any bankruptcy, reorganization, readjustment of debt, or any dissolution, receivership, liquidation, or insolvency proceedings with respect to the Borrower; provided (but without affecting any rights or remedies that any holder of any Senior Debt may have as a consequence thereof) that the foregoing shall not prevent the Borrower from voluntarily commencing any proceeding described in paragraph (c) above.

(j) The subordination provisions hereof shall in all respects be a continuing agreement and shall remain in full force and effect until the payment in full of the Senior Debt (or, in the case of any such provisions that are specifically applicable

until the indefeasible payment in full of the Senior Debt, until such indefeasible payment in full) and any and all expenses paid or incurred by any holder of the Senior Debt in endeavoring to collect or realize upon any of the foregoing or any security therefor.

(k) As far as the Subordinated Lender is concerned, the holders of the Senior Debt, or any of them, may, from time to time, at their sole discretion and without notice to the Subordinated Lender and without affecting the subordination hereunder, take all or any of the following actions: (i) retain or obtain a Lien on any property to secure any of the Senior Debt, (ii) retain or obtain the primary or secondary obligation of any other obligor or obligors with respect to any of the Senior Debt, (iii) extend or renew for one or more periods (whether or not longer than the original period), alter, or exchange any of the Senior Debt, or release or compromise any obligation of any nature of any obligor with respect to any of the Senior Debt, and (iv) release, or fail to perfect their Lien on, or surrender, release, or permit any substitution or exchange for, all or any part of any property securing any of the Senior Debt, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter, or exchange any obligations of any nature of any obligor with respect to any such property. This paragraph (k) shall not be deemed to be an agreement by the Borrower to enlarge the rights of the holders of the Senior Debt under the Loan Agreement or any Permitted Secured Hedges.

(l) The holders of the Senior Debt, or any of them, may, from time to time, without notice to the Subordinated Lender, assign or transfer any or all of the Senior Debt or any interest therein except as expressly prohibited by the Loan Agreement or the Permitted Secured Hedges; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Senior Debt shall be and remain Senior Debt for the purposes hereof, and every immediate and successive assignee or transferee of any of the Senior Debt or of any interest therein shall, to the extent of the interest of such assignee or transferee in the Senior Debt, be entitled to the full benefits hereof.

(m) The holders of the Senior Debt shall not be prejudiced in their rights hereunder by any act or failure to act of the Borrower or the Subordinated Lender, or any noncompliance of the Borrower or the Subordinated Lender with any agreement or obligation, regardless of any knowledge thereof that the holders of the Senior Debt may have or with which the holders of the Senior Debt may be charged, and no action of the holders of the Senior Debt permitted hereunder shall in any way affect or impair the rights of the holders of the Senior Debt and the obligations

of the Subordinated Lender hereunder.

(n) No delay on the part of any holder of the Senior Debt, or of any agent of such holders, in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the holders of the Senior Debt, or any of them, of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy, nor shall any modification, waiver, or discharge of any of the provisions hereof be binding upon the holders of the Senior Debt except as expressly set forth in a writing duly signed and delivered on behalf of the holders of the Senior Debt. The subordination herein contained shall be effective notwithstanding any right or power of the Borrower or anyone else to assert any claim or defense as to the invalidity or unenforceability here or of the Senior Debt, in whole or in part, or any determination by any court or other tribunal of such invalidity or unenforceability, and no such claim, defense, or determination shall affect or impair the agreements and rights of the holders of the Senior Debt hereunder.

(o) The provisions hereof shall be binding upon the Subordinated Lender and upon its successors. All references to the Borrower and the Subordinated Lender, respectively, shall be deemed to include their respective successors, whether immediate or remote.

(p) Nothing herein contained shall impair, as between the Borrower and the Subordinated Lender, the obligation of the Borrower, which is absolute and unconditional, to make payments of the Subordinated Debt as and when the same shall become due and payable in accordance with its terms, or affect the relative rights of the Subordinated Lender and creditors of the Borrower other than holders of Senior Debt.

(q) THE PROVISIONS HEREOF RELATING TO SUBORDINATION SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REFERENCE TO ANY CONFLICT OR CHOICE OF LAW RULES THAT MIGHT OTHERWISE APPLY. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by or be invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions hereof.

(r) Any suit, action, or proceeding arising out of or in connection with the provisions hereof relating to subordination may be brought against the Borrower or the Subordinated Lender in

a court of record of the State of New York, County of New York, or the United States District Court for the Southern District of New York, and each of the Borrower and the Subordinated Lender hereby irrevocably submits and consents to the jurisdiction of each such court and agrees that any summons, complaint, writ, judgment, or other notice or service of legal process may be sufficiently served upon it in connection with any such suit, action, or proceeding if mailed to it by certified or registered mail at its address set forth in the Loan Agreement. In any suit, action, or proceeding relating to the subordination hereunder, each of the Borrower and the Subordinated Lender waives, to the fullest extent not prohibited by applicable law any objection that it may now or hereafter have to the laying of the venue of any suit, action, or proceeding brought in such court and any claim that the same was brought in an inconvenient forum. The submission to the said jurisdiction shall not (and shall not be construed so as to) limit the right of the holders of the Senior Debt, or any of them, or any agent on their behalf, to take proceedings against the Borrower or the Subordinated Lender in whatsoever jurisdictions shall to it seem appropriate, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not. In the event any suit, legal action or proceeding arising out of or in connection with the provisions hereof relating to subordination is brought in the Republic of Indonesia against the Borrower or the Subordinated Lender or any of their property, each of the Borrower and Subordinated Lender elects its legal and domicile at the Clerk's Office of the District Court in Central Jakarta (Kantor Panitera Pengadilan Negeri Jakarta Pusat).

AMENDED AND RESTATED POWER SALES AGREEMENT

between

P.T. PUNCAKJJAYA POWER

and

P.T. FREEPORT INDONESIA COMPANY

dated as of December 18, 1997

Power Generation Facilities
Irian Jaya, Indonesia

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND USAGE.....	1
SECTION 1.01. DEFINITIONS.....	1
SECTION 1.02. USAGE.....	2
SECTION 1.03. PARTIES.....	3
ARTICLE II TERM.....	3
SECTION 2.01. INITIAL TERM; RENEWAL.....	3
ARTICLE III SALE AND PURCHASE OF CAPACITY AND ELECTRICITY.....	4
SECTION 3.01. CAPACITY SUPPLY OBLIGATIONS.....	4
SECTION 3.02. PURCHASE OBLIGATIONS.....	4
SECTION 3.03. RISK OF LOSS.....	5
SECTION 3.04. THIRD PARTY SALES.....	5
SECTION 3.05. ADJUSTMENTS TO TARGET CAPACITY LEVELS.....	6

SECTION 3.06. ADDITIONAL CAPACITY REQUIREMENTS BY PTFI.....	8
ARTICLE IV.....	9
ARTICLE IV SUPPLY OF FUEL.....	9
SECTION 4.01. OBLIGATION TO SUPPLY DIESEL FUEL.....	9
SECTION 4.02. ASSIGNMENT OF COAL SUPPLY AGREEMENT.....	9
ARTICLE V COORDINATION OF PTFI'S PLANT AND FACILITIES.....	10
SECTION 5.01. ADDITIONAL PTFI INTERCONNECTIONS.....	10
SECTION 5.02. SCHEDULING OF CAPACITY DELIVERY.....	10
SECTION 5.03. USE OF COAL DOCK.....	11
ARTICLE VI METERING.....	11
SECTION 6.01. OWNERSHIP AND MAINTENANCE.....	11
SECTION 6.02. TESTING OF METERS.....	11
SECTION 6.03. ADJUSTMENTS FOR INACCURACY.....	12
ARTICLE VII BILLING AND PAYMENT.....	13
SECTION 7.01. (A) BILLING.....	13
SECTION 7.02. DISPUTED PAYMENT.....	14
SECTION 7.03. CHANGE IN LAW ADJUSTMENTS.....	14
SECTION 7.04. ADJUSTMENTS TO CLOSING MODEL.....	18
ARTICLE VIII OPERATION AND MAINTENANCE.....	19
SECTION 8.01. OPERATION.....	19
SECTION 8.02. MAINTENANCE.....	19
SECTION 8.03. CERTAIN OPERATING MATTERS.....	19
ARTICLE IX ALTERATIONS TO THE FACILITIES.....	21
SECTION 9.01. ALTERATIONS TO THE FACILITIES BY PJP.....	21
ARTICLE X INSURANCE; DAMAGE AND DESTRUCTION; EXPROPRIATION....	22
SECTION 10.01. PJP'S INSURANCE COVERAGE.....	22
SECTION 10.02. EVIDENCE OF COVERAGE.....	24
SECTION 10.03. WAIVER OF SUBROGATION; RELEASE.....	24
SECTION 10.04. DAMAGE AND DESTRUCTION.....	24
SECTION 10.05. EXPROPRIATION AND OTHER LOSSES.....	25
SECTION 10.06. ADJUSTMENT OF EQUITY COMPONENT.....	26
ARTICLE XI ENVIRONMENTAL RESPONSIBILITY.....	26

SECTION 11.01. ENVIRONMENTAL INDEMNIFICATION BY PJP.....	26
SECTION 11.02. ENVIRONMENTAL INDEMNIFICATION BY PTFI.....	27
SECTION 11.03. NOTICE OR KNOWLEDGE RELATING TO POSSIBLE CLAIMS.....	27
SECTION 11.04. RELEASE; WAIVER OF SUBROGATION.....	28
SECTION 11.05. SURVIVAL.....	28
ARTICLE XII ADDITIONAL AGREEMENTS.....	29
SECTION 12.01. RECORDS.....	29
SECTION 12.02. ACCESS.....	29
SECTION 12.03. APPLICABLE PERMITS.....	29
SECTION 12.04. WASTE HEAT.....	30
SECTION 12.05. NO OTHER CHARGES.....	30
SECTION 12.06. PENALTIES NOT ASSESSED AGAINST PJP.....	30
ARTICLE XIII FORCE MAJEURE AND LOCAL POLITICAL RISK.....	33
SECTION 13.01. FORCE MAJEURE EVENT DEFINED.....	33
SECTION 13.02. EFFECT OF FORCE MAJEURE EVENT.....	33
SECTION 13.03. MITIGATION AND NOTICE.....	34
SECTION 13.04. LABOR DISPUTES.....	34
SECTION 13.05. EXTENDED FORCE MAJEURE.....	34
ARTICLE XIV PTFI'S RIGHTS OF ENTRY.....	34
SECTION 14.01. ADVERSE CONDITIONS.....	35
SECTION 14.02. EXTENDED FORCE MAJEURE.....	35
SECTION 14.03. LOCAL POLITICAL RISK.....	36
SECTION 14.04. PJP DEFAULT.....	36
SECTION 14.05. ADVERSE EFFECTS; EFFECT ON OTHER RIGHTS AND REMEDIES.....	37
ARTICLE XV ASSIGNMENT.....	37
SECTION 15.01. PJP.....	37
SECTION 15.02. PTFI.....	37
ARTICLE XVI DEFAULT AND TERMINATION.....	38
SECTION 16.01. EVENTS OF DEFAULT.....	38
SECTION 16.02. [RESERVED].....	43
SECTION 16.03. REMEDIES ON DEFAULT, APPOINTMENT OF SUCCESSOR MINE OPERATOR. SUBJECT TO SECTION 16.03(F),	43
ARTICLE XVII REPRESENTATIONS AND WARRANTIES.....	45
SECTION 17.01. REPRESENTATIONS AND WARRANTIES OF PJP.....	45
SECTION 17.02. REPRESENTATIONS AND WARRANTIES OF PTFI.....	46
ARTICLE XVIII INDEMNIFICATION/LIMITATION OF LIABILITY.....	47

SECTION 18.01.	INDEMNIFICATION BY PTFI.....	47
SECTION 18.02.	INDEMNIFICATION BY PJP.....	47
SECTION 18.03.	LIMITATION OF LIABILITY.....	48
SECTION 18.04.	NOTICE AND COOPERATION.....	48
SECTION 18.05.	DISPUTE OF OBLIGATION.....	49
SECTION 18.06.	SURVIVAL.....	49
ARTICLE XIX DISPUTE RESOLUTION.....		49
SECTION 19.01.	NEGOTIATED RESOLUTION.....	49
SECTION 19.02.	PROCEDURE FOR INITIATING ARBITRATION.....	50
SECTION 19.03.	GENERAL ARBITRATION RULES.....	50
SECTION 19.04.	NECESSARY PARTIES.....	51
SECTION 19.05.	FINALITY.....	51
SECTION 19.06.	VENUE.....	51
SECTION 19.07.	TECHNICAL DISPUTE RESOLUTIONS.....	51
SECTION 19.08.	COSTS OF ARBITRATION.....	52
SECTION 19.09.	PERFORMANCE OBLIGATIONS.....	52
ARTICLE XX MISCELLANEOUS.....		52
SECTION 20.01.	APPENDICES AND SCHEDULES.....	52
SECTION 20.02.	INTENTION OF THE PARTIES.....	53
SECTION 20.03.	CONFIDENTIALITY.....	53
SECTION 20.04.	GOVERNING LAW.....	54
SECTION 20.05.	NOTICES.....	54
SECTION 20.06.	SEVERABILITY.....	55
SECTION 20.07.	ENTIRE AGREEMENT.....	55
SECTION 20.08.	AMENDMENT.....	55
SECTION 20.09.	WAIVER.....	55
SECTION 20.10.	TABLE OF CONTENTS; HEADINGS.....	55
SECTION 20.11.	COUNTERPARTS.....	56
SECTION 20.12.	METHOD OF PAYMENT.....	56
SECTION 20.13.	DATE OF PAYMENT.....	56
SECTION 20.14.	DEFAULT INTEREST.....	56
SECTION 20.15.	ATTORNEYS' FEES.....	56
SECTION 20.16.	THIRD-PARTY BENEFICIARIES.....	57
SECTION 20.17.	FURTHER DOCUMENTS.....	57
SECTION 20.18.	PERFORMANCE OF OBLIGATIONS.....	57
SECTION 20.19.	TAX COOPERATION.....	57
SECTION 20.20.	SURVIVAL OF PAYMENT OBLIGATIONS.....	57
APPENDIX A	DEFINITIONS	
APPENDIX B	INTERCONNECTION POINTS	
APPENDIX C	PTFI'S PLANT	
APPENDIX D	TIMIKA FACILITY	
APPENDIX E	PTFI'S SITE	
APPENDIX F	MILL SITE FACILITY	
APPENDIX G	PORT SITE FACILITY	

APPENDIX H	ENGINEERING FIRMS
APPENDIX I	TECHNICAL SPECIFICATIONS FOR ELECTRICITY AND ELECTRIC CAPACITY
APPENDIX J	COAL FACILITY
APPENDIX K	LIP FACILITY
APPENDIX L	TARGET CAPACITY LEVELS AND RELIABILITY
APPENDIX M	FORM OF MONTHLY INVOICE
APPENDIX N	OUTLINE OF SITE PROCEDURES
APPENDIX O	OPERATOR'S PERSONNEL
SCHEDULE I	SUMMARY OF CHARGES - INITIAL TERM
SCHEDULE II	[RESERVED]
SCHEDULE III	OUTSTANDING INVESTMENT AND OPTION PRICE
SCHEDULE IV	PRINCIPLES GOVERNING USE BY THIRD PARTIES OF PJP'S TRANSMISSION AND DISTRIBUTION LINES
SCHEDULE V	LETTER AGREEMENT CONCERNING LIP FACILITY DATED JUNE 20, 1995
SCHEDULE VI	TAX INFORMATION AND ASSUMPTIONS
SCHEDULE VII	TERMS OF SUBORDINATION

AMENDED AND RESTATED POWER SALES AGREEMENT

This AMENDED AND RESTATED POWER SALES AGREEMENT (as hereafter amended, modified or supplemented in accordance with the terms hereof, this "Agreement") is made as of December 18, 1997 between P.T. PUNCAKJAYA POWER, an Indonesian limited liability company ("PJP"), and P.T. FREEPORT INDONESIA COMPANY, an Indonesian limited liability company, acting in its individual capacity and in its capacity as Mine Operator ("PTFI").

WHEREAS, PJP and PTFI entered into a Power Sales Agreement dated as of December 27, 1994 (the "Original Power Sales Agreement") pursuant to which PJP has produced and sold to PTFI and PTFI has purchased from PJP electric capacity and electricity from the Existing Facilities;

WHEREAS, PTFI is presently conducting exploration, mining and milling operations as the Mine Operator;

WHEREAS, PJP has agreed to acquire from PTFI and PTFI has agreed to sell to PJP the New Facilities (as hereinafter

defined), and in connection therewith PJP and PTFI desire to amend and restate the Original Power Sales Agreement to set forth the terms upon which PJP will sell to PTFI and PTFI will purchase from PJP electric capacity and electricity from the Facilities; and

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties agree the Original Power Sales Agreement is amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS AND USAGE

Section 1.01. Definitions. Unless the express terms of this Agreement shall otherwise provide, capitalized terms used herein shall have the meanings ascribed to them in Appendix A.

Section 1.02. Usage. This Agreement shall be governed by the following rules of usage:

(a) References to Persons. A reference herein to a Person includes, unless the context otherwise requires, its permitted assignees.

(b) References to Laws. A reference herein to an Applicable Law includes any Governmental Authority's amendment to, or modification or written interpretation of, such Applicable Law.

(c) References to Divisions. A reference herein to an article, section, exhibit, schedule or appendix is to the article, section, exhibit, schedule or appendix hereto unless otherwise indicated.

(d) References to Documents. References to any document, instrument or agreement (a) shall be deemed to include all appendices, exhibits, schedules and other attachments thereto, and (b) shall mean such document, instrument or agreement, as amended, modified and supplemented from time to time in accordance with the terms thereof and as the same is in effect at any given time.

(e) Use of "Herein". Unless otherwise specified, the words "herein", "hereof", "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision hereof.

(f) Use of "Including". The words "include" and "including" do not limit the generality of any description following such term, and, for such purposes, the rule of ejusdem generis shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

Section 1.03. Parties. (a) This Agreement is entered into by PTFI, acting in its individual capacity and in its capacity as Mine Operator.

(b) (i) No Person (other than PTFI) that participates in COW Operations shall have any liability to PJP hereunder for acts or omissions of PTFI which are outside the scope of actual authority given by such Person to PTFI.

(ii) If any Person (other than PTFI) that participates in COW Operations has any liability to PJP for the acts or omissions of PTFI hereunder, such liability shall be limited to such Person's Non-PTFI Proportion of the liability for such act or omission. "Non-PTFI Proportion" shall mean, with respect to any Person other than PTFI, that proportion of the costs of COW Operations which such Person is required to bear in accordance with arrangements agreed between such Person and PTFI, with a certificate from such Person as to that proportion being conclusive for the purposes of this Agreement.

(c) PTFI shall notify PJP of any other Person which is participating at any time in COW Operations, including an address for service of notices on such Person, but no failure to give notice under this Section 1.03(c) shall constitute an Event of Default for purposes of Section 16.01(b) or affect any rights of such Person hereunder.

ARTICLE II

TERM

Section 2.01. Initial Term; Renewal. The term of this Agreement shall commence on the Closing Date and, if not sooner terminated pursuant to the terms hereof, shall terminate twenty years thereafter (such period, the "Initial Term"); provided, however, that PTFI shall have the option to extend the Initial Term for up to an additional ten-year period (the "Renewal Term") upon its delivery to PJP, no earlier than 730 days and no later than 365 Days prior to the expiration of the Initial Term of a written notice expressing its desire to extend the Term (as defined below) by the Renewal Term. PJP shall have the right, if PTFI shall have exercised its option to extend the Initial Term for the Renewal Term, to cause PTFI to enter into a second Renewal Term (the "Second Renewal Term") for an additional ten-year period.

The Initial Term, the Renewal Term and the Second Renewal Term shall be hereinafter collectively referred to as the "Term".

ARTICLE III SALE AND PURCHASE OF CAPACITY AND ELECTRICITY

Section 3.01. Capacity Supply Obligations. During the Term, PJP shall, subject to the terms and conditions set forth herein including, without limitation, Section 3.04 hereof, make available, sell and deliver to PTFI, and to each Designated PTFI-Related Entity, at the Interconnection Point for each Facility (i) electric capacity in an aggregate amount equal to the Target Capacity Level of such Facility, and (ii) Electricity required by PTFI and each Designated PTFI-Related Entity at a rate not exceeding such Target Capacity Level; provided, however, that PJP shall use commercially reasonable efforts to satisfy PTFI and each Designated PTFI-Related Entity's demand for Electricity at the Interconnection Point for any Facility in excess of its Target Capacity Level subject to Generally Accepted Practices. PJP shall deliver all electric capacity and Electricity pursuant to this Section 3.01 in accordance with the technical specifications set forth in Appendix I.

Section 3.02. Purchase Obligations. Subject to the following sentence, PTFI shall accept and purchase all of the electric capacity and Electricity made available by PJP from the Facilities and delivered to the Interconnection Points in accordance with the terms hereof. PTFI shall have the right to require PJP, by communicating such requirement to PJP through

SCADA or otherwise, to curtail or reduce its deliveries of Electricity to any Interconnection Point whenever PTFI determines, in its sole discretion, that such curtailment or reduction is necessary for any reason; provided, however, that the exercise of such right by PTFI will not diminish PTFI's obligation to pay the Capacity Charge or the Fixed O&M Charge.

PTFI shall have the right to accept and purchase electric energy from other sources, for its own use or the use of any PTFI-Related Entity, only during such times and to such extent as PJP is unable to satisfy PTFI's requirements for electric energy and capacity, except as otherwise provided below. In addition, PTFI shall have the right to produce, through the use of energy recovered from its mining operations, up to 100 MW of electric energy and capacity for its own use or the use of any PTFI-Related Entity; provided, however, that the exercise of such right by PTFI will not diminish PTFI's obligation to pay the Capacity Charge or the Fixed O&M Charge. Except as provided in this paragraph and in Section 3.06, PJP will be the only source from which PTFI may procure Electricity and electric capacity.

Section 3.03. Risk of Loss. Risk of loss with respect to all Electricity shall pass to PTFI upon the delivery by PJP of such Electricity to the Interconnection Points in accordance with the provisions of Appendix B hereto.

Section 3.04. Third Party Sales. PJP and PTFI agree that sales of electric energy and capacity to third parties on reasonable economic terms are to be encouraged on the terms and conditions set forth herein. PJP shall give PTFI written notice of any such proposed sale. PJP shall have the right to sell to third parties electric energy and capacity produced at any of the diesel generating units comprising the Facilities, including those situated at the Mill Facility, the LIP Facility, the Port Site Facility or the Timika Facility if either (a) PTFI consents to such sale, which consent shall not be unreasonably withheld or delayed or (b) PJP shall have demonstrated that (i) the proposed sale will not impair PTFI's priority right to receive Electricity from such Facility at the Target Capacity Level of such Facility and (ii) PJP shall have funded any costs associated with such sales. The exercise by PJP of its rights under this Section 3.04 shall not excuse or reduce PTFI's obligation to make payments in respect of the Capacity Charge and the O&M Charges. PTFI's written approval, which shall be at PTFI's sole discretion, shall be required for the construction of a fourth Coal Unit and shall be required for any sale by PJP to a third party of electric energy or capacity produced at the Coal Facility. Unless otherwise agreed by PTFI, all sales to third parties of electric

energy and capacity from a Facility of like Reliability and term to the Electricity and capacity sold to PTFI from such Facility hereunder shall be at prices equal to or higher than the price charged to PTFI for Electricity and capacity from such Facility. A term of at least five (5) years shall be deemed to be a "like term" for purposes of the preceding sentence.

Section 3.05. Adjustments to Target Capacity Levels.

(a) The Target Capacity Level of any Facility shall be adjusted as set forth below:

(i) when both the first and second Coal Units have been Completed, the Target Capacity Level of the Coal Facility shall be established as an amount expressed in MW equal to the lower of the Unit Rating of the first Coal Unit and the second Coal Unit, as determined by the applicable procedures utilized to determine Completion of such Coal Unit;

(ii) when the third Coal Unit has been Completed, the Target Capacity Level of the Coal Facility shall be increased to an amount expressed in MW equal to the sum of the Unit Ratings of the two Coal Units which have the lowest Unit Ratings of all three Coal Units, as determined by the applicable procedures utilized to determine Completion of such Coal Unit;

(iii) after the third Coal Unit has been Completed and (x) at such time when the level of electric demand for those portions of PTFI's Plant intended to be served by the Coal Facility is such that PJP may operate all three Coal Units at their Unit Rating or (y) at PJP's option, at any time after September 30, 1999, PJP shall conduct a capacity test of the Coal Facility consisting of the operation of all three Coal Units at their Unit Rating for a period of seven consecutive days using procedures mutually acceptable to PJP and PTFI (with the output corrected to reflect actual expected conditions and fuel specifications); provided, however, that if at the time of such test PTFI's requirements for Electricity and electric capacity are less than the amounts of Electricity and electric capacity that the Coal Facility is capable of generating while operating at full load, PJP may, with respect to any test conducted in accordance with clause (y) above, adjust the procedures used to conduct such test to account for the

fact that the Coal Facility is operating at less than full load. The Target Capacity Level shall be adjusted to an amount expressed in MW equal to the sum of the tested capacity levels of the two Coal Units which have the lowest of the tested capacity levels of all three Coal Units, as determined by the test described in the preceding sentence and the Unit Rating of each Coal Unit shall be adjusted to such tested capacity level of such Coal Unit. Each of PJP and PTFI shall have a one-time right to demand that the capacity test conducted pursuant to this clause (iii) be readministered.

(iv) when each of the fourth and fifth units of the LIP Facility has been Completed, the Target Capacity Level of the LIP Facility shall be increased by an amount expressed in MW equal to the tested capacity of each such unit;

(v) upon the completion of any Required Alteration, the Target Capacity Level of the relevant Facility shall be adjusted to reflect any change in PJP's ability to supply Electricity from such Facility to the relevant Interconnection Point as a result thereof;

(vi) upon PTFI's exercise of its rights under Section 3.02 or 3.06 to produce electric energy and capacity or to accept electric energy or capacity from other sources, the Target Capacity Level of any relevant Facility shall be adjusted to reflect any change in PJP's ability to supply Electricity from such Facility to the relevant Interconnection Point as a direct result thereof;

(vii) upon PTFI's exercise of its rights under Section 5.01 to interconnect PTFI's Plant with the distribution and transmission lines of power suppliers other than PJP (whether directly or indirectly by means of interconnecting through PJP's transmission and distribution lines), the Target Capacity Level of any relevant Facility shall be adjusted to reflect any change in PJP's ability to supply Electricity from such Facility to the relevant Interconnection Point as a direct result thereof;

(viii) upon PTFI's and PJP's establishment of

mutually agreeable terms and conditions relating to the supply by PJP of additional electric capacity pursuant to Section 3.06, the Target Capacity Level of the relevant Facility shall be adjusted to reflect such agreement; and

(ix) the Target Capacity Levels of the LIP Facility and Power Plant C are subject to adjustment in accordance with the Letter Agreement.

The Target Capacity Level of a Facility (other than the Coal Facility) will be reduced by the Unit Rating of any unit of such Facility which is taken out of service at the end of its useful life. A unit (other than a Coal Unit) will be deemed to have reached the end of its useful life upon achieving 120,000 hours of operation, unless a test to be conducted upon a unit having achieved such hours of operation indicates that such unit is capable of additional hours of reliable operation on a cost effective basis. The useful life of Power Plant A, and each other unit which is continuing in service after having achieved 120,000 hours of operation, will be assessed on a year-by-year basis. The adjustments to the Target Capacity Levels of the Coal Facility described in clauses (i) and (ii) of this Section 3.05(a) shall not be effective until (a) the Coal Dock is functionally complete and capable of receiving shipments of coal on a continuous basis in amounts sufficient to operate the Coal Facilities at the relevant adjusted Target Capacity Level and (b) the New Transmission Line is functionally complete and capable of continuously transmitting electricity at a rate equal to the relevant adjusted Target Capacity Level. Notwithstanding the timing of the establishment of or adjustment to the Target Capacity Level of the Coal Facility in accordance with this Section 3.05(a), for any period prior to January 1, 2000, for purposes of assessing Curtailment Hours and Major Unexcused Outages, the Target Capacity Level of the Coal Facility shall be zero.

If as a result of any Change in Law the output of any Facility is curtailed, the Target Capacity Level for such Facility shall, during the period of such curtailment, be reduced to reflect such curtailed output.

(b) Except as provided in clauses (a)(i), (ii), (iii), (iv) or (x) above, PJP and PTFI shall make good faith efforts to reach agreement on any proposed adjustment to a Target Capacity Level pursuant to clauses (a)(v) through (ix). If PTFI and PJP are unable to reach agreement within thirty (30) Days after any

adjustment in Target Capacity Level is proposed by either party, the issue shall be submitted for resolution pursuant to Section 19.07.

(c) With respect to any adjustment of the Target Capacity Level of any Facility pursuant to this Section 3.05, such Target Capacity Level shall be adjusted so as to preserve the Reliability (as described in Appendix L) applicable to the Facilities.

Section 3.06. Additional Capacity Requirements by PTFI. If PTFI shall require on an ongoing basis additional electric capacity that PJP is not obligated to provide hereunder, PTFI shall notify PJP of such need. PTFI and PJP shall negotiate in good faith to establish mutually-agreeable terms and conditions relating to the supply by PJP of such additional electric capacity, including adjustments to the pricing and operating parameters (including, without limitation, measures of Reliability and Target Capacity Level as further described in Appendix L), and the schedule for implementation of such supply of additional electric capacity. If within 90 days of PJP's receipt of PTFI's notification PJP and PTFI shall not have reached agreement on such terms and conditions, PTFI shall have the right to procure such additional electric capacity from other sources.

ARTICLE IV

SUPPLY OF FUEL

Section 4.01. Obligation to Supply Diesel Fuel. PTFI shall be obligated to deliver, or cause to be delivered, to PJP, Diesel Fuel as provided in the Restated Services Agreement.

Section 4.02. Assignment of Coal Supply Agreement. PTFI hereby assigns, contemporaneously with the execution and delivery hereof, to PJP all of its right, title and interest in and to the Coal Supply Agreement. Notwithstanding such assignment, PTFI shall bear the risk of any failure by PT Kaltim Prima (or by any other supplier under a Coal Supply Agreement) to deliver Coal for use in the Coal Facility; provided that (i) PTFI shall have no risk as to any failure by PT Kaltim Prima (or any other supplier under a Coal Supply Agreement) to deliver Coal when such failure to deliver results from PJP's own Fault or Breach (excluding a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due hereunder) and

(ii) PJP shall not be liable for the payment of any Penalty to the extent attributable to a failure of the coal supplier to deliver Coal meeting the specifications set forth in the Coal Supply Agreement unless such failure results from PJP's own Fault or Breach (excluding a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due hereunder). PJP shall not be deemed to be in breach of this Agreement during any period in which it is unable to supply Electricity and capacity from the Coal Facility at the levels required by PTFI as a result of such failure to deliver Coal, no Curtailment Hours shall accrue during such period and any such period shall be excluded from any calculation of the Availability of the Coal Facility for purposes of Schedule I hereto, unless PJP's inability to supply such Electricity or capacity is a result of its own Fault or Breach (excluding a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due hereunder).

ARTICLE V

COORDINATION OF PTFI'S PLANT AND FACILITIES

Section 5.01. Additional PTFI Interconnections. At any time during the Term, PTFI shall have the right at its sole cost and expense, upon at least one hundred eighty (180) Days' prior written notice to PJP, to interconnect PTFI's Plant with the distribution and transmission lines of PTFI or power suppliers other than PJP (whether directly or indirectly by means of interconnecting through PJP's transmission and distribution lines); provided, however, that in the case of any such interconnection through PJP's transmission and distribution lines, PTFI or any such power supplier shall have entered into an agreement with PJP regarding its right to use PJP's transmission and distribution lines in accordance with the principles set forth in Schedule IV hereto. In the event that PTFI exercises its right pursuant to this Section 5.01 to interconnect PTFI's Plant to PTFI's or other power suppliers' transmission or distribution lines, PTFI shall pay all reasonable engineering, capital and operating costs, if any, incurred by PJP as a result thereof and take such other action, at its sole cost, as is necessary to prevent any material interference by such transmission or distribution lines with the ability of the Facilities to operate in accordance with the terms hereof.

Section 5.02. Scheduling of Capacity Delivery. In the absence of contrary notification by PTFI, PJP shall assume that PTFI (together with any Designated PTFI-Related Entity) requires, and PJP shall operate and maintain each Facility so as to make

available to PTFI or any Designated PTFI-Related Entity at the relevant Interconnection Point as set forth in Appendix B hereto, electric capacity and Electricity at the Target Capacity Level of such Facility. PTFI shall, from time to time, notify PJP in writing of the period during which PTFI will make material alterations to its mining, mill processing or other operations, which alterations it expects will result in electric capacity requirement adjustments to the extent that PTFI desires that PJP perform maintenance during the period of such reduced capacity requirements. PJP shall perform maintenance to the extent commercially practicable during any such designated period. No Additional Output Bonuses or Curtailment Penalties shall be due with respect to (i) the period of time specified in such notice and (ii) provided that PJP has initiated startup of the Coal Facility prior to the conclusion of the period of time specified in such notice, the 24-hour period of time commencing immediately following the conclusion of the period of time specified in such notice.

Section 5.03. Use of Coal Dock. PJP hereby grants PTFI the right to enter on to and use the Coal Dock located at or near the Coal Facility for the purpose of loading and unloading PTFI's ore concentrate products and/or Diesel Fuel during any period during which PTFI's facilities normally used for such purpose cannot be used. PJP shall not be obligated to make the Coal Dock available to PTFI during any time when PJP is not required to provide Electricity or electric capacity to PTFI due to an Event of Default attributable or relating to PTFI. PJP shall not be deemed to be in breach of this Agreement during any period in which PJP is not able to operate the Coal Facility at its Target Capacity Level as a result of PTFI's use of such Coal Dock, no Curtailment Hours shall accrue during such period and such period shall be excluded from any calculation of Availability of the Coal Facility for purposes of Schedule I hereto. PTFI shall pay or reimburse PJP for any costs incurred by PJP as a result of the exercise by PTFI of its right to use the Coal Dock.

ARTICLE VI

METERING

Section 6.01. Ownership and Maintenance. PJP shall install, own and maintain one or more Meters to be located, respectively, on PJP's side of each Interconnection Point to determine accurately the kilowatt hours of Electricity delivered to such Interconnection Point. The Meters shall be used as the basis for billing for Electricity. All Meters shall be sealed to

the extent reasonably practicable. PTFI may install at its sole cost and expense check meters on its side of each Interconnection Point.

Section 6.02. Testing of Meters. PJP shall on an annual basis inspect and test each Meter, and if any Meter registers inaccurately by more than the Applicable Meter Precision, PJP shall recalibrate each such inaccurate Meter. PJP shall provide PTFI reasonable prior notice of, and PTFI shall have the right to be present during, any occasion when PJP cleans, changes, repairs, inspects, tests, calibrates or adjusts a Meter hereunder, or intentionally breaks a seal on any Meter. PTFI may, at its expense, cause the Meters to be inspected at more frequent intervals.

Section 6.03. Adjustments for Inaccuracy (a) If any Meter is out of service, measurement shall be determined by: (i) a check meter installed by PTFI, if registering accurately at or within the Applicable Meter Precision or (ii) in the absence of any such accurately registering check meter, an estimate made by PJP by reference to quantities measured by such Meter during periods when the relevant Facility was operating at similar levels and under similar conditions and the Meter in question was registering accurately at or within the Applicable Meter Precision. If PTFI disagrees with the estimate made by PJP and the parties are not able to amicably resolve such disagreement, then the issue shall be submitted for resolution pursuant to Section 19.07.

(b) If, upon testing, a Meter is found to be registering inaccurately by more than the Applicable Meter Precision, measurement shall be determined by: (i) a check meter installed by PTFI, if registering accurately at or within the Applicable Meter Precision; (ii) in the absence of any such accurately registering check meter and if upon a calibration test of the Meter in question a percentage error is ascertainable, by the amount measured by such Meter as adjusted to reflect such percentage error; or (iii) in the absence of any such accurately registering check meter or an ascertainable percentage of error, an estimate made by PJP by reference to quantities measured by such Meter during periods when the relevant Facility was operating at similar levels and under similar conditions and the Meter in question was registering accurately. If no reliable information exists as to the period over which such Meter registered inaccurately by an amount greater than the Applicable Meter Precision, it shall be assumed for correction purposes hereunder that such inaccuracy began at the later of (x) the point in time midway between the testing date and the last

previous date on which such Meter's measurement was tested and found to be registering accurately at or within the Applicable Meter Precision and (y) the date one (1) year prior to the testing date in question. Upon completion of such calibration test such Meter shall be promptly adjusted, if so required, to register accurately. If PTFI disagrees with the estimate made by PJP and the parties are not able to amicably resolve such disagreement, then this issue shall be submitted for resolution to Section 19.07.

(c) If, in accordance with paragraph (b) above, a Meter's measurement is found to register inaccurately by an amount equal to or less than the Applicable Meter Precision, any previous readings of such Meter submitted by PJP or PTFI before such test shall be considered accurate. If, in accordance with paragraph (b) above, a Meter's measurement is found to register inaccurately by an amount greater than the Applicable Meter Precision, any reading of such Meter since the previous test thereof shall be adjusted to reflect the corrected measurements determined pursuant to subsection (b) above. After making such adjustments, any previous payment made by PTFI or PJP on the basis of such reading shall be compared to the amount of such payment as adjusted to reflect such reading as adjusted in accordance with the preceding sentence, and the difference shall be credited toward or added to the next payment or payments due either party hereunder, as appropriate; provided that no payment adjustment to be made under this paragraph (c) shall be made with respect to the Debt Component of the Capacity Charge.

ARTICLE VII

BILLING AND PAYMENT

Section 7.01. (a) Billing. Throughout the Initial Term, PTFI shall pay to PJP the amounts described in and calculated in accordance with Schedule I hereto. Such amounts shall be invoiced and shall be payable in accordance with Schedule I and Appendix M hereto. It is the intent of the parties to minimize PJP's working capital requirements, and the timing of payments from PTFI to PJP hereunder (other than the Capacity Charge) will be adjusted by mutual agreement as necessary to ensure that funds are available to PJP to pay, when due, operating costs contemplated hereby (excluding operating costs relating to third party sales), and that excess working capital funds are not unnecessarily retained by PJP. Throughout the Renewal Term, PTFI shall pay PJP for Electricity and electric capacity a price comprised of (i) an equity component to the extent there remains Outstanding Investment and a debt service component to the extent there remains Debt of PJP from the

Initial Term (other than Outstanding Investment or Debt allocable to sales of electricity or electric capacity to third parties); (ii) a fixed operation and maintenance charge and a variable operation and maintenance charge (each as defined in Schedule I hereto); (iii) a charge to fully reimburse PJP for the delivered cost of fuel for the Facilities; and (iv) an additional amount equal to the lesser of (x) U.S.\$1,500,000 per annum (1998 Dollars, escalated each January 1, commencing January, 1999, by the following renewal indices: 50% by the GDP Deflator, 33% by the Copper Deflator and 17% by the Gold Deflator) and (y) U.S.\$0.001 per KWH (1998 Dollars, escalated each January 1, commencing January, 1999, by the following renewal indices: 50% by the GDP Deflator, 33% by the Copper Deflator and 17% by the Gold Deflator). Throughout the Second Renewal Term, PTFI shall pay PJP for Electricity and electric capacity an amount that is equivalent to the then fair market value thereof as determined, prior to the commencement of the Second Renewal Term, by an independent appraiser to be appointed by PTFI with the reasonable consent of PJP. The appraiser shall be instructed to assume that fair market value is the equivalent of service fees paid by service recipients with respect to similar facilities in similar geographic localities.

(b) Capacity Charge. Throughout the Initial Term, the Capacity Charge and Fixed O&M shall not vary according to the amount of Electricity or electric capacity made available by PJP or of Electricity taken by PTFI and shall be subject to adjustment only in accordance with the express terms hereof. Throughout the Renewal Term, the Capacity Charge and Fixed O&M Charge will be paid in a manner as agreed by the parties.

Section 7.02. Disputed Payment. PTFI shall make each payment calculated and invoiced by PJP in accordance herewith when due, regardless of whether PTFI disputes the amount of such statement or invoice. Any dispute regarding the amount of any payment payable by either party hereunder shall be resolved pursuant to the procedures set forth in Article 19. In the event that it is determined through such procedures that either PTFI or PJP is entitled to an adjustment in the amount previously paid, the amount of such adjustment, together with interest thereon at the Default Interest Rate from the date of payment of such invoice until repaid, shall be paid in full in the currency in which the disputed payment was originally made (i) in a lump sum or (ii) at PJP's option, (A) during the Term (other than the last Contract Year) in equal adjustments to the next four payments of the Equity Component of the Capacity Charge due from PTFI to PJP or (B) during the last Contract Year of the Term, in equal adjustments to the remaining monthly payments payable by PTFI prior to the expiration of the Term or earlier termination of

this Agreement. Payments to be made by PJP under this Section 7.02 shall be subordinated to payments to Senior Secured Lenders and shall be payable only from and to the extent of amounts otherwise available to PJP, pursuant to the terms of the Financing Documents, for the payment of dividends. Interest shall accrue at the Default Interest Rate on any such payments which PJP has failed to make when due. This Section 7.02 shall survive the expiration of the Term or earlier termination of this Agreement.

Section 7.03. Change in Law Adjustments. (a) If any Change in Law shall result in an increase or decrease in the cost to PJP of operating and/or maintaining the Facilities (other than to the extent such increases or decreases are allocable to sales of electricity or electric capacity to third parties), then the Capacity Charge, the Fixed O&M Charge, the Variable O&M Charge and/or the Fuel Charge, as the case may be, shall be equitably adjusted to reflect such increase or decrease. PJP and PTFI shall make good faith efforts to agree on an equitable adjustment ("CIL Adjustment") to the components of the Capacity Charge, the Fixed O&M Charge, the Variable O&M Charge and/or the Fuel Charge, as the case may be, such that, after giving effect to such CIL Adjustment, PJP will be in the same financial position (except to the extent of any amounts borne by PJP pursuant to Section 7.03(d)) that it would have been had such Change in Law not occurred; provided that no such CIL Adjustment or Tax Adjustment (as defined in Section 7.03(b)) shall result in a reduction of the Debt Component of the Capacity Charge (other than with respect to any reduction in withholding taxes or similar amounts included in the Debt Component of the Capacity Charge). If PJP and PTFI, after making good faith efforts, are unable to agree on a CIL Adjustment within thirty (30) days after any adjustment is proposed by either party, the issue shall be submitted for resolution pursuant to Section 19.07.

(b) If any Change in Law shall result in an increase or decrease in the Indonesian Taxes payable by PJP (other than to the extent such increases or decreases are allocable to sales of electricity or electric capacity to third parties), then, in each case, the Capacity Charge, the Fixed O&M Charge, the Variable O&M Charge and/or the Fuel Charge, as the case may be, shall be equitably adjusted to reflect such increase or decrease. PJP and PTFI shall make good faith efforts to agree on an equitable adjustment ("Tax Adjustment") to the components of the Capacity Charge, the Fixed O&M Charge, the Variable O&M Charge and/or the Fuel Charge, as the case may be, such that, after giving effect to such Tax Adjustment, PJP will be in the same financial position (except to the extent of any amounts borne by PJP in accordance with Section 7.03(d)), that it would have been had

such assumption or inaccuracy or Change in Law not occurred; provided, that the Tax Adjustment with respect to interest on Subordinated Loans, dividends and profits will be computed for the Hypothetical Taxpayer with respect to its financial position as presented in the Closing Model. If PJP and PTFI, after making good faith efforts, are unable to agree on an adjustment within thirty (30) days after an adjustment is proposed by either party, the issue shall be submitted for resolution pursuant to Article 19, excluding Section 19.07.

(c) PJP shall use reasonable efforts to minimize the detrimental effect to PTFI of any Change in Law on the Capacity Charge, the O&M Charge and the Fuel Charge.

(d) (i) Subject to subparagraph (iii) of this Section 7.03(d), for each Change in Law PJP shall bear the first \$100,000 of any increase in (x) the cost to PJP of operating and/or maintaining the Facilities or (y) the Indonesian Taxes payable by PJP, and PJP shall not be entitled to a CIL Adjustment or Tax Adjustment in respect of such amount(s). For each Change in Law, any increase in (1) the cost to PJP of operating and/or maintaining the Facilities or (2) the Indonesian Taxes payable by PJP, which is in excess of amount(s) borne by PJP pursuant to the preceding sentence, shall result in a CIL Adjustment and/or Tax Adjustment, as the case may be, to reflect such increased cost and/or Indonesian Taxes payable; provided that no such CIL Adjustment or Tax Adjustment shall result in a reduction of the Debt Component of the Capacity Charge (other than with respect to any reduction in withholding taxes or similar amounts included in the Debt Component of the Capacity Charge).

(ii) Subject to subparagraph (iv) of this Section 7.03(d), for each Change in Law (A) PJP shall retain the benefit of the first \$100,000 of any decrease in (x) the cost to PJP of operating and/or maintaining the (y) the Indonesian Taxes payable by PJP, (B) PTFI shall continue to pay the Capacity Charge, the O&M Charge and the Fuel Charge as set forth in Schedule I hereto and (C) PTFI shall not be entitled to a CIL Adjustment or Tax Adjustment in respect of such amount(s). For each Change in Law, any decrease in (1) the cost to PJP of operating and/or maintaining the Facilities or (2) the Indonesian Taxes payable by PJP, which is in excess of \$100,000 (subject to subparagraph (iv) below), shall result in a CIL Adjustment and/or Tax Adjustment, as the case may be, to reflect such decreased cost and/or decrease in (or refund of) Indonesian Taxes.

(iii) At any time when PJP has borne in the aggregate (x) \$1,000,000, during the Initial Term, and (y) \$250,000, during the Renewal Term, of (A) increased operating and maintenance costs resulting from Changes in Law, (B) increased Indonesian Taxes resulting from Changes in Law and (C) Life Cycle Costs, PJP shall be entitled to CIL Adjustments and/or Tax Adjustments for all subsequent (1) increases in the cost to PJP of operating and/or maintaining the Facilities or in the Indonesian Taxes payable by PJP, which result from a Change in Law, and (2) Required Alterations. Solely for purposes of calculating the maximum aggregate amount which PJP is required to bear (without receiving the benefit of a CIL Adjustment or Tax Adjustment) pursuant to the preceding sentence, amounts borne by PJP pursuant to subparagraph (i) of this Section 7.03(d) and subparagraph (ii) of Section 7.03(e) shall be offset by amounts of decreases in respect of which PJP retains the benefit pursuant to subparagraph (ii) of this Section 7.03(d).

(iv) At any time when PJP has retained the benefit of, and PTFI has borne, and has not received a CIL Adjustment and/or Tax Adjustment for, in the aggregate (x) \$1,000,000, during the Initial Term, and (y) \$250,000, during the Renewal Term, of (A) decreased operating and maintenance costs resulting from Changes in Law and (B) decreased (or refunded) Indonesian Taxes resulting from Changes in Law, PTFI shall be entitled to CIL Adjustments and/or Tax Adjustments for all subsequent decreases in (1) the cost to PJP of operating and/or maintaining the Facilities or (2) the Indonesian Taxes payable by PJP, which result from a Change in Law. Solely for purposes of calculating the maximum aggregate amount which PTFI is required to bear (without receiving the benefit of a CIL Adjustment or Tax Adjustment) pursuant to the preceding sentence, amounts of decreases retained by PJP pursuant to subparagraph (ii) of this Section 7.03(d) shall be offset by amounts which PJP is required to bear pursuant to subparagraph (i) of this Section 7.03(d) and subparagraph (ii) of Section 7.03(e).

(e) Required Alterations. (i) PJP or PTFI shall give notice to the other party of any Alteration that is required by any Governmental Authority or by operation of any Governmental Action pursuant to Applicable Law (a "Required Alteration") which

notice shall include in reasonable detail a description of the Required Alteration and the projected Alteration Costs thereof. PTFI shall, within thirty (30) Business Days of having given or received such notice, either (x) consent to such Required Alteration and elect to provide for the payment or financing, which financing shall be in compliance with the terms of the Financing Documents, of the Alteration Costs of such Required Alteration as provided in paragraph (ii) of this Section 7.03(e) or (y) propose to PJP that such Required Alteration be deferred or not be performed, which proposal shall be accompanied by proposed amendments hereto to either relieve PJP of, or compensate PJP for, the increased risks to PJP of deferring or not performing such Required Alteration. PJP shall consider PTFI's proposal in good faith, provided, however, that PJP shall not be required to defer or forego taking any action necessary to prevent a violation of Applicable Law, in which case the foregoing clause (x) shall apply. Any dispute as to PTFI's proposal shall, at either party's request, be submitted to technical dispute resolution in accordance with Section 19.07.

(ii) PTFI shall elect, within thirty (30) Business Days of receipt or delivery of a notice of a Required Alteration (or within fifteen (15) Business Days following resolution of any matter described in the last sentence of subparagraph (i) of this Section 7.03(e) that results in the making of a Required Alteration), as the case may be, to (A) pay directly the Life Cycle Costs of such Required Alteration (to the extent not required to be paid by PJP as provided below and to the extent not otherwise paid by PTFI), or (B) agree to such modifications to the payments to be made by PTFI hereunder as shall permit the financing, which financing shall be in compliance with the terms of the Financing Documents, of the Life Cycle Costs of such Required Alteration (excluding any Life Cycle Costs paid by PTFI pursuant to clause (A) above), including a mutually acceptable return of and on any investment made by Shareholders in respect thereof; provided, however, that PJP shall bear the first \$100,000 of Life Cycle Costs in respect of each Required Alteration. PTFI shall have no obligations under this Section 7.03(e) to the extent that a Required Alteration is attributable to any third party sale. Upon termination of this Agreement, PTFI's obligation to pay the Life Cycle Costs shall terminate.

(f) Notwithstanding the separate limits specified in Sections 7.03(d)(iii) and (iv) and 7.03(e)(ii), it is understood and agreed that the aggregate amount of costs borne, or benefits retained, by PJP with respect to all CIL Adjustments, Tax

Adjustments and Life Cycle Costs in the aggregate shall be limited to \$1,000,000 during the Initial Term, and \$250,000 during the Renewal Term, after giving effect to the offsetting described in subparagraphs (d)(iii) and (iv) above, and once the applicable limit has been reached, PJP or PTFI, as the case may be, shall be entitled to CIL Adjustments, Tax Adjustments and adjustments for Required Alterations without further limitation.

Section 7.04. Adjustments to Closing Model. The Capacity Charge, as set forth in Section 1.2 of Schedule I hereto has been calculated based in part on the assumptions set forth in Schedule VI hereto. If the inaccuracy of any of the assumptions set forth in Schedule VI hereto with respect to Indonesian Taxes or tax attributes shall result in an increase or decrease in Indonesian taxes payable by PJP (other than to the extent such increases or decreases are allocable to sales of electricity or electric capacity to third parties) or United States taxes payable by the Shareholders (as assumed in the Closing Model), then the Closing Model shall be amended to correct any inaccuracies set forth therein and the Tax Gross-Up shall be equitably adjusted to maintain the Closing Model's original project internal rate of return (i.e. 16.65%), with differences in prior period payments being subject to interest at the Default Interest Rate.

ARTICLE VIII

OPERATION AND MAINTENANCE

Section 8.01. Operation. PJP shall operate, or cause to be operated, the Facilities in accordance with Generally Accepted Practices, the Site Procedures and Applicable Law and in a manner which will not unreasonably or materially interfere with the operation of PTFI's Plant. PJP shall not use or occupy, or permit any portion of PJP's Site or the Facilities to be used or occupied, in violation of any Applicable Law, or in any manner or for any business or purpose that would constitute a nuisance. PTFI shall, at its sole cost and expense, provide, maintain and operate throughout the Term, in accordance with Generally Accepted Practices and Applicable Laws, all interconnection and other related electrical and fuel Equipment on its side of the Interconnection Points and Diesel Fuel Interconnection Points to the extent necessary to enable PJP to perform its obligations hereunder and to operate the Facilities in accordance with Generally Accepted Practices, the Site Procedures and Applicable Law.

Section 8.02. Maintenance. PJP shall maintain, or cause to be maintained, PJP's Site and the Facilities in good condition and repair, normal wear and tear excepted, and in accordance with Generally Accepted Practices and Applicable Law. Without limiting the foregoing, PJP shall use commercially reasonable efforts to maintain the Facilities so as to enable it to perform its obligations hereunder and to operate the Facilities in accordance with Generally Accepted Practices, the Site Procedures and Applicable Law.

Section 8.03. Certain Operating Matters. Without limiting the generality of Section 8.01 or Section 8.02, PJP's operation and maintenance responsibilities shall include the following:

(a) Site Procedures. Within 180 days after achievement of the Completion Criteria for the third Coal Unit, PJP shall prepare and deliver to PTFI detailed site procedures substantially as outlined in Appendix N (the "Site Procedures"), which procedures shall be (i) in accordance with all Applicable Laws and Applicable Permits and (ii) in accordance with Generally Accepted Practicess.

(b) Operator's Personnel. PJP's organization structure for operating and maintenance of the Facilities is set forth in Exhibit O. PTFI shall be entitled to rely on the authority of the General Manager to act on behalf of and commit PJP in regard to matters involving day to day operation and maintenance of the Facilities hereunder. PJP shall notify PTFI of any material amendments, supplements or modifications to such Exhibit O.

PJP shall cause to be present at each Facility at all times at least one representative, who shall be qualified and authorized to direct the operation and maintenance of such Facility.

PJP shall provide and employ in connection with the operation and maintenance of the Facilities (i) professional and technically competent key personnel; (ii) qualified, skilled and experienced supervising engineers and technical assistants to provide functional direction of the performance of such activities; and (iii) such skilled, semi-skilled and unskilled labor as necessary for the proper operation and maintenance of the Facilities.

(c) Reports. PJP shall orally advise PTFI of the cause and expected duration of any Unexcused Outage that causes PTFI to curtail its mining or mill processing operations or shipping operations at PTFI's Site as soon as possible after its

occurrence. Within 10 days after the conclusion of any Unexcused Outage, PJP shall deliver a report to PTFI describing the nature of the Unexcused Outage and detailing any remedial measures undertaken to correct such Unexcused Outage and to minimize future Unexcused Outages.

(d) Outages. PJP shall provide, annually with quarterly updates, notice to PTFI of any scheduled outage of a Facility to occur during the period covered by such notice. PJP shall use reasonable efforts to coordinate scheduled outages of the Facilities with scheduled downtime or periods of diminished operation of PTFI's Plant.

(e) Safety. Within 180 days after achievement of the Completion Criteria for the third Coal Unit, PJP shall establish and provide PTFI with a copy of a written program designed to allow operation and maintenance of the Facilities in a safe manner and in accordance with Generally Accepted Practices (the "Safety Program"). PJP shall conduct its operations in accordance with all Applicable Laws relating to safety and in accordance with the Safety Program.

ARTICLE IX

ALTERATIONS TO THE FACILITIES

Section 9.01. Alterations to the Facilities by PJP. PJP shall notify PTFI of PJP's intention to make or cause to be made any Alteration, which notice shall state whether, in PJP's opinion, the failure to make such Alteration would have a material adverse effect on PJP's ability to perform its obligations hereunder. If PTFI reasonably determines that such Alteration would have a material adverse effect on PTFI's operations or the operations of any PTFI-Related Entity at PTFI's Site, then PTFI may object to PJP's making such Alteration by notifying PJP in writing of such determination, describing the reasons for such determination within thirty (30) days of such notice. If, in PJP's reasonable judgment, PJP's failure to make such Alteration would result in a material adverse effect on PJP's ability to perform its obligations hereunder, and PTFI has notified PJP of its objection to such Alteration pursuant to the preceding sentence, the matter shall, at PJP's request, be submitted to technical dispute resolution in accordance with Section 19.07. If the Independent Engineer determines that the failure to make such Alteration would result in a material adverse effect on PJP's ability to perform its obligations hereunder, then, subject to the immediately succeeding sentence, PJP shall be permitted to make such Alteration and shall not be

liable for any Penalties otherwise payable by PJP during the pendency of such determination. Notwithstanding (i) an agreement by PTFI or (ii) a determination in accordance with Section 19.07 that PJP's failure to make an Alteration would have a material adverse effect on PJP's ability to perform its obligations hereunder, PTFI may propose to PJP that such Alteration be deferred or not performed, which proposal shall be accompanied by proposed amendments hereto to either relieve PJP of, or compensate PJP for, the increased risk of PJP deferring or not performing such alteration. PJP shall consider PTFI's proposal in good faith. Any dispute as to PTFI's proposal shall, at either party's request, be submitted to technical dispute resolution in accordance with Section 19.07. PJP agrees that, except with respect to Required Alterations, PJP shall bear all Alteration Costs and related ownership, management, operation and maintenance costs without requesting any increase in payments from PTFI.

Nothing in this Section 9.01 shall be deemed to limit, or construed as limiting, PJP's ability to make emergency Alterations, without giving prior notice to PTFI, the failure of which to make in a timely manner would have a material adverse effect on PJP's ability to perform its obligations hereunder. PJP shall notify PTFI in writing within 10 days of having made any such emergency Alteration.

ARTICLE X

INSURANCE; DAMAGE AND DESTRUCTION; EXPROPRIATION

Section 10.01. PJP's Insurance Coverage.

(a) During the Term, PJP shall maintain with respect to PJP's Site, the Facilities and the operation, maintenance, management, repair, replacement, alteration and removal thereof the following insurance coverage:

(i) Property insurance written in all risk form, including coverage for earthquakes (subject to availability on commercially reasonable terms) and floods and boiler and machinery insurance, in amounts not less than the full replacement cost of the Facilities, including any increase in such replacement costs. During the performance of any construction work on PJP's Site, such insurance shall be in builder's risk completed value form, or such other form as is reasonably acceptable to the parties.

(ii) Business interruption insurance covering actual business interruption loss sustained and expediting expense for a period of at least one year.

(iii) Commercial general liability insurance written on an occurrence basis and including coverage for premises operations, contractual liability, broad form property damage and independent contractors, in the amount of at least \$1,000,000 combined single limits

(iv) If and for so long as PJP has any employees (including non-Indonesian nationals) based at PJP's Site, (x) Jamsostek as required by Indonesian law for PJP's Indonesian employees, (y) worker's compensation insurance with statutory limits and employer's liability in the amount of \$1,000,000 for any PJP employee hired in the United States, and (z) other similar coverage which may be required by law in the country where any other expatriate employee of PJP is hired.

(v) Automobile liability insurance, including all owned, non-owned and hired vehicles, in the amount of at least \$1,000,000.

(vi) Excess liability umbrella insurance with respect to liabilities covered by the insurance required pursuant to clauses (iii) and (v) above, in the amount of at least \$25,000,000.

Notwithstanding the provisions of subparagraph (a) of this Section 10.01, PTFI shall provide or, at its sole discretion, cause to be provided, in accordance with the Restated Services Agreement, the coverages specified in Section 10.01(a)(i) and 10.01(a)(ii) above. During any period of time when PJP is unable to operate any part of the Facilities due to PTFI's failure to provide, or cause to be provided, the coverage specified in Section 10.01(a)(i), such period of time shall not be included for purposes of calculating Unexcused Outages or Availability. In the event PTFI is unable to provide, or cause to be provided, the coverage specified in Section 10.01(a)(i), PJP may obtain such insurance through alternative means, the cost of which shall be borne by PTFI through the Pass-through O&M Charge in accordance with Schedule I hereto.

(b) PJP shall carry all insurance required in Section

10.01(a) (iii), 10.01(a) (iv), 10.01(a) (v) and 10.01(a) (vi) above with one or more good and solvent insurance companies licensed to do business in Indonesia and reasonably satisfactory to PTFI, shall endorse such insurance to (x) name PTFI as an additional named insured thereunder and (y) provide that such insurance is primary, without any right of contribution of or from any other insurance carried by PTFI, and shall have a self insured retention of no less than \$50,000 per occurrence. In addition, all insurance required under Section 10.01(a) shall be endorsed to provide that such insurance shall not be cancelled, reduced in amount or changed in any manner that affects the interest of PTFI without the insurer having first provided written notice to PTFI at least thirty (30) Days prior to any such change becoming effective. PJP shall effect such changes in the form (but not the amount or type) of such policies required pursuant to the preceding paragraph as are typical for projects of this type, provided such changes are commercially available at reasonable rates. PJP shall not assign its interests in any insurance policy (or any part or parts thereof) which PJP is required to maintain under this Section, including the right to receive any proceeds therefrom, except to a Senior Secured Lender. Any coverage amounts specified in clauses (iii), (iv), (v) and (vi) of the preceding paragraph shall be adjusted on each fifth anniversary of the Closing Date by the GDP Deflator.

Section 10.02. Evidence of Coverage. On or before the Closing Date and, thereafter, at least thirty (30) Days prior to the expiration date of any such policies, PJP shall furnish PTFI with a certificate evidencing or, if requested by PTFI, a duplicate original or agent certified copy of, all insurance policies PJP is required to maintain hereunder. PTFI shall furnish PJP with a certificate evidencing or, if requested by PJP, a duplicate original or agent certified copy of, all insurance policies PTFI is required to provide or cause to be provided hereunder.

Section 10.03. Waiver of Subrogation; Release. PTFI and PJP each hereby release the other, each PTFI-Related Entity and the officers, agents, Affiliates, commissioners, directors, shareholders, employees and assignees of any of them from any and all liability to the other or anyone claiming through or under them by way of subrogation or otherwise, for any loss or damage to the releasing party's property caused by any casualty insured under insurance policies maintained by the releasing party to the extent of the insurance proceeds received by PTFI or PJP, respectively, even if such loss or damage results from the negligence of the released party or anyone for whom the released party may be responsible. PTFI and PJP shall each cause their respective property insurance policies to provide that the

insurer waive all right to recover by way of subrogation against the other party and its officers, agents, Affiliates, commissioners, directors, shareholders, employees and permitted assigns in connection with any such loss or damage and shall each waive all right to recover against the other party and its officers, agents, Affiliates, commissioners, directors, shareholders, employees and permitted assigns in connection with any such loss or damage relating to property damage to the extent it is self-insured. This Section shall not enlarge, reduce or otherwise alter the obligations set forth in Section 11.04.

Section 10.04. Damage and Destruction. If the Facilities or any part thereof shall be damaged or destroyed by fire or other casualty during the Term, and the proceeds of the insurance coverage received by PJP required to be obtained hereunder are sufficient to pay the costs of repairing or restoring the same in a good and workmanlike manner and in accordance with Generally Accepted Practices and Applicable Law, as nearly as possible to its value, condition and character immediately before such damage or destruction, then, subject to the terms of the Financing Documents, PJP shall proceed with such repair or restoration as soon as possible after the damage or loss occurs and shall complete such repair or restoration with due diligence and all due speed. In the event the proceeds of the insurance coverage required to be obtained hereunder are not sufficient to pay the costs of repairing or restoring the Facilities or portion thereof as contemplated herein, subject to the terms of the Financing Documents PTFI may require PJP to proceed with the repair or restoration of such Facilities (excluding any portion of such Facilities constituting an Alteration made in connection with any sale approved or permitted pursuant to Section 3.04 hereof) as contemplated herein, in which event PTFI shall be obligated to pay all such costs in excess of the insurance proceeds (other than any deductible amount, which shall be borne by PJP). Of the total amount paid by PTFI pursuant to the preceding sentence, an amount no greater than the amount of the Outstanding Investment shall constitute PSA Subordinated Debt owing by PJP to PTFI, and if the total amount anticipated to be paid by PTFI pursuant to the preceding sentence exceeds the amount of the Outstanding Investment, PTFI shall have the option, exercisable within ninety (90) Days after the date on which PTFI made the last payment towards such costs of repair or restoration, to purchase all of the assets of PJP or all of the Shares of PJP from the Shareholders for an amount equal to the Outstanding Investment minus \$250,000 in accordance with the Option Agreement, provided that PTFI shall not have such option if PJP shall pay the portion of such costs which exceeds the amount of the Outstanding Investment. Upon such purchase, PTFI shall pay or assume the obligation to pay in accordance with the terms of agreements between PJP and Senior Secured Lenders all

outstanding principal, all interest thereon and all other amounts payable to Senior Secured Lenders. Any excess insurance proceeds remaining after the Facilities, or any portion thereof, have been repaired or restored as contemplated above shall be given to PTFI. However, in the event that the Facilities or any portion thereof are not repaired or restored, as contemplated in the second sentence of this Section 10.04, any insurance proceeds received during the Initial Term shall be retained by PJP and any insurance proceeds received during the Renewal Term shall be paid to PTFI. Any decision not to repair or restore the Facilities or portion thereof under this Section 10.04 shall not constitute an abandonment of the Facilities or portion thereof for purposes hereof.

Section 10.05. Expropriation and Other Losses. In the event PJP receives compensation from any Governmental Authority (including any Person acting on behalf of any such Governmental Authority) in respect of any expropriation, condemnation or similar action or in respect of a Local Political Risk Event, the amount of such compensation shall be retained by PJP.

Section 10.06. Adjustment of Equity Component. Upon any permanent loss of a portion of the Facilities, whether through expropriation or casualty and the payment to PJP of the full amount of the proceeds or compensation specified in Section 10.04 or Section 10.05, respectively, the amounts set forth in Schedule III hereto shall each be adjusted by multiplying such amounts by a percentage equal to one minus the Allocation Percentage applicable to such portion of the Facilities subject to permanent loss.

ARTICLE XI

ENVIRONMENTAL RESPONSIBILITY

Section 11.01. Environmental Indemnification by PJP. Subject to Section 18.03, PJP hereby agrees to indemnify, defend and hold harmless PTFI, all Persons participating from time to time in COW Operations and all PTFI-Related Entities, their respective officers, directors, employees, commissioners and agents (each, a "PTFI Indemnitee") from and against any and all losses, liabilities (including strict liability and liability to third parties for toxic torts), damages, injuries, fines, assessments, expenses, including reasonable attorneys' fees and disbursements (except that PJP shall only bear the cost of representation by one firm of attorneys in each jurisdiction as is appropriate), (including any such losses, liabilities, damages, injuries, expenses, costs, judgments or claims asserted

or arising under any law, statute, ordinance, code, rule, regulation, order or decree regulating or imposing liability, including strict liability, or standards of conduct concerning any Hazardous Substance), costs of investigation and monitoring, costs of remediation, costs of any lawsuit, settlement or judgement and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, any PTFI Indemnitee by any Person, for, with respect to, or as a direct or indirect result of the escape, seepage, leakage, spillage, discharge, emission, migration or release from PJP's Site or the Facilities of any Hazardous Substance after the Closing Date, but only the extent such escape, seepage, leakage, spillage, discharge, emission, migration or release from PJP's Site or the Facilities of any Hazardous Substance did not result from (i) with respect to the New Facilities, a condition affecting the portion of PJP's Site on which any component of the New Facilities is situated, which condition existed prior to the date such component of the New Facilities was Completed, or (ii) with respect to the Existing Facilities, a condition arising on or prior to December 26, 1999 which is caused by any operational practice engaged in by PTFI prior to its conveyance of the Existing Facilities to PJP and continued thereafter by PJP with respect to the operation of the Existing Facilities, which practice PTFI has not informed PJP is in violation of Applicable Laws. Payments to be made by PJP under this Section 11.01 shall be subordinated to payments to Senior Secured Lenders and shall be payable only from and to the extent of amounts otherwise available to PJP pursuant to the terms of the Financing Documents for the payment of dividends, and shall not be credited toward amounts owing from PTFI. Interest shall accrue at the Default Interest Rate on any such payments which PJP has failed to make when due.

Section 11.02. Environmental Indemnification by PTFI. Subject to Section 18.03, PTFI hereby agrees to indemnify, defend and hold harmless PJP, and its officers, directors, commissioners, employees, shareholders and agents (each, a "PJP Indemnitee") from and against any and all losses, liabilities (including strict liability and liability to third parties for toxic torts), damages, injuries, fines, assessments, expenses, including reasonable attorneys' fees and disbursements (except that PTFI shall only bear the cost of representation by one firm of attorneys in each jurisdiction as is appropriate), (including any such losses, liabilities, damages, injuries, expenses, costs, judgment or claims asserted or arising under any law, statute, ordinance, code, rule, regulation, order or decree regulating or imposing liability, including strict liability, or standards of conduct concerning any Hazardous Substance), costs of investigation and monitoring, costs of remediation, costs of any lawsuit, settlement or judgment and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against,

any PJP Indemnitee by any Person for, with respect to, or as a direct or indirect result of (i) with respect to the Existing Facilities, the presence on or before December 26, 1994, on or under such portion of PJP's Site on which any component of the Existing Facilities is located, of any Hazardous Substance, (ii) with respect to the New Facilities, the presence on or before the date on which any component of the New Facilities is Completed, on or under any portion of PJP's Site on which such component of the New Facilities is situated, of Hazardous Substances (except to the extent resulting from the acts or omissions of PJP or its agents, contractors or employees) and (iii) the escape, seepage, leakage, spillage, discharge, emission, migration or release of any Hazardous Substance from the operations of PTFI or any PTFI-Related Entity or PTFI's Site on or after the Closing Date.

Section 11.03. Notice or Knowledge Relating to Possible Claims.

(a) If either party receives any notice of, or knowledge of, an event, condition or occurrence which would reasonably be expected to result in any claim for which indemnification may be sought under the indemnification provisions of this Article 11 from any Person, then such party shall promptly notify the other party orally and in writing of said notice; provided, however, that the failure by either party to give the other party prompt notice shall not relieve the other party from its indemnification obligations hereunder except to the extent the rights of the other party are actually prejudiced by such failure to give notice as required by this Section 11.03.

(b) The indemnified party may, at its own expense, retain separate counsel and participate in the defense of any such suit or action. The indemnified party shall not compromise or settle a claim without the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld.

Section 11.04. Release; Waiver of Subrogation. The indemnity of the parties set forth in this Article 11 shall be limited only to that portion of any such loss, damage, cost, expense, fine, fee or claim which is not covered by insurance maintained by or for the benefit of the PTFI Indemnitee or PJP Indemnitee, as the case may be, seeking indemnification. PTFI hereby releases each PJP Indemnitee and PJP hereby releases each PTFI Indemnitee, in each case from any and all liability to PTFI or PJP, as the case may be, or anyone claiming through or under

PTFI or PJP, as the case may be, by way of subrogation or otherwise, for any loss, damage, cost, expense, fine, fee or claim for which indemnification would otherwise be provided in this Article 11 to the extent covered by insurance maintained by or for the benefit of the releasing party to the extent such release does not invalidate any insurance coverages. Each party shall cause its insurance policies to provide that the insurer waive all right to recover by way of subrogation or otherwise against any PTFI Indemnitee or PJP Indemnitee, as the case may be, for any such loss, damage, cost, expense, fine, fee or claim under this Article 11 which is covered by such insurance policy.

Section 11.05. Survival. Any claims arising under this Article 11 with respect to events occurring before the expiration or termination of this Agreement shall survive the expiration or earlier termination of this Agreement.

ARTICLE XII ADDITIONAL AGREEMENTS

Section 12.01. Records. Each party shall keep complete and accurate records appropriate for proper administration of this Agreement. Without limiting the foregoing, PJP shall maintain complete and accurate records of all O&M Charges, Fuel Charges, amounts incurred in connection with CIL Adjustments, Tax Adjustments, Required Alterations and all other amounts where one party must pay the other and an accurate and up-to-date operating log for each Facility, including records of electricity production for each clock hour, changes in operating status, maintenance periods and any unusual conditions found during inspections. All such records shall be maintained for a minimum of ten (10) years after the creation of such records and for any additional length of time required by any Governmental Authority. Either party shall have the right, upon fourteen (14) Days' notice to the other party, at its own expense to examine and audit the records of the other party relating to this Agreement.

Section 12.02. Access. (a) Each Facility shall be open to PTFI or its agent for inspection at reasonable times and upon reasonable notice to PJP, provided that (i) PTFI or its agent shall comply with all safety requirements imposed on PJP's employees and contractors, and (ii) such access shall not materially interfere with the operation, management and maintenance of any Facility.

(b) Except as otherwise provided in this Agreement, PTFI shall have no right to (x) direct the operations of any Facility or any of the other ancillary assets comprising Property or (y) control PJP or its respective agents, employees, or independent contractors in the conduct of their duties. Any rights created by this Agreement in PTFI to enter into or onto the Property for purposes of reviewing the operation, maintenance, efficiency or output of the Facilities or such other assets are created by the express consent of PJP and are not intended by such creation to transfer any rights or duties of ownership, operation or control of the Property from PJP to PTFI. Representatives of PTFI may enter into or onto the Property only under the terms of this Agreement.

Section 12.03. Applicable Permits. Each of PTFI and PJP shall use commercially reasonable efforts to cause to be issued and maintained in full force and effect in its name all Applicable Permits required or advisable under Applicable Laws for the operation, maintenance and management, or in connection with any Alteration, of any Facility or PTFI's Plant, as applicable, and the consummation of any of the transactions contemplated hereby and the performance of their respective obligations hereunder. PTFI and PJP shall cooperate and, to the extent necessary or appropriate, coordinate their efforts in acquiring and maintaining all such Applicable Permits.

Section 12.04. Waste Heat. PTFI shall have the right to utilize waste heat produced by the Coal Facility for use in PTFI's concentrate drying operations. Upon PTFI's request, PJP shall install such equipment as is necessary in order for PTFI to utilize such waste heat. PTFI shall be responsible for all incremental capital and operating costs incurred by PJP in making such waste heat available to PTFI.

Section 12.05. No Other Charges. Except as expressly provided herein, neither party shall be entitled to any charge, fee, payment or other compensation for performing such party obligations hereunder.

Section 12.06. Penalties Not Assessed Against PJP. The parties agree that PJP shall not be liable for

(a) any Availability Penalty hereunder

(i) during the pendency of the Independent Engineer's

determination regarding the making of an Alteration pursuant to Section 9.1;

(ii) during the pendency of a Force Majeure Event or a Local Political Risk Event;

(iii) as a result of PJP's suspension of delivery of Electricity due to an Event of Default by PTFI, if such penalty would otherwise have arisen from suspension of delivery of Electricity;

(iv) to the extent attributable to the failure of the coal supplier to deliver Coal meeting the specifications set forth in the Coal Supply Agreement, unless such failure results from PJP's own Fault or Breach (excluding a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due hereunder);

(v) resulting from PJP's inability to operate the Coal Facility as a result of PTFI's use of the Coal Dock;

(vi) to the extent attributable to the failure (1) of PJP or any permitted assignee of PJP pursuant to Section 11.7 of the Restated Services Agreement to receive a service, or (2) of PTFI or any successor or permitted assignee of PTFI to otherwise fulfill an obligation, in each case, pursuant to the Restated Services Agreement; or

(vii) if PJP is unable to operate the Facilities as a result of PTFI's failure to provide, or cause to be provided, the insurance coverage specified in Section 10.01(a)(i);

(b) any Heat Rate Penalty hereunder

(i) at any time prior to January 1, 2000 with respect to the Coal Facility;

(ii) during the pendency of the Independent Engineer's

determination regarding the making of an Alteration pursuant to Section 9.1;

(iii) during the pendency of a Force Majeure Event or a Local Political Risk Event;

(iv) as a result of PJP's suspension of delivery of Electricity due to an Event of Default by PTFI, if such penalty would otherwise have arisen from suspension of delivery of Electricity;

(v) to the extent attributable to the failure of the coal supplier to deliver Coal meeting the specifications set forth in the Coal Supply Agreement, unless such failure results from PJP's own Fault or Breach (excluding a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due hereunder); or

(vi) to the extent attributable to the failure (1) of PJP or any permitted assignee of PJP pursuant to Section 11.7 of the Restated Services Agreement to receive a service, or (2) of PTFI or any successor or permitted assignee of PTFI to otherwise fulfill an obligation, in each case, pursuant to the Restated Services Agreement; or

(c) any Curtailment Penalty or Unexcused Outages assessed hereunder

(i) during the pendency of the Independent Engineer's determination regarding the making of an Alteration pursuant to Section 9.1;

(ii) during the pendency of a Local Political Risk Event;

(iii) as a result of PJP's suspension of delivery of Electricity due to an Event of Default by PTFI, if such penalty would otherwise have arisen from suspension of delivery of Electricity;

(iv) to the extent attributable to the failure of the

coal supplier to deliver Coal meeting the specifications set forth in the Coal Supply Agreement, unless such failure results from PJP's own Fault or Breach (excluding a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due hereunder);

- (v) resulting from PJP's inability to operate the Coal Facility as a result of PTFI's use of the Coal Dock;
- (vi) to the extent attributable to the failure (1) of PJP or any permitted assignee of PJP pursuant to Section 11.7 of the Restated Services Agreement to receive a service, or (2) of PTFI or any successor or permitted assignee of PTFI to otherwise fulfill an obligation, in each case, pursuant to the Restated Services Agreement;
- (vi) if PJP is unable to operate the Facilities as a result of PTFI's failure to provide, or cause to be provided, the insurance coverage specified in
- (vii) to the extent resulting from deficiencies in the design of the New Transmission Line towers if such deficiencies would reasonably have been uncovered had a physical load test been performed on the design of the towers.

ARTICLE XIII

FORCE MAJEURE AND LOCAL POLITICAL RISK

Section 13.01. Force Majeure Event Defined. As used herein, "Force Majeure Event" shall mean any act, omission or circumstance, including, without limitation, any event or circumstances occasioned by or resulting from any acts of God, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, tornadoes, windstorms, volcanoes, fires, storms, floods, disasters, civil disturbances, explosions, sabotage, Governmental Actions, the failure to act of any Governmental Authority, the inability to obtain, maintain or renew any Applicable Permits, changes in Applicable Laws, shortages of labor or materials, strikes or other labor disputes, failures or partial failures of any Equipment, failure of transportation which, in each case, is not

within the commercially reasonable control of a party hereto, is not due to a Local Political Risk Event, and wholly or partially prevents or delays such party from performing its obligations hereunder; provided, however, that "Force Majeure Event" shall not include an act, omission or circumstance arising from the Fault or Breach of, or economic hardship affecting, the party claiming that a Force Majeure Event has occurred.

Section 13.02. Effect of Force Majeure Event. The parties shall be excused from performing any of their respective obligations hereunder (excluding (i) payment obligations established in Article 7, including, without limitation, payment in all circumstances of the Debt Component of the Capacity Charge, (ii) any other undisputed payment obligations arising out of this Agreement and (iii) all obligations under this Article 13 and Articles 18 and 19) and shall not be liable in damages (other than the Penalty amounts calculated in Schedule I hereto, if applicable) or otherwise on account of the non-performance of any such obligation, for so long as and to the extent that either party is unable to perform such obligation as a result of any Force Majeure Event. For purposes of this Section 13.02, a Local Political Risk Event shall be deemed to be a Force Majeure Event with respect to PJP.

Section 13.03. Mitigation and Notice. The occurrence of a Force Majeure Event shall not relieve a party of its obligations and liability hereunder to the extent such party fails to use commercially reasonable efforts to remove the cause and remedy or mitigate the effects of the Force Majeure Event if, using commercially reasonable efforts, such party could have removed such cause or remedied or mitigated such effects. In addition, during the duration of any Force Majeure Event, PJP shall exercise reasonable efforts to reduce costs included in the Fixed O&M Charge, and shall reimburse to PTFI any such reduction in cost, subject to PJP's right to apply such reduction first to pay or reimburse any loss or expense (other than Penalties due hereunder) arising from such Force Majeure Event not covered by insurance or borne by PTFI through payments made hereunder. In addition, no Force Majeure Event shall relieve a party of its obligations or liability hereunder unless such party shall give notice (including a reasonable description of such Force Majeure Event) to the other party within five (5) Days of such party becoming aware of the occurrence of such Force Majeure Event. Upon request and within a reasonable time period, the party whose obligations were suspended shall provide the other party with a plan for remedying the effects of such Force Majeure Event. Notwithstanding anything to the contrary in this Section 13.03, in no event shall PTFI or PJP take any action which violates Applicable Law. For purposes of this Section 13.03, a Local Political Risk Event shall be deemed to be a Force Majeure Event

with respect to PJP.

Section 13.04. Labor Disputes. This Article 13 shall not require the settlement of any strike, walkout, lockout, or other labor dispute on terms which, at the discretion of the party involved, is contrary in any material way to its interests. It is understood and agreed that the settlement of such labor disputes shall be at the sole discretion of the party involved.

Section 13.05. Extended Force Majeure. If an Extended Force Majeure Event occurs, then PTFI may, upon ten (10) days prior written notice, terminate this Agreement. Upon such termination, PTFI shall (i) purchase the Shares at an amount equal to the Outstanding Investment, in accordance with the Option Agreement and (ii) pay or assume the obligation to pay in accordance with the terms of agreements between PJP and Senior Secured Lenders, all outstanding principal, all interest thereon and all other amounts payable to Senior Secured Lenders.

ARTICLE XIV

PTFI'S RIGHTS OF ENTRY

Section 14.01. Adverse Conditions. PJP shall promptly notify PTFI of any Adverse Conditions. Such notice shall contain a description of such Adverse Condition in reasonable detail and the steps PJP proposes to take in order to remedy such Adverse Condition. If any Adverse Condition comes to PTFI's attention concerning which PJP has not given PTFI notice, PTFI shall promptly provide PJP with notice thereof. Promptly upon receipt of such notice from PTFI, PJP shall provide PTFI with a description of such Adverse Condition in reasonable detail and the steps PJP proposes to take in order to remedy such Adverse Condition. If PJP shall not have commenced to take steps reasonably calculated to remedy such Adverse Condition within a reasonable time (depending on the nature of the Adverse Condition and the threat it poses to PTFI's operations or the operations of a PTFI-Related Entity at PTFI's Site), PTFI shall have the right, exercisable in its sole discretion, after providing PJP with reasonable notice, to enter onto PJP's Site or the Facilities (as the case may be) and take such action as it deems necessary or advisable (including the operation of any or all of the Facilities) to remedy such Adverse Condition. During any period that PTFI has entered and remained on PJP's Site pursuant to this Section 14.01, PTFI shall continue to pay, without any setoffs or other deductions against such amounts, PJP all amounts due in accordance with Article 7, including, without limitation, the Debt Component of the Capacity Charge. PTFI shall quit PJP's

Site or the Facilities, as the case may be, promptly upon remedying such Adverse Condition. If PTFI exercises its right of reentry pursuant to this Section 14.01, PTFI may quit PJP's Site at any time upon fifteen (15) Days' prior written notice. PTFI may invoice PJP for costs incurred by PTFI in performing the actions described above and PJP shall pay such costs within twenty (20) Business Days. PJP's payment of such invoice shall be subordinated to payments to Senior Secured Lenders to the extent that such payment shall only be required to be made by PJP from funds which, in accordance with the agreements between PJP and Senior Secured Lenders, are available for PJP to pay dividends or amounts due in respect of subordinated debt to Shareholders or their Affiliates. Interest shall accrue at the Default Interest Rate on any such payments which PJP has failed to make within such 20 Business Day period. PJP may dispute the necessity of the actions and reasonableness of any costs incurred in performing necessary actions, and any reimbursement by PTFI of payments by PJP shall include accrued interest at the Default Interest Rate from the date of payment by PJP.

Section 14.02. Extended Force Majeure. Upon the occurrence of an Extended Force Majeure or the reasonable expectation of PTFI that a Force Majeure Event affecting PJP shall become an Extended Force Majeure, PTFI shall have the right, at its sole cost and exercisable in its sole discretion, upon reasonable notice to PJP, to enter onto PJP's Site or the Facilities (as the case may be) and take such action as it deems necessary or advisable (including the operation of any or all of the Facilities) to remove the cause and remedy or mitigate the effects of such Extended Force Majeure or Force Majeure Event, as the case may be. During any period that PTFI has entered and remained on PJP's Site pursuant to this Section 14.02, PTFI shall continue to pay, without any setoffs or other deductions against such amounts, PJP all amounts due in accordance with Article 7, including, without limitation, the Debt Component of the Capacity Charge. If PTFI exercises its right of reentry pursuant to this Section 14.02, PTFI may quit PJP's Site at any time upon fifteen (15) Days' prior written notice to PJP but in no event shall PTFI remain on PJP's Site or the Facilities for more than fifteen (15) Days after the cessation of the Extended Force Majeure or Force Majeure Event giving rise to PTFI's right of entry. For purposes of this Section 14.02, "Force Majeure Event" shall have the meaning given in Section 13.01 without giving effect to the proviso in such Section.

Section 14.03. Local Political Risk. Upon the occurrence of a Local Political Risk Event affecting PJP, PTFI shall have the right, at its sole cost and exercisable in its sole discretion, after providing PJP with reasonable notice, to enter onto PJP's Site or the Facilities (as the case may be) and

take such action as it deems necessary or advisable (including the operation of any or all of the Facilities) to remove the cause and remedy or mitigate the effects of such Local Political Risk Event. During any period in which PTFI has entered and remains on PJP's Site in accordance with this Section 14.03, PTFI shall continue to pay, without any setoffs or other deductions against such amounts, PJP all amounts due in accordance with Article 7, including, without limitation, the Debt Component of the Capacity Charge. If PTFI exercises its right of reentry pursuant to this Section 14.03 PTFI may quit PJP's Site at any time upon fifteen (15) Days' prior written notice to PJP but in no event shall PTFI remain on PJP's Site or the Facilities for more than fifteen (15) Days after the cessation of the Local Political Risk Event giving rise to PTFI's right of entry.

Section 14.04. PJP Default. Upon the occurrence of an Event of Default by PJP pursuant to Section 16.01(d) or (e), PTFI shall have the right, at PJP's cost, to enter PJP's Site and operate any or all of the Facilities. During any period in which PTFI has entered and remains on PJP's Site in accordance with this Section 14.04, PTFI shall pay to PJP all amounts due in accordance with Article 7, except that PTFI may offset any reasonable costs referred to in the previous sentence against such amounts other than the Debt Component of the Capacity Charge. If PTFI exercises its right of reentry pursuant to this Section 14.04, PTFI may quit PJP's Site at any time upon fifteen (15) Days' prior written notice to PJP but in no event shall PTFI remain on PJP's Site or the Facilities for more than fifteen (15) Days after the cessation of the Event of Default giving rise to PTFI's right of entry.

Section 14.05. Adverse Effects; Effect on Other Rights and Remedies.

(a) PTFI shall use commercially reasonable efforts to minimize any adverse effects on the operations of PJP's Site or the Facilities caused by the exercise of any right of reentry it may have under this Article 14.

(b) Except as expressly provided in this Article 14, PTFI's exercise, or the failure by PTFI to exercise, any of its rights under this Article 14 shall not relieve PJP of its obligations hereunder nor limit any right or remedy otherwise available to PTFI.

(c) Notwithstanding anything to the contrary in this Article 14, during the Renewal Term PTFI shall bear all costs

incurred by PTFI in connection with the exercise of its rights under this Article 14, without any right of reimbursement from PJP.

ARTICLE XV

ASSIGNMENT

Section 15.01. PJP. PJP may not assign its rights or obligations hereunder without the prior written consent of PTFI, which consent shall not be unreasonably withheld; provided, however, that PJP shall have the right to assign all right, title and interest of PJP herein to a Senior Secured Lender as security for the obligations of PJP to such Senior Secured Lender.

Section 15.02. PTFI. PTFI shall have the right, with the prior written consent of PJP, to assign its rights or obligations hereunder; provided, however, that notwithstanding the foregoing, if such assignment is made pursuant to and in accordance with the Default Remedies Co-ordination Agreement, PJP's consent shall not be so required. PJP shall, in the case of any such assignment, cooperate with PTFI and any assignee and take such reasonable steps and execute all such documents and deeds as PTFI or such assignee may request or as may be necessary to effect any such assignment. Any assignee (other than a Senior Secured Lender, as collateral assignee) of PTFI hereunder shall assume in writing all existing payment obligations, and all other obligations arising after such assignment, of PTFI with respect to this Agreement, but no such assignment by PTFI of its rights hereunder shall relieve PTFI of any of its obligations hereunder, whether arising prior to or after such assignment. PTFI shall pay any and all reasonable out-of-pocket costs incurred by PJP in connection with any such assignment by PTFI.

ARTICLE XVI

DEFAULT AND TERMINATION

Section 16.01. Events of Default. The following shall be events of default ("Events of Default") hereunder:

(a) with respect to either party hereto, the failure by such party to pay any payment due hereunder (except, in the case of PJP, payments to be made to PTFI which are subordinated

pursuant to the terms hereof), and the continuation of such failure for fifteen (15) Days after receipt by the nonpaying party of written notice of the failure to pay;

(b) except as set forth in Section 16.01(a), with respect to either party hereto, the failure by such party to comply with any other material term, provision or covenant of this Agreement, the Restated Services Agreement or the New Asset Sale Agreement, and the continuation of such failure for forty-five (45) Days after notice thereof to the nonperforming party; provided, however, if such failure cannot reasonably be cured

within such forty-five (45) Days and the nonperforming party shall commence to cure such failure within such forty-five (45) Day period and shall thereafter proceed with reasonable diligence and good faith to cure such failure, then such forty-five (45) Day period shall be extended for such longer period as would be reasonably necessary for such party to cure the same with all reasonable diligence and good faith;

(c) with respect to either party hereto, such party shall file a voluntary petition in bankruptcy, or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute or law relating to bankruptcy, insolvency, or other relief for debtors under Applicable Law or shall seek, consent to, or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of such party or all or any substantial part of its properties, or a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against such party seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute or law relating to bankruptcy, insolvency or other relief for debtors, whether state or federal, and such party shall consent to or acquiesce in the entry of such order, judgment or decree, or the same shall remain unvacated and unstayed for an aggregate of sixty (60) Days from the date of entry thereof, or any trustee, receiver, conservator or liquidator of such party or of all or any substantial part of its properties shall be appointed without the consent or acquiescence of such party and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) Days. (The terms "acquiesce" and "acquiescence" as used in this Section 16.01(c) shall include, but not be limited to, the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within the time specified by law);

(d) with respect to PJP, the occurrence of one or more Major Unexcused Outages resulting from other than a Force Majeure Event;

(e) with respect to PJP, PJP shall abandon the operation of any Facility, which abandonment is not due to PTFI's Fault or Breach, with the intent that such abandonment be permanent, it being understood that such intent shall be presumed upon PJP's failure to resume operation of the abandoned Facility(ies) within three (3) Days after receipt by PJP of written notice from PTFI asserting that PJP has abandoned such Facility; provided, however, that the discontinuation by PJP of

operations at any Facility shall not be considered an abandonment if PJP is prevented from operating such Facility by reason of the occurrence and continuance of a Force Majeure Event or a Local Political Risk Event, and it being further understood that nothing contained herein is intended to relieve PJP of its obligations under Section 13.03; and

(f) with respect to PTFI, the occurrence of one or more of the following and the notice to PJP and PTFI by or on behalf of the Senior Secured Lenders that such event or occurrence constitutes an "event of default" under the Financing Documents:

(i) the occurrence of an Event of Resignation (as defined in the PTFI Participation Agreement as in effect on the date of the PJP Credit Agreement) under Section 9.5 of the PTFI Participation Agreement as in effect on the date of the PJP Credit Agreement;

(ii) the COW shall for whatever reason be terminated or cease to be in full force and effect other than pursuant to a Permitted Contract of Work Substitution (as defined in the PJP Credit Agreement);

(iii) PTFI shall default in the performance of any provision of the Chase Credit Agreements (as defined in the PJP Credit Agreement) as in effect from time to time (and without giving effect to any waivers to or amendments of such provision following any such default) which requires PTFI to maintain a specified EBITDA Coverage Ratio (as defined in the Chase Credit

Agreement) or any successor provision which is designed to measure the adequacy of PTFI's earnings or revenues to debt services (including any debt service coverage ratio or fixed charges ratio); or if at any time in the future PTFI is not a party to a Chase Credit Agreement, PTFI shall fail to comply with the requirements of such provisions (if any) contained in the most recent Chase Credit Agreement of which PTFI was a party;

(iv) an event of default with respect to any Indebtedness (as defined in the PJP Credit Agreement) of PTFI if the effect of such default shall result, directly or through action taken by holder(s) or obligee(s) of Indebtedness of PTFI, in acceleration (x) of the stated maturity of any Indebtedness of PTFI in an aggregate amount in excess of \$50,000,000 or (ii) of any Indebtedness outstanding of PTFI under the Chase Credit Agreements (as defined in the PJP Credit Agreement);

(v) any representation, warranty or certificate made or deemed made by PTFI in any Financing Document or in any certificate, financial statement or other document furnished by PTFI to any Financing Entity or any Agent (as defined in the PJP Credit Agreement) shall prove to have been false or misleading in any material respect as of the time made or furnished and the facts or circumstances upon which such breach of representation or warranty is based if not cured within 30 days could reasonably be expected to have a Material Adverse Effect (as defined in the PJP Credit Agreement);

(vi) PTFI shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due;

(vii) PTFI shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (2) make a general assignment for the benefit of its creditors, (3) commence a voluntary case under the Bankruptcy Code (as defined in the PJP Credit Agreement) (as now or hereafter in effect) or any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition, readjustment or moratorium of debts, (4)

file a petition seeking to take advantage of any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition, readjustment or moratorium of debts, (5) fail to controvert in a timely and appropriate manner, or acquiesce in writing to any petition filed against it in an involuntary case under the Bankruptcy Code of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition, readjustment or moratorium of debts, or (6) take any corporate action for the purpose of effecting any of the foregoing;

(viii) a proceeding or case shall be commenced involving PTFI without the application or consent of PTFI, seeking (1) its liquidation, reorganization, dissolution, winding-up, or the composition, readjustment or moratorium of its debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of PTFI or of all or any substantial part of its assets, or (3) similar relief in respect of PTFI under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition, adjustment or moratorium of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 or more days (or such shorter period of time which such Person has pursuant to such law to cause the dismissal of such proceeding or case or stay the effectiveness of any such order, judgment or decree); or an order for relief against PTFI shall be entered in an involuntary case under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition, readjustment or moratorium of debts;

(ix) PTFI shall default in the performance of its obligations under any Project Document (as defined in the PJP Credit Agreement) to which it is a party, which default could reasonably be expected to have or result in a Material Adverse Effect;

(x) PTFI shall fail to obtain, renew, maintain or comply in all material respects with all such Project Governmental Approvals (as defined in the PJP Credit Agreement) which shall at the time in question be necessary (1) for the performance by PTFI of its respective obligations under any Financing Document to

which it is party or for the performance by PTFI of its respective material obligations under any Project Documents to which it is party; or any such Project Governmental Approval shall be revoked, terminated, withdrawn, suspended, modified or withheld or shall cease to be in full force and effect, and such failure to obtain, renew, maintain or comply or such revocation, termination or other event shall continue unremedied for 30 days after receipt by PJP of written notice from the Facility Agent or any Financing Entity (through the Facility Agent (as defined in the PJP Credit Agreement)); or any proceeding shall be commenced by or before any Governmental Authority for the purpose of so revoking, terminating, withdrawing, suspending, modifying or withholding any such Project Governmental Approval and such proceeding is not dismissed or otherwise resolved favorably for PTFI within 90 days;

(xi) any Project Document to which PJP and PTFI are parties shall cease to be in full force and effect against both PJP and PTFI, and such circumstance results in a Material Adverse Effect; or

(xii) any Governmental Authority shall condemn, seize, nationalize, assume the management of or appropriate any material portion of the property, assets or revenues of PTFI (without payment of compensation adequate to repay all amounts outstanding under the Financing Documents); or the Ministry of Mines and Energy of Indonesia (or any successor entity) or the Government of Indonesia (or any successor entity, lawful or otherwise) shall have taken any action (whether or not having the force of law) in contravention of the COW which materially adversely affects the ability of PJP or any Project Participant (as defined in the PJP Credit Agreement) to perform its obligations under any Major Document (as defined in the PJP Credit Agreement) to which it is a party.

Section 16.02. [Reserved].Section 16.03. Remedies on Default, Appointment of Successor Mine Operator. Subject to Section 16.03(f), (a) upon the occurrence of an Event of Default hereunder, the nondefaulting party may, at its option, (i) terminate this Agreement as set forth in Section 16.03(b) or (c), (ii) exercise any other right or remedy the nondefaulting party may have hereunder or at law or in equity (subject to the limitations on liability contained herein), or (iii) do any or all of the foregoing. None of the remedies set forth herein

shall be exclusive of any of the other remedies, and all of them shall be deemed cumulative. If, within 180 days of the occurrence of an Event of Default by PJP pursuant to Section 16.01(d), PTFI fails to initiate action pursuant to this Section 16.03, PTFI shall be deemed to have waived such Event of Default and any remedy it may otherwise have had pursuant to this Section 16.03. In the event of an Event of Default with respect to PTFI, PJP, upon giving notice of such Event of Default to PTFI, (x) shall have the right to suspend its deliveries of Electricity hereunder, (y) shall not be liable for the payment of any Penalty that would otherwise arise from suspension of delivery of Electricity, and (z) shall have the right to terminate this Agreement upon written notice to PTFI pursuant to subsection (b) of this Section 16.03. In the event PJP shall terminate this Agreement pursuant to Section 16.03(a)(i) above, PTFI shall have the right to reenter the Facilities immediately upon satisfaction of PTFI's payment obligations set forth in subsection (b) below. The exercise by PJP of its right to suspend deliveries of Electricity under this Section 16.03 shall not relieve PTFI of its obligations hereunder, including the obligation to pay any amounts payable by PTFI pursuant to Article 7 until such time as this Agreement is terminated.

(b) Upon the occurrence of an Event of Default by PTFI, PJP shall have the option, exercisable in its sole discretion, to terminate this Agreement. Upon such termination, PTFI shall be deemed to offer to acquire the Shares. If PJP accepts such offer, PTFI shall immediately (in the case of an Event of Default under Section 16.01(c)), within one hundred and eighty (180) Days of such notice (in the case of an Event of Default under Section 16.01(a) or (b), or within thirty (30) Days of such notice (in the case of an Event of Default under Section 16.01(f)), (i) purchase, upon ten (10) Days' prior written notice to PJP, the Shares in accordance with and for the amount set forth in Article 4 of the Option Agreement and (ii) concurrently with such purchase, pay, in the case of an Event of Default under Section 16.01(a), (c) or (f), or assume the obligation to pay, in the case of all other Events of Default hereunder, in accordance with the terms of the agreements between PJP and Senior Secured Lenders, all outstanding principal and all interest and other amounts payable to Senior Secured Lenders.

(c) Within one hundred eighty (180) Days following an Event of Default by PJP, PTFI shall have the option, exercisable in its sole discretion, to terminate the Agreement, provided, that, concurrently with such termination, PTFI shall (i) after having so notified PJP in writing of its intent to do so, purchase from PJP, in which case the Shareholders or PJP, as applicable, shall sell to PTFI, all of the Shares or all of PJP's

right, title and interest in and to the Property for the amount specified in Section 2.05 of the Option Agreement and in accordance with the terms and conditions of the Option Agreement and (ii) concurrently with such purchase, pay or assume the obligation to pay, in accordance with the terms of agreements between PJP and Senior Secured Lenders, all outstanding principal and all interest and other amounts payable to Senior Secured Lenders.

(d) If PTFI exercises its option to terminate this Agreement in accordance with Section 16.03(c) by reason of an Event of Default by PJP (other than an Event of Default under Section 16.01(d)), PJP will be obligated to pay liquidated damages to PTFI in an amount equal to twenty-five percent (25%) of the Outstanding Investment as of the date of purchase referred to in Section 16.03(c), which amount may, in the sole discretion of PTFI, be offset against the purchase price of the Property or the Shares, as the case may be. PJP and PTFI agree that the exact amount of actual damages to PTFI would be difficult to calculate in the event of such Event of Default and that the liquidated damages provided for in this Section 16.03(d) are reasonable considering the damage that PTFI would suffer and are in lieu of any other damage payment.

(e) Upon the occurrence of an Event of Default by PTFI, PJP shall have the option, exercisable in its sole discretion, to require PTFI to offer to acquire the Shares. If PJP accepts such offer, PTFI shall, within thirty (30) Days of such notice, (i) purchase from PJP, upon ten (10) Days' prior written notice to PJP, the Shares in accordance with and for the amount set forth in Article 4 of the Option Agreement and (ii) concurrently with such purchase, pay, in accordance with the terms of the agreements between PJP and Senior Secured Lenders, all outstanding principal and all interest and other amounts payable to Senior Secured Lenders.

(f) All remedies of the parties set forth in this Agreement shall be subject to the terms of the Default Remedies Coordination Agreement.

ARTICLE XVII

REPRESENTATIONS AND WARRANTIES

Section 17.01. Representations and Warranties of PJP.
As of the date hereof, PJP hereby represents and warrants to PTFI that:

(i) It is a limited liability company duly organized and validly existing under the laws of Indonesia;

(ii) It has the corporate power and authority to execute this Agreement and perform its obligations hereunder;

(iii) The execution and delivery of this Agreement by PJP and the performance of its obligations hereunder have been duly authorized by all necessary corporate action and will not contravene any existing law or statute or governmental regulation or decree binding upon PJP or the Facilities, and will not contravene or result in a breach of or default under any indenture, mortgage, deed of trust, loan or credit agreement, constituent document or other agreement or instrument to which PJP is a party or by which it or its property is bound;

(iv) This Agreement constitutes the legal, valid and binding obligation of PJP, enforceable against it in accordance with its terms;

(v) There is no claim, action, proceeding or investigation pending or, to PJP's knowledge, threatened against PJP before any Governmental Authority reasonably likely to have a material adverse effect on the business, operations, financial condition, results of operations, or assets of PTFI or PJP; and

(vi) It has obtained and complied with all Applicable Permits necessary to conduct its business in accordance with Applicable Laws and for the performance of its obligations hereunder except to the extent that the failure to obtain or maintain any such Applicable Permit does not have a material adverse effect on PJP's ability to conduct its business or perform its obligations hereunder.

Section 17.02. Representations and Warranties of PTFI.
As of the date hereof, PTFI hereby represents and warrants to the

PJP that:

(i) It is a limited liability company duly organized and validly existing under the laws of Indonesia and the State of Delaware;

(ii) It has the corporate power and authority to execute and deliver this Agreement and perform its obligations hereunder;

(iii) The execution and delivery of this Agreement by PTFI and the performance of its obligations hereunder have been duly authorized by all necessary corporate action and will not contravene any Applicable Law, and will not contravene or result in a breach of or default under any indenture, mortgage, deed of trust, loan or credit agreement, corporate charter or other agreement or instrument to which it is a party or by which it or its property is bound;

(iv) This Agreement constitutes the legal, valid and binding obligation of PTFI, enforceable against it in accordance with its terms;

(v) There is no claim, action, proceeding or investigation pending or, to PTFI's knowledge, threatened against PTFI before any Governmental Authority which is reasonably likely to have a material adverse effect on the business, operations, financial condition, results of operations, or assets of PTFI or PJP; and

(vi) It has obtained and complied with all Applicable Permits necessary to conduct its business in accordance with Applicable Laws and for the performance of its obligations hereunder except to the extent that the failure to obtain or maintain any such Applicable Permit does not have a material adverse effect on PTFI's ability to conduct its business or perform its obligations hereunder.

ARTICLE XVIII

INDEMNIFICATION/LIMITATION OF LIABILITY

Section 18.01. Indemnification by PTFI. Without increasing or expanding the indemnity provided in Section 11.02, PTFI shall defend, hold harmless, and indemnify each PJP Indemnitee from and against all damages, liabilities, losses, expenses including reasonable attorneys' fees and disbursements (except that PTFI shall only bear the cost of representation by one firm of attorneys in each jurisdiction as is appropriate) and costs of investigation, costs, disputes, suits, claims, demands or penalties of any kind or nature imposed upon or claimed against any PJP Indemnitee by any third party (other than any other PJP Indemnitee) caused by or on account of, or arising from (i) the operation or use of PTFI's Plant or PTFI's Site; (ii) the exercise by PTFI of any of its rights pursuant to the last sentence of Section 3.02 or 3.06, or pursuant to Sections 5.01, 5.03, 14.01, 14.02, 14.03 or 14.04; or (iii) the performance by PTFI of, or its unexcused failure to perform, its obligations hereunder or under the Restated Services Agreement, except to the extent resulting from the Fault of any of the PJP Indemnitees or Fault or Breach of PJP. This Section shall be subject to the terms of the waiver of subrogation provisions contained in Sections 10.03 and 11.04. To the extent it does not invalidate any required insurance coverage, PTFI's liability hereunder shall be reduced to the extent PJP receives any insurance proceeds or realizes any tax savings with respect to the indemnification claim sought hereunder.

Section 18.02. Indemnification by PJP. Without increasing or expanding the indemnity provided in Section 11.01, PJP shall defend, hold harmless and indemnify each PTFI Indemnitee from and against all damages, liabilities, losses, expenses, including reasonable attorneys' fees and disbursements (except that PJP shall only bear the cost of representation by one firm of attorneys in each jurisdiction as is appropriate) and costs of investigation, costs, disputes, suits, claims, demands or penalties of any kind or nature imposed upon or claimed against any such PTFI Indemnitee by any third party (other than any other PTFI Indemnitee) caused by or on account of, or arising from, (i) the use or operation of the Facilities (including any sale of electric capacity and Electricity to parties other than PTFI or any PTFI Related Entity), or (ii) the use by PJP, its agents, subcontractors or invitees of PJPP's Site or any portion of PTFI's Site or (iii) the performance by PJP of, or its unexcused failure to perform, its obligations hereunder, except to the extent resulting from the Fault of any of the PTFI Indemnitees or the Fault or Breach of PTFI or, until five (5) years from the date of transfer of any Existing Asset, from any condition affecting any such Existing Asset which was in existence on the date such asset was transferred to PJP pursuant to the Original Asset Sale Agreement. This Section shall be

subject to the terms of the waiver of subrogation provisions contained in Sections 10.03 and 11.04. To the extent it does not invalidate any insurance coverage required hereunder, PJP's liability hereunder shall be reduced to the extent PTFI receives any insurance proceeds or realizes any tax savings with respect to the indemnification claim sought hereunder. Payments to be made by PJP under this Section 18.02 shall be subordinated to payments to Senior Secured Lenders and shall be payable only from and to the extent of amounts otherwise available to PJP pursuant to the terms of the Financing Documents for the payment of dividends, and shall not be credited toward amounts owing from PTFI. Interest shall accrue at the Default Interest Rate on any such payments which PJP has failed to make when due.

Section 18.03. Limitation of Liability.

Notwithstanding any other provision hereof (except as expressly provided in the case of Penalties and the payment of interest on certain amounts owed), or the failure of essential purposes of any remedies set forth herein, each party shall only be liable for direct damages resulting from or in connection with a breach, misrepresentation or default by such party hereunder. In no event shall either party (or their officers, shareholders, directors, commissioners, employees or agents) be liable, whether under contract, tort (including negligence), strict liability or any other cause of or form of action whatsoever, for claims of customers, cost of money, lost profits, loss of use of capital or revenue, or any other incidental, special or consequential loss or damage of any nature arising at any time or from any cause whatsoever or for punitive or exemplary damages other than those imposed for gross negligence or willful misconduct (collectively, "Consequential Damages"); provided, however, that third-party claims and associated recoveries (solely to the extent covered by insurance of a party hereto) in connection with damages proximately resulting from an act or omission of such party shall not be deemed to be Consequential Damages. This Section shall not be construed as providing any basis for liability of either party.

Section 18.04. Notice and Cooperation.

(a) Each party shall promptly notify the other party (but in no event later than ten (10) Business Days prior to the time any response is required by law) after such party becomes aware of any event or circumstance which might give rise to indemnification under this Article; provided, however, the failure of such party to give such notice shall not result in the waiver of any of such party's rights under this Article, except to the extent the rights of the other party are actually prejudiced by such failure to give notice as required by this

(b) The indemnified party may, at its own expense, retain separate counsel and participate in the defense of any such suit or action. The indemnified party shall not compromise or settle a claim hereunder without the prior written consent of the indemnifying party.

Section 18.05. Dispute of Obligation. To the extent a party disputes in good faith its obligation to indemnify the other party pursuant to this Agreement, it shall not be considered a breach of this Agreement for such party to fail to perform under this Article until such time as such party is determined to have the obligation to indemnify under this Article pursuant to (i) an agreement reached by the parties or (ii) an arbitration determination in accordance with the terms of Article 19.

Section 18.06. Survival. The provisions of this Article 18 shall survive the expiration or earlier termination of this Agreement with respect to events occurring before the expiration or termination hereof.

ARTICLE XIX

DISPUTE RESOLUTION

Section 19.01. Negotiated Resolution. The parties shall attempt in good faith to resolve all disputes arising hereunder by mutual agreement in accordance with this Article. If during the Term a dispute between PTFI and PJP arises, either party wishing to resolve such dispute may give notice thereof to the other party. Within five (5) Days after delivery of such notice, each party's designated representative shall meet to discuss and to attempt to resolve such dispute. If they are unable to do so within fifteen (15) Days after delivery of such notice, the dispute shall be referred to a Senior Officer of PJP and a Senior Officer of PTFI for resolution or cure. Such Senior Officers shall meet within five (5) Days of the expiration of such 5-Day period to discuss and attempt to resolve such dispute. If such Senior Officers are unable to agree on an appropriate resolution within fifteen (15) Days after the dispute is submitted to them, the dispute shall be resolved by binding arbitration as hereinafter set forth. The failure or refusal of either party to meet and discuss any dispute as provided in this Section 19.01 shall entitle the other party to submit such

dispute immediately to arbitration pursuant to this Article 19.

Section 19.02. Procedure for Initiating Arbitration. A party desiring to submit a dispute to arbitration pursuant to this Article 19 shall serve notice to the other party (the "Arbitration Notice"), stating that such party desires arbitration of such dispute, setting forth a detailed description of the nature and subject matter of the dispute, and a statement of the amount involved, if the dispute involves sums of money, the position on such issues of the party requesting arbitration and the remedy sought by it, and the name of one independent arbitrator recommended by the International Chamber of Commerce ("ICC"). Within twenty (20) Days after receipt of the Arbitration Notice, the party receiving the same shall send a notice to the notifying party containing (i) a response to the claim, setting forth the responding party's position on the matter and the remedy sought by it, if any, and (ii) an acceptance of the arbitrator designated in the Arbitration Notice or the designation of a second arbitrator recommended by the ICC. If the parties designate separate arbitrators, the two arbitrators shall designate a third independent arbitrator recommended by the ICC, within ten (10) Days after the date of the notice in response to the Arbitration Notice. If the two arbitrators selected by the parties cannot or do not select a third independent arbitrator within ten (10) Days of such second notice, either party may apply to the ICC for the purpose of appointing any person listed as an arbitrator with the ICC as the third independent arbitrator. Each arbitrator appointed hereunder shall be qualified by education or experience to decide the particular matter submitted to arbitration, and shall not be an employee or agent of either PJP or PTFI or any of their Affiliates.

Section 19.03. General Arbitration Rules. A hearing shall be held by the arbitrators (or arbitrator) promptly after the selection thereof pursuant to Section 19.02, and a decision of the matter submitted shall be rendered within thirty (30) Days after the hearing. If the matter is heard by three arbitrators, they shall act by the vote of a majority. The arbitration shall be conducted pursuant to the commercial arbitration rules of the ICC in effect on the date hereof, except to the extent such rules conflict with the provisions hereof, in which case the provisions hereof shall control. The parties specifically agree that, upon application by each party, the arbitrators (or arbitrator) shall set a reasonable limitation on the period for discovery related to the arbitration. No party may present a position or make any argument at the hearing that is not provided to the other party in writing before the hearing, unless the arbitrators (or arbitrator) determine that such position or argument could not

reasonably have been prepared in advance of such hearing. The parties shall use all reasonable efforts, and shall instruct the arbitrator or arbitrators to use all reasonable efforts, to complete the arbitration and render a decision within sixty (60) Days after appointment of the arbitrator or arbitrators pursuant to Section 19.02. The parties specifically agree that all arbitration proceedings brought under this Article 19 shall be conducted in the English language.

Section 19.04. Necessary Parties. Any arbitration may include any other person substantially involved in a common question of fact or law whose presence is required if complete relief is to be accorded in arbitration, provided that such other person has agreed to be bound by such arbitration.

Section 19.05. Finality. The decision of an arbitrator or arbitrators (including a decision pursuant to Section 19.07) pursuant to this Article 19 shall be in writing (setting forth the basis for the decision), final, binding, and conclusive upon the parties and may be confirmed or embodied in any order or judgment of any court having jurisdiction. The foregoing agreement to arbitrate shall be specifically enforceable and the award rendered by the arbitrators shall be final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

Section 19.06. Venue. The venue of any arbitration pursuant to this Article 19 shall be in Singapore or such other place as is mutually agreed upon by the parties.

Section 19.07. Technical Dispute Resolutions. Any dispute between PTFI and PJP over the determination of any adjustment to the Target Capacity Level of any Facility pursuant to Section 3.05 or in any amendment contemplated in Section 9.01; any change in Reliability pursuant to Section 3.06; the matters described in Section 9.01 as being subject to technical dispute resolution; the appropriateness and magnitude of any adjustment proposed pursuant to Section 7.03; the necessity of PTFI's entry onto PJP's Site or the Facilities (as the case may be) in connection with an Adverse Condition and the amount of costs incurred by PTFI in respect of such entry; and other disputes mutually agreed by the parties shall, instead of being submitted to arbitration in accordance with Sections 19.01 through 19.06, be submitted to an engineering firm unaffiliated with PTFI or PJP which shall be selected by PTFI and PJP from the list attached hereto as Appendix H or, if PTFI and PJP are unable to agree on such selection, chosen by lot from such list. PTFI and PJP shall submit all data, documents and other information supporting their respective positions to the independent engineering firm within

30 Days of its selection. The independent engineering firm shall render its determination within 30 Days following the submission of such information.

Section 19.08. Costs of Arbitration. Each party shall bear its respective costs incurred in connection with any arbitration conducted pursuant to this Article 19 and fifty percent (50%) of the fees and expenses of the arbitrators and the other expenses of the arbitration; provided, however, that in the event the arbitrator, or engineering firm, as the case may be, determines that the non-prevailing claims or defenses were substantially lacking in merit, the party who made such claims or asserted such defenses shall pay all reasonable costs incurred by the other party and all fees and expenses of the arbitrators and the other expenses in connection with such arbitration.

Section 19.09. Performance Obligations. The pendency of these dispute resolution procedures shall not in and of themselves relieve either party of the duty to perform, or serve to delay or suspend the performance of, its obligations hereunder.

ARTICLE XX

MISCELLANEOUS

Section 20.01. Appendices and Schedules. All appendices and schedules hereto shall be considered part hereof as if fully set forth herein. In the event of a conflict between the appendices and schedules to this Agreement and this Agreement (exclusive of such appendices and schedules), this Agreement (exclusive of such appendices and schedules) shall prevail. In the event of a conflict among the appendices or schedules hereto, the appendix or schedule which is of the latest date shall prevail.

Section 20.02. Intention of the Parties. PJP and PTFI intend and agree that PJP shall be treated as the owner of the Facilities for all purposes and that PTFI shall not take any position inconsistent with PJP's ownership of the Facilities. Nothing in this Agreement or any other Transaction Document or Financing Document is intended to convey ownership to, or vest ownership in, any Person other than PJP. This Agreement is intended to constitute a "service agreement", as that term is defined in section 7701(e) of the Code (with PJP serving as the "service provider" and PTFI serving as the "service recipient"), and not a lease; the relationship which PJP and PTFI intend to create hereunder is that of principal and independent contractor and nothing contained herein nor the acts of the parties hereto

shall be construed to create the relationship of partners, or co-venturers, or of lessee and lessor. PTFI shall not have the right to direct or control the activities or practices of PJP.

Section 20.03. Confidentiality.

Each of PJP and PTFI and each of their respective Affiliates will hold, and will use their reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisers and agents to hold, in confidence for a period of five (5) years commencing with the date of receipt thereof, unless compelled to disclose by judicial or administrative process or by other requirements of law, all documents and information furnished to PJP or PTFI, as applicable, or any of its respective Affiliates in connection with the transactions contemplated by this Agreement to the extent that the documents or the context of their disclosure indicate that they are intended to be confidential, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by it, (ii) in the public domain through no fault of it, or (iii) later lawfully acquired by it from sources other than PJP or PTFI, as applicable; provided, that PJP may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisers and agents in connection with the transactions contemplated by this Agreement and to prospective lenders or purchasers of PJP debt instruments in connection with obtaining the financing for the transactions contemplated by the New Asset Sale Agreement and the refinancing of the Existing Assets, so long as such Persons are informed by PJP of the confidential nature of such information and are directed by PJP to treat such information confidentially and, in the case of prospective lenders or purchasers of PJP debt instruments, agree in writing to be bound by the terms of this confidentiality provision or other confidentiality provisions acceptable to PJP. The obligation of PJP and its respective Affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, PJP and PTFI and their respective Affiliates will, and will use their reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisers and agents to destroy or deliver to PJP or PTFI, as applicable, upon request, all documents and other materials, and all copies thereof, obtained by either PJP or PTFI or its respective Affiliates or on their behalf from PTFI or PJP, as applicable, in connection with this Agreement that are subject to such confidence.

Section 20.04. Governing Law. This Agreement shall be

governed by and interpreted in accordance with the internal, substantive laws of the State of New York without regard to its conflict of laws provisions.

Section 20.05. Notices. All notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof to be given to any Person shall be in writing and shall be delivered by hand or by an internationally recognized air courier service, or by facsimile or telegram, directed to the address or facsimile number of such Person as set forth on the signature page hereof or, in the case of any notice or other communication to any Person participating in COW Operations, to the address and facsimile number of that Person as notified from time to time by that Person to the parties. For the purposes of this Section 20.05, all notices or other communications to PT RTZ shall be addressed to:

P.T. RTZ-CRA Indonesia
14th Floor, World Trade Centre
Jalan Jend Sudirman Kav. 29-31
Jakarta 12920
Indonesia
Attention: President Director
Telecopy: 62-21-521-1760 or 62-21-526-8658

with a copy to:

Rio Tinto plc
6 St. James' Square
London SW1Y 4LD
England
Attention: Secretary
Telecopy: 44-171-930-3249

Any such notice shall be deemed effective when received, as confirmed by receipt or other confirmation signed by the receiving party or by printed confirmation of transmission if by facsimile transmission. From time to time, any party hereto or any Person identified to PJP by PTFI as a Person participating in COW Operations may designate a new address or facsimile number for purposes of notice hereunder by notice to each of the parties or other parties hereto.

Section 20.06. Severability. Any provision hereof that shall be prohibited or unenforceable in any jurisdiction shall,

as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the parties hereto hereby waive enforcement of any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 20.07. Entire Agreement. This Agreement (including all appendices and schedules hereto), constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior written and oral agreements and understandings with respect to such subject matter, including without limitation, the Original Power SSalleess Agreement.

Section 20.08. Amendment. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified, except by a document in writing signed by the party against which the enforcement of such termination, amendment, supplement, waiver or modification is sought.

Section 20.09. Waiver. Except as expressly provided in Section 16.03(a), no failure or delay of any party hereto to exercise any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

Section 20.10. Table of Contents; Headings. The table of contents, if any, and headings, if any, of the various articles, sections and other subdivisions hereof are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

Section 20.11. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same document. All signatures need not be on the same counterpart.

Section 20.12. Method of Payment. All amounts required

to be paid by any party hereunder to any other party hereunder shall be paid in such freely transferable coin or currency of the United States of America or of the Republic of Indonesia, respectively, as may be called for in Schedule I hereto, and as at the time of payment shall be legal tender for the payment of public and private debts, and shall be paid by wire transfer to an account as such party may specify by notice to the other parties, or by other acceptable method of payment of immediately available funds. No amount paid by a Designated PTFI-Related Entity or any third party as contemplated hereby shall be deemed to be received by PJP for the purposes hereof until such amount is deposited, in Dollars or Rupiah, respectively, as called for in Schedule I hereto, in immediately available funds, in the account of PJP referred to in the preceding sentence.

Section 20.13. Date of Payment. If any payment hereunder is required to be made on a Day other than a Business Day, the date of payment shall be extended to the next Business Day.

Section 20.14. Default Interest. Except as expressly provided herein, all payments due hereunder shall accrue interest at the Default Interest Rate (or the maximum interest rate permitted by law, if lower) commencing three (3) Days from and after the date such payment was first due.

Section 20.15. Attorneys' Fees. If either party hereto brings any proceeding for the judicial interpretation, enforcement, termination, cancellation or rescission hereof, or for damages for the breach thereof, the prevailing party in any such proceeding or appeal thereon shall be entitled to its reasonable attorneys' fees and court and other reasonable costs incurred, to be paid by the losing party as fixed by the court in the same or a separate proceeding, and whether or not such proceeding is pursued to decision or judgment.

Section 20.16. Third-Party Beneficiaries. Except as otherwise expressly stated herein, this Agreement is intended to be solely for the benefit of the parties hereto and their permitted assignees and is not intended to and shall not confer any rights or benefits on any other third party not a signatory hereto other than Persons expressly benefited by the indemnification provisions hereof.

Section 20.17. Further Documents. The parties hereto shall execute and deliver all further documents and perform all

Address for Notice:

P.T. Puncakjaya Power
Plaza 89, 6th Floor
Jl. H.R. Rasuna Said Kav. X-7 No. 6
Jakarta 12940
INDONESIA
Attention: President Director
Telecopy: 011-62-21-850-8178

and

P.T. Puncakjaya Power
c/o Duke Energy International LLC
Suite 1800
400 South Tryon Street
Charlotte, North Carolina 28285
Attention: Puncakjaya Power Project

Administrator

Telecopy: 704-382-9325

P.T. FREEPORT INDONESIA COMPANY,
an Indonesian limited liability
company

By: Signed

Name:

Title:

Address for Notice:

P.T. Freeport Indonesia Company
Plaza 89, 5th Floor
Jl. H.R. Rasuna Said, Kav. X-7, No. 6
Jakarta 12940
INDONESIA
Attention: President Director
Telecopy: 011-62-21-850-4535

and

P.T. Freeport Indonesia Company
1615 Poydras Street
New Orleans, Louisiana 70112
Attention: General Counsel
Telecopy: 504-582-1603

APPENDIX A

DEFINITIONS

The terms defined below shall have the meanings set forth below for all purposes, and such meanings are applicable equally to the singular, plural and other conjugated forms of the terms defined.

"Acceptance Date" means, with respect to each item of the New Facility, the date of Completion of such item.

"Acquired Shareholder" shall mean a Shareholder with respect to whom a Change in Control has occurred.

"Actual Coal Price" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"Actual Generation from Coal" means, with respect to any Coal Unit, for any period the amount of Electricity generated by such Coal Unit during such period, as measured at the output side of the main transformer of such Coal Unit.

"Actual Generation from Diesel Fuel" means for any period the amount of Electricity generated at the Facilities other than the Coal Facility during such period, as measured at the relevant Interconnection Points.

"Actual Heat Rate" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"Additional Output" means Electricity, measured in KWH, generated in excess of the Nominal Capacity Level over the period in question in effect at such time in response to a request by

PTFI or a PTFI-Related Entity for such additional Electricity pursuant to Section 3.01 of the Restated Power Sales Agreement.

"Additional Output Bonus" means for any year, the lesser of (i) the product of a) \$0.02 and b) Additional Output during such year, and (ii) \$2,000,000.

"Administrative Services Agreement" means the Amended and Restated Project Administrative Services Agreement dated as of December 19, 1997 between PJP and DEII.

"Adverse Condition" means any condition arising on PJP's Site or any of the Facilities which would, if not remedied, be reasonably likely to have a material adverse effect on PTFI's operations or the operations of a Designated PTFI-Related Entity at PTFI's Site.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person; provided, that for purposes of the Restated Power Sales Agreement, PJP shall not be deemed an Affiliate of any Shareholder. For purposes of this definition, "control", with respect to any Person, means the power (a) to direct or cause the direction of the management of such person, directly or indirectly, whether by contract or otherwise, or (b) to vote more than 50% of the securities or beneficial ownership interests (in each case, on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners.

"Allocation Percentage" means with respect to any portion of the Facilities, the aggregate historical cost (without taking account of any depreciation) of such portion of the Facilities to the aggregate historical cost (excluding depreciation) of all of the Facilities. For purposes of determining the Allocation Percentage, such historical costs shall be those reflected in PJP's most recent quarterly balance sheet which, if not audited, shall be audited if so requested by PJP or PTFI.

"Alteration" means any addition to, or any retirement, modification, replacement or alteration of, the Facilities or any portion thereof, other than (x) retirements, modifications, replacements or alterations in the ordinary course of operation and maintenance of the Facilities and (y) repairs required to be

made as a result of any Casualty.

"Alteration Costs" means, with respect to any Alteration, the costs of acquisition, design, development, construction or retirement incurred in connection with such Alteration, including the financing of the construction or acquisition thereof.

"Applicable Law" means, with respect to any Person, any law, ordinance, judgment, decree, injunction, writ, order, rule, regulation, determination, license and permit (including Applicable Permits) of any Governmental Authority applicable to or binding upon such Person or any of its property.

"Applicable Meter Precision" means, with respect to PML meters, 0.4%, and, with respect to all other meters, 2.0%.

"Applicable Permit" means any permit, consent, authorization, license, franchise, variance, waiver or exemption from any Governmental Authority having jurisdiction over the matter in question which is required for the development, operation, management, maintenance, repair or any Alteration of any Facility or operation of PTFI's Plant, as applicable in accordance with the terms of the Restated Power Sale Agreement.

"Arbitration Notice" has the meaning set forth in Section 19.02 of the Restated Power Sales Agreement.

"Articles" means the Articles of Association of the Company in the form approved by the Minister of Justice of the Republic of Indonesia and in effect on the date of the Restated Power Sales Agreement, as amended from time to time.

"Ash Disposal Facility" means a permanent, fully permitted, operational ash disposal facility, located on PJP's Site, which is capable of disposing of ash at the Coal Facility for at least one year.

"Assumed Liabilities" has the meaning set forth in Section 2.03 of the New Asset Sale Agreement.

"Attachments" means PTFI's cable television facilities, telephone and other communications lines.

"Available PJP Shares " means the Shares proposed to be the subject of a PJP Share Issuance.

"Available Property Interest" means the Property proposed to be the subject of a Property Transfer.

"Available Shareholder Shares" means the Shares and Subordinated Loans proposed to be the subject of a Shareholder Share Transfer.

"Availability" means the availability of a Coal Unit as calculated in accordance with Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Availability Bonus" is described in Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Availability Penalty" is described in Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Base Unit Heat Rate" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"BKPM" means Badan Koordinasi Penanaman Modal (the Foreign Investment Coordinating Board of the Indonesian Government).

"Block" means, on any date, the number of Shares that is equal to 12% of the total number of Shares on such date.

"Bonus" means an Additional Output Bonus, Availability Bonus or Heat Rate Bonus.

"BPN" means Badan Pertanahan National (the Ministry of Agrarian Affairs of the Indonesian Government).

"Breach", with respect to a party to any Transaction Document, means the breach, after giving effect to any cure period provided in this Agreement, by such party of its obligations under such Transaction Document.

"Business Day" means any Day other than a Saturday, Sunday, or other day on which banks are authorized to be closed in Jakarta, Indonesia or New York, New York, as applicable.

"Capacity Charge" for any Quarter, means the amount calculated in accordance with Section 1.2 of Schedule I to the Restated Power Sales Agreement for such Quarter.

"Casualty" means any damage to or destruction of any Power Asset or any other event giving rise to any claim under any insurance policy covering any Power Asset.

"Change in Law" means (i) the enactment, adoption or promulgation by any Indonesian Governmental Authority of any Applicable Law of Indonesia after the date of the Restated Power Sales Agreement; (ii) the amendment, modification, supplement or repeal by any Indonesian Governmental Authority of any Applicable Law of Indonesia in effect on the date of the Restated Power Sales Agreement or (iii) any adoption, modification or repeal of any written interpretation of any Applicable Law of Indonesia by any Indonesian Governmental Authority, in each case not attributable to the Fault of PJP.

"Change of Control" means:

(i) with respect to DIJ or any transferee of all the shares of voting stock of DIJ, the transfer of direct beneficial ownership of more than 50% of the outstanding shares of voting stock of DIJ or such transferee, or any Special Purpose Parent of DIJ (other than to an Affiliate of DIJ or such transferee), other than any such transfer resulting from any order or request or other action of any utility regulatory authority having jurisdiction over DEII (whether or not having the force of law); and

(ii) with respect to WPI or any transferee of all the shares of voting stock of WPI, the transfer of direct beneficial ownership of more than 50% of the outstanding shares of voting stock of WPI or any such transferee, or any Special Purpose Parent of WPI (other than to an Affiliate of WPI or such transferee), other than any such transfer resulting from any order or

request or other action of any utility or regulatory authority having jurisdiction over Westcoast (whether or not having the force of law).

"CIL Adjustment" has the meaning set forth in Section 7.03 of the Restated Power Sales Agreement.

"Closing" means the consummation of the transactions contemplated by the New Asset Sale Agreement.

"Closing Costs" means all transfer and other taxes, all notarial and filing costs and fees, and all similar third party costs which are incurred as a result of any Transaction.

"Closing Date" means the date on which the Closing occurs.

"Closing Model" means the closing model attached as Exhibit A to Schedule III to the Restated Power Sales Agreement.

"Coal" has the meaning set forth in the Coal Supply Agreement.

"Coal Dock" means the coal unloading dock constructed by PTFI, as more specifically described in the New Asset Sale Agreement.

"Coal Facility" means the 3 x 65 MW coal-fired electrical generation assets described as such on Appendix J to the Restated Power Sales Agreement, and all additions to, and modifications, replacements and alterations of, the foregoing or any portion thereof.

"Coal Facility Interconnection Point" means the point at which the equipment owned by PJP and used to transmit electricity from the Coal Facility to PTFI's Plant meets the other equipment owned by PTFI and used for such purposes, as more fully described in Appendix B to the Restated Power Sales Agreement.

"Coal Fuel Charge" is the category of payment described in Section 1.5 of Schedule I to the Restated Power Sales

Agreement.

"Coal Supply Agreement" means the Coal Supply/Purchase Agreement dated as of July 1, 1996 by and between PTFI and PT Kaltim Prima, and any additional, successor or replacement contract for Coal supply for the Coal Facility entered into by PJP with the consent of PTFI.

"Coal Unit" means any one of the electrical generating units of the Coal Facility consisting of a discrete boiler, turbine and generator train.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company" means PJP.

"Completed" means with respect to any component of the New Facilities, the attainment of the Completion Criteria therefor, as described in Schedule 2.01 of the New Asset Sale Agreement, and "Completion" shall have its correlative meaning.

"Completion Criteria" has the meaning set forth in Schedule 2.01 of the New Asset Sale Agreement.

"Completion Date" means, with respect to any of the New Facilities, the date on which such New Facilities are Completed.

"Commissioner Nominee" has the meaning set forth in Section 4.1(a) of the Restated Shareholders Agreement.

"Consequential Damages" has the meaning set forth in Section 18.03 of the Restated Power Sales Agreement.

"Contract Year" means, (i) with respect to the first Contract Year, the period from the commencement of the Term until December 31 of that year, (ii) with respect to succeeding Contract Years, the calendar year; provided, however, that, in the event this Agreement terminates or the Term expires on a Day other than December 31, the final Contract Year shall be the period from the January 1 immediately preceding such termination

until such termination date.

"Contracts" means those contracts, agreements, leases, licenses, commitments, sales and purchase orders and other instruments included in the New Facilities.

"Copper Deflator" means, for any given year, the quotient obtained by dividing (x) the average London Metals Exchange price for Grade "A" copper (as published by the London Metals Exchange) for the previous calendar year by (y) the average London Metals Exchange price for Grade "A" copper for the year 1998.

"Counted Curtailment Hour" shall mean, with respect to any Quarter, each Curtailment Hour occurring after the number of Curtailment hours having already occurred during such year shall have exceeded the Curtailment Hour Allowance for such year.

"COW" means the Contract of Work entered into between PTFI and the Indonesian Ministry of Mines and Energy acting for and on behalf of the Government of the Republic of Indonesia, dated December 30, 1991, pursuant to which PTFI has been granted, inter alia, the right to enter, occupy, use and construct certain facilities on and covered by such Contract of Work.

"COW Area" means the area of PTFI's mining and milling operations in Irian Jaya, Indonesia.

"COW Operations" means all operations within the COW Area.

"Curtailment Hour" has the meaning set forth in Section 1.11 of Schedule I to the Restated Power Sales Agreement.

"Curtailment Hour Allowance" has the meaning set forth in Section 1.11 of Schedule I to the Restated Power Sales Agreement.

"Curtailment Penalty" has the meaning set forth in Section 1.11 of Schedule I to the Restated Power Sales Agreement.

"Day" means a calendar day, including Saturdays, Sundays and holidays.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments and (iii) all Debt of others guaranteed by such Person.

"Debt Component" has the meaning set forth in Section 1.2.1 of Schedule I to the Restated Power Sales Agreement.

"Default Interest Rate" means on any date the 3-month LIBOR plus two percent (2%).

"Default Remedies Co-ordination Agreement" means that certain Default Remedies Co-ordination Agreement dated as of December 19, 1997 among PJP, PTFI, PT RTZ and Citicorp International Limited, in its capacity as collateral agent for the Secured Parties (as such term is defined in the PJP Credit Agreement), as in effect on the date hereof.

"Default Notice" means the notice which shall be provided by a party in default under the Administrative Services Agreement to the non-defaulting party pursuant to Section 9.3 thereof.

"Definitive Documents" means the definitive documents to be executed by the parties in connection with the Closing.

"DEII" means Duke Energy International, Inc., a North Carolina corporation, and any successor corporation thereto.

"Designated PTFI-Related Entity" means a PTFI Related Entity identified by PTFI in a written notice to PJP delivered forty-five (45) Days prior to the proposed commencement of deliveries of electric capacity and Electricity to such PTFI-Related Entity, such notice to specify the amount of electric capacity and Electricity to be made available to such PTFI-Related Entity.

"Diesel Fuel" means diesel oil meeting the

specifications set forth in the Restated Services Agreement.

"Diesel Fuel Charge" is the category of payment described in Section 1.5 of Schedule I to the Restated Power Sales Agreement.

"Diesel Fuel Interconnection Points" means the points shown on Appendix B to the Restated Power Sales Agreement at which Diesel Fuel is delivered to PJP.

"DIJ" means Duke Irian Jaya, Inc., a Delaware corporation.

"Director Nominee" has the meaning set forth in Section 4.1(a) of the Restated Shareholders Agreement.

"Dollars" or "\$" means the lawful currency of the United States of America.

"Electricity" means the electrical energy as measured in kilowatt hours supplied to the Interconnection Point for each Facility.

"Energy Price of Coal" has the meaning set forth in Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Energy Price of Diesel Fuel" has the meaning set forth in Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Energy Price Delta" has the meaning set forth in Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Equipment" means all equipment, materials, office furnishings and equipment, apparatus, tools, instruments, vehicles, software, structures, and other goods incorporated into, or used for, or in connection with, the operation of the Facilities or PTFI's Plant, as applicable, including spare parts when incorporated into the Facilities or PTFI's Plant, as applicable.

"Equity Component" has the meaning set forth in Section 1.2.2 of Schedule I to the Restated Power Sales Agreement.

"Evaluation Period" means the period beginning on the Closing Date and ending on December 31, 1999.

"Event of Default" has the meaning set forth in Section 16.01 of the Restated Power Sales Agreement.

"Excluded Liabilities" has the meaning set forth in Section 2.04 of the New Asset Sale Agreement.

"Existing Assets" means the existing electric power assets owned by the Company as of the date of the Restated Power Sales Agreement, which includes approximately 193 MW of diesel and hydroelectric generating assets and related transmission and other assets.

"Existing Facilities" means the collective reference to the Mill Site Facility, the Timika Facility, the LIP Facility and the Port Site Facility.

"Extended Force Majeure" means a Force Majeure Event affecting PJP that remains in effect for more than six months, during which PJP is not capable of producing Electricity at more than 80% of the Target Capacity Level of all Facilities in the aggregate, resulting in a continuous Milling Material Curtailment or Shipping Material Curtailment during such period.

"Facility" means any of the Mill Site Facility, the Coal Facility, the Timika Facility, the LIP Facility and the Port Site Facility and "Facilities" means the collective reference to the foregoing.

"Fair Market Value" means, on any date, the fair market value of any asset (excluding any inventory of Diesel Fuel, Coal or spare parts or equipment and any debt relating to such inventory) as determined by an appraisal conducted by a qualified independent appraiser selected by PTFI (with the reasonable approval of PJP), which appraisal shall utilize the discounted cash flow method of valuation.

"Fault" means negligence or willful misconduct.

"Financing Document" means any promissory note, security document or other agreement pursuant to which PJP obtains financing for the transactions contemplated by the New Asset Sale Agreement or for any Alteration and the refinancing of the Existing Assets.

"Financing Entities" means Senior Secured Lenders.

"Fixed O&M Charge" for any month, means the amount calculated in accordance with Section 1.3 of Schedule I to the Restated Power Sales Agreement for such month.

"Force Majeure Event" has the meaning set forth in Section 13.01 to the Restated Power Sales Agreement.

"Fuel Charge" shall mean the sum of the Diesel Fuel Charge and the Coal Fuel Charge.

"Fundamental Issue" has the meaning set forth in Section 5.1 of the Restated Shareholders Agreement.

"Future Assets" means any assets owned by PJP constructed, acquired, leased or otherwise obtained after the Closing Date on the Untitled Land or the Land.

"GDP Deflator Index" means the United States Gross Domestic Product Implicit Price Deflator Index published quarterly by the Bureau of Economic Analysis of the U.S. Department of Commerce or, if publication of that index ceases, a similar index published by such other organization upon which PJP and PTFI may mutually agree.

"GDP Deflator" means, for any given year, the ratio of the last available GDP Deflator Index for the "III Quarter" of the previous calendar year divided by that for the "III Quarter" of the calendar year 1998.

"Generally Accepted Practices" means those practices, methods, standards and acts approved or engaged in by a substantial portion of Persons engaged in the construction,

operation and maintenance of sole-supplier electrical generating facilities of a comparable nature, use and size as the Facilities, which, in the exercise of reasonable judgment in light of the facts known at the time a decision was made, would have been expected to accomplish the desired result under the circumstances with efficiency and dependability in accordance with Applicable Law, safety and environmental protection; provided, however, that, for a period of five (5) years from December 26, 1994, PJP shall be presumed to have followed Generally Accepted Practices to the extent that it engages in any practices, methods, standards and acts engaged in by PTFI in the ownership, operation and maintenance of the Existing Facilities prior to December 26, 1994 (except to the extent PJP has actual knowledge that any such practices, standards, methods or acts would not otherwise constitute Generally Accepted Practices).

"General Manager" means the general manager of PJP, which person shall be designated by PJP pursuant to Section 4.2 of the Technical Services Agreement and shall, among other things, manage and administer PJP's affairs and act as liaison with Contractor.

"Gold Deflator" means, for any given year, the quotient obtained by dividing (x) the average of the daily "Final" quotations for bullion quality gold on the London Free Bullion Market (as published in "Metals Week") for the previous calendar year by (y) the average of the daily "Final" quotations for bullion quality gold on the London Free Bullion Market (as published in "Metals Week") for the year 1998.

"Governmental Actions" means all proceedings, orders, injunctions, authorizations, concessions, exceptions and other similar actions of any Governmental Authority.

"Governmental Authority" means any federal, state, local or foreign government, political subdivision, agency, board, court, regulatory body or commission, any arbitrator with authority to bind a party at law, any Person acting lawfully on behalf of any of the foregoing, or any successor of any of the foregoing.

"Hazardous Substances" means any pollutants, contaminants, or toxic or hazardous substances or wastes regulated under any Applicable Law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, or under any judicial or administrative

order, consent decree or judgment, relating to pollution, or the environment, including laws relating to noise or to emissions, discharges, releases or threatened releases of pollutants, contaminants, toxic or hazardous substances or wastes into the workplace, the community or the environment (including air, surface water, ground water, land surface or subsurface strata), or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, toxic or hazardous substances or wastes.

"Heat Rate" means the amount of energy, expressed in BTU/KWH, required to generate a kilowatt-hour of electricity.

"Heat Rate Bonus" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"Heat Rate Penalty" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"HGB Title" means Hak Guna Bangunan title as provided under Indonesian law.

"Hourly Availability" has the meaning set forth in Section 1.10 of Schedule I to the Restated Power Sales Agreement.

"Hypothetical Taxpayer" means a hypothetical United States corporation (i) whose taxable year is the calendar year, (ii) that is subject to United States federal Taxes each taxable year at the highest applicable marginal rate in effect for calendar year corporations, (iii) that is a stand-alone United States corporation not part of any consolidated, combined or similar group with respect to United States federal Taxes and that has no Affiliates, (iv) whose only assets consist of Subordinated Loans to, and equity interests in, PJP, (v) whose only income consists of income derived from the holding of Subordinated Loans to, and equity interests in, PJP, (vi) whose only expenses or other deductions for United States federal income tax purposes each taxable year are (x) general and administrative expenses equal to three percent (3%) of distributions (gross of any Indonesian Taxes paid with respect to such distributions) received from PJP during the year and (y) interest expense for each quarter during the year equal to 1.23125% of the amount set forth on Schedule III to the Restated Power Sales Agreement under the heading "Outstanding Investment"

with respect to such quarter, (vii) that makes an election under section 1295 of the Code to treat PJP as a "qualified electing fund" for the first taxable year for which it can make such election, (viii) that is not subject to United States federal alternative minimum tax under section 55 of the Code, as amended from time to time, (ix) that is not an Indonesian resident (unless the activities attributable to holding the Subordinated Loans to, and equity interests in, PJP would cause such corporation to be treated as an Indonesian resident), and (x) that is treated as a corporation for United States federal income tax purposes.

"ICC" means the "International Chamber of Commerce."

"Improvements" means all of the buildings, Facilities and other structures, whether partially or fully completed as of the date hereof or completed in the future pursuant to the New Asset Sale Agreement or otherwise, located on, in or under the Land and the Untitled Land, including, the Coal Facility, the Coal Dock and the New Transmission Line (excluding the fiber optics cable included in the New Transmission Line).

"Improvement-Related Property" means all plans, specifications, surveys, contracts, permits, licenses, consents, causes of action, books and records relating to the Improvements to the extent they are assignable or transferable.

"Indemnified Party" has the meaning set forth in Section 10.02 of the New Asset Sale Agreement.

"Indemnifying Party" has the meaning set forth in Section 10.02 of the New Asset Sale Agreement.

"Independent Engineer" means any engineering firm selected from the list on Appendix H to the Restated Power Sales Agreement.

"Indonesian Government" means the government of the Republic of Indonesia or any ministry, agency, department or instrumentality thereof.

"Indonesian Inflation Index" means an index, to be established in accordance with Section 1.7.3 of Schedule I to the Restated Power Sales Agreement, that is intended to measure the

year-to-year change in per capita monetary compensation to Indonesian nationals employed by PTFI.

"Indonesian Inflation Ratio" means, for any year, the ratio of the Indonesian Inflation Index for the previous calendar year divided by that for the calendar year 1997.

"Initial Term" has the meaning set forth in Section 2.01 of the Restated Power Sales Agreement.

"Interconnection Points" means, collectively, the Coal Facility Interconnection Point, the Mill Site Interconnection Point, the Port Site Interconnection Point, the LIP Interconnection Point, and the Timika Interconnection Point, and "Interconnection Point" means any one of the foregoing, each as more fully described in Appendix B to the Restated Power Sales Agreement.

"KWH" means kilowatt hours.

"Land" means the tract or parcel of land located in the Province of Irian Jaya, Indonesia, shown on the map attached to the New Asset Sale Agreement, as Exhibit A thereto, together with all rights and appurtenances appertaining or belonging thereto.

"Letter Agreement" means that certain agreement dated June 20, 1995 between PJP and PTFI, a copy of which is attached to the Restated Power Sales Agreement as Schedule V.

"Letters" means (i) the letter from IR. Soni Harsono, Minister for Agrarian Affairs/Head of BPN to the President Director of PTFI concerning Landrights and acknowledgments/Recognition Related to Sale and Transfer of Infrastructure Assets, dated September 2, 1993, a copy of which is attached to the New Asset Sale Agreement as Exhibit F-1, and (ii) the letter from Ida Bagus Sudjana, Minister of Mines and Energy to the President Director of PTFI concerning Consent to the Sale of Supporting Infrastructure Assets, dated December 18, 1993, a copy of which is attached to the New Asset Sale Agreement as Exhibit F-2.

"LIP Facility" means the electrical generation and transmission assets described as such on Appendix K to the

Restated Power Sales Agreement, and all additions to, and modifications, replacements and alterations of, the foregoing or any portion thereof.

"LIP Interconnection Point" means the point at which the equipment owned by PJP and used to transmit electricity from the LIP Facility to PTFI's Plant meets the other equipment owned by PTFI and used for such purposes.

"Lien" means, with respect to any property or asset, any lien, mortgage, encumbrance, pledge, charge, lease, easement, servitude, right of others or security interest of any kind, including any of the foregoing arising under conditional sales or other title retention agreements.

"Life Cycle Costs" means the incremental capital costs and incremental operating costs of a Required Alteration over its useful life.

"Local Political Risk Event" means any one of the following events:

(i) ownership, operation or management of PJP or the Facilities is adversely affected by a strike or labor dispute involving laborers of PJP at PJP's Site and laborers of PTFI at PTFI's Site;

(ii) ownership, operation or management of PJP or the Facilities is adversely affected, directly or indirectly, by any type of locally usurped power, local insurrection, riot, civil strife or terrorism or sabotage which, in any such case, occurs in Irian Jaya, Indonesia;

(iii) the interruption or curtailment of the operation of the Facilities or of PTFI's Plant as a result of PTFI's noncompliance with any Applicable Law or Applicable Permit of an Indonesian Governmental Authority which renders PJP unable to fully perform its obligations to deliver electric capacity or Electricity under the Restated Power Sales Agreement.

"Loss" has the meaning set forth in Section 10.01 of

the New Asset Sale Agreement.

"Low Voltage Assets" means the low voltage distribution assets of PTFI.

"Maintenance Agreement" means that certain Maintenance Agreement dated as of December 19, 1997 between PJP and PTFI.

"Major Maintenance Outage" means a scheduled outage for the purpose of inspecting a Coal Unit.

"Major Unexcused Outage" means an Unexcused Outage during which (A) (i) the Mill Site Facility and the Coal Facility in the aggregate produce Electricity at less than 80% of the combined Target Capacity Levels for both such Facilities for any continuous period of seventy-two (72) hours, or for one hundred sixty-eight (168) hours in the aggregate during any Quarter, and (ii) PTFI is caused to suffer and continues to suffer a Milling Material Curtailment as a result of such Unexcused Outage; or (B) (i) the Coal Facility produces Electricity at less than 80% of its Target Capacity Level for any continuous 336-hour period, or for four hundred eighty (480) hours in the aggregate during any Quarter, and (ii) PTFI is caused to suffer a Shipping Material Curtailment as a result of such Unexcused Outage.

"Mandatory Purchase Right" means the right granted by PTFI to PJP requiring PTFI to offer to acquire all of the Property, as more fully described in Section 4.01 of the Option Agreement.

"Mandatory Purchase Right Exercise Notice" means the written notice given by PJP to PTFI, as more fully described in Section 4.04 of the Option Agreement.

"Mandatory Purchase Right Exercise Notice Date" means the date of the Mandatory Purchase Right Exercise Notice.

"Mandatory Purchase Right Purchase Price" means the price, as determined in accordance with Section 4.05 of the Option Agreement, paid by PJP for the exercise of its Mandatory Purchase Right.

"Material Adverse Effect" means (i) a material adverse

effect on the New Facilities, taken as a whole; and (ii) with respect to the New Facilities, the inability of the New Facilities to meet the respective Target Capacity Levels applicable to such Facilities.

"Meters" means the metering and measurement devices installed by PJP and used to measure the amount of Electricity delivered by PJP to PTFI pursuant to Article VI of the Restated Power Sales Agreement.

"Mill Site Facility" means the electrical generation and transmission assets described as such on Appendix F to the Restated Power Sales Agreement, and all additions to, and modifications, replacements and alterations of, the foregoing or any portion thereof.

"Mill Site Interconnection Point" means the point at which the equipment owned by PJP and used to transmit electricity from the Mill Site Facility to PTFI's Plant meets the other equipment owned by PTFI and used for such purposes.

"Milling Material Curtailment" means a complete and involuntary shutdown of any ball mill or any of the SAG mills or the crushing and screening plant at PTFI's Plant caused by an Unexcused Outage.

"Mine Operator" means the Person who, at any time and from time to time, is the operator of COW Operations.

"MOME" means Menteri Pertambangan Dan Energi (the Ministry of Mines and Energy of the Indonesian Government).

"MW" means megawatts.

"National Electrical Safety Code" shall mean the National Electrical Safety Code of Indonesia.

"New Asset Sale Agreement" means that certain Second Asset Sale Agreement, dated as of the date of the Restated Power Sales Agreement, between PJP and PTFI.

"New Diesel Facilities" means the third, fourth and fifth diesel generators installed or to be installed at the LIP Facility.

"New Facilities" means (i) the Coal Facility; (ii) the New Transmission Line; (iii) the Coal Dock; (iv) the New Diesel Facilities; (v) the transmission line between the LIP Facility and the substation at milepost 38/39; (vi) the Ash Disposal Facility and (vii) any and all ancillary physical assets conveyed under the New Asset Sale Agreement.

"New Transmission Line" means the new high voltage 230kv transmission line being constructed to connect the Coal Facility and the Port Facility with the Mill Site Facility.

"Nominal Capacity Level" means 320MW, as adjusted pursuant to the Letter Agreement.

"Nominee" means a Commissioner Nominee or a Director Nominee.

"O&M Charge" means the Fixed O&M Charge and the Variable O&M Charge.

"OM&M Termination Agreement" means the OM&M Termination Agreement dated as of the date of the Restated Power Sales Agreement, between PJP and P.T. Nusantara Power Services, which terminates the Original OM&M Agreement.

"Option Agreement" means the Option, Mandatory Purchase and Right of First Refusal Agreement between PTFI and PJP dated the date of the Restated Power Sales Agreement pursuant to which PTFI has the right, under certain circumstances, to repurchase the Facilities in accordance with the terms thereof.

"Option Period" has the meaning set forth in Section 2.01 of the Option Agreement.

"Option Price" means, on any date, the amount set forth on Schedule III to the Restated Power Sales Agreement under the heading "Option Price" opposite the quarter in which such date occurs.

"Original Asset Sale Agreement" means the Asset Sale Agreement, dated as of December 27, 1994, between PTFI and PJP.

"Original OM&M Agreement" means the Operating, Maintenance and Management Agreement dated December 27, 1994 between PJP and P.T. Nusantara Power Services as amended by First Amendment to Operations, Maintenance and Management Agreement dated as of April 15, 1996.

"Original Power Sales Agreement" means the Power Sales Agreement dated December 27, 1994 between PJP and PTFI, as amended by the First Amendment to the Power Sales Agreement dated as of April 15, 1996.

"Original Services Agreement" means the Services Agreement dated December 27, 1994 between PJP and PTFI.

"Original Shareholders" means DIJ, PIC, PTFI and PNJ.

"Original Shareholders Agreement" means the Shareholders Agreement dated as of December 27, 1994 among the Original Shareholders.

"Outstanding Investment" means, on any date, the amount set forth on Schedule III to the Restated Power Sales Agreement under the heading "Outstanding Investment" opposite the quarter in which such date occurs.

"Penalty" means an Availability Penalty, Curtailment Penalty or Heat Rate Penalty.

"Permit" has the meaning set forth in Section 3.08 of the New Asset Sale Agreement.

"Permitted Lien" has the meaning set forth in Section 3.06(a) of the New Asset Sale Agreement.

"Person" means an individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, unincorporated organization, trust or other

entity or organization, including any Governmental Authority.

"PIC" means Powerlink Indonesia Company, L.L.C., a Delaware limited liability company.

"PJP" means P.T. Puncakjaya Power, an Indonesian limited liability company.

"PJP Credit Agreement" means that certain Credit Agreement dated as of December 19, 1997 among PJP, each of the financial institutions that is from time to time a Lender thereunder, and Citicorp International Limited as Agent Bank and Collateral Agent, as in effect on the date hereof.

"PJP Indemnitee" has the meaning set forth in Section 11.02 of the Restated Power Sales Agreement.

"PJP Share Issuance" shall mean each issuance of any Shares of PJP, whether or not previously issued, which PJP desires to issue, sell, convey, transfer or assign.

"PJP Share Issuance Intent Notice" means the written notice given by PJP to PTFI stating PJP's intention to make a PJP Share Issuance.

"PJP Share Sale Notice" has the meaning set forth in Section 5.04 of the Option Agreement.

"PJP's Site" means the property described in Appendices D, F, G, J and K to the Restated Power Sales Agreement, in the aggregate.

"PLN" means PT PLN (Persero) (the national electric company of the Indonesian Government).

"PNJ" means P.T. Prasarana Nusantara Jaya, an Indonesian limited liability company, formerly P.T. Austindo Nusantara Jaya.

"Pole Attachment Agreement" shall mean that certain

Pole Attachment Agreement dated as of December 19, 1997 between PJP and PTFI.

"Port Site Facility" means the electrical generation and transmission assets described as such on Appendix G to the Restated Power Sales Agreement, and all additions to, and modifications, replacements and alterations of, the foregoing or any portion thereof.

"Port Site Interconnection Point" means the point at which the equipment owned by PJP and used to transmit electricity from the Port Site Facility to PTFI's Plant meet the equipment owned by PTFI and used for such purposes, as more fully described in Appendix B to the Restated Power Sales Agreement.

"Post-Closing Permit" has the meaning set forth in Section 3.08 of the New Asset Sale Agreement.

"Post-Closing Tax Period" means, with respect to any of the New Facilities, any and all Tax periods (or portion thereof) ending after the Closing Date.

"Power Assets" means the collective reference to the Existing Assets and the New Facilities.

"Power Plant A" means the 43.9 MW electric generating facility consisting of sixteen (16) diesel generator sets and forming part of the Mill Site Facility.

"Power Plant C" means the 72 MW electric generating facility consisting of eighteen (18) diesel generator sets and forming part of the Mill Site Facility.

"Pre-Approved Party" has the meaning set forth in Sections 3.03, 5.03 and 7.03, respectively, of the Option Agreement.

"Pre-Closing Tax Period" means any and all Tax periods (or portions thereof) ending on or before the close of business on the Closing Date.

"Project Area" means the area of PTFI's operations in Irian Jaya, Indonesia.

"Project Services Fees" means those fees and expenses for services performed and expenses incurred by DEII pursuant to the Administrative Services Agreement.

"Property" means the Use Rights, the Land, the Improvements and the Improvement-Related Property.

"Property Purchase Exercise Notice" means the written notice given by PTFI to PJP pursuant to Section 2.04 of the Option Agreement.

"Property Purchase Exercise Notice Date" means the date of the Property Purchase Exercise Notice.

"Property Purchase Option" has the meaning set forth in Section 2.01 of the Option Agreement.

"Property Purchase Option Price" means the amount, as determined in accordance with Section 2.05 of the Option Agreement, to be paid by PTFI to PJP for the sale and transfer of the Property.

"Property Sale Notice" means the notice given by PJP to PTFI of PJP's receipt of an offer from a Person to purchase all or a portion of the Property and PJP's intent to accept such offer.

"Property Transfer" means a sale, conveyance, transfer or assignment of Property by PJP as described in Section 3.01 of the Option Agreement.

"Property Transfer Intent Notice" means the written notice given by PJP to PTFI stating PJP's intention to make a Property Transfer.

"Proportionate Amount" means on any date, the percentage derived by dividing (x) the number of Shares being purchased, or sold, as the case may be, by a Shareholder by (y) the total number of issued and outstanding Shares.

"Proposed Transferee" has the meaning set forth in Section 3.4 of the Restated Shareholders Agreement.

"Prudent Utility Practices" means the practices, methods and acts engaged in or internationally approved by the majority of thermal electric generating companies that, at that particular time, in the exercise of reasonable judgment in light of the facts known or that reasonably should have been known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, economy and environmental protection.

"PSA Subordinated Debt" means debt of PJP to PTFI which shall (i) bear interest at the Default Rate, (ii) be payable as to principal and interest in quarterly installments equal to an amount which, on the date of payment thereof, bears the same ratio to the amount then being paid by PJP to its Shareholders as dividends or in respect of Subordinated Loans, as the original principal amount of the PSA Subordinated Debt bears to the Outstanding Investment on the date the PSA Subordinated Debt is made available, (iii) be payable by PJP solely from amounts which, in accordance with the Financing Documents, are available for PJP to pay dividends or amounts due in respect of subordinated debt to Shareholders or their Affiliates, and (iv) otherwise be subject and subordinate to all amounts owing by PJP to Senior Secured Lenders on the basis set forth in Schedule VII to the Restated Power Sales Agreement.

"PTFI" means P.T. Freeport Indonesia Company, an Indonesian limited liability company, domesticated in the State of Delaware, U.S.A.

"PTFI Indemnitee" has the meaning set forth in Section 11.01 of the Restated Power Sales Agreement.

"PTFI Participation Agreement" means that certain Participation Agreement dated October 11, 1996 between PTFI and PT RTZ, as amended, modified or supplemented from time to time.

"PTFI's Plant" means, collectively, the facilities owned or operated by PTFI on PTFI's Site, any additions thereto, and any modifications and replacements thereof, all as more

specifically described in Appendix C to the Restated Power Sale Agreement.

"PTFI-Related Entity" means any Person conducting business at PTFI's Site on or after the commencement of the Term, as designated by PTFI from time to time.

"PTFI's Site" means the property set forth in Appendix E to the Restated Power Sales Agreement.

"PT Kaltim Prima" means PT Kaltim Prima Coal, a company incorporated under the laws of the Republic of Indonesia.

"PT RTZ" means P.T. RTZ-CRA Indonesia, an Indonesian limited liability company.

"Purchase Price" has the meaning set forth in Section 2.01 of the New Asset Sale Agreement.

"Quarter" means each of the quarterly periods (or in the case of the first and last thereof, the portion of such period) ending on and including March 31, June 30, September 30 and December 31 of each Contract Year.

"Real Property" has the meaning set forth in Section 2.08 of the New Asset Sale Agreement.

"Refurbished Year" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"Reliability" has the meaning set forth in Appendix L to the Restated Power Sales Agreement.

"Renewal Term" has the meaning set forth in Section 2.01 of the Restated Power Sales Agreement.

"Representative" means, with respect to a party, any of its or its Affiliates' officers, directors, employees, agents, advisors or any Affiliate of such party.

"Required Alteration" has the meaning set forth in Section 7.03(e) of the Restated Power Sales Agreement.

"Required Consent" has the meaning set forth in Section 3.05 of the New Asset Sale Agreement.

"Restated Power Sales Agreement" means the Amended and Restated Power Sales Agreement dated as of December 18, 1997 between PJP and PTFI which amends and restates the Original Power Sales Agreement.

"Restated Services Agreement" means that Amended and Restated Services Agreement, dated as of the date of the Restated Power Sales Agreement, between PTFI and PJP which amends and restates the Original Services Agreement.

"Restated Shareholders Agreement" means that certain Amended and Restated Shareholders Agreement, dated as of the date of the Restated Power Sales Agreement, among DIJ, WPI, PNJ and PJP.

"Restricted Transfer" has the meaning set forth in Section 3.1 of the Restated Shareholders Agreement.

"Restricted Transfer Notice" has the meaning set forth in Section 3.4 of the Restated Shareholders Agreement.

"Retained Right of Access" means any right of access retained by PTFI to the Facilities, including, without limitation, an easement in favor of PTFI with respect to the Facilities and any right of reentry in favor of PTFI under the Restated Power Sales Agreement.

"Right of First Refusal as to Portfolio Shares" has the meaning set forth in Section 5.01 of the Option Agreement.

"Right of First Refusal as to Property" has the meaning set forth in Section 3.01 of the Option Agreement.

"Rupiah" or "Rp" means the lawful currency of the

Republic of Indonesia.

"R.V." means the Reglement op de Rechtsvordering.

"Safety Program" has the meaning set forth in Section 8.03 of the Restated Power Sales Agreement.

"SCADA" means the computer management program known as "supervisory control and data acquisition system."

"Second Renewal Term" has the meaning set forth in Section 2.01 of the Restated Power Sales Agreement.

"Senior Officer" means any chief executive officer, chief financial officer, president, executive vice president or senior vice president.

"Senior Secured Lender" means any third party or parties providing debt financing or refinancing for PJP's acquisition of the Facilities or for any Alteration, including any commercial banks, institutional lenders, holders of bonds, or any trustee or collateral agent acting on behalf of any of the foregoing.

"Services" means, collectively, those services that PJP shall perform pursuant to Section 2.01 of the Maintenance Agreement.

"Share" means any issued and outstanding share of authorized share capital (voting common stock) of PJP.

"Shareholder" means each of DIJ, WPI and PNJ, in each case for so long as it owns Shares, and its successors and, to the extent permitted by the terms of the Restated Shareholders Agreement and of the Articles, any transferee of any Shares it owns.

"Shareholder Share Purchase Exercise Notice" means the written notice given by PTFI to any Shareholder of PTFI's election to exercise the Shareholder Share Purchase Option.

"Shareholder Share Purchase Exercise Notice Date" means the date of the Shareholder Share Purchase Exercise Notice.

"Shareholder Share Purchase Option" has the meaning set forth in Section 6.01 of the Option Agreement.

"Shareholder Share Purchase Option Price " means the amount to be paid by PTFI to each Shareholder for the sale and transfer of such Shareholder's Shares and Subordinated Loans, if any, such amount to be determined in accordance with Section 6.05 of the Option Agreement.

"Shareholder Share Right of First Refusal" means the exclusive right of first refusal granted by each of the Shareholders to PTFI to acquire any Shares and Subordinated Loans, if any, owned by such Shareholder which such Shareholder desires to sell, convey, transfer or assign to any Person other than a Shareholder or an Affiliate thereof.

"Shareholder Share Sale Notice" means the written notice given by a Shareholder to PTFI of an offer from a Person to purchase all or a portion of such Shareholder's Shares and Subordinated Loans, as such notice is more fully described in Section 7.04 of the Option Agreement.

"Shareholder Share Transfer" has the meaning set forth in Section 7.01 of the Option Agreement.

"Shareholder Share Transfer Intent Notice" means the written notice given by a Shareholder to PTFI of its intention to make a Shareholder Share Transfer.

"Shipping Material Curtailment" means, with respect to PTFI's shipping operations, any delay in the scheduled departure of an ore transport ship from PTFI's port facilities caused by an Unexcused Outage that results in PTFI incurring demurrage charges not promptly reimbursed by PJP.

"Site Procedures" has the meaning set forth in Section 8.03(a) of the Restated Power Sales Agreement.

"Special Purpose Parent" means, with respect to DIJ or WPI, or any transferee of either of them, any Person substantially all of the assets of which consist of an indirect ownership interest in PJP.

"Subordinated Loan" means a subordinated loan made by any Shareholder to PJP and evidenced by one or more notes which provide for the express subordination of such loans on the terms and conditions set forth in Schedule VII to the Restated Power Sales Agreement and are otherwise in form and substance satisfactory to the parties to the Restated Shareholders Agreement.

"Support Services" means those services identified in Schedule 5.1 to the Restated Services Agreement.

"Target Capacity Level" means, with respect to the Port Site Facility, 4.4 MW; with respect to the Coal Facility, 0 MW; with respect to the Mill Site Facility, 125 MW; with respect to the LIP Facility and the Timika Facility combined, 10.8 MW, in each case at a generator power factor of not less than 0.85 as such Target Capacity Levels are adjusted in accordance with Section 3.05 of the Restated Power Sales Agreement.

"Target Heat Rate" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"Tax" and "Taxes" means any and all present and future taxes, charges, fees, levies, imposts, duties, and other assessments, including, without limitation, any income, alternative, minimum or add-on tax, gross income, gross receipts, sales, use transfer, ad valorem, value added, franchise, registration, title, license, capital, paid-up capital, profits, withholding, payroll, employment, excise, severance, stamp, occupation, premium, real property, personal property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, penalties, or additions to tax.

"Tax Adjustment" has the meaning set forth in Section 7.03(b) of the Restated Power Sales Agreement.

"Tax Gross-Up" has the meaning set forth in Schedule

III to the Restated Power Sales Agreement.

"Tax Indemnity Agreement" means the Amended and Restated Tax Indemnity Agreement dated as of December 27, 1994 between PTFI and DIJ, as amended by that certain letter agreement dated December 19, 1997 between PTFI and DIJ.

"Term" shall mean, collectively, the Initial Term and any Renewal Term(s).

"Third Party Asset" means any Future Asset of PJP constructed, acquired, leased or otherwise obtained by PJP for the purpose of generating and selling electric energy or capacity to a third party.

"Third Party Asset Price" means, on any date, with respect to any Third Party Assets, the greater of (i) the Fair Market Value of such Third Party Assets on such date and (ii) the net book value of such assets as reflected in the most recent balance sheet of PJP.

"Timika Facility" means the electrical generation and transmission assets described as such on Appendix D to the Restated Power Sales Agreement, and all additions to, and modifications, replacements and alterations of, the foregoing or any portion thereof.

"Timika Interconnection Point" means the point at which the equipment owned by PJP and used to transmit electricity from the Timika Facility to PTFI's Plant meets the equipment owned by PTFI and used for such purposes.

"Transaction Documents" means the Restated Power Sales Agreement, the Restated Services Agreement, the New Asset Sale Agreement, the Restated Shareholders Agreement, the Option Agreement, the Technical Services Agreement, the Share Purchase Agreement, the Pole Attachment Agreement, the Maintenance Agreement, the Administrative Services Agreement, the OM&M Termination Agreement, the Default Remedies Co-ordination Agreement and any other documents or agreements executed and delivered as a part of the Closing.

"Transferor" shall mean the transferor of Shares or

Property, as the case may be.

"Unexcused Outage" means, with respect to a specific Facility, any failure by PJP to maintain an operating level equal to the Target Capacity Level of such Facility to the extent such failure is not the result of (i) one or more Local Political Risk Events, (ii) the making of any Required Alteration during the period thereof, the failure to have made a Required Alteration as a result of PTFI's failure to consent thereto as contemplated in the Restated Power Sales Agreement, or any delay in making a Required Alteration during the pendency of arbitration proceedings related to such Required Alteration, (iii) the failure of PJP or any permitted assignee of PJP pursuant to Section 11.07 of the Restated Services Agreement, to receive a service or of PTFI or any successor or permitted assignee of PTFI to otherwise fulfill an obligation, in each case, pursuant to the Restated Services Agreement, including, without limitation, the failure of PJP to receive Diesel Fuel whether or not as a result of a Force Majeure Event affecting PTFI, a Local Political Risk Event or any failure of the coal supplier to deliver Coal under the Coal Supply Agreement (except any failure of PJP to receive Diesel Fuel or Coal to the extent resulting from PJP's Fault or Breach (other than a PJP Breach under the Coal Supply Agreement resulting from PTFI's failure to make payments due under the Restated Power Sales Agreement)), (iv) any action taken at the direction of, or taken by, PTFI (including, without limitation, interconnections pursuant to Section 5.01 of the Restated Power Sales Agreement, PTFI's installation of check meters pursuant to Section 6.01 of the Restated Power Sales Agreement, or its purchase from third parties, or production of, Electricity, or the curtailment or reduction in deliveries of Electricity, pursuant to Section 3.02 or 3.06 of the Restated Power Sales Agreement) which has a material adverse effect on PJP's ability to perform its obligations under the Restated Power Sales Agreement, (v) any outage or failure of the New Transmission Line during the Evaluation Period, (vi) failure of PTFI to obtain any Post-Closing Permit as provided in the New Asset Sale Agreement or (vii) PTFI's Fault or Breach.

"Unit Major Maintenance Outage Year" has the meaning set forth in Section 1.9 of Schedule I to the Restated Power Sales Agreement.

"Unit Rating" means the capacity level of a unit of any Facility determined in accordance with the Completion Criteria for such unit, as adjusted pursuant to Section 3.05 of the Restated Power Sales Agreement.

"Untitled Land" means those tracts or parcels of Land located in the Province of Irian Jaya, Indonesia as to which PJP has Use Rights but as to which PJP does not have HGB Title.

"Use Rights" means the right to enter, use, occupy and construct building facilities on the Untitled Land.

"Variable O&M Charge" for any month, means the amount calculated in accordance with Schedule I to the Restated Power Sales Agreement for such month.

"Vendor" shall mean a party, including PTFI, that provides services to PJP that assist PJP in the performance of its obligations under the Restated Power Sales Agreement.

"Westcoast" has the meaning set forth in the first paragraph of the Restated Shareholders Agreement.

"WPI" has the meaning set forth in the first paragraph of the Restated Shareholders Agreement.

THE REMAINING APPENDICES AND SCHEDULES LISTED BELOW HAVE BEEN OMITTED AND WILL BE PROVIDED UPON REQUEST.

APPENDIX B	INTERCONNECTION POINTS
APPENDIX C	PTFI'S PLANT
APPENDIX D	TIMIKA FACILITY
APPENDIX E	PTFI'S SITE
APPENDIX F	MILL SITE FACILITY
APPENDIX G	PORT SITE FACILITY
APPENDIX H	ENGINEERING FIRMS
APPENDIX I	TECHNICAL SPECIFICATIONS FOR ELECTRICITY AND ELECTRIC CAPACITY
APPENDIX J	COAL FACILITY
APPENDIX K	LIP FACILITY
APPENDIX L	TARGET CAPACITY LEVELS AND RELIABILITY
APPENDIX M	FORM OF MONTHLY INVOICE
APPENDIX N	OUTLINE OF SITE PROCEDURES
APPENDIX O	OPERATOR'S PERSONNEL
SCHEDULE I	SUMMARY OF CHARGES - INITIAL TERM

SCHEDULE II [RESERVED]
SCHEDULE III OUTSTANDING INVESTMENT AND OPTION PRICE
SCHEDULE IV PRINCIPLES GOVERNING USE BY THIRD PARTIES OF
PJP'S TRANSMISSION AND DISTRIBUTION LINES
SCHEDULE V LETTER AGREEMENT CONCERNING LIP FACILITY
DATED JUNE 20, 1995
SCHEDULE VI TAX INFORMATION AND ASSUMPTIONS
SCHEDULE VII TERMS OF SUBORDINATION

OPTION, MANDATORY PURCHASE AND
RIGHT OF FIRST REFUSAL AGREEMENT

dated as of December 19, 1997

among

P.T. FREEPORT INDONESIA COMPANY

P.T. PUNCAKJAYA POWER

DUKE IRIAN JAYA, INC.

WESTCOAST POWER, INC.

and

P.T. PRASARANA NUSANTARA JAYA

This OPTION, MANDATORY PURCHASE AND RIGHT OF FIRST REFUSAL AGREEMENT (as hereafter amended, modified or supplemented in accordance with the terms hereof, this "Option Agreement") is made as of December 19, 1997 among P.T. Freeport Indonesia Company, an Indonesian limited liability company also domesticated in Delaware ("PTFI"), acting in its individual capacity; P.T. Puncakjaya Power, an Indonesian limited liability company ("PJP"); Duke Irian Jaya, Inc., a Delaware corporation ("DIJ"); Westcoast Power, Inc., a Canadian corporation ("WPI"); and P.T. Prasarana Nusantara Jaya, an Indonesian limited liability company ("PNJ")

WITNESSETH

WHEREAS, DIJ, WPI and PNJ constitute all of the Persons owning any of the issued and outstanding shares of PJP ("Shares") as of the effective date of this Option Agreement;

WHEREAS, PTFI operates a mining enterprise in Irian Jaya,

Indonesia pursuant to a Contract of Work dated December 30, 1991, between PTFI and the Government of the Republic of Indonesia (as the same may hereafter be amended, modified or supplemented, the "COW");

WHEREAS, the Use Rights relating to the Untitled Land, the Land, the Improvements, the Improvement-Related Property, and, if any, the Future Assets (collectively, the "Property") are located in the mining area covered by the COW;

WHEREAS, PTFI has requested from the Shareholders and (i) the Shareholders have collectively agreed to grant to PTFI in certain instances an exclusive right and option to purchase all of the Shares owned by such Shareholders; and (ii) each of the Shareholders has individually agreed to grant to PTFI a right of first refusal to purchase any Shares which such Shareholder intends to sell, convey, transfer or assign to the extent that such Shares are not acquired by the Shareholders or Affiliates thereof, with such right being exercisable in accordance with and subject to the terms of this Option Agreement;

WHEREAS, PTFI has requested from PJP and PJP has agreed to grant to PTFI (i) an exclusive right and option in certain instances to purchase the Property; (ii) a right of first refusal to purchase all or such part of the Property as PJP may in the future decide to sell, convey, transfer or assign; and (iii) a right of first refusal to purchase any Shares which PJP intends to issue, sell, convey, transfer or assign which are not subscribed for or acquired by the Shareholders or Affiliates thereof, with each of such rights being exercisable in accordance with and subject to the terms of this Option Agreement; and

WHEREAS, PJP and the Shareholders have requested from PTFI and PTFI has agreed to provide to PJP and the Shareholders, the exclusive right in certain instances to require PTFI to offer to purchase the Shares or the Property at the option of PJP, with such right being exercisable in accordance with and subject to the terms of this Option Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS AND USAGE

Section 1.01 Definitions. Unless the express terms of this Agreement shall otherwise provide, capitalized terms shall have the meanings ascribed to them in Appendix A hereto.

Section 1.02 Usage. This Agreement shall be governed by the following rules of usage:

(a) References to Persons. A reference herein to a Person includes, unless the context otherwise requires, its permitted assignees.

(b) References to Laws. A reference herein to an Applicable Law includes any Governmental Authority's amendment to, or modification or published written interpretation of, such Applicable Law.

(c) References to Divisions. A reference herein to an article, section, exhibit, schedule or appendix is to the article, section, exhibit, or appendix of this Agreement unless otherwise indicate

(d) References to Documents. References to any document, instrument or agreement (a) shall be deemed to include all appendices, exhibits, schedules and other attachments thereto, and (b) shall mean such document, instrument or agreement, as amended, modified and supplemented from time to time in accordance with the terms thereof and as the same is in effect as any given time.

(e) Use of "herein". Unless otherwise specified, the words "hereby", "herein", "hereof" and "hereunder" and word of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision hereof.

(f) Use of "including". The words "include" and "including" do not limit the generality of any description following such term, and, for such purposes, the rule of ejusdem generis shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

ARTICLE 2
THE OPTION BY PTFI TO PURCHASE THE PROPERTY

Section 2.01 Granting of the Property Purchase Option. PJP hereby grants to PTFI an exclusive right and option, exercisable by PTFI (ii) at any time from the effective date of this Option Agreement and continuing through the last day that the COW or any successor agreement to the COW is in effect (in the case of an exercise of such option pursuant to Section 2.05(a), 2.05(b), 2.05(d) or 2.05(e)) or (ii) on the fifth, tenth, fifteenth and twentieth anniversary of the Closing Date (if otherwise exercised) (the "Option Period"), to purchase the Property in accordance with the terms of this Option Agreement (the "Property Purchase Option"), it being understood and agreed that PTFI's exercise of the Property Purchase Option shall be subject to the provisions of Section 2.06 hereof and that PTFI has no obligation to exercise the Property Purchase Option. PJP hereby grants to PTFI an exclusive right and option, exercisable by PTFI during the Option Period, to exercise the Property Purchase Option during the fourteen-Day period following receipt by PTFI of written notice from the administrative agent under the PJP Credit Agreement to the effect that the lenders thereunder have determined to accelerate the maturity of the loans thereunder based solely on the occurrence of one or more events of default, with respect to PJP, under the following sections of the PJP Credit Agreement: 9(a) through (g), 9(k) through (p), 9(q), 9(s) and 9(t); provided that PTFI shall not have such right if the specified event of default was the result of the Breach or Fault of PTFI.

Section 2.02 Fee for the Property Purchase Option. As full and complete consideration for the granting of the Property Purchase Option by PJP, PTFI shall pay to PJP the fixed sum of US\$10 (Ten United States Dollars) upon the signing of this Option Agreement, the receipt and sufficiency of which is hereby acknowledged by PJP by its signing of this Option Agreement.

Section 2.03 Option Irrevocable and Binding. The Property Purchase Option is irrevocable and effective for the Option Period and shall be binding upon the parties hereto and their respective permitted successors, transferees and assigns, and is for the benefit of PTFI and its Affiliates, nominees, successors in title and assigns.

Section 2.04 Procedures for Exercise of Option. If PTFI elects to exercise the Property Purchase Option, PTFI shall do so by giving written notice of such election to PJP during the Option Period (the "Property Purchase Exercise Notice"; the date of the Property Purchase Exercise Notice being the "Property Purchase Exercise Notice Date"), which Property Purchase Exercise

Notice shall specify (a) the date on which PTFI desires for the closing of the sale and transfer of the Property by PJP to PTFI to be consummated, which date shall not be later than one hundred eighty (180) Days from the Property Purchase Exercise Notice Date and (b) PTFI's calculation of the Purchase Option Purchase Price as defined and further described in Section 2.05.

Section 2.05 Property Purchase Option Price. The amount to be paid by PTFI to PJP for the sale and transfer of the Property (the "Property Purchase Option Price") shall vary and be determined as set forth below.

(a) If PTFI is purchasing the Property concurrently with its election to terminate the Restated Power Sales Agreement following an Event of Default by PJP under any paragraph (other than paragraph (d)) of Section 16.01 of the Restated Power Sales Agreement, or pursuant to the last sentence of Section 2. hereof then the Property Purchase Option Price shall be (i) the Outstanding Investment, plus, if applicable, (ii) the lesser of

(A) the Net Book Value of any Third Party Assets and (B) the fair market value of such Third Party Assets minus, if applicable, (iii) the unpaid principal amount of any PSA Subordinated Debt plus interest accrued and unpaid thereon and (iv) the liquidated damages due under Section 16.03(d) of the Restated Power Sales Agreement; in each case determined as of the date on which the sale and transfer of the Property by PJP to PTFI is consummated (the "Property Purchase Option Closing Date"). As used herein, the "Net Book Value" of Third Party Assets shall mean the net book value thereof as reflected in the most recent balance sheet of PJP.

(b) If PTFI is purchasing the Property concurrently with its election to terminate the Restated Power Sales Agreement following an Event of Default by PJP under Section 16.01(d) thereof, then the Property Purchase Option Price shall be (i) the Outstanding Investment, plus, if applicable, (ii) the lesser of (A) the Net Book Value of any Third Party Assets and (B) the fair market value of such Third Party Assets, minus, if applicable, (iii) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon; in each case determined as of the Property Purchase Option Closing Date.

(c) If the Property Purchase Option Notice is given for any reason other than those described in Section 2.05(a) or (b) above or 2.05(d) or (e) below, then the Property Purchase Option Price shall be the greater of (i) the Fair Market Value of the Property (excluding, for such purpose, any Third Party

Assets), and (ii) the Option Price, plus, if applicable, (iii) the Third Party Asset Price, minus, if applicable, (iv) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon (except, in the case that the Property Purchase Option Price is the Fair Market Value of the Property, to the extent that such amount was taken into account in determining such Fair Market Value); in each case determined as of the Property Purchase Option Closing Date.

(d) If the Property Purchase Option Notice is given for the reason set forth in Section 10.04 of the Restated Power Sales Agreement (shortfall in insurance proceeds to repair property damage), then the Property Purchase Option Price shall be (i) the Outstanding Investment minus \$250,000 (but not less than zero), plus, if applicable, (ii) the Net Book Value of any Third Party Assets, minus, if applicable, (iii) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon, in each case determined as of the Property Purchase Option Closing Date.

(e) If the Property Purchase Option Notice is given for the reason set forth in Section 13.05 of the Restated Power Sales Agreement (Extended Force Majeure), then the Property Purchase Option Price shall be (i) the Outstanding Investment, plus, if applicable, (ii) the Net Book Value of any Third Party Assets, minus, if applicable, (iii) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon, in each case determined as of the Property Purchase Option Closing Date.

Section 2.06 Consent Required. Unless the Property Purchase Option is being exercised pursuant to the last sentence of Section 2.01 or for the reasons described in Section 2.05(a), the exercise of the Property Purchase Option (as opposed to the Share Purchase Option) shall be subject to the consent of PJP.

Section 2.07 Fairness of Tax Gross-Up. If the Property Purchase Option Price is determined pursuant to Section 2.05(c), (d) or (e), then the Tax Gross-Up payable by PTFI to PJP will be adjusted, if necessary, as follows:

(a) If the inaccuracy of any of the assumptions set forth in Schedule VI to the Restated Power Sales Agreement with respect to Indonesian Taxes or tax attributes shall result in an increase or decrease in Indonesian taxes payable by PJP (other than to the extent such increases or decreases are allocable to sales of electricity or electric capacity to third parties) or United States taxes payable by the Shareholders (as assumed in

the Closing Model), then the Closing Model shall be amended to correct any inaccuracies set forth therein and the Tax Gross-Up shall be equitably adjusted to maintain the Closing Model's original project internal rate of return (i.e. 16.65%), with differences in prior period payments being subject to interest at the Default Interest Rate.

(b) If the highest marginal U.S. corporate income tax rate at the Property Purchase Option Date is other than 35%, then the Closing Model shall be amended to correct this difference the Tax Gross-Up adjusted accordingly.

(c) If any change in Indonesian Taxes shall result in an increase or decrease in the Tax Gross-Up payable by PJP pursuant to the calculation of the Tax Gross-Up in the Closing Model, then the Closing Model shall be adjusted to reflect such increase or decrease and the Tax Gross-Up adjusted accordingly.

ARTICLE 3
THE RIGHT OF FIRST REFUSAL OF PTFI
TO PURCHASE THE PROPERTY

Section 3.01 Granting of the Right of First Refusal as to Property. PJP does hereby grant to PTFI an exclusive right of first refusal, exercisable by PTFI at any time within the Option Period, to acquire any of the Property which PJP desires to sell, convey, transfer or assign (each a "Property Transfer") to any Person (the "Right of First Refusal as to Property"). PJP hereby covenants and agrees that it will not engage in any Property transfer except in compliance with this Article 3.

Section 3.02 Permitted Transfers. PJP may make the following Property Transfers and no others: (a) inoperable, broken, old or worn Property in the ordinary course of business if such Property is replaced as necessary; (b) any of the Property which is no longer used or useful in order for PJP to perform its obligations under the Restated Power Sales Agreement; (c) Property Transfers of Property as security in connection with a financing which is approved by PTFI; (d) Property Transfers of Third Party Assets; and (e) Property Transfers in accordance with Sections 3.03 or 3.04 below.

Section 3.03 Transfer to a Pre-Approved Party. (a) PJP may, at its option, seek a waiver by PTFI of the Right of First

Refusal as to Property as hereinafter provided.

(b) PJP may make a Property Transfer to the extent that PJP (i) gives PTFI written notice of its intention to make a Property Transfer of all or a portion of the Property (the "Property Transfer Intent Notice"), (ii) PTFI does not notify PJP, within thirty (30) Days after having received the Property Transfer Intent Notice, of PTFI's intent to exercise its rights pursuant to this Article, and (iii) otherwise complies with the provisions of this Option Agreement. The Property Transfer Intent Notice shall contain a description of the Property proposed to be the subject of the Property Transfer (the "Available Property Interest"), the names and addresses of not more than ten proposed third party purchasers and a full, accurate and complete description of the terms upon which the sale, conveyance, transfer or assignment is proposed to be made. Upon receipt of a Property Transfer Intent Notice, PTFI shall have the option, but not the obligation, (x) to purchase the Available Property Interest upon the terms proposed by PJP minus, if applicable, the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon (except to the extent that such amount was taken into account in determining the terms of such proposed Property Transfer) and provided, that if such proposed terms include non-cash compensation which would be difficult or impossible for PTFI to provide, PTFI's purchase price shall include the fair market value of such non-cash compensation, as determined by agreement of PJP and PTFI, or by an appraiser selected jointly by PJP and PTFI, if the parties are unable to agree, (y) to waive the Right of First Refusal as to Property with regard to a Property Transfer of the Available Property Interest to any or all of the proposed third party purchasers (each such third party as to which PTFI waives the Right of First Refusal as to Property, a "Pre-Approved Party"), or (z) to effuse to waive the Right of First Refusal as to Property as to any or all of the proposed third party purchasers.

Section 3.04 Right of First Refusal. Notwithstanding any failure by PJP to obtain a pre-approval of a Property Transfer pursuant to Section 3.03(b), PJP may make a Property Transfer to the extent that PJP (i) receives a written offer from a Person to purchase all or a portion of the Property, which offer PJP intends to accept if PTFI does not exercise its rights pursuant to this Article, (ii) gives PTFI prior written notice of the offer and PJP's intent to accept such offer (the "Property Sale Notice") and PTFI does not notify PJP, within ninety (90) Days after having received the Property Sale Notice, of PTFI's intent to exercise its rights pursuant to this Article, and (iii) otherwise complies with the provisions of this Option Agreement.

The Property Sale Notice shall contain a description of the Available Property Interest, the name and address of the proposed third party purchaser and a full, accurate and complete description of the terms upon which the Property Transfer is proposed to be made. The Property Sale Notice shall also contain a copy of the written offer. Upon receipt of a Property Sale Notice, PTFI shall have the option, but not the obligation, to purchase the Available Property Interest upon the same terms and conditions, minus, if applicable, the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon (except to the extent that such amount was taken into account in determining such terms and conditions), that the proposed Property Transfer to the third party is to be made, or as otherwise agreed upon by PTFI and PJP; provided that if such terms include non-cash compensation which would be commercially difficult or impossible for PTFI to provide, PTFI's purchase price shall include the fair market value of such non-cash compensation, as determined by agreement of PJP and PTFI, or by an appraiser selected jointly by PJP and PTFI, if the parties are unable to agree.

Section 3.05 Duration of the Right of First Refusal as to Property. The Right of First Refusal as to Property granted herein is irrevocable for the Option Period, shall be binding upon the parties hereto and their respective permitted successors, transferees and assigns, and is for the benefit of PTFI and its Affiliates, nominees, successors in title and assigns.

Section 3.06 Right of First Refusal as to Property Closing Matters. In the event that PTFI exercises its right to purchase the Available Property Interest set forth in this Article, the closing with respect to any Property to be so acquired by PTFI shall occur within one hundred eighty (180) Days of the notice by PTFI to PJP that it intends to exercise its rights and acquire the Available Property Interest.

Section 3.07 PJP's Rights upon PTFI's Waiver. In the event that PTFI does not exercise its (i) right to purchase any Available Property Interest and waives the Right of First Refusal as to Property as to such Available Property Interest with respect to one or more of the proposed third party purchasers specified in a Property Transfer Intent Notice, then PJP may make a Property Transfer of that Available Property Interest to a Pre-Approved Party on terms no more favorable to such Pre-Approved Party than the terms proposed in the Property Transfer Intent Notice, or (ii) Right of First Refusal as to Property as to such Available Property Interest, then PJP may make a Property Transfer of that Available Property Interest on the terms

specified in, and to the third party identified in, the Property Sale Notice; provided, however, that in either case unless such Property Transfer is consummated within one hundred eighty (180) Days of PTFI's waiver or the expiration of the time period for PTFI to exercise its right to purchase the Available Property Interest set forth in this Article, PJP may not thereafter make any Property Transfer without again complying with the provisions of this Article.

ARTICLE 4

THE RIGHT OF PJP TO REQUIRE PTFI TO OFFER TO PURCHASE THE PROPERTY OR THE SHARES

Section 4.01 Granting of the Right to Require the Offer to Purchase Property or Shares. PTFI hereby grants to PJP a right to require that PTFI offer to acquire all of the Property or Shares, directly or indirectly, upon the occurrence of an Event of Default by PTFI under the Restated Power Sales Agreement. If PJP accepts such offer, PTFI shall be required to purchase the Property or the Shares (and unless PJP shall otherwise agree, such purchase shall be a purchase of Shares), as applicable (the "Mandatory Purchase Right"), in accordance with Section 16.03(b) or (e), as applicable, of the Restated Power Sales Agreement by, at the election of PJP, either (i) purchasing such Property or Shares, as applicable, from PJP or (ii) purchasing all of the Shares and the Subordinated Loans, if any, from the Shareholders and satisfy the requirements of Section 8.08 hereof. The offer may only be required to be made within the Option Period and may only be made under the conditions set forth in the Restated Power Sales Agreement. By signing this Option Agreement, each of the Shareholders acknowledges PJP's right to require PTFI to offer to acquire the Shares and the Subordinated Loans, if any, owned by it as provided above and agrees to sell its Shares and Subordinated Loans, if any, to PTFI should PJP so elect and accept PTFI's offer.

Section 4.02 Fee for the Mandatory Purchase Right. As full and complete consideration for the granting of the Mandatory Purchase Right by PTFI, PJP shall pay to PTFI the fixed sum of US\$10 (Ten United States Dollars) upon the signing of this Option Agreement, the receipt and sufficiency of which is hereby acknowledged by PTFI by its signing of this Option Agreement.

Section 4.03 Mandatory Purchase Right Irrevocable and Binding. The Mandatory Purchase Right is irrevocable and effective for the Option Period and shall be binding upon the parties hereto and their respective permitted successors,

transferees and assigns.

Section 4.04 Procedures for Exercise of Mandatory Purchase Right. If PJP elects to accept the offer referred to in the first sentence of Section 4.01, PJP shall do so by giving written notice of such election to PTFI and the Shareholders during the Option Period (the "Mandatory Purchase Right Exercise Notice", the date of the Mandatory Purchase Right Exercise Notice being the "Mandatory Purchase Right Exercise Notice Date"), which Mandatory Purchase Right Exercise Notice shall specify (a) the date on which PJP desires for the closing of the sale and transfer of the Property or Shares to PTFI to be consummated, which date shall not be earlier than sixty (60) Days or later than one hundred eighty (180) Days from the Mandatory Purchase Right Exercise Notice Date; provided, however, that such sale shall be consummated (1) within thirty (30) Days of the Mandatory Purchase Right Exercise Notice Date, if such sale consists of Shares and is made subsequent to a PTFI Event of Default under Section 16.01(f) of the Restated Power Sales Agreement or subsequent to the event described in clause (y) of Section 4.01 hereof or (2) immediately, if such sale is made subsequent to an Event of Default under Section 16.01(c) of the Restated Power Sales Agreement and (b) PJP's calculation of the Mandatory Purchase Right Purchase Price as defined and further described in Section 4.05. In the event that PJP accepts PTFI's offer to acquire the Shares and Subordinated Loans, if any, following the exercise by PJP of the Mandatory Purchase Right, each of the Shareholders hereby agrees to sell, transfer, assign and convey to PTFI all of its Shares and Subordinated Loans, if any, for its allocable share of the Mandatory Purchase Right Purchase Price and otherwise on the terms set forth in this Article 4.

Section 4.05 Mandatory Purchase Right Purchase Price. The Mandatory Purchase Right Purchase Price for the purchase of all of the Property or all of the Shares and Subordinated Loans, if any, pursuant to PJP's acceptance of the offer referred to in the first sentence of Section 4.01 shall be the greatest of (i) the Fair Market Value of the Property or the Shares, (ii) the Option Price and (iii) 125% of the Outstanding Investment, plus, if applicable, (iv) the Third Party Asset Price, minus, if applicable, (v) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon (except, in the case in which the Mandatory Purchase Price is the Fair Market Value of the Property or the Shares, to the extent such amount was taken into account in determining the Option Price); in each case determined as of the date on which the sale and transfer of the Property or the Shares and Subordinated Loans, if any, by PJP or the Shareholders to PTFI is consummated.

ARTICLE 5
THE RIGHT OF FIRST REFUSAL BY PTFI
TO PURCHASE SHARES FROM PJP

Section 5.01 Granting of the PJP Right of First Refusal as to Portfolio Shares. PJP does hereby grant to PTFI an exclusive right of first refusal, exercisable by PTFI at any time within the Option Period, to acquire any Shares of PJP, whether or not previously issued, which PJP desires to issue, sell, convey, transfer or assign (each a "PJP Share Issuance") to any Person, other than a Shareholder or an Affiliate thereof, (the "Right of First Refusal as to Portfolio Shares"), such Right of First Refusal as to Portfolio Shares to be maintained and honored by PJP according to the terms of this Option Agreement. PJP hereby covenants and agrees that it will not engage in any PJP Share Issuance except in compliance with this Article 5.

Section 5.02 Permitted Transfers. PJP may make the following PJP Share Issuances and no others: (a) PJP Share Issuances to the Shareholders or Affiliates thereof in accordance with the terms of the Restated Shareholders Agreement, and (b) PJP Share Issuances in accordance with Sections 5.03 or 5.04 below.

Section 5.03 Issuance to a Pre-Approved Party. (a) PJP may, at its option, seek a waiver by PTFI of the Right of First Refusal as to Portfolio Shares as hereinafter provided.

(b) PJP may make a PJP Share Issuance to the extent that PJP (i) gives PTFI written notice of its intention to make a PJP Share Issuance of any Shares (the "PJP Share Issuance Intent Notice"), (ii) PTFI does not notify PJP, within thirty (30) Days after having received the PJP Share Issuance Intent Notice, of PTFI's intent to exercise its rights pursuant to this Article, and (iii) otherwise complies with the provisions of this Option Agreement. The PJP Share Issuance Intent Notice shall contain a description of the Shares proposed to be the subject of the PJP Share Issuance (the "Available PJP Shares"), the names and addresses of not more than ten proposed third party purchasers and a full, accurate and complete description of the terms upon which the PJP Share Issuance is proposed to be made. Upon receipt of a PJP Share Issuance Intent Notice, PTFI shall have the option, but not the obligation, to (x) purchase the Available PJP Shares upon the terms proposed by PJP provided that if such terms include non-cash compensation which would be commercially difficult or impossible for PTFI to provide, PTFI's purchase price shall include the fair market value of such non-cash

compensation, as determined by agreement of PJP and PTFI, or by an appraiser selected jointly by PJP and PTFI, if the parties are unable to agree, (y) to waive the Right of First Refusal as to Portfolio Shares with regard to a PJP Share Issuance of the Available PJP Shares to any or all of the proposed third party purchasers (each such third party as to which PTFI waives the Right of First Refusal as to Portfolio Shares, a "Pre-Approved Party"), or (z) to refuse to waive the Right of First Refusal as to Portfolio Shares as to any or all of the proposed third party purchasers.

Section 5.04 PJP Share Right of First Refusal. Notwithstanding any failure by PJP to obtain a pre-approval of a PJP Share Issuance pursuant to Section 5.03(b), PJP may make a PJP Share Issuance to the extent that PJP (i) receives a written offer from a Person (other than a Shareholder or an Affiliate thereof) to purchase Shares, which offer PJP intends to accept if the Shareholders do not exercise their rights under the Restated Shareholders Agreement and PTFI does not exercise its rights pursuant to this Article, (ii) gives PTFI prior written notice of the offer and PJP's intent to accept such offer (the "PJP Share Sale Notice") and PTFI does not notify PJP, within ninety (90) Days after having received the PJP Share Sale Notice, of PTFI's intent to exercise its rights pursuant to this Article, and (iii) otherwise complies with the provisions of this Option Agreement. The PJP Share Sale Notice shall contain a description of the Available PJP Shares, the name and address of the proposed third party purchaser and a full, accurate and complete description of the terms upon which the PJP Share Issuance is proposed to be made. The PJP Share Sale Notice shall also contain a copy of the written offer. Upon receipt of a PJP Share Sale Notice, PTFI shall have the option, but not the obligation, to purchase the Available PJP Shares upon the same terms and conditions provided that if such terms include non-cash compensation which would be commercially difficult or impossible for PTFI to provide, PTFI's purchase price shall include the fair market value of such non-cash compensation, as determined by agreement of PJP and PTFI, or by an appraiser selected jointly by PJP and PTFI, if the parties are unable to agree.

Section 5.05 Duration of the PJP Right of First Refusal as to Portfolio Shares. The Right of First Refusal as to Portfolio Shares granted herein is irrevocable for the Option Period, shall be binding upon the parties hereto and their respective permitted successors, transferees and assigns, and is for the benefit of PTFI and its Affiliates, nominees, successors in title and assigns.

Section 5.06 Right of First Refusal as to Portfolio Shares

Closing Matters. In the event that PTFI exercises its right to purchase the Available PJP Shares set forth in this Article (and none of the Shareholders exercise their rights under the Restated Shareholders Agreement), the closing with respect to any Shares to be so acquired by PTFI shall occur within one hundred eighty (180) Days of the notice by PTFI to PJP that it intends to exercise its rights and acquire the Available PJP Shares.

Section 5.07 PJP's Rights upon PTFI's Waiver. In the event that PTFI does not exercise its (i) right to purchase the Available PJP Shares and waives the Right of First Refusal as to Portfolio Shares as to such Available PJP Shares with respect to one or more of the proposed third party purchasers specified in a PJP Share Issuance Intent Notice, then PJP may make a PJP Share Issuance of those Available PJP Shares to an Pre-Approved Party on terms no more favorable to such Pre-Approved Party than the terms proposed in the PJP Share Issuance Intent Notice, or (ii) Right of First Refusal as to Portfolio Shares as to such Available PJP Shares (and none of the Shareholders exercise their rights under the Restated Shareholders Agreement), then PJP may make a PJP Share Issuance of such Available PJP Shares on the terms specified in, and to the third party identified in, the PJP Share Sale Notice; provided, however, in either case unless such PJP Share Issuance is consummated within one hundred eighty (180) Days of PTFI's waiver or the expiration of the time period for PTFI to exercise its rights to purchase the Available PJP Shares set forth in this Article, PJP may not thereafter make any PJP Share Issuance without again complying with the provisions of this Article.

ARTICLE 6
THE OPTION BY PTFI
TO PURCHASE SHARES FROM THE SHAREHOLDERS

Section 6.01 Granting of the Shareholder Share Purchase Option. Each of the Shareholders hereby grants to PTFI an exclusive right and option, subject to the terms of the Financing Documents, exercisable by PTFI at any time during the Option Period in the case that PTFI is exercising its option pursuant to Section 6.05(a) or (b), or on the fifth, tenth, fifteenth, or twentieth anniversary of the Closing Date (if otherwise exercised), to purchase the Shares and the Subordinated Loans, if any, owned by such Shareholder in accordance with the terms of this Option Agreement (the "Shareholder Share Purchase Option"). PTFI shall also have the right to exercise the Shareholder Share Purchase Option in the circumstances described in the last sentence of Section 2.01. It is understood and agreed that PTFI has no obligation to exercise its rights under the Shareholder Share Purchase Option and provided, however, that PTFI shall only

be entitled to exercise the Shareholder Share Purchase Option to purchase all Shares and all Subordinated Loans held by all Shareholders in a single transaction.

Section 6.02 Fee for the Shareholder Share Purchase Option. As full and complete consideration for the granting of the Shareholder Share Purchase Option by each of the Shareholders, PTFI shall pay to each of the Shareholders the fixed sum of US\$10 (Ten United States Dollars) upon the signing of this Option Agreement, the receipt and sufficiency of which is hereby acknowledged by each of the Shareholders by its signing of this Option Agreement.

Section 6.03 Option Irrevocable and Binding. The Shareholder Share Purchase Option is irrevocable and effective for the Option Period and shall be binding upon the parties hereto and their respective permitted successors, transferees and assigns, and is for the benefit of PTFI and its Affiliates, nominees, successors in title and assigns.

Section 6.04 Procedures for Exercise of Option. If PTFI elects to exercise the Shareholder Share Purchase Option, PTFI shall do so by giving written notice of such election to each Shareholder during the Option Period (the "Shareholder Share Purchase Exercise Notice"; the date of the Shareholder Share Purchase Exercise Notice being the "Shareholder Share Purchase Exercise Notice Date"), which Shareholder Share Purchase Exercise Notice shall specify (a) the date on which PTFI desires for the closing of the sale and transfer of the Shares and Subordinated Loans, if any, by the Shareholder to PTFI to be consummated, which date shall not be later than one hundred eighty (180) Days from the Shareholder Share Purchase Exercise Notice Date and (b) PTFI's calculation of the Shareholder Share Purchase Option Price as defined and further described in Section 6.05.

Section 6.05 Shareholder Share Purchase Option Price. The amount to be paid by PTFI to each Shareholder for the sale and transfer of such Shareholder's Shares and Subordinated Loans, if any (the "Shareholder Share Purchase Option Price"), shall vary and be determined as set forth below and shall, in each case, be the Proportionate Amount of each amount set forth below.

(a) If PTFI is purchasing the Shares and Subordinated Loans, if any, concurrently with its election to terminate the Restated Power Sales Agreement following an Event of Default by PJP under any paragraph (other than paragraph (d)) of Section 16.01 of the Restated Power Sales Agreement, or in accordance

with the second to last sentence of Section 6.01, then the Shareholder Share Purchase Option Price shall be (i) the Outstanding Investment applicable to such Shares and (ii) any cash and cash equivalents remaining in PJP due to a legal or contractual prohibition against distributing such funds to shareholders, plus, if applicable (iii) the lesser of the Net Book Value and the fair market value of any Third Party Assets, minus, if applicable, (iv) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon; in each case determined as of the date on which the sale and transfer of the Shares by such Shareholder to PTFI is consummated (the "Shareholder Share Purchase Option Closing Date") and (v) the liquidated damages due under Section 16.03(d) of the Restated Power Sales Agreement.

(b) If PTFI is purchasing the Shares and Subordinated Loans, if any, concurrently with its termination of the Restated Power Sales Agreement following an Event of Default by PJP under Section 16.01(d) thereof or as a result of a Change in Control, then the Shareholder Share Purchase Option Price shall be the (i) the Outstanding Investment applicable to such Shares and (ii) any cash and cash equivalents remaining in PJP due to a legal or contractual prohibition against distributing such funds to shareholders, plus, if applicable, (iii) the lesser of (A) the Net Book Value (as shown on the most recent balance sheet of PJP) of any Third Party Assets and (B) the fair market value of such Third Party Assets, minus, if applicable, (iv) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon; in each case determined as of the Shareholder Share Purchase Option Closing Date.

(c) If the Shareholder Share Purchase Option Notice is given for any reason other than those described in Section 6.05(a) or (b) above, or 6.05(d) or (e) below, then the Shareholder Share Purchase Option Price shall be (i) the greater of (A) the Fair Market Value of the Property and (B) the Option Price applicable to such Shares and (ii) any cash and cash equivalents remaining in PJP due to a legal or contractual prohibition against distributing such funds to shareholders, plus, if applicable, (iii) the Third Party Asset Price (except, in the case that the Shareholder Share Purchase Option Price is the Fair Market Value of the Shares, to the extent that such amount was taken into account in determining such Fair Market Value, minus, if applicable, (iv) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon (except, in the case that the Shareholder Share Purchase Option Price is the Fair Market Value of the Shares, to the extent that such amount was taken into account in determining such Fair Market Value); in each case determined as of the

Shareholder Share Purchase Option Closing Date.

(d) If the Shareholder Share Purchase Option Notice is given for the reason set forth in Section 10.04 of the Restated Power Sales Agreement (shortfall in insurance proceeds to repair property damage), then the Shareholder Share Purchase Option Price shall be (i) the Outstanding Investment applicable to such Shares minus \$250,000 (but not less than zero), and (ii) any cash and cash equivalents remaining in PJP due to a legal or contractual prohibition against distributing such funds to shareholders, plus, if applicable, (iii) the Net Book Value of any Third Party Assets, minus, if applicable, (iv) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon, in each case determined as of the Shareholder Share Purchase Option Closing Date.

(e) If the Shareholder Share Purchase Option Notice is given for the reason set forth in Section 13.05 of the Restated Power Sales Agreement (Extended Force Majeure), then the Shareholder Share Purchase Option Price shall be (i) the Outstanding Investment and (ii) any cash and cash equivalents remaining in PJP due to a legal or contractual prohibition against distributing such funds to shareholders, plus, if applicable, (iii) the Net Book Value of any Third Party Assets, minus, if applicable, (iv) the unpaid principal amount of any PSA Subordinated Debt plus accrued and unpaid interest thereon, in each case determined as of the Shareholder Share Purchase Option Closing Date.

Section 6.06 Fairness of Tax Gross-Up. If the Shareholder Share Purchase Option Price is determined pursuant to Section 6.05(c), (d) or (e), then the Tax Gross-Up payable by PTFI to PJP will be adjusted, if necessary, as follows:

(a) If the inaccuracy of any of the assumptions set forth in Schedule VI to the Restated Power Sales Agreement with respect to Indonesian Taxes or tax attributes shall result in an increase or decrease in Indonesian taxes payable by PJP (other than to the extent such increases or decreases are allocable to sales of electricity or electric capacity to third parties) or United States taxes payable by the Shareholders (as assumed in the Closing Model), then the Closing Model shall be amended to correct any inaccuracies set forth therein and the Tax Gross-Up shall be equitably adjusted to maintain the Closing Model's original project internal rate of return (i.e. 16.65%), with differences in prior period payments being subject to interest at the Default Interest Rate.

(b) If the highest marginal U.S. corporate income tax rate at the Shareholder Share Purchase Option Date is other than 35%, then the Closing Model shall be amended to correct this difference and the Tax Gross-Up adjusted accordingly.

(c) If any change in Indonesian Taxes shall result in an increase or decrease in the Tax Gross-Up payable by PJP pursuant to the calculation of the Tax Gross-Up in the Closing Model, then the Closing Model shall be adjusted to reflect such increase or decrease and the Tax Gross-Up adjusted accordingly.

ARTICLE 7
THE RIGHT OF FIRST REFUSAL BY PTFI
TO PURCHASE SHARES FROM THE SHAREHOLDERS

Section 7.01 Granting of the Shareholder Share Right of First Refusal. Each of the Shareholders does hereby grant to PTFI an exclusive right of first refusal, exercisable by PTFI at any time within the Option Period, to acquire any Shares and Subordinated Loans, if any, owned by such Shareholder which such Shareholder desires to sell, convey, transfer or assign (each a "Shareholder Share Transfer") to any Person other than a Shareholder or an Affiliate thereof (the "Shareholder Share Right of First Refusal"), such Shareholder Share Right of First Refusal to be maintained and honored by each Shareholder, respectively, according to the terms of this Option Agreement. Each Shareholder hereby covenants and agrees that it will not engage in any Shareholder Share Transfer except in compliance with this Article 7.

Section 7.02 Permitted Transfers. Any Shareholder may make the following Shareholder Share Transfers and no others: (a) Shareholder Share Transfers to the Shareholders or Affiliates thereof in accordance with the terms of the Restated Shareholders Agreement; (b) Shareholder Share Transfers as security in connection with a financing which is approved by PTFI; and (c) Shareholder Share Transfers in accordance with Sections 7.03 or 7.04 below.

Section 7.03 Transfer to a Pre-Approved Party. (a) Each of the Shareholders may, at its option, seek a waiver by PTFI of the Shareholder Share Right of First Refusal as hereinafter provided.

(b) Each Shareholder may make a Shareholder Share Transfer to the extent that such Shareholder (i) gives PTFI

written notice of its intention to make a Shareholder Share Transfer of any Shares and Subordinated Loans, if any (the "Shareholder Share Transfer Intent Notice"), (ii) PTFI does not notify such Shareholder, within thirty (30) Days after having received the Shareholder Share Transfer Intent Notice, of PTFI's intent to exercise its rights pursuant to this Article, and (iii) otherwise complies with the provisions of this Option Agreement. The Shareholder Share Transfer Intent Notice shall contain a description of the Shares and Subordinated Loans, if any, proposed to be the subject of the Shareholder Share Transfer (the "Available Shareholder Shares"), the names and addresses of not more than ten proposed third party purchasers and a full, accurate and complete description of the terms upon which the Shareholder Share Transfer is proposed to be made. Upon receipt of a Shareholder Share Transfer Intent Notice, PTFI shall have the option, but not the obligation, (x) to purchase the Available Shareholder Shares upon the terms proposed by such Shareholder provided that if such proposed terms include non-cash compensation which would be commercially difficult or impossible for PTFI to provide, PTFI's purchase price shall include the fair market value of such non-cash compensation as determined by agreement of PTFI and such Shareholder, or by an appraiser jointly-selected by PTFI and such shareholder of the parties are unable to agree, (y) to waive the Shareholder Share Right of First Refusal with regard to a Shareholder Share Transfer of the Available Shareholder Shares to any or all of the proposed third party purchasers (each such third party as to which PTFI waives the Shareholder Share Right of First Refusal, a "Pre-Approved Party"), or (z) to refuse to waive the Shareholder Share Right of First Refusal as to any or all of the proposed third party purchasers.

Section 7.04 Shareholder Share Right of First Refusal. Notwithstanding the failure by any Shareholder to obtain a pre-approval of a Shareholder Share Transfer pursuant to Section 7.03(b), any Shareholder may make a Shareholder Share Transfer to the extent that such Shareholder (i) receives a written offer from a Person to purchase all or a portion of its Shares and Subordinated Loans, if any, which offer such Shareholder intends to accept if the other Shareholders do not exercise their rights under the Restated Shareholders Agreement and PTFI does not exercise its rights pursuant to this Article, (ii) gives PTFI prior written notice of the offer and such Shareholder's intent to accept such offer (the "Shareholder Share Sale Notice") and PTFI does not notify such Shareholder, within ninety (90) Days after having received the Shareholder Share Sale Notice, of PTFI's intent to exercise its rights pursuant to this Article, and (iii) otherwise complies with the provisions of this Option Agreement. The Shareholder Share Sale Notice shall contain a description of the Available Shareholder Shares, the name and

address of the proposed third party purchaser and a full, accurate and complete description of the terms upon which the Shareholder Share Transfer is proposed to be made. The Shareholder Share Sale Notice shall also contain a copy of the written offer. Upon receipt of a Shareholder Share Sale Notice, PTFI shall have the option, but not the obligation, to purchase the Available Shareholder Shares upon the same terms and conditions, that the proposed Shareholder Share Transfer to the third party is to be made, or as otherwise agreed upon by PTFI and the selling Shareholder.

Section 7.05 Duration of the Shareholder Share Right of First Refusal. The Shareholder Share Right of First Refusal granted herein is irrevocable for the Option Period, shall be binding upon the parties hereto and their respective permitted successors, transferees and assigns, and is for the benefit of PTFI and its Affiliates, nominees, successors in title and assigns.

Section 7.06 Shareholder Share Right of First Refusal Closing Matters. In the event that PTFI exercises its right to purchase the Available Shareholder Shares set forth in this Article (and none of the Shareholders exercise their rights under the Restated Shareholders Agreement), the closing with respect to any Shares and Subordinated Loans, if any, to be so acquired by PTFI shall occur within one hundred eighty (180) Days of the notice by PTFI to PJP that it intends to exercise its rights and acquire the Available Shareholder Shares.

Section 7.07 Shareholder's Rights upon PTFI's Waiver. In the event that PTFI does not exercise its (i) right to purchase the Available Shareholder Shares and waives the Shareholder Share Right of First Refusal as to such Available Shareholder Shares with respect to one or more of the proposed third party purchasers specified in a Shareholder Share Transfer Intent Notice, then such Shareholder may make a Shareholder Share Transfer of those Available Shareholder Shares to a Pre-Approved Party on terms no more favorable to such Pre-Approved Party than the terms proposed in the Shareholder Share Transfer Intent Notice, or (ii) Shareholder Share Right of First Refusal as to such Available Shareholder Shares (and none of the Shareholders exercise their rights under the Restated Shareholders Agreement), then the selling Shareholder may make a Shareholder Share Transfer of such Available Shareholder Shares on the terms specified in, and to the third party identified in, the Shareholder Share Sale Notice; provided, however, in either case unless such Shareholder Share Transfer shall be consummated within one hundred eighty (180) Days of PTFI's waiver or the

expiration of the time period for PTFI to exercise its rights to purchase the Available Shareholder Shares set forth in this Article, such Shareholder may not thereafter make any Shareholder Share Transfer without again complying with the provisions of this Article.

Section 7.08 PJP Acknowledgment. PJP hereby acknowledges the Shareholder Share Right of First Refusal and agrees that it will not register or permit the registration of any Shareholder Share Transfer that is not made in compliance with the provisions of this Article 7.

ARTICLE 8 PROVISIONS APPLICABLE TO THE CLOSING

Section 8.01 Pre-Closing Obligations. Within a reasonable period of time following the giving of the notice that initiates any of the transactions set forth in this Option Agreement (each a "Notice") and a reasonable period of time prior to the closing of any of the transactions whereby PTFI acquires all of the Shares or all or substantially all of the Property as contemplated by this Option Agreement (each a "Transaction"), PJP shall deliver to PTFI: (a) a list of all Property owned by PJP; (b) a list of all employees of PJP or any Affiliate of PJP who devote all or a substantial amount of their time to the operations of PJP (the "Key Employees"); (c) copies of all contracts, licenses and permits held by PJP; (d) all other information delivered by PTFI to PJP in connection with the transfer of the New Facilities from PTFI to PJP pursuant to the New Asset Sale Agreement, including all information reflected in the schedules attached thereto; and (e) all other information and documentation that is reasonably requested by PTFI with respect to the transferor, the assets being transferred, liabilities being assumed or the operations of PJP.

Section 8.02 Closing. The closing of any Transaction (each a "Closing") shall occur on such date and in such location as the parties may agree; provided that, if the parties cannot agree, the closing shall occur in the offices of PTFI in either New Orleans, Louisiana or Jakarta, Indonesia, at PTFI's option, on the Business Day immediately following the occurrence or waiver by PTFI of the last of the conditions to closing set forth in Article 9, except that, absent such agreement in the case of a Transaction under Article 4, the Closing shall occur at such place in New York, New York as PJP shall specify (i) immediately (in the case of an Event of Default under Section 16.01(c) of the Restated Power Sales Agreement), (ii) within one hundred and eighty (180) Days of the Mandatory Purchase Right Exercise Notice

Date (in the case of an Event of Default under Section 16.01(a) or (b) of the Restated Power Sales Agreement), or (iii) within thirty (30) Days of the Mandatory Purchase Right Exercise Notice Date (in the case of an Event of Default under Section 16.01(f) of the Restated Power Sales Agreement), or if any such day is not a Business Day, on the next succeeding Business Day. At the Closing, each of the parties shall execute and deliver to the other party any and all documents and agreements that are reasonably requested by the other party to effectuate the Transaction and PTFI shall deliver the appropriate purchase price to the transferor by wire transfer or cashier's check.

Section 8.03 Representations and Warranties at Closing. Except in the case of a Transaction under Article 4, the definitive documents to be executed by the parties in connection with the Closing (the "Definitive Documents") shall contain representations, warranties and covenants by the transferor of Shares or Property, as the case may be (the "Transferor"), that are substantially similar to (i) the representations and warranties set forth in Sections 3.01, 3.02, 3.03, 3.07, 3.10 and 3.13 of the New Asset Sale Agreement and a representation and warranty that PJP has no material liabilities not disclosed on its most recent audited balance sheet or otherwise disclosed to PTFI in writing, and (ii) the covenants set forth in Sections 5.01, 5.02 5.04 and Article 7 of the New Asset Sale Agreement with regard to PTFI, to the extent applicable. In connection with any Transaction set forth in Articles 5, 6 or 7, the Definitive Documents shall also include representations and warranties by the transferor: (a) that the Shares being acquired by PTFI are fully paid, non-assessable, (b) that legal and beneficial title to such Shares is held by the Transferor free and clear of any and all Liens (except Liens in favor of the Senior Secured Lenders), and (c) that the transfer documents are sufficient to transfer to PTFI all of the Transferor's right, title and interest in and to the Shares being transferred.

Section 8.04 Indemnity. Except in the case of a Transaction under Article 4, the Definitive Documents shall contain an indemnity by the Transferor that is substantially similar to the indemnification provisions that are set forth in Section 10.01 of the New Asset Sale Agreement with regard to PTFI.

Section 8.05 No Contravention. Except in the case of a Transaction under Article 4, the Definitive Documents in connection with any Transaction set forth in Articles 2, 3 or 4 shall contain a provision substantially similar to Section 2. of the New Asset Sale Agreement.

Section 8.06 Closing Costs. Each party to any Transaction shall bear all of the costs of its personnel, attorneys and advisors in connection with the preparation and negotiation of the Definitive Documents, other documents to be furnished by it and, except as provided below in this Section 8.06, otherwise in connection with any Transaction; provided, that if any Transaction hereunder occurs subsequent to a PTFI Event of Default, PTFI shall bear all attorneys' costs incurred in connection with such Transaction. All transfer and other taxes, all notarial and filing costs and fees, and all similar third party costs which are incurred as a result of any Transaction (the "Closing Costs") shall be paid by PTFI; provided, however, if the Transaction results from PTFI's exercise of its rights under Sections 2.05(a), 2.05(b), 6.05(a) or 6.05(b), then PJP or the Shareholders, as applicable, shall pay such Closing Costs.

Section 8.07 Employees. In connection with any Transaction involving all of the Shares or all or substantially all of the Property set forth in Articles 2, 3, 4 or 6, PTFI shall be permitted to hire from PJP or its Affiliates any or all of the Key Employees that PTFI identifies to PJP in writing, and PJP agrees that it will terminate at, but not prior to, the Closing any Key Employees that PTFI so indicates that it would like to hire. Except in the case of a transaction under Article 4, each of PJP and the Shareholders agrees that neither PJP, any Shareholder nor any Affiliate of any of them will give any new offer of employment (or any offer which is similar to employment, such as a consulting arrangement) to any such Key Employee for an eighteen (18) month period beginning on the date of any Notice under this Option Agreement. PJP agrees not to interfere with the hiring by PTFI of any Key Employees, and PJP hereby waives any claims or rights that PJP may have with respect to any such hiring.

Section 8.08 Assumption or Payment of Obligations by PTFI. In connection with and as a condition to any purchase of all or substantially all of the Property pursuant to Articles 2, 3 or 4, PTFI shall assume, indemnify and hold PJP harmless from, unless there has occurred and is continuing an Event of Default under the Restated Power Sales Agreement relating to PTFI, in which case PTFI shall pay and discharge in full (i) all outstanding principal, interest and other amounts payable by PJP, or an Affiliate of PJP, to the Senior Secured Lenders under the Financing Documents and, to the extent approved by PTFI, other Debt of PJP, (ii) all of the other obligations and liabilities of PJP as to which PTFI has an obligation to reimburse PJP pursuant to the Restated Power Sales Agreement or would have been required to reimburse PJP pursuant to the Restated Power Sales Agreement

if PJP had continued to operate the Property or portion of the Property so purchased by PTFI, (iii) all obligations and liabilities of PJP under contracts for the sale of electricity to third parties to which PTFI has previously consented pursuant to the Restated Power Sales Agreement and (iv) for the period after the closing date of such purchase, all obligations and liabilities of PJP under all contracts between PJP and one or more third parties that are assumed by PTFI. It is expressly understood by the parties that the obligations of PTFI under clause (i) of this Section 8.08 are absolute and unconditional and shall be performed by PTFI (A) on the date on which the Restated Power Sales Agreement is terminated due to an Event of Default by either PTFI or PJP and (B) regardless of whether or not PJP complies with any Section of this Article 8 and regardless of whether any of the conditions set forth in Article 9 is satisfied.

Section 8.09 No Liens. In connection with each of the Transactions set forth in Articles 2, 3 or 4, all of the Property shall be transferred to PTFI free and clear of any and all Liens other than Permitted Liens or Liens created by the acts or omissions of PTFI.

Section 8.10 Post-Closing Transition Obligations. For a reasonable period of time following the Closing, each of PJP and the Shareholders shall provide to PTFI any and all reasonable assistance requested by PTFI in connection with the transition of the ownership, operation and maintenance of the Facilities. PTFI shall reimburse PJP and the Shareholders within a reasonable period of time following receipt of an invoice for any direct, reasonable, out-of-pocket expenses in connection with any such transitional assistance.

Section 8.11 Risk of Loss. Pending any Closing, the risk of loss or damage to the Property or Shares being transferred by fire or other casualty or its taking or damage by condemnation shall be on the Transferor.

ARTICLE 9 CONDITIONS TO CLOSING

Section 9.01 Conditions to the Obligations of Each Party at the Closing. The obligations of each party to consummate the Closing are subject to the satisfaction of the following conditions (except that, in the case of a transaction under Article 4, any condition which cannot be satisfied as a result of

any act or omission on the part of PTFI shall be waived):

(a) No provision of any applicable law or regulation and no judgment, injunction, order or decree shall (i) prohibit the consummation of the Closing or (ii) restrain, prohibit or otherwise materially interfere with the effective operation of all or any portion of the Property.

(b) All actions by or in respect of or filings with any governmental body, agency, official or authority required to permit the consummation of the Closing, including, without limitation, all approvals set forth in any Schedule produced by the Transferor pursuant to Section 8.01 or 8.03 hereto, any approval of the BKPM, PLN, MOME, BPN, the Bank of Indonesia and any other department, Ministry or agency of the Indonesian Government necessary for the transfer scheduled to be consummated at the Closing, for the parties to execute the Definitive Documents and for the continued operation of the Property.

(c) There shall have been no Material Adverse Effect with respect to the Property since the date of the Notice.

(d) PTFI shall have obtained all approvals and consents required under its contractual arrangements in connection with the execution of the Definitive Documents.

(e) As of the date of the Closing, PJP shall not be in violation of any law or regulation relating to the Property, except for violations which could not reasonably be expected to have a Material Adverse Effect, and there shall be no action, suit, investigation or proceeding pending, or to PJP's knowledge threatened, against or affecting the Property before any court or arbitrator or any governmental body, agency or official which is reasonably likely to be determined or resolved in a manner which could reasonably be expected to have a Material Adverse Effect or which in any manner challenges or seeks to prevent, enjoin or materially alter or delay the transactions contemplated hereby or by the Definitive Documents.

(f) Each of the Definitive Documents shall have been executed and delivered in form and substance satisfactory to the parties thereto and shall be in full

force and effect, and no default by any party thereto in the performance of its obligations thereunder shall have occurred and be continuing.

Section 9.02 Conditions to Obligation of the Transferor at the Closing. The obligation of the Transferor to consummate the Closing is also subject to the satisfaction of the following further conditions:

(a) PTFI shall have performed in all material respects all of its obligations hereunder required to be performed by it on or prior to the Closing, the representations and warranties of PTFI set forth in the

Definitive Documents shall be true in all material respects at and as of the Closing, as if made at and as of such date and the Transferor shall have received a certificate signed by an authorized officer of PTFI to the foregoing effect.

(b) With respect to the Closing, (i) the Transferor shall have received all consents, authorizations or approvals from governmental agencies which are required to effectuate the Transfer, in each case in form and substance reasonably satisfactory to the Transferor and no such consent, authorization or approval shall have been revoked and no proceeding or formal investigation shall have been commenced to revoke such consent, authorization or approval and (ii) the Transferor shall have received such legal opinions as it shall reasonably request.

Section 9.03 Conditions to the Obligations of PTFI at the Closing. The obligations of PTFI to consummate the Closing is also subject to the satisfaction of the following further conditions (except that, in the case of a transaction under Article 4, any conditionn which cannot be satisfied as a result of any act or omission on the part of PTFI shall be waived):

(a) the Transferor shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing, the representations and warranties of the Transferor set forth in the Definitive Documents shall be true in all material respects at and as of the Closing, as if made at and as of such date and PTFI shall have received a certificate signed by an authorized representative of the Transferor to the foregoing effect.

(b) PTFI shall have received all consents, permits, authorizations or approvals from any governmental agencies required to effectuate the Transfer to be consummated at the Closing, and each shall be in form and substance reasonably satisfactory to PTFI, and no such consent, permit, authorization or approval shall have been revoked and no proceeding or formal investigation shall have been commenced to revoke such consent, authorization or approval.

ARTICLE 10 COVENANTS

Section 10.01 Single Purpose Entity. Each of the Shareholders hereby covenants and agrees that during the Option Period it shall vote its Shares, and shall instruct any of PJP's commissioners and directors nominated by it, to retain PJP's status as a single purpose entity whose only business is the ownership and operation of electric generation, transmission and distribution facilities in the area in which PTFI conducts its operations pursuant to the COW.

Section 10.02 Transferee to be Bound. PJP hereby covenants and agrees to cause any Person to whom any Property (other than non-essential Property as contemplated by Section 3.01) is sold, conveyed, transferred or assigned to execute such document or documents, in form and substance reasonably satisfactory to each other party, as will expressly bind such transferee to the terms of this Option Agreement. PJP and each of the Shareholders hereby covenants and agrees to cause any Person to whom it issues, sells, conveys, transfers or assigns any Shares to execute such document or documents, in form and substance reasonably satisfactory to each other party, as will expressly bind such transferee to the terms of this Option Agreement.

Section 10.03 Notification of Changes. PJP and each of the Shareholders hereby covenants and agrees that during the Option Period it shall promptly inform PTFI of any (i) proposed change to the Articles, the Restated Shareholders Agreement and any other document or agreement governing the relationship between the Shareholders or between the Shareholders and PJP, (ii) proposed transfer of non-essential Property to a Shareholder or an Affiliate thereof as contemplated by Section 3.01, (iii) proposed issuance, sale, conveyance, transfer or assignment of Shares by PJP to any Shareholder or Affiliate thereof, (iv) proposed sale, conveyance, transfer or assignment of Shares to

any Shareholder to any other Shareholder or an Affiliate thereof, (v) any proposed Change in Control and (vi) incurrence of any material liability by PJP.

Section 10.04 Cooperation. Each party hereto hereby covenants and agrees to use all reasonable efforts to cooperate with each other Party to this Agreement in fulfilling its obligations hereunder including, but not limited to, executing consents and other documents, attending meetings and doing such other things as are reasonably necessary in order that the Conditions to Closing set forth in Article 9 are fulfilled prior to the Closing Date of any Transaction, even though not a party to such Transaction.

ARTICLE 11
MISCELLANEOUS

Section 11.01 Notices. All notices, requests and other communications to either party hereunder (i) shall be in writing (including facsimile transmissions), (ii) shall be given

if to PTFI, to:

P.T. Freeport Indonesia Company
Plaza 89, 5th Floor
Jl. HR. Rasuna Said, Kav. X-7, No. 6
Jakarta 12940
INDONESIA
Attention: President Director
Telecopy: 011-62-21-850-4535

with a copy to:

P.T. Freeport Indonesia Company
1615 Poydras Street
New Orleans, Louisiana 70112
U.S.A.
Attention: General Counsel
Telecopy: 504-582-1603

if to PJP, to:

P.T. Puncakjaya Power
Plaza 89, 6th Floor
Jl. HR. Rasuna Said Kav. X-7 No. 6
Jakarta 12940
INDONESIA
Attention: President Director
Telecopy: 011-62-21-850-8178

with a copy to:

P.T. Puncakjaya Power
c/o Duke Energy International LLC
Suite 1800
400 South Tryon Street
Charlotte, North Carolina 28285
U.S.A.
Attention: Puncakjaya Power Project Administrator
Telecopy: 704-382-9325

if to DIJ, to:

Duke Irian Jaya, Inc.
1105 North Market Street
Suite 1300
P.O. Box 8985
Wilmington, Delaware 19899
U.S.A.
Attention: President
Telecopy: 302-427-7663

if to WPI, to:

Westcoast Power, Inc.
Suite 600, Park Place
666 Burrard Street
Vancouver, British Columbia V6C 3M8
CANADA
Attention: Vice President, Indonesia
Telecopy: 604-488-8140

and if to PNJ, to:

P.T. Prasarana Nusantara Jaya

Plaza 89, Suite 601
Jl. HR. Rasuna Said, Kav. X-7, No. 6
Jakarta
INDONESIA
Attn: Managing Director
Telecopy: 011-62-21-850-6743

and (iii) shall be sent either (A) internationally recognized express courier service (postage prepaid) that guarantees delivery to the intended destination within a specified number of days or (B) by telecopier with a hard copy sent in accordance with (A) above. All such notices, requests and other communications shall be deemed received two days after they are sent if sent in accordance with (B) above and if sent by in accordance with (A) above, in accordance with (A) above, in the number of days following the delivery to the carrier which is equal to the number of days within which the carrier guarantees delivery to the intended destination.

Section 11.02 Amendments and Waivers. (a) Any provision of this Option Agreement may be amended or waived if and only if such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Option Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law, subject to the limitations herein set forth.

Section 11.03 Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with this Option Agreement shall be paid by the party incurring such cost or expense.

Section 11.04 Successors and Assigns. The provisions of this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Option Agreement without the prior written consent of the other

party hereto.

Section 11.05 Assignment. PTFI shall not be permitted to assign its rights or obligations under this Option Agreement without the prior written consent of the other parties.

Section 11.06 Governing Law. This Option Agreement shall be governed by and construed in accordance with the law of the State of New York without regard to principles of conflicts of laws.

Section 11.07 Counterparts; Effectiveness. This Option Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Option Agreement shall become effective when signed by all parties hereto.

Section 11.08 Entire Agreement; Third Party Beneficiaries. This Option Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Option Agreement. Nothing in this Option Agreement is intended to confer upon any Person other than the Parties hereto and their successors and assigns any rights or remedies hereunder. This Option Agreement shall remain in full force and effect and shall not be terminated by either of the Parties during the Option Period.

Section 11.09 Confidentiality. Each party hereto will hold, and will use its reasonable efforts to cause its respective officers, directors, employees, accountants, counsel, consultants, advisers and agents to hold, in confidence for a period of five (5) years commencing with the date of receipt thereof, unless compelled to disclose by judicial or administrative process or by other requirements of law, all documents and information furnished to such party, as applicable, or any of its respective Affiliates in connection with the transactions contemplated by this Option Agreement to the extent that the documents or the context of their disclosure indicate that they are intended to be confidential, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by it, (ii) in the public domain through no fault of it, or (iii) later lawfully acquired by it from sources other than such party, as applicable; provided, that PJP may disclose such information to its officers, directors,

employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by the Restated Power Sales Agreement and to prospective lenders or purchasers of PJP debt instruments in connection with obtaining the financing for the transactions contemplated by the New Asset Sale Agreement and the refinancing of the Existing Assets, so long as such Persons are informed by PJP of the confidential nature of such information and are directed by PJP to treat such information confidentially and, in the case of prospective lenders or purchasers of PJP debt instruments, agree in writing to be bound by the terms of this confidentiality provision or other confidentiality provisions acceptable to PJP. The obligation of each party and its respective Affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Option Agreement is terminated, each party and its respective Affiliates will, and will use their reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to each other party, as applicable, upon request, all documents and other materials, and all copies thereof, obtained by each such party or its Affiliates or on its behalf from each other party, as applicable, in connection with this Option Agreement that are subject to such confidence.

Section 11.10 Captions. The captions herein are included for convenience of reference only and shall not be used in the construction of interpretation hereof.

Section 11.11 Survival. Except as expressly provided in this Option Agreement, the covenants, agreements, representations and warranties of the parties hereto set forth in this Option Agreement or in any certificate or other writing pursuant hereto or in connection herewith shall not survive the Closing at which they were made.

IN WITNESS WHEREOF, the parties hereto have caused this Option Agreement to be duly executed by their respective authorized officers as of the day and year first written above.

P.T. FREEPORT INDONESIA COMPANY

By: Signed
Name:
Title:

SECTION 3.03	TRANSFER TO A PRE-APPROVED PARTY.....	6
SECTION 3.04	RIGHT OF FIRST REFUSAL.....	6
SECTION 3.05	DURATION OF THE RIGHT OF FIRST REFUSAL AS TO PROPERTY.....	7
SECTION 3.06	RIGHT OF FIRST REFUSAL AS TO PROPERTY CLOSING MATTERS.....	7
SECTION 3.07	PJP'S RIGHTS UPON PTFI'S WAIVER.....	7
ARTICLE 4 THE RIGHT OF PJP TO REQUIRE PTFI TO OFFER TO PURCHASE THE PROPERTY OR THE SHARES.....		
SECTION 4.01	GRANTING OF THE RIGHT TO REQUIRE THE OFFER TO PURCHASE PROPERTY OR SHARES	7
SECTION 4.02	FEE FOR THE MANDATORY PURCHASE RIGHT.....	8
SECTION 4.03	MANDATORY PURCHASE RIGHT IRREVOCABLE AND BINDING.	8
SECTION 4.04	PROCEDURES FOR EXERCISE OF MANDATORY PURCHASE RIGHT.....	8
SECTION 4.05	MANDATORY PURCHASE RIGHT PURCHASE PRICE.....	9
ARTICLE 5 THE RIGHT OF FIRST REFUSAL BY PTFI TO PURCHASE SHARES FROM PJP.....		
SECTION 5.01	GRANTING OF THE PJP RIGHT OF FIRST REFUSAL AS TO PORTFOLIO SHARES	9
SECTION 5.02	PERMITTED TRANSFERS.....	9
SECTION 5.03	ISSUANCE TO A PRE-APPROVED PARTY.....	9
SECTION 5.04	PJP SHARE RIGHT OF FIRST REFUSAL.....	10
SECTION 5.05	DURATION OF THE PJP RIGHT OF FIRST REFUSAL AS TO PORTFOLIO SHARES	10
SECTION 5.06	RIGHT OF FIRST REFUSAL AS TO PORTFOLIO SHARES CLOSING MATTERS	10
SECTION 5.07	PJP'S RIGHTS UPON PTFI'S WAIVER.....	11
ARTICLE 6 THE OPTION BY PTFI TO PURCHASE SHARES FROM THE SHAREHOLDERS.....		
SECTION 6.01	GRANTING OF THE SHAREHOLDER SHARE PURCHASE OPTION.	11
SECTION 6.02	FEE FOR THE SHAREHOLDER SHARE PURCHASE OPTION...	11
SECTION 6.03	OPTION IRREVOCABLE AND BINDING.....	11
SECTION 6.04	PROCEDURES FOR EXERCISE OF OPTION.....	12
SECTION 6.05	SHAREHOLDER SHARE PURCHASE OPTION PRICE.....	12
SECTION 6.06	FAIRNESS OF TAX GROSS-UP.....	13
ARTICLE 7 THE RIGHT OF FIRST REFUSAL BY PTFI TO PURCHASE SHARES FROM THE SHAREHOLDERS.....		
SECTION 7.01	GRANTING OF THE SHAREHOLDER SHARE RIGHT OF FIRST REFUSAL.....	14
SECTION 7.02	PERMITTED TRANSFERS.....	14
SECTION 7.03	TRANSFER TO A PRE-APPROVED PARTY.....	14
SECTION 7.04	SHAREHOLDER SHARE RIGHT OF FIRST REFUSAL.....	15

SECTION 7.05 DURATION OF THE SHAREHOLDER SHARE RIGHT OF FIRST REFUSAL.....	15
SECTION 7.06 SHAREHOLDER S HARE RIGHT OF FIRST REFUSAL CLOSING MATTERS.....	16
SECTION 7.07 SHAREHOLDER'S RIGHTS UPON PTFI'S WAIVER.....	16
SECTION 7.08 PJP ACKNOWLEDGMENT.....	16
ARTICLE 8 PROVISIONS APPLICABLE TO THE CLOSING.....	15
SECTION 8.01 PRE-CLOSING OBLIGATIONS.....	16
SECTION 8.02 CLOSING.....	17
SECTION 8.03 REPRESENTATIONS AND WARRANTIES AT CLOSING.....	17
SECTION 8.04 INDEMNITY.....	17
SECTION 8.05 NO CONTRAVENTION.....	17
SECTION 8.06 CLOSING COSTS.....	18
SECTION 8.07 EMPLOYEES.....	18
SECTION 8.08 ASSUMPTION OR PAYMENT OF OBLIGATIONS BY PTFI....	18
SECTION 8.09 NO LIENS.....	19
SECTION 8.10 POST-CLOSING TRANSITION OBLIGATIONS.....	19
SECTION 8.11 RISK OF LOSS.....	19
ARTICLE 9 CONDITIONS TO CLOSING.....	19
SECTION 9.01 CONDITIONS TO THE OBLIGATIONS OF EACH PARTY AT THE CLOSING.....	19
SECTION 9.02 CONDITIONS TO OBLIGATION OF THE TRANSFEROR AT THE CLOSING.....	20
SECTION 9.03 CONDITIONS TO THE OBLIGATIONS OF PTFI AT THE CLOSING.....	20
ARTICLE 10 COVENANTS.....	21
SECTION 10.01 SINGLE PURPOSE ENTITY.....	21
SECTION 10.02 TRANSFEREE TO BE BOUND.....	21
SECTION 10.03 NOTIFICATION OF CHANGES.....	21
SECTION 10.04 COOPERATION.....	22
ARTICLE 11 MISCELLANEOUS.....	22
SECTION 11.01 NOTICES.....	22
SECTION 11.02 AMENDMENTS AND WAIVERS.....	24
SECTION 11.03 EXPENSES.....	24
SECTION 11.04 SUCCESSORS AND ASSIGNS.....	24
SECTION 11.05 ASSIGNMENT.....	25
SECTION 11.06 GOVERNING LAW.....	25
SECTION 11.07 COUNTERPARTS; EFFECTIVENESS.....	25
SECTION 11.08 ENTIRE AGREEMENT; THIRD PARTY BENEFICIARIES....	25
SECTION 11.09 CONFIDENTIALITY.....	25
SECTION 11.10 CAPTIONS.....	26
SECTION 11.11 SURVIVAL.....	26

FREEPORT-McMoRan COPPER & GOLD INC.

((Deeffined terms shall have the same meaning as in the Plan unless otherwise defined herein)

1. Option with Limited Right Awards. Awards of Options under the Plan that include Limited Rights but that do not contain a tax-offset payment right feature pursuant to Section 6(c) of the Plan shall have the terms and conditions set forth in the form of Nonqualified Stock Option and Limited Right Agreement attached hereto as Exhibit A.

2. Option with Tax-Offset Payment Right and Limited Right Awards. Awards of Options under the Plan that include a tax-offset payment right feature pursuant to Section 6(c) of the Plan and Limited Rights shall have the terms and conditions set forth in the form of Nonqualified Tax-Offset Stock Option and Limited Right Agreement attached hereto as Exhibit B.

3. Option with Tax-Offset Payment Right Awards. Awards of Options under the Plan that include a tax-offset payment right feature pursuant to Section 6(c) of the Plan but that do not include Limited Rights shall have the terms and conditions set forth in the form of Nonqualified Tax-Offset Stock Option Agreement attached hereto as Exhibit C.

4. SAR Awards. Awards of freestanding SARs under the Plan shall have the terms and conditions set forth in the form of Stock Appreciation Rights Agreement attached hereto as Exhibit D.

5. Stock Incentive Unit Awards. Awards of Stock Incentive Units under the Plan shall have the terms and conditions set forth in the form of Stock Incentive Unit Agreement attached hereto as Exhibit E.

6. Designation of Beneficiary. A Participant shall be entitled to designate one or more beneficiaries to receive all or any portion of the amounts distributable or the benefits due to such Participant in connection with any Award in the event of such Participant's death. Such designation shall be filed with such department or officer of the Company, and in accordance with

such procedures, as the Secretary or such officer's designee shall determine, shall be filed on the form adopted by such officer from time to time for such purpose, and shall be immediately effective upon receipt by such department or officer.

In the case of conflicting or inconsistent designations, the Committee shall be entitled to honor and shall be fully protected in complying with the most recently received such designation. All decisions as to the validity or adequacy of such designations shall be made by the Committee in its sole discretion; however, the acceptance or receipt of any such designation shall imply no conclusion on the part of the Committee as to the validity or adequacy thereof. There shall be no limit on the number of designations that a Participant may file or the timing thereof. In the event of a Participant's death, amounts distributable to any such Participant under the Plan that are subject to any such designation, to the extent such designation is valid and enforceable under applicable law, shall be distributed to the respective designee(s). Any other amounts distributable to such Participant under the Plan shall be distributable to such Participant's estate. If there shall be any question as to the legal right of any designee or beneficiary to receive any such distribution, or the legal obligation of the employer in respect thereto, the amount or property in question may be distributed to such Participant's estate, in which event neither the Committee nor the Participant's employer shall have any further liability to anyone with respect to any such amount or property.

7. Fair Market Value. For any purpose relevant under the Plan other than the determination of the exercise price or grant price of Awards made immediately prior to the Distribution pursuant to Sections 6, 7, 8, and 9 of the Plan, the fair market value of a Share shall be the average of the high and low quoted per Share sale prices on the Composite Tape for New York Stock Exchange-Listed Stocks on the date in question or, if there are no reported sales on such date, on the last preceding date on which any reported sale occurred. If on the date in question the Shares are not listed on such Composite Tape, the fair market value shall be the average of the high and low quoted sale prices on the New York Stock Exchange on such date or, if no sales occurred on such date, on the last previous day on which a sale on the New York Stock Exchange is reported.

8. Method of Exercise. Awards must be exercised by delivering written notice to the Company on forms promulgated by the Office of the Secretary and, with respect to Options or portions thereof, payment of the purchase price thereof in full.

Any such exercise shall be effective upon receipt by the Company of such notice and, if applicable, such payment. Unless the Committee shall determine otherwise in any particular case, such payment may be made in cash, cash equivalent (which may be the personal check of the exercising holder of the Award or ancillary

payments assigned in accordance with Section 10 hereof) or Shares already owned by such holder, or a combination thereof, having an aggregate fair market value equal to the aggregate exercise price of the Shares with respect to which the Option is exercised. Shares tendered or identified for payment must be held by the exercising holder of the Award in certificated form.

9. Withholding. Exercising Participants in respect of whom the Company is obligated to remit withholding or other payroll taxes must remit any applicable amounts in cash or cash equivalent (which may be the personal check of the exercising Participant) at the time of an Award exercise or promptly thereafter; provided, however, the Company shall have no obligation to deliver Shares pursuant to the exercise of an Award, in whole or in part, until such taxes are remitted.

10. Assignment of Ancillary Payments. Any amounts due upon exercise of an Award may be offset by the waiver or assignment of any cash payment associated with such Award to which the holder of the Award is entitled or any cash payments to which the holder of the Award is entitled in connection with another Award under the Plan that is exercised effective the same date.

11. Retirement. Any Participant who ceases to provide services to the Related Entities (as that capitalized term is defined in the forms of agreements attached hereto as Exhibits A, B, D, and E) and who is determined by the Company to have provided significant services to any of the Related Entities in the course of his or her career shall be deemed to have retired for purposes of the Plan or any Award Agreement thereunder, whether or not such Participant satisfies the criteria for retirement under any tax qualified retirement plan of any of the Related Entities.

FREEPORT-McMoRan COPPER & GOLD INC.
1995 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

ARTICLE I

PURPOSE OF THE PLAN

The purpose of the 1995 Stock Option Plan for Non-Employee Directors (the "Plan") is to align more closely the interests of the non-employee directors of Freeport-McMoRan Copper & Gold Inc. (the "Company") with that of the Company's stockholders by providing for the automatic grant to such directors of stock options ("Options") to purchase Shares (as hereinafter defined), in accordance with the terms of the Plan.

ARTICLE II

DEFINITIONS

For the purposes of this Plan, the following terms shall have the meanings indicated:

Applicable Rate: With respect to the exercise of an Option, the rate, expressed as a percentage, determined according to the following formula:

$$x \text{ divided by } (1-x)$$

in which x equals the maximum federal income tax rate applicable to individuals in effect on the date of such exercise of such Option.

Board: The Board of Directors of the Company.

Change in Control: A Change in Control shall be deemed to have occurred if either (a) any person, or any two or more persons acting as a group, and all affiliates of such person or persons, shall, otherwise than as a result of the Distribution, beneficially own more than 20% of all classes and series of the Company's stock outstanding, taken as a whole, that has voting rights with respect to the election of directors of the Company

(not including any series of preferred stock of the Company that has the right to elect directors only upon the failure of the Company to pay dividends) pursuant to a tender offer, exchange offer or series of purchases or other acquisitions, or any combination of those transactions, or (b) there shall be a change in the composition of the Board at any time within two years after any tender offer, exchange offer, merger, consolidation, sale of assets or contested election, or any combination of those transactions (a "Transaction"), so that (i) the persons who were directors of the Company immediately before the first such Transaction cease to constitute a majority of the Board of Directors of the corporation which shall thereafter be in control of the companies that were parties to or otherwise involved in such Transaction, or (ii) the number of persons who shall thereafter be directors of such corporation shall be fewer than two-thirds of the number of directors of the Company immediately prior to such first Transaction. A Change in Control shall be deemed to take place upon the first to occur of the events specified in the foregoing clauses (a) and (b).

Code: The Internal Revenue Code of 1986, as amended from time to time.

Committee: A committee of the Board designated by the Board to administer the Plan and composed of not fewer than two directors, each of whom, to the extent necessary to comply with Rule 16b-3 only, is a "non-employee director" within the meaning of Rule 16b-3 and, to the extent necessary to comply with Section 162(m) only, is an "outside director" under Section 162(m). Until otherwise determined by the Board, the Committee shall be the Corporate Personnel Committee of the Board.

Distribution: The distribution by Freeport-McMoRan Inc. ("FTX") of all the then outstanding Shares owned by FTX to the holders of FTX common stock.

Eligible Director: A director of the Company who is not, and within the preceding one year has not been, an officer or an employee of the Company or a Subsidiary, an officer or an employee of an entity with which the Company has contracted to receive executive or management services, or otherwise eligible for selection to participate in any plan of the Company or any Subsidiary that entitles the participants therein to acquire stock, stock options or stock appreciation rights of the Company or its Subsidiaries.

Exchange Act: The Securities Exchange Act of 1934, as amended from time to time.

Fair Market Value: The average of the per Share high and low quoted sale prices on the date in question (or, if there

is no reported sale on such date, on the last preceding date on which any reported sale occurred) on the principal exchange or market where such Shares are quoted.

Grant Date: The first day of the first month following the month in which the Distribution occurs.

Option Cancellation Gain: With respect to the cancellation of an Option pursuant to Section 3 of Article IV hereof, the excess of the Fair Market Value as of the Option Cancellation Date (as that term is defined in Section 3 of Article IV hereof) of all the outstanding Shares covered by such Option, whether or not then exercisable, over the purchase price of such Shares under such Option.

Option Gain: The excess of the Fair Market Value of the Shares covered by the exercise of an Option over the purchase price of such Shares under such Option, as such Fair Market Value is determined on the date of such exercise.

Rule 16b-3: Rule 16b-3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

SEC: The Securities and Exchange Commission, including the staff thereof, or any successor thereto.

Section 162(m): Section 162(m) of the Code and all regulations promulgated thereunder as in effect from time to time.

Shares: Shares of Class B Common Stock, par value \$0.10 per share, of the Company and any shares into which such Shares may be converted or combined in accordance with the terms of the Company's Certificate of Incorporation.

Subsidiary: Any corporation of which stock representing at least 50% of the ordinary voting power is owned, directly or indirectly, by the Company; and any other entity of which equity securities or interests representing at least 50% of the ordinary voting power or 50% of the total value of all classes of equity securities or interests of such entity are owned, directly or indirectly, by the Company.

ARTICLE III

ADMINISTRATION OF THE PLAN

This Plan shall be administered by the Board. The Board will interpret this Plan and may from time to time adopt

such rules and regulations for carrying out the terms and provisions of this Plan as it may deem best; however, the Board shall have no discretion with respect to the selection of directors who receive Options, the timing of the grant of Options, the number of Shares subject to any Options or the purchase price thereof. Notwithstanding the foregoing, the Committee shall have the authority to make all determinations with respect to the transferability of Options in accordance with Article VIII hereof. All determinations by the Board or the Committee shall be made by the affirmative vote of a majority of its respective members, but any determination reduced to writing and signed by a majority of its respective members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. Subject to any applicable provisions of the Company's By-Laws or of this Plan, all determinations by the Board and the Committee pursuant to the provisions of this Plan, and all related orders or resolutions of the Board and the Committee, shall be final, conclusive and binding on all persons, including the Company and its stockholders, employees, directors and optionees. In the event of any conflict or inconsistency between determinations, orders, resolutions, or other actions of the Committee and the Board taken in connection with this Plan, the action of the Board shall control.

ARTICLE IV

STOCK SUBJECT TO THE PLAN

SECTION 1. The Shares to be issued or delivered upon exercise of Options shall be made available, at the discretion of the Board, either from the authorized but unissued Shares of the Company or from Shares reacquired by the Company, including Shares purchased by the Company in the open market or otherwise obtained; provided, however, that the Company, at the discretion of the Board, may, upon exercise of Options granted under this Plan, cause a Subsidiary to deliver Shares held by such Subsidiary.

SECTION 2. Subject to the provisions of Section 3 of this Article IV, the aggregate number of Shares which may be purchased pursuant to Options shall not exceed 2,000,000.

SECTION 3. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, Subsidiary securities, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase

Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee may, in its sole discretion and in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) subject to outstanding Options, and (ii) the grant or exercise price with respect to any Option or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Option; provided, that the number of Shares subject to any Option denominated in Shares shall always be a whole number. In the event the Company is merged or consolidated into or with another corporation in a transaction in which the Company is not the survivor, or in the event that substantially all of the Company's assets are sold to another entity not affiliated with the Company, any holder of an Option whether or not then exercisable, shall be entitled to receive (unless the Company shall take such alternative action as may be necessary to preserve the economic benefit of the Option for the optionee) on the effective date of any such transaction (the "Option Cancellation Date"), in cancellation of such Option, an amount in cash equal to the Option Cancellation Gain relating thereto, determined as of the Option Cancellation Date.

ARTICLE V

PURCHASE PRICE OF OPTIONED SHARES

The purchase price per Share under each Option shall be 100% of the Fair Market Value of a Share at the time such Option is granted, but in no case shall such price be less than the par value of the Shares subject to such Option.

ARTICLE VI

ELIGIBILITY OF RECIPIENTS

Options will be granted only to individuals who are Eligible Directors at the time of such grant.

ARTICLE VII

GRANT OF OPTIONS

SECTION 1. Each Option shall constitute a nonqualified stock option which is not intended to qualify under Section 422

of the Code.

SECTION 2. On the Grant Date in 1995 and on the anniversary of such date in each subsequent year through and including 2004, each Eligible Director, as of each such date, shall be granted an Option to purchase 10,000 Shares. Each Option shall become exercisable with respect to 2,500 Shares on each of the first, second, third and fourth anniversaries of the date of grant and may be exercised by the holder thereof with respect to all or any part of the Shares comprising each installment as such holder may elect at any time after such installment becomes exercisable but no later than the termination date of such Option; provided that each Option shall become exercisable in full upon a Change in Control.

SECTION 3. Each Option shall provide that, promptly following the exercise of all or any portion of such Option, the Company shall pay to the holder of such Option an amount in cash equal to the Option Gain multiplied by the Applicable Rate. If an Option has been transferred pursuant to clause (c) of Article VIII hereof, the right to any payment under this Article VII, Section 3 remains with the original holder of the Option, except that in the case of a transfer pursuant to a domestic relations order, such payment shall be made to the spouse responsible for the federal income tax related to the Option exercise.

ARTICLE VIII

TRANSFERABILITY OF OPTIONS

No Options granted hereunder may be transferred, pledged, assigned or otherwise encumbered by an optionee except:

(a) by will;

(b) by the laws of descent and distribution; or

(c) if permitted by the Committee and so provided in the Option or an amendment thereto, (i) pursuant to a domestic relations order, as defined in the Code, (ii) to Immediate Family Members, (iii) to a partnership in which Immediate Family Members, or entities in which Immediate Family Members are the owners, members or beneficiaries, as appropriate, are the partners, (iv) to a limited liability company in which Immediate Family Members, or entities in which Immediate Family Members are the owners, members or beneficiaries, as appropriate, are the members, or (v) to a trust for the benefit of Immediate Family Members; provided, however, that no more than a de minimus

beneficial interest in a partnership, limited liability company or trust described in (iii), (iv) or (v) above may be owned by a person who is not an Immediate Family Member or by an entity that is not beneficially owned solely by Immediate Family Members. "Immediate Family Members" shall be defined as the spouse and natural or adopted children or grandchildren of the optionee and their spouses.

Any attempted assignment, transfer, pledge, hypothecation or other disposition of Options, or levy of attachment or similar process upon Options not specifically permitted herein, shall null and void and without effect.

ARTICLE IX

EXERCISE OF OPTIONS

SECTION 1. Each Option shall terminate 10 years after the date on which it was granted.

SECTION 2. Except in cases provided for in Article X hereof, each Option may be exercised by the holder thereof only while the optionee to whom such Option was granted is an Eligible Director.

SECTION 3. A person electing to exercise an Option or any portion thereof then exercisable shall give written notice to the Company of such election and of the number of Shares such person has elected to purchase, and shall at the time of purchase tender the full purchase price of such Shares, which tender shall be made in cash or cash equivalent (which may be such person's personal check) or in Shares already owned by such person (which Shares shall be valued for such purpose on the basis of their Fair Market Value on the date of exercise), or in any combination thereof. The Company shall have no obligation to deliver Shares pursuant to the exercise of any Option, in whole or in part, until such payment in full of the purchase price of such Shares is received by the Company. No optionee, or legal representative, legatee, distributee, or assignee of such optionee shall be or be deemed to be a holder of any Shares subject to such Option or entitled to any rights of a stockholder of the Company in respect of any Shares covered by such Option distributable in connection therewith until such Shares have been paid for in full and certificates for such Shares have been issued or delivered by the Company.

SECTION 4. Each Option shall be subject to the requirement that if at any time the Board shall be advised by counsel that the listing, registration or qualification of the Shares subject to such Option upon any securities exchange or

under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Option or the issue or purchase of Shares thereunder, such Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free from any conditions not reasonably acceptable to such counsel for the Board

SECTION 5. The Company may establish appropriate procedures to provide for payment or withholding of such income or other taxes as may be required by law to be paid or withheld in connection with the exercise of Options, and to ensure that the Company receives prompt advice concerning the occurrence of any event which may create, or affect the timing or amount of, any obligation to pay or withhold any such taxes or which may make available to the Company any tax deduction resulting from the occurrence of such event.

ARTICLE X

TERMINATION OF SERVICE AS AN ELIGIBLE DIRECTOR

SECTION 1. If and when an optionee shall cease to be an Eligible Director for any reason other than death or retirement from the Board, all of the Options granted to such optionee shall be terminated except that any Option, to the extent then exercisable, may be exercised by the holder thereof within three months after such optionee ceases to be an Eligible Director, but not later than the termination date of the Option.

SECTION 2. If and when an optionee shall cease to be an Eligible Director by reason of the optionee's retirement from the Board, all of the Options granted to such optionee shall be terminated except that any Option, to the extent then exercisable or exercisable within one year thereafter, may be exercised by the holder thereof within three years after such retirement, but not later than the termination date of the Option.

SECTION 3. Should an optionee die while serving as an Eligible Director, all the Options granted to such optionee shall be terminated, except that any Option to the extent exercisable by the holder thereof at the time of such death, together with the unmaturing installment (if any) of such Option which at that time is next scheduled to become exercisable, may be exercised within one year after the date of such death, but not later than the termination date of the Option, by the holder thereof, the optionee's estate, or the person designated in the optionee's last will and testament, as appropriate.

SECTION 4. Should an optionee die after ceasing to be an Eligible Director, all of the Options granted to such optionee shall be terminated, except that any Option, to the extent exercisable by the holder thereof at the time of such death, may be exercised within one year after the date of such death, but not later than the termination date of the Option, by the holder thereof, the optionee's estate, or the person designated in the optionee's last will and testament, as appropriate.

ARTICLE XI

AMENDMENTS TO PLAN AND OPTIONS

The Board may at any time terminate or from time to time amend, modify or suspend this Plan; provided, however, that no such amendment or modification without the approval of the stockholders shall:

(a) except pursuant to Section 3 of Article IV, increase the maximum number (determined as provided in this Plan) of Shares which may be purchased pursuant to Options, either individually or in aggregate;

(b) permit the granting of any Option at a purchase price other than 100% of the Fair Market Value of the Shares at the time such Option is granted, subject to adjustment pursuant to Section 3 of Article IV;

(c) permit the exercise of an Option unless the full purchase price of the Shares as to which the Option is exercised is paid at the time of exercise;

(d) extend beyond May 1, 2004 the period during which Options may be gr

(e) modify in any respect the class of individuals who constitute Eligible Directors; or

(f) materially increase the benefits accruing to participants hereunder.

CONSULTING AGREEMENT

CONSULTING AGREEMENT, dated as of December 22, 1988 by and between KISSINGER ASSOCIATES, INC., a Delaware corporation ("Kissinger Associates"), and Freeport-McMoRan Inc., a Delaware corporation ("the Client").

The parties hereby agree as follows:

1. Consulting Engagement. Subject to the terms and conditions hereinafter set forth, the Client hereby engages Kissinger Associates to provide advice and consultation as to the world political, economic, strategic and social developments affecting the Client's affairs, and Kissinger Associates hereby agrees to act as a consultant to the Client with respect to such matters.

2. Compensation. As compensation for the services to be provided by Kissinger Associates hereunder the Client agrees to pay Kissinger Associates the sum of \$200,000 per annum (the "Fee"). The Client shall also pay or reimburse to Kissinger Associates all reasonable out-of-pocket expenses incurred by or on behalf of Kissinger Associates in connection with the services provided hereunder ("Expenses"), including disbursements to third party consultants engaged by Kissinger Associates with the Client's prior approval, such approval not to be unreasonably withheld.

3. Payment of Fees and Expenses. The Fee shall be paid by the Client in semi-annual installments in advance, the first such installment to be made on the date hereof. Expenses shall be paid by the Client to Kissinger Associates or as otherwise directed by Kissinger Associates within 30 days after the presentation to the Client of expense statements, invoices, vouchers or other supporting information.

4. Term. The term of the Agreement (the "Term") shall commence on the date hereof and shall end on the TERM anniversary thereof; provided, that the term of the Agreement shall automatically be extended for additional periods each of 12 months unless and until either party

shall give written notice of termination to the other party not more than 120 days and not less than 90 days prior to the scheduled commencement of any such extended period.

5. No Liability. Neither Kissinger Associates nor any of its stockholders, officers, directors, controlling persons, employees or agents shall have any liability to the client with respect to, or arising out of, any of the services provided by Kissinger Associates hereunder, other than as a result of Kissinger Associates' willful misconduct or gross negligence, as determined by a final judgment of a court of competent jurisdiction. The Client hereby agrees to indemnify and hold harmless Kissinger Associates and all of its stockholders, officers, directors, controlling persons, employees and agents (each, an "Indemnified Party") against any and all losses, claims, damages, liabilities and expenses (including attorney fees and expenses reasonably incurred in connection therewith and amounts paid in settlement of any claim) which any Indemnified Party may incur or become subject to arising out of or based upon this Agreement. Kissinger Associates agrees to furnish prompt written notice to the Client of any claim, suit or proceeding which might entitle an Indemnified Party to indemnification hereunder provided that the failure by Kissinger Associates to provide such notice shall not affect the rights of any Indemnified Party hereunder. The provisions of this paragraph 5 shall survive any termination of this Agreement.

6. Confidentiality; No Publicity. The Client hereby agrees, for itself and on behalf of each of its officers, directors, employees and agents, to maintain the confidentiality of all information, reports, studies, oral advice, or other documents or information provided hereunder to the Client by Kissinger Associates. Kissinger Associates hereby agrees for itself, and on behalf of its officers, directors, employees and agents, that it will maintain the confidentiality of all nonpublic information regarding the Client supplied hereunder to Kissinger Associates. Neither party hereto shall make or cause to permit to be made an announcement or disclosure of the existence of, or the subject matter, of this Agreement, without the express prior written consent of the other party. Notwithstanding anything to the contrary set forth herein, the confidentiality obligations referred to in this paragraph 6 shall not apply to (i) information publicly known through no wrongful act of either party hereto or (ii) information required to be disclosed by applicable law, regulation or judicial or regulatory process, provided that advance written notice of any required announcement or disclosure is given to the other party.

7. Nature of Relationship. Kissinger Associates and the Client are not, shall not be deemed to be, and shall not represent themselves as being partners or joint venturers with each other. Notwithstanding anything to the contrary set forth in this Agreement, Kissinger Associates shall be under no obligation to provide any service to the Client if such service (i) would require Kissinger Associates, under any applicable law or governmental rule, regulation or order to register as a foreign agent or be deemed a domestic or foreign agent of the Client or lobbyist for the Client or (ii) would otherwise violate any applicable law or governmental rule, regulation or order.

8. Parties in Interest; Assignment and Amendment. This Agreement is binding upon and is for the benefit of the parties hereto and their respective successors, legal representatives, heirs and permitted assigns. This Agreement is personal in nature and the rights hereunder cannot be assigned nor can the duties hereunder be delegated without the prior written consent of the parties hereto. This Agreement cannot be amended or modified, except by a written agreement executed by the parties hereto.

9. Entire Agreement. This Agreement supersedes any and all oral or written agreements and understandings heretofore made relating to the subject matter hereof and contains the entire agreement of the parties relating to the subject matter hereof.

10. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Such notice shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mail as follows:

(i) if to Kissinger Associates, to:
Kissinger Associates, Inc.
350 Park Avenue
New York, New York 10022
Attention: Jeff Cunningham

(ii) if to the Client, to:
Freeport-McMoRan Inc.
1615 Poydras Street
New Orleans, Louisiana 70112
Attention: Milton H. Ward

11. Governing Law, Consent to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely within such State. The parties hereto (i) agree that any legal suit, action or proceeding arising out of or relating to this Agreement may be instituted in the State or Federal Court in the City of New York, State of New York, (ii) waive any objection which they may have now or hereafter to the laying of the venue of any such suit, action or proceeding and (iii) irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, or any court of the State of New York located in the City of New York in any such suit, action or proceeding. Further, the parties hereto agree that the mailing of any process by registered mail, postage prepaid, in any such suit, action or proceeding to any party at its address set forth in paragraph 10 above shall, upon receipt, constitute personal service thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written by their respective officers thereunto duly authorized.

KISSINGER ASSOCIATES, INC.

By:/S/ Henry A. Kissinger

NAME OF CLIENT

By:/S/ James R. Moffett

Freeport-McMoRan Inc.
1615 Poydraas Street
P.O. Box 61119
New Orleans, La. 70161

FREEPORT McMoRan
James R. Moffett
Chairman of the Board
Chief Executive Officer
(504) 582-1615

May 1, 1989

Dr. Henry A. Kissinger
Kent Associates, Inc.
350 Park Avenue, 26th Floor
New York, NY 10022

Dear Dr. Kissinger:

This letter, upon your acceptance by signing and returning the enclosed copy hereof, will evidence the agreement between Kent Associates, Inc. ("Kent") and Freeport-McMoRan Inc. ("Freeport") with respect to certain consulting services of Henry A. Kissinger ("Kissinger") to be provided by Kent to Freeport, as hereinafter provided. This agreement is in addition to, and not in lieu of, that certain Consulting Agreement dated December 22, 1988, between Kissinger Associates, Inc. and Freeport.

Services to be Performed

Kissinger, as from time to time requested by Freeport, will provide consulting and related advisory services to Freeport and its affiliates on international matters.

Compensation

As compensation for the services of Kissinger hereunder, Freeport or its affiliates will pay to Kent:

(a) \$100,000 per month for each separately identifiable matter upon which consultation is provided; provided however, that such consulting fees will not exceed in the aggregate \$2 million in any one calendar year, subject to the credit provisions of subparagraph (d) below; and

(b) For consultation services on matters which do result in a capital investment by Freeport or its affiliates, an amount

equal to 5% of such investment if the amount of such investment is \$10 million or less and 2% of such investment if the amount of such investment is \$100 million or more. To determine the compensation payable with respect to investments ranging from more than \$10 million to less than \$100 million, the above stated percentages will be extrapolated. "Capital investment" shall be deemed to be the investment or capital expenditure amount reflected in the final feasibility study approved by Freeport. The amounts due under this subparagraph will be payable over the lesser of five years or the projected economic life of the investment in equal semi-annual installments commencing within 90 days of Freeport's decision to proceed with the investment.

(c) For consultation services on matters where the value of Kissinger's efforts does not reasonably relate to either the per diem amount in (a) above or the capital investment made as provided in (b) above, Kent shall receive a percentage of the value to be contributed by Kissinger. "Value" is to be determined by agreement between Freeport and Kissinger prior to Kent and Kissinger rendering their services. The percentage of value to be received by Kent as compensation shall be based on the dollar amount of agreed value to be contributed and shall be determined and paid in the same manner as set forth in (b) above.

(d) Any fee paid pursuant to subparagraph (a) above will be credited against the compensation payable pursuant to subparagraphs (b) or (c).

Freeport also agrees to reimburse Kent for all reasonable out-of-pocket expenses incurred by Kissinger while performing services for Freeport or its affiliates. Before committing to any such expenditures however Kent must receive the prior approval of Freeport or its affiliates.

General

In connection with your services hereunder, Kent agrees that anyone acting on its behalf will fully and faithfully comply with the provisions of the Foreign Corrupt Practices Act of 1977 prohibiting payments to foreign officials and persons for the purposes of obtaining or retaining business or business opportunities on behalf of United States companies (to which Act Freeport and its affiliates are subject), as well as all other laws applicable to the activities of Kent and Kissinger under the Agreement.

Freeport hereby agrees, for itself and on behalf of each of its officers, directors, employees and agents, to maintain the confidentiality of all information, reports, studies, oral advice, or other documents or information provided hereunder to Freeport by Kent. Kent hereby agrees for itself, and on behalf

of its officers, directors, employees and agents, that it will maintain the confidentiality of all nonpublic information regarding Freeport supplied hereunder to Kent. Neither party hereto shall make or cause to permit to be made an announcement or disclosure of the existence of, or the subject matter, of this agreement, without the express prior written consent of the other party. Notwithstanding anything to the contrary set forth herein, the confidentiality obligations referred to in this paragraph shall not apply to (i) information publicly known through no wrongful act of either party hereto or (ii) information required to be disclosed by applicable law, regulation or judicial or regulatory process, provided that, to the extent practicable, advance written notice of any required announcement or disclosure is given to the other party.

Although day-to-day operations with respect to this Agreement will be carried on with certain executive officers of Freeport, all determinations of when to utilize Kissinger on any particular matter will be made by the Office of the Chairman of Freeport.

Neither Kissinger nor Kent nor any of its stockholders, officers, employees or agents shall have any liability to Freeport or any of its affiliates with respect to, or arising out of, any of the services provided by Kent or Kissinger hereunder, other than as a result of Kent's or Kissinger's willful misconduct or gross negligence, as determined by the final judgment of a court of competent jurisdiction. Freeport shall indemnify and hold harmless Kissinger and Kent and all of its stockholders, officers, directors, controlling persons, affiliates, employees and agents (each an "indemnified party") against any losses, claims, liabilities or expenses (including attorneys' fees and expenses reasonably incurred in connection therewith and amounts paid in settlement of any claim) which any indemnified party may incur, or become subject to, arising out of, or based upon, this agreement. Kent and Kissinger shall furnish Freeport with prompt written notice of any claim, suit or proceeding that might entitle an indemnified party to indemnification hereunder; provided, however, that failure to provide such notice shall not affect the rights of any indemnified party hereunder.

Freeport and Kent shall have the right to terminate this Agreement at any time, but only as to consultation assignments which have not been theretofore initiated. In the event of such termination, neither party shall have any further obligations to the other hereunder other than for compensation earned but not paid.

The validity, operation and performance of this Agreement shall be covered by the laws of the state of New York and its terms shall be construed and interpreted in accordance with such

Very truly yours,

By: /S/ James R. Moffett

James R. Moffett

Accepted as of the date
first above written:
KENT ASSOCIATES, INC.

By: /S/ Henry A. Kissinger

AGREEMENT FOR CONSULTING SERVICES

THIS AGREEMENT, entered into effective as of the 1st day of January, 1991, between Freeport-McMooRan Inc. ("FMI"), whose mailing address is P.O. Box 61520, New Orleans, Louisiana 70161, and B. M. Rankin, Jr. ("Consultant"), whose mailing address is 4500 Roland Avenue, Unit 604, Dallas, Texas 75219.

W I T N E S S E T H:

1. Consultant agrees to perform for FMI the services described in Section A of the annexed Schedule. Such services shall be performed during the period mentioned in Section B of this Schedule and at times and locations specified in the Schedule.

2. For satisfactory performance of the services described herein, FMI shall pay to Consultant the compensation provided for in Section C of the Schedule.

3. In performing services under this Agreement, Consultant shall operate as and have the status of an independent contractor and shall not act as or be an agent or employee of FMI.

All services performed by Consultant hereunder shall meet the approval of FMI, but the detailed manner and method of performing the services shall be under the control of Consultant, FMI being interested only in the results obtained.

Nothing in this agreement shall affect in any way any of Consultant's other agreements or arrangements with FMI.

4. Consultant agrees that he will perform the services with that standard of care, skill, and diligence normally provided in the performance of such services in respect to work similar to that hereunder. Consultant is hereby given notice that FMI will be relying on the accuracy, competence accuracy, competence and completeness of Consultant's services hereunder in utilizing the results of such services.

5. Consultant agrees that he will not divulge to third parties, without the written consent of FMI, any information obtained from or through FMI in connection with the performance of this Agreement unless (a) the information is known to Consultant prior to obtaining same from FMI, (b) the information is, at the time of disclosure by Consultant, then in the public domain, or (c) the information is obtained by Consultant from a third party who did not receive same, directly or indirectly, from FMI. Consultant further agrees that he will not, without the prior written consent of FMI, disclose to any third party any information developed or obtained by Consultant in the performance of this Agreement, except to the extent that said information falls within one of the categories in (a), (b), (c) above.

6. Unless otherwise agreed by FMI in writing, Consultant shall personally perform the services specified herein. This contract shall not be assigned by Consultant, whether by operation of law or otherwise, without the express prior written consent of FMI.

7. Consultant agrees to immediately notify FMI in writing of any existing or proposed association, contract or other business relationship with any individual, corporation or other organization which directly or indirectly has interests adverse to FMI.

8. The validity, operation and performance of this Agreement shall be governed and controlled by the law of the State of Louisiana, and its terms shall be construed and interpreted in accordance with said law.

WITNESSES:

FREEPORT-McMoRan INC

/S/ Ursula L. Joseph

By: /S/ Thomas J. Egan

/S/ Elizabeth J. Mancuso

Thomas J. Egan
Vice President
& CEO

CONSULTANT

/S/ Shirley Raines

By: /S/ B. M. Rankin, Jr.

/S/ Sandra McGuire

B. M. Rankin, Jr.

SCHEDULE

SECTION A - Scope of Work

Consultant is to provide business consulting services including, without limitation, consulting services relating to finance, accounting and business development.

SECTION B - Period of Performance

This Agreement shall be effective from January 1, 1991 and shall continue for one year. Said Agreement shall be automatically continued for like terms unless and until cancelled by either party upon thirty (30) days' written notice prior to the end of any contract term.

SECTION C - Compensation

1. A fee of \$14,000.00 per calendar quarter shall be paid to Consultant for performance of the services described in Section A above during the contract term, to be paid quarterly in arrears.

2. Reasonable direct expenses, such as hotel and other lodging accommodations, transportation and travel associated with Section A above, will be reimbursable when authorized by FMI and supported by appropriate receipts.

FM SERVICES
Affiliate of
Freeport-McMoRan Copper & Gold Inc.

FM Services Company Telephone: (504) 582-4000
1615 Poydras Street
New Orleans, LA 70112
P.O. Box 61119
New Orleans, LA 70161

FM Services Company Telephone: (504) 582-4000
1615 Poydras Street
New Orleans, LA 70112

Supplemental Agreement Providing an Extension to
Consulting Agreement of January 1, 1991

Dear Mr. Rankin:

Reference is made to the consulting agreement of January 1, 1991 (the "Consulting Agreement") between you and Freeport-McMoRan Inc. (the "Company").

By way of this Supplemental Agreement, the Company would like to extend your Consulting Agreement through December 31, 1998, with an increase in your quarterly consulting fee, effective January 1, 1998, to \$51,500. This Supplemental Agreement shall also serve to substitute, effective immediately, FM Services Company for Freeport-McMoRan Inc. as the Company for all purposes in the Consulting Agreement. FM Services Company succeeds Freeport-McMoRan Inc. as the entity which administers the Consulting Agreement. Additionally, by way of this Supplemental Agreement, the Company would like to amend your Consulting Agreement to provide for medical coverage for you and your eligible dependents under the FMS Medical Plan. Coverage under the FMS Medical Plan will replace your current coverage through Freeport-McMoRan Inc. Any benefits under the FMS Medical Plan which are paid to you or on your behalf will be considered taxable income to you, and will be grossed-up for tax purposes by the Company. Such tax gross-up payment will be calculated using the formula detailed on the attached Schedule A. All other terms and conditions of the Consulting Agreement shall remain unchanged.

Please confirm that the foregoing correctly sets forth our understanding with respect to this matter by signing both originals of this Supplemental Agreement and returning one to me.

Very truly yours,

By: /S/ Michael J. Arnold

Michael J. Arnold
President
FM Services Company

AGREED TO AND ACCEPTED

BY: /S/ B. M. Rankin, Jr.

B. M. Rankin, Jr.

DATE: 12/18/97

SCHEDULE A

Formula for Calculating Tax Gross-up Payment for FMS Medical
Plan Benefits Paid To Or On Behalf Of B. M. Rankin

- Amount of Medical Plan benefits paid = A
- Maximum federal tax rate applicable to individuals for the year in which Medical Plan benefits are paid = B
- Maximum tax rate for the State of Texas applicable to individuals for the year in which Medical Plan benefits are paid = C

Tax Gross-Up Payment = $[A \times (B+C)] / [1 - (B+C)]$

FM FM Services
Affiliate of Freeport-McMoRan &
Freeport-McMoRan Copper & Gold

FM Services Company
Telephone: (504) 582-4000
1615 Poydras Street
New Orleans, LA 70112

P.O. Box 61119
New Orleans, LA 70161

December 22, 1997

Mr. Rene L. Latiolais
2305 Barton Creek Blvd.
Villa 42
Austin, TX 78735

Dear Rene:

This will confirm the agreement between the undersigned, FM Services Company (the "Company"), and you with respect to the provision by you of certain consulting services to the Company and its subsidiaries and corporate affiliates (which includes client companies for which services are provided).

1. From January 1, 1998 through December 31, 1998 (the "Consulting Term"), you agree to serve as a consultant to the Company. In your capacity as a consultant, you will provide to the Company, subject to the instruction and direction of its executive officers, consulting advice related to the businesses, operations and prospects of the Company and its subsidiaries and corporate affiliates. You agree to devote such of your time, skill, labor and attention to the performance of any consulting services requested by the Company hereunder as may be necessary for you to render the prompt and effective performance thereof, provided that it is generally understood that you shall only be required to devote yourself to the performance of such duties to the extent contemplated by paragraph 2(vi) of this letter.

2. It is understood and agreed with respect to your undertaking to provide the consulting services described herein, that:

(i) you will perform such consulting services as an independent contractor to, and not as an

1

agent (except in any capacity as an elected officer or director) or employee of the Company or any of its subsidiaries or affiliates, and that, as an independent contractor, you shall have the sole and exclusive right to control and direct details incident to any consulting services required to be provided hereby;

(ii) this agreement shall not be deemed or construed to create a partnership, a joint venture, a principal and agent relationship, or any other relationship between you and the Company that would create liability for the Company for your actions;

(iii) nothing herein contained shall be construed as giving you any right to be elected or appointed an officer or director of the Company or any of its subsidiaries or corporate affiliates or to retain any such position during the Consulting Term or any extension thereof;

(iv) except as otherwise authorized in writing by the Chairman of the Board of the Company, you will not (A) represent or hold yourself out to others that you are an employee or agent of the Company or any of its subsidiaries or corporate affiliates, or (B) have any authority to negotiate or execute any agreements, contracts commitments on behalf of, or otherwise binding upon, the Company or such subsidiary or corporate affiliate other than such authority which derives from your occupying the position of an elected officer or director of the Company or any of its subsidiaries or corporate affiliates;

(v) the executive officers of the Company or the subsidiary or corporate affiliate seeking your

consulting services will, insofar as it is reasonably practicable, consider your convenience in the timing of their requests, and your failure or inability, by reason of temporary illness or other cause beyond your control or because of absence for reasonable periods, to respond to such requests during any such temporary period shall not be deemed to constitute a default on your part in the performance hereunder of such services;

(vi) subject to the provisions of the foregoing clause (v), during the Consulting Term you will

2

make yourself available for the performance of services hereunder for fifteen (15) percent of your time, it being understood that this shall constitute, on the average, three (3) days per month during the Consulting Term.

3. As an independent contractor of the Company, you acknowledge and agree that, except as otherwise specifically provided herein,

(i) you will not be entitled to any insurance, pension, vacation or other benefits customarily afforded to employees of the Company;

(ii) you will not be treated by the Company as an employee for purposes of any federal or state law regarding income tax withholding or for purposes of contributions required by any unemployment, insurance or compensatory program; and

(iii) you will be solely responsible for the payment of any taxes or assessments imposed on you on account of the payment of the consulting fee to, or performance of consulting services by you pursuant to this agreement.

4. During the term hereof, you agree that you will not, without the prior written consent of the Company, (i) render any services, whether or not for compensation, to other individuals, firms, corporations or entities in connection with any matters that may involve interests adverse to the Company or any of its subsidiaries or affiliates, or (ii) engage in any business or activity detrimental

to the business or interests of the Company or any of its subsidiaries or affiliates.

5. You acknowledge and agree that any inventions or discoveries, whether or not patentable, which you may make (either alone or in conjunction with others) as a result of performing services hereunder shall be the sole and exclusive property of the Company. You agree to communicate to the Company or its representatives all facts known to you concerning such matters, and to execute any documents or instruments necessary to transfer to the Company any inventions or discoveries to which the Company may become entitled under this agreement, and should the Company decide to patent any such invention or discovery, you will assist in the preparation of patent applications and execute and assign such patent applications, and execute such other documents, as may be necessary.

3

6. You acknowledge and agree to comply with the confidentiality and other provisions set for in Appendix A to this Agreement, the terms of which are incorporated by reference into, and made a part of, this Agreement.
7. In the event of a breach or threatened breach by you of Sections 5 or 6 of this agreement during or after the term hereof, the Company shall be entitled to injunctive relief restraining you from violating such paragraphs. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedy at law or in equity it may have in the event of your breach or threatened breach of this agreement.
8. For the consulting services provided by you hereunder during the Consulting Term, the Company agrees:
 - (i) to pay to you an annual consulting fee of \$230,000, such fee to be payable monthly in arrears in \$19,166.66 amounts, it being understood by you that the amounts payable to you pursuant to this Consulting Agreement shall be in full satisfaction of any compensation to which you would otherwise be entitled as a director of the Company or any of its subsidiaries or affiliates, with you hereby

relinquishing any claim to such amounts;

(ii) to reimburse you for, or advance to you, all reasonable out-of-pocket travel and other expenses incurred by you at the request of the Company in connection with your performance of services hereunder. Such expenses will be reimbursed or advanced promptly after your submission to the Company of expense statements in such reasonable detail as the Company may require;

(iii) to make available to you secretarial assistance, the use of a portable phone and laptop computer, and a suitable office at the Company's headquarters, for which you will pay to the Company a monthly amount of \$2,500, such amount to be paid no later than the last day of each month;

(iv) to make available to you, at no additional charge, an annual physical, a parking space, access to the executive dining room and fitness center, and membership privileges at the City

4

Energy Club and English Turn Country Club for business entertainment purposes. Any expenses incurred at these clubs that are not business related will be borne by you personally.

9. Nothing in this agreement shall affect in any way any of your previously accrued and vested pension or other rights or benefits under any of the plans or agreements of the Company or any of its subsidiaries or affiliates.

10. (i) The term of this agreement shall be the Consulting Term, subject to any earlier termination of your status as a consultant pursuant to the terms of subparagraph (ii) of this paragraph. This agreement shall be automatically continued for like Consulting Terms of one year unless and until canceled by either party upon thirty (30) days written notice prior to the end of any Consulting Term. Following the termination of this agreement, each party shall have the right to enforce all rights, and shall be bound by all obligations of each party that are continuing rights and obligations under the terms of this agreement.

(ii) This agreement may be terminated, upon notice given in the manner provided in paragraph 12 hereof, prior to the expiration of the Consulting Term:

(A) by the mutual written consent of the Company and you;

(B) by the Company, upon your death, or your physical or mental incapacity;

(C) by the Company in the event of your (1) willful failure to perform substantially the consulting services contemplated hereby, (2) breach of any of the other covenants of this agreement, or (3) engaging in gross misconduct detrimental to the Company.

(D) by the Company for any other reason.

If this agreement is terminated by the Company prior to the expiration of the Consulting Term for any reason other than those set forth in subparagraphs 9(ii)(A), (B) or (C) above, then the Company shall pay in a lump sum in cash within 30 days of such termination, the aggregate amount of previously unpaid consulting fees that you would have earned had you served as a consultant through the expiration of the Consulting Term.

11. It is hereby understood and agreed that the Company

5

shall indemnify you for serving at the request of the Company as an elected officer or director of any of its subsidiaries or affiliates to the fullest extent permitted by applicable law, and the determination as to whether you have met the standard required for indemnification shall be made in accordance with the articles and bylaws of the applicable entity and with applicable law. It is further understood and agreed that while serving in such capacity you will be covered by the Company's directors and officers insurance policy.

12. Any notice or other communication required hereunder shall be in writing, shall be deemed to have been given and received when delivered in person, or, if mailed, shall be deemed to have been given when deposited in the United States mail, first class, registered or certified, return receipt

requested, with proper postage prepaid, and shall be deemed to have been received on the third business day hereafter, and shall be addressed as follows:

If to the Company, addressed to:
Mr. Richard C. Adkerson
Chairman of the Board
FM Services Company
1615 Poydras Street
New Orleans, Louisiana 70112

If to you:
Mr. Rene L. Latiolais
2305 Barton Creek Blvd.
Villa 42
Austin, Texas 78735

or such other address to which either party shall have notified the other in writing.

13. This agreement is personal to you and the Company and its subsidiaries and shall not be assignable by either party without the prior written consent of the other. This agreement shall be governed by and construed in accordance with the laws of the State of Louisiana. This agreement contains the entire understanding between the Company and you with respect to the subject matter hereof. Further, Consultant confirms that he has not relied upon any representations or statements by the Company as a basis for entering into this agreement that are not contained herein. This agreement may not be amended, modified or extended otherwise than by a written agreement executed by the parties thereto.

Please confirm that the foregoing correctly sets forth the agreement between the Company and you by signing and

6

returning to the Company one of the enclosed copies of this letter.

Very truly yours,

/S/ Michael J. Arnold

Michael J. Arnold
President
FM Services Company

I hereby confirm that the foregoing correctly sets forth the agreement between FM Services Company and myself.

/S/ Rene L. Latiolais

Rene L. Latiolais

December 25, 1997

Date

EXHIBIT 12.1

FREEPORT-McMoRan COPPER & GOLD INC.
Computation of Ratio of Earnings to Fixed Charges

	Years Ended December 31,				
	1993	1994	1995	1996	1997
	(In Thousands)				
Income from continuing operations	\$60,670	\$130,241	\$253,618	\$226,249	\$245,108
Add:					
Provision for income taxes	67,589	123,412	234,044	247,168	231,315
Minority interests' share of net income	9,134	25,439	57,100	48,529	40,343
Interest expense	15,327	-	50,080	117,291	151,720
Rental expense factor(a)	3,190	2,333	1,002	457	240
Earnings available for fixed charges	\$155,910	\$281,425	\$595,844	\$639,694	\$668,726
Interest expense	\$ 15,327	\$ -	\$ 50,080	\$117,291	\$151,720
Capitalized interest	24,519	35,110	49,758	22,979	23,021
Rental expense factor(a)	3,190	2,333	1,002	457	240
Fixed charges	\$ 43,036	\$ 37,443	\$100,840	\$140,727	\$174,981
Ratio of earnings to fixed charges(b)	3.6x	7.5x	5.9x	4.5x	3.8x

Computation of Ratio of Earnings to Fixed Charges,
Preferred Stock Dividends and Minimum Distributions

Years Ended December 31,

	1993	1994	1995	1996	1997
			(In Thousands)		
Income from continuing operations	\$ 60,670	\$130,241	\$253,618	\$226,249	\$245,108
Add:					
Provision for income taxes	67,589	123,412	234,044	247,168	231,315
Minority interests' share of net income	9,134	25,439	57,100	48,529	40,343
Interest expense	15,327	-	50,080	117,291	151,720
Rental expense factor(a)	3,190	2,333	1,002	457	240
Earnings available for fixed charges	\$155,910	\$281,425	\$595,844	\$639,694	\$668,726
Interest expense	\$ 15,327	\$ -	\$ 50,080	\$117,291	\$151,720
Capitalized interest	24,519	35,110	49,758	22,979	23,021
Rental expense factor(a)	3,190	2,333	1,002	457	240
Preferred dividends	52,643	94,251	101,125	101,083	65,896
Minimum required Class A distributions (c)	29,447	-	-	-	-
Fixed charges	\$125,126	\$131,694	\$201,965	\$241,810	\$240,877
Ratio of earnings to fixed charges (b)	1.2x	2.1x	3.0x	2.6x	2.8x

- a. Portion of rent deemed representative of an interest factor.
- b. For purposes of this calculation, earnings consist of income from continuing operations before income taxes, minority interests and fixed charges. Fixed charges include interest and that portion of rent deemed representative of interest.
- c. Minimum required distributions on Class A Common Stock ended on May 1, 1993.

1997 / ENVIRONMENTAL &
SOCIAL RESPONSIBILITY REPORT

ENVIRONMENTAL REPORT

ENVIRONMENTAL POLICY STATEMENT. Freeport-McMoRan Copper & Gold Inc. (FCX) has a formal Environmental Policy Statement and Environmental Auditing Policy which provides guidance and a framework under which these important programs are conducted. FCX is committed to environmental compliance and high performance of its environmental programs, a safe working environment for its employees and a healthy socio-economic environment for the local people in the areas in which the company operates.

In last year's Annual Report, FCX described its Environmental Policy and programs in some detail. This year's report will primarily discuss 1997 activities under these ongoing programs.

1997 FCX ENVIRONMENTAL PROGRAMS UPDATE

P.T. FREEPORT INDONESIA COMPANY (PT-FI). On December 22, 1997, PT-FI received approval from the Government of Indonesia's (GOI) Minister of Environment for its Regional AMDAL (Analysis Concerning Environmental Impact) study, which is a comprehensive environmental assessment that includes a monitoring and management plan. The Regional AMDAL approval was necessary to allow PT-FI to expand its milling rate up to a maximum of 300,000 MTPD (300K). The 300K Regional AMDAL study document was submitted to BAPEDAL (the Indonesian Environmental Impact Management Agency) and the governmental AMDAL Commission on September 1, 1997, for review and revision. The study was the culmination of a multi-year effort to develop environmental analyses of the impacts and benefits of the proposed expansion. The 300K Regional AMDAL study prepared by PT-FI was termed "...the most comprehensive BAPEDAL has ever seen" by the AMDAL Commission Chairman. Forty-two specific environmental studies were conducted during the AMDAL process by Indonesian and internationally recognized experts. An extensive analysis of the social situation in PT-FI's area of operations was also included in the study. PT-FI subjected the most sensitive studies to peer review to ensure their accuracy and independence. Additionally, PT-FI and its consultants

presented the findings of these studies at five workshops on major social and environmental issues, which were attended by the AMDAL Commissioners and over 600 interested parties.

[Photo]

AMDAL Study / AMDAL studies include monitoring of local waterways and aquatic fauna by teams of Indonesian and internationally recognized scientists.

PT-FI has numerous ongoing environmental management programs that include monitoring, reclamation, waste management and recycling, all of which are being expanded in accordance with the 300K Regional AMDAL approval. The following is an update on 1997 activities under these programs.

LONG TERM ENVIRONMENTAL MONITORING PLAN: In 1997, PT-FI continued to conduct its Long Term Environmental Monitoring Plan (LTEMP), which evaluates the potential impact of operations on water quality, biology, hydrology, sediments and air quality within its area of operations. Significant environmental data and analyses have been developed from this monitoring program over

[PAGE] 8

the past seven years. The centerpiece of the LTEMP program is PT-FI's state-of-the-art environmental laboratory located in Timika, which, in 1997, received the GOI's highest certification for analytical laboratories. The laboratory is also expecting to soon be certified by the National Association of Testing and Analysis.

[Photo]

Revegetation / Significant research programs continue to demonstrate that a wide variety of native plants and agronomic species, such as pineapples, will grow on deposited tailings.

TAILINGS MANAGEMENT PLAN: One of PT-FI's key programs is its Tailings Management Plan (TMP) which manages the river transport and deposition of tailings, which are the crushed rock particles that remain following the physical separation of commercially valuable minerals from the mined ore. This multimillion-dollar program controls the transport and deposition of tailings through the use of a levee system on the flood plain in the Ajkwa River within a defined area called the Ajkwa Deposition Area (ADA). The levee system

was completed in January 1997 under a plan approved by the GOI. The updated plan was again approved in late 1997 as a key element in the comprehensive 300K Regional AMDAL process. The performance of the TMP has been comprehensively studied and will be continuously monitored in the future. Information to date indicates that the system is working well within engineering expectations and, as discussed later, tailings reclamation studies show that the ADA can readily be revegetated once mining is completed.

OVERBURDEN MANAGEMENT PLAN: The Overburden Management Plan (OMP) controls the relocation of non-commercial rock (overburden) generated by the Grasberg open-pit mining operation. The latest OMP was submitted to the GOI in conjunction with the 300K Regional AMDAL study and was approved. The OMP includes a program to manage potential acid rock drainage (ARD) in the Grasberg overburden disposal areas through a combination of prevention and mitigation techniques. Significant activities continued in 1997 to successfully reduce and/or prevent ARD.

WASTE MANAGEMENT AND RECYCLING PLAN: PT-FI's comprehensive waste management and recycling plan, which conforms with GOI regulations and PT-FI's waste management policies, continued with success in 1997. The plan provides a practical means of managing all wastes in an environmentally acceptable manner, with an emphasis on recycling or re-use of wastes and substitution of materials where feasible.

[PAGE] 9

RECLAMATION AND REVEGETATION PLAN: Programs to revegetate and reclaim the ADA have been in place for several years and there were a number of achievements in 1997 including the demonstration that additional species of native plants, agricultural crops and fruit trees grow well in deposited tailings. PT-FI has other successful reclamation and revegetation projects that involve wetlands and lakes, as well as forest and agricultural areas.

PT-FI has also developed a program, which continued in 1997, to manage and monitor the reclamation of overburden placement areas that includes, among other things, a topsoil salvaging program, hydro-mulching, and the collection and planting of local plants and seeds. The reclamation program will provide a stable vegetative cover for the impacted areas and form an ecosystem for suitable land use following mining operations.

PT-FI has now established a fund designed to accumulate at least \$100 million by the end of its mine's life for

eventual mine closure and reclamation. The fund, to which PT-FI continues to contribute, will be used to restore properties and related facilities to a state required to comply with current Indonesian environmental and other regulations.

ENVIRONMENTAL AUDITING: In 1997, PT-FI completed the implementation of all of the 33 recommendations made from the external environmental audit conducted by Dames & Moore in 1996. An internal environmental audit of PT-FI's operations was conducted for 1997 in accordance with the FCX Environmental Auditing Policy. This program an annual internal audits, as well as external audits every three years, will continue throughout the life of the mining operations to ensure that PT-FI's environmental programs remain sound.

ATLANTIC COPPER, S.A. (ATLANTIC). As part of the follow-up to the completion of the 1996 environmental improvement project, additional water collection and discharge treatment system enhancements were completed in 1997.

Furthermore, an Environmental Management System (EMS) was developed and fully implemented in 1997. An environmental training and awareness plan was also fully developed and an internal site auditing system was established to ensure conformance to the EMS. The EMS will allow Atlantic to be certified under the International Standards Organization (ISO) 14001 Standard. The ISO 14001 Standard is a management standard that provides an internationally recognized blueprint for managing the environmental aspects and impacts of a business. Atlantic expects to have completed ISO 14001 certification in 1998 and is already certified under the ISO 9000 Standard for Quality Management. Atlantic continued to maintain excellent relations with local and regional environmental authorities in 1997 and worked closely with their representatives in monitoring and interpreting data from emissions and effluents.

SOCIAL RESPONSIBILITY REPORT

P.T. FREEPORT INDONESIA COMPANY (PT-FI). FCX and PT-FI recognize the importance of establishing strong relationships with the people in the area of its operations and the important role that those relationships have in defining a truly world-class mining operation. FCX also recognizes the need for thoughtful and sensitive developmental programs, in conjunction with local and national government and non-governmental organizations (NGOs), to support the relationship building and development

process. When PT-FI initiated operations in Irian Jaya nearly 30 years ago, there were only approximately 400 local Amungme and Kamoro people living in the highlands and lowlands areas near our mining

[PAGE] 10

operations. Today, over 60,000 people have moved into the area because of the opportunities offered by our mine and other businesses now operating in the area. In last year's Annual Report, FCX described the social situation around its operations in some detail. During 1997 and early 1998, several events occurred and processes begun which will enhance the social and economic development of the local people and their relationship with PT-FI.

THE FREEPORT FUND FOR IRIAN JAYA DEVELOPMENT AND THE GOI'S DEVELOPMENT PLANS: In 1997, PT-FI and the GOI continued to work with expert consultants and the local people within its area of operations to create comprehensive land use and human resource development plans. An integral part of that plan is the Freeport Fund for Irian Jaya Development (FFIJD), by which PT-FI would make available funding and expertise to support the economic and social development of the area. As with many large-scale developmental projects, the implementation of the plan proved to be a complex undertaking. In the fourth quarter of 1997 and with the support of the government and the recommendation of the LABAT-Anderson Social Audit (discussed in detail below), PT-FI has undertaken a restructuring of its part of the GOI's development plan for the Timika (Mimika) area. PT-FI is setting up the mechanism to become an independent fund provider for developmental projects in and around its operations area. A local community oversight board is being actively recruited and trained to evaluate and monitor developmental projects. The oversight board is being actively recruited and trained to evaluate and monitor development projects. The oversight board will be made up of local and church leaders, NGO's, local government officials and representatives of PT-FI.

To improve the administration of the FFIJD, project funding is being changed from an ethno-linguistic group (tribal) basis to one that is village-based (geographic). The village-based method is "bottom-up development recommended by most international developmental agencies. The FFIJD will work closely with the GOI's local and regional planning boards to coordinate developmental projects and activities. PT-FI remains committed to providing one percent of its revenue for the development of the local people through the

LABAT-ANDERSON INDEPENDENT SOCIAL AUDIT: In early 1996, the international consulting firm of LABAT-Anderson undertook a comprehensive independent audit of social programs at PT-FI's operations in Irian Jaya. The team included LABAT-Anderson personnel as well as nationally recognized Indonesian scientists and other experts from around the world. In July 1997, the LABAT-Anderson

[Photo]

Social Audit / Local leaders discuss social issues with Willy Tjen (far left), LABAT-Anderson team leaders, as part of the independent social audit.

[PAGE] 11

team submitted its final report to the Minister of the Environment and PT-FI. It noted the remarkable complexity of the issues in Irian Jaya and especially those in the Mimika district caused by rapid social and economic development, unceasing migration into the area and the mixing of ethno-linguistic groups. The report further noted that PT-FI had gone beyond requirements or expectations in providing assistance for the development of the local people. Nevertheless, the report made a number of recommendations designed to make PT-FI's programs more effective, all of which have been accepted and are being implemented. LABAT-Anderson recommended that (1) PT-FI's participation in the GOI's developmental plan for the area be restructured to provide for more direct input by local people through their leaders, (2) input be village-based rather than tribe-based and (3) programs for "capacity-building" among the local people be enhanced. As discussed above, PT-FI is restructuring its FFIJD program and several international and local NGOs as well as the United Nations Development Program have been invited to undertake village development and capacity-building for the local people.

LAND RIGHTS AGREEMENT WITH KAMORO VILLAGES: In 1997, land use agreements with two separate Kamoro villages were reached. The agreements cover land used for tailing deposition and the expanded portsite. The agreements established programs in the respective villages for education, enhanced health care, social and economic development, and infrastructure enhancement. The agreements stipulate a multi-year timetable for implementation.

Public Health / A Young child is treated at one of the public health clinics in our COW area.

[Photo]

PUBLIC HEALTH AND MALARIA CONTROL: PT-FI continues to be proud of the work of its Public Health and Malaria Control Department which has become internationally recognized for its remarkable record in the control of mortality and morbidity from malaria and other tropical diseases. Beginning in late 1997 and continuing into 1998, the department has been actively supporting the work of the GOI, the Indonesian Red Cross and the International Committee of the Red Cross in providing famine relief to areas east of our operations area that were severely affected by drought conditions.

In early 1998, PT-FI initiated discussions with the Roman Catholic diocese of Jayapura to establish an independent hospital in Timika, funded substantially by the FFIJD, to provide primary medical care to all local people who were not PT-FI employees or employee dependents. This would be the first independent medical facility in the area. PT-FI would continue to accept case referrals from the hospital (as it currently does from the government's clinic) for patients whose condition requires additional care.

INSTITUTIONAL AND COMMUNITY DEVELOPMENT: One of the major developmental challenges for the local people is the establishment of institutions that can help them relate to government as well as to PT-FI and each other. Tribal culture

[PAGE] 12

has intended to be very individual, which has made effective communication between the people and other institutions difficult. As the entire area develops and changes, helping the people create the institutions necessary for communication, negotiation and problem solving is essential. In addition, villages such as Kwamki Lama have residents of several different tribes which has not been typical in the past. These "mixed villages" require a geographic rather than a tribal identity. Through the expertise of the government, NGOs, including churches and church groups in the region, and others, positive steps are being taken to foster institution and community development throughout the area.

RESEARCH PROJECTS: The people of Irian Jaya have a rich cultural heritage and traditions which are different from "western" societies. Often, problems are caused by misunderstandings about cultures and cultural change. To

address this issue, PT-FI has enhanced its anthropological expertise by the addition of staff anthropologists. To supplement their work, a joint team from University Cenderawasih in Jayapura, Irian Jaya and Australian National University in Canberra has undertaken a project to establish a "social mapping" and to collect other ethnographic data about all local residents. The multi-year project is currently approximately 50 percent complete.

HUMAN RIGHTS: PT-FI and FCX have strongly condemned human rights violations in Irian Jaya and believe in protecting the human rights of all people and especially those who live and work in the area in which PT-FI has operations. PT-FI works actively with KOMNAS-Ham, the official human rights organization in Indonesia, to monitor and resolve situations which might impinge upon the human rights of individuals and groups.

ATLANTIC COMMUNITY PROGRAMS. Atlantic has a continuing Program of Support and Protection of the Arts and Sciences, Public Communication and Community Relations. This program is carried out both individually and in conjunction with the Association of Chemical Industries in Huelva. In 1997, Atlantic completed two significant programs, the restoration of the Church of La Milagrossa in Huelva and donation of significant support for the Latin American Film Festival held in Huelva.

[PAGE] 13

<TABLE>

<CAPTION>

1997 / SELECTED FINANCIAL AND FREEPORT-McMoRan COPPER & GOLD INC.
OPERATING DATA

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
	(Financial Data In Thousands, Except Per Share Amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
FCX FINANCIAL DATA					
Years Ended December 31:					
Revenues	\$2,000,904	\$1,905,036	\$1,834,335	\$1,212,284	\$ 925,932
Operating income	664,215	638,261b	596,432c	280,134d	155,319e
Net income applicable to common stock	208,541a	174,680b	199,465c	78,403d	21,862e, f
Net income per common share	1.06a	.90b	.98c	.38d	.11e, f
Dividends paid per common share	.90	.90	.675	.60	.60

Average common shares outstanding	196,392	194,910	203,536	205,755	197,929
---	---------	---------	---------	---------	---------

At December 31:

Property, plant and equipment, net	3,521,715	3,088,644	2,845,625	2,360,489	1,646,603
Total assets	4,152,209	3,865,534	3,581,746	3,040,197	2,116,653
Long-term debt, including current portion and short-term borrowings	2,388,982	1,562,916	1,167,232	549,710	260,659
Mandatory redeemable preferred stock	500,007	500,007	500,007	500,007	232,620
Stockholders' equity	278,892	675,379	881,674	994,975	947,927

PT-FI OPERATING DATA

Ore milled (metric tons per day)	128,600	127,400	111,900	72,500	62,300
Copper grade (percent)	1.37	1.35	1.32	1.51	1.57
Gold grade Grams per metric ton	1.51	1.52	1.39	1.31	1.46
Ounce per metric ton	.049	.049	.045	.042	.047
Silver grade Grams per metric ton	3.11	3.10	3.17	3.02	4.02
Ounce per metric ton	.100	.100	.102	.097	.129
Recovery rates (percent)					
Copper	85.4	83.8	85.0	83.7	87.0
Gold	81.4	77.1	74.3	72.8	76.2
Silver	65.6	64.6	63.2	64.7	67.2
Copper Production (000s of recoverable pounds)	1,166,500	1,118,800	978,000	710,300	658,400
Sales 000s of recoverable pounds)	1,188,600	1,097,000	985,100	700,800	645,700
Average realized price g	\$.94	\$1.02	\$1.22	\$1.02	\$.90

Gold					
Production (recoverable ounces)	1,798,300	1,695,200	1,310,400	784,000	786,700
Sales (recoverable ounces)	1,888,100	1,698,900	1,353,400	794,700	762,900
Average realized price	\$ 346.14h	\$390.96h	\$383.73h	\$381.13	\$361.74
Silver					
Production (recoverable ounces)	2,568,700	2,360,600	2,303,000	1,305,400	1,541,200
Sales (recoverable ounces)	2,724,300	2,532,000	2,349,400	1,335,400	1,480,900
Average realized price	\$4.68	\$4.95	\$4.99	\$5.08	\$4.15

ATLANTIC COPPER OPERATING DATA (since acquisition)

Concentrate treated					
(metric tons)	929,700	804,500	434,400i	485,300	330,200
Anodes (000s of pounds)					
Production	639,800	547,900	296,000	347,500	299,300
Sales	133,500	77,300	44,600	38,300	3,300
Cathodes (000s of pounds)					
Production	505,600	462,900	258,200	312,100	227,300
Sales (including wire rod)	505,300	461,100	280,200	309,400	294,800
Cathode cash production cost per pound					
	\$.12	\$.15	\$.18	\$.17	\$.18

</TABLE>

- a. Includes a \$25.3 million gain (\$12.3 million to net income or \$0.06 per share) for the reversal of stock appreciation rights costs caused by the decline in FCX's common stock price in 1997.
- b. Includes charges totaling \$17.4 million (\$8.0 million to net income or \$0.04 per share) consisting of \$12.7 million for costs of stock appreciation rights caused by the increase in FCX's common stock price in 1996, \$3.0 million for costs related to a civil disturbance and \$1.7 million for an early retirement program.

- c. Includes charges totaling \$49.6 million (\$26.9 million to net income or \$0.13 per share) consisting of \$29.8 million for costs of stock appreciation rights caused by the increase in FCX's common stock price in 1995, \$12.5 million for a materials and supplies inventory reserve adjustment in connection with the completion of PT-FI's 118,000 metric tons per day expansion program and \$7.3 million for an early retirement program.
- d. Includes a \$32.6 million insurance settlement gain (\$17.4 million to net income or \$0.08 per share).
- e. Includes charges totaling \$37.1 million (\$20.5 million to net income or \$0.10 per share) for restructuring and other related costs.
- f. Includes a \$9.9 million cumulative charge (\$0.05 per share) for changes in accounting principle.
- g. Amounts were \$0.90 in 1997, \$0.97 in 1996, \$1.28 in 1995, \$1.15 in 1994 and \$0.82 in 1993 before hedging adjustments.
- h. Amounts were \$326.08 in 1997, \$382.62 in 1996 and \$380.85 in 1995 before hedging adjustments.
- i. Reflects shutdowns caused by a strike at an adjacent plant, expansion equipment tie-ins and normal maintenance turnarounds.

[PAGE] 14

1997 / MANAGEMENT'S DISCUSSION AND ANALYSIS FREEPORT-McMoRan COPPER & GOLD INC.

OVERVIEW

To enhance understanding of Freeport-McMoRan Copper & Gold Inc.'s (FCX) financial results, the components of Management's Discussion and Analysis are presented adjacent to the pertinent financial data. Accordingly, in addition to the discussion that begins on this page and continues through page 22, further analyses of consolidated results of operations can be found on page 25, cash flows and liquidity on page 27, and capital resources and financial condition on page 29, as well as the Environmental & Social Responsibility Report on pages 8 through 13. The results of operations reported and summarized throughout are not necessarily indicative of future operating results.

FCX operates through its majority-owned subsidiaries, P.T. Freeport Indonesia Company (PT-FI) and P.T. IRJA Eastern Minerals Corporation (Eastern Mining), and through Atlantic Copper, S.A. (Atlantic), a

wholly owned subsidiary. PT-FI's operations involve mineral exploration and development, mining and milling of ore containing copper, gold and silver in Irian Jaya, Indonesia and the worldwide marketing of concentrates containing those metals. PT-FI also has a 25 percent interest in P.T. Smelting Co. (PT Smelting), an Indonesian company formed to construct and operate a copper smelter and refinery in Gresik, Indonesia. Eastern Mining conducts mineral exploration activities in Irian Jaya. Atlantic is engaged in the smelting and refining of copper concentrates in Spain and marketing refined copper products.

In 1996, FCX and Rio Tinto plc (Rio Tinto) established exploration and expansion joint ventures. Pursuant to the exploration joint ventures, Rio Tinto has a 40 percent interest in future development projects under PT-FI's Contract of Work (COW) and Eastern Mining's COW. Rio Tinto also has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021.

The FCX/Rio Tinto exploration joint ventures are continuing their exploration activities within the original 24,700 acre PT-FI Block A area, the adjacent approximate 3.25 million acre PT-FI Block B area and the approximate 1.8 million acre Eastern Mining area. As required by the applicable COW, PT-FI has relinquished its rights to approximately 3.25 million acres in Block B and is required to make one final relinquishment of approximately 1.6 million acres no later than December 1998. Eastern Mining has relinquished an approximate 0.7 million acre area and must relinquish an additional approximately 1.2 million acres in two equal installments no later than August 1998 and August 2001. For a discussion of exploration cost sharing arrangements with Rio Tinto, see "Exploration Expenses" on page 25.

FCX and Rio Tinto are expected to complete construction on the "fourth concentrator mill expansion" of PT-FI's facilities during the first half of 1998. The expanded mill facilities provide FCX an opportunity to increase throughput beyond 200,000 metric tons of ore per day (MTPD) and improve profitability by optimizing the ore available from PT-FI's mines. See Note 2 of the Notes to Financial Statements for a discussion of the joint venture arrangements. In December 1997, PT-FI received approval from the Indonesian authorities to expand its milling rate up to a maximum of 300,000 MTPD. FCX and Rio Tinto have initiated pre-feasibility studies to consider further expansion of the mining and milling facilities beyond the current fourth concentrator mill expansion.

In December 1997, FCX signed a letter of intent to acquire an ownership interest in P.T. Iriana Mutiara Mining (Iriana). Iriana holds a COW area covering approximately 1.2 million acres in central Irian Jaya, in part contiguous to Eastern Mining's COW area. The transaction is subject to execution of definitive documentation pursuant to which FCX would become operator of the Iriana COW area. As operator, FCX would be required to

spend at least \$0.5 million on exploration in 1998. If FCX elects to continue participation beyond June 30, 1999, it would acquire a 90 percent ownership interest and would fund all exploration cost up to and including a feasibility study. FCX would also be responsible for arranging construction financing for Iriana for any economically feasible projects in the Iriana COW area. Pursuant to the joint venture arrangements with Rio Tinto, Rio Tinto has the option to participate with respect to 40 percent of FCX's interest in this 1.2 million acre COW area.

During 1997, additions and revisions to the aggregate proved and probable reserves of the Grasberg and other Block A ore bodies totaled approximately 204.8 million metric tons of ore representing 5.0 billion recoverable pounds of copper, 9.2 million recoverable ounces of gold and 22.3 million recoverable ounces of silver. December 31, 1997 aggregate proved and probable recoverable reserves, net of 1997 production, totaled 2.17 billion metric tons of ore averaging 1.20 percent copper, 1.20 grams of gold per metric ton and 3.95 grams of silver per metric ton representing 47.1 billion

[PAGE] 15

1997 / MANAGEMENT'S DISCUSSION FREEPORT-McMoRan COPPER & GOLD INC.
AND ANALYSIS

pounds of copper, 62.7 million ounces of gold and 138.4 million ounces of silver. Pursuant to joint venture arrangements, Rio Tinto has a 40 percent interest in future production exceeding specified annual amounts of copper, gold and silver through 2021 calculated by reference to PT-FI's proved and probable reserves as of December 31, 1994. Rio Tinto's 40 percent share of joint venture proved and probable reserves as of December 31, 1997 was approximately 9.3 billion pounds of copper, 11.4 million ounces of gold and 27.1 million ounces of silver. Net of Rio Tinto's share, additions and revisions to PT-FI's proved and probable copper, gold and silver reserves represent 2.6 times 1997 copper production, over 3 times 1997 gold production and over 5 times 1997 silver production. Net of Rio Tinto's share, PT-FI's share of proved and probable recoverable copper, gold and silver reserves was 37.8 billion pounds of copper, 51.3 million ounces of gold and 111.3 million ounces of silver as of December 31, 1997 (Note 14). Estimated recoverable reserves were assessed using a copper price of \$0.90 per pound and a gold price of \$325 per ounce. Using prices of \$0.75 per pound of copper and \$280 per ounce of gold would reduce estimated recoverable reserves by approximately 12 percent for copper, 9 percent for gold and 15 percent for silver.

RESULTS OF OPERATIONS

FCX has two operating segments: "mining and exploration" and "smelting and refining." The mining and exploration segment includes PT-FI's copper and gold mining operations in Indonesia and

the Indonesian exploration activities of both PT-FI and Eastern Mining. The smelting and refining segment includes Atlantic's operations in Spain and PT-FI's equity investment in PT Smelting. Summary operating results by segment follow (in millions):

<TABLE>

<CAPTION>

	Years Ended December 31,		
	1997	1996	1995
<S>	<C>	<C>	<C>
Mining and exploration	\$ 630.8	\$ 648.0	\$675.7
Smelting and refining	30.6	6.4	(24.1)
Intercompany eliminations and other a	2.8	(16.1)	(55.2)
Operating income	\$ 664.2	\$ 638.3	\$596.4

</TABLE>

- a. Profit on PT-FI sales to Atlantic is not reflected in FCX's consolidated results until completion of the smelting and refining process. The eliminations totaled \$19.0 million in 1997, \$2.7 million in 1996 and \$(40.4) million in 1995. The increased level of PT-FI concentrate sales to Atlantic at the end of 1995 to support the expanded smelter capacity resulted in significant intercompany eliminations.

MINING AND EXPLORATION

A summary of increases (decreases) in PT-FI revenues follows (in millions):

<TABLE>

<CAPTION>

	1997	1996
<S>	<C>	<C>
Sales volumes:		
Copper	\$ 93.4	\$ 136.7
Gold	74.0	132.6
Price realizations:		
Copper	(88.8)	(222.7)
Gold	(84.6)	12.3
Adjustments to prior year open sales	59.0	(4.7)
Treatment charges, royalties and other	(33.5)	(46.3)
Net increase in revenues over prior year	\$ 19.5	\$ 7.9

</TABLE>

[PAGE] 16

1997 / MANAGEMENT'S DISCUSSION FREEPORT-McMoRan COPPER & GOLD INC.
AND ANALYSIS

PT-FI Operating Results - 1997 Compared with 1996. PT-FI's 1997 revenues were slightly higher than 1996 revenues as record sales volumes were substantially offset by a decline in price realizations. Copper sales volumes rose 8 percent and gold sales volumes rose 11 percent primarily as a result of improvements in recovery rates (see Selected Financial and Operating Data). Average copper realizations declined 8 percent from \$1.02 per pound in 1996 to \$0.94 per pound in 1997. PT-FI's revenues include net additions totaling \$42.6 million in 1997 and \$38.2 million in 1996 recognized under PT-FI's copper price protection program. Average 1997 gold realizations declined 11 percent or nearly \$45 per ounce compared to 1996. PT-FI's revenues also include additions totaling \$37.6 million in 1997 and \$14.1 million in 1996 recognized on gold forward sales contracts. Adjustments to prior year open sales totaled \$54.9 million in 1997 compared with \$(4.1) million in 1996. Treatment charges increased in 1997 because of higher sales volumes and tighter market conditions. Royalties and a portion of treatment charges vary with the price of copper.

<TABLE>

<CAPTION>

PT-FI Gross Profit Per Pound of Copper(cents)

	Years Ended December 31,		
	1997	1996	1995
<S>	<C>	<C>	<C>
Average realized price a	94.4	101.9	122.2
Production costs:			
Site production and delivery	50.6	52.4	54.0b
Gold and silver credits	(55.5)	(61.3)	(53.8)
Treatment charges	24.4	22.9	19.6
Royalty on metals	2.6	2.8	4.3
	-----	-----	-----
Cash production costs	22.1	16.8	24.1
Depreciation and amortization	15.0	13.0	10.4
	-----	-----	-----
Total production costs	37.1	29.8	34.5
	-----	-----	-----
Revenue adjustments c	3.7	(2.0)	(2.1)
	-----	-----	-----
	61.0	70.1	85.6
	=====	=====	=====

</TABLE>

- a. Amounts were \$0.90 in 1997, \$0.97 in 1996 and \$1.28 in 1995 before hedging adjustments.
- b. Excludes an inventory reserve adjustment of \$12.5 million (1.3 cents per pound).
- c. Reflects adjustments for prior year concentrate sales and amortization of the price protection program cost.

Average cash production costs in 1997 of 22.1 cents per pound of copper were higher than the comparable 1996 average primarily because of lower gold credits. Lower gold realizations offset record gold sales and reduced unit gold credits by 9 percent. Site production and delivery costs per pound declined primarily because of lower labor costs offset by higher treatment charges that reflected tightened smelter capacity. Treatment charge rates for a significant portion of PT-FI's 1998 projected sales were negotiated in the fourth quarter of 1997 based on then current market conditions. As a result of a continued tight smelter market, treatment charges are expected to increase slightly in 1998. PT-FI's copper royalty rate varies from 1.5 percent, at a copper price of \$0.90 or less, to 3.5 percent, at a copper price over \$1.10, on the value of copper sold (after delivery costs, treatment charges and other selling costs); the gold and silver royalty rate is 1.0 percent. PT-FI has agreed with the Government of Indonesia (GOI) that on metal production from mill throughput in excess of 200,000 MTPD it will pay a second royalty.

PT-FI's 1997 depreciation rate of 15.0 cents per pound of copper reflects an increase over the 1996 rate because of the first phase of the enhanced infrastructure program (EIP) and other 1997 capital additions. The EIP is designed to provide the infrastructure needed for PT-FI's growing operations and expected future growth, to enhance the living conditions of PT-FI's employees, and to develop and promote the growth of local and third party activities and enterprises in Irian Jaya. The first phase of the EIP was completed in 1996; therefore, the 1996 rate of 13.0 cents per pound did not include the EIP for a full year. The 1998 depreciation rate is expected to increase to 17.0 cents per pound of copper to reflect a half year of depreciation on the fourth concentrator mill expansion and other capital additions.

[PAGE] 17

1997 / MANAGEMENT'S DISCUSSION AND ANALYSIS FREEPORT-McMoRan COPPER & GOLD INC.

PT-FI Outlook. PT-FI's copper concentrates are sold primarily under dollar-denominated long-term sales agreements, mostly to

companies in Asia and Europe. PT-FI has commitments from various parties, including Atlantic, to purchase virtually all of its estimated 1998 production at market prices. With PT-FI's fourth concentrator mill expansion set to begin operations during the first half of 1998, PT-FI's share of sales for 1998 is expected to approximate 1.4 billion pounds of copper and 2.2 million ounces of gold. Strong 1998 copper and gold sales reflect the expectation of producing at higher mill throughput rates than in 1997 because of the fourth concentrator mill expansion, partially offset by lower average grades than during 1997. PT-FI has a long-term contract to provide Atlantic with approximately 60 percent of its copper concentrate requirements at market prices.

Exploration. FCX continues an aggressive exploration program in Irian Jaya, in the Block A, Block B, and Eastern Mining blocks. In Block A, delineation drilling is currently under way in seven underground drill stations at Kucing Liar. In addition, two surface drills are working to test deep Kucing Liar-type targets on the west and northeast flanks of the Grasberg intrusive complex. Delineation drilling at the Grasberg and DOZ ore bodies is scheduled to continue throughout 1998. In Block B, drilling and trenching continues at the Wabu Ridge Gold Project. A pre-feasibility study is ongoing with all aspects of a potential commercial operation being studied. Elsewhere in Block B, condemnation work, geology and drilling continues in anticipation of the final land relinquishment. In the Eastern Mining COW areas, geologic mapping and sampling have identified several new targets which will be scheduled for drilling during early 1998.

PT-FI Operating Results - 1996 Compared with 1995. PT-FI's 1996 revenues were slightly higher than 1995 revenues as higher sales volumes were substantially offset by a decline in copper realizations. Copper sales volumes rose 11 percent and gold sales volumes rose 26 percent as a result of a 14 percent increase in average mill throughput and improvements in copper and gold ore grades and gold recovery rates. Copper realizations declined from \$1.22 per pound in 1995 to \$1.02 per pound in 1996. PT-FI's 1996 revenues include net additions totaling \$38.2 million recognized under PT-FI's copper price protection program, compared with net reductions totaling \$68.6 million in 1995. Average 1996 gold realizations were slightly higher compared to 1995. PT-FI's revenues also include additions totaling \$14.1 million in 1996 and \$3.9 million in 1995 recognized on gold forward sales contracts. Treatment charges increased in 1996 because of the increased sales volumes coupled with higher negotiated rates because of tighter market conditions. Despite higher sales volumes, royalties were lower because of lower copper prices.

Average cash production costs in 1996 of 16.8 cents per pound of copper were 30 percent lower than the comparable 1995 average. Higher gold sales and realizations resulted in improved gold

credits. Higher treatment charges reflect tightening smelter capacity. PT-FI's 1996 depreciation rate of 13.0 cents per pound of copper reflects depreciation for the expanded operations and a half year of depreciation for the first phase of the EIP. The 1995 rate did not include the EIP costs.

SMELTING AND REFINING

Atlantic Operating Results - 1997 Compared with 1996. Atlantic reported higher revenues (\$874.5 million compared to \$778.1 million in 1996) and cost of sales (\$831.2 million compared to \$759.4 million in 1996) because of increases in production from its newly expanded facilities. Atlantic reached its full production capacity of 270,000 metric tons of metal per year in June 1996 and completed a \$13.0 million "debottlenecking" project in June 1997 which increased annual production capacity by 20,000 metric tons. Atlantic also benefited from higher treatment and refining rates in 1997 (\$0.26 per pound compared with \$0.23 per pound in 1996). Cathode cash production costs (\$0.12 per pound) in 1997 were 20 percent lower than in 1996. Higher treatment charges, which negatively affect PT-FI, benefit Atlantic. The effect of an equivalent change in treatment charges on PT-FI and Atlantic largely offset in FCX's consolidated financial results, after taking into account income taxes and minority interests.

PT Smelting Operating Results - 1997. PT-FI accounts for its 25 percent interest in PT Smelting under the equity method (Note 10). Construction of PT Smelting's smelting and refining facilities in Gresik, Indonesia is expected to be completed in mid-1998 and first production is expected in the fourth quarter of 1998. PT-FI's share of PT Smelting's 1997 operating loss totaled \$1.5 million, consisting of administrative costs.

[PAGE] 18

1997 / MANAGEMENT'S DISCUSSION FREEPORT-McMoRan COPPER & GOLD INC.
AND ANALYSIS

Atlantic Operating Results - 1996 Compared with 1995. Atlantic completed the expansion of its smelter from 150,000 to 270,000 metric tons of metal per year and reached full production capacity in June 1996. For 1996, Atlantic reported higher revenues (\$778.1 million compared to \$541.3 million in 1995) and cost of sales (\$759.4 million compared to \$546.5 million in 1995) primarily because of increases in production. Shutdowns in 1995 caused by a strike at an adjacent plant, expansion equipment tie-ins and normal maintenance turnarounds impacted results adversely. Atlantic also benefited from lower cathode cash production costs, \$0.15 per pound in 1996 compared with \$0.18 per pound in 1995.

DISCLOSURES ABOUT MARKET RISKS

Commodity Price Risk. FCX's revenues are derived primarily from PT-FI's sale of copper concentrates, which also contain significant amounts of gold, and the sale of copper cathodes and wire rod by Atlantic. FCX's net income can vary significantly with fluctuations in the market prices of copper and gold. At various times, in response to market conditions, FCX has entered into copper and gold price protection contracts for some portion of its expected future mine production to mitigate the risk of adverse price fluctuations. Based on PT-FI's projected 1998 sales volumes, each \$0.01 per pound change in the average price realized on copper sales would have an approximate \$14 million impact on revenues and an approximate \$7 million impact on net income. Each \$10 per ounce change in the average price realized on PT-FI annual gold sales would have an approximate \$22 million impact on revenues and an approximate \$11 million impact on net income.

The significant decline in gold prices in early 1997 increased the value of PT-FI's forward gold sales contracts covering 876,000 ounces of gold sales at an average price of \$376.08 per ounce from February 1997 through August 1997. In February 1997, PT-FI closed these contracts and received \$30.1 million cash. As a result, PT-FI reported gold revenues through August 1997 at a higher price than realized under its contract terms with customers, but no longer has any forward gold sales positions. PT-FI has suspended its program of selling gold forward on a six-month basis but may reinstate the program in the future. Future gold sales will be priced at then current market prices as long as the forward sales program is suspended.

The significant decline in copper prices during 1996 increased the value of put option contracts that PT-FI purchased under its price protection program to provide a floor price of \$0.90 per pound for essentially all copper sales through the second quarter of 1997 at an average cost of approximately \$0.02 per pound. During the third quarter of 1996, PT-FI sold all of its put option contracts covering approximately 1.2 billion pounds of copper for \$97.2 million cash. As a result, PT-FI reported copper revenues through June 30, 1997 at a higher price than realized under its copper concentrate sales contracts, but PT-FI no longer has any price protection on its copper sales. As conditions warrant, PT-FI may enter into new contracts for its future copper sales.

PT-FI's concentrate sales agreements, with regard to copper, provide for provisional billings when shipped with final settlement generally based on the average London Metal Exchange (LME) price for a specified future month. Copper revenues on provisionally priced open pounds are adjusted monthly based on then current prices. At December 31, 1997, FCX had consolidated copper sales totaling 323.3 million pounds recorded at an average price of \$0.74 per pound remaining to be finally priced. Approximately 70 percent of these

open pounds are expected to be finally priced during the first quarter of 1998 with the remaining pounds to be priced during the second quarter of 1998. A one cent movement in the average price used for these open pounds will have an approximate \$1.6 million impact on FCX's 1998 net income.

[PAGE] 19

1997 / MANAGEMENT'S DISCUSSION AND ANALYSIS FREEPORT-McMoRan COPPER & GOLD INC.

FCX has redeemable preferred stock indexed to gold and silver prices which hedge future production and are carried at their original issue value. As redemption payments occur, differences between the carrying value and the redemption payment will be recorded as an adjustment to revenues. Future mandatory redemption payments in ounces and equivalent value in dollars based on December 31, 1997 gold and silver prices follow (dollars in millions):

<TABLE>

<CAPTION>

	Gold (Ozs.)	Amount	Silver (Ozs.)	Amount
<S>	<C>	<C>	<C>	<C>
1998	-	\$-	-	\$-
1999	-	-	2,380,000	14.3
2000	-	-	2,380,000	14.3
2001	-	-	2,380,000	14.3
2002	-	-	2,380,000	14.3
Thereafter	1,030,000	297.9	9,520,000	57.1

At December 31, 1997:

Fair value	\$242.0	\$92.2
Carrying value	\$400.0	\$100.0

</TABLE>

Atlantic's purchases of copper concentrate are priced at approximately the same time as its sales of the refined copper, thereby protecting Atlantic from most copper price risk. Atlantic enters into futures contracts to hedge its price risk whenever its physical purchases and sales pricing periods do not match. At December 31, 1997, Atlantic had contracts, with a fair value of less than \$0.1 million, to sell 2.0 million pounds of copper at an average price of \$0.80 per pound in January 1998 and contracts, with a fair value of \$(1.5) million, to purchase 20.3 million pounds of copper at an average price of \$0.87 per pound through December 1999.

Foreign Currency Exchange Risk. FCX conducts the majority of its

operations in Indonesia and Spain where its functional currencies are U.S. dollars. All of FCX's revenues are denominated in U.S. dollars; however, some costs are denominated in either Indonesian rupiah or Spanish pesetas. FCX's results are positively affected when the U.S. dollar strengthens against these foreign currencies and adversely affected when the U.S. dollar weakens against these foreign currencies.

Over the past several years, and more dramatically in the second half of 1997, the Indonesian rupiah has weakened against the U.S. dollar and PT-FI has benefited primarily through lower labor costs. PT-FI previously has not entered into financial contracts for the rupiah; however, it is currently reviewing its rupiah hedging policy in view of current circumstances.

Assuming estimated 1998 rupiah payments of 500 billion and an exchange rate of 7,500 rupiah to one U.S. dollar, each one thousand rupiah change in the exchange rate could result in an approximate \$4.5 million change in FCX's annual net income. PT-FI had net rupiah-denominated monetary assets at December 31, 1997 totaling \$14.2 million recorded at an exchange rate of 7,450 rupiah to one U.S. dollar. Adjustments to these net assets to reflect changes in the exchange rate are recorded as currency transaction gains or (losses) in production costs and totaled \$(6.3) million in 1997.

A portion of Atlantic's operating costs and certain Atlantic assets and liabilities are denominated in Spanish pesetas. Based on estimated 1998 pesetas payments of 15 billion and an exchange rate of 150.7 pesetas to one U.S. dollar, each ten peseta change in the U.S. dollar and Spanish peseta exchange rate results in an approximate \$6 million change in FCX's annual net income before any hedging effects. Atlantic had net peseta-denominated monetary liabilities at December 31, 1997 totaling \$70.3 million recorded at an exchange rate of 150.7 pesetas to one U.S. dollar. Adjustments to these net liabilities to reflect changes in the exchange rate are recorded as currency transaction gains or (losses) in Other Income and totaled \$16.6 million in 1997 and \$10.3 million in 1996.

[PAGE] 20

1997 / MANAGEMENT'S DISCUSSION FREEPORT-McMoRan COPPER & GOLD INC.
AND ANALYSIS

During 1996, Atlantic implemented a currency hedging program to reduce its exposure to changes in the U.S. dollar and Spanish peseta exchange rate that involves foreign exchange option and forward contracts. These contracts currently hedge approximately 80 percent of Atlantic's projected net peseta cash outflows through January 1999 (Note 11). In addition to the currency transaction gains noted above, Atlantic recorded losses to Other Income related to its forward currency contracts, which under current accounting do not

qualify for hedge accounting, totaling \$6.5 million in 1997 and \$1.0 million in 1996.

At December 31, 1997, Atlantic had contracts, with a fair value of \$(2.0) million, to purchase 6.3 billion Spanish pesetas at an average exchange rate of 143.8 pesetas to one U.S. dollar through January 1999 and option contracts, with a fair value of \$0.5 million, to purchase 6.3 billion Spanish pesetas at an average strike price of 140.6 pesetas to one U.S. dollar through January 1999.

Interest Rate Risk. FCX has interest rate swap contracts to fix interest rates on a portion of its floating rate debt. The costs associated with these contracts are amortized to interest expense over the terms of the agreements. The table below presents future maturities of principal (or notional amount) for outstanding debt and interest swaps at December 31, 1997 and fair value at December 31, 1997 (dollars in millions):

<TABLE>

<CAPTION>

	1998	1999	2000	2001	2002	Thereafter	Fair Value
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term debt (Note 8):							
Fixed rate	\$7.0	\$7.0	\$7.0	\$148.0	\$-	\$450.0	\$632.9
Average interest rate	8.1%	8.1%	8.1%	9.4%	-%	7.3%	7.9%
Variable rate	\$73.9	\$69.1	\$104.3	\$74.0	\$380.0	\$1,068.2	\$1,770.0
Average interest rate	7.8%	9.6%	8.9%	9.0%	8.3%	9.1%	8.9%
Interest rate swaps (Note 11):							
Amount	\$32.1	\$32.1	\$97.8	\$-	\$-	\$-	\$(1.2)
Average interest rate	7.0%	7.0%	6.1%	-%	-%	-%	6.4%

</TABLE>

RECENT DEVELOPMENTS IN INDONESIA

Recently, unfavorable economic developments have negatively impacted Southeast Asia in general and Indonesia in particular. Indonesia's national debt ratings have been downgraded, the Indonesian rupiah has devalued significantly and the Indonesian economic growth rate and stock market values have declined. The International Monetary Fund and certain countries are making loans and other commitments to Indonesia, as well as certain other Asian nations, to stabilize their currencies' values and their ability to service debt. In return, changes in these countries' financial and regulatory practices are being required. Repercussions of these and other economic developments have also negatively affected commodity

markets, including copper and gold prices, because of anticipated declines in Asian demand.

PT-FI and Eastern Mining believe there are a number of factors which mitigate the above concerns related to their operations, all of which are in Indonesia. PT-FI's and Eastern Mining's operations are conducted through the PT-FI and Eastern Mining COWs, both of which have 30-year terms, provide for two 10-year extensions under certain conditions, and govern PT-FI's and Eastern Mining's rights and obligations relating to taxes, exchange controls, repatriation and other matters. Both COWs were concluded pursuant to the 1967 Foreign Capital Investment Law, which expresses Indonesia's foreign investment policy and provides basic guarantees of remittance rights and protection against nationalization, a framework for economic incentives and basic rules regarding other rights and obligations of foreign investors. Specifically, the COWs provide that the GOI will not nationalize or expropriate PT-FI's or Eastern Mining's mining operations. Any disputes under the COWs are subject to international arbitration.

[PAGE] 21

1997 / MANAGEMENT'S DISCUSSION FREEPORT-McMoRan COPPER & GOLD INC.
AND ANALYSIS

The Company has had positive relations with the GOI since it commenced business activities in Indonesia in 1967 and contributes significantly to the economy of Irian Jaya and Indonesia. PT-FI is one of the largest taxpayers in Indonesia and is a significant employer in a remote and undeveloped area of the country. PT-FI intends to continue to maintain positive working relationships with the central, provincial and local branches of the GOI regarding its operations and development efforts.

All PT-FI sales revenues and all debt and debt service are denominated in U.S. dollars; whereas, a portion of PT-FI's expenditures are paid in rupiah. As a result, the decline in the value of the rupiah has benefited current operating results by reducing certain operating costs in terms of U.S. dollars.

OTHER MATTERS

In March 1997, P.T. Nusamba Mineral Industri (NMI), a subsidiary of P.T. Nusantara Ampera Bakti, acquired from a third party approximately 51 percent of the capital stock of P.T. Indocopper Investama Corporation (PT-II). FCX owns the remaining 49 percent of PT-II, which is a 9.4 percent owner of PT-FI. NMI financed \$254.0 million of the \$315.0 million purchase price with a variable rate commercial loan maturing in March 2002. The purchase price was based in part on FCX's market value using its publicly traded common stock price at the time of the transaction. FCX has agreed that if

NMI defaults on the loan, FCX will purchase the PT-II stock or the lenders' interest in the commercial loan for the amount then due by NMI under the loan. FCX also agreed to lend to NMI any shortfalls between the interest payments due on the commercial loan and the dividends received by NMI from PT-II. At December 31, 1997, \$7.6 million was due in March 2002 from NMI because of interest payment shortfalls. The amount of any future shortfalls will depend primarily on the level of PT-FI's dividends to PT-II.

FCX believes that PT-FI's operations are being conducted pursuant to applicable permits and are in compliance in all material respects with applicable Indonesian environmental laws, rules and regulations. In 1996, PT-FI began contributing to a fund designed to accumulate at least \$100 million by the end of its Indonesian mine's life for eventual mine closure and reclamation. Although the ultimate amount of reclamation and closure costs to be incurred is currently indeterminable, based on recent analyses PT-FI estimates that ultimate reclamation and closure costs may require as much as \$100 million but would not exceed \$150 million. These costs will be incurred throughout the remaining life of the mine, which is currently estimated to exceed 30 years. FCX had \$5.5 million accrued on a unit-of-production basis at December 31, 1997 for mine closure and reclamation costs, included in other liabilities. An increasing emphasis on environmental issues and future changes in regulations could require FCX to incur additional costs which would be charged against future operations. Estimates involving environmental matters are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. See FCX's Environmental Report beginning on page 8 for information about FCX's environmental programs.

Since early 1996, PT-FI has participated in an independent social/cultural audit of its Irian Jaya operations under a voluntary program monitored by the GOI. The audit was conducted by LABAT-Anderson, an internationally recognized consulting firm, and their final report was made public in August 1997. All of the recommendations in LABAT-Anderson's report have been agreed to by PT-FI and are in the process of being implemented. See FCX's Social Responsibility Report beginning on page 10 for information about FCX's social programs.

FCX has assessed its year 2000 information systems cost issues and believes that its current plans for system upgrades will adequately address these issues internally at no material cost.

CAUTIONARY STATEMENT

Management's discussion and analysis contains forward-looking statements regarding market risks, mineral reserves, treatment

charge rates, depreciation rates, copper and gold grades and sales volumes, exploration activities, capital expenditures, expansion costs, Gresik smelter costs, the availability of financing, future environmental costs and relations with the indigenous population of Irian Jaya. Important factors that might cause future results to differ from these projections are described in more detail in FCX's Form 10-K for the year ended December 31, 1997 filed with the Securities and Exchange Commission.

[PAGE] 22

1997 FREEPORT-McMoRan COPPER & GOLD INC.

REPORT OF MANAGEMENT

Freeport-McMoRan Copper & Gold Inc. (the Company) is responsible for the preparation of the financial statements and all other information contained in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance at reasonable costs that assets are safeguarded against loss or unauthorized use, that transactions are executed in accordance with management's authorization and that transactions are recorded and summarized properly. The system is tested and evaluated on a regular basis by the Company's internal auditors, Price Waterhouse LLP. In accordance with generally accepted auditing standards, the Company's independent public accountants, Arthur Andersen LLP, have developed an overall understanding of our accounting and financial controls and have conducted other tests as they consider necessary to support their opinion on the financial statements.

The Board of Directors, through its Audit Committee composed solely of non-employee directors, is responsible for overseeing the integrity and reliability of the Company's accounting and financial reporting practices and the effectiveness of its system of internal controls. Arthur Andersen LLP and Price Waterhouse LLP meet regularly with, and have access to, this committee, with and without management present, to discuss the results of their audit work.

/s/ James R. Moffett

/s/Richard C. Adkerson

James R. Moffett
Chairman of the Board and
Chief Executive Officer

Richard C. Adkerson
President, Chief Operating Officer
and Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF
FREEPORT-McMoRan COPPER & GOLD INC.:

We have audited the accompanying balance sheets of Freeport-McMoRan Copper & Gold Inc. (the Company), a Delaware Corporation, as of December 31, 1997 and 1996, and the related statements of income, cash flow and stockholders' equity for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996 and the results of its operations and its cash flow for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

New Orleans, Louisiana,
January 20, 1998

[PAGE] 23

<TABLE>

<CAPTION>

1997 / STATEMENTS OF INCOME

FREEPORT-McMoRan COPPER & GOLD INC.

Years Ended December 31,

1997	1996	1995
------	------	------

(In Thousands, Except Per Share Amounts)

<S>	<C>	<C>	<C>
Revenues	\$2,000,904	\$1,905,036	\$1,834,335
Cost of sales:			
Production and delivery	1,008,604	951,863	934,707
Depreciation and amortization	213,855	173,978	124,055
	-----	-----	-----
Total cost of sales	1,222,459	1,125,841	1,058,762
Exploration expenses	17,629	-	13,888
General and administrative expenses	96,601	140,934	165,253
	-----	-----	-----
Total costs and expenses	1,336,689	1,266,775	1,237,903
	-----	-----	-----
Operating income	664,215	638,261	596,432
Interest expense, net	(151,720)	(117,291)	(50,080)
Other income (expense), net	4,271	976	(1,590)
	-----	-----	-----
Income before income taxes and minority interests	516,766	521,946	544,762
Provision for income taxes	(231,315)	(247,168)	(234,044)
Minority interests in net income of consolidated subsidiaries	(40,343)	(48,529)	(57,100)
	-----	-----	-----
Net income	245,108	226,249	253,618
Preferred dividends	(36,567)	(51,569)	(54,153)
	-----	-----	-----
Net income applicable to common stock	\$ 208,541	\$ 174,680	\$ 199,465
	=====	=====	=====

Net income per share of common stock:

Basic	\$1.06	\$.90	\$.98
	=====	=====	=====
Diluted	\$1.06	\$.89	\$.98
	=====	=====	=====

Average common shares outstanding:

Basic	196,392	194,910	203,536
	=====	=====	=====
Diluted	197,653	196,682	204,406
	=====	=====	=====

Dividends paid per

common share	\$.90	\$.90	\$.675
	====	====	=====

</TABLE>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

[PAGE] 24

1997 / MANAGEMENT'S DISCUSSION AND ANALYSIS FREEPORT-McMoRan COPPER & GOLD INC.

CONSOLIDATED RESULTS OF OPERATIONS

Revenues. Increased production from expansions resulted in higher sales volumes in each of the past three years. Lower copper and gold realizations in 1997 compared with 1996 and lower copper realizations in 1996 compared with 1995 have partially offset the impact of higher sales volumes.

Cost of Sales. Production and delivery costs have risen with the corresponding increases in production volumes; however, cost reduction efforts and efficiencies from the expansions partially offset some of those increases. Increases in depreciation and amortization were caused by additions to property, plant and equipment to support the expanded operating levels, and by increased production as certain assets are depreciated on the unit-of-production method.

Exploration Expenses. The FCX/Rio Tinto joint ventures incurred exploration costs of \$44.6 million in 1997 and \$39.2 million in 1996 as they continued to aggressively explore the COW areas. During 1997, FCX reported \$17.6 million of exploration expense primarily for costs incurred in the Eastern Mining and PT-FI Block B areas. Costs in these areas are now being shared 60 percent by FCX and 40 percent by Rio Tinto. All 1996 exploration costs and 1995 exploration costs after May 1995 were reimbursed by Rio Tinto's \$100 million exploration funding received in 1996. Approximately \$11.4 million in PT-FI's Block A remains to be applied to the Rio Tinto \$100 million exploration funding. The FCX/Rio Tinto joint ventures' 1998 exploration budgets total approximately \$40 million, most of which will be shared 60 percent by FCX and 40 percent by Rio Tinto.

General and Administrative Expenses. General and administrative expenses declined 31 percent from 1996 to 1997 primarily because of the reversal of \$25.3 million of costs of stock appreciation rights caused by the decline in FCX's common stock price during the fourth quarter of 1997. General and administrative expenses for 1996 and 1995 include \$13.2 million and \$37.1 million, respectively, for costs of stock appreciation rights when FCX's stock price rose and early retirement charges. As a percentage of

revenues, general and administrative expenses were 4.8 percent in 1997, 7.4 percent in 1996 and 9.0 percent in 1995.

Interest Expense, Net. FCX's total interest cost (before capitalization) rose to \$174.7 million in 1997, compared to \$140.3 million in 1996 and \$99.9 million in 1995, because of an overall increase in debt levels associated with the expansions and the FCX share purchase programs. Capitalized interest relating primarily to the fourth concentrator mill expansion totaled \$23.0 million in 1997 and capitalized interest related to the PT-FI and Atlantic expansions and the first phase of the EIP in 1996 and 1995 totaled \$23.0 million and \$49.8 million, respectively. Interest expense is expected to increase during 1998 because of higher debt levels and reduced capitalized interest. Additionally, in connection with rating agency downgrades of Indonesia's national debt ratings, FCX's credit ratings were also downgraded in early 1998. As a result of the downgrade, the spread on the FCX/PT-FI revolver borrowings increased by 112.5 basis points.

Provision for Income Taxes. FCX's effective tax rate was 45 percent in 1997, 47 percent in 1996 and 43 percent in 1995 (Note 7). PT-FI's COW provides a 35 percent corporate income tax rate for PT-FI and a 10 percent withholding on dividends paid to FCX by PT-FI and on interest for debt incurred after the signing of the COW. The withholding rate declined from 15 percent to 10 percent beginning February 1997 because of an amendment to the United States/Indonesia tax treaty. Included in the 1997 provision for income taxes is \$9.6 million representing additional amounts payable pursuant to an Indonesian Presidential Decree. No income taxes are recorded at Atlantic, which is subject to taxation in Spain, because it has not generated taxable income in recent years.

The FCX United States federal income tax returns for the years 1990-1992 and PT-FI's 1994 Indonesian income tax return are currently under examination. In January 1998, PT-FI settled and paid assessments from the Indonesian tax authorities for the years 1989-1993 with no material adverse effect on the financial condition or results of operations of FCX.

Minority Interests and Preferred Dividends. Minority interests in net income of consolidated subsidiaries is primarily related to net income levels at PT-FI. Preferred dividends declined in 1997 primarily because in December 1996 FCX's Convertible Exchangeable Preferred Stock was converted to FCX common stock or redeemed for cash (Note 6).

[PAGE] 25

<TABLE>

<CAPTION>

1997 / STATEMENTS OF CASH FLOW

FREEMPORT-McMoRan COPPER & GOLD INC.

Years Ended December 31,

	1997	1996	1995
	(In Thousands)		
<S>	<C>	<C>	<C>
Cash flow from operating activities:			
Net income	\$ 245,108	\$ 226,249	\$ 253,618
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	213,855	173,978	124,055
Deferred income taxes	61,717	54,194	22,735
Deferral of unearned income	30,102	97,173	-
Recognition of unearned income	(76,595)	(51,066)	(36,207)
Minority interests' share of net income	40,343	48,529	57,100
Deferred stock appreciation rights costs, mining costs and other	(53,131)	(9,625)	35,492
(Increase) decrease in working capital:			
Accounts receivable	80,611	6,860	2,095
Inventories	51,957	(6,474)	(47,308)
Prepaid expenses and other	32	3,906	(4,593)
Accounts payable and accrued liabilities	(8,963)	42,155	(86,747)
Accrued income taxes	(71,484)	14,645	72,876
(Increase) decrease in working capital	52,153	61,092	(63,677)
Net cash provided by operating activities	513,552	600,524	393,116
Cash flow from investing activities:			
Capital expenditures:			
PT-FI	(530,191)	(401,538)	(435,475)
Investment in PT Smelting	(36,243)	(38,845)	(4,101)
Atlantic Copper	(18,478)	(51,855)	(141,742)
Other	(9,575)	-	(2,168)
Investment in Freeport Copper Company	-	-	(25,000)
Other	1,870	3,535	(9,656)

Net cash used in investing activities	(592,617)	(488,703)	(618,142)
Cash flow from financing activities:			
Proceeds from sale of:			
7.50% Senior notes	-	197,525	-
7.20% Senior notes	-	248,045	-
Borrowings from Rio Tinto	371,040	75,360	-
Proceeds from debt	831,927	241,640	617,535
Repayment of debt	(723,398)	(372,633)	(259,885)
Net proceeds from infrastructure financing	265,843	-	242,775
Purchase of FCX common shares	(438,388)	(220,997)	(177,755)
Cash dividends paid:			
Common stock	(178,341)	(175,766)	(137,563)
Preferred stock	(40,543)	(52,437)	(50,591)
Minority interests	(33,773)	(44,045)	(38,897)
Other	(3,461)	1,722	12,038
Net cash provided by (used in) financing activities	50,906	(101,586)	207,657
Net increase (decrease) in cash and cash equivalents	(28,159)	10,235	(17,369)
Cash and cash equivalents at beginning of year	37,118	26,883	44,252
Cash and cash equivalents at end of year	\$ 8,959	\$ 37,118	\$ 26,883
Interest paid	\$ 155,658	\$ 142,170	\$ 91,291
Income taxes paid	\$ 259,434	\$ 178,328	\$ 138,433

</TABLE>

The accompanying Notes to Financial Statements, which include information in Notes 1 and 6 regarding noncash transactions, are an integral part of these financial statements.

[PAGE] 26

CASH FLOWS AND LIQUIDITY

FCX's primary sources of cash are operating cash flows and borrowings, while its primary cash outflows over the last three years have been capital expenditures, dividends and purchases of its common stock. PT-FI is on schedule to complete construction of the fourth concentrator mill expansion in the first half of 1998, a project that is being funded almost entirely with nonrecourse borrowings from Rio Tinto. In December 1997, the FCX Board of Directors announced a reduction in FCX's regular quarterly cash dividend on its common stock to \$0.05 per share, or \$0.20 per share annually, from the 1997 annual dividend of \$0.90 per share. This reduction reflects the impact of significantly lower copper and gold prices and is effective for 1998. The reduced dividend and other cost containment measures undertaken by FCX are expected to provide FCX the financial flexibility to continue to invest in operations and maintain its aggressive exploration program.

Operating Activities. Operating cash flow declined 14 percent or \$87.0 million in 1997. Record copper and gold sales volumes in 1997 were offset by lower realizations. FCX received \$97.2 million of cash proceeds from the sale of copper put option contracts in 1996 and recognized \$46.1 million in 1997 revenues and \$51.1 million in 1996 revenues. Working capital, excluding cash, decreased \$52.2 million in 1997 primarily because decreases in accounts receivable offset decreases in taxes payable. The \$61.1 million decrease in 1996 primarily relates to exploration advances from Rio Tinto and an increase in accrued income taxes payable because of higher taxable income. Net cash provided by operating activities during 1996 rose 53 percent or \$207.4 million over 1995, primarily reflecting the proceeds from the sale of copper put option contracts and working capital changes.

Investing Activities. FCX's 1997 capital expenditures increased compared to 1996 primarily because of PT-FI's fourth concentrator mill expansion. Atlantic completed its \$225 million expansion to 270,000 metric tons per year in 1996 and its \$13.0 million debottlenecking project in June 1997. Atlantic received grants from the Spanish government of \$7.5 million in 1997, \$29.5 million in 1996 and a total of \$52.8 million through December 31, 1997. These grants are recorded as a reduction of capital expenditures and are contingent on Atlantic meeting specified conditions.

FCX's capital expenditures declined by \$91.2 million in 1996 compared with 1995 primarily because of the completion of PT-FI's 118,000 MTPD expansion during 1995, the completion of Atlantic's smelter expansion during 1996 and the completion of the first phase of PT-FI's EIP during 1996. Partially offsetting the reduction in PT-FI's other capital expenditures was an increase in expenditures

for the fourth concentrator mill expansion. In 1995, FCX purchased Freeport Copper Company from Freeport-McMoRan Inc., FCX's former parent, for \$25.0 million.

Financing Activities. Nonrecourse borrowings from Rio Tinto totaled \$371.0 million in 1997 and \$75.4 million in 1996. In 1996, FCX sold publicly its 7.50% and 7.20% Senior Notes for net proceeds of \$445.6 million. Net proceeds from debt totaled \$108.5 million and net proceeds from infrastructure financing totaled \$265.8 million in 1997 while net repayments of debt totaled \$131.0 million in 1996. The net proceeds from infrastructure financing in 1997 included \$36.5 million from the sale of PT-FI's ownership interest in the related joint ventures (see "Infrastructure Asset Sales" under Capital Resources and Financial Condition). The 1995 period included \$357.7 million of net proceeds from debt and \$242.8 million of proceeds from infrastructure financing.

In 1995, FCX announced an open market share purchase program for up to 20 million shares of its Class A and Class B common shares and in August 1997 FCX announced a new program for an additional 20 million shares. During 1997, FCX acquired 18.3 million of its shares for \$439.8 million (an average of \$24.07 per share). From inception through February 20, 1998, FCX has purchased a total of 33.5 million shares for \$818.2 million (an average of \$24.41 per share) and approximately 6.5 million shares remain available under FCX's 40 million open market share purchase programs. The timing of purchases is dependent upon many factors, including the price of common shares, FCX's business and financial condition, and general economic and market conditions. During 1996, FCX acquired 7.6 million of its shares for \$221.6 million (an average of \$29.24 per share). During 1995, FCX acquired 7.7 million of its shares for \$177.8 million (an average of \$23.13 per share).

As discussed above, the 1998 regular quarterly cash dividend on common stock is expected to be \$0.05 per share. The 1996 increase in cash dividends paid on common stock compared with 1995 results from the fourth-quarter 1995 increase in the regular quarterly dividend from \$0.15 to \$0.225 per share.

[PAGE] 27

<TABLE>

<CAPTION>

1997 / BALANCE SHEETS

FREEPORT-McMoRan COPPER & GOLD INC.

December 31,

1997	1996
------	------

(In Thousands)

<S>

<C>

<C>

ASSETS

Current assets:

Cash and cash equivalents	\$ 8,959	\$ 37,118
Accounts receivable:		
Customers	89,599	176,920
Other	40,012	59,830
Inventories:		
Product	120,794	161,901
Materials and supplies	194,006	213,811
Prepaid expenses and other	9,719	11,636
	-----	-----
Total current assets	463,089	661,216
Property, plant and equipment, net	3,521,715	3,088,644
Investment in PT Smelting	83,061	46,817
Other assets	84,344	68,857
	-----	-----
Total assets	\$4,152,209	\$3,865,534
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$ 261,866	\$ 311,797
Unearned customer receipts	101,428	46,458
Current portion of long-term debt and short-term borrowings	80,852	136,617
Accrued income taxes	31,519	103,003
	-----	-----
Total current liabilities	475,665	597,875
Long-term debt, less current portion	1,843,770	1,350,099
Note payable to Rio Tinto	464,360	76,200
Accrued postretirement benefits and other liabilities	125,980	200,646
Deferred income taxes	403,047	359,684
Minority interests	60,488	105,644
Mandatory redeemable preferred stock	500,007	500,007
Stockholders' equity:		
Step-up convertible preferred stock	349,990	349,990
Class A common stock, par value \$0.10, 97,071,944 shares issued and outstanding	9,707	9,707
Class B common stock, par value \$0.10, 121,404,858 shares and 120,979,123 shares issued and outstanding, respectively	12,140	12,098
Capital in excess of par value of common stock	649,792	636,100
Retained earnings	107,679	77,479
Cumulative foreign currency translation adjustment	10,244	10,244
Common stock held in treasury - 34,221,720 shares and 15,930,693 shares, at cost, respectively	(860,660)	(420,239)
	-----	-----

Total stockholders' equity	278,892	675,379
	-----	-----
Total liabilities and stockholders' equity	\$4,152,209	\$3,865,534
	=====	=====

</TABLE>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

[PAGE] 28

1997 / MANAGEMENT'S DISCUSSION AND ANALYSIS

FREEPORT-McMoRan COPPER & GOLD INC.

CAPITAL RESOURCES AND FINANCIAL CONDITION

Assets. FCX's assets increased by \$286.7 million over 1996 primarily because of expenditures for property, plant and equipment. Accounts receivable from customers decreased 49 percent primarily because of lower copper and gold prices. Other assets increased during 1997 primarily because of a \$19.6 million increase in deferred mining costs partially offset by PT-FI's sale of its ownership interest in certain infrastructure asset joint ventures, discussed below.

PT-FI's 1998 capital expenditures are expected to approximate \$225 million (other than for the fourth concentrator mill expansion discussed below), representing mine and mill sustaining capital and other long-term enhancement projects. Funding is expected to be provided by operating cash flow, PT-FI's bank credit facilities (\$641.0 million commitment available at February 20, 1998, subject to \$547.4 million borrowing base availability) and other financing sources. Capital expenditures in 1998 for the fourth concentrator mill expansion are expected to approximate \$160 million, including the coal-fired power plant and related facilities. The new power plant facilities will not only provide the required power for the expanded operations but also improve the profitability of existing operations, which currently use power generated by higher cost diesel-fueled facilities. Rio Tinto will finance approximately \$60 million of these capital expenditures in accordance with the joint venture arrangements (Note 2). Incremental cash flow attributable to such expansion projects will be shared 60 percent PT-FI and 40 percent Rio Tinto. PT-FI has assigned its interest in such incremental cash flow to Rio Tinto until Rio Tinto has received an amount equal to the funds loaned to PT-FI plus interest based on Rio Tinto's cost of borrowing. The incremental production from the expansion, as well as production from PT-FI's existing operations, will share proportionately in operating and administrative costs. PT-FI will continue to receive 100 percent of cash flow from

specified annual amounts of copper, gold and silver through 2021 calculated by reference to its proved and probable reserves as of December 31, 1994.

Construction began in 1996 on PT Smelting's 200,000 metric tons of metal per year copper smelter/refinery complex in Gresik, Indonesia. The estimated aggregate project cost, before working capital requirements, is approximately \$625 million. The project is being financed with a \$300 million nonrecourse term loan and a \$110 million working capital facility from a group of commercial banks. The remaining funding is being provided pro-rata by PT-FI (25 percent) and the other owners (75 percent). PT-FI expects its 1998 cash investment in the smelter to total approximately \$3 million. Upon completion of the Gresik smelter in mid-1998 and the PT-FI fourth concentrator mill expansion, FCX anticipates that approximately 50 percent of PT-FI's annual concentrate production will be sold to Atlantic and PT Smelting at market prices.

Infrastructure Asset Sales. In March 1997, PT-FI completed the final \$75 million sale of infrastructure assets to joint ventures owned one-third by PT-FI and two-thirds by P.T. ALatieF Nusakarya Corporation (ALatieF), an Indonesian investor. The sales to the ALatieF joint ventures totaled \$270.0 million during the period from December 1993 to March 1997. PT-FI subsequently sold its one-third interest in the joint ventures to ALatieF and is leasing the assets under infrastructure asset financing arrangements. PT-FI continues to guarantee an approximate \$50 million bank loan associated with the purchases. PT-FI no longer consolidates the joint ventures. Because of PT-FI's sale of its interest in the joint ventures and the resulting change in accounting for these transactions as infrastructure asset financings rather than consolidation, PT-FI's interest expense is higher and minority interest charges are lower. In December 1997, PT-FI completed a \$366.4 million sale, including \$74.4 million for the remaining costs expected to be incurred to complete construction, of the new power plant facilities associated with the fourth concentrator mill expansion to the joint venture that owns the assets which already provide electricity to PT-FI. The purchase price included \$123.2 million for Rio Tinto's share of the new power plant facilities. Sales to the power joint venture totaled \$581.4 million through 1997 including \$458.2 million of PT-FI owned assets. PT-FI subsequently sold its 30 percent interest in the joint venture to the other partners and is purchasing power under infrastructure asset financing arrangements pursuant to a power sales agreement.

Liabilities and Stockholders' Equity. FCX's liabilities rose by \$683.2 million over 1996, primarily reflecting an increase in total debt. Current liabilities decreased primarily because of a \$45.7 million decrease in the current portion of long-term debt at Atlantic and a \$71.5 million decrease in accrued income taxes partially offset by an increase in unearned customer receipts

because of lower copper and gold prices. Deferred income taxes increased \$43.4 million because of timing differences related to tax and book depreciation of property, plant and equipment. Equity declined by \$396.5 million from 1996 primarily because of \$439.8 million of FCX common stock purchases.

[PAGE] 29

<TABLE>

<CAPTION>

1997 / STATEMENTS OF
STOCKHOLDERS' EQUITY

FREEMPORT-McMoRan COPPER & GOLD INC.

	Years Ended December 31,		
	1997	1996	1995
	(In Thousands)		
<S>	<C>	<C>	<C>
Convertible Exchangeable Preferred Stock:			
Balance at beginning of year	\$ -	\$ 223,900	\$ 223,900
Conversions to Class A common stock	-	(221,093)	-
Redemptions	-	(2,807)	-
Balance at end of year	-	-	223,900
Step-Up Convertible Preferred Stock:			
Balance at beginning of year	349,990	350,000	350,000
Conversions to Class A common stock	-	(10)	-
Balance at end of year	349,990	349,990	350,000
Class A common stock:			
Balance at beginning of year	9,707	8,804	6,597
Conversions of preferred stock and Class B common stock	-	903	2,207
Balance at end of year	9,707	9,707	8,804
Class B common stock:			
Balance at beginning of year	12,098	11,862	13,998

Conversions to Class A common stock	-	-	(2,207)
Exercised stock options	42	236	71
	-----	-----	-----
Balance at end of year	12,140	12,098	11,862
	-----	-----	-----

Capital in excess of par value of common stock:

Balance at beginning of year	636,100	376,054	362,557
Conversions of preferred stock	-	220,073	-
Exercised stock options	13,692	39,973	13,497
	-----	-----	-----
Balance at end of year	649,792	636,100	376,054
	-----	-----	-----

Retained earnings:

Balance at beginning of year	77,479	78,565	41,663
Net income	245,108	226,249	253,618
Cash dividends on common stock	(178,341)	(175,766)	(137,563)
Dividends on preferred stock	(36,567)	(51,569)	(54,153)
Purchase of Freeport Copper Company	-	-	(25,000)
	-----	-----	-----
Balance at end of year	107,679	77,479	78,565
	-----	-----	-----

Cumulative foreign currency translation adjustment:

Balance at beginning of year	10,244	10,244	(3,740)
Adjustment	-	-	13,984
	-----	-----	-----
Balance at end of year	10,244	10,244	10,244
	-----	-----	-----

Common stock held in treasury:

Balance at beginning of year	(420,239)	(177,755)	-
Purchase of 18,270,500, 7,576,500 and 7,685,100 shares, respectively	(439,827)	(221,565)	(177,755)
Tender of 20,527 and 669,093 shares, respectively, to FCX to exercise stock options	(594)	(20,919)	-
	-----	-----	-----
Balance at end of year	(860,660)	(420,239)	(177,755)
	-----	-----	-----

Total stockholders' equity	\$ 278,892	\$ 675,379	\$ 881,674
	=====	=====	=====

</TABLE>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

[PAGE] 30

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The consolidated financial statements of Freeport-McMoRan Copper & Gold Inc. (FCX) include its majority-owned subsidiaries, P.T. Freeport Indonesia Company (PT-FI) and P.T. IRJA Eastern Minerals Corporation (Eastern Mining), as well as its wholly owned subsidiary, Atlantic Copper, S.A. (Atlantic). FCX's unincorporated joint ventures with Rio Tinto plc (Rio Tinto) are reflected using the proportionate consolidation method in accordance with standard industry practice (Note 2). PT-FI's investment in P.T. Smelting Co. (PT Smelting) is accounted for under the equity method (Note 10). All significant intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the 1997 presentation.

Use of Estimates. The preparation of FCX's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates include the pricing of open concentrate sales, useful lives for depreciation and amortization, allowances for obsolete inventory, reclamation and environmental obligations, postretirement and other employee benefits, valuation allowances for deferred tax assets, future cash flow associated with assets and proved and probable reserves. Actual results could differ from those estimates.

Cash and Cash Equivalents. Highly liquid investments purchased with a maturity of three months or less are considered cash equivalents.

Inventories. Inventories are stated at the lower of cost or market. PT-FI uses the average cost method and Atlantic uses the first-in, first-out (FIFO) cost method.

Property, Plant and Equipment. Property, plant and equipment are carried at cost. Mineral exploration costs are expensed as incurred, except in the year a property is deemed to contain a

viable mineral deposit, in which case they are capitalized. Development costs, including interest incurred during the construction and development period, are capitalized. Expenditures for replacements and improvements are capitalized. Depreciation for mining and milling life-of-mine assets is determined using the unit-of-production method based on estimated recoverable copper reserves. Other assets are depreciated on a straight-line basis over estimated useful lives of 15 to 20 years for buildings and 3 to 25 years for machinery and equipment.

Income Taxes. FCX accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109 (SFAS 109). Deferred income taxes are provided to reflect the future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements.

Reclamation and Mine Closure. Estimated reclamation and mine closure costs for PT-FI's current mining operations in Indonesia are accrued and charged to income over the estimated life of the mine by the unit-of-production method based on estimated recoverable copper reserves. Expenditures resulting from the remediation of conditions caused by past operations which do not contribute to future revenue generation are expensed.

Financial Contracts. FCX has entered into financial contracts to manage certain market risks resulting from fluctuations in commodity prices (primarily copper and gold), foreign exchange rates and interest rates by creating offsetting market exposures. FCX views all of its financial contracts as hedges as it does not engage in speculative activity. Costs or premiums and gains or losses on the contracts, including closed contracts, are recognized with the hedged transaction. Also, gains or losses are recognized if the hedged transaction is no longer expected to occur or if deferral criteria are not met. FCX monitors its credit risk on an ongoing basis and considers this risk to be minimal because its contracts are with a diversified group of financially strong counterparties.

At December 31, 1997, FCX had redeemable preferred stock indexed to commodities, deferred costs on foreign exchange option contracts, open foreign exchange forward contracts, open forward copper sales and purchase contracts, and interest rate swap contracts (Note 11). Redeemable preferred stock indexed to commodities is treated as a hedge of future production and is carried at its original issue value. As redemption payments occur, differences between the carrying value and the redemption payment will be recorded as an adjustment to revenues.

[PAGE] 31

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

Atlantic hedges its anticipated Spanish peseta cash flows with

foreign exchange option contracts and foreign exchange forward contracts. Gains and losses, including costs, on option contracts that qualify as hedges for accounting purposes are recognized in income when the underlying hedged transaction is recognized or when a previously anticipated transaction is no longer expected to occur. Changes in market value of forward exchange contracts which protect anticipated transactions are recognized in the period incurred. Atlantic's purchases of copper concentrate are priced at approximately the same time as its sales of the refined copper, thereby protecting Atlantic from most copper price risk. Atlantic enters into futures contracts to hedge its price risk whenever its physical purchases and sales pricing periods do not match. Gains and losses on futures contracts are recognized with the hedged transaction.

FCX has interest rate swap contracts to fix the interest rates on a portion of its floating rate debt. The costs associated with these contracts are amortized to interest expense over the terms of the agreements.

Concentrate Sales. Revenues from PT-FI's concentrate sales are recorded net of royalties, treatment costs and the impact of the price protection program (Note 11). PT-FI's concentrate sales agreements, including its sales to Atlantic, provide for provisional billings based on world metals prices when shipped, primarily using then current prices on the London Metal Exchange (LME), with actual settlement on the copper portion generally based on the average LME price for a specified future month (quotational period). Copper revenues on provisionally priced open pounds are adjusted monthly based on then current prices. At December 31, 1997, FCX had consolidated copper sales totaling 323.3 million pounds recorded at an average price of \$0.74 per pound remaining to be finally priced. Approximately 70 percent of these open pounds are expected to be finally priced during the first quarter of 1998 with the remaining pounds to be priced during the second quarter of 1998. A one cent movement in the average price used for these open pounds will have an approximate \$1.6 million impact on FCX's 1998 net income. Gold sales are priced according to individual contract terms, generally the average London Bullion Market Association price for the month of shipment.

In December 1991, PT-FI and the Government of Indonesia (GOI) signed a Contract of Work (COW) with a 30-year term and two 10-year extensions permitted. Under the COW PT-FI pays the GOI a royalty of 1.5 percent to 3.5 percent on the value of copper sold, net of delivery costs, treatment charges and other selling costs, and a 1.0 percent royalty on gold and silver sales. The royalties totaled \$31.4 million in 1997, \$30.4 million in 1996 and \$42.0 million in 1995. PT-FI has agreed with the GOI that on production in excess of 200,000 metric tons of ore per day (MTPD) it will pay a second royalty.

Foreign Currencies. Effective January 1, 1996, Atlantic changed its functional currency from the Spanish peseta to the U.S. dollar. This resulted from the significant changes in Atlantic's operations related to its expansion and the sale of its mining operations in Spain. Previously, Atlantic's assets and liabilities that were denominated in pesetas were translated to U.S. dollars using the exchange rate in effect at the balance sheet date, with translation adjustments recorded as a component of stockholders' equity.

Transaction gains and losses associated with Atlantic's peseta-denominated and PT-FI's rupiah-denominated monetary assets and liabilities are included in net income. Net Atlantic transaction gains totaled \$16.6 million in 1997 and \$10.3 million in 1996. Atlantic's net peseta-denominated monetary liabilities totaled \$70.3 million at December 31, 1997 based on an exchange rate of 150.7 pesetas to one dollar. PT-FI's net rupiah-denominated monetary assets totaled \$14.2 million at December 31, 1997 based on an exchange rate of 7,450 rupiah to one dollar. Net PT-FI transaction losses related to these net rupiah-denominated monetary assets totaled \$6.3 million in 1997, and were not material in 1996 and 1995.

Earnings Per Share. In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS 128, "Earnings Per Share," which simplifies the computation of earnings per share (EPS). FCX adopted SFAS 128 in the fourth quarter of 1997 and restated prior years' EPS data as required by SFAS 128.

Basic net income per share of common stock was calculated by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the year. From January 1, 1998 through January 20, 1998, FCX purchased 3.3 million shares under its open market share purchase program. Diluted net income per share of common stock was calculated by dividing net income applicable to common stock by the weighted-average number

[PAGE] 32

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

of common shares outstanding during the year plus dilutive stock options which represented 1.3 million shares in 1997, 1.8 million shares in 1996 and 0.9 million shares in 1995.

Options to purchase common stock that were outstanding during the years presented but were not included in the computation of diluted EPS totaled 2.3 million options at an average exercise price of approximately \$33 per share in 1997 and 1.8 million options at an average exercise price of approximately \$35 per share in 1996. These were excluded because the options' exercise price was greater than

the average market price of the common shares. The FCX preferred stock outstanding was not included in the computation of diluted EPS because including them would have increased EPS. The preferred stock was convertible into 11.7 million shares of common stock in 1997 and 1996, and 20.8 million shares of common stock in 1995. Dividends accrued on convertible preferred stock totaled \$21.0 million in 1997 and 1996, and \$36.7 million in 1995.

2. OWNERSHIP AND JOINT VENTURES WITH RIO TINTO

In 1995, Freeport-McMoRan Inc. (FTX), the former parent of FCX, completed its restructuring by distributing all the shares of FCX Class B common stock which it owned to FTX common stockholders. As a result of this distribution, FTX no longer owns any interest in FCX. Prior to the distribution, Rio Tinto purchased 23.9 million shares of FCX Class A common stock (approximately 12 percent of the then outstanding common stock of FCX) from FTX.

FCX's direct ownership in PT-FI totaled 81.3 percent at December 31, 1997 and 1996. FCX also owns 49 percent of P.T. Indocopper Investama Corporation (PT-II), a 9.4 percent owner of PT-FI, bringing FCX's total ownership in PT-FI to 85.9 percent at December 31, 1997 and 1996. At December 31, 1997, PT-FI's net assets totaled \$485.5 million, including \$281.9 million of retained earnings. FCX has various intercompany loans to PT-FI totaling \$982.5 million at December 31, 1997. In March 1997, PT Nusamba Mineral Industri (NMI), a subsidiary of P.T. Nusantara Ampera Bakti, acquired from a third party approximately 51 percent of the capital stock of PT-II. NMI financed \$254.0 million of the \$315.0 million purchase price with a variable rate commercial loan maturing in March 2002. The purchase price was based in part on FCX's market value using its publicly traded common stock price at the time of the transaction. FCX has agreed that if NMI defaults on the loan, FCX will purchase the PT-II stock or the lenders' interest in the commercial loan for the amount then due by NMI under the loan. FCX also agreed to lend to NMI any shortfalls between the interest payments due on the commercial loan and the dividends received by NMI from PT-II. At December 31, 1997, \$7.6 million was due in March 2002 from NMI because of interest payment shortfalls. The amount of any future shortfalls will depend primarily on the level of PT-FI's dividends to PT-II.

FCX's direct ownership in Eastern Mining totaled 90 percent at December 31, 1997 and 1996. PT-II owns the remaining 10 percent of Eastern Mining, bringing FCX's total ownership in Eastern Mining to 94.9 percent at December 31, 1997 and 1996.

FCX owns 100 percent of the outstanding Atlantic stock. At December 31, 1997, Atlantic's net assets totaled \$47.3 million and FCX had outstanding advances to Atlantic totaling \$30.3 million. Atlantic is not expected to pay dividends in the near future.

Joint Ventures With Rio Tinto. FCX and Rio Tinto have established exploration and expansion joint ventures. Pursuant to the exploration joint ventures, Rio Tinto has a 40 percent interest in future development projects under PT-FI's COW and Eastern Mining's COW. Under the arrangements, Rio Tinto funded \$100 million in 1996 for approved exploration costs in the areas covered by the PT-FI COW and Eastern Mining COW. As of December 31, 1997, \$11.4 million in PT-FI's Block A remains to be applied to the \$100 million Rio Tinto exploration funding and is classified as a current liability. Mutually agreed upon exploration costs in PT-FI's Block B and Eastern Mining's COW areas are now being shared 60 percent by FCX and 40 percent by Rio Tinto.

Pursuant to the expansion joint venture, Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021. FCX and Rio Tinto are expected to complete construction on the "fourth concentrator mill expansion" of PT-FI's facilities during the first half of 1998. Costs for the expansion are expected to approximate \$960 million, including both working capital and a coal-fired power plant and related facilities. The new power plant facilities were sold in December 1997 to a joint venture that owns assets which provide electricity to PT-FI (Note 8).

[PAGE] 33

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

To finance the expansion, Rio Tinto agreed to make available to PT-FI a nonrecourse loan of up to \$450 million. Through December 31, 1997, Rio Tinto has funded \$744.0 million of expansion costs (\$446.4 million loaned to PT-FI and the remainder funded directly by Rio Tinto). Expansion costs above \$750 million will be funded 60 percent by PT-FI and 40 percent by Rio Tinto except for approximately \$80 million for costs to be funded by PT-FI to enhance the profitability of PT-FI's existing operations. Incremental cash flow attributable to such expansion projects will be shared 60 percent PT-FI and 40 percent Rio Tinto. PT-FI has assigned its interest in such incremental cash flow to Rio Tinto until Rio Tinto has received an amount equal to the funds lent to PT-FI plus interest based on Rio Tinto's cost of borrowing. The incremental production from the expansion, as well as production from PT-FI's existing operations, will share proportionately in operating and administrative costs. PT-FI will continue to receive 100 percent of cash flow from specified annual amounts of copper, gold and silver through 2021 calculated by reference to its proved and probable reserves as of December 31, 1994 (Note 14).

3. INVENTORIES

The components of product inventories follow (in thousands):

<TABLE>

<CAPTION>

	December 31,	
	1997	1996
<S>	<C>	<C>
PT-FI: Concentrates - Average Cost	\$ 16,118	\$ 36,043
Atlantic: Concentrates -FIFO	72,088	78,374
Work in process - FIFO	26,501	40,719
Finished goods - FIFO	6,087	6,765
Total product inventories	\$120,794	\$161,901

</TABLE>

The average cost method was used to determine the cost of essentially all materials and supplies inventory at December 31, 1997 and 1996. Materials and supplies inventory is net of obsolescence reserves totaling \$29.5 million at December 31, 1997 and \$19.3 million at December 31, 1996.

4. PROPERTY, PLANT AND EQUIPMENT, NET

The components of net property, plant and equipment follow (in thousands):

<TABLE>

<CAPTION>

	December 31,	
	1997	1996
<S>	<C>	<C>
Exploration, development and other	\$ 929,844	\$ 815,869
Buildings and infrastructure	717,518	973,850
Machinery and equipment	1,281,903	1,217,872
Mobile equipment	355,802	256,570
Infrastructure assets	930,399	368,612
Construction in progress	397,272	344,580
Property, plant and equipment	4,612,738	3,977,353
Accumulated depreciation and amortization	(1,091,023)	(888,709)
Property, plant and equipment, net	\$3,521,715	\$3,088,644

</TABLE>

Exploration, development and other include \$124.8 million of excess

costs related to investments in consolidated subsidiaries which are amortized over the lives of the related assets. Property, plant and equipment are net of grants from the Spanish government totaling \$52.8 million. The grants are contingent on Atlantic meeting specified conditions.

[PAGE] 34

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

5. REDEEMABLE PREFERRED STOCK

FCX has outstanding 6.0 million depositary shares representing 300,000 shares of its Gold-Denominated Preferred Stock. Each depositary share has a cumulative quarterly cash dividend equal to the value of 0.000875 ounce of gold and will be redeemed in August 2003 for the cash value of 0.1 ounce of gold.

FCX has outstanding 4.3 million depositary shares representing 215,279 shares of its Gold-Denominated Preferred Stock, Series II. Each depositary share has a cumulative quarterly cash dividend equal to the value of 0.0008125 ounce of gold and will be redeemed in February 2006 for the cash value of 0.1 ounce of gold.

FCX has outstanding 4.8 million depositary shares representing 119,000 shares of its Silver-Denominated Preferred Stock. Each depositary share has a cumulative quarterly cash dividend equal to the value of 0.04125 ounce of silver. Beginning in August 1999, FCX will redeem the underlying Silver-Denominated Preferred Stock in eight equal annual installments.

6. STOCKHOLDERS' EQUITY

Common Stock. FCX has 473.6 million authorized shares of capital stock consisting of 423.6 million shares of common stock and 50.0 million shares of preferred stock. FCX has two classes of common stock which differ only as to their voting rights for the directors of FCX. Holders of Class B common stock elect 80 percent of the FCX directors while holders of Class A common stock and preferred stock elect 20 percent.

Preferred Stock. In 1996, FCX called for redemption its depositary shares representing Convertible Exchangeable Preferred Stock. Prior to the redemption date, holders of 8.8 million depositary shares converted their shares into 9.0 million FCX Class A common shares. FCX paid \$2.9 million in January 1997 to redeem the remaining 0.1 million depositary shares.

FCX has outstanding 14.0 million depositary shares representing 700,000 shares of its Step-Up Convertible Preferred Stock. Each depositary share has a cumulative \$1.75 annual cash dividend

(payable quarterly) and a \$25 liquidation preference, and is convertible at the option of the holder into 0.835 shares of FCX Class A common stock. Through August 1999, FCX may redeem these depositary shares for 0.835 shares of FCX Class A common stock per depositary share if the market price of FCX Class A common stock exceeds \$37.43 per share for 20 trading days within any period of 30 consecutive trading days. Thereafter, FCX may redeem these depositary shares at \$25 per share (payable in FCX Class A common stock, cash or a combination of both, at FCX's option) plus accrued and unpaid dividends.

Stock Options. In 1995, FCX's shareholders adopted the Adjusted Stock Award Plan to provide for the issuance of certain stock awards to employees, officers and directors of FTX in connection with FTX's distribution of FCX shares. Under this plan, FCX made a one time grant of awards to purchase up to 10.7 million Class B common shares, including stock appreciation rights (SARs), at prices equivalent to the original FTX price at date of grant as adjusted for the proportionate market value of FCX shares at the time of the distribution. All options granted under this plan expire 10 years from the original FTX date of grant.

FCX's shareholders adopted the 1995 Stock Option Plan (the 1995 Plan) to provide for the issuance of stock options and other stock-based awards (including SARs) at no less than market value at the time of grant. Under this plan, FCX can grant options to eligible participants to purchase up to 10 million Class B common shares. Options granted under the 1995 Plan expire 10 years after the date of grant. FCX's shareholders also adopted the 1995 Stock Option Plan for Non-Employee Directors (the Director Plan) authorizing FCX to grant options to purchase up to 2 million shares. Options granted under the Director Plan are exercisable in 25 percent annual increments beginning one year from the date of grant and expire 10 years after the date of grant. Under certain options, FCX will pay cash to the optionee equal to an amount based on the maximum individual federal income tax rate in effect at the time of exercise. Options for 7.6 million shares under the 1995 Plan and 1.7 million shares under the Director Plan were available for new grants as of December 31, 1997. A summary of stock options outstanding, including 1.4 million SARs, follows:

[PAGE] 35

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

<TABLE>

<CAPTION>

1997		1996		1995	
Number	Weighted Average	Number	Weighted Average	Number	Weighted Average
-----	-----	-----	-----	-----	-----

	of Options	Option Price	of Options	Option Price	of Options	Option Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1	7,990,083	\$23.04	9,770,040	\$18.59	-	\$ -
Granted upon FTX restructuring	-	-	-	-	10,715,351	18.53
Granted	856,900	29.18	1,909,200	34.71	170,000	26.69
Exercised	(579,612)	18.47	(3,538,945)	17.07	(1,075,868)	19.11
Expired/ Forfeited	(201,534)	30.45	(150,212)	22.66	(39,443)	22.49
Balance at December 31	8,065,837	23.84	7,990,083	23.04	9,770,040	18.59

</TABLE>

Summary information of fixed stock options outstanding at December 31, 1997 follows:

<TABLE>

<CAPTION>

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Remaining Life	Weighted Average Option Price	Number of Options	Weighted Average Option Price	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$13.10 to \$19.37	1,265,326	3.2 years	\$17.71	1,265,326	\$17.71	
\$19.93 to \$29.19	3,711,767	5.6 years	21.89	2,814,235	20.26	
\$30.44 to \$35.50	1,660,342	8.3 years	34.95	352,183	34.75	
	6,637,435			4,431,744		

</TABLE>

FCX has adopted the disclosure-only provisions of SFAS No. 123 and continues to apply APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. FCX recognized a \$25.3 million gain in 1997 and charges totaling \$12.7 million in 1996 and \$29.8 million in 1995 for the cost of SARs caused by the fluctuations in FCX's common stock price. Had compensation cost for FCX's fixed stock option grants been determined based on the fair value at the grant dates for awards under those plans consistent with SFAS 123, FCX's stock-based compensation costs would have increased by \$6.3 million (\$3.4 million to net income or \$0.02 per share) in 1997, \$2.4 million (\$1.3 million to net income or \$0.01 per share) in 1996 and \$0.2

million (\$0.1 million to net income) in 1995. For the pro forma computations, the fair values of the fixed option grants were estimated on the dates of grant using the Black-Scholes option-pricing model. The weighted average fair value for fixed stock option grants was \$10.24 per option in 1997, \$12.09 per option in 1996 and \$8.34 per option in 1995. The weighted average assumptions used include a risk-free interest rate of 6.9 percent in 1997, 6.6 percent in 1996 and 6.4 percent in 1995; expected volatility of 30 percent in 1997, 26 percent in 1996 and 29 percent in 1995; expected lives of 10 years and an annual dividend of \$0.90 per share. The pro forma effects on net income for 1997, 1996 and 1995 are not representative of future years because FCX first adopted its stock option plans in 1995. No other discounts or restrictions related to vesting or the likelihood of vesting of fixed stock options were applied.

[PAGE] 36

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

7. INCOME TAXES

The components of FCX's deferred taxes follow (in thousands):

<TABLE>

<CAPTION>

	December 31,	
	1997	1996
	-----	-----
<S>	<C>	<C>
Deferred tax asset:		
Foreign tax credits	\$ 137,784	\$ 103,578
U.S. alternative minimum tax credits	49,946	43,906
Atlantic net operating loss carryforwards	97,400	85,858
Deferred compensation	5,898	16,607
Intercompany profit elimination	8,141	16,217
Obsolescence reserve	8,095	5,089
Valuation allowance	(285,130)	(233,342)
	-----	-----
Total deferred tax asset	22,134	37,913
	-----	-----
Deferred tax liability:		
Property, plant and equipment	(423,515)	(396,493)
Other	(1,666)	(1,104)
	-----	-----
Total deferred tax liability	(425,181)	(397,597)
	-----	-----
Net deferred tax liability	\$ (403,047)	\$ (359,684)
	=====	=====

</TABLE>

FCX has provided a valuation allowance equal to its tax credit carryforwards (\$187.7 million at December 31, 1997 and \$147.5 million at December 31, 1996) as these would only be used should FCX be required to pay regular U.S. tax, which is considered unlikely for the foreseeable future. Atlantic is subject to taxation in Spain and FCX has provided a valuation allowance equal to the future tax benefits resulting from \$278.3 million of net operating losses at December 31, 1997 which expire through the year 2004 and \$245.3 million of net operating losses at December 31, 1996, because Atlantic has not generated taxable income in recent years.

FCX's U.S. federal income tax returns for the years 1990-1992 and PT-FI's 1994 Indonesian income tax return are currently under examination. In January 1998, PT-FI settled and paid assessments from the Indonesian tax authorities for the years 1989-1993 with no material adverse effect on the consolidated financial condition or results of operations of FCX.

The provision for income taxes consists of the following (in thousands):

<TABLE>

<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Current income taxes:			
Indonesian	\$ 159,713	\$ 182,354	\$ 197,409
United States and other	9,885	10,620	13,900
	-----	-----	-----
	169,598	192,974	211,309
Deferred Indonesian taxes	61,717	54,194	22,735
	-----	-----	-----
	\$ 231,315	\$ 247,168	\$ 234,044
	=====	=====	=====

[PAGE] 37

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

Reconciliations of the differences between income taxes computed at the contractual Indonesian tax rate and income taxes recorded follow (dollars in thousands):

</TABLE>

<TABLE>

<CAPTION>

1997	1996	1995
------	------	------

	Amount	Percent	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income taxes computed at the contractual Indonesian tax rate	\$ 180,868	35%	\$ 182,681	35%	\$190,667	35%
Indonesian withholding tax on:						
Earnings/dividends	21,886	4	37,097	7	24,025	4
Interest	6,818	1	7,590	1	8,256	2
Increase (decrease) attributable to:						
Intercompany interest expense	(24,192)	(5)	(21,260)	(4)	(23,780)	(4)
Parent company costs	24,926	5	11,498	2	5,978	1
Indonesian presidential decree	9,643	2	-	-	-	-
U.S. alternative minimum tax	8,500	2	9,500	2	13,900	3
Atlantic net loss (income)	(1,187)	-	8,378	2	13,225	2
Other, net	4,053	1	11,684	2	1,773	-
Provision for income taxes	\$ 231,315	45%	\$ 247,168	47%	\$234,044	43%

</TABLE>

8. LONG-TERM DEBT

<TABLE>

<CAPTION>

	December 31,	
	1997	1996
<S>	<C>	<C>
Notes payable:		
FCX and PT-FI credit facilities, average rate 6.4% in 1997 and 6.2% in 1996	\$ 250,000	\$ 95,000
Rio Tinto loan including accrued interest, average rate 5.8% in 1997 and 5.7% in 1996 (Note 2)	464,360	76,200

Atlantic facility, average rate 7.2% in 1997 and 7.3% in 1996	291,276	277,500
Equipment loan, average rate 8.1% in 1997 and 1996	49,000	56,000
ALatieF loan, average rate 8.2% in 1996	-	51,000
Other, primarily Atlantic borrowings	78,273	103,697
9 3/4% Senior Notes due 2001	120,000	120,000
7.50% Senior Notes due 2006	200,000	200,000
7.20% Senior Notes due 2026	250,000	250,000
Infrastructure asset financings, net	686,073	333,519
	-----	-----
	2,388,982	1,562,916
Less current portion and short-term borrowings	80,852	136,617
	-----	-----
	\$2,308,130	\$1,426,299
	=====	=====

</TABLE>

Notes Payable. In 1996, the FCX and PT-FI credit facilities were amended to increase the availability under the facilities by \$250 million to a combined total of \$1 billion. PT-FI retained its \$550 million facility (\$485.0 million of additional borrowings available at December 31, 1997) and FCX and PT-FI now have a separate \$450 million facility (\$265.0 million of additional borrowings available at December 31, 1997). These credit facilities are also subject to a borrowing base, scheduled to be redetermined during the second quarter by the banks, which had \$656.0 million

[PAGE] 38

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

available at December 31, 1997. These variable rate revolving facilities are available until December 2002, provide for minimum working capital requirements, specified cash flow to interest coverage and restrictions on other borrowings. PT-FI assigned its existing and future sales contracts and pledged its rights under the COW and most of its assets as security for its borrowings.

In October 1997, Atlantic restructured its variable rate project financing (the Atlantic Facility) to include the balance of the original \$225 million term loan (\$206.3 million balance), the original \$65 million working capital facility (\$65 million balance) and a new \$20 million term loan, all nonrecourse to FCX. The term portion of the facility will be repaid quarterly beginning April 1999 and matures October 2004. The working capital facility matures April 2003. The Atlantic Facility requires certain hedging arrangements, restricts other borrowings and specifies certain minimum coverage ratios. The Atlantic Facility is secured by 51

percent of Atlantic's capital stock.

In 1994, FCX entered into a \$70 million variable rate equipment loan secured by certain PT-FI assets. In 1995, FCX fixed the interest rate on the loan at 8.1 percent. Principal payments total \$7.0 million annually with a final payment in December 2001.

Senior Notes. In 1996, FCX sold publicly its 7.50% Senior Notes Due 2006 (the 2006 Notes) for net proceeds of \$197.5 million and its 7.20% Senior Notes Due 2026 (the 2026 Notes) for net proceeds of \$248.0 million. Interest is payable semiannually in May and November of each year. The holder of each 2026 Note may elect early repayment in November 2003. The Notes are redeemable at the option of FCX at the greater of (a) their principal amount or (b) the remaining scheduled payments of principal and interest discounted to the date of redemption on a semiannual basis at the applicable treasury rate plus 30 basis points, together with, in either case, accrued interest to the date of redemption.

Infrastructure Asset Financings. In March 1997, PT-FI completed the final \$75.0 million sale of infrastructure assets to joint ventures owned one-third by PT-FI and two-thirds by P.T. ALatieF Nusakarya Corporation (ALatieF), an Indonesian investor. The sales to the ALatieF joint ventures totaled \$270.0 million during the period from December 1993 to March 1997. PT-FI subsequently sold its one-third interest in the joint ventures to ALatieF and is leasing the infrastructure assets under infrastructure asset financing arrangements. PT-FI continues to guarantee an approximate \$50 million bank loan associated with the purchases. PT-FI no longer consolidates the joint ventures. At December 31, 1997, the ALatieF infrastructure asset financings totaled \$141.0 million.

In December 1997, PT-FI completed a \$366.4 million sale, including \$74.4 million for the remaining costs expected to be incurred to complete construction, of the new power plant facilities associated with the fourth concentrator mill expansion to the joint venture that owns the assets which already provide electricity to PT-FI. The purchase price included \$123.2 million for Rio Tinto's share of the new power plant facilities. Sales to the power joint venture totaled \$581.4 million through 1997 including \$458.2 million of PT-FI owned assets. PT-FI subsequently sold its 30 percent interest in the joint venture to the other partners and is purchasing power under infrastructure asset financing arrangements. At December 31, 1997, the infrastructure asset financing obligations pursuant to the power sales agreement totaled \$436.7 million.

In 1995, PT-FI sold certain of its port, marine, logistics and construction equipment and facilities for \$100.0 million and sold \$48.0 million of its aviation assets to a joint venture, 25 percent owned by PT-FI. PT-FI guarantees certain of the bank loans totaling

approximately \$80 million associated with these sales. PT-FI is leasing these assets under infrastructure asset financing arrangements. At December 31, 1997, the obligations under these infrastructure asset financings totaled \$103.1 million.

Maturities. Maturities of debt instruments and infrastructure asset financings based on the amounts and terms outstanding at December 31, 1997 totaled \$80.9 million in 1998, \$76.1 million in 1999, \$111.3 million in 2000, \$222.5 million in 2001, \$380.0 million in 2002 and \$1,518.2 million thereafter.

Capitalized Interest. Capitalized interest totaled \$23.0 million in 1997, \$23.0 million in 1996 and \$49.8 million in 1995.

[PAGE] 39

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

9. TRANSACTIONS WITH FTX AND FMS, AND EMPLOYEE BENEFITS

Management Services Agreement. Through December 31, 1995, FTX furnished certain management and administrative services to FCX under a management services agreement. These costs, which included related overhead, totaled \$55.5 million in 1995. In 1996, FM Services Company (FMS), a newly formed entity owned 40 percent by FCX, began providing certain administrative, financial and other services that were previously provided by FTX on a similar cost-reimbursement basis. These costs totaled \$44.7 million in 1997 and \$45.2 million in 1996. Management believes these costs do not differ materially from the costs that would have been incurred had the relevant personnel providing these services been employed directly by FCX. Through December 31, 1995, all U.S.-based employees as well as expatriate employees overseas were employed by FTX. In 1996, all U.S. and expatriate employees performing direct services for FCX or its affiliates other than those employed by FMS became FCX employees.

Pension Plans. In 1996, FCX and FMS established defined benefit pension plans to cover substantially all U.S. and certain overseas employees. Employees transferred from FTX retained their accumulated benefits. In 1996, FCX and FMS changed the pension benefit formula to a cash balance formula from the prior benefit calculation based on years of service and final average pay. Under the amended plan, FCX and FMS credit each participant's account annually with at least 4 percent of the participant's qualifying compensation. Additionally, interest is credited annually to each participant's account balance. FCX and FMS fund their respective pension liabilities in accordance with Internal Revenue Service guidelines. Additionally, for those employees in the qualified defined benefit plan whose benefits are limited under federal income tax laws, FCX and FMS sponsor unfunded, nonqualified plans. Information on the

FCX plans follows (in thousands):

<TABLE>

<CAPTION>

	December 31,	
	1997	1996
<S>	<C>	<C>
Actuarial present value of benefit obligations (projected unit credit method):		
Vested	\$ 10,889	\$ 6,993
Nonvested	787	293
Accumulated benefit obligations	\$ 11,676	\$ 7,286
Projected benefit obligations (projected unit credit method)	\$ (13,652)	\$ (12,292)
Less plan assets at fair value	7,660	6,639
Projected benefit obligations in excess of plan assets	(5,992)	(5,653)
Unrecognized net loss	328	1,615
Unrecognized prior service costs	(927)	(1,075)
Unrecognized transition asset	(402)	(460)
Accrued pension cost	\$ (6,993)	\$ (5,573)

</TABLE>

In determining the present value of benefit obligations, FCX used discount rates of 7.25 percent in 1997 and 7.75 percent in 1996, a 5 percent annual increase in future compensation levels and a 9 percent average expected rate of return on assets. Net periodic pension costs for the FCX plans totaled \$1.4 million for 1997 and \$2.1 million for 1996.

PT-FI has a defined benefit plan denominated in Indonesian rupiah covering substantially all of its Indonesian national employees. PT-FI funds the plan in accordance with Indonesian pension guidelines. The actuarial present value of the accumulated benefit obligation, determined by the projected credit method, was \$3.9 million and \$9.2 million at December 31, 1997 and 1996, respectively, based on corresponding exchange rates of 7,450 rupiah to one U.S. dollar and 2,342 rupiah to one U.S. dollar. The projected benefit obligation at December 31, 1997 and 1996, was \$7.2 million and \$18.0 million, respectively, based on a discount rate of 11 percent and a 9 percent annual increase in future compensation levels on both dates. PT-FI's plan assets totaled \$2.0 million at December 31, 1997 and \$1.7 million at December 31, 1996.

Atlantic has an unfunded contractual obligation denominated in Spanish pesetas to supplement amounts paid to retired employees. The accrued liability totaled \$69.4 million and \$80.4 million at December 31, 1997 and 1996, respectively, based on corresponding exchange rates of 150.7 pesetas to one U.S. dollar and 131.4 pesetas to one U.S. dollar. Atlantic expensed \$5.8 million in 1997, \$6.8 million in 1996 and \$7.1 million in 1995 for interest on this obligation. Cash payments were \$7.5 million in 1997, \$8.5 million in 1996 and \$8.9 million in 1995. Under Spanish law, Atlantic is required to fund this obligation by mid-1999. The actuarial valuation of this obligation was \$87.9 million at December 31, 1997 and \$93.7 million at December 31, 1996, based on discount rates of 6 percent and 7 percent, respectively.

Other Benefits. FCX and FMS provide certain health care and life insurance benefits for retired employees, the cost of which was not material to the financial statements. The actuarial present value of FCX's accumulated postretirement obligation totaled \$1.0 million at December 31, 1997 and \$1.1 million at December 31, 1996. The initial health care cost trend rate used was 8.5 percent for 1997, decreasing 0.5 percent per year until reaching 5 percent. Based on the current plan provisions, a change in the trend rate would have no impact. The discount rate used was 7.25 percent for 1997 and 7.75 percent for 1996. FCX has the right to modify or terminate these benefits. FCX and FMS have other employee benefit plans, certain of which are related to FCX's performance, which costs are recognized currently in general and administrative expense.

10. COMMITMENTS AND CONTINGENCIES

Environmental, Reclamation and Mine Closure. FCX believes that its operations are being conducted pursuant to applicable permits and are in compliance in all material respects with applicable environmental laws, rules and regulations. FCX incurs significant costs for environmental programs and projects. In 1996, FCX began contributing to a fund designed to accumulate at least \$100 million by the end of its Indonesian mine's life for eventual mine closure and reclamation. Although the ultimate amount of reclamation and closure costs to be incurred is currently indeterminable, based on recent analyses PT-FI estimates that ultimate reclamation and closure costs may require as much as \$100 million but would not exceed \$150 million. These costs will be incurred throughout the remaining life of the mine, which is currently estimated to exceed 30 years. FCX had \$5.5 million accrued on a unit-of-production basis at December 31, 1997 for mine closure and

reclamation costs, included in other liabilities. An increasing emphasis on environmental issues and future changes in regulations could require FCX to incur additional costs which would be charged against future operations. Estimates involving environmental matters are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation.

Long-Term Contracts and Operating Leases. Atlantic has commitments with parties other than PT-FI to purchase concentrate totaling 425,000 metric tons in 1998, 405,000 metric tons in 1999, 370,000 metric tons in 2000, 340,000 metric tons in 2001, 270,000 metric tons in 2002 and a total of 220,000 metric tons thereafter, at market prices.

FCX's minimum annual contractual charges under noncancelable long-term contracts and operating leases which extend to 2000 total \$1.7 million, with \$1.4 million in 1998, \$0.2 million in 1999 and \$0.1 million in 2000. Total rental expense under long-term contracts and operating leases amounted to \$2.2 million in 1997, \$3.8 million in 1996 and \$7.2 million in 1995.

Gresik Smelter. PT Smelting, an Indonesian company, commenced construction in 1996 on a copper smelter in Gresik, Indonesia having a design capacity of 200,000 metric tons of copper cathode per year. PT-FI, Mitsubishi Materials Corporation (Mitsubishi Materials), Mitsubishi Corporation (Mitsubishi) and Nippon Mining & Metals Co., Ltd. (Nippon) own 25 percent, 60.5 percent, 9.5 percent and 5 percent, respectively, of the outstanding PT Smelting stock. The estimated aggregate project cost, before working capital requirements, is approximately \$625 million. PT Smelting has a \$300 million nonrecourse term loan and a \$110 million working capital facility with a group of banks. The remaining funding will be provided by PT-FI, Mitsubishi Materials, Mitsubishi and Nippon in accordance with their interests. Construction is expected to be completed in mid-1998. It is anticipated that PT-FI would provide all of the smelter's copper concentrate requirements at market rates; however, for the first fifteen years of operations the treatment and refining charges would not fall below a certain minimum rate. PT-FI has also agreed to assign, if necessary, its earnings in PT Smelting to support a 13 percent cumulative annual return to Mitsubishi Materials, Mitsubishi and Nippon for the first 20 years of commercial operations.

[PAGE] 41

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

11. FINANCIAL INSTRUMENTS

Summarized below are financial instruments whose carrying

amounts are not equal to their fair value at December 31, 1997 and 1996. Fair values are based on quoted market prices and other available market information.

<TABLE>

<CAPTION>

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
<S>	<C>	<C>	<C>	<C>
Price protection program:				
Open contracts in asset position	\$ -	\$ 16	\$ -	\$ 17,314
Open contracts in liability position	-	(1,494)	-	-
Debt:				
Long-term debt (Note 8)	(2,388,982)	(2,402,862)	(1,562,916)	(1,575,929)
Interest rate swaps	-	(1,210)	-	(1,331)
Foreign exchange contracts:				
\$U.S./Deutsche marks	-	-	-	(30)
\$U.S./Spanish pesetas	1,148	471	908	300
Redeemable preferred stock (Note 5)	(500,007)	(334,177)	(500,007)	(405,855)

</TABLE>

Price Protection Program. From time to time, PT-FI enters into forward and option contracts to hedge the market risk associated with fluctuations in the prices of commodities it sells. At December 31, 1997, PT-FI had no outstanding forward or option contracts. FCX's revenues include net additions totaling \$42.6 million in 1997 and \$38.2 million in 1996, and net reductions totaling \$68.6 million in 1995 related to PT-FI's copper price protection program. Revenues also include net additions totaling \$37.6 million in 1997, \$14.1 million in 1996 and \$3.9 million in 1995 from gold forward contracts.

At December 31, 1997, Atlantic had sold forward 2.0 million pounds of copper at an average price of \$0.80 per pound and purchased forward 20.3 million pounds of copper at an average price of \$0.87 per pound to minimize the copper price risk of its concentrate inventory.

Debt. PT-FI entered into an interest rate swap in 1991 and Atlantic entered into interest rate swaps in 1995 to manage exposure to interest rate changes on a portion of their variable rate debt. PT-FI pays 8.3 percent on \$28.6 million of financing at December 31,

1997, reducing annually through 1999. Atlantic pays an average of 6.1 percent on \$133.3 million of financing at December 31, 1997, reducing annually through 2000. Interest on comparable floating rate debt averaged 5.7 percent in 1997, 5.6 percent in 1996 and 6.1 percent in 1995, resulting in additional interest costs of \$1.5 million, \$2.2 million and \$1.5 million, respectively.

Foreign Exchange Contracts. During 1996, Atlantic implemented a currency hedging program to reduce its exposure to changes in the U.S. dollar and Spanish peseta exchange rate. As of December 31, 1997, Atlantic has options through January 1999 on a total of 6.3 billion Spanish pesetas with an average strike price of 140.6 pesetas at a cost of \$1.1 million. Atlantic also has entered into foreign exchange contracts which mature through January 1999, totaling \$43.8 million on another 6.3 billion Spanish pesetas.

Atlantic is a party to letters of credit totaling \$8.5 million at December 31, 1997. Fair value of these letters of credit is not material at December 31, 1997.

[PAGE] 42

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

12. BUSINESS SEGMENTS

FCX has adopted SFAS 131, "Disclosures About Segments of an Enterprise and Related Information" which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. FCX has two operating segments: "mining and exploration" and "smelting and refining." The mining and exploration segment includes PT-FI's copper and gold mining operations in Indonesia and the Indonesian exploration activities of both PT-FI and Eastern Mining. The smelting and refining segment includes Atlantic's operations in Spain and PT-FI's equity investment in PT Smelting in Gresik, Indonesia. The segment data presented below were prepared on the same basis as the consolidated FCX financial statements.

<TABLE>

<CAPTION>

	Mining and Exploration	Smelting and Refining	Eliminations and Other	FCX Total
	-----	-----	-----	-----
	(In Thousands)			
<S>	<C>	<C>	<C>	<C>
1997				
Revenues	\$1,505,295	\$ 874,514	\$ (378,905)	\$2,000,904
Production and delivery	604,851	800,997a	(397,244)	1,008,604
Depreciation and				

amortization	178,289	31,693	3,873	213,855
Exploration expense	14,758	-	2,871	17,629
General and administrative expenses	76,549	11,197	8,855	96,601
	-----	-----	-----	-----
Operating income	\$ 630,848	\$ 30,627	\$ 2,740	\$ 664,215
	=====	=====	=====	=====
Capital expenditures	\$ 529,731	\$ 54,721	\$ 10,035	\$ 594,487
	=====	=====	=====	=====
Total assets	\$3,406,539	\$ 742,184a	\$ 3,486	\$4,152,209
	=====	=====	=====	=====
1996				
Revenues	\$1,485,848	\$ 778,120	\$ (358,932)	\$1,905,036
Production and delivery	575,781	731,651	(355,569)	951,863
Depreciation and amortization	142,605	27,783	3,590	173,978
General and administrative expenses	119,492	12,301	9,141	140,934
	-----	-----	-----	-----
Operating income	\$ 647,970	\$ 6,385	\$ (16,094)	\$ 638,261
	=====	=====	=====	=====
Capital expenditures	\$ 398,986	\$ 90,086	\$ 3,166	\$ 492,238
	=====	=====	=====	=====
Total assets	\$3,168,837	\$ 775,336a	\$ (78,639)	\$3,865,534
	=====	=====	=====	=====
1995				
Revenues	\$1,477,919	\$ 541,291	\$ (184,875)	\$1,834,335
Production and delivery	547,716	528,904	(141,913)	934,707
Depreciation and amortization	102,664	17,572	3,819	124,055
Exploration expenses	10,828	2,248	812	13,888
General and administrative expenses	141,014	16,705	7,534	165,253
	-----	-----	-----	-----
Operating income (loss)	\$ 675,697	\$ (24,138)	\$ (55,127)	\$ 596,432
	=====	=====	=====	=====
Capital expenditures	\$ 434,383	\$ 143,958	\$ 5,145	\$ 583,486
	=====	=====	=====	=====
Total assets	\$2,888,535	\$ 783,123a	\$ (89,912)	\$3,581,746
	=====	=====	=====	=====

</TABLE>

a. PT-FI recorded losses related to PT Smelting totaling \$1.5 million in 1997. Total assets include PT-FI's equity investment in PT Smelting totaling \$83.1 million at December 31, 1997, \$46.8 million at December 31, 1996 and \$8.0 million at December 31, 1995.

FCX markets its products worldwide primarily pursuant to the terms of long-term contracts. The following table details the percentage of consolidated revenues attributable to various contracts:

<TABLE>

<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Long-term contracts:			
Japanese companies	16%	17%	16%
Swiss firm	8	10	11
German firm	4	5	14
Other	64	62	47
Spot sales	8	6	12

</TABLE>

PT-FI's contracts with a group of Japanese companies, the Swiss firm and the German firm extend through 2000, 2003 and 1999, respectively. There are several other long-term agreements in place, each representing less than ten percent of sales. Certain terms of these long-term contracts are negotiated annually.

FCX revenues attributable to foreign countries based on the location of the customer follows (in thousands):

<TABLE>

<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Japan	\$ 470,373	\$ 474,443	\$ 383,635
Spain	402,276	342,373	313,949
Switzerland	297,821	353,776	302,726
Germany	108,519	98,076	263,137
Others	721,915	636,368	570,888
	-----	-----	-----
Total	\$2,000,904	\$1,905,036	\$1,834,335
	=====	=====	=====

</TABLE>

13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>

<CAPTION>

	Net Income	Net Income
	Applicable	Per Share
	to Common	-----
Operating		

	Revenues	Income	Stock	Basic	Diluted
	-----	-----	-----	-----	-----
	(In Thousands, Except Per Share Amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
1997					
1st Quarter	\$ 523,780	\$ 197,608	\$ 62,451	\$.31	\$.31
2nd Quarter	566,950	213,701	69,852	.35	.35
3rd Quarter	489,522	136,417	36,577	.19	.19
4th Quarter a	420,652	116,489	39,661	.21	.21
	-----	-----	-----		
	\$2,000,904	\$ 664,215	\$ 208,541	1.06	1.06
	=====	=====	=====		
1996					
1st Quarter b	\$ 388,392	\$ 105,543	\$ 22,450	\$.11	\$.11
2nd Quarter	424,348	111,627	29,045	.15	.15
3rd Quarter	474,664	170,322	46,126	.24	.24
4th Quarter	617,632	250,769	77,059	.40	.39
	-----	-----	-----		
	\$1,905,036	\$ 638,261	\$ 174,680	.90	.89
	=====	=====	=====		

</TABLE>

- a. Includes a \$25.3 million gain (\$12.3 million to net income or \$0.06 per share) for the reversal of SAR costs caused by the decline in FCX's common stock price.
- b. Includes charges totaling \$18.7 million (\$8.6 million to net income or \$0.04 per share) consisting of \$12.7 million for costs of SARs caused by the increase in FCX's common stock price, \$3.0 million (reduced to \$1.7 million in the second quarter) for an early retirement program and \$3.0 million for costs related to a civil disturbance.

[PAGE] 44

1997 / NOTES TO FINANCIAL STATEMENTS FREEPORT-McMoRan COPPER & GOLD INC.

14. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)

Total estimated proved and probable mineral reserves at the Grasberg and other Block A ore bodies in Indonesia follow:

<TABLE>

<CAPTION>

Year-End	Ore	Average Ore Grade Per Ton			Recoverable Reserves		
		Copper	Gold	Silver	Copper	Gold	Silver
	(Metric Tons)	(%)	(Grams) (Ounce)	(Grams) (Ounce)	(Billions)	(Millions)	
-----	-----	-----	-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>	<C>	of Lbs.)	of Ozs.)	<C>
1993	1,074,100,000	1.31	1.47	.047	4.04	.130	26.8	39.1	76.7
1994	1,125,640,000	1.30	1.42	.046	4.06	.131	28.0	39.6	80.8
1995	1,899,244,000	1.17	1.18	.038	3.78	.121	40.3	52.1	111.1
1996	2,008,285,000	1.19	1.18	.038	3.80	.122	43.2	55.3	118.7
1997	2,166,212,000	1.20	1.20	.039	3.95	.127	47.1	62.7	138.4

By Deposit at December 31, 1997

Grasberg:

Open pit	1,087,800,000	1.06	1.27	.041	2.90	.093	20.9	33.3	50.8
Under-ground	670,846,000	1.22	1.09	.035	3.73	.120	14.8	17.7	40.3
Kucing									
Liar	221,871,000	1.42	1.57	.050	5.12	.165	5.7	8.4	18.3
DOZ	79,306,000	1.41	0.83	.027	7.04	.226	2.1	1.7	9.5
IOZ	38,148,000	1.18	0.45	.014	7.65	.246	0.9	0.4	5.0
Big Gossan	37,349,000	2.69	1.02	.033	16.42	.528	1.8	0.9	9.9
DOM	30,892,000	1.67	0.42	.014	9.63	.310	0.9	0.3	4.6

Total 2,166,212,000 1.20 1.20 .039 3.95 .127 47.1 62.7 138.4

</TABLE>

Estimated recoverable reserves were assessed using a copper price of \$0.90 per pound and a gold price of \$325 per ounce. Using prices of \$0.75 per pound of copper and \$280 per ounce of gold would reduce estimated recoverable reserves by approximately 12 percent for copper, 9 percent for gold and 15 percent for silver.

In PT-FI's Block A, Rio Tinto agreed to make available to PT-FI a nonrecourse loan of up to \$450 million to fund the cost of the fourth concentrator mill expansion (Note 2). Incremental cash flow attributable to such expansion projects will be shared 60 percent PT-FI and 40 percent Rio Tinto. PT-FI has assigned its interest in such incremental cash flow to Rio Tinto until Rio Tinto has received an amount equal to the funds lent to PT-FI plus interest based on Rio Tinto's cost of borrowing. Incremental cash flow consists of amounts generated from production in excess of specified annual amounts based on the December 31, 1994 reserves and mine plan. The incremental production from the expansion, as well as production from PT-FI's existing operations, will share proportionately in operating and administrative costs. FCX will continue to receive 100 percent of cash flow from its existing production facilities as specified by the contractual arrangements. PT-FI's estimated net share of recoverable reserves follows:

<TABLE>

<CAPTION>

Year-End	Copper	Gold	Silver
-----	-----	-----	-----

	(Billions of Lbs.)	(Millions of Ozs.)	(Millions of Ozs.)
<S>	<C>	<C>	<C>
1993	26.8	39.1	76.7
1994	28.0	39.6	80.8
1995	34.6	46.0	96.7
1996	35.9	47.4	100.4
1997	37.8	51.3	111.3

</TABLE>

[PAGE] 45

1997 / SHAREHOLDER INFORMATION

FREEPORT-McMoRan COPPER & GOLD INC.

FCX CLASS A COMMON SHARES. Our Class A common shares trade on the New York Stock Exchange (NYSE) under the symbol "FCX.A." The FCX.A share price is reported daily in the financial press under "FMCGA" in most listings of NYSE securities. At year-end 1997, the number of holders of record of our Class A common shares was 9,819. NYSE composite tape Class A common share price ranges during 1997 and 1996:

<TABLE>

<CAPTION>

	1997		1996	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First Quarter	\$33.50	\$25.38	\$32.88	\$27.50
Second Quarter	30.38	25.88	34.88	28.75
Third Quarter	28.75	25.75	31.25	26.63
Fourth Quarter	28.88	14.63	31.25	26.38

</TABLE>

FCX CLASS B COMMON SHARES. Our Class B common shares trade on the NYSE under the symbol "FCX." The FCX share price is reported daily in the financial press under "FMCG" in most listings of NYSE securities. At year-end 1997, the number of holders of record of our Class B common shares was 15,103.

NYSE composite tape Class B common share price ranges during 1997 and 1996:

<TABLE>

<CAPTION>

	1997		1996	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First Quarter	\$34.88	\$27.50	\$33.75	\$27.38

Second Quarter	31.88	26.50	36.13	30.00
Third Quarter	30.75	27.19	33.00	28.38
Fourth Quarter	29.94	14.94	32.88	28.00

COMMON SHARE DIVIDENDS. FCX Class A and Class B common share cash dividends declared and paid for the quarterly periods of 1997 and 1996 were:

<TABLE>

<CAPTION>

	1997		
	Amount		
	Per	Record	Payment
<S>	Share	Date	Date
<C>	<C>	<C>	<C>
First Quarter	\$.225	Apr. 15, 1997	May 1, 1997
Second Quarter	.225	Jul. 15, 1997	Aug. 1, 1997
Third Quarter	.225	Oct. 15, 1997	Nov. 1, 1997
Fourth Quarter	.05	Jan. 16, 1998	Feb. 1, 1998

<CAPTION>

	1996		
	Amount		
	Per	Record	Payment
<S>	Share	Date	Date
<C>	<C>	<C>	<C>
First Quarter	\$.225	Apr. 15, 1996	May 1, 1996
Second Quarter	.225	Jul. 15, 1996	Aug. 1, 1996
Third Quarter	.225	Oct. 15, 1996	Nov. 1, 1996
Fourth Quarter	.225	Jan. 15, 1997	Feb. 1, 1997

</TABLE>

[INSIDE BACK COVER]

List of Subsidiaries of
FREEPORT-McMoRan COPPER & GOLD INC.

Entity	Organized	Name Under Which It Does Business
-----	-----	-----
P.T. Freeport Indonesia Company	Indonesia and Delaware	Same
P.T. IRJA Eastern Minerals Corporation	Indonesia	Same
Atlantic Copper, S.A.	Spain	Same
FM Services Company	Delaware	Same

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports included herein or incorporated by reference in the Form 10-K, into Freeport-McMoRan Copper & Gold Inc.'s previously filed Registration Statements on Form S-3 (File Nos. 33-45787, 33-63376, 33-52503 and 333-2699) and on Form S-8 (File Nos. 33-63267, 33-63269 and 33-63271).

Arthur Andersen LLP

New Orleans, Louisiana
March 27, 1998

CONSENT OF INDEPENDENT MINING CONSULTANTS, INC.

We hereby consent to the incorporation by reference of of our reports included herein or incorporated by reference in this Form 10-K, into Freeport-McMoRan Copper & Gold Inc.'s previously filed Registration Statements on Form S-3 (File Nos. 33-45787, 33-63376, 33-52503 and 333-2699) and on Form S-8 (File Nos. 33-63267, 33-63269 and 33-63271).

/s/ John. M. Marek
John M. Marek
President

Tucson, Arizona
March 27, 1998

FREEPORT-McMoRan COPPER & GOLD INC.

SECRETARY'S CERTIFICATE

I, Michael C. Kilanowski, Jr., Secretary of Freeport-McMoRan Copper & Gold Inc. (the "Corporation"), a Delaware corporation, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation at a meeting held on December 13, 1988, and that such resolution has not been amended, modified or rescinded and is in full force and effect:

RESOLVED, that any report, registration statement or other form filed on behalf of this corporation pursuant to the Securities Exchange Act of 1934, or any amendment to such report, registration statement or other form, may be signed on behalf of any director or officer of this corporation pursuant to a power of attorney executed by such director or officer.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of the Company on this the 30th day of March, 1998.

(Seal)

/s/ Michael C. Kilanowski, Jr.

Michael C. Kilanowski, Jr.
Secretary

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

Richard C. Adkerson

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto,

and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

Robert W. Bruce III

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

Jonathan C.A. Leslie

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd of February, 1998.

Leonard A. Davis

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended

December 31, 1997 and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

Robert A. Day

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997 and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

J. Bennett Johnston

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997 and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

William B. Harrison, Jr.

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact

with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997 and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of At

EXECUTED this 3rd day of February, 1998.

Henry A. Kissinger

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997 and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998

Bobby Lee Lackey

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

Rene L. Latiolais

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

Gabrielle K. McDonald

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem

necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

George A. Mealey

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

George Putnam

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

B.M. Rankin, Jr.

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended

December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

C. Donald Whitmire

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint JAMES R. MOFFETT and RICHARD C. ADKERSON, and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

J. Taylor Wharton

POWER OF ATTORNEY

BE IT KNOWN: That the undersigned, in his capacity or capacities as an officer and/or a member of the Board of Directors of Freeport-McMoRan Copper & Gold Inc., a Delaware corporation (the "Company"), does hereby make, constitute and appoint RICHARD C. ADKERSON and each of them acting individually, his true and lawful attorney-in-fact with power to act without the others and with full power of substitution, to execute, deliver and file, for and on behalf of him, in his name and in his capacity or capacities as aforesaid, an Annual Report of the Company on Form 10-K for the year ended December 31, 1997, and any amendment or amendments thereto and any other document in support thereof or supplemental thereto, and the undersigned hereby grants to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned might or could do personally or in the capacity or capacities as aforesaid, hereby ratifying and confirming all acts and things which said attorney or attorneys may do or cause to be done by virtue of this Power of Attorney.

EXECUTED this 3rd day of February, 1998.

James R. Moffett

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from Freeport-McMoRan Copper & Gold Inc. financial statements at December 31, 1997 and for the 12 months then ended, and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<CIK> 0000831259

<NAME> FREEPORT-MCMORAN COPPER & GOLD INC.

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-END>	DEC-31-1997
<CASH>	8,959
<SECURITIES>	0
<RECEIVABLES>	89,599
<ALLOWANCES>	0
<INVENTORY>	314,800
<CURRENT-ASSETS>	463,089
<PP&E>	4,612,738
<DEPRECIATION>	1,091,023
<TOTAL-ASSETS>	4,152,209
<CURRENT-LIABILITIES>	475,665
<BONDS>	2,308,130
<PREFERRED-MANDATORY>	500,007
<PREFERRED>	349,990
<COMMON>	21,847
<OTHER-SE>	(92,945)
<TOTAL-LIABILITY-AND-EQUITY>	4,152,209
<SALES>	2,000,904
<TOTAL-REVENUES>	2,000,904
<CGS>	1,222,459
<TOTAL-COSTS>	1,222,459
<OTHER-EXPENSES>	17,629
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	151,720
<INCOME-PRETAX>	516,766
<INCOME-TAX>	231,315
<INCOME-CONTINUING>	245,108
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	245,108
<EPS-PRIMARY>	1.06
<EPS-DILUTED>	1.06

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

Freeport-McMoRan Copper & Gold Inc. adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (SFAS 128) in the fourth quarter of 1997 and restated prior years' earnings per share (EPS) data as required by SFAS 128. Presented below are the restated EPS amounts for the years ended December 31, 1996 and 1995, as well as, the 3-month periods ended March 31, 1997 and 1996, the 6-month period ended June 30, 1997.

</LEGEND>

<S>	<C>	<C>	<C>	<C>	<C>
<PERIOD-TYPE>	YEAR	YEAR	3-MOS	3-MOS	6-MOS
<FISCAL-YEAR-END>	DEC-31-1996	DEC-31-1995	DEC-31-1997	DEC-31-1996	DEC-31-1997
<PERIOD-END>	DEC-31-1996	DEC-31-1995	MAR-31-1997	MAR-31-1996	JUN-30-1997
<CASH>	0	0	0	0	0
<SECURITIES>	0	0	0	0	0
<RECEIVABLES>	0	0	0	0	0
<ALLOWANCES>	0	0	0	0	0
<INVENTORY>	0	0	0	0	0
<CURRENT-ASSETS>	0	0	0	0	0
<PP&E>	0	0	0	0	0
<DEPRECIATION>	0	0	0	0	0
<TOTAL-ASSETS>	0	0	0	0	0
<CURRENT-LIABILITIES>	0	0	0	0	0
<BONDS>	0	0	0	0	0
<PREFERRED-MANDATORY>	0	0	0	0	0
<PREFERRED>	0	0	0	0	0
<COMMON>	0	0	0	0	0
<OTHER-SE>	0	0	0	0	0
<TOTAL-LIABILITY-AND-EQUITY>	0	0	0	0	0
<SALES>	0	0	0	0	0
<TOTAL-REVENUES>	0	0	0	0	0
<CGS>	0	0	0	0	0
<TOTAL-COSTS>	0	0	0	0	0
<OTHER-EXPENSES>	0	0	0	0	0
<LOSS-PROVISION>	0	0	0	0	0
<INTEREST-EXPENSE>	0	0	0	0	0
<INCOME-PRETAX>	0	0	0	0	0
<INCOME-TAX>	0	0	0	0	0
<INCOME-CONTINUING>	0	0	0	0	0
<DISCONTINUED>	0	0	0	0	0
<EXTRAORDINARY>	0	0	0	0	0
<CHANGES>	0	0	0	0	0
<NET-INCOME>	0	0	0	0	0
<EPS-PRIMARY>	.90	.98	.31	.11	.66
<EPS-DILUTED>	.89	.98	.31	.11	.66

</TABLE>