FREEPORT MCMORAN COPPER & GOLD INC

Form S-4

December 28, 2012

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As filed with the Securities and Exchange Commission on December 28, 2012

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Freeport-McMoRan Copper & Gold Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of

1000 (Primary Standard Industrial 74-2480931 (I.R.S. Employer

incorporation) Classification Code Number)
333 North Central Avenue

Identification Number)

Phoenix, AZ 85004-2189

(602) 366-8100

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

Douglas N. Currault II

Assistant General Counsel and Corporate Secretary

333 North Central Avenue

Phoenix, AZ 85004-2189

(602) 366-8100

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With copies to:

David E. Shapiro, Esq.	John F. Wombwell	Michael E. Dillard Sean T. Wheeler
Wachtell, Lipton, Rosen & Katz	Executive Vice President, General Counsel and Secretary	
		Latham & Watkins LLP
51 West 52nd Street	Plains Exploration & Production Company	
		811 Main Street, Suite 3700
New York, NY 10019	700 Milam, Suite 3100	
		Houston, TX 77002
(212) 403-1000	Houston, TX 77002	
		(713) 546-5400
	(713) 579-6000	

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount to be	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate	Amount of	
Securities to be Registered	Registered(1)	of Common Stock	Offering Price ⁽²⁾	Registration Fee ⁽²⁾	
Common stock, par value \$0.10 per share	91,454,303	N/A	\$2,891,387,498.98	\$394,385.25	

- (1) The maximum number of shares of Freeport-McMoRan Copper & Gold Inc. (FCX) common stock estimated to be issuable upon the completion of the IMONC LLC / Plains Exploration & Production Company (PXP) merger described herein. This number is based on the number of shares of PXP common stock estimated to be outstanding, or reserved for issuance under various plans, immediately prior to completion of the merger, and the exchange of each share of PXP common stock and share of PXP common stock reserved for issuance under various plans for cash and shares of FCX common stock pursuant to the formula set forth in the Agreement and Plan of Merger (the merger agreement), dated as of December 5, 2012, by and among FCX, IMONC LLC and PXP and the letter agreements entered into by FCX, PXP and PXP s named executive officers concurrently with the execution of the merger agreement based on the closing price of FCX common stock on December 21, 2012.
- (2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f)(1), 457(f)(3) and 457(c) under the Securities Act, the proposed maximum aggregate offering price of the Registrant s common stock was calculated based upon the market value of shares of PXP common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: (A) the product of (1) \$45.61, the average of the high and low prices per share of PXP common stock on December 21, 2012, as quoted on the New York Stock Exchange, multiplied by (2) 136,042,318, the maximum number of shares of PXP common stock which may be exchanged in the merger, less (B) the amount of cash to be paid by the Registrant in exchange for shares of PXP common stock (which equals \$3,313,502,625).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 28, 2012

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder:

On December 5, 2012, Plains Exploration & Production Company (PXP) agreed to merge with and into IMONC LLC, a wholly owned subsidiary of Freeport-McMoRan Copper & Gold Inc. (FCX). We are sending you this proxy statement/prospectus to invite you to attend a special meeting of PXP stockholders being held to vote on the merger and to ask you to vote at the special meeting in favor of the merger.

If the merger is completed, PXP will merge with and into IMONC LLC, with IMONC LLC surviving the merger as a wholly owned subsidiary of FCX, and you will be entitled to elect to receive your merger consideration in the form of cash or FCX common stock. Subject to the election, adjustment and proration procedures described in this document, you will be entitled to receive, in exchange for each share of PXP common stock you hold at the time of the merger, consideration, without interest, with a value equal to the sum of (i) \$25.00 and (ii) 0.6531 multiplied by the average closing price of FCX common stock on the New York Stock Exchange (the NYSE) for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger. We expect that the merger will generally be tax-free to you as to any shares of FCX common stock you receive in the merger and generally taxable to you as to any cash you receive.

The implied value of the merger consideration will fluctuate with the market price of FCX common stock. As explained in more detail in this document, whether you make a cash election, a stock election or no election, the value of the consideration you will receive as of the completion date of the merger will be substantially the same based on the average FCX closing price for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger.

As an example, if the average closing price of FCX common stock on the NYSE for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger is \$, which was the closing price of FCX common stock on the NYSE on , 2013 (the most recent practicable date prior to the mailing of this proxy statement), each share of PXP common stock would be converted into the right to receive either approximately \$ in cash or approximately shares of FCX common stock. Based on that FCX closing price, the shares of FCX common stock would have a market value of approximately \$ additional example, if the average closing price of FCX common stock on the NYSE for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger is \$38.28, which was the closing price for FCX common stock on December 4, 2012 (the last trading day prior to the announcement of the merger), each share of PXP common stock would be converted into the right to receive either \$50.00 in cash or approximately 1.3062 shares of FCX common stock. Based on that FCX closing price, the approximately 1.3062 shares of FCX common stock would have a market value of approximately \$50.00. A chart showing the cash and stock merger consideration at various hypothetical closing prices of FCX common stock is provided on page 7 of this document.

The market prices of both FCX common stock and PXP common stock will fluctuate before the merger. You should obtain current stock price quotations for FCX common stock and PXP common stock. FCX common stock is quoted on the NYSE under the symbol FCX and PXP common stock is quoted on the NYSE under the symbol PXP.

The special meeting of the stockholders of PXP will be held at , at , local time, on , 2013. **Your vote is important.** An affirmative vote of a majority of the outstanding shares of

PXP s common stock entitled to vote as of the record date is required to adopt the merger agreement. Regardless of whether you plan to attend the special stockholders meeting, please take the time to vote your shares in accordance with the instructions contained in this document.

Under Delaware law, if the merger is completed, holders of shares of PXP common stock who do not vote in favor of the adoption of the merger agreement may, under certain circumstances, have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with other Delaware law procedures and requirements explained in this document.

The PXP board of directors has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of PXP and its stockholders, and recommends that the PXP stockholders adopt the merger agreement.

This document describes the special meeting, the merger, the documents related to the merger and other related matters. Please carefully read this entire document, including Risk Factors beginning on page 29, for a discussion of the risks relating to the proposed merger. You also can obtain information about FCX and PXP from documents that each company has filed with the Securities and Exchange Commission.

James C. Flores

Chairman of the Board, President and Chief Executive Officer

Plains Exploration & Production Company

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the FCX common stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this document is , 2013, and it is first being mailed or otherwise delivered to PXP stockholders on or about 2013.

PLAINS EXPLORATION & PRODUCTION COMPANY

700 Milam, Suite 3100

Houston, Texas 77002

(713) 579-6000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2013

Plains Exploration & Production Company will hold a special meeting of stockholders at , at , local time, on , 2013 to consider and vote upon the following proposals:

to adopt the Agreement and Plan of Merger, dated as of December 5, 2012, by and among Plains Exploration & Production Company (PXP), Freeport-McMoRan Copper & Gold Inc. (FCX) and IMONC LLC, a wholly owned subsidiary of FCX (Merger Sub), as such agreement may be amended from time to time (the merger agreement), which provides for, among other things, the merger of PXP with and into IMONC LLC, with IMONC LLC surviving the merger as a wholly owned subsidiary of FCX;

to consider and cast an advisory (non-binding) vote on the specified compensation that may be received by PXP s named executive officers in connection with the merger;

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement; and

to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

The PXP board of directors has fixed the close of business on , 2013 as the record date for the special meeting. Only PXP stockholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting.

A majority of the outstanding shares of PXP s common stock entitled to vote as of the record date is required to adopt the merger agreement. Regardless of whether you plan to attend the special meeting, please submit your proxy with voting instructions. Please vote as soon as possible. If you hold stock in your name as a stockholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope. You may also authorize a proxy to vote your shares by either visiting the website or calling the toll-free number shown on your proxy card. If you hold your stock in street name through a bank or broker, please direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of PXP common stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before its exercise at the special meeting in the manner described in the accompanying document.

The PXP board of directors recommends that the PXP stockholders vote:

FOR the proposal to adopt the merger agreement;

 ${f FOR}$ the proposal to approve, on an advisory (non-binding) basis, the specified compensation that may be received by PXP s named executive officers in connection with the merger; and

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FOR any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement.

BY ORDER OF THE BOARD OF DIRECTORS,

John F. Wombwell Executive Vice President, General Counsel and Secretary

, 2013

YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD.

REFERENCES TO ADDITIONAL INFORMATION

This document incorporates important business and financial information about FCX and PXP from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document, other than certain exhibits to those documents, by requesting them in writing or by telephone from the appropriate company at the following addresses:

Freeport-McMoRan Copper & Gold Inc.

Plains Exploration & Production Company

333 N. Central Ave.

700 Milam, Suite 3100

Phoenix, AZ 85004

Houston, TX 77002

(602) 366-8100

(713) 579-6000

Email: fcx_communications@fmi.com

Email: investor@pxp.com

You will not be charged for any of these documents that you request. PXP stockholders requesting documents should do so by in order to receive them before the special meeting.

, 2013,

See Where You Can Find More Information.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this document to fully understand the voting procedures for the special meeting.

- Q: What is the proposed transaction for which I am being asked to vote?
- A: You are being asked to adopt the Agreement and Plan of Merger, dated as of December 5, 2012 (the merger agreement), by and among Plains Exploration & Production Company (PXP), Freeport-McMoRan Copper & Gold Inc. (FCX) and IMONC LLC, which provides for, among other things, the merger of PXP with and into IMONC LLC, with IMONC LLC surviving the merger as a wholly owned subsidiary of FCX.

Q: What do I need to do now?

A: With respect to the meeting, after you have carefully read this document and have decided how you wish to vote your shares, please vote your shares promptly. If you hold stock in your name as a stockholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. You may also authorize a proxy to vote your shares by telephone or through the Internet as instructed on the proxy card. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy card, authorizing a proxy by telephone or through the Internet, or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the special meeting.

With respect to the merger, you should complete and return the election form, together with your stock certificates, to Computershare Trust Company N.A., the exchange agent for the merger, according to the instructions printed on the form or, if your shares are held in street name, according to your broker s instructions.

Q: When must I elect the type of merger consideration that I prefer to receive?

- Q: If I am a PXP stockholder, should I send in my PXP stock certificates with my proxy card?
- A: No. Please DO NOT send your PXP stock certificates with your proxy card. You should carefully review and follow the instructions set forth in the form of election, which is being mailed to PXP stockholders together with this document, regarding the surrender of your share certificates. You should then, prior to the election deadline, send your PXP common stock certificates to the exchange agent, together with your completed, signed form of election.

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- Q: Are PXP stockholders entitled to appraisal rights?
- A: Yes. PXP stockholders may exercise appraisal rights in connection with the merger under Delaware law by following the procedures required under Delaware law as described in this proxy statement/prospectus.
- Q: Why is my vote important?
- A: Because the presence at the special meeting of holders, present in person or represented by proxy, of a majority of the outstanding shares of PXP s common stock entitled to vote at the special meeting, is necessary to constitute a quorum, and because the affirmative vote of holders of a majority of the outstanding shares of PXP s common stock entitled to vote is necessary to complete the merger, every stockholder s vote is important. The PXP board of directors recommends that you vote FOR the proposal to adopt the merger agreement; FOR the proposal to approve, on an advisory (non-binding) basis, the specified compensation that may be received by PXP s named executive officers in connection with the merger; and FOR any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement.
- Q: If my shares of common stock are held in street name by my broker, will my broker automatically vote my shares for me?
- A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.
- Q: What if I fail to instruct my broker?
- A: If you do not provide your broker with instructions, your broker generally will not be permitted to vote your shares on the merger proposal or the advisory proposal (a so-called broker non-vote).

Because the required vote to adopt the merger agreement is based upon the number of PXP shares issued and outstanding on the record date and entitled to vote, and the required vote for adjournment of the special meeting is based upon the number of PXP shares held by stockholders present, in person or by proxy, and entitled to vote and not the number of PXP shares that are actually voted, the failure to provide your broker instructions will have the same effect as a vote cast against such proposals. With respect to the advisory proposal, only those votes cast for and against the proposal are counted and, accordingly, a failure to provide your broker instructions will have no effect on the vote to approve the advisory proposal. Broker non-votes, if any, are submitted by brokers or nominees in connection with the special meeting, will be treated as present for quorum purposes.

- Q: Can I attend the special meeting and vote my shares in person?
- A: Yes. All stockholders, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Holders of record of PXP common stock can vote in person at the special meeting. If you are not a stockholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. PXP reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

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Q: Can I change my vote?

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, or by submitting another proxy via the Internet or by telephone, (2) delivering a written revocation letter to the Secretary of PXP, or (3) attending the special meeting in person, notifying the Secretary and voting by ballot at the special meeting. The mailing address of PXP s Secretary is 700 Milam, Suite 3100, Houston, Texas 77002.

Any stockholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence (without notifying the Secretary of PXP and voting by ballot) of a stockholder at the special meeting will not constitute revocation of a previously given proxy.

Q: When do you expect to complete the merger?

- A: We expect to complete the merger in the second quarter of 2013. However, we cannot assure you when or if the merger will occur. Among other things, we cannot complete the merger until we obtain the approval of PXP stockholders at the special meeting.
- Q: What will be the management structure of the combined company following completion of the merger?
- A: James R. Moffett, Chairman of FCX and Co-chairman and Chief Executive Officer of McMoRan Exploration Co. (MMR), will continue as Chairman of the combined company. B. M. Mack Rankin, Jr. will continue in his role as Vice Chairman of the board of directors of the combined company. Richard C. Adkerson, President and Chief Executive Officer of FCX and Co-chairman of MMR, will continue as President and Chief Executive Officer and will be appointed Vice Chairman of the combined company. James C. Flores, Chairman, President and Chief Executive Officer of PXP, will be Vice Chairman of the combined company and Chief Executive Officer of its oil and gas operations. Kathleen L. Quirk will continue as Executive Vice President and Chief Financial Officer of the combined company. At closing, the combined company will add to its board of directors James C. Flores and two other members from PXP s board.
- Q: Where will the headquarters of the combined company be?
- A: The corporate headquarters of the combined company will be located in Phoenix, Arizona, and the combined company expects to maintain offices in Houston, Texas, New Orleans, Louisiana and elsewhere to support its oil and gas operations and certain administrative functions.
- Q: How does the proposed merger relate to FCX s proposed merger with MMR?
- A: On December 5, 2012, FCX entered into an Agreement and Plan of Merger with MMR and INAVN Corp., a Delaware corporation and wholly owned subsidiary of FCX (as amended from time to time, the MMR merger agreement), pursuant to which INAVN Corp. will merge with and into MMR, with MMR surviving the merger as a wholly owned subsidiary of FCX (the MMR merger). Concurrently with the filing of this proxy statement/prospectus, a proxy statement/prospectus is being filed in connection with the MMR merger that will be mailed to stockholders of MMR. The MMR merger is a separate transaction and the completion of the MMR merger is not a condition to the completion of the MMR merger.
- Q: Whom should I call with questions about the special meeting or the merger?

A: PXP stockholders should call

, PXP s proxy solicitor, at

with any questions about the merger and related transactions.

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SUMMARY

This summary highlights information contained elsewhere in this document and may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the merger and the related transactions. See Where You Can Find More Information.

The Merger

The terms and conditions of the merger are contained in the merger agreement, which is attached as Annex A to this document. Please carefully read the merger agreement as it is the legal document that governs the merger.

PXP Will Merge with and into IMONC LLC, a Wholly Owned Subsidiary of FCX

We are proposing the merger of PXP with and into Merger Sub, with Merger Sub continuing as the surviving company and a wholly owned subsidiary of FCX.

PXP Stockholders Will Receive Cash and/or Shares of FCX Common Stock in the Merger Depending on Their Election and Any Proration

You will have the right to elect to receive merger consideration, without interest, for each of your shares of PXP common stock in the form of cash or shares of FCX common stock, subject to proration in the circumstances described below. In the event of proration, you may receive all or a portion of the merger consideration in a form other than that which you elected.

The implied value of the merger consideration will fluctuate with the market price of FCX common stock and will be determined based on the average closing price of FCX common stock on the NYSE for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger. As explained in more detail in this document, whether you make a cash election or a stock election, the value of the consideration you receive as of the completion date of the merger will be substantially the same based on the average FCX closing price used to calculate the merger consideration. You may specify different elections with respect to different shares that you hold (if, for example, you own 100 shares of PXP common stock, you could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

As an example, based on the average of the closing prices of FCX common stock on the NYSE for the ten trading days ending on , 2013, for each share of PXP common stock held, you would receive either approximately \$\\$ in cash or shares of FCX common stock, subject to possible proration. We will compute the actual amount of cash and number of shares of FCX common stock that each PXP stockholder will receive in the merger using the formula contained in the merger agreement. For a summary of the formula contained in the merger agreement, see The Merger Agreement Consideration To Be Received in the Merger.

Set forth below is a table showing the consideration that you would receive in a cash election, on the one hand, or in a stock election, on the other hand, under the merger consideration formula if the actual average of the closing prices of FCX common stock on the NYSE for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger were equal to the hypothetical range contained in the table. The table does not reflect the fact that cash will be paid instead of fractional shares. As described below, regardless of whether you make a cash election or a stock election, you may nevertheless receive a mix of cash and stock.

	Cash Election: Cash	OR	Stock Election: Stock (Consideration per share
Hypothetical Ten-Day Closing Prices	Consideration			
of FCX	Per		Shares of FCX	
Common Stock	Share		Common Stock	Market Value (*)
\$25.00	\$41.33		1.6531	\$41.33
\$26.00	\$41.98		1.6146	\$41.98
\$27.00	\$42.63		1.5790	\$42.63
\$28.00	\$43.29		1.5460	\$43.29
\$29.00	\$43.94		1.5152	\$43.94
\$30.00	\$44.59		1.4864	\$44.59
\$31.00	\$45.25		1.4596	\$45.25
\$32.00	\$45.90		1.4344	\$45.90
\$33.00	\$46.55		1.4107	\$46.55
\$34.00	\$47.21		1.3884	\$47.21
\$35.00	\$47.86		1.3674	\$47.86
\$36.00	\$48.51		1.3475	\$48.51
\$37.00	\$49.16		1.3288	\$49.16
\$38.00	\$49.82		1.3110	\$49.82
\$39.00	\$50.47		1.2941	\$50.47
\$40.00	\$51.12		1.2781	\$51.12
\$41.00	\$51.78		1.2629	\$51.78
\$42.00	\$52.43		1.2483	\$52.43
\$43.00	\$53.08		1.2345	\$53.08
\$44.00	\$53.74		1.2213	\$53.74
\$45.00	\$54.39		1.2087	\$54.39

^{*} Market value based on hypothetical ten-day average closing price on the NYSE of FCX common stock.

The examples above are illustrative only. The value of the merger consideration that you actually receive will be based on the actual average closing price of FCX common stock on the NYSE for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger, as described below. The actual average closing price may be outside the range of the amounts set forth above, and as a result, the actual value of the merger consideration per share of FCX common stock may not be shown in the above table.

Regardless of Whether You Make a Cash Election or a Stock Election, You May Nevertheless Receive a Mix of Cash and Stock

The aggregate number of shares of FCX common stock that will be issued in the merger is approximately 86.6 million, and the aggregate amount of cash that will be paid in the merger will be approximately \$3.31 billion, in each case subject to adjustment for changes in the number of PXP shares held in treasury and for exercises and forfeitures of certain PXP equity-based awards prior to the completion date of the merger and exclusive of certain shares of PXP common stock and PXP RSUs subject to the terms of certain letter agreements entered into by PXP, FCX and PXP s named executive officers as described under Proposal No. 1 The Merger PXP s Directors and Officers Have Financial Interests in the Merger Employment Agreements and Letter Agreements. As a result, if more PXP stockholders make valid elections to receive either FCX common stock or cash than is available as merger consideration under the merger agreement, those PXP stockholders electing the oversubscribed form of consideration will have the oversubscribed consideration proportionately reduced and substituted with consideration in the other form, despite their election.

What Holders of PXP Equity-Based Awards Will Receive

Pursuant to the terms of the merger agreement, each restricted share of PXP common stock that is outstanding immediately prior to the effective time of the merger (the PXP Restricted Stock), and each PXP restricted stock unit that has been granted or contractually promised by PXP as of the date of the merger agreement and that is outstanding immediately prior to or upon the effective time of the merger (the PXP RSUs) that would be settled in shares of PXP common stock absent the merger (collectively, the Stock-Settled PXP RSUs) (except for certain PXP RSUs held by each of the PXP named executive officers identified below) will become fully vested and be converted into the right to receive, at the election of the holder, cash consideration or stock consideration, subject to proration. Certain PXP RSUs held by each of the named executive officers of PXP as of the date of the merger agreement will become fully vested and will be converted into the right to receive cash consideration or stock consideration, subject to the terms and conditions set forth in certain letter agreements among each such named executive officer, FCX and PXP, which are described in further detail below. Each PXP RSU that would be settled in cash absent the merger (collectively, the Cash-Settled PXP RSUs) will become fully vested in accordance with the terms of the applicable award agreement and be converted into the right to receive cash in an amount equal to the cash consideration.

Each stock appreciation right relating to shares of PXP common stock outstanding and unexercised as of the effective time of the merger will become fully vested and be converted into a stock appreciation right relating to shares of FCX common stock as described in the merger agreement.

Each compensatory equity award granted or issued by PXP after the date of the merger agreement and prior to the effective time of the merger will be converted into the same type of award covering shares of FCX common stock as described in the merger agreement, with the same terms and conditions as prior to the completion of the merger.

In Order To Make a Valid Election, You Must Properly Complete and Deliver the Form of Election

If you wish to elect the type of merger consideration you prefer to receive in the merger, you should carefully review and follow the instructions set forth in the form of election, which is being mailed to PXP stockholders together with this document. You will need to sign, date and complete the election form and transmittal materials and return them to the exchange agent at the address given in the materials, together with the certificates representing shares of PXP common stock (or a properly completed notice of guaranteed delivery) prior to the election deadline. The form of election also includes delivery instructions for shares held in book-entry form. You should *NOT* send your stock certificates with your proxy card.

The election deadline will be , 2013 or such other date as the parties agree. If you do not submit a properly completed and signed form of election to the exchange agent by the election deadline, you will have no control over the type of merger consideration you may receive, and, consequently, may receive only cash, only FCX common stock or a combination of cash and FCX common stock in the merger. If you hold shares in street name, you will have to follow your broker s instructions to make an election.

Once you have tendered your PXP stock certificates to the exchange agent, you may not transfer your shares of PXP common stock represented by those stock certificates until the merger is completed, unless you revoke your election by written notice to the exchange agent that is received prior to the election deadline. If the merger is not completed and the merger agreement is terminated, stock certificates will be returned by the exchange agent.

If you are a registered PXP stockholder and fail to submit a properly completed form of election, together with your PXP stock certificates (or a properly completed notice of guaranteed delivery), prior to the election

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deadline, you will be deemed not to have made an election. As a non-electing holder, you will be paid merger consideration in an amount per share that is equivalent in value to the amount paid per share to holders making elections, but you may be paid all in cash, all in FCX common stock, or in part cash and in part FCX common stock, depending on the remaining pool of cash and FCX common stock available for paying the merger consideration after honoring the cash elections and stock elections that other stockholders have made, and without regard to your preference.

The Merger Has Been Structured to Be Tax-Free to PXP Stockholders to the Extent They Receive FCX Common Stock

The exchange by U.S. holders of PXP common stock for FCX common stock has been structured to be generally tax-free for U.S. federal income tax purposes, except that:

U.S. holders of PXP common stock that receive both cash and FCX common stock generally will recognize gain, but not loss, to the extent of the cash received;

U.S. holders of PXP common stock that receive only cash generally will recognize gain or loss; and

U.S. holders of PXP common stock generally will recognize gain or loss with respect to cash received instead of fractional shares of FCX common stock that such holders would otherwise be entitled to receive.

For further information, please refer to Material United States Federal Income Tax Consequences of the Merger.

The United States federal income tax consequences described above may not apply to all holders of PXP common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Comparative Market Prices and Share Information

FCX common stock is quoted on the NYSE under the symbol FCX. PXP common stock is quoted on the NYSE under the symbol PXP. The following table shows the closing sale prices of FCX common stock and PXP common stock as reported on the NYSE on December 4, 2012, the last trading day before we announced the merger, and on December 27, 2012, the last practicable trading day prior to the date of this document. The table also presents the equivalent value of the merger consideration per share of PXP common stock on December 4, 2012 and December 27, 2012, calculated by multiplying the closing price of FCX common stock on those dates by 1.3062 and 1.3954, respectively, each representing the number of shares of FCX common stock that PXP stockholders electing to receive FCX common stock would receive in the merger for each share of PXP common stock, assuming that the average of the closing prices of FCX common stock on the NYSE for the ten trading days immediately preceding the date which is five trading days immediately prior to the completion date of the merger was the closing price of FCX common stock on December 4, 2012 and December 27, 2012, respectively, and assuming no proration.

	FCX Common Stock	PXP Common Stock	Equivalent per Share Value			
At December 4, 2012	\$ 38.28	\$ 36.05	\$ 50.00			
At December 27, 2012	33.68	46.37	47.00			

The market price of FCX common stock and PXP common stock will fluctuate prior to the merger. You should obtain current stock price quotations for FCX common stock and PXP common stock.

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Barclays Capital Inc. (Barclays) has Provided an Opinion to the PXP Board of Directors Regarding the Merger Consideration

PXP s financial advisor, Barclays, has conducted financial analyses and delivered an opinion to the PXP board of directors that, as of the date of the merger agreement and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, from a financial point of view, the consideration to be offered to PXP stockholders was fair to PXP stockholders. The full text of Barclays written opinion, dated as of December 5, 2012, is attached as Annex B to this document and is incorporated by reference herein in its entirety. Barclays written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. PXP stockholders are encouraged to read the opinion and the description carefully and in their entirety. This summary and the description of the opinion are qualified in their entirety by reference to the full text of the opinion.

The PXP Board of Directors Recommends that PXP Stockholders Vote FOR Adoption of the Merger Agreement

The PXP board of directors believes that the merger is in the best interests of PXP and its stockholders and has unanimously approved the merger and the merger agreement. The PXP board of directors recommends that PXP stockholders vote FOR adoption of the merger agreement.

PXP s Directors and Officers Have Financial Interests in the Merger That May Differ From Your Interests

In considering the information contained in this document, you should be aware that the executive officers and directors of PXP have financial interests in the merger that may be different from, or in addition to, the interests of other PXP stockholders. These additional interests of the executive officers and directors of PXP may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than you may view it as a stockholder.

For example, please be aware of the following interests:

PXP s executive officers hold PXP RSUs, and PXP s directors hold PXP RSUs and PXP Restricted Stock, that will vest as a result of the merger. The aggregate value of these PXP RSUs and shares of PXP Restricted Stock held by the executive officers, assuming that they remain employed through the completion of the merger, and the directors is estimated to be \$168,952,386.

PXP has previously entered into employment agreements with each of Messrs. Flores, Bourgeois, Talbert and Wombwell. Under the terms of these employment agreements, as amended by letter agreements entered into with PXP and FCX in connection with the merger (as described below), each executive officer is entitled to receive certain severance pay and benefits in the event of certain qualifying terminations of employment, including cash severance pay, continued health insurance benefits, accelerated vesting of equity awards and, as discussed below, certain excise tax gross-up payments. If each executive officer experiences a qualifying termination of employment immediately after the merger, the aggregate value of all cash severance pay, continued health insurance benefits and accelerated vesting of equity awards to be received by the executive officers is estimated to be \$205,951,005.

Each of Messrs. Flores, Bourgeois, Talbert and Wombwell is also entitled to receive certain excise tax gross-up payments under the terms of his employment agreement. The aggregate value of such excise tax gross-up payments to be received by the executive officers in connection with the merger is estimated to be \$26,498,474, if the officers remain employed following the merger, and \$46,363,821, if each executive officer experiences a qualifying termination of employment immediately after the merger.

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In connection with the merger, each of Messrs. Flores, Bourgeois, Talbert and Wombwell entered into a letter agreement with PXP and FCX which generally provides that FCX will assume the current employment agreement between the executive and PXP, subject to the amendment and the executive s waiver of certain provisions thereof and such other terms and conditions set forth in the letter agreement. In brief, the letter agreements provide that each executive officer will waive the right to resign and receive severance payments or benefits under his current employment agreement solely as a result of the merger or certain changes in position, duties or reporting relationships. In addition, Mr. Flores has agreed to take 100% stock consideration, and Messrs. Bourgeois, Talbert and Wombwell have agreed to take no less than 75% stock consideration, in settlement of certain Stock-Settled PXP RSUs that fully vest as a result of the merger. The shares of FCX common stock delivered in settlement of such Stock-Settled PXP RSUs will generally be subject to a holding requirement (subject to certain exceptions) from the closing date of the merger through the third anniversary thereof, which extends beyond the original vesting periods for some of these Stock-Settled PXP RSUs.

PXP s directors, officers and employees are entitled to continued indemnification and insurance coverage under the merger agreement.

The PXP board of directors was aware of these interests and took them into account in its decision to approve the merger agreement. For information concerning these interests, please see the discussion under the caption Proposal No. 1 The Merger PXP s Directors and Officers Have Financial Interests in the Merger.

Appraisal Rights

Under Section 262 of the General Corporation Law of the State of Delaware (the DGCL), holders of PXP common stock may have the right to obtain an appraisal of the fair value of their shares of PXP common stock in connection with the merger. To perfect appraisal rights, a PXP stockholder must not vote for the adoption of the merger agreement, must continue to hold their shares of common stock through the effective date of the merger and must strictly comply with all of the procedures required under Delaware law, including submitting a written demand for appraisal to PXP prior to the special meeting. Failure to strictly comply with Section 262 of the DGCL by a PXP stockholder may result in the loss or waiver of that stockholder is appraisal rights. Because of the complexity of Delaware law relating to appraisal rights, if any PXP stockholder is considering exercising his, her or its appraisal rights, FCX and PXP encourage such PXP stockholder to seek the advice of his, her or its own legal counsel. A summary of the requirements under Delaware law to exercise appraisal rights is included in this document under Proposal No. 1 The Merger Appraisal Rights and the text of Section 262 of the DGCL as in effect with respect to this transaction is included as Annex C to this document.

Conditions That Must Be Satisfied or Waived for the Merger to Occur

Currently, we expect to complete the merger in the second quarter of 2013. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, approval by PXP stockholders, the receipt of all required regulatory approvals (including Merger Sub obtaining the necessary qualifications required by the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement to hold or operate oil and gas interests in the Gulf of Mexico), and the receipt of legal opinions by each company regarding the tax treatment of the merger. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement

The merger agreement can be terminated at any time prior to completion by:

mutual written consent of FCX and PXP,

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either FCX or PXP, if the merger is not completed on or prior to June 5, 2013 (the End Date), provided that if all conditions have been satisfied other than the conditions relating to clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), effectiveness of the S-4 or absence of injunctions, then the End Date may be extended by either FCX or PXP by notice to the other to a date not later than September 5, 2013, and provided further that the right to terminate is not available to a party if the failure of closing by the End Date results from a material breach by such party of any representation, warranty, covenant or other agreement and the non-terminating party files and pursues an action seeking specific performance,

either FCX or PXP, if a final and non-appealable injunction is entered prohibiting the closing, unless such injunction is due to the failure of the terminating party to perform any of its obligations under the agreement,

either FCX or PXP, if the PXP stockholders meeting (including any adjournments or postponements) has concluded and the requisite approval of PXP stockholders is not obtained,

PXP, if FCX breaches the merger agreement in a manner that would cause a condition to PXP s obligation to close not to be satisfied and such breach is either not curable by the End Date or FCX fails to diligently attempt to cure such breach after receipt of written notice of such breach from PXP, provided PXP is not in material breach of the merger agreement,

FCX, if PXP breaches the merger agreement in a manner that would cause a condition to FCX s obligation to close not to be satisfied and such breach is either not curable by the End Date or PXP fails to diligently attempt to cure such breach after receipt of written notice of such breach from FCX, provided FCX is not in material breach of the merger agreement, and

FCX, prior to adoption of the merger agreement by stockholders of PXP, in the event that either (i) the PXP board of the directors changes its recommendation to stockholders to adopt the merger agreement or (ii) PXP materially breaches any of its non-solicitation obligations in the merger agreement.

If the merger agreement is terminated, there will be no liability on the part of FCX or PXP, except that (1) both FCX and PXP will remain liable for any willful or intentional breach of any covenant or agreement or willful or intentional breach of any representation or warranty in the merger agreement occurring prior to termination or as provided for in the Confidentiality Agreement between PXP and FCX and (2) PXP may be required to pay FCX a termination fee and/or reimburse certain expenses of FCX.

Termination Fee

If the merger agreement is terminated:

by either FCX or PXP because the PXP stockholders meeting was concluded and the PXP stockholder approval was not obtained, or

by FCX because the PXP board of directors changes its recommendation to stockholders due to an intervening event other than an alternative takeover proposal, then

PXP will pay FCX up to \$69,000,000 in respect of its expenses within two business days of such termination.

If the merger agreement is terminated by FCX because PXP changes its recommendation to stockholders due to an alternative takeover proposal or materially breaches its non-solicitation obligations in the merger agreement, then PXP will pay FCX a termination fee of \$207,000,000 (less any amounts previously paid in respect of expenses).

If the merger agreement is terminated by PXP because the merger has not closed by the End Date and at the time of termination (1) the PXP stockholders meeting has concluded and the PXP stockholder approval was not

obtained, and (2) FCX would have been permitted to terminate the merger agreement because the PXP board of directors has changed its recommendation to stockholders due to an alternative takeover proposal or has materially breached its non-solicitation obligations, then PXP will pay FCX a termination fee of \$207,000,000 (less any amounts previously paid in respect of expenses).

If the merger agreement is terminated:

by FCX or PXP because the merger has not closed by the End Date,

by FCX or PXP because the PXP stockholders meeting has concluded and the requisite stockholder approval was not obtained, or

by FCX because of PXP s uncured material breach of the merger agreement, and, in each case, (i) a company takeover proposal (as defined in the description of the non-solicitation provisions herein, except that for purposes of the termination fee provisions references to 15% are changed to references to 50%) is publicly announced and not withdrawn at least 15 business days prior to the PXP stockholders meeting AND (ii) at any time on or prior to the twelve month anniversary of such termination PXP enters into a definitive agreement with respect to or completes the transaction contemplated by any company takeover proposal, then PXP will pay FCX up to \$69,000,000 in respect of expenses (less any amounts previously paid in respect of expenses) within two business days of such termination and a termination fee of \$207,000,000 (less any amounts paid in respect of expenses) upon the earlier of entering into such definitive agreement or completing such company takeover proposal.

Regulatory Approvals Required for the Merger

PXP and FCX have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval (or a waiver from the application requirement) from the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, the Federal Trade Commission and the Antitrust Division of the Department of Justice, as well as various other federal and regulatory authorities. FCX and PXP have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals. On December 26, 2012, the Federal Trade Commission granted early termination of the waiting period with respect to the merger.

Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

The Rights of PXP Stockholders who Receive the Stock Consideration will be Governed by the FCX Certificate of Incorporation and Bylaws after the Merger

The rights of PXP stockholders will change as a result of the merger due to differences in FCX s and PXP s governing documents. This document contains a description of stockholder rights under each of the FCX and PXP governing documents and describes the material difference between them.

PXP will Hold its Special Meeting on , 2013

The special meeting will be held at , at , local time, on , 2013. At the special meeting, PXP stockholders will be asked to:

adopt the merger agreement;

consider and cast an advisory (non-binding) vote on the specified compensation that may be received by PXP s named executive officers in connection with the merger;

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approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement; and

to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

*Record Date**. Only holders of record of PXP common stock at the close of business on meeting. Each share of PXP common stock is entitled to one vote. As of the record date of shares of PXP common stock entitled to vote at the special meeting.

Total Common stock The special meeting and any adjournment or postponement thereof.

2013 will be entitled to vote at the special meeting.

Required Vote. The affirmative vote of holders of a majority of the outstanding shares of PXP s common stock entitled to vote as of the record date is required to adopt the merger agreement. The affirmative vote of holders of a majority of the shares of PXP s common stock present at the meeting, in person or by proxy, and entitled to vote is required to approve any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement. Abstentions and any broker non-votes will have the same effect as a vote cast against such proposals.

A majority of the votes cast is required to approve, on an advisory (non-binding) basis, the specified compensation that may be received by PXP s named executive officers in connection with the merger. The vote to approve the specified compensation is not a condition to the completion of the merger, and the vote of PXP s stockholders on the proposal is advisory in nature and will not be binding on FCX or PXP. Accordingly, regardless of the outcome of the advisory vote, if the merger is approved and completed, specified compensation may be paid. Abstentions and any broker non-votes will not be counted for or against a proposal and, accordingly, will not have an effect on the outcome of the advisory vote.

As of the record date, directors and executive officers of PXP and its affiliates had the right to vote approximately common stock, or % of the outstanding PXP common stock entitled to be voted at the special meeting.

Litigation Relating to the Merger

Following the announcement of the merger on December 5, 2012, twelve putative class and derivative actions challenging the transaction were filed by purported PXP and FCX stockholders.

Three putative class actions were filed on behalf of PXP stockholders in the Court of Chancery of the State of Delaware. The actions name as defendants PXP, PXP s directors, FCX, and an FCX subsidiary. The actions allege that PXP s directors breached their fiduciary duties because they, among other things, pursued their own interests at the expense of stockholders and failed to maximize stockholder value with respect to the PXP-FCX transaction, and that FCX and an FCX subsidiary aided and abetted the purported breach of fiduciary duties by PXP s directors. The actions seek as relief an injunction barring or rescinding the PXP-FCX transaction, damages, and attorneys fees and costs.

Nine derivative actions challenging both the merger and the MMR merger were filed on behalf of FCX by purported FCX stockholders in the Court of Chancery of the State of Delaware and in the Superior Court of the State of Arizona, County of Maricopa. The actions name some or all of the following as defendants: the directors of FCX, two FCX subsidiaries, PXP, MMR, James C. Flores, John F. Wombwell, Suzanne T. Mestayer, and Kathleen L. Quirk. The actions allege that the FCX directors breached their fiduciary duties because they, among other things, pursued their own interests at the expense of stockholders in approving the merger and the MMR merger. Each of the complaints also alleges that some or all of the following parties aided and abetted the wrongful acts allegedly committed by the FCX board: two FCX subsidiaries, PXP, MMR, James C. Flores, John F. Wombwell, Suzanne T. Mestayer, and Kathleen L. Quirk. The actions seek as relief, among other things, an

injunction barring or rescinding both the merger and the MMR merger transactions and requiring submission of the proposed merger and MMR merger to a vote of FCX stockholders, damages, and attorneys fees and costs.

In addition, ten putative class actions challenging the MMR merger transaction were filed on behalf of MMR stockholders in the Court of Chancery of the State of Delaware and in the Civil District Court for the Parish of Orleans of the State of Louisiana. These actions, which principally allege that MMR s directors breached their fiduciary duties in approving the MMR merger, do not challenge the merger. They do, however, name PXP and FCX as defendants and allege that PXP, FCX, or both, aided and abetted the breach of fiduciary duty by MMR s directors. The actions seek, among other things, injunctive relief barring or rescinding the MMR merger, damages, and attorneys fees and costs.

The PXP and FCX defendants believe the lawsuits are without merit and intend to defend vigorously against them.

Information about the Companies

Freeport-McMoRan Copper & Gold Inc.

FCX is a leading international mining company with headquarters in Phoenix, Arizona. FCX operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. FCX has a dynamic portfolio of operating, expansion and growth projects in the copper industry and is the world s largest producer of molybdenum. The company s portfolio of assets includes the Grasberg minerals district in Indonesia, the world s largest copper and gold mine in terms of recoverable reserves, significant mining operations in the Americas, including the large scale Morenci minerals district in North America and the Cerro Verde and El Abra operations in South America, and the highly prospective Tenke Fungurume minerals district in the Democratic Republic of Congo. At December 31, 2011, consolidated recoverable proven and probable reserves included 119.7 billion pounds of copper, 33.9 million ounces of gold and 3.42 billion pounds of molybdenum. FCX s global workforce includes approximately 31,800 employees. FCX s stock trades on the NYSE under the ticker symbol FCX. As of September 30, 2012, FCX had total consolidated assets of approximately \$34.5 billion and total consolidated equity of approximately \$20.7 billion. The principal executive offices of FCX are located at 333 North Central Avenue, Phoenix, AZ 85004-2189, and its telephone number is (602) 366-8100.

Plains Exploration & Production Company

PXP is an independent energy company engaged in the upstream oil and gas business. The upstream business acquires, develops, explores for and produces oil and gas. PXP s upstream activities are located in the United States. PXP owns oil and gas properties with principal operations in:

Onshore California;
Offshore California;
the Gulf Coast Region;
the Gulf of Mexico; and

the Rocky Mountains.

As of December 31, 2011, after giving effect to PXP s acquisition of oil and gas interests in the Gulf of Mexico from BP Exploration & Production Inc. and BP America Production Company and Shell Offshore Inc., PXP s pro forma proved reserves would have been 564.6 million barrels of oil equivalent, of which 66% would have been comprised of oil and 57% would have been proved developed. PXP common stock trades on the NYSE under the symbol PXP. PXP s principal executive offices are located at 700 Milam, Suite 3100, Houston, Texas 77002, and its telephone number is (713) 579-6000.

FREEPORT-McMoRan COPPER & GOLD INC.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected historical consolidated financial data is derived from FCX s audited consolidated financial statements for each of the years ended December 31, 2011, 2010, 2009, 2008 and 2007 and from FCX s unaudited consolidated financial statements for the nine months ended September 30, 2012 and 2011. These historical results are not necessarily indicative of results that you can expect for any future period. You should read this data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and FCX s consolidated financial statements and notes thereto contained in FCX s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, each of which is incorporated by reference in this proxy statement/prospectus. See Where You Can Find More Information.

As of or for the nine

	As of or for	the nine								
	months e	nded								
	Septembe	er 30,		As of or fo	r the years ended I	December 31,				
	2012	2011	2011	2010	2009	2008	2007 (a)			
	(unaudi	ted)		(audited) s, Except Per Share Amounts)						
			(In Millions							
FCX CONSOLIDATED										
FINANCIAL DATA										
Revenues	\$ 13,497	\$ 16,718	\$ 20,880	\$ 18,982	\$ 15,040	\$ 17,796	\$ 16,939 ^(b)			
Operating income (loss)	4,456	7,843	9,140 ^(c)	9,068	6,503 ^{(d),(e)}	(12,710) ^{(d),(e),(f)}	6,555 ^{(b),(f)}			
Income (loss) from continuing										
operations	4,163	7,565	5,747	5,544	3,534	(10,450)	3,733			
Net income (loss)	3,035	4,881	5,747	5,544	3,534	(10,450)	3,779			
Net income (loss) attributable	2 200(a) (b)	2 020(a) (b)	4 7 50(a) (a) (b)	4.050(h)	2 525(d) (a) (b)	(11 211)(1)(2)(6)(6)(1)	2 7 (0/h) (f) (h)			
to FCX common stockholders	2,298 ^{(g),(h)}	3,920 ^{(g),(h)}	4,560 ^{(c),(g),(h)}	4,273 ^(h)	2,527 ^{(d),(e),(h)}	$(11,341)^{(d),(e),(f),(h)}$	2,769 ^{(b),(f),(h)}			
Basic net income (loss) per										
share attributable to FCX common stockholders:										
Continuing operations	\$ 2.42	\$ 4.14	\$ 4.81	\$ 4.67	\$ 3.05	\$ (14.86)	\$ 4.01 ^(j)			
Discontinued operations	Φ 2.42	J 4.14	J 4.01	\$ 4.07	\$ 3.03	\$ (14.00)	0.05 ^(j)			
Discontinued operations							0.05			
						+	+			
Basic net income (loss)	\$ 2.42	\$ 4.14	\$ 4.81	\$ 4.67	\$ 3.05	\$ (14.86)	\$ 4.06 ^(j)			
Basic weighted-average										
common shares outstanding	949	947	947	915	829	763	682 ^(j)			
Diluted net income (loss) per										
share attributable to FCX										
common stockholders:		.	. 4.50	A 155		. (1100)	φ 2. 7 0(')			
Continuing operations	\$ 2.41	\$ 4.10	\$ 4.78	\$ 4.57	\$ 2.93	\$ (14.86)	\$ 3.70(j)			
Discontinued operations							$0.05^{(j)}$			
Diluted net income (loss)	\$ 2.41 ^{(g),(h)}	\$ 4.10 ^{(g),(h)}	\$ 4.78 ^{(c),(g),(h)}	\$ 4.57 ^(h)	\$ 2.93 ^{(d),(e),(h)}	\$ (14.86) ^{(d),(e),(f),(h)}	$3.75^{(b),(f),(h),(j)}$			
Diluted weighted-average										
common shares outstanding	953	955	955	949	938	763	794(j)			
Dividends declared per share										
of common stock	\$ 0.9375	\$ 1.25	\$ 1.50	\$ 1.125	\$ 0.075	\$ 0.6875	\$ 0.6875 ^(j)			
Cash and cash equivalents	\$ 3,727		\$ 4,822	\$ 3,738	\$ 2,656	\$ 872	\$ 1,626			
Property, plant, equipment and										
development costs, net	20,294		18,449	16,785	16,195	16,002	25,715			
Goodwill							6,105			
Total assets	34,517		32,070	29,386	25,996	23,353	40,661			
Total debt, including current	2.522		2.525		6046	T 054	5.344			
portion	3,523		3,537	4,755	6,346	7,351	7,211			
Total FCX stockholders equit	y 17,139		15,642	12,504	9,119	5,773	18,234			

(a) Includes the results of Freeport-McMoRan Corporation (FMC), formerly Phelps Dodge Corporation beginning March 20, 2007.

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- (b) Includes charges totaling \$175 million (\$106 million to net income attributable to common stockholders or \$0.13 per share) for mark-to-market accounting adjustments on the 2007 copper price protection program assumed in the acquisition of FMC.
- (c) Includes charges totaling \$116 million (\$50 million to net income attributable to common stock, or \$0.05 per share) primarily associated with bonuses for new labor agreements and other employee costs at PT Freeport Indonesia, Cerro Verde and El Abra.
- (d) Includes charges totaling \$23 million (\$18 million to net income attributable to common stockholders or \$0.02 per share) associated with restructuring charges in 2009 and \$17.0 billion (\$12.7 billion to net loss attributable to common stockholders or \$16.60 per share) associated with impairment and restructuring charges in 2008.
- (e) Includes charges for lower of cost or market inventory adjustments totaling \$19 million (\$15 million to net income attributable to common stockholders or \$0.02 per share) in 2009 and \$782 million (\$479 million to net loss attributable to common stockholders or \$0.63 per share) in 2008.
- (f) Includes purchase accounting impacts related to the acquisition of FMC totaling \$1.0 billion (\$622 million to net loss attributable to common stockholders or \$0.82 per share) in 2008 and \$1.3 billion (\$793 million to net income attributable to common stockholders or \$1.00 per share) in 2007.
- (g) Includes a net tax credit associated with adjustments to Cerro Verde s deferred income taxes totaling \$100 million, net of noncontrolling interests (\$0.11 per share) for the first nine months of 2012. Also includes additional taxes associated with Cerro Verde s election to pay a special mining burden during the remaining term of its current stability agreement totaling \$50 million, net of noncontrolling interests (\$0.05 per share) for the first nine months of 2011 and \$49 million, net of noncontrolling interests (\$0.05 per share) for the year 2011.
- (h) Includes net losses on early extinguishment and conversion of debt totaling \$149 million (\$0.16 per share) for the first nine months of 2012, \$60 million (\$0.06 per share) for the first nine months of 2011, \$60 million (\$0.06 per share) in 2011, \$71 million (\$0.07 per share) in 2010, \$43 million (\$0.04 per share) in 2009, \$5 million (\$0.01 per share) in 2008, and \$132 million (\$0.17 per share) in 2007; 2008 also includes charges totaling \$22 million (\$0.03 per share) associated with privately negotiated transactions to induce conversion of a portion of FCX s \$/3\% Convertible Perpetual Preferred Stock into FCX common stock.
- (j) Amounts have been adjusted to reflect the February 1, 2011, two-for-one stock split and are unaudited.

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FREEPORT-McMoRan COPPER & GOLD INC.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL AND OPERATING DATA (CONTINUED)

		Nine mon Septem 2012 (unau	ber 3	30, 2011		2011	Years ended Decembe 2010 2009 (unaudited)					ber 31, 2008		007 (a)
FCX CONSOLIDATED MINING										ĺ				
OPERATING DATA														
Copper (recoverable)														
Production (millions of pounds)		2,658		2,868		3,691		3,908		4,103		4,030		3,884
Production (thousands of metric tons)		1,206		1,301		1,674		1,773		1,861		1,828		1,762
Sales, excluding purchases (millions of														
pounds)		2,676		2,875		3,698		3,896		4,111		4,066		3,862
Sales, excluding purchases (thousands of		,		,		- ,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,		,		- ,
metric tons)		1,214		1,304		1,678		1,767		1,865		1,844		1,752
Average realized price per pound	\$	3.63	\$	3.94	\$	3.86	\$	3.59	\$	2.60	\$	2.69	\$	3.22 ^(b)
Gold (thousands of recoverable ounces)	•		·		•				•				·	
Production		707		1,202		1,383		1,886		2,664		1,291		2,329
Sales, excluding purchases		756		1,245		1,378		1,863		2,639		1,314		2,320
Average realized price per ounce	\$	1,666	\$	1,565	\$	1,583	\$	1,271	\$	993	\$	861	\$	682
Molybdenum (millions of recoverable	-	-,	-	-,	-	-,	-	-,	-	,,,	-		-	
pounds)														
Production		61		65		83		72		54		73		70
Sales, excluding purchases		62		60		79		67		58		71		69
Average realized price per pound	\$	14.79	\$	17.57	\$	16.98	\$	16.47	\$	12.36	\$	30.55	\$	25.87
NORTH AMERICA COPPER MINES	Ψ	1,	Ψ	17107	Ψ	10,70	Ψ	10.17	Ψ	12.00	Ψ	20.00	Ψ	20107
Operating Data, Net of Joint Venture														
Interest														
Copper (recoverable)														
Production (millions of pounds)		1,005		917		1,258		1,067		1,147		1,430		1,320
Production (thousands of metric tons)		456		416		571		484		520		649		599
Sales, excluding purchases (millions of														
pounds)		1,030		914		1,247		1,085		1,187		1,434		1,332
Sales, excluding purchases (thousands of		1,000		,		1,2 . ,		1,000		1,107		1,		1,002
metric tons)		467		415		566		492		538		650		604
Average realized price per pound	\$	3.66	\$	4.19	\$	3.99	\$	3.42	\$	2.38	\$	3.07	\$	3.10 ^(b)
Molybdenum (millions of recoverable	-		-	,	-		-		-		-		-	
pounds)														
Production		27		27		35		25		25		30		30
100% Operating Data														
Solution extraction/electrowinning														
(SX/EW) operations														
Leach ore placed in stockpiles (metric tons														
per day)	9	67,700	8	341,700	8	888,300	ϵ	548,800	4	589,400	1	,095,200	7	98,200
Average copper ore grade (percent)		0.22		0.25		0.24	ì	0.24		0.29		0.22		0.23
Copper production (millions of recoverable				0.20						0.2				0.20
pounds)		639		582		801		746		859		943		940
Mill operations		007		002		001		,		007		,		7.0
Ore milled (metric tons per day)	2:	35,700	2	220,100	2	222,800	1	189,200	1	169,900		249,600	2	223,800
Average ore grade (percent):		,		,_,		,		,		,		,,		,,
Copper		0.37		0.37		0.38		0.32		0.33		0.40		0.35
Molybdenum		0.03		0.03		0.03		0.03		0.02		0.02		0.02
Copper recovery rate (percent)		83.5		83.5		83.1		83.0		86.0		82.9		84.5
FF st reserved rate (percent)		00.0		00.0		00.1		33.0		20.0		32.7		00

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Production (millions of recoverable							
pounds):							
Copper	436	404	549	398	364	599	501
Molybdenum	27	27	35	25	25	30	30

	Nine months ended September 30,													
		2012 (unau	ıditad	2011		2011		2010	2009 (unaudited)			2008	20	007 ^(a)
SOUTH AMERICA MINING		(unau	iuneu)					(uii	audited)				
Copper (recoverable)														
Production (millions of pounds)		908		969		1,306		1,354		1,390		1,506		1,413
Production (thousands of metric tons)		412		440		592		614		631		683		641
Sales (millions of pounds)		895		965		1,322		1,335		1,394		1,521		1,399
Sales (thousands of metric tons)		406		438		600		606		632		690		635
Average realized price per pound	\$	3.63	\$	3.82	\$	3.77	\$	3.68	\$	2.70	\$	2.57	\$	3.25
Gold (thousands of recoverable ounces)														
Production		57		73		101		93		92		114		116
Sales		56		72		101		93		90		116		114
Average realized price per ounce	\$	1,678	\$	1,556	\$	1,580	\$	1,263	\$	982	\$	853	\$	683
Molybdenum (millions of recoverable														
pounds)														
Production		6		8		10		7		2		3		1
SX/EW operations														
Leach ore placed in stockpiles (metric tons														
per day)	2	229,100	2	249,500	2	245,200	2	268,800	2	258,200	2	79,700	2	89,100
Average copper ore grade (percent)		0.55		0.48		0.50		0.41		0.45		0.45		0.43
Copper production (millions of recoverable														
pounds)		346		314		439		504		565		560		569
Mill operations														
Ore milled (metric tons per day)]	190,000]	192,300	1	189,200		188,800	1	81,300	1	81,400	1	67,900
Average ore grade:														
Copper (percent)		0.58		0.66		0.66		0.65		0.66		0.75		0.74
Gold (grams per metric ton)		0.09		0.12		0.12		0.10		0.10		0.13		0.13
Molybdenum (percent)		0.02		0.02		0.02		0.02		0.02		0.02		0.02
Copper recovery rate (percent)		89.5		90.0		89.6		90.0		88.9		89.2		87.1
Production (recoverable):														
Copper (millions of pounds)		562		655		867		850		825		946		844
Gold (thousands of ounces)		57		73		101		93		92		114		116
Molybdenum (millions of pounds)		6		8		10		7		2		3		1
INDONESIA MINING														
Operating Data, Net of														
Joint Venture Interest														
Copper (recoverable)		405		770		0.46		1 222		1 410		1.004		1 151
Production (millions of pounds)		495		778		846		1,222		1,412		1,094		1,151
Production (thousands of metric tons)		225		353		384		554		640		496		522
Sales (millions of pounds)		512		796		846		1,214		1,400		1,111		1,131
Sales (thousands of metric tons)	¢	232	¢	361	¢	384	¢	551	¢.	635	¢	504	¢	513
Average realized price per pound	\$	3.64	\$	3.82	\$	3.85	\$	3.69	\$	2.65	\$	2.36	\$	3.32
Gold (thousands of recoverable ounces)														
·		641		1 122		1 272		1,786		2 560		1 162		2 100
Production Sales		691		1,123		1,272				2,568		1,163		2,198
	¢.		¢	1,168	¢	1,270	Ф	1,765	¢.	2,543	¢	1,182	¢	2,185
Average realized price per ounce 100% Operating Data	\$	1,665	\$	1,565	\$	1,583	\$	1,271	\$	994	\$	861	\$	681
Ore milled (metric tons per day)	1	60,400	1	197,900	1	166,100	,	230,200	2	238,300	1	92,900	2	12,600
Average ore grade:		100,400		197,900	,	100,100	•	230,200		.30,300	1	92,900		12,000
Copper (percent)		0.61		0.80		0.79		0.85		0.98		0.83		0.82
Gold (grams per metric ton)		0.60		0.80		0.79		0.83		1.30		0.66		1.24
Recovery rates (percent):		0.00		0.92		0.93		0.90		1.50		0.00		1.24
Copper		88.6		88.2		88.3		88.9		90.6		90.1		90.5
Gold		76.7		81.3		81.2		81.7		83.7		79.9		86.2
Production (recoverable):		70.7		01.5		01.2		01.7		05.1		12.2		00.2
Copper (millions of pounds)		495		803		882		1,330		1,641		1,109		1,211
copper (minions of pounds)		773		305		002		1,550		1,071		1,109		1,411

Gold (thousands of ounces) 641 1,261 1,444 1,964 2,984 1,163 2,608

	- 1	iths ended iber 30,		Years	ended Decem	ber 31.	
	2012	2011	2011	2010	2009	2008	2007 (a)
	(unau	dited)			(unaudited)		
AFRICA MINING(c)							
Copper (recoverable)							
Production (millions of pounds)	250	204	281	265	154	N/A	N/A
Production (thousands of metric tons)	113	93	127	120	70	N/A	N/A
Sales (millions of pounds)	239	200	283	262	130	N/A	N/A
Sales (thousands of metric tons)	108	91	128	119	59	N/A	N/A
Average realized price per pound	\$ 3.54	\$ 3.89	\$ 3.74	\$ 3.45	\$ 2.85	N/A	N/A
Cobalt (millions of contained pounds)							
Production	20	18	25	20	N/A	N/A	N/A
Sales	19	19	25	20	N/A	N/A	N/A
Average realized price per pound	\$ 8.36	\$ 10.71	\$ 9.99	\$ 10.95	N/A	N/A	N/A
Ore milled (metric tons per day)	12,900	10,800	11,100	10,300	7,300	N/A	N/A
Average ore grade (percent):							
Copper	3.56	3.42	3.41	3.51	3.69	N/A	N/A
Cobalt	0.37	0.40	0.40	0.40	N/A	N/A	N/A
Copper recovery rate (percent)	91.6	92.0	92.5	91.4	92.1	N/A	N/A
MOLYBDENUM OPERATIONS							
Molybdenum sales, excluding purchases (millions of							
pounds) ^(d)	62	60	79	67	58	71	69
Average realized price per pound	\$ 14.79	\$ 17.57	\$ 16.98	\$ 16.47	\$ 12.36	\$ 30.55	\$ 25.87
Henderson molybdenum mine							
Ore milled (metric tons per day)	21,100	23,300	22,300	22,900	14,900	24,100	24,000
Average molybdenum ore grade (percent)	0.23	0.24	0.24	0.25	0.25	0.23	0.23
Molybdenum production (millions of recoverable							
pounds)	26	30	38	40	27	40	39

⁽a) For comparative purposes, operating data for the year ended December 31, 2007 combines FCX s historical data with FMC s pre-acquisition data (i.e., January 1, 2007, through March 19, 2007). As the pre-acquisition data represents the results of these operations under FMC management, such combined data is not necessarily indicative of what past results would have been under FCX management or of future operating results.

⁽b) Before charges for hedging losses related to FMC s copper price protection programs, amounts were \$3.27 per pound (FCX consolidated) and \$3.25 per pound (North America copper mines).

⁽c) Results for 2009 represent mining operations that began production in March 2009.

⁽d) Includes sales of molybdenum produced at FCX s North and South America copper mines.

Ratio of Earnings to Fixed Charges

For FCX s ratio of earnings to fixed charges calculation, earnings consist of income (loss) from continuing operations before income taxes, noncontrolling interests in consolidated subsidiaries, equity in affiliated companies net earnings, cumulative effect of accounting changes and fixed charges. Fixed charges include interest and that portion of rent deemed representative of interest. For ratio of earnings to fixed charges and preferred stock dividends calculation, FCX assumed that its preferred stock dividend requirements were equal to the pre-tax earnings that would be required to cover those dividend requirements. FCX computed pre-tax earnings using the effective tax rate for each year. FCX s ratio of earnings to fixed charges was as follows for the periods presented:

	Nine mont Septem			Years end	led Decem	ıber 31,	
	2012	2011	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges	19.0x	22.9x	20.7x	16.3x	9.3x	(a)	9.9x
Ratio of earnings to fixed charges and preferred stock dividends	19 Ox	22 9x	20.7x	13 9x	6.1x	(b)	6.6x

- (a) As a result of the loss recorded in 2008, the ratio coverage was less than 1:1. FCX would have needed to generate additional earnings of \$13.4 billion to achieve coverage of 1:1 in 2008.
- (b) As a result of the loss recorded in 2008, the ratio coverage was less than 1:1. FCX would have needed to generate additional earnings of \$13.8 billion to achieve coverage of 1:1 in 2008.

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PLAINS EXPLORATION & PRODUCTION COMPANY

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected historical consolidated financial data is derived from PXP s audited consolidated financial statements for each of the years ended December 31, 2011, 2010, 2009, 2008 and 2007 and from PXP s unaudited consolidated financial statements for the nine months ended September 30, 2012 and 2011. This information is not necessarily indicative of future results. You should read this data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and PXP s consolidated financial statements and notes thereto included in PXP s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, each of which is incorporated by reference in this proxy statement/prospectus. See Where You Can Find More Information.

	Nine mon	ths ended					
	Septem	ber 30,			s ended Decemb		
	2012	2011	2011 ⁽¹⁾	$2010^{(2)}$	2009	2008(3)	2007(4)
	(unau	aitea)	(In Thousand	ds, Except Per Sh	(audited)		
Income Statement Data			(III THOUSUN	us, Except I er sir	are Timounts)		
Revenues	\$ 1,696,103	\$ 1,446,947	\$ 1,964,488	\$ 1,544,595	\$ 1,187,130	\$ 2,403,471	\$ 1,272,840
Costs and Expenses:							
Production costs	441,068	398,133	558,975	451,902	423,967	626,428	413,122
General and administrative	109,281	94,964	134,044	136,437	144,586	153,306	124,006
Depreciation, depletion,							
amortization and accretion	710,277	466,072	681,655	551,118	421,580	621,484	316,078
Impairment of oil and gas properties ⁽⁵⁾				59,475		3,629,666	
Legal recovery				(8,423)	(87,272)	3,023,000	
Other operating (income) expense	(3,142)	(657)	(735)	(4,130)	2,136		
other operating (meome) expense	(3,112)	(037)	(133)	(1,150)	2,130		
	1 257 494	958,512	1 272 020	1,186,379	904,997	5,030,884	853,206
	1,257,484	936,312	1,373,939	1,100,579	904,997	3,030,004	833,200
Income (Loss) from Operations	438,619	488,435	590,549	358,216	282,133	(2,627,413)	419,634
Other Income (Expense):	100,019	100,100	270,217	220,210	202,100	(2,027,110)	.15,00
Gain on sale of assets ⁽⁶⁾						65,689	
Interest expense	(157,404)	(113,141)	(161,316)	(106,713)	(73,811)	(116,991)	(68,908)
Debt extinguishment costs ⁽⁷⁾	(5,167)	(===,===)	(120,954)	(1,189)	(12,093)	(18,256)	(00,200)
Gain (loss) on mark-to-market	(-,,		(-))	(, ,	())	(-,,	
derivative contracts ⁽⁸⁾	12,573	93,467	81,981	(60,695)	(7,017)	1,555,917	(88,549)
Loss on investment measured at	,		- ,	(,,	(1)1	, ,-	(,,
fair value ⁽⁹⁾	(92,301)	(284,929)	(52,675)	(1,551)			
Other income (expense)	440	2,949	3,356	15,942	27,968	(12,575)	6,322
						, , ,	
Income (Loss) Before Income							
Taxes	196,760	186,781	340,941	204,010	217,180	(1,153,629)	268,499
Income tax benefit (expense)							
Current	2,535	25,959	25,952	93,090	(45,091)	(230,815)	4,677
Deferred	(84,297)	(105,165)	(160,214)	(193,835)	(35,784)	675,350	(114,425)
Net Income (Loss)	114,998	\$ 107,575	206,679	\$ 103,265	\$ 136,305	\$ (709,094)	\$ 158,751
	, , ,		,	, ,	, ,		, and the second
Net income attributable to							
noncontrolling interest in the form							
of preferred stock of subsidiary	(27,206)		(1,400)				

Net Income (Loss) Attributable

to Common Stockholders \$ 87,792 \$ 205,279

	Septe 2012		er 30, 2011 ted)	2011 ⁽¹⁾ (In Thousa	ands		Years 2010 ⁽²⁾ cept Per Shar	(a	ed Decembe 2009 udited)		2008(3)		2007 ⁽⁴⁾
Earnings (Loss) per Common				(III THOUSE	aras,	, DAC	cept I er Sha	C 7 1111	ounts)				
Share					_	_		_				_	
Basic	\$ 0.68		\$ 0.76	\$ 1.45		\$	0.74	\$	1.10	\$	(6.52)	\$	2.02
Diluted	\$ 0.67		\$ 0.75	\$ 1.44	ł	\$	0.73	\$	1.09	\$	(6.52)	\$	1.99
Weighted Average Common Shares Outstanding													
Basic	129,806		141,500	141,227	7		140,438		124,405		108,828		78.627
Diluted	131,774		143,351	142,999			141,897		125,288		108,828		79,808
Cash Flow Data	101,77		1.0,001	1.2,222			111,007		120,200		100,020		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Net cash provided by operating													
activities	\$ 1,046,577		\$ 922,650	\$ 1,110,755	5	\$	912,470	\$	499,046	\$ 1	,371,409	\$	588,112
Net cash used in investing													
activities	(1,881,149)	(1,341,309)	(1,154,591	l)	(1	,575,308)	(1	,280,399)		(227,790)	(2	2,243,137)
Net cash provided by (used in)													
financing activities	632,492		423,689	456,500)		667,413		471,337	((857,190)		1,679,572
			As of eptember 30, 2012 (unaudited)	2011(1)		201	As 10 ⁽²⁾ (In Thou	20 (au	ecember 31, 109 udited)		08 ⁽³⁾		2007 ⁽⁴⁾
Balance Sheet Data													
Assets		Φ.	217.010	ф. 410.000	Φ.		C 10.1	ts	1.050	t 0:	11.055	Φ.	25.446
Cash and cash equivalents		\$.,	\$ 419,098	\$		-, -	\$			11,875	\$	25,446
Other current assets Property and equipment, net			1,070,589 8,479,727	1,022,279 7,725,295			96,453 20,752)4,776 32,722		64,566 13,396		649,474 8,377,227
Goodwill			535,140	535,140			35,144		35,237		35,265		536,822
Investment ⁽⁹⁾			333,140	333,140			64,346	5.	05,251	٦.	33,203		330,622
Other assets			672,321	89,660			71,808	(50,137	58	86,813		104,382
		\$	10,974,795	\$ 9,791,472	\$	8,89	94,937	\$ 7,73	34,731	\$ 7,1	11,915	\$	9,693,351
Liabilities and Equity													
Current liabilities		\$	778,544	\$ 626,186	\$	53	33,689	\$ 68	32,551	\$ 99	93,645	\$	818,046
Long-term debt			4,516,571	3,760,952		3,34	44,717	2,64	19,689	2,80	05,000		3,305,000
Other long-term liabilities			263,762	247,205			78,516	26	59,762		91,534		272,627
Deferred income taxes			1,691,473	1,461,897			55,050		33,748		44,456		1,959,431
Stockholders equity			3,286,893	3,264,636		3,38	82,965	3,19	98,981	2,37	77,280		3,338,247
Noncontrolling interest Preferred subsidiary	l stock of		437,552	430,596									
		\$	10,974,795	\$ 9,791,472	\$	8,89	94,937	\$ 7,73	34,731	\$ 7,1	11,915	\$ 9	9,693,351

⁽¹⁾ Reflects the December 2011 divestiture of interests in PXP s Texas Panhandle and South Texas conventional natural gas properties.

⁽²⁾ Reflects the December 2010 divestiture of PXP s interest in all of its Gulf of Mexico leasehold located in less than 500 feet of water and the acquisition of the oil and gas properties in the Eagle Ford Shale oil and gas condensate windows during the fourth quarter of 2010.

⁽³⁾ Reflects the February 2008 divestiture of 50% of PXP s working interest in the Permian and Piceance Basins and all of its working interests in the San Juan Basin and Barnett Shale, the April 2008 acquisition of the South Texas properties and the December 2008 divestiture of its remaining interests in the Permian and Piceance Basins.

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- (4) Reflects the acquisition of Pogo Producing Company effective November 6, 2007 and the Piceance Basin properties effective May 31, 2007.
- (5) During 2010, the costs related to PXP s Vietnam oil and gas properties not subject to amortization were transferred to its Vietnam full cost pool where they were subject to the ceiling limitation. Because PXP s Vietnam full cost pool had no associated proved oil and gas reserves, PXP recorded a non-cash pre-tax impairment charge of \$59.5 million. At December 31, 2008, PXP s capitalized costs of oil and gas properties exceeded the full cost ceiling and PXP recorded an impairment of oil and gas properties.
- (6) Represents the gain on the sale of PXP s investment in Collbran Valley Gas Gathering, LLC.
- (7) In December 2011, PXP recognized \$121.0 million of debt extinguishment costs, including \$30.9 million in unamortized debt issue costs and original issue discount, in connection with its debt retirement transactions.
- (8) The derivative instruments PXP has in place are not classified as hedges for accounting purposes. Consequently, these derivative contracts are marked-to-market each quarter with fair value gains and losses, both realized and unrealized, recognized currently as a gain or loss on mark-to-market derivative contracts on the income statement.
- (9) PXP s investment is measured at fair value with gains and losses recognized on the income statement. PXP s investment was classified as a current asset at December 31, 2011.

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PLAINS EXPLORATION & PRODUCTION COMPANY

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA (CONTINUED)

	Nine mon Septem			Years Ended December 31,								
	2012	2011	2	2011		2010		2009		2008		2007
	(unau	dited)					(u	naudited)				
Estimated net proved reserves (at												
end of period)								211020				10 < 700
Oil (MBbl)				244,030		223,268		214,030		177,707		436,533
Gas (MMcf)				001,311	1	,157,070		873,108		686,357	1	,519,976
Total (MBOE)			4	110,915		416,113		359,548		292,100		689,862
Percent oil				59%		54%		60%		61%		63%
Percent proved developed				55%		57%		64%		72%		51%
Standardized measure (\$/thousands)			\$ 5,1	134,181	\$ 3	,093,135	\$2	,224,839	\$ 1	1,136,374	\$ 7	,623,323
Net reserve additions (including												
revisions (MBOE)				81,005		98,518		98,039		$(156,884)^{(1)}$		361,212
Reserve life (years)				12.2		13.0		11.2		9.9		18.0
Sales:												
Oil and liquids (MBbl)	15,805	13,064		17,872		16,769		17,560		20,294		18,124
Gas (MMcf)	65,103	80,139	1	109,469		93,093		75,826		77,031		27,010
Total (MBOE)	26,656	26,420		36,117		32,285		30,198		33,133		22,625
Average sales price per unit before												
derivative transactions												
Oil and liquids (\$/Bbl)	\$ 96.64	\$ 84.98	\$	85.53	\$	68.14	\$	51.43	\$	87.05	\$	61.60
Gas (\$/Mcf)	2.49	4.14		3.91		4.29		3.72		8.05		5.68
\$/BOE	63.38	54.57		54.18		47.77		39.25		72.03		56.12
Production expenses (\$/BOE) (2)	16.55	15.07		15.47		14.00		14.03		18.91		18.25
Estimated net probable reserves (at												
end of period) (3):												
Oil (MBbl)			1	109,526								
Gas (MMcf)				095,560								
Total (MBOE)				292,119								

⁽¹⁾ Includes 204 MMBOE of negative revisions due to significantly lower average year-end realized prices for oil and gas, the widening of differentials impacting PXP s California properties and development and production costs, which were reflective of the high commodity price environment during the first nine months of 2008. Average year-end realized prices were \$31.75 per Bbl and \$5.50 per Mcf at December 31, 2008.

⁽²⁾ Includes ad valorem and production taxes of \$1.44, \$2.84, \$1.28, \$0.91 and \$1.53 per BOE for the years ended December 31, 2007, 2008, 2009, 2010 and 2011, respectively, and \$1.48 and \$1.98 per BOE for the nine months ended September 30, 2011 and 2012, respectively.

⁽³⁾ PXP began reporting probable reserves in 2011. Probable reserves are additional reserves that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered. In addition to the uncertainties inherent in estimating quantities and values of proved reserves, probable reserves may be assigned to areas where data control or interpretations of available data are less certain and are structurally higher than proved reserves if they are adjacent to the proved reservoirs.

PLAINS EXPLORATION & PRODUCTION COMPANY SELECTED UNAUDITED PRO FORMA RESERVE DATA

The following table presents selected unaudited pro forma information regarding PXP s proved reserves as of December 31, 2011, giving effect to PXP s acquisition of oil and gas interests (the GOM Properties) in the Gulf of Mexico from BP Exploration & Production Inc. and BP America Production Company and Shell Offshore Inc. (the GOM Acquisition) as if they were acquired on January 1, 2011. The reserve disclosures are based on reserve studies prepared as of December 31, 2011, in accordance with the guidelines established by the Securities and Exchange Commission (the SEC). There are numerous uncertainties inherent in estimating quantities and values of proved reserves and in projecting future rates of production and the amount and timing of development expenditures, including many factors beyond the property owner s control. The following reserve data represents estimates only and should not be construed as being precise. The assumptions used in preparing these estimates may not be realized, causing the quantities of oil and gas that are ultimately recovered, the timing of the recovery of oil and gas reserves, the production and operating costs incurred and the amount and timing of future development expenditures to vary from the estimates presented herein. Actual production, revenues and expenditures with respect to reserves will vary from estimates and the variances may be material.

These estimates were calculated using the twelve-month average of the first-day-of-the-month reference prices as adjusted for location and quality differentials. Any significant price changes will have a material effect on the quantity and present value of the reserves shown below. These estimates depend on a number of variable factors and assumptions, including historical production from the area compared with production from other comparable producing areas, the assumed effects of regulations by governmental agencies, assumptions concerning future oil and gas prices, and assumptions concerning future operating costs, transportation costs, severance and excise taxes, development costs and workover and remedial costs.

The standardized measure shown below should not be considered as the market value of the reserves attributable to PXP s properties, including the assets acquired in the GOM Acquisition. Actual future prices and costs may be materially higher or lower than the prices assumed. In addition, future net cash flows will be affected by factors such as the amount and timing of actual production, supply and demand for oil and gas, and changes in governmental regulations or taxation.

		BP Acquisition	Shell Acquisition	Pro Forma	Pro Forma for GOM
Estimated net proved reserves	PXP Historical	Historical	Historical	Adjustments ⁽¹⁾	Properties
Oil (MBbl)	244.030	103,442	27,263		374,735
	,				
Gas (MMcf)	1,001,311	119,958	17,682		1,138,951
Total (MBOE)	410,915	123,435	30,210		564,560
Estimated net proved developed reserves					
Oil (MBOE)	151,480	69,945	10,778		232,203
Gas (MMcf)	454,248	88,614	7,985		550,847
Total (MBOE)	227,188	84,714	12,109		324,011
Standardized measure (\$/thousands)					
Future cash inflows	\$ 29,502,864	\$ 11,061,189	\$ 2,802,805	\$	\$ 43,366,858
Future development costs	(4,017,365)	(1,292,090)	(320,916)		(5,630,371)
Future production expense	(9,543,319)	(1,574,797)	(413,053)		(11,531,169)
Future income tax expense	(4,999,822)			(2,308,588)	(7,308,410)
·					
Future net cash flows	10,942,358	8,194,302	2,068,836	(2,308,588)	18,896,908
Discounted at 10% per year	(5,808,177)	(2,231,071)	(716,464)	(1,782,752)	(10,538,464)
Standardized measure	\$ 5,134,181	\$ 5,963,231	\$ 1,352,372	\$ (4,091,340)	\$ 8,358,444

⁽¹⁾ BP acquisition and Shell acquisition historical income tax expense was excluded from the standardized measure. Pro forma income tax expense reflects expense on the combined future net cash flows based on PXP s estimated effective tax rate, after giving effect to the pro forma transactions. Variances in PXP s effective tax rate from the 35% federal statutory rate primarily result from the effect of state income taxes.

SUMMARY SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The merger will be accounted for under the acquisition method of accounting for business combinations in accordance with accounting principles generally accepted in the United States, with FCX treated as the acquirer. Under the acquisition method of accounting the assets and liabilities of PXP will be recorded, as of the acquisition date, at their respective fair values and added to those of FCX.

The unaudited pro forma condensed combined balance sheet combines the historical consolidated balance sheets of FCX and PXP (including the pro forma effects of PXP s GOM Acquisition and related financings that were completed on November 30, 2012) as of September 30, 2012, giving effect to the merger as if it had occurred on September 30, 2012. The unaudited pro forma condensed combined statements of income combine the historical consolidated statements of income of FCX and PXP (including the pro forma effects of PXP s GOM Acquisition and related financings that were completed on November 30, 2012) for the year ended December 31, 2011 and the nine months ended September 30, 2012, giving effect to the merger as if it had occurred on January 1, 2011. The pro forma financial information does not give effect to the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the merger and changes in commodity and share prices. The pro forma financial information also does not give effect to the impact of the proposed acquisition of MMR by FCX. The MMR merger is a separate transaction and the completion of the MMR merger is not a condition to the completion of the merger, and the completion of the merger is not a condition to the completion of the MMR merger. Concurrent with the filing of this proxy statement/prospectus, FCX and MMR are filing a proxy statement/prospectus in connection with the MMR merger with FCX.

The summary selected unaudited pro forma condensed combined financial information has been prepared for informational purposes only and does not purport to represent what the actual results of operations or the financial position of FCX would have been had the merger occurred on the dates assumed, nor is this information necessarily indicative of future consolidated results of operations or financial position. The following information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and the related notes included in this proxy statement/prospectus.

Unaudited Pro Forma Condensed Combined Statements of Income Data (in millions):

	 Nine Months Ended September 30, 2012		ar Ended lber 31, 2011
Revenues	\$ 16,650	\$	24,742
Cost of sales	10,344		13,196
Other operating costs and expenses	652		957
Operating income	5,654		10,589
Interest expense, net	(478)		(792)
Income before taxes and equity in affiliated companies net earnings (losses)	5,039		9,751
Net income	3,499		6,264
Net income attributable to noncontrolling interests	(764)		(1,189)
Net income attributable to common stockholders	2,735		5,075
	,		- ,

Unaudited Pro Forma Condensed Combined Balance Sheet Data (in millions):

	September 30, 2012
Cash and cash equivalents	\$ 3,471
Total assets	57,362
Total debt	17,930
Total stockholders equity	19.944

UNAUDITED COMPARATIVE PER SHARE DATA

The following table sets forth certain historical, pro forma and pro forma equivalent per share financial information for FCX common stock and PXP common stock. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the merger had been effective on the dates presented, in the case of the book value data, and as if the merger had become effective on January 1, 2011, in the case of the net income and dividends declared data. The pro forma data in the tables assumes that the merger is accounted for using the acquisition method of accounting and represents a current estimate based on available information of the combined company s results of operations. The pro forma financial adjustments record the assets and liabilities of PXP at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. See Accounting Treatment. The information in the following table is based on, and should be read together with, the historical financial information that we have presented in our prior filings with the SEC. See Where You Can Find More Information.

The pro forma information set forth below, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the possible impact on the combined company that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods. The Comparative Per Share Data Table for the nine months ended September 30, 2012, and for the year ended December 31, 2011 combines the historical income per share data of FCX and its subsidiaries and PXP and its subsidiaries giving effect to the merger as if the merger had become effective on January 1, 2011, using the acquisition method of accounting. Upon completion of the merger, the operating results of PXP will be reflected in the consolidated financial statements of FCX on a prospective basis.

	FCX Historical	PXP Historical	Pro Forma Combined	Equivalent PXP(a)
Net income for the year ended December 31, 2011:				
Basic	\$ 4.81	\$ 1.45	\$ 4.88	\$ 3.19
Diluted	4.78	1.44	4.85	3.17
Net income for the nine months ended September 30, 2012:				
Basic	2.42	0.68	2.63	1.72
Diluted	2.41	0.67	2.62	1.71
Dividends declared:				
For the year ended December 31, 2011	1.50		1.50(b)	0.98
For the nine months ended September 30, 2012	0.9375		0.9375(b)	0.61
Book Value:				
As of December 31, 2011	16.50	24.99	N/A	N/A
As of September 30, 2012	18.06	25.49	19.16	12.51

⁽a) The equivalent PXP amounts are calculated by multiplying the pro forma combined FCX and PXP amounts by the exchange ratio of 0.6531

⁽b) Pro forma dividends per common share are based solely on historical dividends for FCX.

RISK FACTORS

Any shares of FCX common stock received by PXP stockholders in connection with the merger will be subject to significant risks that are, in many cases, fundamentally different from the risks associated with their investment in PXP common stock. Accordingly, PXP stockholders are urged to consider the general investment risks and the other information contained in or incorporated by reference into this document, including the matters under the caption—Cautionary Statement Regarding Forward-Looking Statements—and the matters discussed under the caption—Risk Factors—included in the Annual Reports on Form 10-K filed by each of FCX and PXP for the year ended December 31, 2011, as updated by subsequently filed Forms 10-Q and 10-K/A. In addition, you should carefully consider the following factors in deciding whether to vote for adoption of the merger agreement.

Because the Market Price of FCX Common Stock Will Fluctuate, PXP Stockholders Cannot Be Sure of the Trading Price of the Merger Consideration They Will Receive.

Upon completion of the merger, each share of PXP common stock will be converted into the right to receive merger consideration consisting of shares of FCX common stock and/or cash pursuant to the terms of the merger agreement. The value of the merger consideration PXP stockholders will receive will be based in part on the average closing price of FCX common stock on the NYSE for the ten trading days immediately preceding the five trading days immediately prior to the completion date of the merger. This average price may vary from the closing price of FCX common stock on the date we announced the merger, on the date this document was mailed to PXP stockholders and on the date of the meeting of the PXP stockholders. Changes in the market price of FCX common stock prior to completion of the merger will affect the value of the merger consideration that PXP stockholders will receive upon completion of the merger. Accordingly, at the time of the PXP special meeting and prior to the election deadline, PXP stockholders will not necessarily know or be able to calculate the amount of the cash consideration they would receive or the exchange ratio used to determine the number of any shares of FCX common stock they would receive upon completion of the merger. PXP is not permitted to resolicit the vote of PXP stockholders solely because of changes in the market price of either company s stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. You should obtain current market quotations for shares of FCX common stock and for shares of PXP common stock.

FCX and PXP May Experience Difficulties in Integrating Their Businesses, Which Could Cause the Combined Company to Fail to Realize Many of the Anticipated Potential Benefits of the Transaction.

We have entered into the merger agreement because we believe that the transaction will be beneficial to PXP, FCX and their respective stockholders. Achieving the anticipated benefits of the transaction will depend in part upon whether our two companies integrate our businesses in an efficient and effective manner. We may not be able to accomplish this integration process smoothly or successfully. The difficulties of combining the two companies businesses potentially will include, among other things:

the necessity of coordinating geographically separated organizations and addressing possible differences incorporating cultures and management philosophies, and the integration of certain operations following the transaction will require the dedication of significant management resources, which may temporarily distract management s attention from the day-to-day business of the combined company;

any inability of our management to integrate successfully the operations of our two companies or to adapt to the addition of lines of business in which FCX has not historically engaged; and

any inability of our management to cause best practices to be applied to the combined company s businesses.

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An inability to realize the full extent of the anticipated benefits of the transaction, as well as any delays encountered in the transition process, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may affect the value of the FCX common stock after the closing of the merger.

The Combined Company Will Depend on Its Senior Management Team and Other Key Employees, and the Loss of any of These Employees Could Adversely Affect the Combined Company s Business.

Competition for qualified personnel can be very intense, and the success of the combined company after the transaction will depend in part upon the ability of FCX and PXP to retain senior management and other key employees of both companies. In addition, some members of senior management and other key employees may depart because of issues relating to the uncertainty or difficulty associated with the integration of the companies or a desire not to remain with the combined company. Accordingly, no assurance can be given that FCX or PXP will be able to retain senior management and key employees to the same extent that they have been able to do so in the past.

FCX May Not Be Able to Obtain the Financing Needed for the Transaction on Favorable Terms.

FCX has received commitments from certain lenders to provide financing of up to \$9.5 billion in the aggregate for the transaction. However, if the proceeds of this financing are unavailable for any reason, FCX will be forced to obtain an alternate source of financing, which may be more expensive for FCX, may have an adverse impact on the combined company s capital structure or may be unavailable.

The Market Price of FCX Common Stock after the Merger May Be Affected by Factors Different from Those Affecting the Shares of PXP or FCX Currently.

The businesses of FCX and PXP differ and, accordingly, the results of operations of the combined businesses and the market price of the combined company s shares may be affected by factors that differ from those currently affecting the independent results of operations of PXP or FCX. For a discussion of the businesses of FCX and PXP and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under Where You Can Find More Information.

PXP Stockholders Will Have a Reduced Ownership and Voting Interest After the Merger and Will Exercise Less Influence Over Management.

Upon completion of the merger, each PXP stockholder receiving shares of FCX common stock will become a stockholder of FCX with a percentage ownership of the combined organization that is smaller than the stockholder s prior percentage ownership of PXP. In fact, it is expected that the former stockholders of PXP as a group will own less than 10% of the outstanding shares of FCX immediately after the merger. As a result, PXP s stockholders will have less influence on the management and policies of FCX than they now have on the management and policies of PXP.

The Merger Agreement Limits PXP's Ability to Pursue Alternatives to the Merger.

The merger agreement contains no shop provisions that, subject to specified exceptions, limit PXP s ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of PXP, as well as a termination fee that is payable by PXP under certain circumstances. These provisions may discourage potential competing acquirers that might have an interest in acquiring all or a significant part of PXP from considering or proposing an acquisition, even one that would result in a higher per share price being paid to PXP stockholders than that proposed in the merger. The provisions might also result in a potential competing acquirer proposing to pay a lower per share price to acquire PXP than it might otherwise have proposed to pay.

PXP Stockholders May Receive a Form of Consideration Different From What They Elect.

While each PXP stockholder may elect to receive all cash or all FCX common stock in the merger, the pools of cash and FCX common stock available for all PXP stockholders will be fixed amounts. As a result, you might receive all or a portion of your consideration in the form you did not elect if more PXP stockholders make a cash election or a stock election than there is consideration of such form available.

If You Are a PXP Stockholder and You Tender Shares of PXP Common Stock to Make an Election, You Will Not be Able to Sell Those Shares, Unless You Revoke Your Election Prior to the Election Deadline.

If you are a registered PXP stockholder and want to make a valid cash or stock election, you will have to deliver to the exchange agent your stock certificates (or follow the procedures for guaranteed delivery) and a properly completed and signed form of election. For further details on the determination of the election deadline, see Proposal No. 1 The Merger Agreement Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration Form of Election. The election deadline may be significantly in advance of the closing of the merger. You will not be able to sell any shares of PXP common stock that you have delivered as part of your election unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in PXP common stock for any reason until you receive cash and/or FCX common stock in the merger. In the time between the election deadline and the closing of the merger, the trading price of PXP or FCX common stock may decrease, and you might otherwise want to sell your shares of PXP common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

The Merger is Subject to the Receipt of Consents and Approvals from Governmental Entities that May Impose Conditions that Could Have an Adverse Effect on FCX.

Before the merger may be completed, various waivers, approvals, clearances or consents must be obtained from the FTC and the Antitrust Division, the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement and other authorities in the United States. These governmental entities may impose conditions on the completion of the merger or require changes to the terms of the merger. Although FCX and PXP do not currently expect that any such conditions or changes will be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of FCX following the merger, any of which might have an adverse effect on FCX following the merger.

PXP Executive Officers and Directors Have Financial Interests in the Merger that May be Different from, or in Addition to, the Interests of PXP Stockholders.

PXP s officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of other PXP stockholders. For example, certain executive officers and directors of PXP may receive certain payments with respect to outstanding equity awards, new equity awards with respect to FCX common stock, or severance pay and benefits upon a qualifying termination of employment. PXP s board of directors was aware of these interests and took them into account in its decision to approve the merger agreement. For information concerning these interests, please see the discussion under the caption The Merger PXP s Directors and Officers Have Financial Interests in the Merger.

Shares of FCX Common Stock to be Received by PXP Stockholders as a Result of the Merger Will Have Different Rights from the Shares of PXP Common Stock.

Upon completion of the merger, PXP stockholders who receive the stock consideration will become FCX stockholders and their rights as stockholders will be governed by the certificate of incorporation and bylaws of FCX. The rights associated with PXP common stock are different from the rights associated with FCX common stock. See Comparison of Stockholders Rights for a discussion of the different rights associated with FCX common stock.

FCX Will be More Highly Leveraged After the Completion of the Merger.

FCX is incurring significant debt to consummate the merger and its pending acquisition of MMR. It is expected that FCX will utilize the financing to be made available pursuant to financing commitments to fund a portion of the cash consideration payable to the PXP stockholders and the MMR stockholders in the respective transactions. The combined company, on a pro forma basis, will have approximately \$18 billion of consolidated debt (including \$7 billion under a 364-day bridge loan), or approximately \$20 billion if both the merger and the MMR merger are consummated (including \$9.5 billion under a 364-day bridge loan). FCX intends to replace the financing under the bridge loans with longer-term financing in the form of newly issued senior unsecured notes and senior unsecured term loans, but may be unable to do so, or to do so on terms that FCX finds attractive. This debt could limit the combined company s financial and operating flexibility, including by requiring the combined company to dedicate a substantial portion of its cash flows from operations and the proceeds of equity issuances to the repayment of its debt and the interest on its debt, making it more difficult for the combined company to obtain additional financing on favorable terms, limiting the combined company s ability to capitalize on significant business opportunities and making the combined company more vulnerable to economic downturns. Additionally, the combined company s ability to satisfy financial tests or utilize third-party guarantees for financial assurance with respect to reclamation obligations may be adversely impacted if its credit ratings were downgraded below investment grade.

Declines in the Market Prices of Oil, Natural Gas, Copper, Gold and Molybdenum Could Adversely Affect the Combined Company s Earnings and Cash Flows, and Therefore its Ability to Repay its Debt.

The earnings and cash flows of the combined company will be affected significantly by the market prices of copper, gold, oil, natural gas and, to a lesser extent, molybdenum and cobalt. The world market prices of these commodities have fluctuated historically and will be affected by numerous factors beyond the control of the combined company. A decline in the world market price of one or more of these commodities could adversely affect the combined company s earnings and cash flows and therefore could adversely affect its ability to repay its debt and depress its stock price.

Failure to Complete the Merger Could Negatively Impact the Stock Price of FCX and PXP, Respectively, and Their Respective Future Businesses and Financial Results.

If the merger is not completed, the ongoing businesses of FCX and PXP may be adversely affected and FCX and PXP will be subject to several risks and consequences, including the following:

under the merger agreement, PXP may be required, under certain circumstances, to reimburse up to \$69 million of FCX s expenses and/or to pay FCX a termination fee of \$207 million (less any amounts previously paid in respect of expenses);

FCX and PXP will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

FCX and PXP would not realize the expected benefits of the merger;

under the merger agreement, each of FCX and PXP is subject to certain restrictions on the conduct of its business prior to completing the merger which may adversely affect its ability to execute certain of its business strategies; and

matters relating to the merger may require substantial commitments of time and resources by FCX and PXP management, which could otherwise have been devoted to other opportunities that may have been beneficial to FCX and PXP as independent companies. In addition, if the merger is not completed, FCX and PXP may experience negative reactions from the financial markets and from their respective customers and employees. FCX and/or PXP also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against FCX or PXP to attempt to force them to perform their respective obligations under the merger agreement.

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The Unaudited Pro Forma Financial Statements Included in This Document Are Presented for Illustrative Purposes Only and May Not be an Indication of the Combined Company s Financial Condition or Results of Operations Following the Merger.

The unaudited pro forma financial statements contained in this document are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates, and may not be an indication of the combined company s financial condition or results of operations following the merger for several reasons. See Summary Summary Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Information. The actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors, including but not limited to the impact of the MMR merger, may affect the combined company s financial condition or results of operations following the merger. Any potential decline in the combined company s financial condition or results of operations may cause significant variations in the price of FCX common stock after completion of the merger.

Pending Litigation Against FCX, PXP, and MMR Could Result in an Injunction Preventing Completion of the Merger and/or the MMR Merger, the Payment of Damages in the Event that One or Both of the Mergers are Completed and/or may Adversely Affect the Combined Company's Business, Financial Condition or Results of Operations Following the Merger.

Purported stockholders of each of PXP, FCX and MMR have filed putative class and derivative actions against, among others, FCX, PXP, MMR, and each of their directors. Multiple actions filed by purported PXP and FCX stockholders seek an injunction barring or rescinding the merger and damages in connection with that proposed transaction. In addition, multiple actions filed by purported MMR and FCX stockholders seek an injunction barring or rescinding the MMR merger and damages in connection with that proposed transaction. If a final settlement is not reached, or if dismissals of these actions are not obtained, these lawsuits could prevent or delay completion of either the merger or the MMR merger, or both mergers, and result in substantial costs to FCX, PXP, and MMR, including any costs associated with the indemnification of directors. Additional lawsuits related to the merger may be filed against FCX, PXP, MMR, and each of their directors. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect the combined company s business, financial condition or results of operations. See Proposal No. 1 The Merger Litigation Relating to the Merger.

Consummating the Merger but Failing to Complete the MMR Merger Could Have Consequences Under the Clayton Antitrust Act and Negatively Affect the Combined Company s Future Businesses and Financial Results.

If the merger is completed and the MMR merger is not completed, then the boards of directors and executive management of FCX and MMR may need to be reconstituted in order to comply with the Clayton Antitrust Act (15 U.S.C. § 19) (the Clayton Act). Subject to certain de minimis exceptions, Section 8 of the Clayton Act prohibits individuals from serving as directors or officers of two competing corporations when each corporation has capital, surplus and undivided profits in excess of \$27,784,000. Currently, FCX and MMR share overlapping board and management members, an overlap that is expected to continue even after the merger is consummated. In the event that the merger closes without the MMR merger also closing, the Department of Justice or FTC could investigate whether the combined company and MMR are competitors for purposes of the Clayton Act, and could seek to eliminate the interlock by securing resignation of the interlocked individuals or by pursuing injunctive relief. Private plaintiffs could also bring suits against the combined company seeking an injunction against the interlock. The potential distraction from operations, loss of key executive talent and cost of litigation could adversely affect the combined company s business, financial condition or result of operations.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains or incorporates by reference a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects of FCX, PXP and the potential combined company and may include statements for the period following the completion of the merger. Forward-looking statements are typically identified by words such as plan, believe, expect, anticipate, intend, outlook, estimate, forecast, project and other similar words and expressions.

The forward-looking statements involve certain risks and uncertainties. The ability of either FCX or PXP to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth under Risk Factors, as well as, among others, the following:

those discussed and identified in public filings with the SEC made by FCX or PXP;
unanticipated mining, milling, processing and other exploration and development problems;
accidents that lead to personal injury or property damage;
persistent commodity price reductions;
changes in political, social or economic circumstances in areas where FCX and PXP operate or plan to operate;
expropriation;
variances in ore grades or reserve estimates;
labor relations;
adverse weather conditions and natural disasters, such as earthquakes, droughts and hurricanes;
the speculative nature of mineral and oil and gas exploration;
fluctuations in interest rates and other adverse financial market conditions;
regulatory and litigation matters and risks;
changes in tax law and other laws;

the risk that a condition to closing of the transaction may not be satisfied;

the risk that a regulatory approval required for the transaction is not obtained or is obtained subject to conditions that are not anticipated;

costs arising from potential negative investor reactions to the transaction;

other risks to consummation of the transaction;

the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events; and

the integration of PXP s business and operations with those of FCX may take longer than anticipated, may be more costly than anticipated and may have unanticipated adverse results relating to PXP s or FCX s existing businesses.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of any document incorporated by reference in this document.

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All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this document and attributable to FCX or PXP or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document. Except to the extent required by applicable law or regulation, FCX and PXP undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

THE PXP SPECIAL MEETING

This section contains information about the special meeting of PXP stockholders that has been called to consider and approve the merger of PXP with and into Merger Sub, with Merger Sub surviving the merger.

Together with this document, we are also sending you a notice of the special meeting and a form of proxy that is solicited by PXP s board of directors. The special meeting will be held at , at , local time, on , 2013, subject to any adjournments or postponements.

Matters to Be Considered

The purpose of the special meeting is to:

adopt the merger agreement;

to consider and cast an advisory (non-binding) vote on the specified compensation that may be received by PXP s named executive officers in connection with the merger;

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement; and

to transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

Proxies

Each copy of this document mailed to holders of PXP common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a stockholder of record, you should complete and return the proxy card accompanying this document to ensure that your vote is counted at the special meeting, or at any adjournment or postponement of the special meeting, regardless of whether you plan to attend the special meeting. You may also authorize a proxy to vote your shares by telephone or through the Internet as instructed on the proxy card.

If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

If you hold stock in your name as a stockholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date or submitting another proxy via the Internet or by telephone, (2) delivering a written revocation letter to PXP s Secretary or (3) attending the special meeting in person, notifying the Secretary, and voting by ballot at the special meeting. If you hold your stock in street name through a bank or broker, you must follow your bank s or broker s instructions to revoke your proxy.

Any stockholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy but the mere presence (without notifying PXP s Secretary and voting by ballot) of a stockholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

Plains Exploration & Production Company

700 Milam, Suite 3100

Houston, Texas 77002

Attention: Secretary

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All shares represented by valid proxies that PXP receives through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted **FOR** the proposal to adopt the merger agreement; **FOR** the proposal to approve, on an advisory (non-binding) basis, the specified compensation that may be received by PXP s named executive officers in connection with the merger; and **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement. PXP s board of directors is not currently aware of any business to be acted upon at the special meeting other than the matters described in this document. If, however, other matters are properly brought before the special meeting, the persons appointed as proxies will have discretion to vote or act on those matters as in their judgment is in the best interest of PXP and its stockholders.

Solicitation of Proxies

FCX and PXP will each bear their own costs and expenses incurred in connection with the filing, printing and mailing of the document and the retention of any information agent or other service provider in connection with the merger. This proxy solicitation is being made by PXP on behalf of the PXP board of directors. PXP has hired to assist in the solicitation of proxies. In addition to this mailing, proxies may be solicited by directors, officers or employees of PXP or its affiliates in person or by telephone or electronic transmission. None of the directors, officers or employees will be directly compensated for such services.

Record Date

The close of business on , 2013 has been fixed as the record date for determining the PXP stockholders entitled to receive notice of and to vote at the special meeting. At that time, approximately shares of PXP common stock were outstanding and held by approximately holders of record.

Voting Rights and Vote Required

The presence at the special stockholders meeting of the holders, present in person or represented by proxy, of a majority of the outstanding shares of PXP s common stock entitled to vote at the meeting is necessary to constitute a quorum. Abstentions will be counted for the purpose of determining whether a quorum is present.

Under applicable Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of PXP s common stock entitled to vote as of the record date is required to adopt the merger agreement. Any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement requires the affirmative vote of holders of a majority of the shares of PXP s common stock present at the special meeting, in person or by proxy, and entitled to vote, whether or not a quorum exists. Because the required vote to adopt the merger agreement is based upon the number of PXP shares issued and outstanding on the record date and entitled to vote and the required vote for adjournment of the special meeting is based upon the number of PXP shares held by stockholders present, in person or by proxy, and entitled to vote, and not the number of PXP shares that are actually voted, abstentions and any broker non-votes will have the same effect as a vote cast against such proposals.

The affirmative vote of holders of a majority of the votes cast is required to approve, on an advisory (non-binding) basis, the specified compensation that may be received by PXP s named executive officers in connection with the merger. The vote to approve the specified compensation is not a condition to the completion of the merger, and the vote of PXP s stockholders on the proposal is advisory in nature and will not be binding on FCX or PXP. Accordingly, regardless of the outcome of the advisory vote, if the merger is approved and completed, specified compensation may be paid. For purposes of determining the number of votes cast with respect to such matter, only those votes cast for and against a proposal are counted. Abstentions and any broker non-votes will not be counted for or against a proposal and, accordingly, will not have an effect on the outcome of the advisory vote.

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As of the record date, directors and executive officers of PXP and its affiliates, had the right to vote approximately common stock, or % of the outstanding PXP common stock at that date.

shares of PXP

Recommendation of the PXP Board of Directors

The PXP board of directors has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger. The PXP board of directors determined that the merger, the merger agreement and the transactions contemplated thereby are advisable and in the best interests of PXP and its stockholders and recommends that you vote **FOR** the proposal to adopt the merger agreement; **FOR** the proposal to approve, on an advisory (non-binding) basis, the specified compensation that may be received by PXP s named executive officers in connection with the merger; and **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement. See Proposal No. 1 The Merger PXP s Reasons for the Merger; Recommendation of the PXP Board of Directors for a more detailed discussion of the PXP board of directors recommendation.

Attending the Meeting

All holders of PXP common stock, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Stockholders of record can vote in person at the special meeting. If you are not a stockholder of record, you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. PXP reserves the right to refuse admittance to anyone without both proper proof of share ownership and proper photo identification.

Adjournments and Postponements

The special meeting may be adjourned upon the affirmative vote of the holders of a majority of the shares of PXP s common stock present at the special meeting, in person or by proxy, and entitled to vote, whether or not a quorum exists. The special meeting may be adjourned without notice other than announcement at the meeting, except, if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the reconvened meeting, a notice of the reconvened meeting must be given to each stockholder entitled to vote at such meeting.

In addition, at any time prior to convening the special meeting, PXP s board of directors may postpone the special meeting without the approval of PXP s stockholders. If postponed, PXP will publicly announce the new meeting date. Similar to adjournments, any postponement of the special meeting for the purpose of soliciting additional proxies will allow PXP stockholders who have already sent in their proxies to revoke them at any time prior to their use.

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PROPOSAL NO. 1 THE MERGER

Background of the Merger

Each of FCX, PXP and MMR periodically evaluate opportunities to achieve long-term operational and financial goals and to enhance stockholder value through strategic transactions, including business combinations, divestitures, acquisitions and joint ventures.

FCX s management regularly reviews business strategy and financial policy with the FCX board of directors (FCX Board). With FCX s positive outlook for commodities in recent years and FCX s strong financial position, the FCX Board has encouraged management to identify internal and external growth opportunities. The FCX Board also periodically considers cash returns to stockholders through regular and supplemental dividends and share purchases. The FCX Board reinstated a quarterly common stock dividend in 2009, increased the dividend twice during 2010, and paid a supplemental dividend in December 2010.

Also during 2009 and 2010, FCX s management identified several financially attractive organic growth projects in the copper and molybdenum markets and the FCX Board approved investments in these projects. In addition, FCX s management identified a pipeline of potential brownfield development projects for future growth. Because of the nature and scale of mining investments, requirements for feasibility studies, detailed engineering, permitting and other factors, projects typically take many years to develop. FCX s management has also regularly evaluated external opportunities for investments in mining projects but has found limited opportunities in recent years to acquire high quality copper assets from other companies on financial terms that would be attractive to FCX.

During 2010, the FCX Board discussed the possibility of using some of the cash flow generated by FCX s mining operations to invest in other natural resources, including a potential investment in oil and gas resources with MMR. After concluding that such an investment may be in FCX s interest, the FCX Board appointed an independent committee in May 2010 to consider the opportunity of investing in MMR.

In December 2010, MMR purchased all of PXP s interests in PXP s U.S. Gulf of Mexico leasehold acreage located in less than 500 feet of water in exchange for consideration including cash and 51 million shares of MMR common stock. In connection with the acquisition of PXP s interest, and in order to fund its expanded drilling program, MMR raised \$900 million through the issuance of convertible securities. FCX invested \$500 million in MMR s convertible preferred stock on the same terms as institutional investors. Beginning with the closing of MMR s asset acquisition in December 2010, PXP was granted the right to appoint two members of MMR s board of directors as long as it maintained certain minimum ownership levels of MMR common stock, and PXP appointed James C. Flores and John F. Wombwell to serve as its designees on the MMR board. As a result of these transactions, FCX beneficially owns approximately 16.2% of MMR s outstanding common shares on an as-converted basis, and PXP beneficially owns approximately 31.5% of MMR s outstanding shares of common stock.

During 2011 and 2012, FCX s management continued to advance its investments in brownfield development projects, with three expansion projects expected to increase annual copper production by one billion pounds in the next few years. FCX s management and the FCX Board also continued to evaluate and consider external opportunities for investments in mining but found limited opportunities to acquire copper assets that met FCX s investment criteria. In addition, the FCX Board continued to consider cash returns to stockholders, paying a supplemental dividend in June 2011 and increasing the regular dividend in February 2012.

James R. Moffett, FCX s Chairman and MMR s Co-Chairman and Chief Executive Officer, and James C. Flores, PXP s Chairman and Chief Executive Officer, have periodically discussed the long-term strategic goals and objectives of each of FCX, MMR and PXP, including with respect to each of FCX s and PXP s investment in MMR s securities. In January 2012, pursuant to registration rights granted to PXP in connection with its acquisition of MMR securities, PXP requested MMR to file a registration statement with the Securities and

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Exchange Commission with respect to the sale of a portion of the MMR common stock owned by PXP. Subsequent to such request and during the first quarter of 2012, Mr. Moffett and Mr. Flores discussed in general terms the potential of FCX acquiring the MMR common stock owned by PXP or a potential combination transaction among the three companies.

In April 2012, FCX s management retained Hanover Advisors LLC to provide financial consulting services with respect to FCX s potential acquisition of certain oil and gas assets.

On April 3, 2012, at a meeting of the Board of Directors of PXP (the PXP Board), Mr. Flores informed the PXP Board of his discussions with Mr. Moffett. Subsequent to this meeting, representatives of PXP contacted representatives of Barclays about the potential transaction between PXP and FCX.

On April 30, 2012, Mr. Moffett discussed with the FCX and MMR directors the potential of combining FCX and MMR, along with PXP, to create a premier U.S.-based natural resources company with a successful record of building values through mineral and oil and gas exploration, development and production. During this discussion, Mr. Moffett noted the proven track record of the companies management teams in finding and developing world class mineral and oil and gas assets and described the potential benefits of combining the companies. During the executive session at a meeting on May 1, 2012, the FCX Board discussed the potential of increasing FCX s North American operations, and diversifying into oil and gas exploration and production. In particular, the FCX Board discussed potential business combination transactions with one or both of MMR and PXP. Subsequent to the April 30, 2012 discussions and the May 1, 2012 FCX Board meeting, Mr. Moffett contacted Mr. Flores to inform him of FCX s continued interest in a possible combination with PXP and MMR.

On May 3, 2012, management of PXP and representatives of Barclays made a presentation to the PXP Board concerning a possible combination with FCX and MMR.

At a meeting on May 24, 2012, the FCX Board again discussed potential business combination transactions with one or both of MMR and PXP and established a special committee of independent directors (the FCX special committee), which it authorized to review, evaluate and, as appropriate, negotiate with either or both MMR and PXP regarding a possible transaction, with a view toward making a recommendation to the FCX Board as to whether FCX should pursue a transaction with either company. The FCX Board appointed Messrs. Allison, Krulak, Lackey, Madonna and McCoy to the FCX special committee. None of these directors served on the board of directors or as a member of management of either MMR or PXP, and all were the same directors who constituted the special committee of the FCX Board formed in connection with FCX s 2010 purchase of MMR convertible preferred stock. The FCX special committee determined to elect Mr. Allison as chairman for reasons including his past experience as the Chairman and Chief Executive Officer of Anadarko Petroleum Corporation, and to retain Wachtell, Lipton, Rosen & Katz (Wachtell Lipton) as its legal counsel.

Given that FCX was considering the acquisition of both MMR and PXP and in light of FCX s and PXP s beneficial ownership in MMR, the MMR board of directors determined on May 24, 2012 that it would be in the best interests of MMR and its stockholders to establish a special committee of directors unaffiliated with FCX or PXP (the MMR special committee), comprised of Messrs. William P. Carmichael and A. Peyton Bush, III, two of the three independent directors of MMR, to consider any potential proposals made by FCX with respect to MMR as well as any alternatives available to MMR, including potential transactions with third parties. The MMR board of directors delegated to the MMR special committee the full power and authority of the board to, among other things, (1) consider and evaluate any proposals with respect to MMR and any alternatives, (2) negotiate the terms of any potential transaction, (3) reject any potential transaction, and (4) recommend a potential transaction or any other alternatives to the MMR board of directors. Messrs. Flores and Wombwell recused themselves from, and did not participate in, this meeting.

On May 31, 2012, Mr. Allison and counsel from Wachtell Lipton interviewed representatives of several investment banking firms who had been determined to be independent with respect to potential transactions involving MMR and PXP, including Credit Suisse. On June 6, 2012, Mr. Allison discussed with the FCX special

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committee the qualifications of each investment bank, and the FCX special committee determined to retain Credit Suisse as its financial advisor in connection with potential transactions involving either or both of PXP and MMR, subject to negotiation of an acceptable engagement letter.

On May 30, 2012, the MMR special committee retained Weil, Gotshal & Manges LLP (Weil), as its independent legal counsel in connection with a potential transaction.

On June 12, 2012, the MMR special committee decided to retain Evercore Group L.L.C. (Evercore), as its financial advisor in connection with a potential transaction.

On June 21, PXP retained Jefferies & Company, Inc. (Jefferies) as one of its financial advisors.

On June 22, 2012, FCX and PXP entered into a confidentiality agreement, after which FCX and PXP began to exchange non-public information in connection with the potential transaction. On June 28, 2012, at a meeting of the FCX special committee in Houston, Texas, the FCX special committee, with the assistance of representatives of Credit Suisse and Wachtell Lipton, reviewed and discussed each of PXP and MMR. The FCX special committee also decided to retain petroleum engineers in connection with its evaluation of the potential transactions. The FCX special committee subsequently engaged the RPS Group (RPS) to perform a review and analysis on the reserves and resource potential of each of MMR and PXP.

On July 11, 2012, FCX and MMR entered into a confidentiality agreement, after which FCX and MMR began to exchange non-public information in connection with the potential transaction. Throughout this period, Mr. Allison, in his capacity as chairman of the FCX special committee, periodically spoke with each of Mr. Flores and Mr. Bush, a member of the MMR special committee, with respect to the review process and the potential for a transaction with either or both of their respective companies.

On July 16, 2012, MMR and PXP entered into a confidentiality agreement, which included a six-month standstill provision. After executing the confidentiality agreement, PXP and MMR began to exchange non-public information in connection with the potential transactions.

On July 31, 2012, the FCX special committee held a telephonic meeting attended by representatives of Credit Suisse and Wachtell Lipton. During the meeting, Credit Suisse updated the FCX special committee with regard to the status of its review of data and information with respect to PXP, including the review and analysis being conducted by RPS, and the FCX special committee authorized Credit Suisse, RPS and Wachtell Lipton to continue reviewing information with respect to each of PXP and MMR. This review continued during the month of August.

On August 1, 2012, the PXP Board met and received an update on a potential combination with FCX and MMR. At this meeting, the PXP Board discussed the financial and operating characteristics of the combined company.

On August 14, 2012, Mr. Moffett and three MMR geologists met with PXP representatives to discuss PXP s Gulf of Mexico exploration properties.

On August 15, 2012, representatives of RPS, Credit Suisse, Wachtell Lipton and Evercore, MMR s financial advisor, met with management of MMR in Houston to gather and discuss information regarding certain aspects of MMR s operations.

On September 10, PXP announced its entry into definitive agreements to acquire Gulf of Mexico oil and gas properties from BP Exploration & Production Inc., BP America Production Company and Shell Offshore Inc. for total consideration of approximately \$6.1 billion.

On September 20, 2012, at a meeting of the FCX special committee held in Houston and attended by representatives of Credit Suisse, Wachtell Lipton and RPS, representatives of RPS discussed certain aspects of

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RPS ongoing review of the exploration and production assets and prospects of PXP and MMR. The update included an analysis of the assets and prospects of each company located in various geologic regions, management estimates, and historical success levels in each such region. Also during this meeting, the FCX special committee met with Mr. Flores and discussed with him PXP s recent acquisitions and plans for future development and PXP s interest in MMR.

In the weeks following September 20, 2012, Credit Suisse, Wachtell Lipton and RPS continued their review of data and information relating to the assets and business of each of MMR and PXP. At a telephonic meeting on October 9, Credit Suisse and Wachtell Lipton updated the FCX special committee on the status of their reviews. At the request of the FCX special committee, Credit Suisse discussed matters relating to the potential transaction with PXP, including information received from RPS based on its ongoing review of PXP s existing assets and the assets to be acquired in PXP s pending Gulf of Mexico acquisitions. RPS continued its review of data and information relating to the assets and business of each of MMR and PXP through the beginning of December.

On September 20, 2012, Mr. Flores informed Mr. Allison that PXP had determined to focus on its recently announced Gulf of Mexico acquisition and terminated its discussions with FCX concerning a possible combination.

On October 24, 2012, at a meeting of the FCX special committee in Houston attended by representatives of Credit Suisse and Wachtell Lipton, the FCX special committee discussed the status of each potential transaction, including the possibility of an overriding royalty trust structure that the financial advisor to the MMR special committee had suggested the FCX special committee consider as part of the consideration in a potential transaction. The FCX special committee asked Mr. Adkerson and Ms. Quirk to attend part of the meeting to provide input on the pro forma balance sheet and capitalization of the companies, if combined, and to comment on potential stockholder reaction to the proposed transactions. At the request of the FCX special committee, Mr. Moffett also attended a portion of the meeting for the purpose of discussing issues related to the potential transactions.

On October 27, 2012, Mr. Allison and Mr. Flores spoke to determine that PXP was willing to re-engage in discussions with FCX with respect to a potential transaction.

On October 28, 2012, at a telephonic meeting of the FCX special committee attended by representatives of Credit Suisse and Wachtell Lipton, Mr. Allison informed the committee of recent discussions with Mr. Flores in which Mr. Flores expressed PXP s preference that any potential transaction include FCX common stock as a significant proportion (approximately two-thirds) of the consideration payable to PXP stockholders. Separately, Latham & Watkins LLP, counsel to PXP (Latham & Watkins), informed Wachtell Lipton that, in addition to the price to be paid to PXP stockholders, PXP was focused on any potential conditionality of a transaction, and was not interested in pursuing any transaction that would be conditioned on the closing of a transaction with MMR or would require a vote of the FCX stockholders. Mr. Allison also informed the FCX special committee of recent discussions between Mr. Allison and Mr. Bush during which Mr. Bush informed Mr. Allison of the MMR special committee s opinion that a form of contingent consideration could be desirable as a component of any potential transaction between the parties. The FCX special committee discussed potential cash, stock and contingent consideration structures for acquisitions of each of MMR and PXP, including the accretive or dilutive effect of the various structures to FCX s stockholders, the availability of debt financing, prevailing interest rates at which FCX would anticipate being able to raise financing to fund any cash consideration, and the appropriate valuation and consideration mixes that could be explored with the representatives of each company, and agreed to schedule a follow-up meeting to further discuss those issues. In addition, the FCX special committee, with the assistance of Credit Suisse and Wachtell Lipton, discussed certain matters relating to potential transactions or actions with respect to FCX s capital structure that might be undertaken either as alternatives to, or in connection with, any potential transaction with PXP and/or MMR.

On October 30, 2012, at a regularly scheduled telephonic meeting of the FCX Board, the FCX special committee provided the FCX Board with an update on the status of each transaction.

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At a telephonic meeting on October 30, 2012 attended by representatives of Credit Suisse and Wachtell Lipton, the FCX special committee, with the assistance of Credit Suisse and Wachtell Lipton, discussed the consideration structures for the potential acquisition of each of MMR and PXP (including the effect on FCX s post-transaction capital structure of offering consideration consisting of either cash or FCX common stock), and thereafter the FCX special committee authorized Mr. Allison to discuss a potential transaction with PXP at a price of up to \$47 per share, with the consideration consisting of half cash and half FCX common stock, and to discuss a potential transaction with MMR at a price of up to \$15 per share in cash, subject in each case to the committee deciding to recommend a transaction to the FCX Board.

On October 31, 2012, the PXP Board held a regularly scheduled meeting at which it discussed the possible transaction with FCX.

On November 1, 2012, the MMR special committee met by telephone with Evercore and Weil to inform them of a conversation with Mr. Allison, who informed the MMR special committee that, while FCX had not made a decision with respect to whether to pursue a transaction with MMR and had not made any changes in its investment intent with respect to its current ownership of MMR securities, it was willing to discuss the potential for an acquisition of MMR by FCX for \$15 per share in cash, subject to FCX Board approval. The MMR special committee, Evercore and Weil determined to meet in person the following week after Evercore had an opportunity to analyze and evaluate this information and determine next steps.

On November 1, 2012, Mr. Allison contacted Mr. Flores and indicated that FCX had continued its evaluation of PXP and was willing to discuss a potential merger with PXP, with consideration of up to \$47 per share consisting of half cash and half FCX common stock.

On November 6, 2012, the PXP Board met with its legal and financial advisors to consider the FCX proposal. At that meeting, the PXP Board authorized Mr. Flores to respond to Mr. Allison that PXP would potentially be interested in a transaction at \$55 per share with one-third of the consideration in cash and two-thirds of the consideration in FCX common stock. The PXP Board also discussed the potential role of PXP s senior management in the management of the combined company.

On November 9, 2012, the MMR special committee, Evercore and Weil met in person at Evercore s offices in Houston, Texas to discuss and evaluate the FCX special committee s proposal. After discussion, the MMR special committee determined to respond to the FCX special committee with a proposal to discuss a potential transaction that would give MMR shareholders the option of receiving \$17.50 per share in cash or \$16.00 per share in cash and one unit of a 4% overriding royalty interest trust in certain of MMR s exploration prospects, which the MMR special committee valued at \$1.50 per unit.

On November 9, 2012, Mr. Allison discussed with Mr. Flores the possibility of a business combination transaction with PXP. Mr. Flores indicated that PXP would potentially be interested in a transaction at \$55 per share with one-third of the consideration in the form of cash and two-thirds of the consideration in the form of FCX common stock.

On November 9, 2012, the FCX special committee held a telephonic meeting attended by Credit Suisse and Wachtell Lipton during which Mr. Allison updated the members of the committee with respect to his discussions with Mr. Flores. Also at this meeting, representatives of Credit Suisse discussed with the FCX special committee certain matters relating to the potential transaction with each of PXP and MMR. The FCX special committee authorized Mr. Allison to continue discussions with each of PXP and MMR, and authorized Mr. Allison to discuss with Mr. Flores a potential valuation of PXP of \$49 to \$50 per share.

At a telephonic meeting on November 11, 2012 attended by representatives of Credit Suisse and Wachtell Lipton, the FCX special committee authorized Mr. Allison to continue discussing potential transactions with each of PXP and MMR. During this meeting, Credit Suisse informed the FCX special committee that representatives of Evercore had recently reiterated that the MMR special committee desired the consideration in any transaction to include a contingent component such as an overriding royalty interest in MMR s future production.

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On November 11, 2012, Mr. Allison informed Mr. Bush that the FCX special committee would be willing to discuss a potential transaction involving consideration of \$15 per share in cash and units in a royalty trust holding a 4% overriding royalty interest in future production from certain of MMR s exploration prospects, which was a structure that had been previously used in a public company acquisition of an oil and gas exploration and production company. Mr. Bush stated that the MMR special committee would discuss the potential consideration with its advisors.

On November 11, 2012, Mr. Flores informed Mr. Allison that PXP believed the consideration in any potential transaction should be in the range of \$49 - \$51 per share of PXP common stock. Mr. Allison agreed to convey that information to the FCX special committee for discussion.

On November 11, 2012, Wachtell Lipton distributed a draft merger agreement to Latham & Watkins.

The PXP Board held a special telephonic meeting on November 14, 2012, with certain members of PXP management and representatives of Barclays and Latham & Watkins present. During the meeting, Mr. Flores provided an update on the potential transaction with FCX. The PXP Board discussed with its legal and financial advisors the proposed terms of the transaction with FCX, including FCX s proposed consideration of \$49 \$50 per share of PXP common stock, FCX s proposal to pay the consideration half in cash and half in FCX common stock, the need to retain PXP s senior management to provide strong operating results for the combined company, and the need to retain a number of PXP directors to maintain continuity on the combined company s board. Following the discussions, the PXP Board agreed that PXP should continue negotiations with FCX and refine the terms of the draft merger agreement provided by Wachtell Lipton.

On November 15, 2012, during a telephonic meeting of the FCX special committee attended by representatives of Credit Suisse and Wachtell Lipton, Mr. Allison informed the FCX special committee that in a recent discussion with Mr. Flores, Mr. Flores had expressed interest on behalf of PXP in a potential transaction with FCX at a price range of \$49 \$51 per share with consideration to consist of half cash and half FCX common stock, and that Mr. Allison and Mr. Flores had discussed Mr. Flores potential role in the management of the combined company. Also on November 15, 2012, management of each of FCX and PXP met in Houston, together with their respective legal and financial advisors, with each party answering questions of the other party s management and representatives. Mr. Allison attended this meeting in his capacity as chairman of the FCX special committee.

On November 16, 2012, Mr. Bush contacted Mr. Allison to propose discussion of a potential transaction with consideration consisting of \$16 per share in cash and units in a royalty trust holding a 4% overriding royalty interest in MMR s future production from certain exploration prospects.

On November 18, 2012, the FCX special committee met telephonically to discuss the transactions with representatives of Credit Suisse and Wachtell Lipton present. During this meeting, Mr. Allison informed the FCX special committee that Mr. Bush had indicated to Mr. Allison that the MMR special committee would potentially be interested in discussing a transaction with consideration consisting of \$16 per share in cash and units in a royalty trust holding a 4% overriding royalty interest in future production from certain of MMR s exploration prospects.

Later that day, Mr. Allison called Mr. Bush and proposed revised terms of \$15.50 per share in cash and one unit of a 4% overriding royalty interest trust in MMR sultra-deep prospects, which the MMR special committee valued at \$1.50 per unit, subject to FCX Board approval.

On November 19, 2012, Wachtell Lipton sent Weil an initial draft term sheet outlining the terms of the proposed overriding royalty interest trust, which included, among other things, a 10-year term and a 4% overriding royalty interest in the hydrocarbons produced from certain of MMR s exploration prospects. Later on November 21, Wachtell Lipton distributed to Weil a draft merger agreement.

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On November 26, 2012, MMR issued a press release providing an update on its Gulf of Mexico exploration and development activities, including with respect to the Davy Jones No. 1 production test. That same day, MMR s stock price declined approximately 22%.

The PXP Board met with its legal and financial advisors on November 28, 2012 to discuss the proposed transaction with FCX, including the proposed range of consideration. Barclays provided an overview of the mining industry in general and the copper industry in particular, the strategic benefits that could be expected to be realized and the strategic rationale of the transaction with FCX.

On November 29, 2012, the FCX special committee held a telephonic meeting attended by representatives of Credit Suisse and Wachtell Lipton and discussed recent trading activity in MMR shares, including a review of the transcript of an investor call recently held by MMR and recently released research analyst reports relating to MMR s common stock. In light of the decline in MMR s stock price, the committee authorized Mr. Allison to discuss a potential transaction with Mr. Bush involving reduced consideration of \$14 per share in cash and units in a royalty trust holding a 4% overriding royalty interest in future production from certain of MMR s exploration prospects.

On November 30, 2012, representatives of Credit Suisse discussed the potential consideration for the MMR transaction with representatives of Evercore Group L.L.C., MMR s financial advisor (Evercore), during which Evercore suggested a 6% overriding royalty interest trust. At the direction of members of the FCX special committee, the representatives of Credit Suisse informed the representatives of Evercore that the FCX special committee was unlikely to recommend in favor of a transaction involving a 6% overriding royalty trust interest due to concerns regarding dilution of FCX s interest in the subject properties. MMR s special committee met later that day and, following that meeting, Mr. Bush informed Mr. Allison of the MMR special committee s proposed transaction consideration of \$14.75 per share in cash and 1.15 units of a 5% overriding royalty interest trust. Mr. Allison discussed this proposed consideration with the individual members of the FCX special committee, and informed Mr. Bush that, based on such discussions, he believed that the FCX special committee was likely to support recommendation of a transaction involving this level of consideration.

On November 30, 2012, PXP closed its acquisitions of assets in the Gulf of Mexico from each of BP and Shell and the PXP Board met with its legal and financial advisors to discuss the progress of the financial, accounting and legal diligence review of FCX and MMR. At this meeting, representatives of Barclays reviewed Barclays preliminary financial analyses regarding a strategic combination with FCX with the PXP Board. Additionally, Jefferies updated the PXP Board on the status of FCX s proposed transaction with MMR, including Jefferies analysis of the proposed consideration.

On December 1, 2012, Wachtell Lipton distributed to Weil a draft voting and support agreement to be entered into in connection with the MMR transaction.

On December 3, 2012, at a meeting of the FCX special committee in Austin, Texas attended by representatives of Credit Suisse and Wachtell Lipton, Mr. Allison informed the FCX special committee that PXP had indicated that it was prepared to recommend to its board that PXP enter into a definitive agreement providing for a transaction at a price of \$50 per share consisting of an equal amount of cash and FCX common stock as merger consideration, and that, subject to negotiation of the final terms of the merger agreement, the MMR special committee had indicated that it was prepared to recommend to its board that MMR enter into a transaction at a price of \$14.75 per share in cash and units in a royalty trust holding a 5% overriding royalty interest in future production from certain of MMR s exploration prospects. After discussion, the FCX special committee agreed to move forward with its recommendation of the potential transactions, subject to the FCX special committee s receiving additional information as to the management structure of the combined company.

In the evening of December 3, 2012, the FCX special committee held a meeting that Messrs. Moffett, Adkerson and Flores, at the invitation of the FCX special committee, also attended to discuss the roles that each of them would play in the combined company after a transaction. In addition, the meeting was attended by representatives of Wachtell Lipton. After speaking with Messrs. Moffett, Adkerson and Flores, the FCX special committee tentatively determined to recommend to the FCX Board the transactions with each of PXP and MMR on the terms that had been described earlier that day to the FCX special committee.

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On December 4, 2012, the PXP Board met with certain members of management and representatives of Barclays and Latham & Watkins to discuss FCX s proposed transactions with PXP and MMR. Mr. Flores described the proposed consideration to be paid by FCX for MMR. The PXP Board also discussed the proposed terms of the transaction between FCX and PXP. Latham & Watkins described the terms of the merger agreement (including the no-shop and termination provisions), the voting and support agreement, the letter agreements to be entered into by certain of PXP s officers and the FCX commitment letter. Representatives of Barclays then reviewed the Barclays fairness opinion analyses with respect to the transaction and confirmed that Barclays was in a position to issue its fairness opinion.

The FCX Board and the FCX special committee met concurrently on December 4, 2012 to consider the proposed transactions with each of PXP and MMR. At the invitation of the FCX board and the FCX special committee, certain members of FCX s management and representatives of Hanover Advisors also participated in the meeting. At the request of the FCX special committee, representatives of Credit Suisse and Wachtell Lipton also participated in the meeting. The FCX special committee and the FCX Board reviewed and discussed the proposed mergers with each of PXP and MMR.

Representatives of Wachtell Lipton then reviewed the terms of the proposed merger agreements to be entered into with PXP and MMR and other related transaction documents. Representatives of Wachtell Lipton then reviewed the terms of waiver letters and other employment arrangements to be entered into by Mr. Flores and other PXP officers in connection with the PXP transaction and the terms of the financing to be entered into in connection with the transactions, and reviewed with the FCX special committee and FCX Board their fiduciary duties with respect to the transactions

Following that discussion, the members of the FCX special committee approved and declared advisable each of the merger agreements with PXP and MMR, the related transactions, and the additional transaction documents, and recommended that the FCX Board approve the same. Wachtell Lipton then described to the FCX Board the resolutions in connection with each of the transactions. At this time, each of Messrs. Adkerson, Moffett and Siegele recused themselves. Following discussion, the FCX Board, upon recommendation of the FCX special committee, approved each of the merger agreements with PXP and MMR, the related transactions, the transaction documents and other matters in connection with the transactions.

On the morning of December 5, 2012, the PXP Board met by telephone with representatives of Latham & Watkins and Barclays. Representatives of Barclays delivered Barclays oral opinion, which opinion was subsequently confirmed by delivery of a written opinion dated December 5, 2012, to the effect that as of the date of the merger agreement and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, from a financial point of view, the merger consideration to be offered to PXP s stockholders was fair to such stockholders. The PXP Board approved the merger agreement with FCX and the related transactions.

On the morning of December 5, 2012, each of the MMR special committee and the MMR board of directors met by telephone with Weil and Evercore, and the MMR board of directors approved the merger agreement with FCX and the related transactions. Messrs. Flores and Wombwell recused themselves from, and did not participate in, this meeting.

On December 5, the merger agreements and related transaction documents were executed by the parties thereto, and FCX, PXP and MMR issued a joint press release announcing the transactions.

FCX s Reasons for the Merger

The FCX board of directors, following receipt of the recommendation the FCX special committee, determined that the merger agreement and the transactions contemplated thereby are advisable and in the best interests of FCX and its stockholders. In evaluating the merger agreement and the transactions contemplated thereby, the FCX special committee was advised by independent legal and financial advisors, and considered a variety of factors with respect to the merger, including those matters discussed in Background of the Merger. In view of the wide variety of factors considered in connection with the merger, the FCX special committee and the FCX board of directors did not consider it practical, nor did they attempt, to quantify or otherwise assign

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relative weight to different factors considered in reaching their decisions. In addition, individual members of the FCX special committee and the FCX board of directors, in approving the merger, may have given different weight to different factors. The FCX special committee and the FCX board of directors considered this information as a whole, and overall considered it to be favorable to, and in support of, their determination. In determining that the merger agreement and the transactions contemplated thereby are advisable and in the best interests of FCX and its stockholders, the FCX special committee and FCX board of directors considered a number of factors pertaining to the strategic and financial rationale for the merger, including the following:

Opportunity to Create A Premier U.S.-Based Natural Resource Company. The combination with PXP provides FCX with the opportunity to acquire a portfolio of high quality oil and natural gas exploration and production assets in attractive onshore and offshore U.S. geological basins that complement FCX s existing portfolio of mining assets. The FCX special committee and FCX board of directors believe that the combination of FCX and PXP, together with the expected merger with MMR, will create a premier U.S.-based natural resource company with an industry leading global portfolio of mineral assets, significant oil and gas resources and a growing production profile.

Complementary Asset Characteristics. The acquired assets possess similar characteristics sought in the mining business high quality assets with low costs, long lives, strong margins and cash flows, exploration potential and financially attractive expansion opportunities. The merger provides FCX with exposure to energy markets, which FCX believes have positive fundamentals and complementary market exposure to FCX s mining business.

Enhanced Opportunities to Benefit from Long-Term Growth. The combined company following the merger is expected to provide an attractive portfolio of cash producing assets with existing infrastructure, lease holdings and exploration prospects to drive future growth. The transaction provides financially attractive opportunities to augment growth for FCX, at a time when attractive growth opportunities are limited in the mining business. The combination provides opportunities for the combined company to achieve superior returns through the allocation of capital investments to the highest-potential assets across a broader portfolio of opportunities at any given time.

Enhanced Geographic Diversity. The oil and gas assets being acquired are in high quality, onshore and offshore U.S. geologic basins, provide opportunities to expand resource investments in the U.S., and are expected to significantly increase the percentage of the combined company searnings generated by U.S. operations as compared to FCX on a standalone basis.

Increased Scale. The increased scale of the combined company should permit it to compete more effectively and facilitate future development projects, exploration and acquisitions through increased cash flow and lower cost of capital investment.

Benefits of Combined Expertise. The merger would combine complementary management teams with substantial experience and a record of success in mining and oil and gas operations. The combined human resources of the combined company will include global industry leading capabilities in operational excellence, major project development, technological innovation, exploration, engineering and prudent environmental management. FCX expects to retain PXP s experienced leadership and technical personnel, who will expand FCX s organizational capabilities.

Terms of the Merger Agreement. The FCX special committee and FCX board of directors reviewed the terms of the merger agreement, including the representations, obligations and rights of the parties under the merger agreement, the conditions to each party s obligation to complete the merger, the circumstances in which each party is permitted to terminate the merger agreement and the related termination fee payable by PXP in the event of termination of the merger agreement under specified circumstances.

Special Committee Process. The FCX board of directors recognized that the negotiation of the merger agreement and merger had been directed, overseen, evaluated and recommended by the FCX special committee, and that no member of the FCX special

committee served on the board of directors or as a member of management of PXP or MMR.

Review and Evaluation. The FCX special committee, with the assistance of its legal and financial advisors and its oil and gas consultants and certain member of FCX s management, reviewed and evaluated the business, operations, financial condition, earnings and prospects of PXP.

Committed Financing. The FCX special committee and FCX board of directors considered their expectation, supported by the financing commitment letters, that FCX would be able to obtain the financing necessary to pay the cash portion of the merger consideration payable under the merger agreement and to finance the other transactions contemplated in connection with the merger, in each case on favorable terms.

The FCX special committee and FCX board of directors also considered the potential risks of the merger and certain other countervailing factors, including the following:

Share Price. That the implied value of the merger consideration represented a 38.7% premium over the closing price of PXP common stock on December 4, 2012, the last trading day before the merger agreement was signed.

Failure to Close. The risks and contingencies relating to the announcement and pendency of the merger and the risks and costs to FCX if the closing of the merger is not completed timely, or if the merger does not close at all, including the potential impact on FCX s relationships with employees and third parties.

Certain Antitrust-Related Risks. If the merger is completed and the merger with MMR is not completed, that the composition of the boards of directors of FCX and MMR may need to be adjusted in order to comply with the Clayton Antitrust Act.

Incurrence of Indebtedness. That FCX will incur significant indebtedness to finance the merger and, if it is also completed, the potential merger with MMR.

Shareholder Reaction. The fact that some FCX stockholders would likely react negatively to the merger and, if it is also completed, the potential merger with MMR.

Diversion of Focus. The risk of diverting management focus, employee attention and resources from other strategic opportunities and from operational matters while working to complete the merger.

Transaction Costs. The fact that substantial transaction costs will be incurred in connection with the merger and, if it is also completed, the potential merger with MMR.

Litigation. The fact that litigation could occur in connection with the merger and the potential merger with MMR and that such litigation could increase costs and result in a diversion of management focus.

Personnel. The fact that business uncertainty pending completion of the merger could have an adverse impact on the ability of FCX to attract, retain and motivate key personnel.

The FCX special committee and FCX board of directors believe that, overall, the potential benefits of the merger to FCX and FCX s stockholders outweigh the risks considered by the FCX special committee and FCX board of directors. The FCX special committee and FCX board of directors understood that there can be no assurance of future results, including results considered or expected as described in the factors listed above. It should be noted that this discussion of the reasoning of the FCX special committee and FCX board of directors and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the

heading Cautionary Statement Regarding Forward-Looking Statements. Additionally, see Certain Unaudited Financial Forecasts Prepared by the Management of PXP and Certain Unaudited Financial Information Prepared by the Management of FCX, respectively for information regarding the preparation of prospective financial information.

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PXP s Reasons for the Merger; Recommendation of the PXP Board of Directors

The PXP board of directors believes that the merger agreement and the merger are in the best interests of PXP s stockholders. Accordingly, the PXP board of directors has unanimously approved the entry into the merger agreement, and recommends that PXP stockholders vote **FOR** the adoption of the merger agreement.

As described above under Background of the Merger , the PXP board of directors, prior to and in reaching its decision at its meeting on December 5, 2012, to approve the entry into the merger agreement, consulted on numerous occasions with PXP s senior executive officers and financial and legal advisors, and considered a variety of factors weighing positively in favor of the transaction, including the following:

The merger consideration (on an aggregate basis) of \$25.00 in cash plus 0.6531 of a share of FCX common stock per share of PXP common stock (with a combined value equal to \$50 per share based upon the closing sale price of FCX common stock on December 4, 2012, the last trading day before the date of the board meeting), represented a premium of:

approximately 38.7% over the closing price of PXP common stock on December 4, 2012, the last trading day prior to the entry into the merger agreement;

approximately 41.2% and 36.8% over the average closing price of PXP common stock for the 30-day and 60-day periods, respectively, ending with December 4, 2012; and

approximately 7.5% and 59.5% above the highest and lowest closing sale price of PXP common stock for the 52-week period ended December 4, 2012, respectively.

The potential stockholder value that might result from other alternatives available to PXP, including the alternative of remaining as an independent public company, considering, in particular, the potential for PXP stockholders to share in any future growth of the company and continued costs, risks and uncertainties associated with continuing to operate as a public company.

The PXP board s familiarity with, and understanding of, PXP s business, assets, financial condition, results of operations, current business strategy and prospects.

The reports of management and PXP s advisors regarding their due diligence review of FCX s and MMR s businesses, assets, financial condition, results of operations, business strategy and prospects and the expectation that the merger would be accretive to stockholders of the combined company.

The substantial base of resources and reserves owned by FCX, including the size and low cost position of FCX s Grasberg mine, the world s largest copper and gold mine in terms of reserves.

The strategic nature of the transaction, including the fact that the combination of the PXP, FCX and MMR businesses is expected to (1) create the largest diversified U.S.-based natural resource company with an enterprise value in the top five among global mining peers, (2) increase geographic diversification of the combined company within the U.S. and (3) increase commodity diversification for the combined company.

The scale of the combined company, which should permit it to compete more effectively than either PXP, FCX or MMR alone could operate and facilitate through increased cash flow and lower cost of capital investment in future development projects, exploration and acquisitions.

The expected lower cost of borrowing given the investment grade rating currently carried and expected to be maintained by FCX after completion of the merger used to fund the cash portion of the merger consideration and future projects.

The ability to retain its natural gas assets in the Haynesville shale and Madden fields to be able to participate in the future potential of these fields.

The opinion of Barclays described in the section entitled that, as of that date, and based upon and subject to the Opinion of PXP s Financial Advisor , dated December 5, 2012, to the effect

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qualifications, limitations and assumptions set forth in its opinion, from a financial point of view, the merger consideration to be offered to holders of PXP common stock pursuant to the merger agreement was fair to such holders.

That integration of PXP and FCX would be enhanced by the key members of PXP management that would remain with the combined company.

Three members of the PXP board of directors will be appointed to the FCX board of directors upon the consummation of the merger, which is expected to provide a degree of continuity and involvement by PXP directors in the combined company following the transaction.

That because PXP stockholders have the right to elect merger consideration in the form of FCX common stock (subject to proration), PXP stockholders would have the opportunity to participate in the equity value of the combined company following the merger. In that regard, the PXP board understood that the volatility of prices for copper, gold and other minerals and oil and natural gas and general stock market conditions could cause the value of the consideration received in the merger to fluctuate, perhaps significantly, following the closing of the merger, but was of the view that on a long-term basis it would be desirable for stockholders to have an opportunity to retain a continuing investment in the combined company following the merger.

The PXP board s expectation, supported by the financing commitment letters, that FCX would be able to obtain the financing necessary to pay the cash portion of the merger consideration payable under the merger agreement and to finance the other transactions contemplated in connection with the merger.

The terms and conditions of the merger agreement, including:

The blend of stock and cash consideration contemplated by the merger agreement and the ability of PXP stockholders to elect cash and/or stock consideration, subject to the proration provisions of the merger agreement based on the stockholders elections

The board s expectation that the stock portion of the merger consideration will be received tax free by PXP s stockholders (see Material United States Federal Income Tax Considerations of the Merger).

The limited nature of the closing conditions included in the merger agreement and the market, industry related and other exceptions to the events that would constitute a material adverse effect on PXP for purposes of the agreement, as well as the likelihood of satisfaction of all conditions to the consummation of the merger.

The obligation of FCX to use its reasonable best efforts to take all actions necessary to consummate the financing provided for in the financing commitment letter and, if such financing is unavailable, to use its reasonable best efforts to arrange to obtain alternate financing on terms and conditions not materially less favorable (taken as a whole) to FCX.

PXP s right to engage in negotiations with, and provide information to, a third party that makes an unsolicited acquisition proposal, if the board of directors determines in good faith, after consultation with its legal and financial advisors, that such proposal constitutes or is reasonably likely to lead to a transaction that is more favorable to PXP s stockholders than the merger.

The board s right to change its recommendation to vote in favor of the merger if (1) it has received a superior proposal or (2) upon the occurrence of certain intervening events if, in either case, it determines in good faith (after consultation with outside counsel) that the failure to take such action would reasonably be likely to be inconsistent with its fiduciary duties under applicable law, in each case subject to certain conditions and, if FCX elected to terminate the merger agreement as a result of such change in recommendation, reimbursement of FCX expenses up to \$69 million or payment of a \$207 million termination fee to FCX (less any amounts paid in respect of FCX expenses).

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That (1) the termination fee of \$207 million (less FCX expenses reimbursed by PXP), representing approximately 3% of the aggregate merger consideration based upon the closing sale price of FCX common stock on December 4, 2012, the last trading date before the date of the board meeting, and (2) the agreement to reimburse FCX for up to \$69 million of expenses incurred by FCX in connection with the merger, in each case payable by PXP to FCX under specified circumstances were, in the board s judgment in consultation with PXP s counsel and financial advisors, reasonable.

The completion of the merger is not conditioned on FCX s obtaining financing.

The requirement that PXP stockholder approval be obtained as a condition to consummation of the merger. The PXP board of directors also considered the potential adverse impact of other factors weighing negatively against the proposed merger, including the following:

That because the merger consideration is a fixed dollar amount and a fixed exchange ratio of FCX common stock, PXP stockholders could be adversely affected by a decrease in the trading price of FCX common stock during the pendency of the transactions and the fact that the merger agreement does not provide PXP with a price-based termination right or other similar protection.

That because of the proration procedures set forth in the merger agreement, PXP stockholders who make the cash election or the stock election will not always receive the form of merger consideration that they elect to receive.

That, while the merger is expected to be completed, there is no assurance that all conditions to the parties obligations to complete the merger will be satisfied or waived, and as a result, it is possible that the merger might not be completed even if approved by PXP s stockholders.

The importance to FCX s business of its ability to continue to operate the Grasberg mine and the risks posed by the Grasberg mine s location in Papua, Indonesia, including political volatility and periodic occurrences of social unrest, which could have an adverse impact on the combined company.

The fact that FCX and its predecessors have participated in the mining and other businesses for many years and are subject to environmental regulation and clean-up activities, the extent of which could be larger and more costly than anticipated.

That it is possible that FCX may not be able to obtain all necessary financing to consummate the merger.

That the merger agreement contains restrictions on the conduct of PXP s business prior to completion of the proposed merger, including requiring PXP to conduct its business only in the ordinary course, subject to specific limitations, which could delay or prevent PXP from undertaking business opportunities that may arise pending completion of the merger.

That exchange of shares of PXP common stock for cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes.

That the merger agreement imposes limitations on PXP s ability to solicit alternative transactions prior to closing and does not permit PXP to terminate the merger agreement to accept a superior proposal.

That, if the merger agreement is terminated under certain circumstances, PXP would be required to reimburse FCX for its expenses up to \$69 million or pay a \$207 million termination fee to FCX (less any amounts paid in respect of expenses).

Risks of the type and nature described under Risk Factors.

The foregoing discussion of the information and factors considered by the PXP board of directors is not exhaustive, but includes the material factors considered by the board. In view of the wide variety of factors, both

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positive and negative, considered by the PXP board of directors, the board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise seek to assign relative weights to the specific factors that it considered in reaching its determination that the merger agreement and the merger are in the best interests of PXP stockholders. Rather, the PXP board of directors viewed its determinations as being based upon the judgment of its members, in light of the totality of information presented and considered, including the knowledge of such directors of PXP s business, financial condition and prospects and the advice of financial and legal advisors. In considering the factors described above, individual members of the PXP board of directors may have given different weight to different factors and may have applied different analyses to each of the material factors considered.

At a meeting held on December 5, 2012, after due consideration with PXP s management and advisors, the PXP board of directors determined, by unanimous vote, that the merger agreement and the merger are fair to and in the best interests of PXP s stockholders. The PXP board of directors recommends that PXP stockholders vote:

FOR the proposal to adopt the merger agreement; and

FOR any adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposal to adopt the merger agreement.

Opinion of PXP s Financial Advisor

PXP engaged Barclays to act as PXP s financial advisor with respect to the transactions. On December 5, 2012, Barclays rendered its oral opinion (which was subsequently confirmed in writing) to PXP s board of directors that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, from a financial point of view, the merger consideration to be offered to the stockholders of PXP in the merger is fair to such stockholders.

The full text of Barclays written opinion, dated as of December 5, 2012, is attached hereto as Annex B. Barclays written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. Holders of PXP common stock are encouraged to read the opinion carefully in its entirety. The following is a summary of Barclays opinion and the methodology that Barclays used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

Barclays opinion, the issuance of which was approved by Barclays Valuation and Fairness Opinion Committee, is addressed to PXP s board of directors, addresses only the fairness, from a financial point of view, of the merger consideration to be offered to the stockholders of PXP and does not constitute a recommendation to any stockholder of PXP as to what form of consideration such stockholder should elect or how such stockholder should vote or act with respect to any other matter relating to the proposed transaction or any other matter. The terms of the proposed transaction were determined through arm s-length negotiations between PXP and FCX and were approved unanimously by PXP s board of directors. Barclays did not recommend any specific form of consideration to PXP or that any specific form of consideration constituted the only appropriate consideration for the proposed transaction. Barclays was not requested to address, and its opinion does not in any manner address, PXP s underlying business decision to proceed with or effect the proposed transaction or the likelihood of consummation of the proposed transaction. The opinion does not address the relative merits of the proposed transaction as compared to any other transaction or business strategy in which PXP might engage or the Voting and Support Agreement among PXP, FCX and MMR (the voting and support agreement) or the MMR merger agreement or the transactions contemplated thereby. In addition, Barclays expressed no opinion on, and its opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the proposed transaction, or any class of such persons, relative to the consideration to be offered to the stockholders of PXP in the proposed transaction. No limitations were imposed by PXP s board of directors upon Barclays with respect to the investigations made or procedures followed by it in rendering its opinion.

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In arriving at its opinion, Barclays, reviewed and analyzed, among other things:

the merger agreement and the specific terms of the proposed transaction;

publicly available information concerning PXP, FCX and MMR that Barclays believed to be relevant to its analysis, including each of PXP s, FCX s and MMR s Annual Reports on Form 10-K for the fiscal year ended December 31, 2011 and Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2012, June 30, 2012 and September 30, 2012;

financial and operating information with respect to the business, operations and prospects of PXP furnished to Barclays by PXP, including financial projections prepared by PXP s management (the PXP Projections);

financial and operating information with respect to the business, operations and prospects of FCX furnished to Barclays by FCX, including financial projections prepared by FCX s management (the FCX Projections);

- - (45,918) (45,918)

Balance at December 31, 2002 (reflective of stock splits)

1,825,704

\$1,826 \$48,207 \$(9,000) \$- \$(45,918) \$(4,885)

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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

Sh	Common Stock ares Ar		Paid-In Capital	Additional Deferred Compensation	Stock Subscribed	Common Accumulated Deficit	Total
Shares granted to consultants at \$1.392 per share for services rendered in January 2003	9,878	10	13,740	-	_	_	13,750
Sale of shares of common stock for cash at \$1.517 per share in January 2003	32,955	33	49,967	_	-	_	50,000
Shares granted to consultants at \$1.392 per share for services rendered in March 2003	15,445	15	21,485	_	-	_	21,500
Conversion of notes payable to common stock at \$1.392 per share in April 2003	143,674	144	199,85	6 -	<u>-</u>	_	200,000
Shares granted to consultants at \$1.413 per share for services rendered in April 2003	1,437	1	2,029	-	-	-	2,030
Sale of shares of common stock for cash at \$2.784 per share in May 2003	1,796	2	4,998	-	-	-	5,000
Sales of shares of common stock for cash at \$2.784 per share in June 2003	3,592	4	9,996	-	-	-	10,000

Conversion of notes payable to common stock at \$1.392 per share							
in June 2003	71,837	72	99,928	-	-	-	100,000
Beneficial conversion feature associated with notes issued in June 2003		-	60,560	_	-	_	60,560
Amortization of deferred compensation	-	-	-	9,000	-	-	9,000
C CCDN							
Costs of GPN Merger in July 2003	236,813	237	(121,036)	-	-	-	(120,799)
Value of warrants issued with extended notes payable in October 2003	-	-	189,937	_	_	-	189,937
Value of Company warrants issued in conjunction with fourth quarter notes payable issued October through December 2003	-	-	207,457	-	-	-	207,457
Value of warrants contributed by founders in conjunction with fourth quarter notes payable issued October through December 2003	_	_	183,543	_	-	_	183,543
Value of			Q5 Q61				95 961
Value of warrants issued for services in October through			85,861			-	85,861

December 2003							
Net loss for the twelve month period ended December 31, 2003		_	-	-	-	(1,856,702)	(1,856,702)
Balance at December 31, 2003	2,343,130	\$2,343	\$1,056,529	\$-	\$-	\$(1,902,620)	\$(843,748)
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common Stock Shares An	nount	Paid-In De	ditional eferred pensation S	Stock Subscribed	Common Accumulated Deficit	Total
Shares granted at \$10.00 per share pursuant to the Senior Note Agreement in January 2004	60,000	60	599,940	(600,000		<u>-</u>	-
Shares issued at \$10.00 per share to a consultant for services rendered in January 2004	80,000	80	799,920	(800,000)) -	_	_
Shares issued to a consultant at \$6.20 per share for services rendered in February 2004	4,000	4	24,796	(24,800) -	<u>-</u>	-
Shares issued to a consultant at \$4.00 per share for services rendered in March 2004	105,160	105	420,535	(420,640)) -	-	_
Shares issued to a consultant at \$5.00 per share for services rendered in March 2004	50,000	50	249,950	(250,000)) -	-	_
Shares sold for cash \$1.50 per share in March, 2004	at 800	1	1,199	-	-	-	1,200
Shares issued at \$5.00 per share	2,000	2	9,998	-	-	-	10,000

to consultants for services rendered in March 2004							
Shares issued to a consultant at \$4.00 per share for services rendered in March 2004	200	0	800	-	-	-	800
Shares issued to consultants at \$3.20 per share for services rendered in March 2004	9,160	9	29,303	_			29,312
	9,100	7	29,303	-	-	-	29,312
Shares to be issued to consultant at \$4.10 per share in April 2004 for services to be rendered through March 2005	<u>-</u>	-	-	(82,000)	_	-	(82,000)
Shares granted pursuant to the New Senior Note Agreement in April 2004	60,000	60	149,940	(150,000)	-	-	_
Shares issued to officer at \$3.20 per share for services rendered in April 2004	20,000	20	63,980	_	_	-	64,000
Conversion of Note Payable to common stock at \$1.00 per share in May 2004	35,000	35	34,965	_	-	-	35,000
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common S	tock	Paid-In	Additional Deferred	Stock	Common Accumulated	
	Shares	Amount	Capital	Compensation	Subscribed	Deficit	Total
Beneficial Convers Feature associated note payable in Ma 2004	with	-	35,000	-	-	-	35,000
Issuance of warrants to officers and founder for services rendered in May 2004			269,208				269,208
2004	-	-	209,200) -	-	-	209,200
Shares to a consultant at \$2.00 per share as a due diligence fee in May 2004	12,500	13	24,988	_	_	_	25,000
Shares issued to a consultant at \$10.00 per share for services to be rendered over twelve months beginning May 2004	50,000	50	499,950	(500,000))	-	
Beneficial Conversion Feature associated with notes payable issued in June 2004	-	-	3,000	-	-	-	3,000
Issuance of warrants to note holders in April, May, and June	-	-	17,915	-	-	-	17,915

2004							
Issuance of warrants to employees and consultants for services rendered in April through June 2004	_	_	8,318	_	_	_	8,318
Shares issued in July to a consultant at \$1.00 for services to be rendered through July 2005	25,000	25	24,975	(25,000)	_	-	-
Shares issued to a consultant in July and September at \$4.10 per share for services to be rendered through April 2005	20,000	20	81,980	_	_		82,000
Shares issued to a consultant in September at \$1.20 to \$2.20 for services rendered through September 2004	12,728	13	16,896	_	_	_	16,909
Shares issued in July to September 2004 as interest on note payable	30,000	30	35,970	-	-	_	36,000
Issuance of warrants with notes payable in July and August 2004	_	-	72,252	-	_	_	72,252
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Com Shares	mon Stock	c mount	Paid-In Capital	Additional Deferred Compensation	Stock Subscribed	Common Accumulated Deficit	Total	
Accrued deferred compensation in A 2004 to a consultar 10,000 shares at \$1 per share, committe unissued	ugust nt for .00	Al	-	-	(10,00		-	(10,000)
Shares issued in August 2004 at \$1.40 to a consultant for services to be performed through October 2004		10,000	10	13,9	90 (14,00	00) -	_	-	
Shares issued in August 2004 at \$1.25 per share for conversion of \$30,000 demand loan		24,000	24	29,9	76 -	-	-	30,000	
Shares issued in August 2004 at \$1.60 per share to a consultant for services provided.		12,500	13	19,9	88 -	_	_	20,000	
Shares issued to employees at \$1.60 to \$2.50 per share		4,880	5	8,37	9 -	-	-	8,384	
Commitment to issue 10,000 shares of stock to a consultant at \$2.30 per share for services to be		-	-	-	(23,00	00) -	-	(23,000)

provided through September 2005							
Sale of stock for cash in October at \$1.25 per share, net of costs of \$298,155	1,816,000	1,816	1,362,107	-	-	-	1,363,923
Value of warrants issued with sale of common stock in October, net of costs		_	607,922	-	-	-	607,922
Issuance of warrant to officer in October	-	_	112,697	_	-	-	112,697
Issuance of stock to investment bankers in October 2004 for commissions earned	490,000	490	(490)	_	-	-	-
Conversion of accounts payable to stock in October at \$1.25 per share	125,775	126	108,514	-	_	_	108,640
Value of warrants issued with accounts payable conversions	-	-	48,579	-	-	-	48,579
Conversion of demand loan to stock in October at \$1.10 per share	9,330	9	10,254	-	-	-	10,263
Forgiveness of notes payable in October 2004	_	_	36,785	-	-	-	36,785
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009c

	Common Stoo Shares	ck Amount	Paid-In Capital	Additional Deferred Compensation	Stock Subscribed	Common Accumulated Deficit	Total
Issuance of stock to officer and director at \$1.25 per share in October for conversion of liability	144,000	144	123,789	<u>-</u>	_	_	123,933
Value of warrants issued with officer and director conversion of liabilities	_	_	56,067	_	_	_	56,067
Conversion of debt and accrued interest to common stock at \$0.75 to \$1.25 per share in October 2004	670,315	670	423,547	_	-	-	424,217
Value of warrants issued with conversion of debt	-	-	191,111	-	-	-	191,111
Conversion of Note Payable of \$5,000 plus accrued interest of \$71 in October, 2004	6,761	7	4,993	_	_	_	5,000
Issuance of warrants to note holders in October 2004	_		112,562	_	_		112,562
OCIUUCI 2004	10,000	10	34,990	-	-	-	35,000

Value of shares issued to CFO as compensation in December 2004							
Value of warrants issued to members of advisory committees in November and December 2004	_	-	16,348	-		-	16,348
Beneficial conversion feature associated with notes payable in December 2004		-	124,709	-	-	-	124,709
Shares issued in error to be cancelled in December	(900)	(1) 1	<u>-</u>	-	-	0
Amortization of deferred compensation through December 31, 2004		-	-	2,729,454	-	-	2,729,454
Loss for the twelve months ended December 31, 2004		-	_	-	-	(5,305,407)	(5,305,407)
Balance at December 31, 2004	6,242,339	\$6,242	\$7,979,124	\$(169,986)	\$-	\$(7,208,027)	\$607,353
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

S	Common Stoo	ck Amount	Paid-In Capital	Additional Deferred Compensation	Stock Subscribed	Common Accumulated Deficit	Total
Sale of shares of common stock for cash at \$2.00 per share in March 2005 for warrant exercise,				-	Subscribed	Bellen	
net of costs	660,078	660	1,190,19	-	-	-	1,190,856
Value of warrants issued to members of advisory committees in March 2005		-	137,049	-	-	-	137,049
Deferred compensation in February 2005 to a consultant for 5,000 shares of common stock at \$6.50 per share.		-	-	(32,500)	-	-	(32,500)
Warrants							
exercised at \$0.50 per share in June 2003	8,000	8	3,992	-	-	-	4,000
Value of warrants issued to members of advisory committee			70 701				70.701
in June 2005		-	70,781	-	-	-	70,781
Value of warrants issued to investors and service providers in June 2005		_	32,991	-	-	_	32,991
Issuance of 23,215 shares of common stock in July 2005 for conversion of notes		22	64.000				45 002
payable	23,215	23	64,980	-	-	-	65,003

Issuance of 10,000							
shares of common							
stock in August							
2005 to a consultant							
for services provided 1	0,000	10	9,990	-	-	-	10,000
Value of warrants							
issued to advisory committee in							
September 2005 for							
services		_	20,491	_	_	_	20,491
561 (166)			_0,.,1				20,171
Amortization of							
deferred comp for the							
twelve months ended							
December, 2005		-	-	199,726	-	-	199,726
Value of warrants							
issued in October and							
December 2005 to							
investors and service							
providers		-	18,399	-	-	-	18,399
Loss for the							
year ended December							
31,2005			_		_	(4,591,107)	(4,591,107)
31,2003	6,943,632	\$6,943	\$9,527,993	\$(2,760) \$-	\$(11,799,134)	
	3,2 .2,032	¥ 5,7 15	Ψ,, υ2 ,,,,,	¥ (2 ,700	, Ψ	+ (11,77,131)	÷(2,200,200)
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common Sto	ock Amount	Paid-In Capital	Additional Deferred Compensation	Stock Subscribed	Common Accumulated Deficit	Total
Issuance of 10,000	Shares	Timount	Сарпаг	Compensation	Subscribed	Denen	Total
shares to officer,							
previously accrued	10,000	10	41,406	-	-	-	41,416
Value of warrants issued to members of advisory committee in March 2006	1	_	8,399	-	-	_	8,399
Amortization of deferred compensation for the three months ended March 31, 2006		_	_	2,760	_	_	2,760
Issuance of common stock in May 2006 to a consultant for services provided	n 3,446	3	16,194		_	_	16,197
Conversion of accrued interest to common stock at \$1.25 per share in May, 2006	1,929	2	2,409	-	-	-	2,411
Conversion of accrued interest to common stock at \$1.25 per share in May, 2006	1,632	2	2,039	-	-	-	2,041
Conversion of accrued interest to common stock at \$1.00 per share in May, 2006	1,345	1	1,354				1,355
1v1ay, 2000	1,545	1	1,334	-	-	_	1,333
	500	1	450	-	-	-	450

Common stock issued pursuant to the exercise of warrants at \$0.90 per share in June 2006							
Value of warrants issued to members of advisory committee in June 2006		-	8,820	_	-	_	8,820
Value of warrants issued to members of advisory committee in September 2006			3,495				3,495
-		-	3,493	-	-	-	3,493
Value of warrants issued to officers	-	-	50,874	-	-	-	50,874
Issuance of penalty Common Stock, previously accrued	415,080	415	871,250	-	-	-	871,665
Issuance of penalty warrants, previously accrued	-	-	182,239	-	-	_	182,239
Value of options issued to officer	-	-	78,802	-	-	-	78,802
Value of warrants issued to members of advisory committee in December 2006		-	1,974	-	-	-	1,974
Issuance of Common Stock for cash	3,426,625	3,427	4,610,122	-	-	-	4,613,549
Common stock to be issued as commission for		-	(5,483) -	5,483	-	-

equity fund raising							
Value of options issued to officer	-	-	185,472	-	-	-	185,472
Value of shares issued to officer	-	-	32,120	-	-	-	32,120
Loss for the year ended December 31, 2006	-	_		-	_	(1,486,046)	(1,486,046)
	10,804,190	\$10,804	\$15,619,928	\$-	\$5,483	\$(13,285,180)	\$2,351,035
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common Stor		Paid-In Capital	Additional Deferred Compensation	Stock Subscribed	Common Accumulated Deficit	Total
Common stock issued as commission for equity fund raising i		mount	Сарнаг	Compensation	Subscribed	Belien	Total
January 2007	548,260	548	4,935	-	(5,483)	-	-
Common stock issued to consultant in January 2007 at \$1.50 per share	29,804	30	44,676	-	-	_	44,706
Common stock issued to consultants in January 2007 at		40	61.060				62,000
\$1.55 per share	40,000	40	61,960	-	-	-	62,000
Common stock issued to consultants in January 2007 at \$1.50 per share	s 10,000	10	14,990	-	-	_	15,000
Value of options issued to officer in January, February and March 2007		_	471,457	<u>-</u>	_	_	471,457
Value of options issued to employee in January 2007	y	_	5,426	<u>-</u>	-	_	5,426
			, -				Í
Value of warrants issued to consultant in April 2007	-	-	166,998	<u>-</u>	-	-	166,998
Value of options issued to employees in July 2007	_	_	996,133	_	_	_	996,133
, , , , , , , , , , , , , , , , , , , ,			,				,

Value of options issued to directors in July 2007	_	_	537,833	-	_	_	537,833
Value of options issued to consultants in July 2007	_	-	80,996	-	-	_	80,996
Common stock to be issued for consulting services in 2008 at \$1.10 per share in November 2007		-	-	_	33,000	-	33,000
Common stock to be issued for finders fee in 2008 at \$1.20 per share in November 2007		-	-	_	120,000	-	120,000
Loss for the year ended December 31, 2007	- 11,432,254	- \$11,432	- \$18,005,332	- \$-	- \$153,000	(5,463,958) \$(18,749,138)	(5,463,958) \$(579,374)
F-13	, - , - .	. ,	,,-	·			

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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common S		Paid-In	Additional Deferred	Stock	Common Accumulated	
Sha Common stock issued for consulting services previously accrued in		Amount	Capital	Compensation		Deficit	Total
November 2007	30,000	30	32,970	-	(33,000) -	-
Common stock issued for finders fee previously accrued in November 2007	100,000	100	119,90	00 -	(120,000) -	_
Value of warrants issued pursuant to convertible debt agreement in January 2008		<u>-</u>	226,75	54 -	-	-	226,754
Adjustment to value of warrants, previously issued in January 2008, due to decrease of exercise price		_	60,092	<u>-</u>	-	-	60,092
Value of options issued to advisory board in March 2008		-	3,729	_	-	-	3,729
Value of options issued to employee in January 2007		-	5,428	-	-	-	5,428
Value of options issued to consultants in July 2007		-	6,994	-	-	-	6,994
Common stock issued for March 2008 interest payment at \$0.488 per share	39,500	39	19,237		_	-	19,276
Value of options issued to employees in March		-	1,708	-	-	-	1,708

2008						
Value of options issued to a Director in March 2008	-	19,625	-	-	-	19,625
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common Stoc	k I	Paid-In	Additional Deferred	Stock	Common Accumulated	
S	hares A	mount (Capital	Compensation	Subscribed	Deficit	Total
Common stock issued for June 2008 interest payment at \$0.699 per share in July 2008	1	28	19,698		_	-	19,726
Common stock issued for June 2008 interest payment at \$0.699							
per share in July 2008	32,822	3	1,969	-	-	-	1,972
Common stock issued for interest payment at \$0.33032 per share in August 2008		96	31,557	-	_	-	31,653
-							
Common stock issued for interest payment at \$0.33032 per share in August 2008		2	734	-	_	_	736
Common stock issued for interest payment at \$0.33032 per share in August 2008		125	41,097	-	-	_	41,222
m ragast 2000	12 1,7 / 1	120	11,007				11,222
Common stock issued for pre-payment of interest payment at \$0.33032 per share in August 2008		163	53,587	-	-	-	53,750
Common stock issued for pre-payment of interest payment at \$0.33032 per share in			1016				4.440
August 2008	3,785	4	1,246	-	-	-	1,250
Common stock issued for pre-payment of interest payment at \$0.33032 per share in		212	69,788	-	-	-	70,000

	`							
August 2008								
Common stock issued pursuant to the exercise of warrants at \$0.375 per share in	l							
June and July 2008	30,000	30	11,220		-	-	-	11,250
Common stock issued for rounding due to reverse stock split in August 2008	d 126	1	(1)	-	-	-	-
Common stock subscribed pursuant to agreement for capital raise in August 2008		_	_			250,000		250,000
						250,000		250,000
Value of warrants issued pursuant to convertible debt agreement in August								
2008		-	286,846		-	-	-	286,846
Value of warrants issued pursuant to convertible debt agreement in August 2008			427 <i>4</i> 29					427 4 29
2008		-	427,628		-	-	-	427,628
Value of warrants issued pursuant to convertible debt agreement in August 2008		_	9,946		_	_	_	9,946
			<i>)</i> , <i>)</i> 10					<i>y</i> , <i>y</i> 10
Value of warrants issued pursuant to convertible debt agreement in August								
2008		-	556,949		-	-	-	556,949
Value of options issued to directors in November 2008		-	52,284		-	-	-	52,284
Loss for the year ended December 31,							(- 0	
2008	-	-	-		-	-	(5,807,353)	(5,807,353)

Balance at December 31,							
2008	12,264,191	12,265	20,066,317	-	250,000	(24,556,491)	(4,227,909)
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IR BioSciences Holding, Inc. and Subsidiary (A Development Stage Company) Consolidated Statement of Stockholders' Deficit From date of inception (October 30, 2002) to December 31, 2009

	Common Stoo	ck	Paid-In	Additional Deferred	Stock	Common Accumulated	
Cumulative effect of change in accounting principle- January 1, 2009 reclassification of embedded feature of equity-linked financial instrument		Amount	Capital	Compensation	Subscribed	Deficit	Total
to derivative liability	1	-	(1,856,57	76) -	-	3,259,335	1,402,759
Common stock issued pursuant to agreement for capita raise previously accrued in August 2008 at \$0.30 per share	833,334	833	249,167	-	(250,000)	_	-
Common stock issued for consulting services performed from June to August 2009 at \$0.19 per share		200	37,800	-	-	_	38,000
Common stock issued for consulting services performed in September 2009 a \$0.36 per share		44	15,956	-	-	_	16,000
Common stock issued for consulting services performed in October 2009 at \$0.36 per share	44,444	44	15,956	_	_	_	16,000
Common stock issued for consulting services performed in November 2009 a \$0.23 per share		44	10,178	-	-	-	10,222

Common stock issued for consulting services performed in November 2009 at							
	00,000	200	69,800	-	-	-	70,000
Common stock to be issued for consulting services performed in December 2009 at \$0.23 per share		-	-	-	10,222	-	10,222
Value of options issued to employees in March 2008	-	-	244	-	-	_	244
Value of options issued to advisory board in Aug 2009		-	4,045	-	-	_	4,045
Value of options issued to consultants in Aug 2009	-	-	3,646	-	-	_	3,646
Value of options issued to employees in Aug 2009		_	6,250	-	_	_	6,250
Value of options issued to Officers and Directors in Aug 2009		-	94,792	-	-	-	94,792
Loss for the year ended December 31, 2009	-	-	-	-	-	(6,462,817)	(6,462,817)
Balance at December 31, 2009	13,630,857	\$13,630	\$18,717,575	\$-	\$10,222	\$(27,759,973)	\$(9,018,546)

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IR BioSciences Holdings, Inc. and Subsidiary
(A Development Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008,
And For the Period of Inception (October 30, 2002) to December 31, 2009

	For the Year Ended December 31,	For the Year Ended December 3		Cumulative from Inception (October 30, 2002) to	
	2009	2008		December 31, 2009	
Cash flows from operating activities:	2007	2000		2007	
Net loss	\$ (6,462,817	7) \$ (5,807,3	353)	\$ (27,759,973)	
Adjustments to reconcile net loss to net					
cash used in operating activities:					
Non-cash compensation	269,421	339,768	ć	7,417,548	
Cost of penalty for late registration of shares - stock portion	-	-		1,631,726	
Cost of penalty for late registration of shares - warrant					
portion	-	-		560,434	
Change in fair value of derivative liability	1,048,329	-		(3,662,622)	
Legal fees for note payable	-	-		20,125	
Placement fees for note payable	-	-		65,000	
Impairment of intangible asset	-	-		6,393	
Interest expense	800,000	418,473	,	1,374,880	
Amortization of discount on notes payable	1,079,069	218,280)	2,617,644	
Redemption Option Liability	300,000	-		300,000	
Depreciation and amortization	13,650	16,572		82,737	
Changes in operating assets and liabilities:					
Increase in deposits	(315) -		(5,183)	
Decrease in prepaid services and other assets	153,672	114,448	,	224,144	
Increase/(Decrease) in accounts payable and accrued expenses	(77,426) (69,683)	1,031,254	
Net cash used in operating activities	(2,876,417	7) (4,769,4	195)	(16,095,893)	
Cash flows from investing activities:					
Acquisition of property and equipment	(1,500) (19,648)	(86,577)	
Net cash used in investing activities	(1,500) (19,648)	(86,577)	
Cash flows from financing activities:					
Proceeds from notes payable	-	7,715,0)()	9,668,375	
Principal payments on notes payable and demand loans	-	-		(1,094,747)	
Shares of stock sold for cash	-	-		7,873,451	
Proceeds from exercise of warrant	-	11,250		15,700	
Officer repayment of amounts paid on his behalf	-	-		19,880	
Cash paid on behalf of officer	-	-		(19,880)	
N.A. and a serial data Consult of the		7.706.0	50	16 460 770	
Net cash provided by financing activities	-	7,726,2	50	16,462,779	

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Net increase (decrease) in cash and cash equivalents	(2,877,917)	2,937,107	280,309
Cash and assh againslants at haginning of posied	2 150 226	221 120	
Cash and cash equivalents at beginning of period	3,158,226	221,120	-
Cash and cash equivalents at end of period	\$ 280,309	\$ 3,158,227	\$ 280,309

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IR BioSciences Holdings, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Statements of Cash Flows for the year ended
December 31, 2008 and 2007, and for the period
of Inception (October 20, 2002) to December 31, 2008
(continued)

Supplemental disclosures of cash flow information:

Cash paid during the period for:							
Interest	\$-	\$40,998	\$127,051				
Taxes	\$-	\$-	\$8,115				
Common stock issued in exchange for proprietary rights	\$-	\$-	\$9,250				
Common stock issued in exchange for previously incurred debt and							
accrued interest	\$-	\$-	\$1,066,401				
Debt and accrued interest forgiveness from note holders	\$-	\$-	\$36,785				
Stock issued as commission for equity fundraising	\$-	\$-	\$125,483				

The accompanying notes are an integral part of these consolidated financial statements.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Nature of Business

IR BioSciences Holdings, Inc. (the "Company," "we," or "us") formerly GPN Network, Inc. ("GPN") is currently a development stage company as set forth in Accounting Standard Codification (ASC). The Company, which was incorporated under the laws of the State of Delaware on October 30, 2002, is a development-stage biopharmaceutical company. Through our wholly-owned subsidiary, ImmuneRegen BioSciences, Inc., the Company is engaged in the research and development of potential drugs. The Company's goal is to develop therapeutics to be used for the protection of the body from exposure to harmful agents such as toxic chemicals and radiation, as well as, biological agents, including influenza and anthrax. The Company's research and development efforts are at a very early stage and Radilex and Viprovex, the Company's potential drug candidates, have only undergone pre-clinical testing in mice. From its inception through the date of these financial statements, the Company has recognized no revenues and has incurred significant operating expenses.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ImmuneRegen BioSciences, Inc. Significant inter-company transactions have been eliminated in consolidation.

In July 2003, the Company effected a 1-for-20 reverse stock split of its common stock. In April 2004, the Company effected a 2-for-1 forward split of its common stock. On July 10, 2008, the Company effected a 1-for-10 reverse stock split of its common stock and simultaneously reduced its total authorized shares of common stock to 100,000,000. Par value remained unchanged as a result of the July 2008 stock split and reduction of authorized shares. Accordingly, the effect of the reverse-split has been presented in the accompanying consolidated financial statement and footnote disclosures.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying consolidated financial statements, the Company has incurred a net loss of \$27,759,973 from its inception (October 30, 2002) through December 31, 2009. The Company incurred a net loss of \$6,462,817 and \$5,807,353 from operations during the years ended December 31, 2009 and 2008, respectively. At December 31, 2009, the Company had current assets of \$348,656 consisting of cash and cash equivalents of \$280,309, and prepaid assets and other current assets of \$68,347. Also, at December 31, 2009, we had current liabilities of \$3,085,501 consisting of accounts payable and accrued liabilities of \$785,501, notes payable of \$2,000,000, and redemption option liability of \$300,000. This resulted in working capital deficit of \$2,736,845. This among other factors may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

In order to address our capital requirements, we intend to seek to raise additional cash for working capital purposes through the public or private sales of debt or equity securities, the procurement of advances on contracts or licenses,

funding from joint-venture or strategic partners, debt financing or short-term loans, or a combination of the foregoing. We may also seek to satisfy indebtedness without any cash outlay through the private issuance of debt or equity securities. There can be no assurance the Company will be successful in its effort to secure additional equity financing.

If operations and cash flows continue to improve through these efforts, management believes that the Company can continue to operate. However, no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems.

The accompanying consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Reclassification

Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications had no effect on reported losses.

Stock based compensation

The Company accounts for our stock based awards in accordance with Accounting Standards Codification subtopic 718-10, Compensation ("ASC 718-10")., which requires a fair value measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors, including employee stock options and restricted stock awards.

The Company estimates the fair value of stock options granted using the Black-Scholes valuation model. This model requires us to make estimates and assumptions including, among other things, estimates regarding the length of time an employee will retain vested stock options before exercising them, the estimated volatility of our common stock price and the number of options that will be forfeited prior to vesting. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Changes in these estimates and assumptions can materially affect the determination of the fair value of stock-based compensation and consequently, the related amount recognized in our consolidated statements of operations.

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Long-lived Assets

Intangible and long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset.

Net Loss Per Common Share

Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the year. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible notes and the exercise of the Company's stock options and warrants (calculated using the treasury stock method). During 2009 and 2008, common stock equivalents were not considered in the calculation of the weighted average number of common shares outstanding because they would be anti-dilutive, thereby decreasing the net loss per common share.

Research and Development

Research and development costs are charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are recognized when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. Total expenditures on research and product development for the years 2009, and 2008 and the period from October 30, 2002 (date of inception) to December 31, 2009 were \$558,923, \$1,291,710, and \$3,418,819 respectively.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and related party receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Company periodically reviews its trade receivables in determining its allowance for doubtful accounts.

There is no allowance for doubtful accounts established as of December 31, 2009.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Prepaid services and other current assets

Prepaid services and other current assets at December 31, 2009 and December 31, 2008 consist of the following:

	December		December	
	3	1, 2009	3	1, 2008
Prepaid monitoring fees	\$	15,625	\$	140,625
Prepaid insurance		46,472		44,929
Prepaid services		-		22,834
Prepaid car lease		-		11,865
Prepaid software		6,250		-
Salary advance		-		1,765
Total prepaid services				
and other current assets	\$	68,347	\$	222,018

Deposits and other assets

The balance consists of a deposit on leased office space in the amount of \$7,693 and \$7,378 as of December 31, 2009 and December 31, 2008, respectively.

Advertising

The Company follows the policy of charging the costs of advertising to expenses incurred. The Company did not incur any advertising costs during the years ended December 31, 2009 and December 31, 2008.

Fair Value of Financial Instruments

In April 2009, the Company adopted new accounting guidance for our interim period ended June 30, 2009 which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements.

Our short-term financial instruments, including cash, accounts payable and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, reasonably approximate their book value. The fair value of long term convertible notes is based on management estimates and reasonably approximates their book value after comparison to obligations with similar interest rates and maturities.

The fair value of the Company's derivative instruments is determined using option pricing models.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Fair Value Measurements

Effective January 1, 2008, the Company adopted new accounting guidance pursuant to ASC 820 which established a framework for measuring fair value and expands disclosure about fair value measurements. The Company did not elect fair value accounting for any assets and liabilities allowed by previous guidance. Effective January 1, 2009, the Company adopted the provisions accounting guidance that relate to non-financial assets and liabilities that are not required or permitted to be recognized or disclosed at fair value on a recurring basis. Effective April 1, 2009, the Company adopted new accounting guidance which provides additional guidance for estimating fair value in accordance with ASC 820, when the volume and level of activity for the asset or liability have significantly decreased. The adoptions of the provisions of ASC 820 did not have a material impact on our financial position or results of operations.

Change in Accounting Principle

In June 2008, the FASB issued new accounting guidance which requires entities to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock by assessing the instrument's contingent exercise provisions and settlement provisions. Instruments not indexed to their own stock fail to meet the scope exception of ASC 815 and should be classified as a liability and marked-to-market. The statement is effective for fiscal years beginning after December 15, 2008 and is to be applied to outstanding instruments upon adoption with the cumulative effect of the change in accounting principle recognized as an adjustment to the opening balance of retained earnings. The Company has assessed its outstanding equity-linked financial instruments and has concluded that effective January 1, 2009, certain convertible debentures and warrants agreements should reclassified from equity to a liability. The cumulative effect of the change in accounting principle on January 1, 2009 is an increase in our derivative liability related to the fair value of the conversion features and warrants was \$1,402,759, a decrease in additional paid-in capital of \$1,856,576, based on the fair value at date of issue, and a \$3,259,335 increase to the deficit accumulated during development stage to reflect the change in fair value of the derivative liability from date of issue to January 1, 2009.

Recent Accounting Pronouncements

Accounting Standards Codification and GAAP Hierarchy — Effective for interim and annual periods ending after September 15, 2009, the Accounting Standards Codification and related disclosure requirements issued by the FASB became the single official source of authoritative, nongovernmental GAAP. The ASC simplifies GAAP, without change, by consolidating the numerous, predecessor accounting standards and requirements into logically organized topics. All other literature not included in the ASC is non-authoritative. We adopted the ASC as of September 30, 2009, which did not have any impact on our results of operations, financial condition or cash flows as it does not represent new accounting literature or requirements. All references to pre-codified U.S. GAAP have been removed from this Form 10-K.

Subsequent Events — Effective for interim and annual periods ending after June 15, 2009, GAAP established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The new requirements do not change the accounting for subsequent events; however, they do require disclosure, on a prospective basis, of the date an entity has evaluated subsequent events. We adopted these new requirements as of December 31, 2009, which had no impact on our results of

operations, financial condition or cash flows.

Transfers and Servicing – Effective for interim and annual periods beginning after November 15, 2009, GAAP eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosures. We are currently assessing the future impact these new standards will have on our results of operations, financial position or cash flows.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Furniture and Equipment

Furniture and equipment are valued at cost. Depreciation and amortization are provided over the estimated useful lives up to seven years using the straight-line method. The estimated service lives of property and equipment are as follows:

Computer	
equipment	3 years
Laboratory	
equipment	3 years
Website	5 years
Furniture	7 years

The Company's property and equipment at December 31, 2009 and December 31, 2008 consists of the following:

	December		December	
	31, 2009		3	1, 2008
Office Equipment	\$	49,909	\$	49,909
Office Fixtures and				
Furniture		30,568		30,568
Website		28,600		27,100
Licensed Proprietary				
Rights		9,250		9,250
		118,327		116,827
Accumulated				
Depreciation and				
Amortization		(89,130)		(75,480)
	\$	29,197	\$	41,347

Depreciation and amortization expense for the years ended December 31, 2009 and 2008 was \$13,650 and \$16,572, respectively. The amount depreciated from the date of inception (October 30, 2002) through December 31, 2009 was \$82,737.

NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at December 31, 2009 and December 31, 2008 are as follows:

December December 31, 2009 31, 2008

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Accounts payable and		
accrued liabilities	\$ 716,029	\$ 776,319
Accounts payable -		
Pre-merger	34,926	34,926
Interest payable	3,215	3,215
Credit cards	28,131	45,266
State income tax payable	3,200	3,200
	\$ 785,501	\$ 862,926

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

NOTE 4 - NOTES PAYABLE

Note Issued To YA Global Investments, L.P. For Accrued Interest

On September 30, 2008, per the terms of the amended Securities Purchase Agreement with YA Global Investments, L.P., the Company issued a 0% interest convertible debenture with a five year term of exercise and a minimum conversion price of \$0.57 per share as payment of \$70,424 in interest accrued during the three months ended September 30, 2008, net of a credit of \$1,536 to adjust interest payments that were made through June 30, 2008.

On December 31, 2008, per the terms of the amended Securities Purchase Agreement with YA Global, the Company issued a 0% interest convertible debenture with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of \$75,000 in interest accrued during the three months ended December 31, 2008.

On March 31, 2009, per the terms of the amended Securities Purchase Agreement with YA Global Investments, L.P., the Company issued two 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$75,000 in interest accrued during the three months ended March 31, 2009.

On June 30, 2009, per the terms of the amended Securities Purchase Agreement with YA Global, the Company issued two 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$75,000 in interest accrued during the three months ended June 30, 2009.

On September 30, 2009, per the terms of the amended Securities Purchase Agreement with YA Global, the Company issued two 0% interest convertible debentures with a five year term of exercise and a conversion price of \$0.34 per share, subject to adjustment, as payment of an aggregate of \$75,000 in interest accrued during the three months ended September 30, 2009.

On December 31, 2009, per the terms of the amended Securities Purchase Agreement with YA Global, the Company issued two 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$75,000 in interest accrued during the three months ended December 31, 2009.

Note Issued To Funds Managed by Brencourt Advisors, LLC For Accrued Interest

On December 31, 2008, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued three 0% interest convertible debenture with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$125,000 in interest accrued during the three months ended December 31, 2008.

On March 31, 2009, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$125,000 in interest accrued during the three months ended March 31, 2009.

On June 30, 2009, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$125,000 in interest accrued during the three months ended June 30, 2009.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

On September 30, 2009, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a conversion price of \$0.34 per share, subject to adjustment, as payment of an aggregate of \$125,000 in interest accrued during the three months ended September 30, 2009.

On December 31, 2009, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$125,000 in interest accrued during the three months ended December 31, 2009.

Restructure With Regard to Debentures Held by YA Global Investments, L.P.

On July 18, 2008 YA Global Investments, L.P. agreed to waive application of the provisions of debentures it holds pursuant to the amendment to the Company's Certificate of Incorporation. Further, the Company has agreed to increase the share reserve as defined in the debenture. In addition, the Company and YA Global have agreed to amend the debentures to reduce the conversion price of the debenture from \$2.00 to \$1.50.

Waiver and Amendment of YA Global Investments, L.P. Debentures and Warrants and Issuance of Additional Warrants

The Company previously issued to YA Global a Secured Convertible Debenture dated January 3, 2008 in the principal sum of \$2 million and a Secured Convertible Debenture dated June 12, 2008 in the principal sum of \$1 million (collectively, the "YA Convertible Debentures") pursuant to a Securities Purchase Agreement dated January 3, 2008 (the "YA Agreement"). The YA Convertible Debentures are convertible into shares of the Company's Common Stock (the "YA Conversion Shares"). Pursuant to the YA Agreement, the Company also issued to YA Global warrants (the "YA Warrants") to purchase 7,500,000 shares of Common Stock (the "YA Warrant Shares"). On August 8, 2008, in consideration for YA Global's consent to the Company conducting and closing the Financing, the Company and YA Global agreed to amend the YA Convertible Debentures to increase the annual interest rate from 8% to 10% and adjust the Conversion Price to \$1.50 (the "Amended Debentures"). Additionally, under the Amended Debentures, YA Global may elect on or after December 31, 2009 to have the Company redeem up to \$1.5 million of the YA Global Debentures as well as the payment of a redemption premium of 20% of the principal amount redeemed. The Company may also pay the interest on the Amended Debentures, at the Company's option, in cash, 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share, or, subject to the satisfaction of certain specified equity conditions, in shares of the Company's Common Stock. All overdue accrued and unpaid interest to be paid on the Amended Debentures shall be subject to a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law that accrues daily until all overdue amounts are paid in full.

In addition, the Company and YA Global agreed to amend the YA Warrants to adjust the exercise price of the warrants to \$2.00 (the "YA Warrant Amendment") and to reduce the YA Warrant Shares to 750,000 pursuant to the terms of the YA Warrants as a result of the Company's 1 for 10 reverse stock split. The Company also agreed to issue to YA Global additional warrants to purchase an additional 750,000 shares of Common Stock on or before December 31, 2012 (the "Expiration Date") at an exercise price of \$2.00, subject to adjustment (the "YA Additional Warrants"). Holders of the YA Additional Warrants are limited in their right to exercise the YA Additional Warrants

if, upon giving effect to such exercise, it would cause the aggregate number of shares of Common Stock beneficially owned by the holder and its affiliates to exceed 9.99% of the outstanding shares of the Common Stock following such exercise, except within 60 days of the Expiration Date. The YA Additional Warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Purchase Agreement with Funds Managed by Brencourt Advisors, LLC

On August 8, 2008, the Company entered into a Securities Purchase Agreement with certain funds for which Brencourt Advisors, LLC is the investment manager (the "Buyers"), pursuant to which the Buyers agreed to purchase from the Company (i) up to \$5 million of 10% subordinated secured convertible debentures (the "Convertible Debentures"), which shall be convertible into shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") and (ii) warrants to acquire up to 2,500,000 additional shares of Common Stock (the "Warrants") (the "Financing"). The Warrants are exercisable after the six month and one day anniversary from the date of issuance and have a term of exercise equal to five years.

The closing of the Financing occurred on August 8, 2008, at which time the Company sold to the Buyers \$5 million of the Convertible Debentures and the Warrants. Obligations under the Convertible Debentures are guaranteed by ImmuneRegen BioSciences, Inc., the Company's wholly-owned subsidiary (the "Guarantor"). The Company's obligations under the Convertible Debentures are secured by (i) all of the assets and property of the Guarantor pursuant to a Security Agreement by and between the Company and the Guarantor in favor of the Buyers; and (ii) by Patent Collateral of the Company and the Guarantor in accordance with a Patent Security Agreement by and among the Company, the Buyers and the Guarantor. The security interests granted to the Buyers are subject to and subordinated to the senior security interests granted by the Company and Guarantor to YA Global Investments,

L.P. Notwithstanding the subordinated security interests granted to the Buyers, the Company is permitted to pay and the Buyers may receive any regularly scheduled payment of principal, interest, liquidated damages, buy-in compensation or other amounts due and payable on the Financing.

The Convertible Debentures mature on August 8, 2013, unless extended by the holders, and accrue interest at the rate of 10% per annum. Interest is payable in cash quarterly on the last day of each calendar quarter beginning on September 30, 2008, or at the Company's option (i) if "Equity Conditions" (as defined in the Convertible Debentures) are satisfied, it may be paid by the issuance of Common Stock or (ii) by issuance of a 0% interest convertible debenture with a five year term of exercise and a minimum conversion price of \$0.30 per share. The Company was required to prepay interest for the first and last quarters of the term of the Convertible Debentures. The prepaid interest was paid by the issuance of an aggregate of 378,421 shares of common stock to note holders for prepayment of interest in the amount of \$125,000 for the last quarter of the term and allocated against the debt discount. This will be amortized over the term of the note. The Convertible Debentures are convertible at any time at the option of the holders into shares of the Company's Common Stock at a price equal to \$1.55 per share.

At any time after the six-month anniversary of the issuance of the Convertible Debentures, the Company may redeem a portion or all amounts outstanding under the Convertible Debentures prior to August 8, 2013 provided that certain conditions to redemption have been satisfied. The Company may force a conversion of the Convertible Debentures into Common Stock, provided that specified conditions have been satisfied. Holders of the Convertible Debentures are subject to limitations on their right to convert the Convertible Debentures, or receive shares of Common Stock as payment of interest, if after giving effect to such conversion or receipt of shares, the holder would be deemed to beneficially own more than 9.98% of the Company's then outstanding Common Stock. Upon the occurrence of certain events of default defined in the Convertible Debentures, including the Company's failure to pay the holder any amount of principal, interest, or other amounts when due, the full principal amount of the Convertible Debentures, together with interest and other amounts due, become immediately due and payable in cash at the "Mandatory Default Amount" as defined in the Convertible Debentures.

In the event the Company effects any "Fundamental Transaction" as defined in the Convertible Debentures, including a merger or consolidation of the Company, completion of a tender offer or exchange offer, or sale of substantially all of its assets, the holder has the right to receive, upon any subsequent conversion of the Convertible Debentures, the same kind and amount of securities, cash and/or property that the holder would have been entitled to receive upon the occurrence of the Fundamental Transaction if it held one share of Common Stock for each conversion share of Common Stock (the "Alternate Consideration"). In addition, any successor to the Company or surviving entity shall issue to the holder a convertible debenture with a principal amount equal to the Convertible Debentures then held by the holder, plus all accrued and unpaid interest and other amounts, and with the same terms and conditions as the Convertible Debentures including the right to convert into the Alternate Consideration.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

The Warrants have an exercise price, subject to adjustments, of \$2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The Warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the Warrants. To the extent not previously exercised, the Warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the Warrants are subject to limitations on their right to exercise the Warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding Common Stock.

If, at anytime beginning from the 6 month anniversary date of the Purchase Agreement, the Company fails to satisfy the current public information requirements under Rule 144, the Company is required to pay to the Buyers an amount in cash equal to 2% of the aggregate subscription amount of the Buyers' securities on the day of such failure and on every 30th day, bearing interest at the rate of 1.5% per month, until it is cured or such information is not required. Subject to any prior rights granted to YA Global Investments, L.P., the Buyers have a right to participate in up to an amount equal to 50% of any subsequent financing that involves the issuance of the Company's capital stock or indebtedness for so long as the Convertible Debentures are outstanding. The Buyers also have registration rights in that it may include the shares issued and issuable pursuant to the Convertible Debentures and Warrants in certain registration statements filed by the Company.

As of December 31, 2009 and December 31, 2008 notes payable consist of:

	December 31,2009	December 31,2008
YA Global Investments,	,	,
L.P. Debentures	\$ 3,000,000	\$ 3,000,000
Note Issued To YA		
Global Investments, L.P.		
For Accrued Interest	443,889	143,889
Brencourt Advisors, LLC		
Debentures	5,000,000	5,000,000
Note Issued To		
Brencourt Advisors, LLC		
For Accrued Interest	625,000	125,000
Less: Debt discount	(3,006,497)	(1,474,937)
Total note payable	6,062,392	6,793,952
Less: current portion of		
notes payable	2,000,000	1,500,000
Total long term portion		
of notes payable	4,062,392	5,293,952

Aggregate maturities of long-term debt as of December 31, 2009 are as follows:

For the twelve months ended
December 31,
2010
Amount
2,000,000

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2011		1,000,000
2012		-
2013		5,145,424
2014 and beyond		923,465
	¢	9,068,889

Note 5 – Derivative Liability

In accordance with Accounting for Derivative Instruments and Hedging mandates a two-step process for evaluating whether an equity-linked financial instrument or embedded feature is indexed to the entity's own stock. The Company has entered into certain debenture and warrant agreements which contain a strike price adjustment feature resulted in the instruments no longer being considered indexed to the Company's own stock. Accordingly, Accounting for Derivative Instruments and Hedging changed the current classification (from equity to liability) and the related accounting for these warrants outstanding as of January 1, 2009.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In accordance with Accounting for Derivative Instruments and Hedging, a derivative liability of \$2,256,200 related to the debenture conversion feature and warrants is included in our consolidated balance sheet as of December 31, 2009. During the year ended December 31, 2009, we recorded a loss of \$1,048,329 related to the change in fair value of the debenture conversion feature and warrants.

In accordance to the Accounting for Derivative Instruments and Hedging, the Company is required to disclose the fair value measurements required by Accounting for Fair Value Measurements. The other liabilities recorded at fair value in the balance sheet as of December 31, 2009 are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by Fair Value Measurements are directly related to the amount of subjectivity associated with the inputs to fair valuation of these liabilities are as follows:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 —Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 —Unobservable inputs, for which little or no market data exist, therefore requiring an entity to develop its own assumptions.

The following table summarizes the financial liabilities measured at fair value on a recurring basis as of December 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1		Level	2	Level 3	Liabilities fair value
Derivative						
liability		-		-	2,256,200	2,256,200
Total	\$	_	\$	-	\$ 2,256,200	\$ 2,256,200

In accordance with Accounting for Derivative Instruments and Hedging, we calculated the fair value of the debenture conversion features and warrants using the Black–Scholes–Merton valuation model.

The assumptions used in the Black-Scholes-Merton valuation model were as follows:

	January 1,	December
	2009	31, 2009
Expected volatility	189.77 %	321.09 %
Expected life (years)	4.40-5.51	2.97-5.00
Risk free interest rate	1.13 %	1.38 %
Forfeiture rate	-	-
Dividend rate	-	-

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

NOTE 6 - CAPITAL STOCK

Common stock

The Company is authorized to issue 10,000,000 shares of preferred stock, par value \$0.001 per share. No shares of preferred stock have been issued as of December 31, 2009. The Company has authorized 100,000,000 shares of common stock, with a par value of \$.001 per share.

In July 2003, a 1 for 20 reverse stock split of the Company's common stock was effected. On April 6, 2004, the Company effected a 2 for 1 forward split of its common stock. Total authorized shares and par value remain unchanged. Accordingly, the effect of the reverse and subsequent forward split has been presented in the accompanying financial statement and footnote disclosures. On June 28, 2006, our shareholders voted to approve an amendment to our Certificate of Incorporation, as amended, to increase the number of authorized shares of common stock from 100,000,000 to 250,000,000. On June 27, 2008, our shareholders voted to approve an amendment to our Certificate of Incorporation, as amended, to increase the number of authorized shares of common stock from 250,000,000 to 450,000,000. On July 10, 2008, the Company effected a 1-for-10 reverse stock split of its common stock and simultaneously reduced its authorized shares of common stock to 100,000,000; par value remained unchanged. Accordingly, the effect of the reverse-split has been presented in the accompanying financial statement and footnote disclosures with a retroactive adjustment to earlier periods presented.

As of December 31, 2009, the Company has 13,630,857 shares of common stock issued and outstanding.

During the year ended December 31, 2002, the Company issued an aggregate of 145,919 shares of common stock to employees and consultants for services in the amount of \$9,782. All valuations of common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. In addition, the Company issued 1,661,228 shares of common stock to its founders in exchange for a proprietary license charged to operations, valued at \$9,250. The Company also issued an aggregate of 18,558 shares of common stock (post-split) in exchange for \$31,001, net of costs and fees.

During the year ended December 31, 2003, the Company issued an aggregate of 26,759 shares of common stock to consultants for services in the amount of \$37,280. All valuations of common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. In addition, the Company issued 215,510 shares of common stock in exchange for \$300,000 of previously incurred debt. The Company also issued an aggregate of 38,343 shares of common stock (post-split) in exchange for \$65,000 net of costs and fees. In July, 2003, the Company issued 236,813 in connection with the Company's acquisition and merger with GPN Network, Inc. (see Note 1.)

During the year ended December 31, 2004, the Company issued an aggregate of 548,128 shares of common stock to consultants for services in the amount of \$2,877,872. All valuations of common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. In addition, the Company issued 30,000 shares of common stock as with a fair value of \$36,000 as interest on a note payable. In addition, in conjunction with a private placement of stock (see below), the Company issued 685,506 shares of common stock in exchange for \$630,591 of previously

incurred debt and accrued interest. In addition, the Company issued 59,000 shares of common stock in exchange for \$65,000 of previously issued debt. Total debt exchanged for stock during the year ended December 31, 2004 was \$695,591 of debt and interest for 774,506 shares of common stock. The Company also sold an aggregate of 1,816,000 shares of common stock in exchange for \$1,971,045 cash, net of costs and fees. The Company also sold 800 shares of common stock for \$1,200. The Company also issued an aggregate of 490,000 shares of common stock to its investment bankers as fees. The Company also issued 125,775 shares of common stock in settlement of \$157,219 of accounts payable. In addition, the Company issued an aggregate 144,000 shares of common stock to an officer and a director in satisfaction \$180,000 of liabilities.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

During the year ended December 31, 2005, the Company issued 10,000 shares of common stock to a consultant for services in the amount of \$10,000. All valuations of common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. In addition, the Company issued 23,215 shares of common stock as with a fair value of \$65,003 in exchange for previously issued debt and accrued interest. In addition, 660,078 shares of common stock were sold for cash of \$1,390,856 net of costs pursuant to a tender offer to certain of the Company's warrant holders whereby the exercise price of the warrants was temporarily reduced. The Company also issued 8,000 shares of common stock for cash of \$4,000 pursuant to the exercise of a warrant at a price of \$0.50 per share.

During the year ended December 31, 2006, the Company issued 10,000 shares of common stock to its Chief Financial Officer with a fair value of \$41,416, which was previously accrued. The Company also issued 3,446 shares of S-8 common stock at \$1.25 per share to a consultant for services provided for business development. In addition, the Company issued 1,929 shares of common stock at \$1.25 per share to an investor for the conversion of accrued interest. The Company issued 1,632 shares of common stock at \$1.25 per share to an investor for the conversion of accrued interest. The Company issued 1,345 shares of common stock at \$1.00 per share to an investor for the conversion of accrued interest. The Company issued 500 shares of common stock at \$0.90 per share for the exercise of warrants by an investor. The Company issued 415,080 shares of common stock for the penalty for late registration of shares, which were previously accrued.

During the year ended December 31, 2007, the Company issued 584,260 shares of common stock as commission for the Company's equity financing. In addition, the Company issued 29,804 shares of common stock to a consultant for services in the amount of \$44,706 which were incurred during the year ended December 31, 2006. All valuations for common stock issued for services were based upon the value of the services rendered, which did not differ materially from the fair value of the Company's common stock during the period the services were rendered. In addition, the Company issued 29,804 shares of common stock at a price of \$1.50 per share to an employee in satisfaction on a liability previously accrued. The Company also issued 40,000 shares of common stock at a price of \$1.55 per share to a consultant for services to be performed through June 2007. In addition, the Company issued 10,000 shares of common stock at a price of \$1.50 per share to a consultant for services to be performed through March 2007.

During the year ended December 31, 2008, the Company issued 293,389 shares of common stock as payment for accrued interest of \$114,585. In addition, the Company issued 378,422 shares of common stock for pre-payment of \$125,000 of interest. The Company issued 30,000 shares to a consultant for services at \$1.10 per share. The company issued 100,000 shares of common stock, valued at \$120,000, as a finders fee. The Company also issued 30,000 shares for the exercise of warrants at \$0.375. Due to the rounding of shares from the 1-for-10 reverse stock split, the Company issued 126 common shares.

In January 2009, the Company issued 833,334 shares of common stock valued at \$250,000 to Michael K. Wilhelm, the Company's President and Chief Executive Officer, as a target incentive bonus for the consummation of a debt financing with an unaffiliated third party in August 2008.

On June 1, 2009, the Company agreed to issue 200,000 shares of common stock with a fair value of \$38,000 to a consultant, 66,666 shares per month beginning June 30, 2009 for services to be rendered June 1, 2009 through August 31, 2009. Per the terms of the agreement, the contract may be extended on a month-to-month basis by mutual agreement for 44,444 shares per month. In August 2009, 133,332 shares were issued for services rendered and an

additional 66,668, which includes two shares issued for rounding, shares were issued in September 2009. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

In October 2009, the parties agreed to extend the term of the agreement by two months; therefore, the Company is to issue an additional 88,888 shares of common stock with a fair value of \$32,000 to the consultant for services rendered from September 1, 2009 to October 31, 2009. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan in October and December 2009.

In December 2009, the parties agreed to extend the term of the agreement by three months; therefore, the Company is to issue an additional 133,332 shares of common stock to the consultant for services rendered November 1, 2009 to January 31, 2010. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan. In December 44,444 of these shares were issued for services performed in November 2009 with a fair value of \$10,222. As of December 31, 2009, 44,444 shares have not been issued and the fair value of these shares of \$10,222 has been recorded as common stock subscribed at December 31, 2009.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In December 2009, 200,000 shares of common stock with a fair value of \$70,000 were issued to the consultant for additional services outside the scope of the original contract rendered in December 2009. The securities were issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

Private Placement of Common Stock

In October 2004, the Company completed a private placement of its common stock (the "Private Placement") whereby the Company sold an aggregate of \$2,450,000 worth of units (each a "Unit" and collectively, the "Units") to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended) (the transaction is referred to herein as the "Private Placement"). The Company received proceeds of \$1,971,845 after costs of the issuance of \$298,155.

Included in the \$2,450,000 sale was conversion of \$180,000 of accrued salary and consulting fees due to an officer and a Director of the Company. The number of shares of common stock issued pursuant to the Private Placement was 1,960,000, along with warrants to purchase an additional 908,000 shares, plus warrants to purchase an additional 72,000 shares issued to the officer and Director. The Company also issued an additional 490,000 shares of common stock to its investment banker as commission. The investment bankers did not acquire any warrants pursuant to this transaction.

Pursuant to the terms of the Private Placement, each Unit was sold for \$10,000 (the "Unit Price") and consisted of the following:

(a) a number of shares (the "Shares") of common stock of the Registrant, par value \$0.001 per share (the "Common Stock"), determined by dividing: (i) the Unit Price by (ii) \$1.25; and

(b) a warrant (each a "Warrant" and collectively, the "Warrants") to purchase, at any time prior to the fifth (5th) anniversary following the date of issuance of the Warrant, a number of shares of Common Stock equal to fifty percent (50%) of the number of Shares included within the Unit, at a price equal to five dollars (\$5.00) per share of Common Stock.

In consideration of the investment, the Company granted to each investor certain registration rights and anti-dilution rights. The Company is obligated to file a registration statement for the shares of common stock issued in the private placement and shares of common stock underlying the warrants issued in the private placement within 30 days of the final closing date of October 26, 2004, or November 25, 2004. The Company is also obligated to effectuate the registration statement within 90 days of the final closing date of October 26, 2004, or January 24, 2005. Failure to meet either of these deadlines results in the Company subject to a penalty of a 2% increase in the number of shares to be registered, or 46,120 shares and warrants to purchase an additional 18,160 shares, for every 30 day period beyond the deadline date. As of the date of the financial statements, the registration statement has not been deemed effective and as a result, the Company has incurred penalties in the amount of \$2,061,683 representing the obligation to issue an additional 524,231 shares of common stock and warrants to purchase an additional 206,419 shares of common stock at a price of \$5.00 per share. The accrued penalties in connection with the issuance of the shares of common stock is included in accounts payable and accrued expenses at December 31, 2005.

In conjunction with raising capital through the private placement of our common stock, the Company issued a warrant that has registration rights for the underlying shares. As the contract must be settled by the delivery of registered

shares and the delivery of the registered shares is not controlled by the Company, pursuant to Accounting Standards Codification ("ASC") 825-20, "Financial Instruments", the net value of the 980,000 warrants and an additional 206,419 penalty warrants at their respective dates of issuance has been recorded as a warrant liability on the balance sheet (\$638,838) and the change in fair value from the date of issuance to December 31, 2005 has been included in other income (expense). The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 79%, (3) risk-free interest rate of 4.5%, and (4) expected life of 5 years. Upon the registration statement being declared effective, the fair value of the warrant on that date will be reclassified to equity.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

For the year ended December 31, 2006 the fair value of the warrants issued with registration rights decreased by approximately \$123,505 to \$182,236 at August 21, 2006 and is recognized in other income (expense). On August 21, 2006, the Company issued the 163,440 warrants to purchase shares of common stock in satisfaction of the penalty due to investors for the late registration of shares.

In October 2004, the Company converted certain notes payable with an aggregate principal amount of \$558,500 plus accrued interest of \$56,757 for a total of \$630,328 into Units with terms identical to those provided to investors in the Private Placement. The number of shares of common stock issued via these note conversions was 669,415 along with warrants to purchase an additional 334,708 shares.

Also in October 2004, the Company entered into settlement agreements with certain creditors whereby for full and complete satisfaction of claims totaling an aggregate of \$157,219 the Company issued Units with terms identical to those provided to investors in the Private Placement. The number of shares of common stock issued via these creditor conversions was 125,775, along with warrants to purchase an additional 62,887 shares.

On January 24, 2005, the Company made a tender offer to certain of the Company's stockholders whereby the exercise price of certain warrants issued in October 2004 (the "Warrants") would be reduced from \$5.00 to \$2.00 per share. In March 2005, 660,078 shares of common stock were sold pursuant to this offer for aggregate proceeds of \$1,320,156 less costs of \$129,300.

In June 2005, the Company issued 8,000 shares of common stock pursuant to the exercise of a warrant at a price of \$0.50 per share.

In July 2005, the Company issued 23,215 shares of common stock at a price of \$2.80 per share pursuant to the conversion of a note payable.

In August 2005, the Company issued 10,000 shares of common stock pursuant to an agreement with a service provider. The fair value of these shares of \$10,000 was amortized over the life of the contract, from July 2004 to July 2005.

In March 2006, the Company issued 10,000 shares of common stock to its Chief Financial Officer for a total compensation of \$41,416. These shares were earned, and accrued during the year ended December 31, 2006.

In May 2006, the Company issued 3,446 shares of S-8 common stock at \$1.25 per share to a consultant for services provided for business development.

In May 2006, the Company issued 1,929 shares of common stock at \$1.25 per share to an investor for the conversion of accrued interest.

In May 2006, the Company issued 1,632 shares of common stock at \$1.25 per share to an investor for the conversion of accrued interest.

In May 2006, the Company issued 1,345 shares of common stock at \$1.00 per share to an investor for the conversion of accrued interest.

In June 2006, the Company issued 500 shares of common stock at \$0.90 per share for the exercise of warrants by an investor.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In August 2006, the Company issued 415,080 shares of common stock for the penalty for late registration of shares, which were previously accrued.

During the fourth quarter of 2006, we completed a private placement, whereby we sold an aggregate of \$5,482,600 worth of units to accredited investors. Each unit was sold for \$25,000 and consisted of (a) a number of shares of our common stock determined by dividing the unit price by \$1.60, and (b) a five-year warrant to purchase a number of shares of our common stock equal to 50% of the number of shares included within the unit, at \$5.00 per share. We issued in the private placement an aggregate of 3,426,625 shares of our common stock and warrants to purchase 1,713,313 shares of our common stock. In consideration of the investment, we granted to each investor certain registration rights and anti-dilution rights. We agreed that not before 180 days after the closing of the private placement and not later than 190 days thereafter, that we will file with the SEC a registration statement to register these shares along with the shares underlying these warrants. In the event that we fail to comply with the filing deadline, there shall be a 1% penalty for each 30 day period (or pro rata portion thereof) paid to each investor in cash or additional shares. This penalty amounts to an aggregate of 34,266 shares and 17,133 warrants per 30 day period until a registration statement that includes these shares and warrants is filed or 12 months. As of December 31, 2006, we are not subject to any penalty. As placement agent for the private placement, Joseph Stevens & Co., Inc. and its designees received 548,260 shares of our common stock upon the closing of the private placement.

The Company has evaluated the Registration Rights Agreement related to the December 2006 private placement, specifically the 1% liquidated damages clause under ASC 825-20 "Financial Instruments" to determine whether the warrants issued with the private placement should be classified as a liability versus equity. According to EITF Issue No. 00-19, paragraph 16 "If a settlement alternative includes a penalty that would be avoided by a company under other settlement alternatives, the uneconomic settlement alternative should be disregarded in classifying the contract. In the case of delivery of unregistered shares, a discount from the value of the corresponding registered shares that is a reasonable estimate of the difference in fair values between registered and unregistered shares (that is, the discount reflects the fair value of the restricted shares determined using commercially reasonable means) is not considered a penalty."

The Company concluded that the 12% cap added to the liquidated damages clause, represents an economically reasonable difference between registered and unregistered shares. As a result, the Company has not classified the fair value of the warrants issued related to the private placement as a liability.

The Company completed the private placement with the following three transactions:

On October 4, 2006, the Company completed the closing of a private placement of its common stock whereby the Company sold an aggregate of \$2,276,500 worth of units to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended). The Company received proceeds of \$1,841,724 after costs of \$434,776. The number of share of common stock issued pursuant to the Private Placement was 1,422,813, along with warrants to purchase an additional 711,406 shares.

On October 26, 2006, the Company completed the closing of a private placement of its common stock whereby the Company sold an aggregate of \$2,697,100 worth of units to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended). The Company received proceeds of \$2,344,020 after costs of \$353,080. The number of share of common stock issued pursuant to the Private Placement was 1,685,688, along with warrants to

purchase an additional 842,844 shares.

On December 6, 2006, the Company completed the closing of a private placement of its common stock whereby the Company sold an aggregate of \$509,000 worth of units to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended). The Company received proceeds of \$427,805 after costs of \$81,195. The number of share of common stock issued pursuant to the Private Placement was 318,125, along with warrants to purchase an additional 159,063 shares.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

- In January 2007, the Company issued 548,260 shares of common stock as commission for the Company's equity financing completed during the year ended December 31, 2006. These shares were shown as common stock subscribed on the Company's balance sheet at December 31, 2006.
- In January 2007, the Company issued 29,804 shares of common stock at a price of \$1.50 per share to an employee in satisfaction of a liability previously accrued.
- In January 2007, the Company issued 40,000 shares of common stock at a price of \$1.55 per share to a consultant for services to be performed through June 2007.
- In January 2007, the Company issued 10,000 shares of common stock at a price of \$1.50 per share to a consultant for services to be performed through March 2007.
- In February 2008, pursuant to an agreement dated, November 5, 2007, the Company agreed to issue 30,000 shares of common stock to a consultant for services to be provided over the next year.
- In February 2008, pursuant to an agreement dated, November 20, 2007, the Company agreed to issue 100,000 shares of common stock to a consultant for services provided.
 - In March 2008, the Company issued 39,500 shares of common stock to a note holder for accrued interest in the amount of \$19,276.
- In July 2008, the Company issued 28,220 shares of common stock to a note holder for accrued interest in the amount of \$19,726 through June 30, 2008.
- In July 2008, the Company issued 2,822 shares of common stock to a note holder for accrued interest in the amount of \$1,972 through June 30, 2008.
 - In July 2008, the Company issued 30,000 shares of common stock at a price of \$1.10 per share to a consultant for services to be performed through November 2008.
 - In July 2008, the Company issued 100,000 shares of common stock at a price of \$1.20 per share to a consultant for services.
- In July 2008, the Company issued an aggregate of 30,000 shares of common stock at \$0.375 per share for the exercise of warrants by five investors.
- In August 2008, the Company issued an aggregate of 222,847 shares of common stock to note holders for prepayment of interest for the period ended September 30, 2008 in the amount of \$73,611.
- In August 2008, the Company issued an aggregate of 378,422 shares of common stock to note holders for prepayment of interest for the last quarter of the term of the notes in the amount of \$125,000.

In August 2008, the Company issued 126 shares of common stock to investors for rounding associated with the 1-for-10 reverse stock split of its common stock on July 10, 2008.

In January 2009, per the term of his employment agreement, the Company issued 833,334 shares of common stock with a fair value of \$250,000 to Michael K. Wilhelm, the Company's President and Chief Executive Officer. These shares were issued as a target incentive bonus for a capital raise in August 2008 and were not issued as of December 31, 2008.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In June 2009, the Company issued 66,000 shares of common stock at a price of \$0.19 per share to a consultant for services.

In July 2009, the Company issued 67,332 shares of common stock at a price of \$0.19 per share to a consultant for services.

In August 2009, the Company issued 66,668 shares of common stock at a price of \$0.19 per share to a consultant for services.

In September 2009, the Company issued 44,444 shares of common stock at a price of \$0.36 per share to a consultant for services.

In October 2009, the Company issued 44,444 shares of common stock at a price of \$0.36 per share to a consultant for services.

In November 2009, the Company issued 44,444 shares of common stock at a price of \$0.23 per share to a consultant for services.

In December 2009, the Company issued 200,000 shares of common stock at a price of \$0.35 per share to a consultant for services.

In December 2009, per the term of a consulting contract, the Company agreed to issue 44,444 shares of common stock to a consultant. These shares were not issued as of December 31, 2009 and the fair value of these shares of \$10,222 has been recorded as common stock subscribed at December 31, 2009.

Shares and warrants issued due to late filing of registration statement

In October 2004, the Company completed a private placement sale of shares of our common stock and warrants to purchase additional shares of common stock. The Company issued in the private placement an aggregate of 1,960,000 shares of common stock and warrants to purchase 980,000 shares of common stock. The Company agreed to register these shares along with the shares underlying these warrants within ninety days from the closing date of the transaction, or it would incur a penalty equivalent to an additional 2% of the shares and warrants to be registered for every 30 days that we failed to complete this registration. This penalty amounts to an aggregate of 46,120 shares and 18,160 warrants per 30 day period until such a time as this registration statement is made effective. The Company was unable to register the securities as required.

The Company attempted to register the shares and warrants by filing a registration statement with the Securities and Exchange Commission on November 24, 2004, and amended this registration statement with pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively. On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2.

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which we are obligated to issue pursuant to the penalty calculation to

an aggregate of 18% of the number of original number of shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 415,080 shares and warrants to purchase an additional 163,440 shares, respectively. This resulted in a decrease in the number of share issuable 247,511 (with a fair value of \$816,785) and a decrease in the number of warrant shares of 97,459 (with a fair value of \$177,789). This resulted in a net realized gain of \$994,574.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In August 2006, the Company issued 415,080 shares and warrants to purchase 163,440 shares and relieved accrued liabilities in the aggregate amount of \$1,053,904.

For the twelve months ended December 31, 2006 the Company marked to market the value of the shares and warrants issuable pursuant to the penalty calculation for an aggregate gain in the amount of approximately \$445,673 and \$123,505, respectively.

NOTE 7- STOCK OPTIONS AND WARRANTS

Employee Stock Options

The Company has adopted the 2003 Stock Option, Deferred Stock and Restricted Stock Plan (the "Plan") which authorizes the Board of Directors in accordance with the terms of the Plan, among other things, to grant incentive stock options as defined by Section 422(b) of the Internal Revenue Code, nonstatutory stock options and awards of restricted stock and deferred stock and to sell shares of common stock of the Company pursuant to the exercise of such stock options. As of December 31, 2009, the Company has issued 357,651 shares of common stock, 533,332 shares of bonus stock and 2,806,082 common stock purchase options under the Plan. As of December 31, 2009, there were 2,302,936 shares of common stock reserved for issuance under the Plan.

On June 28, 2006, the company's stockholders voted to approve an amendment to its 2003 Stock Option, Deferred Stock and Restricted Stock Plan to increase the number of shares of common stock reserved and available for issuance under the Plan from 360,000 to 2,000,000. On June 25, 2008 the number of shares reserved and available for issuance was increased to 6,000,000.

Through December 31, 2002, GPN had granted pre-merger stock options to certain employees and consultants which are exercisable over various periods through March 2010. These stock options are currently held by the company outside of this Plan.

In September 2005, the Company issued options to purchase 15,000 shares of common stock with an exercise price of \$4.40 per share to its Chief Executive Officer. The options expire after five years.

In August 2005, the Company issued options to purchase 10,303 shares of common stock with an exercise price of \$3.30 per share to its Chief Executive Officer. The options expire after five years.

In September 2005, the Company issued options to purchase 100 shares of common stock with an exercise price of \$3.10 per share to an employee. The options expire after five years.

In July 2006, the Company issued options to purchase 189,697 shares of common stock with an exercise price of \$2.31 per share to its Chief Executive Officer. The options vest 50% after ninety days of continued employment and the balance in equal monthly installments for 12 months thereafter.

In September 2006, the Company issued options to purchase 350,000 shares of common stock with an exercise price of \$2.20 per share to its Chief Executive Officer. The options vest 50% after thirty days of continued employment with the balance in equal monthly installments for one year thereafter.

In October 2006, the Company issued options to purchase 20,000 shares of common stock with an exercise price of \$2.00 to an employee.

In January 2007, the Company issued options to purchase 10,000 shares of common stock with an exercise price of \$1.275 per share to an employee. The options vest 1,250 every quarter for the next two years. The amount will be charged to operations as the options vest.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

On April 24, 2007, the Board of Directors of the Company appointed a new director, Robert J. Hariri, M.D., Ph.D., to the company's Board of Directors to fill a vacant directorship. For his service as a member of the company's Board of Directors, the company granted to Dr. Hariri under the Company's 2003 Stock Option, Deferred Stock and Restricted Stock Plan, a non-qualified stock option to purchase 100,000 shares of common stock at an exercise price per share equal to \$1.66 to vest within 30 days.

On May 14, 2007, the Board of Directors of the Company appointed a new director, Lance K. Gordon, Ph.D., to the company's Board of Directors to fill a vacant directorship. Subject to the Board's approval, for his service as a member of the company's Board of Directors, the company granted to Dr. Gordon under the Company's 2003 Stock Option, Deferred Stock and Restricted Stock Plan, a non-qualified stock option to purchase 100,000 shares of common stock at \$1.66 to vest within 30 days.

In July 2007, the Company issued options to purchase 400,000 shares of common stock with an exercise price of \$1.66 per share to three officers. The Company charged to operations the fair value of \$661,949 during the year ended December 31, 2007.

In July 2007, the Company issued options to purchase 206,000 shares of common stock with an exercise price of \$1.95 per share to various employees. The Company charged to operations the fair value of \$334,183 during the year ended December 31, 2007.

In July 2007, the Company issued options to purchase 325,000 shares of common stock with an exercise price of \$1.66 per share to the directors of the company. The options vested 30 days after issuance. The Company charged to operations the amount of \$537,834, the value of the options, during the year ended December 31, 2007

In July 2007, the Company issued options to purchase 59,000 shares of common stock with exercise prices ranging from \$1.66 to \$1.95 to consultants. The options vested 30 days after issuance. The Company charged to operations the amount of \$75,167, the value of the options, during the year ended December 31, 2007.

In July 2007, the Company issued options to purchase 10,000 shares of common stock with an exercise price of \$1.95 to a consultant. These options vest 1,200 per quarter for the next year. The Company charged to operations the amount of \$5,828, the value of the vested options during the year ended December 31, 2007.

On November 1, 2007, the Board of Directors of the Company appointed a new director, Jerome B. Zeldis, M.D., Ph.D., to the company's Board of Directors to fill a vacant directorship. Subject to the Board's approval, for his service as a member of the company's Board of Directors, the company granted to Dr. Zeldis under the Company's 2003 Stock Option, Deferred Stock and Restricted Stock Plan, a non-qualified stock option to purchase 100,000 shares of common stock. On March 31, 2008, the Company granted 25,000 of these options with an exercise price of \$0.66. The options vested 30 days after issuance. The Company charged to operations the amount of \$19,625, the value of the options, during the year ended December 31, 2008. On November 26, 2008, the Company granted the remaining 75,000 stock options with an exercise price of \$0.15. The options vested 30 days after issuance. The Company charged to operations the amount of \$26,142, the value of the options, during the year ended December 31, 2008.

In December 2007, the Company agreed to issue options to purchase 11,747 shares of common stock to members of its advisory boards. The company charged to operations \$6,875, the value of the options during the year ended

December 31, 2007. In March 2008, these options were issued with an exercise price of \$2.50.

In March 2008, the Company issued options to purchase 3,000 shares of common stock with an exercise price of \$0.78 per share to two employees, options to purchase 50% or 1,500 shares vest in 30 days and options to purchase the remaining 50% or 1,500 shares vest over twelve months. The amount will be charged to operations as the options vest. The Company charged to operations the fair value of \$1,708 during the year ended December 31, 2008.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

On November 26, 2008, the Company granted 75,000 stock options with an exercise price of \$0.15 to a Director. The options vested 30 days after issuance. The Company charged to operations the amount of \$26,142, the value of the options, during the year ended December 31, 2008.

In August 2009, the Company issued options to purchase an aggregate of 910,000 shares of common stock to its officers and directors. Options vest in twelve month in equal quarterly installments, 25% each quarter beginning September 30, 2009. The Company valued these options at \$227,500. This amount will be charged to operations as the options vest.

In August 2009, the Company issued options to purchase an aggregate of 60,000 shares of common stock to its employees. Options vest in twelve month in equal quarterly installments, 25% each quarter beginning September 30, 2009. The Company valued these options at \$15,000. This amount will be charged to operations as the options vest.

In August 2009, the Company issued options to purchase an aggregate of 35,000 shares of common stock to three consultants. Options vest in twelve month in equal quarterly installments, 25% each quarter beginning September 30, 2009. The Company valued these options at \$8,750. This amount will be charged to operations as the options vest.

In August 2009, the Company issued options to purchase an aggregate 16,235 shares of common stock to members of its advisory boards for services performed in 2008. Options vest 30-days after issue. The Company valued these options at \$4,045 and was charged to operations at September 30, 2009.

During the year ended December 31, 2009, options to purchase a total of 519,110 shares of common stock were vested, comprised of 455,000 options held by officers and directors, 30,375 held by employees and 33,735 held by consultants. The Company charged to operations the amount of \$108,977 for the value of the options during the year ended December 31, 2009.

The following table summarizes the changes in options outstanding and the related prices for the shares of the company's common stock issued to employees of the company under a non-qualified employee stock option plan December 31, 2009. The effect of the 1-for-10 reverse-split has been presented in the accompanying tables and related disclosures.

Options Outstanding			Options Exercisable		
	-	Weighted	_		Weighted
		Average	Weighted		Average
		Remaining	Average		Remaining
Exercise	Number	Contractual	Exercise	Number	Contractual
Prices	Outstanding	Life (years)	Price	Exercisable	Life (years)
\$ 0.10-0.49	1,157,500	9.53	\$ 0.10-0.49	655,000	9.44
0.50-1.00	41,735	6.04	0.50-1.00	41,735	6.04
1.01-2.00	1,030,000	7.08	1.01-2.00	1,030,000	7.08
2.01-2.99	551,444	1.63	2.01-2.99	551,444	1.63
3.00-5.00	25,403	0.56	3.00-5.00	25,403	0.56
250.00	6,321	0.25	250.00	6,321	0.25
	2,812,403	6.93		2,309,903	6.34

IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Options not vested are not exercisable. Transactions involving stock options issued are summarized as follows:

			/eighted Average
	Number of Shares	P	rice Per Share
Outstanding at December 31, 2003	6,321	\$	250.00
Granted			
Exercised			
Expired			
Outstanding at December 31, 2004	6,321	\$	250.00
Granted	25,403		3.95
Exercised			
Expired			
Outstanding at December 31, 2005	31,724	\$	52.98
Granted	559,697		2.23
Exercised			
Expired			
Outstanding at December 31, 2006	591,421	\$	4.95
Granted	1,010,000		1.70
Exercised	-		-
Expired	-		-
Outstanding at December 31, 2007	1,601,421	\$	2.92
Granted	189,747		0.37
Exercised			
Expired			
Outstanding at December 31, 2008	1,791,168		2.65
Granted	1,021,235		0.25
Exercised			
Expired			
Outstanding at December 31, 2009	2,812,403		1.78

Aggregate intrinsic value of options outstanding and exercisable at December 31, 2009 was \$0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$0.18 as of December 31, 2009, and the exercise price multiplied by the number of options outstanding. As of December 31, 2009, total unrecognized stock-based compensation expense related to stock options was \$146,563. The total fair value of options vested during the year ended December 31, 2009 was \$108,997.

Warrants

At December 31, 2002, the Company had outstanding warrants to purchase 2,694 shares of common stock at \$8.35 per share.

During the year ended December 31, 2003, the Company issued warrants to purchase 16,957 shares of common stock at prices ranging from \$1.25 to \$10.00 per share to eight service providers. The Company valued the warrants using the Black-Scholes calculation model, and the warrants were deemed to have a combined value of \$85,860. This amount was charged to expense on the Company's financial statements for the twelve months ending December 31, 2003.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In October 2003, pursuant to the Amended Note agreements, the Company issued the Amended Note Warrants to purchase 24,500 shares of its common stock at a price of \$10.00 per share. The Company valued the Amended Note Warrants using the Black-Scholes calculation model, and the warrants were deemed to have a combined value of \$189,937. This amount was recorded as a discount to the Amended Notes and an addition to paid-in capital, and was charged to expense over the term of the notes, or 180 days. During the twelve months ended December 31, 2003, the Company recognized \$84,169 of expense in relation to these warrants. During the twelve months ended December 31, 2004, the remaining \$105,768 was charged to operations.

In October, November, and December 2003, pursuant to the note agreements, the Company issued warrants to purchase 39,100 shares of its common stock at a price of \$10.00 per share.

As an additional incentive to investors in secured convertible promissory notes, the Company provided five-year warrants to purchase that number of shares of common stock equal to one-half the initial principal amount of the notes. The exercise price of the warrants is equal to 60% of the price per share paid by investors in a future equity financing. The warrants are not considered granted until the completion of the reorganization financing. In accordance with ASC 470-20 "Debt with conversion and other options", because the reorganization financing had not occurred at December 31, 2003, the Company ascribed no value to the warrants at December 31, 2003. At the time of the first closing of the private placement in October 2004, warrants to purchase a total of 44,449 shares of common stock at \$0.75 per share were issued. The value of these warrants was computed utilizing the Black-Scholes valuation model, and the total value of these warrants, or \$112,562 was charged to operations during the twelve months ended December 31, 2004.

The Company has outstanding warrants to purchase 25,000 shares of common stock at \$3.00 per share which were issued in 2002 by its predecessor company GPN Network.

In April through June 2004, the Company issued warrants to purchase 3,250 shares at price ranging from \$2.50 to \$20.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$8,318 to operations during the twelve months ended December 31, 2004.

In May 2004, the Company issued a warrant to its President and a warrant to a Director, each warrant to purchase 50,000 shares of common stock at a price of \$2.50 per share. The warrants were issued as performance bonuses. The Company valued these warrants using the Black-Scholes model, and charged the amount of \$134,604 for each warrant, or a total of \$269,208, to operations during the twelve months ended December 31, 2004.

In October 2004, the Company issued a warrant to its President to purchase 44,898 shares at a price of \$1.25 per share as a performance bonus for achieving certain objectives. The Company valued this warrant using the Black-Scholes valuation model, and charged the amount of \$112,697 to operations during the twelve months ended December 31, 2004.

In November and December 2004, the Company issued a warrant to purchase 5,000 shares of its common stock at a price of \$1.25 per share and a warrant to purchase 1,000 shares of its common stock at a price of \$0.75 per share to two members of its advisory boards. The Company valued these warrants using the Black-Scholes valuation model, and charged the aggregate amount of \$16,348 to operations during the twelve months ended December 31, 2004.

In October 2004, the Company issued warrants to purchase 908,000 shares of its common stock at a price of \$5.00 per share to the investors in its private placement of equity securities. The Company allocated \$607,922 of the total proceeds of \$1,971,845 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

In October 2004, the Company issued warrants to purchase an aggregate of 72,000 shares of its common stock at a price of \$5.00 per share to the an officer and a director for converting a total of \$180,000 of amounts owed to these individuals for accrued salary and accrued consulting fees. The Company allocated \$56,067 of the total proceeds of \$180,000 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In October 2004, the Company issued warrants to purchase 334,708 shares of its common stock at a price of \$5.00 per share to the convertible note holders who invested its private placement of equity securities via conversion of their notes. The Company allocated \$191,111 of the total amount converted of \$615,328 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

In October 2004, the Company issued warrants to purchase 62,887 shares of its common stock at a price of \$5.00 per share to the vendors who invested in its private placement of equity securities via conversion of amounts owed to them by the Company. The Company allocated \$48,579 of the total amount converted of \$157,219 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

In April through June 2004, the Company issued warrants to purchase 7,750 shares of its common stock at prices ranging from \$2.50 to \$20.00 per share to certain investors as additional incentive under notes payable agreements. The Company valued these warrants using the Black-Scholes model, and charged the amount of \$17,915 to additional paid-in capital during the twelve months ended December 31, 2004.

In July and August 2004, the Company issued warrants to purchase 74,428 shares of its common stock at prices ranging from \$0.50 to \$20.00 per share to certain investors as additional incentive under notes payable agreements. The Company valued these warrants using the Black-Scholes model, and charged the amount of \$72,252 to additional paid-in capital during the twelve months ended December 31, 2004.

During the three months ended March 31, 2005, the Company issued warrants to purchase 26,803 shares of common stock at prices ranging from \$1.25 to \$10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$137,049 to operations during the twelve months ended December 31, 2005.

During the three months ended June 30, 2005, the Company issued warrants to purchase 36,681 shares of common stock at prices ranging from \$0.38 to \$10.00 per share to consultants and advisory board members. The Company also cancelled warrants to purchase 12,353 shares of common stock at a price of \$20.00 per share. The Company valued these issuance and cancellations using the Black-Scholes valuation model, and charged the amount of \$103,772 to operations during the twelve months ended December 31, 2005.

Also during the three months ended June 30, 2005, warrants to purchase 8,000 shares of common stock at a price of \$0.50 per share were exercised.

During the three months ended September 30, 2005, the Company issued warrants to purchase 7,725 shares of common stock at prices ranging from \$1.25 to \$10.00 per share to consultants and advisory board members. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$20,491 to operations during the twelve months ended December 31, 2005.

In October and December 2005, the Company issued warrants to purchase 6,247 shares of common stock at prices ranging from \$1.25 to \$10.00 to consultants and advisory board members for services provided. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$18,399 to operations during the twelve months ended December 31, 2005.

During the three months ended March 31, 2006, the Company issued warrants to purchase 6,150 shares of common stock at prices ranging from \$1.25 to \$10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$8,399 to operations during the three months ended March 31, 2006.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

During the three months ended June 30, 2006, the Company issued warrants to purchase 8,465 shares of common stock at prices ranging from \$2.00 to \$10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$8,819 to operations during the three months ended June 30, 2006.

Also during the three months ended June 30, 2006, an investor exercised a warrant to purchase 500 shares of the Company's common stock at a price of \$0.90 per share.

During the three months ended September 30, 2006, the Company issued warrants to purchase 4,600 shares of common stock at prices ranging from \$2.00 to \$10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$3,495 to operations during the three months ended September 30, 2006.

During the three months ended September 30, 2006, the Company issued warrants to purchase 30,000 shares of common stock at \$2.50 to our Chief Executive Officer, Michael Wilhelm. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$41,278 to operations during the three months ended September 30, 2006.

Also, during the three months ended September 30, 2006, the Company issued warrants to purchase 6,250 shares of common stock at \$1.58 to our Chief Financial Officer, John Fermanis per the terms of his employment agreement. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$9,596 to operations during the three months ended September 30, 2006.

During the three months ended September 30, 2006, the Company issued warrants to purchase an additional 163,440 shares of common stock at a price of \$5.00 per share in satisfaction of the penalty due to investors for the late registration of shares. The Company had accrued the value of these warrants using the Black-Scholes valuation model, and relieved the accrued liability of \$258,986.

In October 2006, the Company issued warrants to purchase 711,406 shares of its common stock at a price of \$5.00 per share to the investors in its first closing of private placement of equity securities. The Company allocated \$804,003 of the total proceeds of \$1,057,640 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2006.

In October 2006, the Company issued warrants to purchase 842,844 shares of its common stock at a price of \$5.00 per share to the investors in its second closing of private placement of equity securities. The Company allocated \$759,384 of the total proceeds of \$2,344,020 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2006.

In October 2006, the Company issued warrants to purchase 159,063 shares of its common stock at a price of \$5.00 per share to the investors in its final closing of private placement of equity securities. The Company allocated \$162,952 of the total proceeds of \$427,805 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2006.

During the three months ended December 31, 2006, the Company issued warrants to purchase 4,350 shares of common stock at prices ranging from \$2.00 to \$10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of \$1,974 to operations during the three months ended December 31, 2006.

In April 2007, the Company issued warrants to purchase 500,000 shares of common stock to a consultant. The warrants vest 75,000 immediately and 17,708 every month for the next two years. The Company charged to operations the amount of \$166,997, representing the value of the warrants that vested during the year ended December 31, 2007. Pursuant to an agreement dated June 6, 2008, the Company cancelled 336,458 of these common stock purchase warrants that were previously outstanding. The Company credited to operations the amount of \$38,599, representing the value of the warrants that vested during period ending December 31, 2008.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In July 2008, five accredited investors exercised warrants to purchase an aggregate of 30,000 shares of the Company's common stock at a price of \$0.375 per share.

In January 2008, the Company issued warrants to purchase 750,000 shares of common stock pursuant to a financing agreement. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options", resulting in a value of \$226,754. In August 2008, the Company and YA Global agreed to amend the warrants to adjust the exercise price to \$2.00 and to reduce the shares to 750,000 pursuant to the terms of the warrant as a result of the Company's 1 for 10 reverse stock split, thereby increasing the value of the warrants by \$60,092. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the three year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is \$100,450.

In August 2008, the Company and YA Global agreed to issue to YA Global warrants to purchase an additional 750,000 shares of Common Stock on or before December 31, 2012 at an exercise price of \$2.00, subject to adjustment. Holders of the warrants are limited in their right to exercise the warrants if, upon giving effect to such exercise, it would cause the aggregate number of shares of common stock beneficially owned by the holder and its affiliates to exceed 9.99% of the outstanding shares of the common stock following such exercise, except within 60 days of the expiration date. These warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options", resulting in a value of \$286,846. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the three year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is \$118,695.

In August 2008, the Company issued warrants to purchase 1,075,000 shares of common stock pursuant to a financing agreement. The warrants have an exercise price, subject to adjustments, of \$2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. To the extent not previously exercised, the warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding common stock. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options",, resulting in a value of \$427,658. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the five year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is \$306,488.

In August 2008, the Company issued warrants to purchase 25,000 shares of common stock pursuant to a financing agreement. The warrants have an exercise price, subject to adjustments, of \$2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. To the extent not previously exercised, the warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding common stock. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options", resulting in a value of \$9,946. The value of these warrants was taken as a discount

to the convertible note, and will be amortized over the five year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is \$7,128.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

In August 2008, the Company issued warrants to purchase 1,400,000 shares of common stock pursuant to a financing agreement. The warrants have an exercise price, subject to adjustments, of \$2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. To the extent not previously exercised, the warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding common stock. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options",, resulting in a value of \$556,949. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the five year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is \$399,147.

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the company's common stock issued to non-employees of the company as of December 31, 2009. These warrants were granted in lieu of cash for compensation for services performed of financing expenses and in connection with placement of convertible debentures. The effect of the 1-for-10 reverse-split has been presented in the accompanying tables and related disclosures.

	Warrants Outstanding			Warrants Exercisable	
		Weighted			Weighted
		Average	Weighted		Average
		Remaining	Average		Remaining
Exercise	Number	Contractual	Exercise	Number	Contractual
Prices	Outstanding	Life (years)	Price	Exercisable	Life (years)
\$ 0.50-1.00	-	-	\$ 0.50-1.00	-	-
1.25-2.20	4,101,875	3.65	1.25-2.20	4,101,875	3.65
2.30-5.60	1,825,560	1.93	2.30-5.60	1,825,560	1.93
	5.927.435	3.12		5.927.435	3.12

Transactions involving warrants are summarized as follows:

		We	ighted
	Number of	Av	erage
	Shares	Ex	ercise
	Underlying	Pri	ce Per
	Warrants	S	hare
Outstanding at December 31, 2003	83,251	\$	8.23
Granted	1,683,120		4.68
Exercised	(660,078)		5.00
Cancelled or expired			
Outstanding at December 31, 2004	1,106,293	\$	4.75
Granted	75,747		4.36
Exercised	(8,000)		0.50
Canceled or expired	(12,353)		20.00

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Outstanding at December 21, 2005	1 161 607 ¢	4.50
Outstanding at December 31, 2005	1,161,687 \$	4.59
Granted	1,936,567	3.21
Exercised	(500)	0.90
Cancelled or expired	(32,600)	10.00
Outstanding at December 31, 2006	3,065,154 \$	3.66
Granted	500,000	2.83
Exercised	-	-
Cancelled or expired	(49,090)	3.76
Outstanding at December 31, 2007	3,516,064 \$	3.54
Granted	4,000,000	2.00
Exercised	(30,000)	0.38
Cancelled or expired	(465,090)	3.79
Outstanding at December 31, 2008	7,020,974 \$	2.66
Granted	-	-
Exercised	-	-
Cancelled or expired	(1,093,540)	4.56
Outstanding at December 31, 2009	5,927,435 \$	2.31

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

The fair value of each option and warrant grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company uses historical data to estimate expected volatility, the period of time that option grants are expected to be outstanding, as well as employee termination experience. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The following assumptions were used to estimate the fair value of options and warrants granted during the years ended December 31, 2009 and 2008 using the Black-Scholes option-pricing model:

	2009	2008
Risk-free interest rate at		
grant date	1.65%	2.50-4.25%
	315.34%	
Expected stock price	to	82.17% to
volatility	349.02%	169.93%
Expected dividend		
payout	-	-
Expected option		
life-years	3 to 10	3 to 5

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Office Leases

As of March 17, 2009, the Company's corporate headquarters are located at 8777 E. Via De Ventura, Suite 280, Scottsdale, Arizona 85258, where it has leased approximately 1,943 square feet of office space through March 31, 2013. Rent expense for the first two months of occupancy was \$0 per month; months 3 to 12 will be \$3,400.25 plus tax per month and will increase to \$3,665.79 plus tax per month in months 13 to 24.

Rent expense amounted to \$47,580 for the year ended December 31, 2009, \$86,166 for the year ended December 31, 2008 and \$304,085 for the period from October 30, 2002 (inception) through December 31, 2009.

Future minimum payments under non-cancelable leases with terms in excess of one year as of December 31, 2009 were as follows:

2010	\$ 43,458
2011	43,989
2012	44,689
2013	11,672
Total	\$ 143,808

Employment and Consulting Agreements

The Company has employment agreements with the President/Chief Executive Officer, Chief Financial Officer and Chief Scientific Officer. In addition to salary and benefit provisions, the agreements include non-disclosure and confidentiality provisions for the protection of the Company's proprietary information. The employment agreements

include financial commitments related to severance and change of control provisions.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

President and Chief Executive Officer:

On August 10, 2005, the Company entered into an employment agreement with its President and Chief Executive Officer, Michael K. Wilhelm. The employment agreement calls for a salary at the rate of \$275,000 per annum. The salary will be subject to adjustment of at least 10% per year at the end of each year. The registrant also agreed to defend and indemnify, to the fullest extent permitted by the registrant's certificate of incorporation and bylaws and the Delaware General Corporation Law, Mr. Wilhelm and hold him harmless against any liability that he incurs within the scope of his employment under the agreement. The agreement also provides for the following various bonus incentives:

- i) A target incentive bonus in cash and/or stock if the Company consummates a transaction with any unaffiliated third party such as an equity or debt financing, acquisition, merger, strategic partnership or other similar transaction.
- ii) A one time grant of an option to purchase 2,000,000 shares of the Company's common stock at an exercise price equal to the fair market value per share on the date option is granted.

In connection with Mr. Wilhelm's new employment agreement, the Company also entered into a change of control agreement and a severance agreement with him on August 10, 2005.

Under the change of control agreement, Mr. Wilhelm shall be entitled to a continuation of his base salary for a period of 18 months following an involuntary termination, which means, at any time within that period which is one-year from the change of control date (including such date), the termination of the employment of Mr. Wilhelm (i) by the Company without cause or (ii) due to constructive termination, as such terms are defined in the change of control agreement. Further, in the event of an involuntary termination, the agreement provides that the registrant shall pay Mr. Wilhelm a lump sum amount in cash, equal to the sum of (i) any unpaid incentive compensation which has been allocated or awarded to Mr. Wilhelm for a completed fiscal year or other measuring period preceding the date of involuntary termination under any annual or long-term incentive plan and which, as of the date of involuntary termination, is contingent only upon the continued employment of Mr. Wilhelm to a subsequent date, and (ii) a pro rata portion to the date of involuntary termination of the aggregate value of all contingent incentive compensation awards to Mr. Wilhelm for all then uncompleted periods under any such plan. Further, 100% of the unvested portion of each outstanding stock option granted to Mr. Wilhelm shall be accelerated so that they become immediately exercisable upon the date of involuntary termination.

Under the severance agreement, Mr. Wilhelm shall be entitled to a continuation of his base salary for a period of 18 months following an involuntary termination, which means the termination of the employment of Mr. Wilhelm (i) by the Company without cause or (ii) due to constructive termination, as such terms are defined in the severance agreement. Further, in the event of an involuntary termination, the agreement provides that the registrant shall pay Mr. Wilhelm an amount equal to the amount of executive incentive pay (bonus) that he would have received for the year in which the involuntary termination occurred had he met one hundred percent (100%) of the target for such incentive pay. Also, under this agreement, 100% of the unvested portion of each outstanding stock option granted to Mr. Wilhelm shall be accelerated so that they become immediately exercisable upon the date of involuntary termination.

Senior Director Of Product Development And Regulatory Affairs:

On December 19, 2008, the "Company, through its wholly-owned subsidiary ImmuneRegen BioSciences, Inc., approved a new employment agreement with Hal N. Siegel as Vice President and Chief Scientific Officer of the Company. Mr. Siegel, who is also a member of the Company's Board of Directors and has served as Vice President and Chief Scientific Officer of the Company since November, 2007, also entered into a change of control agreement with the Company. The effective date of these agreements is October 24, 2008.

Pursuant to terms of the employment agreement, Mr. Siegel will be compensated at an annual base salary of \$225,000 for the first year and \$247,500 for the second year. Mr. Siegel also is entitled to a sign-on cash bonus of \$20,000. Fifty percent of the sign-on bonus (\$10,000) shall be paid upon the signing of this agreement and fifty percent (\$10,000) shall be paid within 90 days of signing this agreement. Mr. Siegel will also be eligible for bonuses in the form of cash or discretionary stock awards under the Company's stock option plan upon approval of the Company's Board of Directors. The employment agreement has a term of two years, subject to early termination provisions. The Company may terminate the employment agreement at any time for cause, as defined in the employment agreement, and with 30 days notice without cause. Mr. Siegel may terminate the employment agreement for any reason with 30 days notice. Upon termination of Mr. Siegel's employment by the Company without cause or constructive termination, as defined in the agreement, the Company agrees to pay to Mr. Siegel the remainder of his salary for the year or an amount equal to six months salary, whichever is greater, along with any accrued vacation at the time of the termination. Pursuant to the terms of the employment agreement, Mr. Siegel may not compete against the Company, and he may not solicit the Company's customers during the term of the agreement and for a period of three years following the termination of his employment agreement. Mr. Siegel also may not disclose any confidential information regarding the Company during or within three years after his employment.

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

Pursuant to the terms of the change of control agreement, the Company agrees to pay Mr. Siegel his salary for a period of 18 months from the date of an involuntary termination, payable in accordance with the Company's compensation practice. Involuntary termination is defined as the termination of Mr. Siegel's employment by the Company without cause or due to constructive termination at any time within one-year from a change of control event, as defined in the agreement. The change of control agreement commences on the Effective Date and continues until the earlier of (i) the termination of Mr. Siegel's employment with Company, if the termination is prior to a change of control or (ii) subsequent to a Change of Control Date the earlier of (x) the termination of Mr. Siegel's employment absent involuntary termination or (y) the one-year anniversary of a change of control.

The Company has consulting agreements with outside contractors to provide financial and scientific advisory services. The Agreements are generally for a term of 12 months from inception.

Minimum Royalties

The agreement with University of Pittsburgh requires the Company to make minimum annual royalty payments of \$5,000 through 2011, \$10,000 for 2012 and 2013 and \$15,000 thereafter.

Litigation

The Company is subject to other legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity.

The Company is not a party to any litigation and is not aware of any pending litigation or unasserted claims or assessments as of December 31, 2009.

NOTE 9 - INCOME TAXES

The Company has adopted Financial Accounting Standard No. 109 which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. The Company's deferred tax asset of approximately \$7,500,000 and \$5,710,000 at December 31, 2009 and 2008 respectively, was subject to a 100% valuation allowance at December 31, 2009 and 2008, respectively. Deferred tax assets were comprised primarily of net operating loss carryovers under the cash method of accounting used by the Company for federal income tax reporting. The valuation allowance increased by \$1,790,000 and \$1,889,750 in 2009 and 2008, respectively.

At December 31, 2009, the Company has net operating loss carryforwards of approximately \$21,428,000 for federal income tax purposes expiring in 2010 through 2029. The ability of the Company to utilize these carryforwards may be limited should changes in stockholder ownership occur.

The difference between the reported income tax provision and the benefit normally expected by applying the statutory rate to the loss before income taxes results from the change during 2009 and 2008 of the deferred tax asset valuation allowance. As a result, the reported effective tax rate is 0%.

Components of deferred tax assets as of December 31, 2009 are as follows:

Non Current:	
Net operating loss carry forward	\$ 7,499,800
Valuation allowance	(7,499,800)
Net deferred tax asset	\$ -

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IR BIOSCIENCES HOLDINGS, INC. AND SUBSIDARY (A DEVELOPMENT STAGE COMPANY) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

NOTE 10 - SUBSEQUENT EVENTS

Employment Agreement and Change of Control Agreement for Chief Financial Officer

On February 2, 2010, the Company entered into a new employment agreement with John Fermanis (effective January 1, 2010) continuing his employment as Chief Financial Officer of the Company and its wholly owned subsidiary, ImmuneRegen BioSciences, Inc. for a period of two years. Mr. Fermanis' previous employment agreement with the Company expired on December 31, 2009.

Pursuant to terms of the employment agreement, Mr. Fermanis will be compensated at an annual base salary of \$140,000 for the first year and \$150,000 for the second year. Mr. Fermanis will also be eligible for discretionary bonuses under the Company's stock option plan during his employment. The employment agreement has a term of two years, subject to early termination provisions.

In connection with Mr. Fermanis' new employment agreement, the Company also entered into a change of control agreement.

Pursuant to the terms of the change of control agreement, the Company agrees to pay Mr. Fermanis his salary for a period of 18 months from the date of an involuntary termination, payable in accordance with the Company's compensation practice. Involuntary termination is defined as the termination of Mr. Fermanis's employment by the Company without cause or due to constructive termination at any time within one-year from a change of control event, as defined in the agreement. The change of control agreement commences on the effective date and continues until the earlier of (i) the termination of Mr. Fermanis's employment with Company if the termination is prior to a change of control or (ii) subsequent to a change of control date the earlier of (x) the termination of Mr. Fermanis's employment absent involuntary termination or (y) the one-year anniversary of a change of control.

Convertible Debentures Sold For Accrued Interest

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with YA Global Investments, L.P., the Company issued two 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$75,000 in interest accrued during the three months ended March 31, 2010.

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of \$0.30 per share as payment of an aggregate of \$125,000 in interest accrued during the three months ended March 31, 2010.

Shares Issued to Consultant

In December 2009, the Company and a consultant agreed to extend the term of an agreement by three months; therefore, the Company is to issue an additional 133,332 shares of common stock to the consultant for services rendered November 1, 2009 to January 31, 2010. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan. In December 44,444 of these shares were issued for

services performed in November 2009 with a fair value of \$10,222. As of December 31, 2009, the 44,444 shares for services performed in December 2009 have not been issued and the fair value of these shares of \$10,222 has been recorded as common stock subscribed at December 31, 2009. An additional 44,444 shares with a fair value of \$10,222 are to be issued to the consultant under the agreement for services performed in January 2010.

In February 2010, 500,000 shares of common stock with a fair value of \$190,000 were issued to the consultant for services performed in January and February 2010. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

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- 10.41 Employment Agreement dated February 2, 2010 by and between the Company and John N. Fermanis
- 10.42 Change of Control Agreement dated February 2, 2010 by and between the Company and John N. Fermanis

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