

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

Fernando Martinez
Director



7012 0470 0000 0880 6436

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

March 18, 2016

Jerry Roose, Director, North American Environmental Operations
Freeport-McMoRan Copper Inc.
333 North Central Avenue
Phoenix, AZ 85004

Attention: John Brack, General Manager
Freeport-McMoRan Chino Mines Company
P.O. Box 10
Bayard, NM 88023

Attention: Erich Bower, General Manager
Freeport-McMoRan Tyrone Inc.
P.O. Box 571
Tyrone, NM 88065

Attention: John Brack, Vice President, New Mexico Operations
Freeport-McMoRan Cobre Mining Company
P.O. Box 10
Bayard, NM 88023

Re: Notice of Failure to Maintain Financial Soundness, Freeport-McMoRan Inc. Third Party Guarantee for Freeport-McMoRan Chino Mines Company, Freeport-McMoRan Tyrone Inc., and Freeport-McMoRan Cobre Mining Company Mining and Minerals Division Permit Nos. GR009RE, GR010RE, and GR002RE

Dear Mr. Roose:

Pursuant to 19.10.12.1208(G)(10) NMAC this Notice is to inform you that the Mining and Minerals Division (“MMD”) has determined that you are without financial assurance coverage regarding Freeport-McMoRan Inc’s (“FCX”) Third Party Guarantees for the Chino, Tyrone and Continental Mine Permit Nos. GR009RE, GR010RE, and GR002RE, respectively.

19.10.12.1208(G)(10) NMAC states:

At any time that the guarantor's financial condition is such that the guarantor no longer qualifies pursuant to this part, the permittee shall be deemed without financial assurance

Re: Notice of Failure to Maintain Financial Soundness, Freeport-McMoRan Inc. Third Party Guarantee for the Mining and Minerals Division Permit Nos. GR009RE, GR010RE, and GR002RE

March 18, 2016
Page 2

coverage. The director shall specify to the permittee in writing a reasonable period, not to exceed 90 days, to replace the financial assurance coverage. If adequate financial assurance is not provided by the end of the period allowed, the permittee shall cease mining and shall immediately begin to conduct reclamation or closeout measures in accordance with the reclamation or closeout plan. The director may, for good cause shown, grant up to two 30-day extensions. Mining operations shall not resume until the director has determined that an acceptable replacement financial assurance has been provided.

FCX has failed both financial soundness tests, Alternative #1 and #2, described in 19.10.12.1208(G)(8) NMAC. MMD and the New Mexico Environment Department (“Agencies”) received correspondence from FCX on February 2, 2016, and March 1, 2016, indicating that FCX no longer meets the minimum requirements of Alternative #2, regarding the most recent senior credit obligations. In correspondence dated March 7, 2016, FCX provided the Agencies with an updated Certificate of Guarantor’s Compliance, based on FCX’s most recent Form 10-K, filed with the United States Securities and Exchange Commission on February 26, 2016. FCX indicates the Certificate of Compliance does not show compliance with Alternative #1 of the financial soundness test.

In FCX’s March 7, 2016 letter, and at a meeting on March 9, 2016, FCX provided a proposal for addressing non-compliance of the Third-Party Guarantees, as shown in the form of a *pro forma* Certificate of Compliance. The *pro forma* Certificate of Compliance provides a scenario whereby the Third-Party Guarantees could be brought into compliance by reducing the amount of the Chino Third-Party Guarantee. Changes to the Chino Third-Party Guarantee, such as the change proposed in FCX’s March 7, 2016 letter, will require FCX to modify the Chino permit pursuant to 19.10.5.505 NMAC, and possibly modify the Tyrone and Continental permits, regarding financial assurance.

At this time, FCX’s financial condition is such that FCX no longer qualifies as the Third-Party Guarantor and the permittees addressed above are deemed to be without financial assurance coverage. FCX is required to replace the Third-Party Guarantee(s) with another form of financial assurance, or meet the financial soundness test(s) in a period not to exceed 90 days from the date of receipt of this letter, unless extended pursuant to Section 19.10.12.1208(G)(10) NMAC. Unless the Third-Party Guarantee(s) are adjusted to meet the financial soundness test, or replaced with another form of financial assurance, within 90 days, FCX shall cease mining and shall immediately begin to conduct reclamation, closeout, and closure in accordance with the permits identified above. Mining operations shall not resume until the Agencies determine that acceptable replacement financial assurance has been provided.

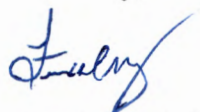
Please contact the undersigned with any questions regarding this notice.

Re: Notice of Failure to Maintain Financial Soundness, Freeport-McMoRan Inc. Third Party Guarantee for the Mining and Minerals Division Permit Nos. GR009RE, GR010RE, and GR002RE

March 18, 2016

Page 3

Sincerely,



Mr. Fernando Martinez
Director, Mining & Minerals Division
Energy, Minerals, and Natural Resources Department

cc: Bill Brancard, General Counsel, New Mexico Energy Minerals and Natural Resources Dept.
Gabriel Wade Assistant General Counsel, New Mexico Energy Minerals and Natural Resources Dept.
Holland Shepherd, Manager, Mining Act Reclamation Program, MMD
Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED