



Freeport-McMoRan Inc.
333 North Central Avenue
Phoenix, AZ 85004

Jerry Roose
Director, North America Environmental Operations
Telephone: (602) 366-8458

GR009RE
MOD 16-4

May 20, 2016

Certified Mail

✓ Mr. Fernando Martinez
Division Director, Mining & Minerals Division
Energy, Minerals, and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505



Ms. Trais Kliphuis
Director, Water Protection Division
New Mexico Environment Department
Harold Runnels Building
1190 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Third Party Guarantees for the Chino, Tyrone and Continental Mining Facilities; Mining and Minerals Division Permits No. GR009RE, GR010RE, and GR002RE; New Mexico Environment Department Discharge Permits Nos. 1340, 1341 and 1403

Dear Mr. Martinez and Ms. Kliphuis:

In accordance with the terms of Section 5.B, Financial Soundness, and Section 11, Notice Procedure, of the Third Party Guarantees for the Chino, Tyrone and Continental Mining Facilities, Freeport-McMoRan Inc. ("FCX") hereby submits the financial information required by the Third Party Guarantees for the Chino, Tyrone and Continental Mining Facilities to the Mining and Minerals Division ("MMD") of the Energy, Minerals and Natural Resources Department and the New Mexico Environment Department ("NMED").

Enclosed please find one copy of FCX's Quarterly Report on Form 10-Q filed with the United States Securities and Exchange Commission on May 10, 2016 and an amended Certificate of Guarantor's Compliance. Two separate forms of the Certificate of Compliance are presented, both of which are based upon the "Alternative I financial soundness test" set forth in 19.10.12.1208.G(8)(a) NMAC. The first form of the Certificate of Compliance is presented based upon the current amounts of the Third Party Guarantees for the Chino, Tyrone and Continental Mining Facilities. That Certificate of Compliance does not show compliance with the Alternative I financial soundness test for the currently permitted amounts of the Third Party Guarantees.

The second form of the Certificate of Compliance, which is presented *pro forma*, are based upon the following adjustments: (1) a reduction in the amount of the FCX guarantee for the Chino Mine from \$102,294,241 to \$45,336,545 to account for the current value of the Chino Trust Fund; (2) a reduction in the amount of the FCX guarantee for the Tyrone Mine from \$92,601,614 to \$50,804,400 to account for the current value of the Tyrone Trust Fund and the increased value of the real estate collateral in place as financial assurance for the Tyrone Mine, and (3) a reduction in the amount of the FCX guarantee for the Continental Mine from

\$18,181,672 to \$8,146,372 to account for the current value of the Cobre Trust Fund and the increased value of the real estate collateral in place as financial assurance for the Continental Mine.

All three mines will be submitting applications to modify their permits consistent with the adjustments described above and in the *pro forma* Certificates of Compliance. Freeport-McMoRan Chino Mines Company ("Chino") previously submitted an application to modify its Permit GR009RE to reduce the amount of the FCX guarantee for the Chino Mine by \$10 million and to increase the amount of financial assurance credited for the Chino Trust Fund by \$10 million, along with a signed form to adjust the guarantee amount. That application still is pending before MMD.

Pursuant to the above-referenced New Mexico authorities, MMD and NMED should maintain Attachment A to the enclosed Certificate of Compliance as confidential and exempt from public records or disclosure laws. If a request is made for public review of the document or information, MMD and NMED must notify FCX and provide a reasonable opportunity for FCX to substantiate its claim that public disclosure of the document and information would harm the competitive position of FCX. Ultimately, if FCX substantiates its claim of confidentiality, MMD and NMED must not release the document or information.

I appreciate the consideration of MMD and NMED in this regard. Please contact the undersigned if you have any questions regarding this submittal.

Sincerely,



Jerry R. Roose

Director, North American Environmental Operations

Cc: Mr. Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED

CONFIDENTIAL INFORMATION

The financial information contained in the enclosed Attachments to the Certificates of Guarantor's Compliance is not publicly available and is being provided to the Mining and Minerals Division of the New Mexico Energy, Minerals, and Natural Resources Department ("MMD") and the New Mexico Environment Department ("NMED") for its exclusive use on the express understanding that it will be treated as confidential. Freeport-McMoRan Inc. ("FCX") is submitting the confidential financial information to MMD and NMED pursuant to the confidentiality provisions of the New Mexico Mining Act, Water Quality Act, and regulations promulgated thereunder.

Under the confidentiality provisions of the New Mexico Mining Act, Water Quality Act, and regulations promulgated thereunder, MMD and NMED are obligated to hold the documents as confidential and prevent public review unless a specific request for review of the documents is made. In that event, MMD and NMED are obligated to notify FCX and provide it with an opportunity to substantiate its confidentiality claim. This financial information should not be reproduced in whole or in part for any purpose or furnished to any other person until FCX has had an opportunity to substantiate its confidentiality claim and that claim has been specifically rejected by MMD and NMED.

Exhibit A
Certificate of Guarantor's Compliance with Section 19.10.12.1208.G(8)(a) NMAC
As of March 31, 2016
(\$ In millions)

Third-party Guarantees

1. a. Third-party environmental permit guarantees made by Freeport-McMoRan Inc. (Guarantor) on behalf of	
Freeport-McMoRan Chino Mines Company (Permit # GR009RE)	\$102.3
Freeport-McMoRan Tyrone Inc. (Permit # GR010RE)	92.6
Freeport-McMoRan Cobre Mining Company (Permit # GR002RE)	18.2
	<u>\$213.1</u>
b. All other guarantees for environmental permits issued in the United States for which Guarantor is obligated. List each Environmental Permit and amount below:	
Freeport-McMoRan Morenci Inc. (Permit # P-100193)	167.0
Arizona Properties - Arizona State Mine Inspector (AMLRA)	69.1
Freeport-McMoRan Bagdad Inc. (Permit # P-105258)	67.7
Freeport-McMoRan Safford Inc. (Permit # P-100534)	27.7
Twin Buttes (Permit # P-100408)	6.1
Climax Molybdenum Company (Permit # 56-SDP-06-80P)	1.9
Cyprus Copperstone Gold Mine (Permit # P-100229)	1.7
Amax Metals Recovery, Inc. Solid Waste (Permit # P-0136)	1.2
Ajo Improvement Company (Permit # P-101678)	0.8
Freeport-McMoRan Bagdad Inc. (Permit # P-102896)	0.7
Freeport-McMoRan United Verde Mine (Permit # P-100536)	0.6
Freeport-McMoRan Bagdad Inc. (Permit # P-50007300A)	0.4
Freeport-McMoRan Bagdad Inc. (Permit # P-101740)	0.1
	<u>345.0</u>
Total Other Guarantees	<u>345.0</u>
1c. Total Guarantees (1.a plus 1.b)	<u>\$558.1</u>

Guarantor's Financial Balances and Calculations

2. a. Total Assets	\$42,664
b. Total Assets in the United States (see Attachment A)	26,610
c. Total Liabilities	33,927
d. Net income (see Attachment B)	(13,784)
e. Depreciation, Depletion and Amortization (see Attachment B)	17,238
f. Current Assets	7,233
g. Current Liabilities	4,426
h. Net Working Capital	2,807
3. Net Worth (including noncontrolling interest)(line 2.a minus line 2.c)	<u>\$8,737</u>
a. Goodwill	-
b. Other Intangible Assets (see Attachment C)	312
3c. Total Intangible Assets (3.a plus 3.b)	<u>\$312</u>
4. Tangible Net Worth (line 3 minus line 3.c)	<u>\$8,425</u>
5. Net Income plus Depreciation, Depletion and Amortization (sum of lines 2.d and e)	<u>\$3,454</u>

Tests

6. Alternative Test I (19.10.12.1208 G(8)(a))				FAIL
a. Is Tangible Net Worth (line 4) at least \$10 million?	At least	\$10	\$8,425	PASS
b. i. Is Tangible Net Worth (line 4) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	15	PASS
b. ii. Is Net Working Capital (line 2h) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	5.0	FAIL
c. Are 90% of Guarantor's assets located in the United States? If not, complete line 6d	90% U.S. Assets		62%	FAIL
				or
d. Is the amount of Guarantor's assets located in the U.S. (line 2b) more than six times Total Guarantees for Environmental Permits (line 1c)?	More than	6x	48	PASS
e. Meets two of the three financial ratios:	2 of 3			PASS
e. i. Is ratio of Total Liabilities (line 2c) to Net Worth (line 3) less than 2.0?	Less than	2	3.9	FAIL
e. ii. Is ratio of sum of Net Income plus Depreciation, Depletion and Amortization (line 5) to Total Liabilities (line 2.c) greater than 0.1?	Greater than	0.1	0.102	PASS
e. iii. Is ratio of Current Assets (line 2f) to Current Liabilities (line 2g) greater than 1.5?	Greater than	1.5	1.6	PASS

Information reference:

Items 2 and 3 (except for Item 2b, 2d, 2e & 3b see referenced attachments)

Figures are shown in Freeport-McMoRan Inc's (FCX) Form 10-Q filed with the U.S. Securities and Exchange Commission for the quarter ended March 31, 2016, commission file number 001-11307-01. See the Consolidated Statements of Operations, page 4 and Consolidated Balance Sheets, page 3.

Exhibit A (Pro forma)
Certificate of Guarantor's Compliance with Section 19.10.12.1208.G(8)(a) NMAC
As of March 31, 2016
(\$ in millions)

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Freeport-McMoRan Cobre Mining Company (Permit # GR002RE)	<u>8.2</u>
	\$104.3
b. All other guarantees for environmental permits issued in the United States for which Guarantor is obligated. List each Environmental Permit and amount below:	
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Amax Metals Recovery, Inc. Solid Waste (Permit # P-0136)	1.2
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Freeport-McMoRan United Verde Mine (Permit # P-100536)	0.6
Freeport-McMoRan Bagdad Inc. (Permit # P-50007300A)	0.4
Freeport-McMoRan Bagdad Inc. (Permit # P-101740)	<u>0.1</u>
	345.0
Total Other Guarantees	<u>345.0</u>
1c. Total Guarantees (1.a plus 1.b)	<u>\$449.3</u>

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b. Other Intangible Assets (see Attachment C)	<u>312</u>
3c. Total Intangible Assets (3.a plus 3 b)	<u>\$312</u>
4. Tangible Net Worth (line 3 minus line 3.c)	<u>\$8,425</u>
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Tests

6. Alternative Test I (19.10.12.1208.G(8)(a))				PASS
a. Is Tangible Net Worth (line 4) at least \$10 million?	At least	\$10	\$8,425	PASS
b. i. Is Tangible Net Worth (line 4) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	19	PASS
b. ii. Is Net Working Capital (line 2h) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	6.2	PASS
c. Are 90% of Guarantor's assets located in the United States? If not, complete line 6d	90% U.S. Assets		62%	FAIL
				or
d. Is the amount of Guarantor's assets located in the U.S. (line 2b) more than six times Total Guarantees for Environmental Permits (line 1c)?	More than	6x	59	PASS
e. Meets two of the three financial ratios:	2 of 3			PASS
e. i. Is ratio of Total Liabilities (line 2c) to Net Worth (line 3) less than 2.0?	Less than	2	3.9	FAIL
e. ii. Is ratio of sum of Net Income plus Depreciation, Depletion and Amortization (line 5) to Total Liabilities (line 2c) greater than 0.1?	Greater than	0.1	0.102	PASS
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