

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
Mining and Minerals
Division



7012 0470 0000 0880 6597

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

June 9, 2016

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

Attention: Craig Sarcy, Acting General Manager
Freeport-McMoRan Chino Mines Company
P.O. Box 10
Bayard, NM
88023

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

Attention: Tom Shelley, General Manager
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 Operations, and Freeport-McMoRan Cobre Mining Company, the 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 Freeport-McMoRan Inc. (“FCX”) no longer qualifies as a guarantor for the current Third Party Guarantees for the Chino, Tyrone and Continental Mine Permit Nos. GR009RE, GR010RE, and GR002RE, respectively, and therefore you are without adequate financial assurance coverage for the three mine permits.

19.10.12.1208.G(10) NMAC states:

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

June 9, 2016
Page 2

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 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.

MMD recently received a letter from FCX, dated May 20, 2016, indicating that FCX has failed Alternative #1 of the Financial Soundness Test ("FST"), for all three mining operations and described in 19.12.1208.G(8) NMAC. The results of the Financial Soundness Tests are based on financial information provided by FCX in the 1st Quarterly Report, Form 10-Q, filed with United States Securities and Exchange Commission on May 10, 2016. Earlier the 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, of the FST, 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 indicated the Certificate of Compliance did not show compliance with Alternative #1 of the financial soundness test.

In FCX's May 20, 2016 letter, FCX provided a proposal for providing adequate financial assurance coverage, as shown in the form of *pro forma* Certificates of Compliance. The *pro forma* Certificates of Compliance provide a scenario whereby FCX could qualify as a third party guarantor under FST Alternative #1 by reducing the amount of the Third-Party Guarantees and recognizing appreciation in other forms of financial assurance. Previously, FCX submitted an application to modify the Chino permit to reduce the Chino Third-Party Guarantee by \$10 million. The modification is being processed as 16-4 to Permit No. GR009RE. That modification is no longer sufficient to remedy the deficiencies described in the May 20, 2016 letter from FCX. MMD will continue to process this application, however, FCX will now need to amend modification 16-4, and submit additional modification applications for the Tyrone Mine permit, and the Continental Mine permit, to address the further shortfall to the Third-Party Guarantee, for each mine.

At this time, FCX's financial condition is such that FCX continues not to qualify 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 Guarantees with another form of financial assurance, or meet the financial soundness test(s) in a period not to exceed 90 days, unless extended pursuant to Section 19.10.12.1208.G(10) NMAC. Unless the FCX Third-Party Guarantees are adjusted to meet the financial soundness test, or replaced with another form of financial assurance, within 90 days, of the receipt of this letter, 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. This notice supersedes the notice sent to you on May 18, 2016.

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 Freeport-McMoRan Chino Mines Company, Freeport-McMoRan Tyrone Operations, and Freeport-McMoRan Cobre Mining Company, the Mining and Minerals Division Permit Nos. GR009RE, GR010RE, and GR002RE

June 9, 2016
Page 3

Sincerely,

A handwritten signature in blue ink, appearing to read "Fernando Martinez", is written over a light gray rectangular background.

Fernando Martinez
Division 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, Assistance 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