FREEPORT-McMoRAN

Cobre Mining Company
P.O. Box 10
Bayard, NM 88023

December 13, 2016

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

Re: Freeport-McMoRan Cobre Mining Company, Permit GR002RE

Dear Director Martinez:

Freeport-McMoRan Cobre Mining Company ("Cobre") submits this application to modify its permit GR002RE to substitute a third-party guarantee to be issued by Freeport Minerals Corporation ("FMC") for the current guarantee issued by Freeport-McMoRan Inc. ("FMI"). This modified application is intended to cure the deficiencies identified in the "Notice of Failure to Maintain Financial Soundness" that you issued on September 16, 2016. FMC is a wholly-owned subsidiary of FMI, and FMC also is the sole shareholder of Cobre. Cobre and FMC will provide additional information to show that FMC qualifies to provide a guarantee for a portion of Cobre's financial assurance in accordance with 19.10.12.1208(G) NMAC.

Cobre also requests a thirty-day extension of the time to cure the deficiencies identified in the September 16, 2016 letter. Since that letter was issued, we have discussed arrangements for a review of FMC's financial statements by an independent third party and also have discussed certain comments on Cobre's financial assurance from third parties. An extension is authorized under 19.10.12.1208(G)(10) NMAC and is necessary to ensure that the Cobre mining operations may continue to operate pending resolution of the financial assurance issue.

Permit Modification 16-1 decreased the amount of the Third Party Guarantee provided by FMI to the amount of $8,146,372, the amount of the current Third Party Guarantee. Section 19.10.12.1208(G)(1)(a) NMAC permits up to 75% of the total amount of financial assurance for a permittee to be in the form of a third-party guarantee. The total amount of financial assurance held by the State of New Mexico for Cobre's mining operations is $27,355,272, so the proposed amount to be guaranteed by FMC is approximately 30% of the total financial assurance.

The pro forma Certificates of Compliance submitted with the Second and Third Quarter 2016 report dated show that FMC will meet the "Alternative 1" financial soundness test specified in 19.10.12.1208(G)(8) NMAC. Enclosed to support the most current Certificate of Compliance are the audited financial statement for FMC as of end of year 2015 and the unaudited financial statement of FMC as of the end of the Third Quarter, 2016. Cobre understands that MMD intends to engage an independent reviewer, at Cobre's cost, to review the FMC financial statements to verify that FMC meets the applicable financial tests to provide the guarantee. Cobre agrees to pay for the cost of that review in accordance with 19.10.12.1208(G)(6) NMAC.

In accordance with Section 69-36-10, NMSA 1978, Cobre and FMC assert that a very limited portion of the FMC financial statements must be maintained as confidential information that is not subject to production under the Inspection of Public Records Act or otherwise. The portion claimed as confidential are the schedule of U.S. assets, over which Cobre and FMI have asserted confidentiality in the past with respect to the FMI guarantee. Neither Cobre nor FMC assert that the remaining information in the FMC financial statements must be maintained as confidential financial information in accordance with Section 69-36-10, NMSA 1978, although some or all of that financial information likely would qualify for confidential treatment. This approach is intended to allow for review of that information not only by MMD's third-party reviewer but also by other interested parties. Please note that neither Cobre nor FMC waive the right to assert a confidentiality claim over financial information submitted in the future in accordance with applicable law.

An application for a permit modification or revision must be accompanied by sufficient information for the Director to determine whether any of the factors listed in 19.10.5.505 NMAC are present. Based upon the factors set forth in 19.10.5.505(B) NMAC, this application for a modification should not be treated as a revision. In particular, the requested modification would not have a significant environmental impact because it does not change the "design limits" currently specified in the permit, it does not change the amount of financial assurance, and does not depart from the nature of scale of the current permit.

Also enclosed is a check in the amount of $1,000 as the fee for the application. We appreciate your attention to this matter and look forward to timely action on this request.

Sincerely,

WECobb

William E. Cobb
Vice President

Cc: William Brancard, General Counsel, New Mexico Energy, Minerals and Natural Resources Department
Gabriel Wade, Attorney, Mining and Minerals Division
Holland Shepherd, Manager, Mining Act Reclamation Program, MMD
Bruce Yurdin, Director, Water Protection Division, NMED
Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED

Freeport Minerals Corporation

Consolidated Financial Statements

December 31, 2015

Freeport Minerals Corporation

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Building a better
working world

Ernst & Young LLP
Ernst & Young Tower
One Renaissance Square
Suite 2300
2 North Central Avenue
Phoenix, AZ 85004

Tel: +1 602 322 3000
Fax: +1 602 322 3023
ey.com

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND STOCKHOLDER OF
FREEPORT MINERALS CORPORATION

We have audited the accompanying consolidated financial statements of Freeport Minerals Corporation, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Freeport Minerals Corporation at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 30, 2016

FREEPORT MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2015	2014
	(In millions, except per share amounts)	
Revenues	$ 9,634	$ 12,337
Cost of sales:		
Production and delivery	7,148	7,474
Depreciation, depletion and amortization	1,358	1,260
Copper and molybdenum inventory adjustments	338	6
Total cost of sales	8,844	8,740
Selling, general and administrative expenses	205	215
Exploration and research expenses	120	118
Environmental obligations and shutdown costs	78	119
Net gain on sales of assets	(39)	(717)
Total costs and expenses	9,208	8,475
Operating income	426	3,862
Interest expense, net	(103)	(82)
Other (income) expense, net	(61)	52
Income before income taxes and equity in affiliated companies' net earnings (losses)	262	3,832
Provision for income taxes	(143)	(1,113)
Equity in affiliated companies' net earnings (losses)	1	(3)
Net income	120	2,716
Net income attributable to noncontrolling interests	(70)	(465)
Net income attributable to common stockholder	$ 50	$ 2,251
Dividends declared per share of common stock	$ 2.96	$ 15.54

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

FREEPORT MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2015	2014
	(In millions)	
Net income	$ 120	$ 2,716
Other comprehensive income (loss), net of taxes:		
Defined benefit plans:		
Actuarial losses arising during the period, net of taxes of $2 million and $86 million, respectively	(4)	(148)
Amortization of unrecognized amounts included in net periodic benefit costs, net of taxes of $17 million and $9 million, respectively	28	17
Other comprehensive income (loss)	24	(131)
Total comprehensive income	144	2,585
Net comprehensive income attributable to noncontrolling interests	(69)	(463)
Total comprehensive income attributable to common stockholder	$ 75	$ 2,122

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

FREEPORT MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2015	Years Ended December 31, 2014
	(In millions)	
Cash flow from operating activities:		
Net income	$ 120	$ 2,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,358	1,260
Copper and molybdenum inventory adjustments	338	6
Long-lived asset impairment, restructuring and other net charges	120	–
Net gain on sales of assets	(39)	(717)
Net charges for environmental and asset retirement obligations, including accretion	140	137
Payments for environmental and asset retirement obligations	(71)	(99)
Deferred income taxes	(4)	(179)
Increase in long-term mill and leach stockpiles	(121)	(233)
Other, net	50	112
Changes in working capital and other tax payments, excluding amounts from dispositions		
Accounts receivable	–	77
Inventories	128	(309)
Other current assets	28	(37)
Accounts payable and accrued liabilities	(145)	(46)
Accrued income taxes and changes in other tax payments	(841)	378
Net cash provided by operating activities	1,061	3,066
Cash flow from investing activities:		
Capital expenditures	(2,386)	(3,055)
Net proceeds from sale of Candelaria and Ojos del Salado mines	–	1,709
Net proceeds from the sale of Luna Energy power facility	138	–
Restricted cash	–	225
Other, net	(13)	53
Net cash used in investing activities	(2,261)	(1,068)
Cash flow from financing activities:		
Proceeds from long-term debt	2,157	475
Repayments of long-term debt	(535)	(36)
Funding from (to) Freeport-McMoRan Inc. (FCX)	63	(17)
Capital contributions from (distributions to) FCX	20	(9)
Cash dividends paid:		
Common stock	(604)	(3,174)
Noncontrolling interests	(91)	(395)
Distributions for exercised/vested FCX equity awards to employees	(5)	–
Debt issuance costs and other, net	(1)	(27)
Net cash provided by (used in) financing activities	1,004	(3,183)
Net decrease in cash and cash equivalents	(196)	(1,185)
Cash and cash equivalents at beginning of year	344	1,529
Cash and cash equivalents at end of year	$ 148	$ 344

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

FREEPORT MINERALS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 148	$ 344
Trade accounts receivable, including related parties	363	592
Income and other tax receivables	546	296
Other accounts receivable, including related parties	62	97
Inventories:		
Mill and leach stockpiles	1,715	1,877
Materials and supplies, net	1,139	1,096
Finished goods inventory	825	1,065
Prepaid expenses and other current assets	93	234
Total current assets	4,891	5,601
Property, plant, equipment and development costs, net	20,001	19,262
Long-term mill and leach stockpiles	2,178	2,179
Other assets	1,230	1,083
Total assets	$ 28,300	$ 28,125
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities, including related parties	$ 1,371	$ 1,590
Current portion of environmental and asset retirement obligations	106	117
Current portion of debt	44	51
Accrued income taxes	25	651
Total current liabilities	1,546	2,409
Long-term debt, less current portion	2,505	873
Deferred income taxes	2,356	2,470
Environmental and asset retirement obligations, less current portion	2,120	2,049
Other liabilities	1,203	1,254
Total liabilities	9,730	9,055
Equity:		
Stockholder's equity:		
Common stock, par value $6.25, 204 shares issued	1,277	1,277
Capital in excess of par value	24,808	24,764
Accumulated deficit	(10,752)	(10,198)
Accumulated other comprehensive loss	(446)	(471)
Total stockholder's equity	14,887	15,372
Noncontrolling interests	3,683	3,698
Total equity	18,570	19,070
Total liabilities and equity	$ 28,300	$ 28,125

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

FREEPORT MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY

	Stockholder's Equity							
	Common Stock							
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	204	$ 1,277	$ 24,735	$ (9,275)	$ (342)	$ 16,395	$ 3,866	$ 20,261
Dividends to FCX	–	–	–	(3,174)	–	(3,174)	-	(3,174)
Dividends to noncontrolling interests	–	–	–	–	–	–	(395)	(395)
Capital distributions to FCX	–	–	(9)	–	–	(9)	–	(9)
Amortization of FCX equity awards to employees	–	–	39	–	–	39	–	39
Noncontrolling interest share of contributed capital in subsidiary	–	–	(1)	–	–	(1)	7	6
Sale of Candelaria and Ojos del Salado mines	–	–	–	–	–	–	(243)	(243)
Net income attributable to common stockholder	–	–	–	2,251	–	2,251	–	2,251
Net income attributable to noncontrolling interests	–	–	–	–	–	–	465	465
Other comprehensive loss	–	–	–	–	(129)	(129)	(2)	(131)
Balance at December 31, 2014	204	1,277	24,764	(10,198)	(471)	15,372	3,698	19,070
Dividends to FCX	–	–	–	(604)	–	(604)	–	(604)
Dividends to noncontrolling interests	–	–	–	–	–	–	(91)	(91)
Capital contributions from FCX	–	–	20	–	–	20	–	20
Amortization of FCX equity awards to employees	–	–	36	–	–	36	–	36
Distributions for exercised/vested FCX equity awards to employees	–	–	(5)	–	–	(5)	–	(5)
Noncontrolling interest share of contributed capital in subsidiary	–	–	(7)	–	–	(7)	7	–
Net income attributable to common stockholder	–	–	–	50	–	50	–	50
Net income attributable to controlling interests	–	–	–	–	–	–	70	70
Other comprehensive income (loss)	–	–	–	–	25	25	(1)	24
Balance at December 31, 2015	204	$ 1,277	$ 24,808	$ (10,752)	$ (446)	$ 14,887	$ 3,683	$ 18,570

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

FREEPORT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The consolidated financial statements of Freeport Minerals Corporation (FMC) include the accounts of those subsidiaries where FMC directly or indirectly has more than 50 percent of the voting rights and has the right to control significant management decisions. FMC's unincorporated joint venture with Sumitomo Metal Mining Arizona, Inc. (Sumitomo) is reflected using the proportionate consolidation method (refer to Note 3 for further discussion). Investments in unconsolidated companies owned 20 percent or more are recorded using the equity method. Investments in companies owned less than 20 percent, and for which FMC does not exercise significant influence, are carried at cost. All significant intercompany transactions have been eliminated. Dollar amounts in tables are stated in millions, except per share amounts.

FMC is incorporated in Delaware, United States (U.S.), and is a wholly owned subsidiary of Freeport-McMoRan Inc. (FCX).

Use of Estimates. The preparation of FMC's financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates include minerals reserve estimation; asset lives for depreciation, depletion and amortization; environmental obligations; asset retirement obligations; estimates of recoverable copper in mill and leach stockpiles; deferred taxes and valuation allowances; reserves for contingencies and litigation; asset impairment, including estimates used to derive future cash flows associated with those assets; pension, postretirement and other employee benefits; and valuation of derivative instruments. Actual results could differ from those estimates.

Functional Currency. The functional currency for the majority of FMC's foreign operations is the U.S. dollar. For foreign subsidiaries whose functional currency is the U.S. dollar, monetary assets and liabilities denominated in the local currency are translated at current exchange rates, and non-monetary assets and liabilities, such as inventories, property, plant, equipment and development costs, are translated at historical rates. Gains and losses resulting from translation of such account balances are included in other income (expense), as are gains and losses from foreign currency transactions. Foreign currency losses (gains) totaled $70 million in 2015 and $(16) million in 2014.

Cash Equivalents. Highly liquid investments purchased with maturities of three months or less are considered cash equivalents.

Inventories. Inventories include mill and leach stockpiles, materials and supplies, and finished goods inventory. As further discussed in this note under "New Accounting Standards," beginning in third-quarter 2015, inventories are stated at the lower of weighted-average cost or net realizable value. Prior to third-quarter 2015, inventories were stated at the lower of weighted-average cost or market.

Mill and Leach Stockpiles. Mill and leach stockpiles are work-in-process inventories for FMC's mining operations. Mill and leach stockpiles have been extracted from an ore body and are available for copper recovery. Mill stockpiles contain sulfide ores, and recovery of metal is through milling, concentrating, smelting and refining or, alternatively, by concentrate leaching. Leach stockpiles contain oxide ores and certain secondary sulfide ores, and recovery of metal is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities (*i.e.,* solution extraction and electrowinning (SX/EW)). The recorded cost of mill and leach stockpiles includes mining and haulage costs incurred to deliver ore to stockpiles, depreciation, depletion, amortization and site overhead costs. Material is removed from the stockpiles at a weighted-average cost per pound.

Because it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, reasonable estimation methods are employed. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grade of the material delivered to mill and leach stockpiles.

Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be produced into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production process), historical trends and other factors, including mineralogy of the ore and rock type. Total copper recovery in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including processing methodology, processing variables, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 80 percent total copper recovery may occur during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates for mill and leach stockpiles are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes. Adjustments to recovery rates will typically result in a future impact to the value of the material removed from the stockpiles at a revised weighted-average cost per pound of recoverable copper.

Finished Goods. Finished goods represent salable products (*e.g.*, copper and molybdenum concentrate, copper anode, copper cathode, copper rod, copper wire, molybdenum oxide, high-purity molybdenum chemicals and other metallurgical products, and various cobalt products). Finished goods are valued based on the weighted-average cost of source material plus applicable conversion costs relating to associated process facilities. Costs of finished goods inventories include labor and benefits, supplies, energy, depreciation, depletion, amortization, site overhead costs and other necessary costs associated with the extraction and processing of ore, including, depending on the process, mining, haulage, milling, concentrating, smelting, leaching, solution extraction, refining, roasting and chemical processing. Corporate general and administrative costs are not included in inventory costs.

Property, Plant, Equipment and Mining Development Costs. Property, plant, equipment and mining development costs are carried at cost. Mineral exploration costs, as well as drilling and other costs incurred for the purpose of converting mineral resources to proven and probable reserves or identifying new mineral resources at development or production stage properties, are charged to expense as incurred. Development costs are capitalized beginning after proven and probable mineral reserves have been established. Development costs include costs incurred resulting from mine pre-production activities undertaken to gain access to proven and probable reserves, including shafts, adits, drifts, ramps, permanent excavations, infrastructure and removal of overburden. Additionally, interest expense allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

Expenditures for replacements and improvements are capitalized. Costs related to periodic scheduled maintenance (*i.e.*, turnarounds) are charged to expense as incurred. Depreciation for mining and milling life-of-mine assets, infrastructure and other common costs is determined using the unit-of-production (UOP) method based on total estimated recoverable proven and probable copper reserves (for primary copper mines) and proven and probable molybdenum reserves (for primary molybdenum mines). Development costs and acquisition costs for proven and probable mineral reserves that relate to a specific ore body are depreciated using the UOP method based on estimated recoverable proven and probable mineral reserves for the ore body benefited. Depreciation, depletion and amortization using the UOP method is recorded upon extraction of the recoverable copper or molybdenum from the ore body, at which time it is allocated to inventory cost and then included as a component of cost of goods sold. Other assets are depreciated on a straight-line basis over estimated useful lives of up to 39 years for buildings and three to 25 years for machinery and equipment, and mobile equipment.

Included in property, plant, equipment and mining development costs is value beyond proven and probable mineral reserves (VBPP), primarily resulting from FCX's acquisition of FMC in 2007. The concept of VBPP may be interpreted differently by different mining companies. FMC's VBPP is attributable to (i) mineralized material, which includes measured and indicated amounts, that FMC believes could be brought into production with the establishment or modification of required permits and should market conditions and technical assessments warrant, (ii) inferred mineral resources and (iii) exploration potential.

Carrying amounts assigned to VBPP are not charged to expense until the VBPP becomes associated with additional proven and probable mineral reserves and the reserves are produced or the VBPP is determined to be impaired. Additions to proven and probable mineral reserves for properties with VBPP will carry with them the value assigned to VBPP at the date acquired, less any impairment amounts.

Impairment of Long-Lived Mining Assets. FMC assesses the carrying values of its long-lived mining assets for impairment when events or changes in circumstances indicate that the related carrying amounts of such assets may not be recoverable. In evaluating long-lived mining assets for recoverability, estimates of pre-tax undiscounted future cash flows of FMC's individual mines are used. An impairment is considered to exist if total estimated undiscounted future cash flows are less than the carrying amount of the asset. Once it is determined that an impairment exists, an impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. The estimated undiscounted cash flows used to assess recoverability of long-lived assets and to measure the fair value of FMC's mining operations are derived from current business plans, which are developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. In addition to near- and long-term metal price assumptions, other key assumptions include estimates of commodity-based and other input costs; proven and probable mineral reserves estimates, including the timing and cost to develop and produce the reserves; VBPP estimates; and the use of appropriate discount rates. FMC believes its estimates and models used to determine fair value are similar to what a market participant would use. As quoted market prices are unavailable for FMC's individual mining operations, fair value is determined through the use of estimated discounted after-tax future cash flows (*i.e.*, Level 3 measurement).

Intangible Assets. Intangible assets primarily include water rights, patents and process technology, and royalty payments. Indefinite-lived intangibles primarily include water rights. Definite-lived intangibles primarily include patents and process technology, and royalty payments, which were recorded as a result of FCX's acquisition of FMC in 2007. The fair value for these identifiable intangible assets was estimated based principally upon comparable market transactions and discounted future cash flow projections. The estimated remaining useful lives are principally 10 years for patents and process technology, and 3 years for royalty payments. All indefinite-lived intangible assets are subject to impairment testing at least annually, unless events occur or circumstances change between annual tests that would more likely than not reduce the indefinite-lived intangible asset's fair value below its carrying value.

Deferred Mining Costs. Stripping costs (*i.e.*, the costs of removing overburden and waste material to access mineral deposits) incurred during the production phase of a mine are considered variable production costs and are included as a component of inventory produced during the period in which stripping costs are incurred. Major development expenditures, including stripping costs to prepare unique and identifiable areas outside the current mining area for future production that are considered to be pre-production mine development, are capitalized and amortized using the UOP method based on estimated recoverable proven and probable reserves for the ore body benefited. However, where a second or subsequent pit or major expansion is considered to be a continuation of existing mining activities, stripping costs are accounted for as a current production cost and a component of the associated inventory.

Environmental Expenditures. Environmental expenditures are charged to expense or capitalized, depending upon their future economic benefits. Accruals for such expenditures are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated. Environmental obligations attributed to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) or analogous state programs are considered probable when a claim is asserted, or is probable of assertion, and FMC, or any of its subsidiaries, have been associated with the site. Other environmental remediation obligations are considered probable based on specific facts and circumstances. FMC's estimates of these costs are based on an evaluation of various factors, including currently available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not FMC is a potentially responsible party (PRP) and the ability of other PRPs to pay their allocated portions. With the exception of those obligations that were assumed as a result of FCX's acquisition of FMC in 2007 (initially recorded at estimated fair values), environmental obligations are recorded on an undiscounted basis. Where the available information is sufficient to estimate the amount of the obligation, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. Possible recoveries of some of these costs from other parties are not recognized in the consolidated financial statements until they become probable. Legal costs associated with environmental remediation (such as fees to outside law firms for work relating to determining the extent and type of remedial actions and the allocation of costs among PRPs) are included as part of the estimated obligation.

Environmental obligations assumed in FCX's acquisition of FMC in 2007, which were initially recorded at fair value and estimated on a discounted basis, are accreted to full value over time through charges to interest expense. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases and decreases in these obligations and are calculated in the same manner as they were initially estimated. Unless these adjustments qualify for capitalization, changes in environmental obligations are charged to operating income when they occur.

FMC performs a comprehensive review of its environmental obligations annually and also reviews changes in facts and circumstances associated with these obligations at least quarterly.

Asset Retirement Obligations. FMC records the fair value of estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Retirement obligations associated with long-lived assets are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to cost of sales. In addition, asset retirement costs (ARCs) are capitalized as part of the related asset's carrying value and are depreciated over the asset's respective useful life.

Reclamation costs for disturbances are recognized as an ARO and as a related ARC (included in property, plant, equipment and mining development costs) in the period of the disturbance and depreciated primarily on a UOP basis. FMC's AROs for mining operations consist primarily of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthwork, revegetation, water treatment and demolition.

Revenue Recognition. FMC sells its products pursuant to sales contracts entered into with its customers. Revenue for all FMC's products is recognized when title and risk of loss pass to the customer and when collectibility is reasonably assured. The passing of title and risk of loss to the customer are based on terms of the sales contract, generally upon shipment or delivery of product.

Revenues from FMC's concentrate and cathode sales are recorded based on a provisional sales price or a final sales price calculated in accordance with the terms specified in the relevant sales contract. Revenues from concentrate sales are recorded net of treatment and all refining charges and the impact of derivative contracts. Moreover, because a portion of the metals contained in copper concentrate is unrecoverable as a result of the smelting process, FMC's revenues from concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. These allowances are a negotiated term of FMC's contracts and vary by customer. Treatment and refining charges represent payments or price adjustments to smelters and refiners that are generally fixed.

Under the long-established structure of sales agreements prevalent in the mining industry, copper contained in concentrate and cathode is generally provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month (generally one to four months from the shipment date) based on quoted monthly average spot copper prices on the London Metal Exchange (LME) or the Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange (NYMEX). FMC receives market prices based on prices in the specified future month, which results in price fluctuations recorded to revenues until the date of settlement. FMC records revenues and invoices customers at the time of shipment based on then-current LME or COMEX prices, which results in an embedded derivative (*i.e.*, a pricing mechanism that is finalized after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrate or cathode at the then-current LME or COMEX price. FMC applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host contract in its concentrate or cathode sales agreements since these contracts do not allow for net settlement and always result in physical delivery. The embedded derivative does not qualify for hedge accounting and is adjusted to fair value through earnings each period, using the period-end forward prices, until the date of final pricing.

The majority of FMC's 2015 and 2014 molybdenum sales were priced based on prices published in *Metals Week*, *Ryan's Notes* or *Metal Bulletin*, plus conversion premiums for products that undergo additional processing, such as ferromolybdenum and molybdenum chemical products. Most of these sales use the average price of the previous month quoted by the applicable publication. FMC's remaining molybdenum sales generally had pricing that was either based on the current month published prices or a fixed price. FMC engaged in discussions with its molybdenum chemical product customers during the second half of 2015 and established floor index prices or prices that adjust within certain ranges for its chemical products to promote continuation of chemical-grade production.

Tenke Fungurume Mining S.A. (TFM or Tenke) metal sales and certain Sociedad Minera Cerro Verde S.A.A. (Cerro Verde) metal sales are subject to certain royalties, which are recorded as a reduction to revenues. TFM and Cerro Verde are subsidiaries of FMC.

Stock-Based Compensation. FMC does not grant share-based payment awards of its common stock to its employees. Share-based payment awards are granted to FMC's employees under FCX's plans and are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of stock options is determined using the Black-Scholes-Merton option valuation model. Compensation costs for other stock-based awards (*i.e.*, stock-settled restricted stock units (RSUs)) are recognized based on FCX's common stock price on the date of grant. Compensation costs for liability-classified awards (*i.e.*, cash-settled RSUs) are remeasured each reporting period using FCX's stock price. FCX has elected to recognize compensation costs for stock option awards that vest over several years on a straight-line basis over the vesting period, and for RSUs on the graded-vesting method over the vesting period.

New Accounting Standards. In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Update (ASU) that provides a single comprehensive revenue recognition model, which will replace most existing revenue recognition guidance, and also requires expanded disclosures. The core principle of the model is that revenue is recognized when control of goods or services has been transferred to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This ASU may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. FMC is currently evaluating the impact of the new guidance on its financial reporting and disclosures, but at this time does not expect adoption of this ASU to have a material impact on its revenue recognition policies. FMC expects to adopt this ASU in connection with FCX's adoption of the guidance for annual and interim periods beginning after December 15, 2017.

In April 2015, FASB issued an ASU to simplify the presentation of debt issuance costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. In August 2015, FASB issued an ASU that allows an entity to defer and present debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortize the debt issuance costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the arrangement. FMC adopted these ASUs in 2015 and adjusted its comparative December 31, 2014, balance sheet by decreasing other assets and long-term debt by $23 million for debt issuance costs related to corresponding debt balances.

In July 2015, FASB issued an ASU that simplifies the subsequent measurement of inventory by requiring entities to measure inventory at the lower of cost or net realizable value, except for inventory measured using the last-in, first-out (LIFO) or the retail inventory methods. Under the guidance, entities are only required to compare the cost of inventory to one measure - net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. FMC adopted this ASU prospectively effective January 1, 2015, and it had no impact on its results of operations.

In November 2015, FASB issued an ASU to simplify the presentation of deferred income taxes by requiring entities to classify all deferred tax assets and liabilities as noncurrent on the balance sheet, rather than separating deferred taxes into current and noncurrent amounts. FMC adopted this ASU prospectively effective January 1, 2015, and prior periods were not retrospectively adjusted.

On February 25, 2016, FASB issued an ASU on leases, which is intended to improve financial reporting for leasing transactions. This ASU requires entities that lease assets to recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. FMC expects to adopt this ASU in connection with FCX's adoption of the guidance, which is effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. Early adoption is permitted. FMC is currently evaluating this new guidance, and the effects it will have on FMC's financial position, results of operations and cash flows are not yet known.

NOTE 2. DISPOSITIONS

Luna Energy Facility. In January 2015, FMC completed the sale of its one-third undivided ownership interest in the Luna Energy Facility (Luna, a power plant in New Mexico) to Samchully Power & Utilities LLC (Samchully) for $140 million in cash, before transaction-related costs. FMC also entered into a long-term power purchase agreement to acquire energy output from Samchully's purchased interest to support FMC's Southwest U.S. mining operations' electricity demands. FMC recorded a pre-tax gain of $39 million associated with this transaction.

Candelaria and Ojos del Salado. On November 3, 2014, FMC completed the sale of its 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations and supporting infrastructure located in Chile to Lundin Mining Corporation (Lundin) for $1.8 billion in cash, before closing adjustments, and contingent consideration of up to $200 million. Contingent consideration is calculated as five percent of net copper revenues in any annual period over the ensuing five years when the average realized copper price exceeds $4.00 per pound. Excluding contingent consideration, after-tax net proceeds totaled $1.5 billion, and FMC recorded a pre-tax gain of $671 million associated with this transaction. The transaction had an effective date of June 30, 2014. FMC used the proceeds from this transaction to pay dividends to FCX.

This sale did not meet the criteria for classification as a discontinued operation. The following table provides balances of the major classes of assets and liabilities for the Candelaria and Ojos del Salado mines at November 3, 2014:

Current assets	$	482
Long-term assets		1,155
Current liabilities		129
Long-term liabilities		89
Noncontrolling interests		243

For the period from January 1, 2014, to November 3, 2014, net income before income taxes totaled $270 million, and net income attributable to common stockholder totaled $144 million for the Candelaria and Ojos del Salado mines.

NOTE 3. OWNERSHIP IN SUBSIDIARIES AND JOINT VENTURE

Ownership in Subsidiaries. FMC is a fully integrated producer of copper and molybdenum, with mines in North America, South America and the Tenke minerals district in the Democratic Republic of Congo (DRC). At December 31, 2015, FMC's operating mines in North America were Morenci, Bagdad, Safford, Sierrita and Miami located in Arizona; Tyrone and Chino located in New Mexico; and Henderson and Climax located in Colorado. FMC has an 85 percent undivided interest in Morenci (refer to "Joint Venture" for discussion of the joint venture and Note 16 for discussion of the sale of an additional 13 percent undivided interest to Sumitomo) and owns 100 percent of the other North America mines. At December 31, 2015, operating mines in South America were Cerro Verde (53.56 percent owned) located in Peru and El Abra (51 percent owned) located in Chile. At December 31, 2015, FMC owned an effective 56 percent interest in the Tenke minerals district in the DRC.

Joint Venture. At December 31, 2015, FMC owned an 85 percent undivided interest in Morenci via an unincorporated joint venture. The remaining 15 percent is owned by Sumitomo, a jointly owned subsidiary of Sumitomo Metal Mining Co., Ltd. (SMM) and Sumitomo Corporation. Each partner takes in kind its share of Morenci's production. FMC purchased 98 million pounds of Morenci's copper cathode from Sumitomo at market prices for $244 million during 2015 and 82 million pounds for $257 million during 2014. FMC had a receivable from Sumitomo of $10 million at December 31, 2015, and $11 million at December 31, 2014, related to the reimbursement of joint venture operating expenses. In addition, FMC had a payable to Sumitomo of $20 million at December 31, 2015, and $22 million at December 31, 2014, for copper cathode purchases.

In February 2016, FMC entered into a definitive agreement to sell an additional 13 percent undivided interest in its Morenci unincorporated joint venture to SMM (refer to Note 16 for further discussion).

NOTE 4. INVENTORIES, INCLUDING LONG-TERM MILL AND LEACH STOCKPILES

The components of inventories follow:

	December 31, 2015	December 31, 2014
Current inventories:		
Mill stockpiles	$ 128	$ 49
Leach stockpiles	1,587	1,828
Total current mill and leach stockpiles	$ 1,715	$ 1,877
Materials and supplies, net[a]	$ 1,139	$ 1,096
Finished goods inventory	$ 825	$ 1,065
Long-term inventories:		
Mill stockpiles	$ 387	$ 360
Leach stockpiles	1,791	1,819
Total long-term inventories[b]	$ 2,178	$ 2,179

a. Materials and supplies inventory is net of obsolescence reserves totaling $7 million at December 31, 2015, and $2 million at December 31, 2014.

b. Estimated metals in stockpiles not expected to be recovered within the next 12 months.

FMC recorded charges for adjustments to inventory carrying values of $338 million ($215 million for copper inventories and $123 million for molybdenum inventories) for 2015, primarily because of lower copper and molybdenum prices.

NOTE 5. PROPERTY, PLANT, EQUIPMENT AND DEVELOPMENT COSTS, NET

The components of net property, plant, equipment and development costs follow:

	December 31, 2015	December 31, 2014
Proven and probable reserves	$ 4,663	$ 4,651
VBPP	1,037	1,042
Development and other	2,041	1,862
Buildings and infrastructure	5,488	3,281
Machinery and equipment	10,456	8,217
Mobile equipment	2,707	2,516
Construction in progress	834	3,830
Property, plant, equipment and development costs	27,226	25,399
Accumulated depreciation, depletion and amortization	(7,225)	(6,137)
Property, plant, equipment and development costs, net	$ 20,001	$ 19,262

In connection with FCX's acquisition of FMC in 2007, $2.2 billion was recorded for VBPP. Transfers to proven and probable mineral reserves totaled $10 million during 2015, $2 million during 2014 and $784 million prior to 2014. Cumulative impairments of VBPP total $485 million, which were primarily recorded in 2008.

Capitalized interest totaled $99 million in 2015 and $113 million in 2014, which included interest transferred from FCX of $44 million in 2015 and $69 million in 2014. Capitalized interest primarily related to development projects at the Cerro Verde mine in 2015, and at the Cerro Verde and Morenci mines in 2014.

Because of a decline in commodity prices, FMC made adjustments to its operating plans in the third and fourth quarters of 2015. Although FMC's long-term strategy of developing its mining resources to their full potential remains in place, the decline in copper and molybdenum prices has limited FMC's ability to invest in growth projects and caused FMC to make adjustments to its near-term plans by revising its strategy to protect liquidity while preserving its mineral resources and growth options for the longer term. Accordingly, operating plans were revised primarily to reflect: (a) the suspension of mining operations at the Miami mine in Arizona; (b) a 50 percent reduction in mining rates at the Tyrone mine in New Mexico; (c) the suspension of production at the Sierrita mine in Arizona; (d) adjustments to mining rates at other North America copper mines; (e) an approximate 50 percent reduction in mining and stacking rates at the El Abra mine in Chile; (f) an approximate 65 percent reduction in molybdenum production volumes at the Henderson molybdenum mine in Colorado; (g) capital cost reductions, including project deferrals associated with future development and expansion opportunities at the Tenke Fungurume minerals district in the DRC; and (h) reductions in operating, administrative and exploration costs, including workforce reductions.

In connection with the decline in copper and molybdenum prices and the revised operating plans discussed above, FMC evaluated its long-lived assets (including definite-lived intangible assets) for impairment during 2015 and as of December 31, 2015. FMC's evaluations of long-lived assets (including definite-lived intangible assets) resulted in the recognition of a charge to production costs for the impairment of the Tyrone mine totaling $37 million in 2015, net of a revision to Tyrone's ARO. FMC's evaluations of its copper mines at December 31, 2015, were based on near-term price assumptions reflecting prevailing copper future prices, which ranged from approximately $2.15 per pound to $2.17 per pound for COMEX and from $2.13 per pound to $2.16 per pound for LME, and a long-term average price of $3.00 per pound. FMC's evaluations of its molybdenum mines at December 31, 2015, were based on near-term price assumptions that are consistent with current market prices for molybdenum and a long-term average price of $10.00 per pound.

NOTE 6. OTHER ASSETS

The components of other assets follow:

	December 31,	
	2015	2014
Intangible assets	$ 317	$ 334
Cerro Verde disputed tax assessments[a]	254	231
Loan to a DRC public electric utility	174	164
Legally restricted funds[b]	169	169
Long-term receivable for taxes[c]	157	29
Investments:		
Equity-method investments	51	51
Available-for-sale securities	26	26
Loan to La Générale des Carrières et des Mines (Gécamines, related party)	39	37
Other	43	42
Total assets	$ 1,230	$ 1,083

a. Refer to Note 12 for further discussion.

b. Primarily associated with AROs related to properties in New Mexico (refer to Note 12 for further discussion).

c. Includes tax overpayments and refunds not expected to be realized within the next 12 months (primarily at the Cerro Verde and Tenke mines in 2015, and at the Cerro Verde mine in 2014).

Intangible Assets. The components of intangible assets follow:

	December 31, 2015		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Indefinite-lived water rights	$ 237	$ –	$ 237
Definite-lived water rights	30	(1)	29
Patents and process technology	28[a]	(21)	7
Royalty payments	25	(19)	6
Power contracts	19	(19)	–
Other intangibles	39	(1)	38
Total intangible assets	$ 378	$ (61)	$ 317

a. Amount is net of impairment charges totaling $17 million in 2015.

	December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Indefinite-lived water rights	$ 244	$ –	$ 244
Definite-lived water rights	30	(1)	29
Patents and process technology	48	(22)	26
Royalty payments	30	(22)	8
Power contracts	19	(17)	2
Other intangibles	25	–	25
Total intangible assets	$ 396	$ (62)	$ 334

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Additional information regarding accounts payable and accrued liabilities follows:

	December 31,	
	2015	2014
Accounts payable[a]	$ 992	$ 1,090
Salaries, wages and other compensation	119	205
Non-income taxes	75	79
Pension, postretirement, postemployment and other employee benefits[b]	68	89
Deferred revenue	45	34
Other	72	93
Total accounts payable and accrued liabilities	$ 1,371	$ 1,590

a. Refer to Note 10 for payables to related parties.

b. Refer to Note 9 for long-term portion.

NOTE 8. DEBT

The components of debt follow:

	December 31, 2015	December 31, 2014
Cerro Verde credit facility[a]	$ 1,781	$ 402
Cerro Verde shareholder loans	259	—
Other subsidiary shareholder loans	104	108
Cerro Verde lines of credit	43	50
Senior Notes:		
7⅛% Debentures due 2027	115	115
9½% Senior Notes due 2031	128	129
6⅛% Senior Notes due 2034	116	116
Equipment capital leases	3	4
Total debt	2,549	924
Less current portion of debt	(44)	(51)
Long-term debt	$ 2,505	$ 873

a. Net of reductions totaling $19 million at December 31, 2015, and $23 million at December 31, 2014, for unamortized debt issuance costs.

Cerro Verde Credit Facility. In March 2014, Cerro Verde entered into a five-year, $1.8 billion senior unsecured credit facility that is nonrecourse to FMC and the other shareholders of Cerro Verde. Interest on amounts drawn under the term loan is based on the London Interbank Offered Rate (LIBOR) plus a spread (2.40 percent at December 31, 2015) based on Cerro Verde's total net debt to EBITDA ratio as defined in the agreement. At December 31, 2015, term loan borrowings under the facility totaled $1.8 billion and were used to fund a portion of Cerro Verde's expansion project and for Cerro Verde's general corporate purposes. The credit facility amortizes in four installments in amounts necessary for the aggregate borrowings and outstanding letters of credit not to exceed 85 percent of the $1.8 billion commitment on September 30, 2017, 70 percent on March 31, 2018, and 35 percent on September 30, 2018, with the remaining balance due on the maturity date of March 10, 2019. The interest rate on Cerro Verde's credit facility was 2.82 percent at December 31, 2015.

Cerro Verde Shareholder Loans. In December 2014, Cerro Verde entered into loan agreements with its largest shareholders for borrowings up to $800 million. Cerro Verde can designate all or a portion of the shareholder loans as subordinated. If the loans are not designated as subordinated, they bear interest at LIBOR plus the current spread on Cerro Verde's credit facility. If they are designated as subordinated, they bear interest at the same rate plus 0.5 percent. The loans mature on December 22, 2019, unless at that time there is senior financing associated with the Cerro Verde expansion project that is senior to the shareholder loans, in which case the shareholder loans mature two years following the maturity of the senior financing. During 2015, Cerro Verde borrowed $600 million under these shareholder loans (including $341 million from FMC, which is eliminated in consolidation).

Other Subsidiary Shareholder Loans. In March 2013, FMC and Tenke Holdings Ltd. (a wholly owned subsidiary of Lundin) entered into shareholder loan agreements for borrowings up to $400 million (including $280 million from FMC) in connection with the March 2013 acquisition of a cobalt chemical refinery business. The loans mature in March 2033 and bear interest at LIBOR plus 3.5 percent. Interest may be paid in cash or by adding such interest to the principle amount of the outstanding loan. At December 31, 2015, the outstanding principle amount for these loans was $345 million (including $241 million from FMC, which is eliminated in consolidation). The interest rate on the shareholder loans were 4.35 percent at December 31, 2015.

Cerro Verde Lines of Credit. At December 31, 2015, FMC had $43 million outstanding on Cerro Verde's uncommitted and short-term lines of credit. The interest rate on the lines of credit was 1.05 percent at December 31, 2015, and 1.20 percent at December 31, 2014.

Debentures and Senior Notes. Interest on the 7⅛% Debentures due November 2027 is payable semiannually on May 1 and November 1.

Interest on the 9½% Senior Notes due June 2031 is payable semiannually on June 1 and December 1. At December 31, 2015, the 9½% Senior Notes included additions of $21 million for unamortized fair value adjustments related to FCX's acquisition of FMC in 2007, and the outstanding principal amount was $107 million. The increase in value is being amortized over the term of the notes and recorded as a reduction of interest expense.

Interest on the 6⅛% Senior Notes due March 2034 is payable semiannually on March 15 and September 15. At December 31, 2015, the 6⅛% Senior Notes included reductions of $8 million for unamortized fair value adjustments related to FCX's acquisition of FMC in 2007, and the outstanding principal amount of the 6⅛% Senior Notes was $124 million. The decrease in value is being amortized over the term of the notes and recorded as additional interest expense.

The debentures and senior notes are redeemable in whole or in part, at the option of FMC, at a make-whole redemption price. All of FMC's debentures and senior notes are unsecured and are guaranteed by FCX.

Restrictive Covenants. The Cerro Verde credit facility contains certain financial ratios that Cerro Verde must comply with on a quarterly basis, including a total net debt to EBITDA ratio and an interest coverage ratio, which are defined in the credit agreement. FMC's senior notes contain limitations on liens. At December 31, 2015, FMC was in compliance with all of its covenants.

Maturities. Maturities of debt instruments based on the amounts and terms outstanding at December 31, 2015, total $44 million in 2016, $271 million in 2017, $900 million in 2018, $889 million in 2019, less than $1 million in 2020 and $450 million thereafter.

Interest Payments. Interest paid by FMC was $80 million in 2015 and $44 million in 2014.

NOTE 9. OTHER LIABILITIES, INCLUDING EMPLOYEE BENEFITS

Additional information regarding other liabilities follows:

	December 31,	
	2015	2014
Pension, postretirement, postemployment and other employment benefits[a]	$ 1,019	$ 1,086
Legal matters	77	63
Insurance claim reserve	59	56
Other	48	49
Total other liabilities	$ 1,203	$ 1,254

a. Refer to Note 7 for short-term portion.

Pension Plans. Following is a discussion of FMC's pension plans.

FMC has U.S. trusteed, non-contributory pension plans covering substantially all of its U.S. employees and some employees of its international subsidiaries hired before 2007. The applicable FMC plan design determines the manner in which benefits are calculated for any particular group of employees. Benefits are calculated based on final average monthly compensation and years of service or based on a fixed amount for each year of service. Non-bargained FMC employees hired after December 31, 2006, are not eligible to participate in the FMC U.S. pension plan.

FMC's funding policy for these plans provides that contributions to pension trusts shall be at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, for U.S. plans; or, in the case of international plans, the minimum legal requirements that may be applicable in the various countries. Additional contributions also may be made from time to time.

FMC's policy for determining asset-mix targets for the FMC plan assets held in a master trust (Master Trust) includes the periodic development of asset and liability studies to determine expected long-term rates of return and expected risk for various investment portfolios. FMC's retirement plan administration and investment committee considers these studies in the formal establishment of asset-mix targets. FMC's investment objective emphasizes the need to maintain a well-diversified investment program through both the allocation of the Master Trust assets among asset classes and the selection of investment managers whose various styles are fundamentally complementary to one another and serve to achieve satisfactory rates of return. Diversification, by asset class and by investment manager, is FMC's principal means of reducing volatility and exercising prudent investment judgment. FMC's present target asset allocation approximates 43 percent equity investments (primarily global equities), 46 percent fixed income (primarily long-term treasury STRIPS or "separate trading or registered interest and principal securities"; long-term U.S. treasury/agency bonds; global fixed income securities; long-term, high-credit quality corporate bonds; high-yield and emerging markets fixed income securities; and fixed income debt securities) and 11 percent alternative investments (private real estate, real estate investment trusts and private equity).

The expected rate of return on plan assets is evaluated at least annually, taking into consideration asset allocation, historical returns on the types of assets held in the Master Trust and the current economic environment. Based on these factors, FMC expects the pension assets will earn an average of 7.25 percent per annum beginning January 1, 2016. The 7.25 percent estimation was based on a passive return on a compound basis of 6.75 percent and a premium for active management of 0.5 percent reflecting the target asset allocation and current investment array.

For estimation purposes, FMC assumes the long-term asset mix for these plans generally will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the plans and the need for future cash contributions. A lower-than-expected return on assets also would decrease plan assets and increase the amount of recorded pension expense in future years. When calculating the expected return on plan assets, FMC uses the market value of assets.

Among the assumptions used to estimate the pension benefit obligation is a discount rate used to calculate the present value of expected future benefit payments for service to date. The discount rate assumption for FMC's U.S. plans is designed to reflect yields on high-quality, fixed-income investments for a given duration. The determination of the discount rate for these plans is based on expected future benefit payments for service to date together with the Mercer Pension Discount Curve - Above Mean Yield. The Mercer Pension Discount Curve - Above Mean Yield is constructed from the bonds in the Mercer Pension Discount Curve that have a yield higher than the regression mean yield curve. The Mercer Pension Discount Curve consists of spot (*i.e.*, zero coupon) interest rates at one-half year increments for each of the next 30 years and is developed based on pricing and yield information for high-quality corporate bonds. Changes in the discount rate are reflected in FMC's benefit obligation and, therefore, in future pension costs.

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Information for those plans where the accumulated benefit obligations exceed the plan assets as of December 31 follows:

	2015	2014
Projected benefit obligation	$ 2,027	$ 2,103
Accumulated benefit obligation	1,924	1,972
Fair value of plan assets	1,363	1,400

Information on FMC's plans for the years ended and as of December 31 follows:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 2,111	$ 1,809
Service cost	36	30
Interest cost	84	88
Actuarial (gains) losses	(117)	276
Foreign exchange gains	(2)	(2)
Special retirement benefits[a]	22	–
Benefits paid	(99)	(90)
Benefit obligation at end of year	2,035	2,111
Change in plan assets:		
Fair value of plan assets at beginning of year	1,416	1,350
Actual return on plan assets	(27)	151
Employer contributions[b]	90	6
Foreign exchange losses	(1)	(1)
Benefits paid	(99)	(90)
Fair value of plan assets at end of year	1,379	1,416
Funded status	$ (656)	$ (695)
Accumulated benefit obligation	$ 1,932	$ 1,980
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.60 %	4.10 %
Rate of compensation increase	3.25 %	3.25 %
Balance sheet classification of funded status:		
Other assets	$ 8	$ 8
Accounts payable and accrued liabilities	(3)	(3)
Other liabilities	(661)	(700)
Total	$ (656)	$ (695)

a. Resulted from revised mine operating plans and reductions in the workforce (refer to Note 5 for further discussion).

b. Employer contributions are expected to approximate $10 million for 2016.

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FMC's plans for the years ended December 31 follow:

	2015	2014
Weighted-average assumptions:		
Discount rate	4.10 %	5.00 %
Expected return on plan assets	7.25 %	7.50 %
Rate of compensation increase	3.25 %	3.75 %
Service cost	$ 36	$ 30
Interest cost	84	88
Expected return on plan assets	(101)	(98)
Amortization of net actuarial losses	45	27
Special retirement benefits[a]	22	–
Net periodic benefit cost	$ 86	$ 47

a. Resulted from revised mine operating plans and reductions in the workforce (refer to Note 5 for further discussion).

Included in accumulated other comprehensive income (loss) are the following amounts that have not been recognized in net periodic pension cost: unrecognized actuarial losses of $601 million ($374 million net of taxes) at December 31, 2015; and $636 million ($395 million net of taxes) at December 31, 2014.

Actuarial losses in excess of 10 percent of the greater of the projected benefit obligation or market-related value of plan assets are amortized over the expected average remaining future service period of the current active participants. The amount expected to be recognized in 2016 net periodic pension cost for actuarial losses is $42 million ($26 million net of taxes).

FMC does not expect to have any plan assets returned to it in 2016.

Plan assets are classified within a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), then to significant observable inputs (Level 2) and the lowest priority to significant unobservable inputs (Level 3).

A summary of the fair value hierarchy for pension plan assets associated with the FMC plans follows:

	Fair Value at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Commingled/collective funds:				
Global equity	$ 399	$ –	$ 399	$ –
Fixed income securities	129	–	129	–
Global fixed income securities	101	–	101	–
Real estate property	66	–	–	66
Emerging markets equity	60	–	60	–
U.S. small-cap equity	56	–	56	–
International small-cap equity	56	–	56	–
U.S. real estate securities	55	–	55	–
Short-term investments	25	–	25	–
Fixed income securities:				
Government bonds	215	–	215	–
Corporate bonds	145	–	145	–
Private equity investments	31	–	–	31
Other investments	39	1	38	–
Total investments	1,377	$ 1	$ 1,279	$ 97
Cash and receivables	6			
Payables	(4)			
Total pension plan net assets	$ 1,379			

	Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Commingled/collective funds:				
Global equity	$ 487	$ –	$ 487	$ –
Global fixed income securities	106	–	106	–
Fixed income securities	99	–	99	–
U.S. small-cap equity	69	–	69	–
U.S. real estate securities	54	–	54	–
Real estate property	54	–	–	54
Short-term investments	8	–	8	–
Open-ended mutual funds:				
Emerging markets equity	38	38	–	–
Mutual funds:				
Emerging markets equity	25	25	–	–
Fixed income securities:				
Government bonds	244	–	244	–
Corporate bonds	148	–	148	–
Private equity investments	39	–	–	39
Other investments	35	–	35	–
Total investments	1,406	$ 63	$ 1,250	$ 93
Cash and receivables	19			
Payables	(9)			
Total pension plan net assets	$ 1,416			

Following is a description of the pension plan categories and valuation techniques used to measure fair value. There have been no changes in the techniques used to measure fair value.

Commingled/collective funds are managed by several fund managers and are valued at the net asset value per unit of the fund. For most of these funds, the majority of the underlying assets are actively traded securities; however, the unit level is considered to be at the fund level. These funds (except the real estate property funds) require less than a month's notice for redemptions and, as such, are classified within Level 2 of the fair value hierarchy. Real estate property funds are valued at net realizable value using information from independent appraisal firms, who have knowledge and expertise about the current market values of real property in the same vicinity as the investments. Redemptions of the real estate property funds are allowed once per quarter, subject to available cash and, as such, are classified within Level 3 of the fair value hierarchy.

Fixed income investments include government and corporate bonds held directly by the Master Trust or through commingled funds. Fixed income securities are valued using a bid evaluation price or a mid-evaluation price and, as such, are classified within Level 2 of the fair value hierarchy. A bid evaluation price is an estimated price at which a dealer would pay for a security. A mid-evaluation price is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security. These evaluations are based on quoted prices, if available, or models that use observable inputs.

Private equity investments are valued at net realizable value using information from general partners and are classified within Level 3 of the fair value hierarchy because of the inherent restrictions on redemptions that may affect the ability to sell the investments at their net asset value in the near term.

Open-ended mutual funds were managed by registered investment companies and were valued at the daily published net asset value of shares/units held. Because redemptions and purchases of shares/units occur at the net asset value without any adjustments to the published net asset value that was provided on an ongoing basis (active-market criteria are met), these investments were classified within Level 1 of the fair value hierarchy.

Mutual funds were valued at the closing price reported on the active market on which the individual securities were traded and, as such, are classified within Level 1 of the fair value hierarchy.

A summary of changes in the fair value of FMC's Level 3 pension plan assets for the years ended December 31, 2015 and 2014, follows:

	Real Estate Property	Private Equity Investments	Total
Balance at January 1, 2014	$ 47	$ 43	$ 90
Actual return on plan assets:			
Realized gains	2	–	2
Net unrealized gains (losses) related to assets still held at the end of the year	6	(1)	5
Purchases	–	1	1
Sales	(1)	–	(1)
Settlements, net	–	(4)	(4)
Balance at December 31, 2014	54	39	93
Actual return on plan assets:			
Realized gains	2	–	2
Net unrealized gains (losses) related to assets still held at the end of the year	11	(5)	6
Purchases	–	1	1
Sales	(1)	–	(1)
Settlements, net	–	(4)	(4)
Balance at December 31, 2015	$ 66	$ 31	$ 97

Expected benefit payments for the pension plans total $123 million for 2016, $107 million for 2017, $110 million for 2018, $112 million for 2019, $114 million for 2020 and $606 million for 2021 through 2025.

Postretirement and Other Benefits. FMC also provides postretirement medical and life insurance benefits for certain U.S. employees and, in some cases, employees of certain international subsidiaries. These postretirement benefits vary among plans, and many plans require contributions from retirees. The expected cost of providing such postretirement benefits is accrued during the years employees render service.

The benefit obligation (funded status) for the postretirement medical and life insurance benefit plans consisted of a current portion of $15 million (included in accounts payable and accrued liabilities) and a long-term portion of $135 million (included in other liabilities) at December 31, 2015, and a current portion of $17 million and a long-term portion of $152 million at December 31, 2014. The discount rate used to determine the benefit obligation for these plans, which was determined on the same basis as FMC's pension plans, was 4.10 percent at December 31, 2015, and 3.60 percent at December 31, 2014. Expected benefit payments for these plans total $15 million for 2016, $15 million for 2017, $14 million for 2018, $14 million for 2019, $14 million for 2020 and $55 million for 2021 through 2025.

The net periodic benefit cost charged to operations for FMC's postretirement benefits totaled $6 million in 2015 and 2014 (primarily for interest costs). The discount rate used to determine net periodic benefit cost and the components of net periodic benefit cost for FMC's postretirement benefits was 3.60 percent in 2015 and 4.30 percent in 2014. The medical-care trend rates assumed the first year trend rate was 7.50 percent at December 31, 2015, which declines over the next 15 years with an ultimate trend rate of 4.25 percent.

FMC has a number of postemployment plans covering severance, long-term disability income, continuation of health and life insurance coverage for disabled employees or other welfare benefits. The accumulated postemployment benefit consisted of a current portion of $4 million (included in accounts payable and accrued liabilities) and a long-term portion of $27 million (included in other liabilities) at December 31, 2015, and a current portion of $5 million and a long-term portion of $34 million at December 31, 2014.

FMC also sponsors savings plans for the majority of its U.S. employees. The plans allow employees to contribute a portion of their pre-tax income in accordance with specified guidelines. These savings plans are principally qualified 401(k) plans for all U.S. salaried and non-bargained hourly employees. In these plans, participants exercise control and direct the investment of their contributions and account balances among various investment options. FMC contributes to these plans at varying rates and matches a percentage of employee pre-tax deferral contributions up to certain limits, which vary by plan.

The costs charged to operations for employee savings plans totaled $63 million in 2015 and $48 million in 2014. FMC has other employee benefit plans, certain of which are related to FMC's financial results, which are recognized in operating costs.

Restructuring Charges. Because of a decline in commodity prices, FMC made adjustments to its operating plans for its mining operations in the third and fourth quarters of 2015 (refer to Note 5 for further discussion). As a result of these revisions to its operating plans, FMC recorded restructuring charges to production costs in 2015 of $46 million primarily for employee severance and benefit costs, and $22 million for special retirement benefits.

NOTE 10. RELATED PARTY TRANSACTIONS, INCLUDING STOCK-BASED COMPENSATION

A summary of the significant transactions with related parties for the years ended December 31 follows:

Related Party	Relationship	Transaction	2015	2014
FCX[a]	Shareholder	Provides share-based and other incentive compensation benefits to certain of FMC's employees; and certain technical, management, administrative, financial, and other services on behalf and for the benefit of FMC	$ 83	$ 67
Atlantic Copper, S.L.U. (Atlantic Copper)	Shareholder's subsidiary	Sales of copper concentrate and copper cathode	$ 319	$ 823
		Purchases of sulphuric acid	$ 16	$ 21
Corporación Nacional del Cobre de Chile (CODELCO)	Noncontrolling interest owner	Sales of copper cathode	$ 394	$ 558
		Purchases of sulphuric acid and other	$ 39	$ 26
SMM	Noncontrolling interest owner	Sales of copper concentrate	$ 452	$ 778

a. Includes FM Services Company (FMS), a wholly owned subsidiary of FCX.

As noted above, FMC routinely enters into transactions with FCX and its other subsidiaries. Amounts presented as receivables and payables in the consolidated balance sheets reflect the effects of the related party transactions that have not yet been settled by cash payments, the majority of which are non-interest-bearing balances.

FMC shares common management, operating and administrative, and overhead costs with FCX and FMS that are allocated to FMC, which management believes are reasonable. However, because of the nature of these costs and services, it is not practicable to estimate what the costs and services would have been on a stand-alone basis. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed, or the results of operations that would have occurred, if FMC had operated as a stand-alone entity.

FMC paid dividends to FCX totaling $604 million in 2015 and $3.2 billion in 2014. Since these funds are considered to be permanently distributed from FMC to FCX, rather than temporary cash advances, the dividend resulted in an increase in the accumulated deficit.

Other transactions with related parties include purchases of copper cathode from Sumitomo, a joint venture partner (refer to Note 3); the allocation of interest costs from FCX (refer to Note 5); the loan to Gécamines, a noncontrolling interest owner (refer to Note 6); the shareholder loans (refer to Note 8); and the allocation of U.S. federal and state taxes from FCX (refer to Note 11).

A summary of the accounts receivable from and accounts payable and accrued liabilities to related parties follows:

	December 31, 2015	December 31, 2014
Trade accounts receivable		
CODELCO	$ 27	$ 60
Atlantic Copper	24	123
SMM	19	108
Total trade accounts receivable	$ 70	$ 291
Other accounts receivable:		
FCX, including FMS	$ –	$ 35
Sumitomo (reimbursement of joint venture operating expenses)	10	11
Total other accounts receivable	$ 10	$ 46
Accounts payable and accrued liabilities:		
FCX, including FMS	$ 44	$ –
Sumitomo (cathode purchases)	20	22
Atlantic Copper	–	1
Total accounts payable and accrued liabilities	$ 64	$ 23

FCX Stock Awards. FCX has granted stock options and restricted stock units of its common stock (which is publicly traded on the New York Stock Exchange in the U.S.) to certain FMC employees as part of its incentive compensation program. A stock option award gives the recipient the right to buy FCX's common stock at a specified price within a certain period or by a specified date, subject to certain vesting requirements. A restricted stock unit is a grant of FCX common stock issued to an individual that is not fully transferable until the vesting requirement is satisfied. FCX charges the related compensation costs in connection with these stock-based awards to FMC. No significant amounts of stock-based compensation costs were capitalized during the periods presented.

FCX has adopted other employee benefit plans with performance-based award criteria in which employees of FMC participate. The costs of such plans charged to FMC, including costs related to FCX and FMS employees allocated to FMC, and recognized currently in exploration costs, production costs, general and administrative expenses, and selling and marketing expenses totaled $37 million in 2015 and $40 million in 2014.

Stock options granted under the plans generally expire 10 years after the date of grant and vest in 25 percent annual increments beginning one year from the date of grant. The award agreements provide that participants will receive the following year's vesting after retirement. Therefore, on the date of grant, FCX accelerates one year of amortization for retirement-eligible employees. Stock options granted prior to February 2012 provide for accelerated vesting if there is a change of control (as defined in the award agreements). Stock options granted after that date provide for accelerated vesting only upon certain qualifying terminations of employment within one year following a change of control.

A summary of outstanding FCX stock options granted to FMC's employees as of December 31, 2015, and activity during the year ended December 31, 2015, follows:

	Number of Stock Options	Weighted-Average Exercise Price (Per Share)	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	12,546,409	$ 38.43		
Granted	1,770,000	18.98		
Exercised	(39,150)	12.30		
Net transfers from FMC to other FCX subsidiaries	(467,750)	36.73		
Expired/Forfeited	(478,376)	37.75		
Balance at December 31	13,331,133	36.01	5.6	$ –[a]
Vested and exercisable at December 31	9,980,962	38.57	4.8	$ –[a]

a. At December 31, 2015, all outstanding stock options have exercise prices greater than the market price of FCX's common stock.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option valuation model. Expected volatility is based on implied volatilities from traded options on FCX's common stock and historical volatility of FCX's common stock. FCX uses historical data to estimate future option exercises, forfeitures and expected life. When appropriate, separate groups of employees who have similar historical exercise behavior are considered separately for valuation purposes. The expected dividend rate is calculated using FCX's annual dividend (excluding supplemental dividends) at the date of grant. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option.

Information related to FCX stock options granted to FMC's employees during the years ended December 31 follows:

	2015	2014
Weighted-average assumptions used to value FCX stock option awards:		
Expected volatility	37.9 %	36.6 %
Expected life of options (in years)	5.17	4.92
Expected dividend rate	4.5 %	3.5 %
Risk-free interest rate	1.7 %	1.7 %
Weighted-average grant-date fair value (per share)	$ 4.30	$ 7.43
Intrinsic value of options exercised	$ –	$ 2
Fair value of options vested	$ 24	$ 32

As of December 31, 2015, unrecognized compensation cost related to FCX's unvested stock options granted to FMC's employees totaled $13 million and is expected to be recognized over a weighted-average period of 1.7 years.

Stock-settled RSU's granted to certain FMC employees under FCX's plans in 2013 vest at the end of three years, and those granted in 2014 and 2015 to certain FMC employees vest over a period of three years.

Dividends attributable to stock-settled RSUs accrue and are paid if the award vests. In addition, for those awards granted prior to 2015, interest accrues on accumulated dividends and is paid if the stock-settled RSUs vest. A summary of outstanding FCX stock-settled RSUs granted to FMC's employees as of December 31, 2015, and activity during the year ended December 31, 2015, follows:

	Number of Awards	Weighted-Average Grant-Date Fair Value (Per Award)	Aggregate Intrinsic Value
Balance at January 1	662,166	$ 33.01	
Granted	365,500	18.28	
Vested	(102,027)	30.90	
Net transfers from FMC to other FCX subsidiaries	(34,000)	33.69	
Expired/Forfeited	(35,498)	28.55	
Balance at December 31	856,141	27.14	$ 6

The total fair value of stock-settled RSUs granted to FMC's employees was $7 million during 2015 and $10 million during 2014. The total intrinsic value of stock-settled RSUs vested was $2 million during 2015 and less than $1 million during 2014. As of December 31, 2015, unrecognized compensation cost related to FCX's unvested stock-settled RSUs granted to FMC's employees totaled $5 million and is expected to be recognized over approximately 1.3 years.

Cash-settled RSUs are similar to stock-settled RSUs, but are settled in cash rather than in shares of common stock. These cash-settled RSUs granted to certain FMC employees under FCX's plans generally vest over periods ranging from three to five years of service. The award agreements for cash-settled RSUs provide for accelerated vesting upon certain qualifying terminations of employment within one year following a change of control (as defined in the award agreements).

The cash-settled RSUs are classified as liability awards, and the fair value of these awards is remeasured each reporting period until the vesting dates.

Dividends attributable to cash-settled RSUs accrue and are paid if the award vests. In addition, for those awards granted prior to 2015, interest accrues on accumulated dividends and is paid if the cash-settled RSUs vest. A summary of outstanding FCX cash-settled RSUs granted to FMC's employees as of December 31, 2015, and activity during the year ended December 31, 2015, follows:

	Number of Awards	Weighted-Average Grant-Date Fair Value (Per Award)	Aggregate Intrinsic Value
Balance at January 1	280,200	$ 30.95	
Granted	431,000	18.70	
Vested	(92,458)	30.95	
Net transfers from FMC to other FCX subsidiaries	(2,100)	30.94	
Expired/Forfeited	(36,260)	22.50	
Balance at December 31	580,382	22.38	$ 4

The total grant-date fair value of cash-settled RSUs granted to FMC's employees was $8 million during 2015 and $9 million during 2014. The intrinsic value of cash-settled RSUs vested was $2 million during 2015.

NOTE 11. INCOME TAXES

FMC's non-U.S. subsidiaries file income tax returns in the foreign jurisdictions in which they operate. FMC does not file a separate income tax return in the U.S. Instead, FMC's U.S. operations are included in the consolidated U.S. federal income tax return filed by FCX. The tax computations reflected in FMC's consolidated financial statements are prepared as if FMC operated as a separate taxpayer in each U.S. filing jurisdiction, with limited exceptions for select computations that are computed on a consolidated basis. The FCX U.S. consolidated group does not settle cash tax liabilities among its subsidiaries; therefore, current U.S. federal and state taxes applicable to FMC are accounted for as adjustments to dividends paid to FCX.

Geographic sources of income before income taxes and equity in affiliated companies' net earnings (losses) for the years ended December 31 consist of the following:

	2015	2014
U.S.	$ 58	$ 2,017
Foreign	204	1,815
Total	$ 262	$ 3,832

With the exception of TFM, income taxes are provided on the earnings of FMC's material foreign subsidiaries under the assumption that these earnings will be distributed. FMC has determined that TFM's undistributed earnings are reinvested indefinitely and have been allocated toward specifically identifiable needs of the local operations, including, but not limited to, existing liabilities and sustaining capital requirements. In the absence of these specifically identifiable needs, FMC would reevaluate the need to provide income taxes on $1.3 billion of undistributed earnings in TFM. FMC has not provided deferred income taxes for other differences between the book and tax carrying amounts of its investments in material foreign subsidiaries as FMC considers its ownership positions to be permanent in duration, and quantification of the related deferred tax liability is not practicable.

FMC's provision for income taxes for the years ended December 31 consists of the following:

	2015	2014
Current income taxes:		
Federal	$ 17	$ 219
State	(2)	24
Foreign	132	1,049
Total current	147	1,292
Deferred income taxes		
Federal	64	40
State	(4)	(11)
Foreign	(64)	(208)
Total deferred	(4)	(179)
Provision for income taxes	$ 143	$ 1,113

A reconciliation of the U.S. federal statutory tax rate to FMC's effective income tax rate for the years ended December 31 follows:

	2015		2014	
	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	$ 92	35%	$ 1,341	35%
Foreign tax credit limitation	66	25	63	2
Percentage depletion	(174)	(66)	(263)[a]	(7)
Withholding and other impacts on foreign earnings	40	15	186	5
Effect of foreign rates different than the U.S. federal statutory rate	(44)	(16)	(192)	(5)
Valuation allowance, net	168	64	32	1
State income taxes	(8)	(3)	10	–
Other items, net	3	1	(64)	(2)
Provision for income taxes	$ 143	55%	$ 1,113[b,c]	29%

a. Includes a net charge of $16 million related to a change in U.S. federal income tax law.

b. Includes charges related to changes in Chilean and Peruvian tax rules of $54 million and $24 million, respectively.

c. Includes a net charge of $221 million related to the sale of the Candelaria and Ojos del Salado mines.

FMC paid foreign income taxes totaling $708 million in 2015 and $816 million in 2014. FMC received refunds of foreign income taxes of $5 million in 2015 and $77 million in 2014.

The components of deferred taxes follow:

	December 31,	
	2015	2014
Deferred tax assets:		
Foreign tax credits	$ 649	$ 535
Accrued expenses	717	752
Minimum tax credits	564	574
Employee benefit plans	371	274
Net operating loss carryforwards	60	33
Other	12	230
Deferred tax assets	2,373	2,398
Valuation allowances	(838)	(704)
Net deferred tax assets	1,535	1,694
Deferred tax liabilities:		
Property, plant, equipment and mining development costs	(3,517)	(3,658)
Undistributed earnings	(323)	(343)
Other	(48)	(47)
Total deferred tax liabilities	(3,888)	(4,048)
Net deferred tax liabilities	$ (2,353)	$ (2,354)

At December 31, 2015, FMC had U.S. foreign tax credit carryforwards of $649 million that will expire between 2017 and 2025, and U.S. minimum tax credit carryforwards of $564 million that can be carried forward indefinitely.

At December 31, 2015, FMC had U.S. state net operating loss carryforwards of $1.3 billion that expire between 2016 and 2035.

On the basis of available information at December 31, 2015, including positive and negative evidence, FMC has provided valuation allowances for certain of its deferred tax assets where it believes it is more likely than not that some portion or all of such assets will not be realized. Valuation allowances totaled $838 million at December 31, 2015, covering all of FMC's foreign net operating loss carryforwards, and a portion of FMC's U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards, U.S. state net operating loss carryforwards and U.S. state deferred tax assets. Valuation allowances totaled $704 million at December 31, 2014, and covered all of FMC's U.S. foreign tax credit carryforwards, and a portion of FMC's U.S. minimum tax credit carryforwards, U.S. state net operating loss carryforwards and U.S. state deferred tax assets.

The valuation allowance related to FMC's U.S. foreign tax credits totaled $492 million at December 31, 2015. FMC has operations in tax jurisdictions where statutory income taxes and withholding taxes combine to create effective tax rates equal to or in excess of the U.S. federal income tax liability that is due upon repatriation of foreign earnings. As a result, FMC continues to generate foreign tax credits for which no benefit is expected to be realized. In addition, any foreign income taxes currently accrued or paid on unremitted foreign earnings may result in additional future foreign tax credits for which no benefit is expected to be realized upon repatriation of the related earnings. A valuation allowance will continue to be carried on these excess U.S. foreign tax credit carryforwards until such time that FMC believes it has a prudent and feasible means of securing the benefit of U.S. foreign tax credit carryforwards that can be implemented.

The valuation allowance related to FMC's U.S. federal minimum tax credit carryforwards totaled $285 million at December 31, 2015. U.S. minimum tax credit carryforwards can be carried forward indefinitely, but can only be used to the extent that U.S. regular tax liability exceeds U.S. alternative minimum tax liability in any given year.

Other valuation allowances totaling $61 million at December 31, 2015, primarily related to U.S. state and foreign net operating losses and state deferred tax assets. Valuation allowances will continue to be carried on state deferred tax assets, U.S. federal minimum tax credit carryforwards and U.S. state and foreign net operating losses until such time that FMC generates taxable income against which any of the assets or carryforwards can be used, forecasts of future income provide sufficient positive evidence to support reversal of the valuation allowances or FMC identifies a prudent and feasible means of securing the benefit of the assets or carryforwards that can be implemented.

The $134 million net increase in the valuation allowances during 2015 primarily included a $162 million increase against U.S. federal minimum tax credit carryforwards, partially offset by a $44 million decrease against U.S. foreign tax credits.

World market prices for commodities have fluctuated historically. At December 31, 2015, market prices for copper, gold and molybdenum were below their twelve-month historical averages. Future market prices at or below 2015 year-end prices may result in additional valuation allowances provided on deferred tax assets.

In 2010, the Chilean legislature approved an increase in mining royalty taxes to help fund earthquake reconstruction activities, education and health programs. Mining royalty taxes at FMC's El Abra mine are 4 percent for the years 2013 through 2017. Beginning in 2018 and through 2023, rates will move to a sliding scale of 5 to 14 percent (depending on a defined operational margin).

In September 2014, the Chilean legislature approved a tax reform package that implemented a dual tax system, which was amended in January 2016. Under previous rules, FMC's share of income from Chilean operations was subject to an effective 35 percent tax rate allocated between income taxes and dividend withholding taxes. Under the amended tax reform package, FMC's Chilean operation is subject to the "Partially-Integrated System," resulting in FMC's share of income from El Abra being subject to progressively increasing effective tax rates of 35 percent through 2019 and 44.5 percent in 2020 and thereafter.

In December 2014, the Peruvian parliament passed tax legislation intended to stimulate the economy. Under the legislation, the corporate income tax rate progressively decreases from 30 percent in 2014 to 26 percent in 2019 and thereafter. In addition, the dividend tax rate on distributions progressively increases from 4.1 percent in 2014 to 9.3 percent in 2019 and thereafter. Cerro Verde's current mining stability agreement subjects FMC to a stable income tax rate of 32 percent through the expiration of the agreement on December 31, 2028. The tax rate on dividend distributions is not stabilized by the agreement.

FMC accounts for uncertain income tax positions using a threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FMC's policy associated with uncertain tax positions is to record accrued interest in interest expense and accrued penalties in other income and expenses rather than in the provision for income taxes.

A summary of the activities associated with FMC's reserve for unrecognized tax benefits for the years ended December 31 follows:

	2015	2014
Balance at beginning of year	$ 66	$ 60
Additions:		
Prior year tax positions	–	2
Current year tax positions	4	5
Decreases:		
Prior year tax positions	(1)	(1)
Balance at end of year	$ 69	$ 66

The total amount of accrued interest associated with unrecognized tax benefits included in the consolidated balance sheets was $4 million at December 31, 2015, and $3 million at December 31, 2014. There were no penalties associated with unrecognized tax benefits for the two years ended December 31, 2015.

The reserve for unrecognized tax benefits of $69 million at December 31, 2015, included $69 million ($63 million net of income tax benefits) that, if recognized, would reduce FMC's provision for income taxes. Changes to the reserve for unrecognized tax benefits associated with current and prior year tax positions were primarily related to uncertainties associated with FMC's cost recovery methods. There continues to be uncertainty related to the timing of settlements with taxing authorities, but if additional settlements are agreed upon during the year 2016, FMC could experience a change in its reserve for unrecognized tax benefits.

FMC is included in the consolidated U.S. federal and state tax returns filed by FCX. FMC's foreign subsidiaries file income tax returns in various foreign jurisdictions. The tax years for major tax jurisdictions that remain subject to examination are as follows:

Jurisdiction	Years Under Examination	Additional Open Years
U.S. Federal	2007-2013	2014-2015
Peru	2011	2012-2015
Chile	2013-2014	2015
DRC	None	2013-2015

NOTE 12. CONTINGENCIES

Environmental. FMC subsidiaries are subject to various national, state and local environmental laws and regulations that govern emissions of air pollutants; discharges of water pollutants; generation, handling, storage and disposal of hazardous substances, hazardous wastes and other toxic materials; and remediation, restoration and reclamation of environmental contamination. FMC subsidiaries that operate in the U.S. also are subject to potential liabilities arising under CERCLA and similar state laws that impose responsibility on current and previous owners and operators of a facility for the remediation of hazardous substances released from the facility into the environment, including damages to natural resources, in some cases irrespective of when the damage to the environment occurred or who caused it. Remediation liability also extends to persons who arranged for the disposal of hazardous substances or transported the hazardous substances to a disposal site selected by the transporter. These liabilities are often shared on a joint and several basis, meaning that each responsible party is fully responsible for the remediation, if some or all of the other historical owners or operators no longer exist, do not have the financial ability to respond or cannot be found. As a result, many of the subsidiary companies FMC owns are responsible for a wide variety of environmental remediation projects throughout the U.S., and FMC expects to spend substantial sums annually for many years to address those remediation issues. Certain FMC subsidiaries have been advised by the U.S. Environmental Protection Agency (EPA), the Department of the Interior, the Department of Agriculture and various state agencies that, under CERCLA or similar state laws and regulations, they may be liable for costs of responding to environmental conditions at a number of sites that have been or are being investigated to determine whether releases of hazardous substances have occurred and, if so, to develop and implement remedial actions to address environmental concerns. FMC is also subject to claims where the release of hazardous substances is alleged to have damaged natural resources (NRD) and to litigation by individuals allegedly exposed to hazardous substances. As of December 31, 2015, FMC had more than 100 active remediation projects, including NRD claims, in 26 U.S. states.

A summary of changes in estimated environmental obligations for the years ended December 31 follows:

	2015	2014
Balance at beginning of year	$ 1,174	$ 1,167
Accretion expense[a]	78	77
Additions	33	16
Reductions[b]	(3)	(6)
Spending	(67)	(80)
Balance at end of year	1,215	1,174
Less current portion	(100)	(105)
Long-term portion	$ 1,115	$ 1,069

a. Represents accretion of the fair value of environmental obligations assumed as a result of FCX's acquisition of FMC in 2007, which were determined on a discounted cash flow basis.

b. Reductions primarily reflect revisions for changes in the anticipated scope and timing of projects and other noncash adjustments.

Estimated future environmental cash payments (on an undiscounted and unescalated basis) total $100 million in 2016, $127 million in 2017, $104 million in 2018, $92 million in 2019, $85 million in 2020 and $1.8 billion thereafter. The amount and timing of these estimated payments will change as a result of changes in regulatory requirements, changes in scope and timing of remediation activities, the settlement of environmental matters and as actual spending occurs.

At December 31, 2015, FMC's environmental obligations totaled $1.2 billion, including $1.1 billion that were recorded at fair value and estimated on a discounted basis as a result of FCX's acquisition of FMC in 2007. On an undiscounted and unescalated basis, these obligations totaled $2.3 billion. FMC estimates it is reasonably possible that these obligations could range between $2.1 billion and $2.7 billion on an undiscounted and unescalated basis.

At December 31, 2015, the most significant environmental obligations were associated with the Pinal Creek site in Arizona; the Newtown Creek site in New York City; historical smelter sites principally located in Arizona, Kansas, New Jersey, Oklahoma and Pennsylvania; and uranium mining sites in the western U.S. The recorded environmental obligations for these sites totaled $1.0 billion at December 31, 2015. FMC may also be subject to litigation brought by private parties, regulators and local governmental authorities related to these historical sites. A discussion of these sites follows.

Pinal Creek. The Pinal Creek site was listed under the Arizona Department of Environmental Quality's (ADEQ) Water Quality Assurance Revolving Fund program in 1989 for contamination in the shallow alluvial aquifers within the Pinal Creek drainage near Miami, Arizona. Since that time, environmental remediation was performed by members of the Pinal Creek Group (PCG), consisting of FMC Miami, Inc. (Miami), a wholly owned subsidiary of FMC, and two other companies. Pursuant to a 2010 settlement agreement, Miami agreed to take full responsibility for future groundwater remediation at the Pinal Creek site, with limited exceptions. Remediation work consisting of both capping (earthwork) and groundwater extraction and treatment continues and is expected to continue for many years in the future.

Newtown Creek. From the 1930s until 1964, Phelps Dodge Refining Corporation (PDRC), a subsidiary of FMC, operated a copper smelter and, from the 1930s until 1984, operated a copper refinery on the banks of Newtown Creek (the creek), which is a 3.5-mile-long waterway that forms part of the boundary between Brooklyn and Queens in New York City. Heavy industrialization along the banks of the creek and discharges from the City of New York's sewer system over more than a century resulted in significant environmental contamination of the waterway. In 2010, EPA notified PDRC, four other companies and the City of New York that EPA considers them to be PRPs under CERCLA. The notified parties began working with EPA to identify other PRPs, and EPA proposed that the notified parties perform a remedial investigation/feasibility study (RI/FS) at their expense and reimburse EPA for its oversight costs. EPA is not expected to propose a remedy until after the RI/FS is completed. Additionally, in 2010, EPA designated the creek as a Superfund site, and in 2011, PDRC and five other parties entered an Administrative Order on Consent (AOC) to perform the RI/FS to assess the nature and extent of environmental contamination in the creek and identify potential remedial options. The parties' RI/FS work under the AOC and their efforts to identify other PRPs are ongoing; the RI is expected to be completed in late 2016, with the FS approved by EPA in 2019, and remedial action could possibly begin in 2022. The actual costs of fulfilling this remedial obligation and the allocation of costs among PRPs are uncertain and subject to change based on the results of the RI/FS, the remediation remedy ultimately selected by EPA and related allocation determinations. The overall cost and the portion ultimately allocated to PDRC could be material to FMC and significantly exceed the amount currently reserved for this contingency.

Historical Smelter Sites. FMC subsidiaries and their predecessors at various times owned or operated copper, zinc and lead smelters in states including Arizona, Kansas, Missouri, New Jersey, Oklahoma and Pennsylvania. For some of these smelter sites, certain FMC subsidiaries have been advised by EPA or state agencies that they may be liable for costs of investigating and, if appropriate, remediating environmental conditions associated with the smelters. At other sites, certain FMC subsidiaries have entered into state voluntary remediation programs to investigate and, if appropriate, remediate onsite and offsite conditions associated with the smelters. The historical smelter sites are in various stages of assessment and remediation. At some of these sites, disputes with local residents and elected officials regarding alleged health effects or the effectiveness of remediation efforts have resulted in litigation of various types, and similar litigation at other sites is possible.

Uranium Mining Sites. During a period between 1940 and the early 1970s, certain FMC subsidiaries and their predecessors were involved in uranium exploration and mining in the western U.S., primarily on federal and tribal lands in the Four Corners region of the southwest. Similar exploration and mining activities by other companies have also caused environmental impacts warranting remediation, and EPA and local authorities are currently evaluating the need for significant cleanup activities in the region. To date, FMC has undertaken remediation work at a limited number of sites associated with these predecessor entities. During 2014, FMC initiated reconnaissance work at a limited number of historic mining sites on federal lands, which continued in 2015; approximately 20 percent of FMC's known federal sites have been initially evaluated. FMC expects to increase those activities over the next several years in order to identify sites for possible future investigation and remediation. During 2014, FMC also initiated discussions with federal and tribal representatives regarding a potential phased program to investigate and remediate historic uranium sites on tribal lands in the Four Corners region. Those discussions continued in 2015, when FMC also initiated discussions with the Department of Justice regarding the possible federal government's share of the liability on tribal lands.

AROs. FMC's ARO estimates are reflected on a third-party cost basis and are based on FMC's legal obligation to retire tangible, long-lived assets. A summary of changes in FMC's AROs for the years ended December 31 follows:

	2015	2014
Balance at beginning of year	$ 992	$ 925
Liabilities incurred	19	8
Revisions to cash flow estimates	(55)	70
Accretion expense	59	50
Dispositions	–	(42)
Spending	(4)	(19)
Balance at end of year	1,011	992
Less current portion	(6)	(12)
Long-term portion	$ 1,005	$ 980

ARO costs may increase or decrease significantly in the future as a result of changes in regulations, changes in engineering designs and technology, permit modifications or updates, changes in mine plans, inflation or other factors and as reclamation spending occurs. ARO activities and expenditures generally are made over an extended period of time commencing near the end of the mine life; however, certain reclamation activities may be accelerated if legally required or if determined to be economically beneficial.

New Mexico, Arizona, Colorado and other states require financial assurance to be provided for the estimated costs of mine reclamation and closure, including groundwater quality protection programs. FMC has satisfied financial assurance requirements by using a variety of mechanisms, primarily involving parent company performance guarantees and financial capability demonstrations, but also including trust funds, surety bonds, letters of credit and other collateral. The applicable regulations specify financial strength tests that are designed to confirm a company's or guarantor's financial capability to fund estimated reclamation and closure costs. The amount of financial assurance FMC is required to provide will vary with changes in laws, regulations, reclamation and closure requirements, and cost estimates. At December 31, 2015, FMC's financial assurance obligations associated with these closure and reclamation/restoration costs totaled $994 million, of which $617 million was in the form of guarantees issued by FCX and financial capability demonstrations of FCX. At December 31, 2015, FMC had trust assets totaling $169 million (included in other assets), which are legally restricted to be used to satisfy its financial assurance obligations for its mining properties in New Mexico.

New Mexico Environmental and Reclamation Programs. FMC's New Mexico operations are regulated under the New Mexico Water Quality Act and regulations adopted by the Water Quality Control Commission (WQCC). In connection with discharge permits, the New Mexico Environment Department (NMED) has required each of these operations to submit closure plans for NMED's approval. The closure plans must include measures to assure meeting applicable groundwater quality standards following the closure of discharging facilities and to abate groundwater or surface water contamination to meet applicable standards. In 2013, the WQCC adopted Supplemental Permitting Requirements for Copper Mining Facilities, which became effective on December 1, 2013, and specify closure requirements for copper mine facilities. The rules were adopted after an extensive stakeholder process in which FMC participated and were jointly supported by FMC and NMED. The rules are currently being challenged in the New Mexico Supreme Court by certain environmental organizations and the New Mexico Attorney General. Finalized closure plan requirements, including those resulting from application of the 2013 rules or the application of different standards if the rules are invalidated by the New Mexico Supreme Court, could result in material increases in closure costs for FMC's New Mexico operations.

FMC's New Mexico operations also are subject to regulation under the 1993 New Mexico Mining Act (the Mining Act) and the related rules that are administered by the Mining and Minerals Division (MMD) of the New Mexico Energy, Minerals and Natural Resources Department. Under the Mining Act, mines are required to obtain approval of plans describing the reclamation to be performed following cessation of mining operations. At December 31, 2015, FMC had accrued reclamation and closure costs of $451 million for its New Mexico operations. As stated above, additional accruals may be required based on the state's periodic review of FMC's updated closure plans and any resulting permit conditions, and the amount of those accruals could be material.

Arizona Environmental and Reclamation Programs. FMC's Arizona properties are subject to regulatory oversight in several areas. ADEQ has adopted regulations for its aquifer protection permit (APP) program that require permits for, among other things, certain facilities, activities and structures used for mining, leaching, concentrating and smelting, and require compliance with aquifer water quality standards at an applicable point of compliance well or location during both operations and closure. The APP program also may require mitigation and discharge reduction or elimination of some discharges.

An application for an APP requires a proposed closure strategy that will meet applicable groundwater protection requirements following cessation of operations and an estimate of the cost to implement the closure strategy. An APP may specify closure requirements, which may include post-closure monitoring and maintenance. A more detailed closure plan must be submitted within 90 days after a permitted entity notifies ADEQ of its intent to cease operations. A permit applicant must demonstrate its financial ability to meet the closure costs approved by ADEQ. In 2014, the state enacted legislation requiring closure costs for facilities covered by aquifer protection permits to be updated no more frequently than every five years and financial assurance mechanisms to be updated no more frequently than every two years. While some closure cost updates will occur in the normal course as modifications to APPs, ADEQ has not yet formally notified FMC regarding the timetable for updating other closure cost estimates and financial assurance mechanisms for FMC's Arizona mine sites. In 2015, amendments to APPs were submitted to ADEQ for Safford and Sierrita, which will result in increased closure costs. FMC may be required to begin updating its closure cost estimates at other Arizona sites in 2016.

Portions of Arizona mining facilities that operated after January 1, 1986, also are subject to the Arizona Mined Land Reclamation Act (AMLRA). AMLRA requires reclamation to achieve stability and safety consistent with post-mining land use objectives specified in a reclamation plan. Reclamation plans must be approved by the State Mine Inspector and must include an estimate of the cost to perform the reclamation measures specified in the plan along with financial assurance. FMC will continue to evaluate options for future reclamation and closure activities at its operating and non-operating sites, which are likely to result in adjustments to FMC's ARO liabilities, and those adjustments could be material. At December 31, 2015, FMC had accrued reclamation and closure costs of $298 million for its Arizona operations.

Colorado Reclamation Programs. FMC's Colorado operations are regulated by the Colorado Mined Land Reclamation Act (Reclamation Act) and regulations promulgated thereunder. Under the Reclamation Act, mines are required to obtain approval of plans for reclamation of lands affected by mining operations to be performed during mining or upon cessation of mining operations. During 2015, the Colorado Division of Reclamation Mining & Safety (DRMS) approved an increase in Henderson's closure costs, principally to address long-term water management. As of December 31, 2015, FMC had accrued reclamation and closure costs of $66 million for its Colorado operations.

Chilean Reclamation and Closure Programs. In July 2011, the Chilean senate passed legislation regulating mine closure, which establishes new requirements for closure plans and became effective in November 2012. FMC's El Abra operation submitted updated closure cost estimates based on the existing approved closure plan in November 2014. At December 31, 2015, FMC had accrued reclamation and closure costs of $51 million for its El Abra operation.

Peruvian Reclamation and Closure Programs. Cerro Verde is subject to regulation under the Mine Closure Law administered by the Peruvian Ministry of Energy and Mines. Under the closure regulations, mines must submit a closure plan that includes the reclamation methods, closure cost estimates, methods of control and verification, closure and post-closure plans, and financial assurance. The latest closure plan and cost estimate for the Cerro Verde mine expansion were submitted to the Peruvian regulatory authorities in November 2013. At December 31, 2015, Cerro Verde had accrued reclamation and closure costs of $106 million.

Litigation. FMC is involved in various legal proceedings that arise in the ordinary course of business or are associated with environmental issues arising from legacy operations conducted over the years by FMC and its affiliates. FMC does not believe that its potential liability in any such proceeding should have a material adverse effect on its business, financial condition or results of operations.

Asbestos Claims. Since approximately 1990, FMC and various subsidiaries have been named as defendants in a large number of lawsuits that claim personal injury either from exposure to asbestos allegedly contained in electrical wire products produced or marketed many years ago or from asbestos contained in buildings and facilities located at properties owned or operated by FMC affiliates, or from alleged asbestos in talc products. Many of these suits involve a large number of codefendants. Based on litigation results to date and facts currently known, FMC believes there is a reasonable possibility that losses may have been incurred related to these matters; however, FMC also believes that the amounts of any such losses, individually or in the aggregate, are not material to its consolidated financial statements. There can be no assurance, however, that future developments will not alter this conclusion.

Tax and Other Matters. FMC's operations are in multiple jurisdictions where uncertainties arise in the application of complex tax regulations. Some of these tax regimes are defined by contractual agreements with the local government, while others are defined by general tax laws and regulations. FMC and its subsidiaries are subject to reviews of its income tax filings and other tax payments, and disputes can arise with the taxing authorities over the interpretation of its contracts or laws. The final taxes paid may be dependent upon many factors, including negotiations with taxing authorities. In certain jurisdictions, FMC must pay a portion of the disputed amount to the local government in order to formally appeal the assessment. Such payment is recorded as a receivable if FMC believes the amount is collectible.

Cerro Verde Royalty Dispute. SUNAT, the Peruvian national tax authority, has assessed mining royalties on ore processed by the Cerro Verde concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2007 and the years 2008 and 2009.

In July 2013, the Peruvian Tax Tribunal issued two decisions affirming SUNAT's assessments for the period December 2006 through December 2008. In September 2013, Cerro Verde filed judiciary appeals related to the assessments because it believes that its 1998 stability agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing those minerals. With respect to the judiciary appeal related to assessments for the year 2008, on December 17, 2014, Peru's Eighteenth Contentious Administrative Court, which specializes in taxation matters, rendered its decision upholding Cerro Verde's position and declaring the Tax Tribunal's resolution invalid. On December 31, 2014, SUNAT and the Tax Tribunal appealed this decision. On January 29, 2016, Peru's Sixth Contentious Administrative Chamber of the Appellate Court nullified the decision of the Eighteenth Contentious Administrative Court. Cerro Verde will appeal the decision to the Peruvian Supreme Court. Although FMC believes Cerro Verde's interpretation of the stability agreement is correct, if Cerro Verde is ultimately found responsible for these assessments, it may also be liable for penalties and interest, which accrue at rates that range from approximately 7 percent to 18 percent based on the year accrued and the currency in which the amounts would be payable.

In October 2013, SUNAT served Cerro Verde with a demand for payment based on the Peruvian Tax Tribunal's decisions for the period December 2006 through December 2008. The aggregate amount of these assessments totals $179 million (based on the exchange rate as of December 31, 2015), including estimated accumulated interest and penalties. As permitted by law, Cerro Verde requested and was granted an installment payment program that deferred payment for six months and thereafter required 66 equal monthly payments. Through December 31, 2015, Cerro Verde has made payments totaling $64 million (based on exchange rates as of the dates of payment) under the installment program, which are included in other assets in the consolidated balance sheet. In July 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year.

The aggregate amount of the assessment for 2009 totals $72 million (based on the exchange rate as of December 31, 2015), including estimated accumulated interest and penalties.

SUNAT may make additional assessments for mining royalties and associated penalties and interest for the years 2010 through 2013, which Cerro Verde will contest. FMC estimates the total exposure associated with the assessments for mining royalties discussed above for the period from December 2006 through December 2009, and for the years 2010 through 2013 approximates $500 million (based on the exchange rate as of December 31, 2015), including estimated accumulated interest and penalties. No amounts have been accrued for these assessments or the installment payment program as of December 31, 2015, because Cerro Verde believes its 1998 stability agreement exempts it from these royalties and believes any payments will be recoverable.

Other Peruvian Tax Matters. Cerro Verde has also received assessments from SUNAT for additional taxes, penalties and interest related to various audit exceptions for income and other taxes. Cerro Verde has filed or will file objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Tax Years	Tax Assessment	Penalty and Interest Assessment	Total
2002 to 2005	$ 16	$ 53	$ 69
2006	7	47	54
2007	12	18	30
2008	21	13	34
2009	56	48	104
2010	66	89	155
2014	5	–	5
2015	4	–	4
	$ 187	$ 268	$ 455

As of December 31, 2015, Cerro Verde had paid $181 million (included in other assets) on these disputed tax assessments, which it believes is collectible. No amounts have been accrued for these assessments.

Letters of Credit, Bank Guarantees and Surety Bonds. Letters of credit and bank guarantees issued either by FCX or FMC totaled $216 million at December 31, 2015, primarily for the Cerro Verde royalty dispute (refer to discussion above), environmental and asset retirement obligations, workers' compensation insurance programs, tax and customs obligations, and other commercial obligations. In addition, FMC had surety bonds issued by either FCX or FMC totaling $160 million at December 31, 2015, associated with environmental and asset retirement obligations ($137 million), self-insurance bonds for workers' compensation ($21 million) and other bonds ($2 million).

Insurance. FMC has a variety of insurance products that are maintained by FCX to mitigate potential losses, which typically have specified deductible amounts or self-insured retentions and policy limits. FMC generally is self-insured for U.S. workers' compensation, but purchases excess insurance up to statutory limits. An actuarial analysis is performed twice a year on the various casualty insurance programs covering FMC's U.S.-based mining operations, including workers' compensation, to estimate expected losses. At December 31, 2015, expected losses under these insurance programs totaled $66 million, which consisted of a current portion of $7 million (included in accounts payable and accrued liabilities) and a long-term portion of $59 million (included in other liabilities).

Concentration Risks. Information on the significant concentration risks associated with FMC's business follows.

Product Revenue. FMC revenues attributable to the products it produced for the years ended December 31 follow:

	2015	2014
Refined copper products	$ 6,175	$ 7,410
Copper in concentrate[a]	1,861	2,608
Molybdenum	783	1,207
Other	815	1,112
Total	$ 9,634	$ 12,337

a. Amounts are net of treatment and refining charges totaling $305 million in 2015 and $289 million in 2014.

Geographic Information. Information concerning financial data by geographic area follows:

	December 31,	
	2015	2014
Long-lived assets:[a]		
U.S.	$ 8,796	$ 9,450
Peru	8,455	6,839
DRC	4,196	4,071
Chile	1,387	1,542
Other	255	283
Total	$ 23,089	$ 22,185

a. Long-lived assets exclude deferred tax assets and intangible assets.

	Years Ended December 31,	
	2015	2014
Revenues:[a]		
U.S.	$ 4,746	$ 5,426
Japan	717	1,126
Switzerland	694	603
China	502	706
Singapore	399	377
Chile	397	687
Spain	392	891
Germany	185	318
Peru	175	274
Turkey	148	159
Egypt	127	170
Korea	121	203
Canada	112	72
Taiwan	108	201
Other	811	1,124
Total	$ 9,634	$ 12,337

a. Revenues are attributed to countries based on the location of the customer.

Customers. No single customer accounted for 10 percent or more of FMC's consolidated revenues during the two years ended December 31, 2015 (refer to Note 10 for revenues by related parties).

Labor Matters. As of December 31, 2015, 35 percent of FMC's labor force was covered by collective bargaining agreements and 6 percent is covered by agreements that expired and are currently being negotiated or will expire within one year.

NOTE 13. COMMITMENTS AND GUARANTEES

Operating Leases. FMC leases various types of properties, including offices and equipment. Future minimum rentals under non-cancelable leases at December 31, 2015, total $19 million in 2016, $15 million in 2017, $15 million in 2018, $14 million in 2019, $14 million in 2020 and $115 million thereafter. Minimum payments under operating leases have not been reduced by aggregate minimum sublease rentals, which are minimal. Total aggregate rental expense under operating leases was $55 million in 2015 and $61 million in 2014.

Contractual Obligations. Based on applicable prices at December 31, 2015, FMC has unconditional purchase obligations of $1.2 billion, primarily comprising minimum commitments for transportation services ($401 million), electricity ($599 million) and other supplies and services ($93 million). Some of FMC's unconditional purchase obligations are settled based on the prevailing market rate for the service or supplies purchased. In some cases, the amount of the actual obligation may change over time because of market conditions. Transportation obligations are primarily for South America contracted ocean freight. Electricity obligations are primarily for contractual minimum demand at the North America and South America mines.

FMC's future commitments associated with unconditional purchase obligations total $391 million in 2016, $203 million in 2017, $108 million in 2018, $56 million in 2019, $40 million in 2020 and $386 million thereafter. During the two years ended December 31, 2015, FMC fulfilled its minimum contractual purchase obligations.

Mining Contract. FMC is entitled to mine in the DRC under an Amended and Restated Mining Convention (ARMC) between TFM and the Government of the DRC. The original Mining Convention entered into in 1996 was replaced with the ARMC in 2005 and was further amended in 2010 (approved in 2011). The current ARMC will remain in effect for as long as the Tenke concessions are exploitable. The royalty rate payable by TFM under the ARMC is two percent of net revenue. These mining royalties totaled $25 million in 2015 and $29 million in 2014.

Community Development Programs. FMC has adopted policies that govern its working relationships with the communities where it operates. These policies are designed to guide its practices and programs in a manner that respects basic human rights and the culture of the local people impacted by FMC's operations. FMC continues to make significant expenditures on community development, education, training and cultural programs.

TFM has committed to assist the communities living within its concession areas in the Southeast region of the DRC. TFM will contribute 0.3 percent of net sales revenue from production to a community development fund to assist the local communities with development of local infrastructure and related services, including health, education and agriculture. TFM charged $4 million in each of the years 2015 and 2014 to cost of sales for this commitment.

Guarantees. FMC provides certain financial guarantees (including indirect guarantees of the indebtedness of others) and indemnities.

At December 31, 2015, FMC's joint venture agreement with Sumitomo at its Morenci mine in Arizona (refer to Note 3 for further discussion) includes a put and call option guarantee clause. FMC holds an 85 percent undivided interest in the Morenci complex. Under certain conditions defined in the joint venture agreement, Sumitomo has the right to sell its 15 percent share to FMC. Likewise, under certain conditions, FMC has the right to purchase Sumitomo's share of the venture. At December 31, 2015, the maximum potential payment FMC is obligated to make to Sumitomo upon exercise of the put option (or FMC's exercise of its call option) totaled approximately $347 million based on calculations defined in the joint venture agreement. At December 31, 2015, FMC had not recorded any liability in its consolidated financial statements in connection with this guarantee as FMC does not believe, based on information available, that it is probable that any amounts will be paid under this guarantee as the fair value of Sumitomo's 15 percent share is in excess of the exercise price.

FMC and its subsidiaries have, as part of merger, acquisition, divestiture and other transactions, from time to time, indemnified certain sellers, buyers or other parties related to the transaction from and against certain liabilities associated with conditions in existence (or claims associated with actions taken) prior to the closing date of the transaction. As part of these transactions, FMC indemnified the counterparty from and against certain excluded or retained liabilities existing at the time of sale that would otherwise have been transferred to the party at closing. These indemnity provisions generally now require FMC to indemnify the party against certain liabilities that may arise in the future from the pre-closing activities of FMC for assets sold or purchased. The indemnity classifications include environmental, tax and certain operating liabilities, claims or litigation existing at closing and various excluded liabilities or obligations. Most of these indemnity obligations arise from transactions that closed many years ago, and given the nature of these indemnity obligations, it is not possible to estimate the maximum potential exposure. Except as described in the following sentence, FMC does not consider any of such obligations as having a probable likelihood of payment that is reasonably estimable, and accordingly, has not recorded any obligations associated with these indemnities. With respect to FMC's environmental indemnity obligations, any expected costs from these guarantees are accrued when potential environmental obligations are considered by management to be probable and the costs can be reasonably estimated.

NOTE 14. FINANCIAL INSTRUMENTS

FMC does not purchase, hold or sell derivative financial instruments unless there is an existing asset or obligation, or it anticipates a future activity that is likely to occur and will result in exposure to market risks, which FMC intends to offset or mitigate. FMC does not enter into any derivative financial instruments for speculative purposes, but has entered into derivative financial instruments in limited instances to achieve specific objectives. These objectives principally relate to managing risks associated with commodity price changes, foreign currency exchange rates and interest rates.

Commodity Contracts. From time to time, FMC has entered into derivatives contracts to hedge the market risk associated with fluctuations in the prices of commodities it purchases and sells. Derivative financial instruments used by FMC to manage its risks do not contain credit risk-related contingent provisions. As of December 31, 2015 and 2014, FMC had no price protection contracts relating to its mine production. A discussion of FMC's derivative contracts and programs follows.

Derivatives Designated as Hedging Instruments – Fair Value Hedges

Copper Futures and Swap Contracts. Some of FMC's U.S. copper rod customers request a fixed market price instead of the COMEX average copper price in the month of shipment. FMC hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while the customers pay the fixed price they requested. FMC accomplishes this by entering into copper futures or swap contracts. Hedging gains or losses from these copper futures and swap contracts are recorded in revenues. FMC did not have any significant gains or losses during the two years ended December 31, 2015, resulting from hedge ineffectiveness. At December 31, 2015, FMC held copper futures and swap contracts that qualified for hedge accounting for 64 million pounds at an average contract price of $2.29 per pound, with maturities through September 2017.

A summary of (losses) gains recognized in revenues for derivative financial instruments related to commodity contracts that are designated and qualify as fair value hedge transactions, along with the unrealized gains on the related hedged item for the years ended December 31 follows:

	2015	2014
Copper futures and swap contracts:		
Unrealized losses:		
Derivative financial instruments	$ (3)	(12)
Hedged item – firm sales commitments	3	12
Realized losses:		
Matured derivative financial instruments	(34)	(9)

Derivatives Not Designated as Hedging Instruments

Embedded Derivatives. As described in Note 1 under "Revenue Recognition," certain FMC copper concentrate and copper cathode contracts provide for provisional pricing primarily based on the LME copper price or the COMEX copper price at the time of shipment as specified in the contract. Mark-to-market price fluctuations from these embedded derivatives are recorded through the settlement date and are reflected in revenues for sales contracts. At December 31, 2015, FMC had provisionally priced copper sales of 512 million pounds of copper recorded at an average contract price of $2.23 per pound (market price of $2.13 per pound), with maturities through July 2016.

FMC's realized and unrealized losses recognized in income before income taxes and equity in affiliated companies' net earnings (losses) for commodity contracts (embedded derivatives) that do not qualify as hedge transactions totaled $308 million in 2015 and $211 million in 2014.

Unsettled Derivative Financial Instruments

A summary of the fair values of unsettled commodity derivative financial instruments follows:

	December 31, 2015	December 31, 2014
Commodity Derivative Assets:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$ 1	$ –
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper sales contracts	10	–
Total derivative assets	$ 11	$ –
Commodity Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$ 11	$ 7
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper sales contracts	61	73
Total derivative liabilities	$ 72	$ 80

a. FMC paid $10 million to brokers at December 31, 2015 and 2014, for margin requirements (recorded in other current assets).

FMC's commodity contracts have netting arrangements with counterparties with which the right of offset exists, and it is FMC's policy to offset balances by counterparty on the balance sheet. FMC's embedded derivatives on provisional sales are netted with the corresponding outstanding receivable/payable balances. A summary of these unsettled commodity contracts that are offset in the balance sheet follows:

	Assets at December 31,		Liabilities at December 31,	
	2015	2014	2015	2014
Gross amounts recognized:				
Commodity contracts:				
Embedded derivatives in provisional sales contracts	$ 10	$	$ 61	$ 73
Copper futures and swap contracts	1	–	11	7
	11	–	72	80
Less gross amounts of offset:				
Commodity contracts:				
Embedded derivatives in provisional sales contracts	5	–	5	–
Copper futures and swap contracts	1	–	1	–
	6	–	6	–
Net amounts presented in balance sheet				
Commodity contracts:				
Embedded derivatives in provisional sales contracts	5	–	56	73
Copper futures and swap contracts	–	–	10	7
	$ 5	$ –	$ 66	$ 80
Balance sheet classification:				
Trade accounts receivable	$ 5	$ –	$ –	$ 49
Accounts payable and accrued liabilities	–	–	66	31
	$ 5	$ –	$ 66	$ 80

Credit Risk. FMC is exposed to credit loss when financial institutions with which FMC has entered into derivative transactions (commodity, foreign exchange and interest rate swaps) are unable to pay. To minimize the risk of such losses, FMC uses counterparties that meet certain credit requirements and periodically reviews the creditworthiness of these counterparties. FMC does not anticipate that any of the counterparties it deals with will default on their obligations. As of December 31, 2015, the maximum amount of credit exposure associated with derivative transactions was $3 million.

Other Financial Instruments. Other financial instruments include cash and cash equivalents, accounts receivable, investment securities, legally restricted funds, accounts payable and accrued liabilities, and long-term debt. The carrying value for cash and cash equivalents (which included time deposits of $6 million at December 31, 2015, and $48 million at December 31, 2014), accounts receivable, and accounts payable and accrued liabilities approximates fair value because of their short-term nature and generally negligible credit losses (refer to Note 15 for the fair values of investment securities, legally restricted funds and long-term debt).

NOTE 15. FAIR VALUE MEASUREMENT

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

FMC recognizes transfers between levels at the end of the reporting period. FMC did not have any significant transfers in or out of Level 1, 2 or 3 for 2015. A summary of the carrying amount and fair value of FMC's financial instruments, other than cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities follows:

	Carrying Amount	Fair Value at December 31, 2015			
		Total	Level 1	Level 2	Level 3
Assets					
Investments securities:[a,b]					
U.S. core fixed income fund	$ 23	$ 23	$ –	$ 23	$ –
Equity securities	3	3	3	–	–
Total	26	26	3	23	–
Legally restricted funds:[a,b]					
U.S. cord fixed income fund	52	52	–	52	–
Government bonds and notes	37	37	–	37	–
Government mortgage-backed securities	28	28	–	28	–
Corporate bonds	26	26	–	26	–
Asset-backed securities	13	13	–	13	–
Collateralized mortgage-backed securities	7	7	–	7	–
Money market funds	5	5	5	–	–
Municipal bonds	1	1	–	1	–
Total	169	169	5	164	–
Derivatives:[a,c]				–	–
Embedded derivatives in provisional sales contracts in a gross asset position	10	10	–	10	–
Copper futures and swap contracts	1	1	1	–	–
Total	11	11	1	10	
Total assets		$ 206	$ 9	$ 197	$ –
Liabilities					
Derivatives:[a,c]					
Embedded derivatives in provisional sales contracts in a gross liability position	$ 61	$ 61	$ –	$ 61	$ –
Copper futures and swap contracts	11	11	7	4	–
Total	72	72	7	65	–
Long-term debt, including current portion[d]	2,549	2,467	–	2,467	–
Total liabilities		$ 2,539	$ 7	$ 2,532	$ –

	Carrying Amount	Fair Value at December 31, 2014 Total	Level 1	Level 2	Level 3
Assets					
Investments securities:[a,b]					
U.S. core fixed income fund	$ 23	$ 23	$ –	$ 23	$ –
Equity securities	3	3	3	–	–
Total	26	26	3	23	–
Legally restricted funds:[a,b]					
U.S. cord fixed income fund	52	52	–	52	–
Government bonds and notes	39	39	–	39	–
Corporate bonds	27	27	–	27	–
Government mortgage-backed securities	19	19	–	19	–
Asset-backed securities	17	17	–	17	–
Money market funds	8	8	8	–	–
Collateralized mortgage-backed securities	6	6	–	6	–
Municipal bonds	1	1	–	1	–
Total	169	169	8	161	–
Total assets		$ 195	$ 11	$ 184	$ –
Liabilities					
Derivatives:[a,c]					
Embedded derivatives in provisional sales contracts in a gross liability position	$ 73	$ 73	$ –	$ 73	$ –
Copper futures and swap contracts	7	7	6	1	–
Total	80	80	6	74	–
Long-term debt, including current portion[d]	924	1,009	–	1,009	–
Total liabilities		$ 1,089	$ 6	$ 1,083	$ –

a. Recorded at fair value.
b. Included in other assets.
c. Refer to Note 14 for further discussion and balance sheet classification.
d. Recorded at cost except for debt that was assumed in FCX's acquisition of FMC, which is recorded at fair value at the acquisition date.

Valuation Techniques

Money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

The U.S. core fixed income fund is valued at net asset value. The fund strategy seeks total return consisting of income and capital appreciation primarily by investing in a broad range of investment-grade debt securities, including U.S. government obligations, corporate bonds, mortgage-backed securities, asset-backed securities and money market instruments. There are no restrictions on redemptions (usually within one business day of notice) and, as such, this fund is classified within Level 2 of the fair value hierarchy.

Fixed income securities (government securities, corporate bonds, asset-backed securities, collateralized mortgage-backed securities and municipal bonds) are valued using a bid-evaluation price or a mid-evaluation price. A bid-evaluation price is an estimated price at which a dealer would pay for a security. A mid-evaluation price is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security. These evaluations are based on quoted prices, if available, or models that use observable inputs and, as such, are classified within Level 2 of the fair value hierarchy.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded and, as such, are classified within Level 1 of the fair value hierarchy.

FMC's embedded derivatives on provisional copper concentrate and copper cathode sales are valued using only quoted monthly LME or COMEX copper forward prices at each reporting date based on the month of maturity (refer to Note 14 for further discussion); however, FMC's contracts themselves are not traded on an exchange. As a result, these derivatives are classified within Level 2 of the fair value hierarchy.

FMC's derivative financial instruments for copper futures and swap contracts that are traded on the respective exchanges are classified within Level 1 of the fair value hierarchy because they are valued using quoted monthly COMEX or LME prices at each reporting date based on the month of maturity (refer to Note 14 for further discussion). Certain of these contracts are traded on the over-the-counter market and are classified within Level 2 of the fair value hierarchy based on COMEX and LME forward prices.

Long-term debt, including current portion, is valued using available market quotes and, as such, is classified within Level 2 of the fair value hierarchy.

The techniques described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FMC believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the techniques used at December 31, 2015.

Refer to Notes 1 and 5 for a discussion of the fair value estimates utilized in the impairment assessments for mining operations, which were determined based on inputs not observable in the market and thus represent Level 3 measurements.

NOTE 16. SUBSEQUENT EVENTS

In early 2016, FCX's debt credit ratings were downgraded below investment grade. As a result, FMC may be required to provide additional or alternative forms of financial assurance, such as letters of credit, surety bonds or collateral, related to its ARO and environmental obligations (refer to Note 12 for further discussion).

In February 2016, FMC entered into a definitive agreement to sell a 13 percent undivided interest in its Morenci unincorporated joint venture to SMM for $1.0 billion in cash. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in mid-2016. FMC expects to record an approximate $550 million gain on the transaction and use losses to offset cash taxes on the transaction.

The Morenci unincorporated joint venture is currently owned 85 percent by FMC and 15 percent by Sumitomo. Following completion of the transaction, the unincorporated joint venture will be owned 72 percent by FMC, 15 percent by Sumitomo and 13 percent by an affiliate that is wholly owned by SMM.

In March 2016, FMC entered into an agreement to sell an interest in its stake in an exploration project in Serbia to Lundin for consideration of $135 million in cash and contingent consideration of up to $128 million upon the achievement of development milestones and events defined under the transaction agreements. Currently, the project partners are FMC and an affiliate of Reservoir Minerals Inc. (Reservoir). In addition to customary closing conditions, the transaction is subject to Reservoir's right-of-first offer (ROFO). A ROFO notice was provided to Reservoir prior to entry into the agreement with Lundin and is open for acceptance by Reservoir for 60 days from the receipt of notice. If the ROFO is not exercised by Reservoir, the transaction is expected to close in mid-2016.

FMC evaluated events through March 30, 2016, which is the date the financial statements were available to be issued, and determined any events or transactions occurring after December 31, 2015, that would require recognition or disclosure are appropriately addressed in these financial statements.

NOTE 17. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)

Recoverable proven and probable reserves have been calculated as of December 31, 2015, in accordance with Industry Guide 7 as required by the Securities Exchange Act of 1934. FMC's proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance in other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term "reserve," as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "proven reserves" means reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (ii) grade and/or quality are computed from the results of detailed sampling; and (iii) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term "probable reserves" means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

FMC's reserve estimates are based on the latest available geological and geotechnical studies. FMC conducts ongoing studies of its ore bodies to optimize economic values and to manage risk. FMC revises its mine plans and estimates of proven and probable mineral reserves as required in accordance with the latest available studies.

Estimated recoverable proven and probable reserves at December 31, 2015, were determined using long-term average prices of $2.00 per pound for copper, $1,000 per ounce for gold and $10 per pound for molybdenum. For the three-year period ended December 31, 2015, LME spot copper prices averaged $2.97 per pound, London Bullion Market Association (London) PM gold prices averaged $1,276 per ounce and the weekly average price for molybdenum quoted by *Metals Week* averaged $9.45 per pound.

The recoverable proven and probable reserves presented in the table below represent the estimated metal quantities from which FMC expects to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that FMC estimates can be economically and legally extracted or produced at the time of the reserve determination.

	Recoverable Proven and Probable Mineral Reserves Estimated at December 31, 2015		
	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America	33.5	0.3	2.38
South America	30.8	–	0.67
Africa	7.2	–	–
Consolidated[b]	71.5	0.3	3.05
Net equity interest[c]	54.0	0.3	2.73

a. Consolidated provable and probable reserves included 3.8 billion in leach stockpiles and 0.9 billion in mill stockpiles.

b. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interest at the Morenci mine in North America (refer to Notes 3 and 16 for further discussion of FMC's joint venture). Excluded from the table above were FMC's estimated recoverable proven and probable reserves of 0.87 billion pounds of cobalt at Tenke and 164.5 million ounces of silver in South America and North America, which were determined using long-term average prices of $10 per pound for cobalt and $15 per ounce for silver.

c. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership (refer to Note 3 for further discussion of FMC's ownership in subsidiaries). Excluded from the table above were FMC's estimated recoverable proven and probable reserves of 0.49 billion pounds of cobalt at Tenke and 124.9 million ounces of silver in South America and North America.

Recoverable Proven and Probable Mineral Reserves
Estimated at December 31, 2015

		Average Ore Grade Per Metric Ton[a]			Recoverable Proven and Probable Reserves[b]		
	Ore (million metric tons)	Copper (%)	Gold (grams)	Molybdenum (%)	Copper (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America							
Developed and producing:							
Morenci	3,574	0.27	–	–[c]	14.1	–	0.17
Bagdad	1,253	0.33	–[c]	0.02	7.6	0.1	0.38
Safford	84	0.43	–	–	0.8	–	–
Sierrita	2,319	0.23	–[c]	0.03	10.2	0.1	1.04
Miami	–	–	–	–	0.1	–	–
Chino	237	0.45	0.02	–[c]	2.2	0.1	0.01
Tyrone	13	0.42	–	–	0.3	–	–
Henderson	81	–	–	0.17	–	–	0.25
Climax	178	–	–	0.15	–	–	0.55
Undeveloped:							
Cobre	79	0.35	–	–	0.3	–	–
South America							
Developed and producing:							
Cerro Verde	3,856	0.37	–	0.01	28.2	–	0.67
El Abra	399	0.44	–	–	2.6	–	–
Africa							
Developed and producing:							
Tenke Fungurume	99	3.19	–	–	7.2	–	–
Total 100% basis	**12,172**				**73.6**	**0.3**	**3.07**
Consolidated basis[d]					**71.5**	**0.3**	**3.05**
FMC's equity share[e]					**54.0**	**0.3**	**2.73**

a. Excludes material contained in stockpiles.

b. Includes estimated recoverable metals contained in stockpiles.

c. Amounts not shown because of rounding.

d. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interest at the Morenci mine in North America. Refer to Notes 3 and 16 for further discussion of FMC's joint venture.

e. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership. Refer to Note 3 for further discussion of FMC's ownership in subsidiaries.

Exhibit A-1 *(Pro forma for Freeport Minerals Corporation as Guarantor)*
Certificate of Guarantor's Compliance with Section 19.10.12.1208.G(8)(a) NMAC
As of September 30, 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)	$45.3
Freeport-McMoRan Tyrone Inc. (Permit # GR010RE)	50.8
Freeport-McMoRan Cobre Mining Company (Permit # GR002RE)	8.2
	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:

Freeport-McMoRan Sierrita Inc. (Permit # P-101679)	170.6
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-100538)	0.6
Freeport-McMoRan Bagdad Inc. (Permit # P-50007300A)	0.4
Freeport-McMoRan Bagdad Inc. (Permit # P-101740)	0.1
Total Other Guarantees	515.6
1c. **Total Guarantees (1a plus 1b)**	$619.9

Guarantor's Financial Balances and Calculations

2. a. Total Assets	$27,287
b. Total Assets in the United States (see Attachment B)	11,973
c. Total Liabilities	9,324
d. Net income	1,045
e. Depreciation, Depletion and Amortization	1,251
f. Current Assets	9,292
g. Current Liabilities	2,376
h. Net Working Capital	6,916
3. Net Worth (including noncontrolling interest)(line 2a minus line 2c)	$17,963
a. Goodwill	-
b. Other Intangible Assets (see Attachment C)	308
3c. Total Intangible Assets (3a plus 3b)	$308
4. Tangible Net Worth (line 3 minus line 3c)	$17,655
5. Net Income plus Depreciation, Depletion and Amortization (sum of lines 2d and e)	$2,296

Tests

	Minimum Criteria		Actual Result	Test Status
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	$17,655	PASS
b. i Is Tangible Net Worth (line 4) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	28.0	PASS
b. ii Is Net Working Capital (line 2h) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	11.2	PASS
c. Are 90% of Guarantor's assets located in the United States? If not, complete line 6d	90% U.S. Assets		44%	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	19.0	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	0.5	PASS
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	0.2	PASS
e iii. Is ratio of Current Assets (line 2f) to Current Liabilities (line 2g) greater than 1.5?	Greater than	1.5	3.9	PASS

Information reference:

Items 2 (except for Items 2b and 3b see referenced attachments).
Figures are from unaudited Freeport Minerals Corporation (FMC) financial statements for the nine months ended September 30, 2016. See Attachments A-1 through A-5.

Items 2b and 3b.
U.S. Assets and Other Intangible Assets are determined from internal FMC information, see Attachments B & C, respectively.

Items 2d, and 2e and 5.
Net Income and Depreciation, Depletion and Amortization includes $4 million for impairments of mining properties.

Exhibit A-1 *(Pro forma for Freeport Minerals Corporation as Guarantor)*
Certificate of Guarantor's Compliance with Section 19.10.12.1208.G(8)(a) NMAC
As of September 30, 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)	$45.3
Freeport-McMoRan Tyrone Inc. (Permit # GR010RE)	50.8
Freeport-McMoRan Cobre Mining Company (Permit # GR002RE)	8.2
	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:	
Freeport-McMoRan Sierrita Inc. (Permit # P-101679)	170.6
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
Total Other Guarantees	515.6
1c. Total Guarantees (1a plus 1b)	**$619.9**

Guarantor's Financial Balances and Calculations

2. a. Total Assets	$27,287
b. Total Assets in the United States (see Attachment B)	11,973
c. Total Liabilities	9,324
d. Net income	1,045
e. Depreciation, Depletion and Amortization	1,251
f. Current Assets	9,292
g. Current Liabilities	2,376
h. Net Working Capital	6,916
3. Net Worth (including noncontrolling interest)(line 2a minus line 2c)	$17,963
a. Goodwill	-
b. Other Intangible Assets (see Attachment C)	308
3c. Total Intangible Assets (3a plus 3b)	$308
4. Tangible Net Worth (line 3 minus line 3c)	$17,655
5. Net Income plus Depreciation, Depletion and Amortization (sum of lines 2d and e)	$2,296

Tests	**Minimum Criteria**		**Actual Result**	**Test Status**
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	$17,655	PASS
b. i Is Tangible Net Worth (line 4) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	28.0	PASS
b. ii Is Net Working Capital (line 2h) at least six times Total Obligated Guarantees (line 1c)?	At least	6x	11.2	PASS
c. Are 90% of Guarantor's assets located in the United States? If not, complete line 6d	90% U.S. Assets		44%	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	19.0	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	0.5	PASS
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	0.2	PASS
e iii. Is ratio of Current Assets (line 2f) to Current Liabilities (line 2g) greater than 1.5?	Greater than	1.5	3.9	PASS

Information reference:

Items 2 (except for items 2b and 3b see referenced attachments).
Figures are from unaudited Freeport Minerals Corporation (FMC) financial statements for the nine months ended September 30, 2016. See Attachments A-1 through A-5.

Items 2b and 3b.
U.S. Assets and Other Intangible Assets are determined from internal FMC information, see Attachments B & C, respectively.

Items 2d, and 2e and 5.
Net Income and Depreciation, Depletion and Amortization includes $4 million for impairments of mining properties.

Attachment A-1

FREEPORT MINERALS CORPORATION
(a wholly owned subsidiary of Freeport-McMoRan Inc.)
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2016
(Unaudited)

		(In millions)
ASSETS		
Current assets:		
Cash and cash equivalents	$	912
Trade accounts receivable, including related parties		424
Income and other tax receivables		338
Other accounts receivable, including related parties		36
Inventories:		
Mill and leach stockpiles		1,305
Materials and supplies, net		834
Finished goods inventory		701
Prepaid expenses and other current assets		79
Assets held for sale		4,663
Total current assets		9,292
Property, plant, equipment and development costs, net		15,611
Long-term mill and leach stockpiles		1,497
Other assets		887
Total assets	$	27,287
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities, including related parties	$	940
Accrued income taxes		367
Current portion of environmental and asset retirement obligations		152
Current portion of debt		96
Liabilities held for sale		821
Total current liabilities		2,376
Long-term debt, less current portion		2,250
Environmental and asset retirement obligations, less current portion		2,116
Deferred income taxes		1,432
Other liabilities		1,150
Total liabilities		9,324
Equity:		
Stockholder's equity:		
Common stock, par value $6.25 per share, 204 million shares issued		1,277
Capital in excess of par value		25,185
Accumulated deficit		(11,856)
Accumulated other comprehensive loss		(415)
Total stockholder's equity		14,191
Noncontrolling interests		3,772
Total equity		17,963
Total liabilities and equity	$	27,287

FREEPORT MINERALS CORPORATION
(a wholly owned subsidiary of Freeport-McMoRan Inc.)
CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2016
(Unaudited)

	(In millions)
Revenues	$ 6,162
Cost of sales:	
Production and delivery	4,184
Depreciation, depletion and amortization	933
Total cost of sales	5,117
Selling, general and administrative expenses	125
Exploration and research expenses	42
Environmental obligations and shutdown costs	18
Net gain on sales of assets	(756)
Total costs and expenses	4,546
Operating income	1,616
Interest expense, net	(135)
Other income, net	23
Income before income taxes and equity in affiliated companies' net earnings	1,504
Provision for income taxes	(302)
Equity in affiliated companies' net earnings	1
Net income from continuing operations	1,203
Net loss from discontinued operations	(155)
Net income	1,048
Net income attributable to noncontrolling interests:	
Continuing operations	(115)
Discontinued operations	(44)
Net income attributable to common stockholder	$ 889

Attachment A-3

FREEPORT MINERALS CORPORATION
(a wholly owned subsidiary of Freeport-McMoRan Inc.)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2016
(Unaudited)

	(In millions)
Net income	$ 1,048
Other comprehensive income, net of taxes:	
Defined benefit plans:	
Amortization of unrecognized amounts included in net periodic benefit costs	30
Unrealized gains on securities	2
Other comprehensive income	32
Total comprehensive income	1,080
Total comprehensive income attributable to noncontrolling interests	(160)
Total comprehensive income attributable to common stockholder	$ 920

FREEPORT MINERALS CORPORATION
(a wholly owned subsidiary of Freeport-McMoRan Inc.)
CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2016
(Unaudited)

	(in millions)
Cash flow from operating activities:	
Net income	$ 1,048
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation, depletion and amortization	1,013
Net gain on sales of assets	(756)
Net charges for environmental and asset retirement obligations, including accretion	93
Payments for environmental and asset retirement obligations	(36)
Deferred income taxes	(235)
Estimated loss on disposal of discontinued operations	182
Increase in long-term mill and leach stockpiles	49
Other, net	86
Changes in working capital and other tax payments, excluding amounts from dispositions	
Accounts receivable	93
Inventories	217
Other current assets	22
Accounts payable and accrued liabilities	(28)
Accrued income taxes and changes in other tax payments	357
Net cash provided by operating activities	2,105
Cash flow from investing activities:	
Capital expenditures	(535)
Net proceeds from sale of additional interest in Morenci	996
Net proceeds from sale of interest in Timok exploration project	135
Net proceeds from sale of other assets	71
Other, net	(3)
Net cash provided by investing activities	664
Cash flow from financing activities:	
Proceeds from long-term debt	350
Repayments of long-term debt	(573)
Funding to Freeport-McMoRan Inc. (FCX)	(11)
Capital contributions from FCX	364
Cash dividends paid:	
Common stock	(1,993)
Noncontrolling interests	(66)
Distributions for exercised/vested FCX equity awards to employees	(5)
Other, net	(3)
Net cash used in financing activities	(1,937)
Net increase in cash and cash equivalents	832
Increase in cash and cash equivalents in assets held for sale	(39)
Cash and cash equivalents at beginning of year	119
Cash and cash equivalents at end of year	$ 912

FREEPORT MINERALS CORPORATION
(a wholly owned subsidiary of Freeport-McMoRan Inc.)
CONSOLIDATED STATEMENT OF EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2016
(Unaudited)

	Stockholder's Equity						
	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Compre-hensive Loss	Total Stock-holder's Equity	Noncontrolling Interests	Total Equity
				(In millions)			
Balance at January 1, 2016	$ 1,277	$ 24,808	$ (10,752)	$ (446)	$ 14,887	$ 3,683	$ 18,570
Dividends to FCX	–	–	(1,993)	–	(1,993)	–	(1,993)
Dividends to noncontrolling interests	–	–	–	–	–	(66)	(66)
Capital contributions from FCX	–	364	–	–	364	–	364
Amortization of FCX equity awards to employees	–	18	–	–	18	–	18
Distributions for exercised/vested FCX equity awards to employees	–	(5)	–	–	(5)		(5)
Noncontrolling interest share of contributed capital in subsidiary	–	–	–	–	–	– 2	2
Noncontrolling interests' share from sales of assets	–	–	–	–	–	(7)	(7)
Net income attributable to common stockholder	–	–	889	–	889	–	889
Net income attributable to noncontrolling interests	–	–	–	–	–	159	159
Other comprehensive income	–	–	–	31	31	1	32
Balance at September 30, 2016	$ 1,277	$ 25,185	$ (11,856)	$ (415)	$ 14,191	$ 3,772	$ 17,963

Confidential Business Information **Attachment-B-1**

Note: Attachment removed and placed in the Confidential File for the Cobre Mine, Permit No. GR002RE

Confidential Business Information **Attachment-C-1**

Note: Attachment removed and placed in the Confidential File for the Cobre Mine, Permit No. GR002RE