

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

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



August 15, 2016

**Certified Mail**

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

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

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

Dear Mr. Martinez and Ms. Kliphuis:

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

Enclosed please find one copy of FCX's Quarterly Report on Form 10-Q filed with the United States Securities and Exchange Commission on August 5, 2016. Two separate forms of the Certificate of Compliance are presented, both of which are based upon the "Alternative I financial soundness test" set forth in 19.10.12.1208.G(8)(a) NMAC.

As you are aware, on July 25, 2016, Freeport-McMoRan Chino Mines Company, Freeport-McMoRan Tyrone Inc. and Freeport-McMoRan Cobre Mining Company submitted applications (or in Chino's case, an amended application) consistent with the *pro forma* Certificate of Compliance submitted on May 20, 2016, based on FCX's First Quarter Form 10-Q. That *pro forma* Certificate of Compliance showed that if the amounts of the FCX guarantees were reduced in conjunction with credits for cash already in the Trust Funds for the three mines and if MMD and NMED accept the increased appraised values of the properties for which MMD and NMED already hold mortgages as real estate collateral for financial assurance, then the agencies hold financial assurance sufficient to cover the estimated cost of reclamation and closure of the three mines. The July 25, 2016, applications formalize the requests for the agencies to give credit for the value of the existing cash and real estate collateral along with

commensurate reductions in the amounts of the FCX guarantees. Those applications still are pending action by the agencies.

The first form of the enclosed Certificate of Compliance, labeled Exhibit A (*Pro forma* for Freeport-McMoRan Inc. as Guarantor), along with Attachments A, B and C, is presented *pro forma* based upon the amounts of the Third Party Guarantees for the Chino, Tyrone and Continental Mining Facilities as proposed in the July 25, 2016, applications. That Certificate of Compliance does not show compliance with the Alternative I financial soundness test for the proposed reduced amounts of the FCX Third Party Guarantees. Attachments A, B and C contain confidential business information and are labeled accordingly.

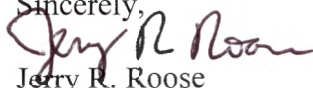
On July 18, 2016, a letter was sent to the two of you requesting initiation of a process to review the financial statements of Freeport Minerals Corporation in anticipation of a proposal to replace the current FCX guarantees with guarantees issued by Freeport Minerals Corporation. The second form of the Certificate of Compliance, labeled Exhibit A-1 (*Pro forma* for Freeport Minerals Corporation as Guarantor), which also is presented *pro forma* and is identified as confidential business information, is based on the amounts of the guarantees as proposed in the July 25, 2016, applications and applying the financial Alternative 1 financial test specified in 19.10.12.1208(G)(8)(a) NMAC to the financial statement of Freeport Minerals Corporation. As shown in this *pro forma* Certificate of Compliance, Freeport Minerals Corporation would meet the financial test to provide guarantees in the amounts specified in the July 25, 2016, permit applications. Enclosed to support this information are Attachments A-1 to A-5, unaudited consolidated financial statements for Freeport Minerals Corporation as of June 30, 2016, which are identified as confidential business information, and Attachments B-1, C-1 and D-1, which also are identified as confidential business information.

We intend to substitute the existing FCX guarantees with guarantees from Freeport Minerals Corporation. Audited financial statements as of year-end 2015 and unaudited financials as of June 30, 2016 (the latter enclosed as Attachments A-1 to A-5) are available for this entity. Freeport Minerals Corporation is a strong company and passes the financial ratios. We will continue to monitor Freeport Minerals Corporation's situation, and if its financial condition changes such that it no longer is able to meet the ratios, we will satisfy our financial assurance obligation with alternative forms. All three mines intended to submit amended applications to replace the existing FCX guarantees with Freeport Minerals Corporation guarantees in the amounts specified in the July 25, 2016, applications. We understand that agency action on those applications will require the review of the Freeport Minerals Corporation financial statements as requested in the July 18, 2016, letter. Consequently, we renew our request to begin that review process.

Pursuant to the above-referenced New Mexico authorities, MMD and NMED should maintain Attachments A, B and C to the *pro forma* Exhibit A for FCX as well as the Exhibit A-1 (*Pro forma* for Freeport Minerals Corporation as Guarantor) itself and Attachments A-1 to A-5, B-1, C-1 and D-1 to that Exhibit A-1 as confidential business information and exempt from public records or disclosure laws. These documents contain financial information regarding FCX and Freeport Minerals Corporation that has not been publicly disclosed and that would harm the competitive position of FCX and Freeport Minerals Corporation if disclosed to third parties. If a request is made for public review of the document or information, MMD and NMED must notify FCX and Freeport Minerals Corporation and provide a reasonable opportunity for those companies to substantiate their claim that public disclosure of the document and information would harm the competitive position of FCX and Freeport Minerals Corporation. Ultimately, if the claim of business confidentiality is substantiated, MMD and NMED must not release the document or information.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Jerry R. Roose". The signature is written in a cursive style with a large initial "J".

Jerry R. Roose

Director, North American Environmental Operations

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

## **CONFIDENTIAL INFORMATION**

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

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

**Exhibit A (Pro forma for Freeport-McMoRan Inc. as Guarantor)**  
**Certificate of Guarantor's Compliance with Section 19.10.12.1208.G(8)(a) NMAC**  
**As of June 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
	<u>\$104.3</u>
b. All other guarantees for environmental permits issued in the United States for which Guarantor is obligated. List each Environmental Permit and amount below:	
Freeport-McMoRan Morenci Inc. (Permit # P-100193)	167.0
Arizona Properties - Arizona State Mine Inspector (AMLRA)	69.1
Freeport-McMoRan Bagdad Inc. (Permit # P-105258)	67.7
Freeport-McMoRan Safford Inc. (Permit # P-100534)	27.7
Twin Buttes (Permit # P-100408)	6.1
Climax Molybdenum Company (Permit # 56-SDP-06-80P)	1.9
Cyprus Copperstone Gold Mine (Permit # P-100229)	1.7
Amax Metals Recovery, Inc. Solid Waste (Permit # P-0136)	1.2
Ajo Improvement Company (Permit # P-101678)	0.8
Freeport-McMoRan Bagdad Inc. (Permit # P-102896)	0.7
Freeport-McMoRan United Verde Mine (Permit # P-100536)	0.6
Freeport-McMoRan Bagdad Inc. (Permit # P-50007300A)	0.4
Freeport-McMoRan Bagdad Inc. (Permit # P-101740)	0.1
	<u>345.0</u>
Total Other Guarantees	<u>\$345.0</u>
<b>1c. Total Guarantees (1a plus 1b)</b>	<u><b>\$449.3</b></u>

**Guarantor's Financial Balances and Calculations**

2. a. Total Assets	\$41,296
b. Total Assets in the United States (see Attachment A)	16,294
c. Total Liabilities	32,206
d. Net Loss (see Attachment B)	(12,255)
e. Depreciation, Depletion and Amortization (see Attachment B)	14,405
f. Current Assets	10,700
g. Current Liabilities	4,540
h. Net Working Capital	6,160
	<u>\$9,090</u>
3. Net Worth (including noncontrolling interest)(line 2a minus line 2c)	<u>\$9,090</u>
a. Goodwill	-
b. Other Intangible Assets (see Attachment C)	308
3c. Total Intangible Assets (3a plus 3b)	<u>\$308</u>
4. Tangible Net Worth (line 3 minus line 3c)	<u>\$8,782</u>
5. Net Income plus Depreciation, Depletion and Amortization (sum of lines 2d and e)	<u>\$2,150</u>

**Tests**

	Minimum Criteria	Actual Result	Test Status
6. Alternative Test I (19.10.12.1208.G(8)(a))			<b>FAIL</b>
a. Is Tangible Net Worth (line 4) at least \$10 million?	At least \$10	<b>\$8,782</b>	<b>PASS</b>
b. i. Is Tangible Net Worth (line 4) at least six times Total Obligated Guarantees (line 1c)?	At least 6x	<b>19.55</b>	<b>PASS</b>
b. ii. Is Net Working Capital (line 2h) at least six times Total Obligated Guarantees (line 1c)?	At least 6x	<b>13.7</b>	<b>PASS</b>
c. Are 90% of Guarantor's assets located in the United States? If not, complete line 6d	90% U.S. Assets	<b>39%</b>	<b>FAIL</b>
		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	<b>36</b>	<b>PASS</b>
e. Meets two of the three financial ratios:	<b>2 of 3</b>		<b>FAIL</b>
e i. Is ratio of Total Liabilities (line 2c) to Net Worth (line 3) less than 2.0?	Less than 2	<b>3.5</b>	<b>FAIL</b>
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	<b>0.067</b>	<b>FAIL</b>
e iii. Is ratio of Current Assets (line 2f) to Current Liabilities (line 2g) greater than 1.5?	Greater than 1.5	<b>2.4</b>	<b>PASS</b>

**Information reference:**

**Items 2 (except for item 2b, 2d and 2e see referenced attachments)**

Figures are shown in Freeport-McMoRan Inc.'s (FCX) Form 10-Q filed with the U.S. Securities and Exchange Commission for the quarter ended June 30, 2016, commission file number 001-11307-01. See the Consolidated Statements of Operations, page 4 and Consolidated Balance Sheets, page 3. See Attachment B footnote (a) for additional net loss explanation.

**Items 2b and 3b.**

U.S. Assets and Other Intangible Assets are determined from internal FCX information, see Attachments A & C, respectively.

**Items 2d, 2e and 5.**

Net Income and Depreciation, Depletion and Amortization includes impairments of oil and gas properties and mining properties, see Attachment B.