

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

Mr. Kurt Vollbrecht, Manager
Mining Environmental Compliance Section
New Mexico Environment Department
1190 St. Francis Drive
Santa Fe, New Mexico 87505

Re: Proposed Third-Party Guarantees for Chino, Tyrone and Continental Mines (the “Mines”); Permits GR009RE, GR010RE and GR002RE (the “Mining Permits”) and Supplemental Discharge Permits for Closure DP-1340, DP-1341 and DP-1403 (the “Discharge Permits”)

Dear Messrs. Martinez and Vollbrecht:

We are submitting this letter to provide information concerning the applications made by Freeport-McMoRan Chino Mines Company, Freeport-McMoRan Tyrone Inc. and Freeport-McMoRan Cobre Mining Company (collectively “Freeport’s New Mexico operating companies”), and in response to comments by the Gila Resources Information Project (“GRIP”), particularly its letter of October 12, 2016, regarding proposed changes to the forms of financial assurance for the Mines, which the New Mexico operating companies wish to accomplish through permit modifications to the Mining Permits issued by the Mining and Minerals Division (“MMD”). Changes to the financial assurance arrangements are also subject to approval of the Environment Department (“NMED”) in accordance with the terms of the Discharge Permits.

The New Mexico operating companies are wholly owned subsidiaries of Freeport Minerals Corporation (“FMC”), which is a wholly owned subsidiary of Freeport-McMoRan Inc. (“FCX”).

GRIP’s comments in its letter dated October 12, 2016 relate both to changes to the forms of financial assurance previously approved through agency actions and subsequent applications submitted on December 13, 2016. Regardless of the timing, we understand that MMD and NMED may consider the GRIP comments in their review of the pending applications.

On January 20, 2017, representatives of MMD, NMED, GRIP and Freeport met to discuss the pending applications and GRIP’s comments. This response summarizes and supplements the discussions during that meeting.

1. FMC’s Financial Statements Are Publicly Available.

After receiving GRIP’s comments, Freeport submitted the three pending applications, which included the FMC financial statements and Certificates of Compliance, without a claim of confidentiality under Section 69-36-10 NMSA, except for one attachment. Consequently, the

financial statements are available for review by GRIP and other interested members of the public. Based on the discussion at the January 20 meeting, we understand that this is no longer an issue.

2. FCX's Financial Condition Has Improved Significantly.

Although the pending applications proposed guarantee from FMC and not FCX, GRIP's comments offered its view of FCX's financial condition. As indicated in previous filings, FCX no longer met the applicable financial tests as of the second quarter of 2016, which is why we proposed new guarantees from FMC. Additionally, on January 25, 2017, FCX issued updated financial information that showed considerable progress during 2016 in selling assets, reducing capital expenditures, improving cash flows and reducing net debt by [more than \$ 8 billion]. Some of those accomplishments were discussed during the January 20, 2017 meeting.

3. The Downgrade of FMC's Senior Debt by Moody's in January 2016 Is Related to FCX.

As discussed during the January 20, 2017 meeting, Moody's downgrade of FMC's debt was based solely on the financial condition of FCX at that time. FMC's individual debt rating was and remains higher than FCX's.

4. The Environmental Liabilities of Other FMC Mines Are Accounted for in Assessing FMC's Ability to Provide Financial Assurance for New Mexico Mines.

The financial test in the Mining Act rules accounts for environmental liabilities and associated financial assurance under permits issued in the United States. The Certificates of Compliance provided in support of the proposed FMC guarantees, which demonstrate compliance with New Mexico's financial tests, show guarantees for other mines under permits issued in the U.S., even though those obligations are covered by guarantees issued by FCX rather than FMC.

5. An FCX Bankruptcy Is Neither Imminent Nor Automatically Applicable to FMC.

First, it cannot be stressed enough that the possibility of any bankruptcy action by or concerning FCX is pure speculation. FCX is solvent and able to cover its financial obligations, as shown by its most recent publicly available financial statements. Moreover, as a matter of law, it is incorrect to state that if FCX were to file for bankruptcy, FMC would automatically be included in that petition. There are numerous scenarios in which FMC would not be required to also file for bankruptcy in the unlikely event of an FCX bankruptcy. FMC is not a co-borrower or a guarantor with respect to any indebtedness of FCX or any indebtedness of FCX's non-FMC subsidiaries. Therefore, FMC is not directly tied to any potential default by FCX under FCX's indebtedness. Further, FCX has significantly reduced its outstanding debt through the sale of substantially all of its oil and gas operations and the sales of its interest in the Tenke Fungurume mine in Africa and a portion of its interest in the Morenci mine in Arizona. That debt reduction, along with an improved copper price environment, should eliminate any meaningful concerns about an FCX bankruptcy.

6. The Value of Ranch Lands Provided as Collateral is Supported By Professional Appraisals.

This is not an issue in the pending applications, as MMD and NMED have acted on the applications to accept the increased value of the ranch properties as collateral. However, it is worth noting that the valuation of the ranch properties is supported by formal appraisals from a qualified appraiser based on professional standards and reviewed and confirmed by a professional third-party reviewer for the State. In addition, the State gave credit for financial assurance for only 80% of the appraised values, having required a 20% discount to address factors specified in the rule such as potential fluctuation in values and transaction costs. Consequently, the State holds

mortgages on properties valued at about \$17.5 million above the amount credited toward financial assurance. Moreover, because a substantial portion of the financial assurance is in the form of cash available from the trusts, the State would have funds immediately available in the event of a hypothetical default and ample time to market the collateral in an orderly fashion to maximize sale prices.

7. The State Holds Recorded Mortgages and Has Required Title Searches to Identify any Other Liens on the Collateral Lands.

The State holds written and recorded mortgages on each of the ranch properties provided as collateral. The State accepted the mortgages only after title searches designed to identify an existing liens were provided, along with title insurance, and after environmental and other liabilities were assessed. Potential events such as condemnation also are addressed under the Mining Act rules, permit conditions and the terms of the mortgages to ensure that the occurrence of these events would not leave a gap in financial assurance. GRIP's analysis provides no support for its contention that the State's interests in the mortgages would not be recognized and upheld in accordance with law in a hypothetical proceeding before a U.S. Bankruptcy Court.

8. The Amount of Financial Assurance Covers the Current Permit Requirements.

The pending applications propose no change in the amounts of financial assurance in . The amount of financial assurance required satisfies the current permit requirements. As discussed during the January 20, 2017 meeting, MMD and NMED are reviewing updated closure/closeout plans for the Tyrone and Continental mines. Chino is preparing an update to its closure/closeout plan. The agencies discussed their schedule to complete review of the updated plans and to act on applications for permit modifications and renewals at the January 20, 2017 meeting. MMD introduced a newly hired engineer who will be assigned to review the updated cost estimates.

There are a number of mechanisms and actions in place to keep the CCPs and cost estimates up to date. Mine changes and expansions since the original CCP's were approved have required permit revisions, including additional financial assurance. Considerable reclamation work has been completed and has resulted in release of the corresponding financial assurance only after careful review, including inspections of the reclaimed areas by the agencies and members of the public, including GRIP. MMD requires review of financial assurance adequacy every five years independent of CCP updates, and no shortfalls have been identified to date. The mines have submitted updates to the CCPs and cost estimates as required, and reviews of the current updates are pending. Any necessary updates to financial assurance amounts will be made when those reviews are completed.

CONCLUSION

Freeport respectfully requests that MMD act on the pending applications for permit modifications and that MMD and NMED accept the third-party guarantees proposed to be issued by Freeport Minerals Corporation in accordance with the Mining Act rules and the permit requirements.

Sincerely,



William E. Cobb
Vice President