FREEPORT-MCMORAN INC
Form 8-K
July 27, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d)

of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 27, 2016 (July 26, 2016)

FREEPORT-McMoRan INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-11307-01**	**74-2480931**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

333 North Central Avenue

Phoenix, AZ	**85004-2189**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (602) 366-8100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On July 27, 2016, Freeport-McMoRan Inc. (the Company) entered into a distribution agreement (the Agreement) with J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BBVA Securities Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BTIG, LLC, CIBC World Markets Corp., Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Mizuho Securities USA Inc., MUFG Securities Americas Inc., RBC Capital Markets, LLC, Santander Investment Securities Inc., Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc., TD Securities (USA) LLC and Wells Fargo Securities, LLC (collectively, the Sales Agents). Pursuant to the terms of the Agreement, the Company may offer and sell shares of common stock, par value $0.10 per share (the Shares) having aggregate gross proceeds of up to $1,500,000,000 from time to time through one or more of the Sales Agents. Sales of the Shares, if any, would be made by means of ordinary brokers transactions or block trades on the New York Stock Exchange at market prices or as otherwise agreed between the Company and one or more of the Sales Agents. The Company may also agree to sell the Shares to one or more of the Sales Agents as principal for its own account on terms agreed to by the parties to such agreement. The Sales Agents will receive from the Company a commission equal to a percentage, not to exceed 1.50%, of the gross sales price per share of the Shares sold in agency transactions under the Agreement.

The Shares are registered under the Securities Act of 1933, as amended (the Securities Act), pursuant to the Company s shelf registration statement (File No. 333-206257) (the Registration Statement) on Form S-3, which was filed with the Securities and Exchange Commission (the SEC) on August 10, 2015.

The Agreement is filed as Exhibit 10.1 to this Current Report on Form 8-K, and the description of the Agreement is qualified in its entirety by reference to such exhibit. For a more detailed description of the Agreement, see the disclosure under the caption Plan of distribution (conflicts of interest) contained in the Company s prospectus supplement dated July 27, 2016 to the prospectus dated August 10, 2015, that has been filed with the SEC pursuant to Rule 424(b) under the Securities Act, which disclosure is hereby incorporated by reference. The Agreement is also filed with reference to, and is hereby incorporated by reference into, the Registration Statement.

In the ordinary course of its business, each of the Sales Agents has and/or its affiliates have in the past performed, and may continue to perform, investment banking, lending, broker dealer, financial advisory or other services for us for which they have received, or may receive, separate fees. In addition, in the ordinary course of their business activities, the Sales Agents and/or their affiliates may make or hold a broad array of investments and actively traded debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Sales Agents and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Under our revolving credit facility and term loan (the senior credit facilities), JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, is administrative agent and collateral agent. JPMorgan Chase Bank, N.A., also acts as swingline lender under our revolving credit facility. Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, acts as syndication agent under both of our senior credit facilities. In addition, affiliates of certain of the sales agents are joint lead arrangers, co-documentation agents, joint bookrunners and senior managing agents under one or both of our senior credit facilities or credit facilities of certain of our subsidiaries and trustees under certain of our indentures. Affiliates of each of the Sales Agents are also lenders under one or both of our senior credit facilities. These Sales Agent affiliates will receive a portion of the proceeds from the sale of our common stock under the Agreement to the extent such proceeds are used to repay borrowings under these credit facilities.

A copy of the opinion of Davis Polk & Wardwell LLP relating to the legality of the Shares is filed as Exhibit 5.1 to this Current Report and is filed with reference to, and is hereby incorporated by reference into, the Registration

Statement.

Item 8.01. Other Events.

Freeport-McMoRan

Reports Second-Quarter and Six-Month 2016 Results

Net loss attributable to common stock totaled $479 million, $0.38 per share, for second-quarter 2016.

Consolidated sales (including volumes from Tenke Fungurume (Tenke), which is being reported as a discontinued operation) totaled 1.1 billion pounds of copper, 156 thousand ounces of gold, 19 million pounds of molybdenum and 12.4 million barrels of oil equivalents (MMBOE) for second-quarter 2016, compared with 964 million pounds of copper, 352 thousand ounces of gold, 23 million pounds of molybdenum and 13.1 MMBOE for second-quarter 2015.

Consolidated sales for the year 2016 (including volumes from Tenke through the anticipated closing date) are expected to approximate 5.0 billion pounds of copper, 1.7 million ounces of gold, 76 million pounds of molybdenum and 47.4 MMBOE, including 1.3 billion pounds of copper, 410 thousand ounces of gold, 20 million pounds of molybdenum and 11.4 MMBOE for third-quarter 2016.

Average realized prices were $2.18 per pound of copper, $1,292 per ounce for gold and $41.10 per barrel for oil for second-quarter 2016.

Average unit net cash costs were $1.33 per pound of copper for mining operations and $15.00 per barrel of oil equivalents (BOE) for oil and gas operations for second-quarter 2016. Unit net cash costs for the year 2016 are expected to average $1.06 per pound of copper for mining operations (including Tenke) and $15.50 per BOE for oil and gas operations.

Operating cash flows totaled $874 million (including $278 million in working capital sources and changes in other tax payments) for second-quarter 2016. Based on current sales volume and cost estimates and assuming average prices of $2.25 per pound for copper, $1,300 per ounce for gold, $6 per pound for molybdenum and $48 per barrel for Brent crude oil for the second half of 2016, operating cash flows for the year 2016 are expected to approximate $4.5 billion (including $0.7 billion in working capital sources and changes in other tax payments).

Capital expenditures totaled $833 million for second-quarter 2016, consisting of $441 million for mining operations (including $350 million for major projects) and $392 million for oil and gas operations. Capital expenditures are expected to approximate $3.1 billion for the year 2016, consisting of $1.7 billion for mining operations (including $1.3 billion for major projects) and $1.4 billion for oil and gas operations.

During second-quarter 2016, FCX **completed previously announced asset sales** for aggregate cash consideration of $1.3 billion, including the $1.0 billion sale of an additional 13 percent undivided interest in Morenci. In May 2016, FCX entered into a definitive agreement to **sell its interest in TF Holdings Limited** for $2.65 billion in cash and contingent consideration of up to $120 million. In accordance with accounting guidelines, the results of Tenke are reported as discontinued operations for all periods presented.

During second-quarter 2016, FCX entered into agreements to **terminate FM O&G s three drilling rig contracts** for a total of $755 million and potential contingent consideration depending on future oil prices. The settlements result in aggregate savings of approximately $350 million, compared to the previously contracted commitments.

Through July 25, 2016, FCX **exchanged $369 million in senior notes** for approximately 28 million shares of its common stock in a series of privately negotiated transactions, including $268 million exchanged during second-quarter 2016.

At June 30, 2016, **consolidated debt** totaled $19.3 billion and **consolidated cash** totaled $352 million. At June 30, 2016, FCX had no borrowings and $3.5 billion available under its $3.5 billion revolving credit facility.

PHOENIX, AZ, July 26, 2016 - Freeport-McMoRan Inc. (NYSE: FCX) reported net losses attributable to common stock of $479 million, $0.38 per share, for second-quarter 2016 and $4.7 billion, $3.70 per share, for the first six months of 2016, compared with $1.85 billion, $1.78 per share, for second-quarter 2015 and $4.3 billion, $4.16 per share, for the first six months of 2015. FCX s net losses attributable to common stock include net charges totaling $452 million, $0.36 per share, for second-quarter 2016 and $4.4 billion, $3.53 per share, for the first six months of 2016, primarily for impairment of oil and gas properties and drillship settlements/idle rig costs, partly offset by net gains on the sales of assets. Second-quarter 2015 included net charges of $2.0 billion, $1.92 per share, and the first six months of 2015 included net charges of $4.4 billion, $4.24 per share, primarily for the impairment of oil and gas properties. For further discussion of these net charges refer to the supplemental schedule Adjusted Net (Loss) Income, on page V.

SUMMARY FINANCIAL DATA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Revenues[a,b]	$ 3,334	$ 3,938	$ 6,576	$ 7,709
Operating income (loss)[a]	$ 18	$ (2,421)	$ (3,854)	$ (5,451)
Net loss from continuing operations	$ (229)	$ (1,828)	$ (4,326)	$ (4,275)
Net (loss) income from discontinued operations[c]	$ (181)	$ 29	$ (185)	$ 70
Net loss attributable to common stock[d,e]	$ (479)	$ (1,851)	$ (4,663)	$ (4,325)
Diluted net (loss) income per share of common stock:				
Continuing operations	$ (0.23)	$ (1.78)	$ (3.54)	$ (4.18)
Discontinued operations	(0.15)		(0.16)	0.02
	$ (0.38)	$ (1.78)	$ (3.70)	$ (4.16)
Diluted weighted-average common shares outstanding	1,269	1,040	1,260	1,040
Operating cash flows[f]	$ 874	$ 1,069	$ 1,614	$ 1,786
Capital expenditures	$ 833	$ 1,661	$ 1,815	$ 3,528
At June 30:				
Cash and cash equivalents	$ 352	$ 318	$ 352	$ 318
Total debt, including current portion	$ 19,319	$ 20,902	$ 19,319	$ 20,902

a. *For segment financial results, refer to the supplemental schedules, Business Segments, beginning on page VIII.*

b. *Includes (unfavorable) favorable adjustments to provisionally priced concentrate and cathode copper sales recognized in prior periods totaling $(28) million ($(15) million to net loss attributable to common stock from continuing operations or $(0.01) per share) in second-quarter 2016, $(22) million ($(11) million to net loss attributable to common stock from continuing operations or $(0.01) per share) in second-quarter 2015, $5 million ($2 million to net loss attributable to common stock from continuing operations or less than $0.01 per share) for the first six months of 2016 and $(99) million ($(47) million to net loss attributable to common stock from continuing operations or $(0.04) per share) for the first six months of 2015. For further discussion, refer to the supplemental schedule, Derivative Instruments, on page VII.*

c. *Net (loss) income from discontinued operations includes charges for (i) allocated interest expense totaling $11 million in second-quarter 2016, $7 million in second-quarter 2015, $21 million for the first six months of 2016* *and $14 million for the first six months of 2015 associated with the portion of the term loan that is required to be repaid as a result of the sale of FCX s interest in Tenke and (ii) income tax (benefit) provision totaling $(16) million in second-quarter 2016, $12 million in second-quarter 2015, $(23) million for the first six months of 2016 and $31 million for the first six months of 2015. In accordance with accounting guidelines, the second quarter and first six months of 2016 are also net of an estimated loss on disposal, which will be adjusted through closing of the transaction (refer to the supplemental schedule, Adjusted Net (Loss) Income, on page V).*

d. Includes net charges totaling $452 million ($0.36 per share) in second-quarter 2016, $2.0 billion ($1.92 per share) in second-quarter 2015, $4.4 billion ($3.53 per share) for the first six months of 2016 and $4.4 billion ($4.24 per share) for the first six months of 2015, which are described in the supplemental schedule, Adjusted Net (Loss) Income, on page V.

e. *FCX defers recognizing profits on intercompany sales until final sales to third parties occur. For a summary of net impacts from changes in these deferrals, refer to the supplemental schedule, Deferred Profits, on page VII.*
f. *Includes net working capital sources (uses) and changes in other tax payments of $278 million in second-quarter 2016, $(104) million in second-quarter 2015, $466 million for the first six months of 2016 and $(190) million for the first six months of 2015.*

DEBT REDUCTION INITIATIVES

FCX previously announced plans to reduce debt and restore its balance sheet strength through a combination of asset sale transactions, cash flow from operations and potential capital market transactions. To date, FCX has announced over $4 billion in transactions and has received aggregate cash consideration of $1.4 billion, including $87 million in July 2016. The $2.65 billion Tenke Fungurume (Tenke) transaction is expected to close in fourth-quarter 2016. In addition, FCX continues to aggressively manage production, exploration and administrative costs and capital spending.

During second-quarter 2016, FCX restructured its oil and gas business to reduce costs and align capital allocation for the business with FCX s corporate debt reduction initiatives. During the quarter, FCX terminated contracts for Freeport-McMoRan Oil & Gas LLC s (FM O&G) deepwater drillships, and settled aggregate commitments totaling $1.1 billion for $755 million, of which $540 million was funded with shares of FCX common stock.

During 2016, FCX has retired $369 million of its senior notes through a series of privately negotiated exchanges for 28 million shares of its common stock (including $268 million during second-quarter 2016, which resulted in a $39 million gain on early extinguishment of debt). These transactions will reduce annual interest expense by $17 million. FCX will continue to evaluate opportunities for transactions, which may include open-market purchases of its debt, debt for debt exchanges, and privately negotiated exchanges of its debt for equity or equity-linked securities. FCX may also issue additional debt or convertible securities to repay or refinance existing debt. The completion and amount of these transactions, if any, are subject to a number of factors, including market conditions, FCX s financial position and its ability to complete such transactions on economically attractive terms.

As part of its plan to reduce outstanding indebtedness, FCX intends to commence, subject to market conditions, a registered at-the-market offering of up to $1.5 billion of common stock and use the proceeds to retire outstanding indebtedness. FCX believes the proceeds of this offering, together with previously announced asset sale transactions and anticipated cash flow from operations, will enable it to achieve its near-term debt reduction objectives.

While additional asset sales may be considered, FCX remains focused on retaining a high-quality portfolio of long-lived copper assets positioned to generate value as market conditions improve. In addition to debt reduction plans, FCX is pursuing opportunities to create additional value through mine designs that would increase copper reserves, reduce costs and provide opportunities to enhance net present values, and continues to advance studies for future development of its copper resources, the timing of which will be dependent on market conditions.

Following provides a summary of FCX s completed and pending asset sales (in billions):

	Closing or Expected Closing Date	Cash Consideration [a]
Morenci (13 percent interest)	Second-quarter 2016	$ 1.00
Timok exploration project in Serbia	Second-quarter 2016	0.13 [b]
Oil and gas royalty interests	Second-quarter 2016	0.10
Other land sales	Second-quarter 2016	0.06
Haynesville shale assets	Third-quarter 2016	0.09
Tenke	Fourth-quarter 2016	2.65 [c]
Total, excluding potential transactions and contingent consideration		4.03
Potential Freeport Cobalt/Kinsanfu transactions[d]		0.15
Contingent consideration[b,c]		0.23
Total		$ 4.41

a. *Reflects aggregate cash consideration.*
b. *Excludes contingent consideration of up to $107 million payable to FCX in stages based upon achievement of defined development milestones.*
c. *Excludes contingent consideration of up to $120 million, consisting of $60 million if the average copper price exceeds $3.50 per pound and $60 million if the average cobalt price exceeds $20 per pound, for the 24-month period ending December 31, 2019.*
d. *FCX has agreed to negotiate exclusively with China Molybdenum Co., Ltd. (CMOC) until December 31, 2016, to enter into a definitive agreement to sell its interests in Freeport Cobalt for $100 million and the Kinsanfu exploration project in the Democratic Republic of Congo (DRC) for $50 million in separate transactions.*

SUMMARY OPERATING DATA

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Copper (millions of recoverable pounds)				
Production[a]	1,133	977	2,230	1,892
Sales, excluding purchases[a]	1,111	964	2,234	1,924
Average realized price per pound[a]	$ 2.18	$ 2.71	$ 2.16	$ 2.70
Site production and delivery costs per pound[b]	$ 1.43	$ 1.85	$ 1.47	$ 1.89
Unit net cash costs per pound[b]	$ 1.33	$ 1.50	$ 1.35	$ 1.57
Gold (thousands of recoverable ounces)				
Production	166	367	350	626

Sales, excluding purchases	156	352	357	615
Average realized price per ounce	$ 1,292	$ 1,174	$ 1,259	$ 1,183
Molybdenum (millions of recoverable pounds)				
Production	19	25	39	49
Sales, excluding purchases	19	23	36	46
Average realized price per pound	$ 8.34	$ 9.51	$ 7.99	$ 9.84
Oil Equivalents				
Sales volumes				
MMBOE	12.4	13.1	24.5	25.6
Thousand BOE (MBOE) per day	136	144	135	142
Cash operating margin per BOE[c]				
Realized revenues	$ 32.70	$ 50.04 [d]	$ 28.29	$ 46.95 [d]
Cash production costs	(15.00)	(19.04)	(15.42)	(19.62)
Cash operating margin	$ 17.70	$ 31.00	$ 12.87	$ 27.33

a. *Includes production and sales volumes from the Tenke mine, which is reported as a discontinued operation. Copper sales volumes from the Tenke mine totaled 124 million pounds in second-quarter 2016, 104 million pounds in second-quarter 2015, 247 million pounds for the first six months of 2016 and 237 million pounds for the first six months of 2015.*
b. *Reflects per pound weighted-average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines (including Tenke), before net noncash and other costs. Excluding the Tenke mine, mining unit net cash costs averaged $1.33 per pound in second-quarter 2016, $1.56 per pound in second-quarter 2015, $1.36 per pound for the first six months of 2016 and $1.63 per pound for the first six months of 2015. For reconciliations of per pound unit costs by operating division to production and delivery costs applicable to sales reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.*
c. *Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Cash production costs exclude accretion and other costs. For reconciliations of realized revenues and cash production costs per BOE to revenues and production and delivery costs reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.*
d. *Includes realized cash gains on crude oil derivative contracts of $7.73 per BOE in second-quarter 2015 and $7.87 per BOE for the first six months of 2015. FCX currently does not have oil and gas derivative contracts in place for 2016 or future years.*

Consolidated Sales Volumes

Second-quarter 2016 consolidated **copper** sales (including Tenke) of 1.1 billion pounds were higher than second-quarter 2015 sales of 964 million pounds, primarily reflecting higher volumes from Cerro Verde.

Second-quarter 2016 consolidated **gold** sales of 156 thousand ounces were lower than second-quarter 2015 sales of 352 thousand ounces, primarily reflecting lower ore grades and lower mining and milling rates.

Second-quarter 2016 consolidated **molybdenum** sales of 19 million pounds were lower than second-quarter 2015 sales of 23 million pounds, primarily reflecting market-driven curtailed production volumes from the primary molybdenum mines.

Second-quarter 2016 sales from oil and gas operations of 12.4 MMBOE, including 8.65 million barrels (MMBbls) of **crude oil**, 18.8 billion cubic feet (Bcf) of **natural gas** and 0.6 MMBbls of **natural gas liquids** (NGLs), were lower than second-quarter 2015 sales of 13.1 MMBOE, primarily reflecting lower natural gas volumes from Haynesville.

Sales volumes for the year 2016 are expected to approximate 5.0 billion pounds of copper (including 440 million pounds for Tenke through the anticipated closing date), 1.7 million ounces of gold, 76 million pounds of molybdenum and 47.4 MMBOE, including 1.3 billion pounds of copper (including 115 million pounds for Tenke), 410 thousand ounces of gold, 20 million pounds of molybdenum and 11.4 MMBOE for third-quarter 2016. Anticipated higher grades from the Grasberg mine are expected to result in approximately 30 percent of 2016 copper sales and 55 percent of 2016 gold sales to occur in fourth-quarter 2016.

Consolidated Unit Costs

Mining Unit Net Cash Costs. Consolidated average unit net cash costs (net of by-product credits) for FCX s copper mines (including Tenke) of $1.33 per pound of copper in second-quarter 2016 were lower than unit net cash costs of $1.50 per pound in second-quarter 2015, primarily reflecting higher copper sales volumes and the impact of ongoing cost reduction initiatives, partly offset by lower gold and silver credits.

Assuming average prices of $1,300 per ounce of gold and $6 per pound of molybdenum for the second half of 2016 and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for copper mines (including Tenke) are expected to average $1.06 per pound of copper for the year 2016. The impact of price changes for the second half of 2016 on consolidated unit net cash costs would approximate $0.015 per pound for each $50 per ounce change in the average price of gold and $0.01 per pound for each $2 per pound change in the average price of molybdenum. Quarterly unit net cash costs vary with fluctuations in sales volumes and realized prices primarily for gold and molybdenum.

Oil and Gas Cash Production Costs per BOE. Cash production costs for oil and gas operations of $15.00 per BOE in second-quarter 2016 were lower than cash production costs of $19.04 per BOE in second-quarter 2015, primarily reflecting higher production from Gulf of Mexico (GOM) wells and ongoing cost reduction efforts.

Based on current sales volume and cost estimates, cash production costs are expected to approximate $15.50 per BOE for the year 2016.

MINING OPERATIONS

North America Copper Mines. FCX operates seven open-pit copper mines in North America - Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. In addition to copper, molybdenum concentrate and silver are also produced by certain of FCX s North America copper mines.

All of the North America mining operations are wholly owned, except for Morenci. FCX records its undivided joint venture interest in Morenci using the proportionate consolidation method. On May 31, 2016, FCX completed the sale of an additional 13 percent undivided interest in Morenci for $1.0 billion in cash. As a result of the transaction, FCX s undivided interest in Morenci was prospectively reduced from 85 percent to 72 percent.

Operating and Development Activities. FCX has significant undeveloped reserves and resources in North America and a portfolio of long-term development projects. In the near term, FCX is deferring development of new projects as a result of current market conditions. Future investments will be undertaken based on the results of economic and technical feasibility studies, and market conditions.

During 2015, FCX s revised plans for its North America copper mines to incorporate reductions in mining rates to reduce operating and capital costs. In addition, FCX curtailed operations at the Miami and Tyrone mines and is operating its Sierrita mine at reduced rates. The revised plans at each of the operations incorporate the impacts of lower energy, acid and other consumables, reduced labor costs and a significant reduction in capital spending plans. These operating plans continue to be reviewed and additional adjustments will be made as market conditions warrant.

Operating Data. Following is a summary of consolidated operating data for the North America copper mines for the second quarters and first six months of 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Copper (millions of recoverable pounds)				
Production	469	469	956	921
Sales	464	486	967	958
Average realized price per pound	$ 2.18	$ 2.77	$ 2.17	$ 2.73
Molybdenum (millions of recoverable pounds)				
Production[a]	8	10	16	19
Unit net cash costs per pound of copper[b]				
Site production and delivery, excluding adjustments	$ 1.40	$ 1.78	$ 1.40	$ 1.79
By-product credits	(0.11)	(0.16)	(0.10)	(0.17)
Treatment charges	0.11	0.12	0.11	0.13
Unit net cash costs	$ 1.40	$ 1.74	$ 1.41	$ 1.75

a. *Refer to summary operating data on page 4 for FCX s consolidated molybdenum sales, which includes sales of molybdenum produced at the North America copper mines.*

b. *For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.*

North America s consolidated copper sales volumes totaling 464 million pounds in second-quarter 2016 were lower than 486 million pounds in second-quarter 2015 primarily because of timing of sales in the 2015 period. North America copper sales are estimated to approximate 1.8 billion pounds for the year 2016, compared with 2.0 billion pounds in 2015.

Average unit net cash costs (net of by-product credits) for the North America copper mines of $1.40 per pound of copper in second-quarter 2016 were lower than the unit net cash costs of $1.74 per pound in second-quarter 2015, primarily reflecting cost reduction initiatives and lower energy and other input costs.

Average unit net cash costs (net of by-product credits) for the North America copper mines are expected to approximate $1.42 per pound of copper for the year 2016, based on achievement of current sales volume and cost estimates and assuming an average molybdenum price of $6 per pound for the second half of 2016. North America s average unit net cash costs would change by approximately $0.012 per pound for each $2 per pound change in the average price of molybdenum.

South America Mining. FCX operates two copper mines in South America - Cerro Verde in Peru (in which FCX owns a 53.56 percent interest) and El Abra in Chile (in which FCX owns a 51 percent interest). These operations are consolidated in FCX s financial statements. In addition to copper, the Cerro Verde mine produces molybdenum concentrate and silver.

Operating and Development Activities. In September 2015, the Cerro Verde expansion project commenced operations, and achieved capacity operating rates during first-quarter 2016. Cerro Verde s expanded operations benefit from its large-scale, long-lived reserves and cost efficiencies. The project expanded the concentrator facilities from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day and is on track to provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum.

During 2015, FCX revised plans for its South America copper mines, principally to reflect adjustments to the mine plan at El Abra to reduce mining and stacking rates by approximately 50 percent to achieve lower operating and labor costs, defer capital expenditures and extend the life of the existing operations.

FCX continues to evaluate a potential large-scale milling operation at El Abra to process additional sulfide material and to achieve higher recoveries. Exploration results in recent years at El Abra indicate a significant sulfide resource, which could potentially support a major mill project. Future investments will depend on technical studies, economic factors and global copper market conditions.

Operating Data. Following is a summary of consolidated operating data for the South America mining operations for the second quarters and first six months of 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Copper (millions of recoverable pounds)				
Production	334	188	669	381
Sales	327	178	650	378
Average realized price per pound	$ 2.19	$ 2.69	$ 2.18	$ 2.68
Molybdenum (millions of recoverable pounds)				
Production[a]	4	2	9	4
Unit net cash costs per pound of copper[b]				
Site production and delivery, excluding adjustments	$ 1.20	$ 1.77	$ 1.22	$ 1.76
By-product credits	(0.12)	(0.04)	(0.10)	(0.06)
Treatment charges	0.23	0.17	0.23	0.17
Royalty on metals			0.01	
Unit net cash costs	$ 1.31	$ 1.90	$ 1.36	$ 1.87

a. *Refer to summary operating data on page 4 for FCX s consolidated molybdenum sales, which includes sales of molybdenum produced at Cerro Verde.*
b. *For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.*

South America s consolidated copper sales volumes of 327 million pounds in second-quarter 2016 were significantly higher than second-quarter 2015 sales of 178 million pounds, primarily reflecting Cerro Verde s expanded operations. Sales from South America mining are expected to approximate 1.36 billion pounds of copper for the year 2016, compared with 871 million pounds of copper in 2015.

Average unit net cash costs (net of by-product credits) for South America mining of $1.31 per pound of copper in second-quarter 2016 were significantly lower than unit net cash costs of $1.90 per pound in second-quarter 2015, primarily reflecting higher copper sales volumes and economies of scale associated with the Cerro Verde expansion. Average unit net cash costs (net of by-product credits) for South America mining are expected to approximate $1.40 per pound of copper for the year 2016, based on current sales volume and cost estimates and assuming average prices of $6 per pound of molybdenum for the second half of 2016.

Indonesia Mining. Through its 90.64 percent owned and consolidated subsidiary PT Freeport Indonesia (PT-FI), FCX s assets include one of the world s largest copper and gold deposits at the Grasberg minerals district in Papua, Indonesia. PT-FI operates a proportionately consolidated joint venture, which produces copper concentrates that contain significant quantities of gold and silver.

Regulatory Matters. In October 2015, the Indonesian government provided a letter of assurance to PT-FI indicating that it will approve the extension of operations beyond 2021, and provide the same rights and the same level of legal and fiscal certainty provided under its current Contract of Work (COW). PT-FI continues to engage in discussions with the Indonesian government to obtain extension of its long-term rights available under the COW.

In connection with its COW negotiations and subject to concluding an agreement to extend PT-FI s operations beyond 2021 on acceptable terms, PT-FI has agreed to construct new smelter capacity in Indonesia and to divest an additional 20.64 percent interest in PT-FI at fair market value.

PT-FI is required to apply for renewal of export permits at six-month intervals. In February 2016, PT-FI s export permit was renewed through August 8, 2016. PT-FI has applied for an extension of this permit. The Indonesian government continues to impose a 5.0 percent export duty while it reviews PT-FI s smelter plans.

Operating and Development Activities. PT-FI s revised operating plans incorporate improved operational efficiencies, reductions in input costs, supplies and contractor costs, foreign exchange impacts and an approximate 20 percent deferral of capital expenditures that had been planned for 2016.

PT-FI has several projects in progress in the Grasberg minerals district related to the development of its large-scale, long-lived, high-grade underground ore bodies. In aggregate, these underground ore bodies are expected to produce large-scale quantities of copper and gold following the transition from the Grasberg open pit, currently anticipated to occur in early 2018. From 2016 to 2020, estimated aggregate capital spending on these projects is currently expected to average $1.0 billion per year ($0.8 billion per year net to PT-FI). Considering the long-term nature and size of these projects, actual costs could vary from these estimates. In response to market conditions and Indonesian regulatory uncertainty, the timing of these expenditures continues to be reviewed.

Operating Data. Following is a summary of consolidated operating data for the Indonesia mining operations for the second quarters and first six months of 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Copper (millions of recoverable pounds)				
Production	208	205	373	359
Sales	196	196	370	351
Average realized price per pound	$ 2.20	$ 2.61	$ 2.17	$ 2.66
Gold (thousands of recoverable ounces)				
Production	158	360	336	615
Sales	151	346	346	606
Average realized price per ounce	$ 1,292	$ 1,173	$ 1,260	$ 1,183
Unit net cash costs per pound of copper[a]				
Site production and delivery, excluding adjustments	$ 1.77	$ 2.26	$ 1.99	$ 2.51
Gold and silver credits	(1.05)	(2.13)	(1.27)	(2.11)
Treatment charges	0.29	0.32	0.30	0.31
Export duties	0.08	0.18	0.08	0.16
Royalty on metals	0.11	0.18	0.12	0.17
Unit net cash costs	$ 1.20	$ 0.81	$ 1.22	$ 1.04

a. *For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.*

Indonesia s consolidated copper sales totaled 196 million pounds in both the second quarters of 2016 and 2015 as higher copper ore grades in the 2016 period were offset by lower mining and milling rates. Indonesia s second-quarter 2016 gold sales of 151 thousand ounces were lower than second-quarter 2015 sales of 346 thousand ounces, primarily reflecting lower gold ore grades and lower mining and milling rates.

During second-quarter 2016, PT-FI completed repairs to its large-scale concentrating facility, which required 23 days of downtime to repair one of the milling circuits. PT-FI s second-quarter 2016 production was also impacted by lower than expected mining rates and productivity in the Grasberg open pit, which affects the timing of metal production. Productivity in the Grasberg open pit has improved in July.

At the Grasberg mine, the sequencing of mining areas with varying ore grades causes fluctuations in quarterly and annual production of copper and gold. Consolidated sales volumes from Indonesia mining operations are expected to approximate 1.3 billion pounds of copper and 1.7 million ounces of gold for the year 2016, compared with 744 million pounds of copper and 1.2 million ounces of gold for the year 2015. PT-FI expects ore grades to improve significantly, with approximately 40 percent of its 2016 copper sales and 55 percent of its 2016 gold sales anticipated in fourth-quarter 2016.

A significant portion of PT-FI s costs are fixed and unit costs vary depending on volumes and other factors. Indonesia s unit net cash costs (including gold and silver credits) of $1.20 per pound of copper in second-quarter 2016 were higher than unit net cash costs of $0.81 per pound in second-quarter 2015, primarily reflecting lower gold credits, partly offset by lower royalties, export duties and energy costs.

Based on current sales volume and cost estimates, and assuming an average gold price of $1,300 per ounce for the second half of 2016, unit net cash costs (net of gold and silver credits) for Indonesia mining are expected to approximate $0.12 per pound of copper for the year 2016 and $0.43 per pound for third-quarter 2016. Indonesia mining s unit net cash costs for the year 2016 would change by approximately $0.05 per pound for each $50 per ounce change in the average price of gold. Because of the fixed nature of a large portion of Indonesia mining s costs, unit costs vary from quarter to quarter depending on copper and gold volumes. Anticipated higher ore grades from the Grasberg mine are expected to result in lower unit net cash costs in the second half of 2016.

Africa Mining. Africa mining includes the Tenke Fungurume Mining S.A. (TFM) minerals district, in which FCX holds an effective 56 percent interest in the Tenke copper and cobalt mining concessions in the Southeast region of the DRC. In May 2016, FCX entered into a definitive agreement to sell its interest in TF Holdings Limited. As a result and in accordance with accounting guidelines, the operating results of Africa mining have been separately reported as discontinued operations in FCX s consolidated statements of operations for all periods presented. The transaction is expected to close in fourth-quarter 2016, subject to regulatory approvals, CMOC shareholder approval and other customary closing conditions.

Operating and Development Activities. Revised plans at Tenke incorporate a 50 percent reduction in capital spending for 2016 and various initiatives to reduce operating, administrative and exploration costs. TFM successfully commissioned a sulphuric acid plant in first-quarter 2016, which will reduce requirements for third-party acid purchases.

Operating Data. Following is a summary of operating data for the Africa mining operations for the second quarters and first six months of 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Copper (millions of recoverable pounds)				
Production	122	115	232	231
Sales	124	104	247	237
Average realized price per pound[a]	$ 2.07	$ 2.63	$ 2.08	$ 2.66
Cobalt (millions of contained pounds)				
Production	10	9	19	16
Sales	10	8	20	16
Average realized price per pound	$ 6.58	$ 9.27	$ 6.52	$ 9.23
Unit net cash costs per pound of copper[b]				
Site production and delivery, excluding adjustments	$ 1.62	$ 1.54	$ 1.63	$ 1.56
Cobalt credits[c]	(0.33)	(0.53)	(0.35)	(0.44)
Royalty on metals	0.05	0.06	0.05	0.06
Unit net cash costs	$ 1.34	$ 1.07	$ 1.33	$ 1.18

a. *Includes point-of-sale transportation costs as negotiated in customer contracts.*
b. *For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in net (loss) income from discontinued operations in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.*
c. *Net of cobalt downstream processing and freight costs.*

Africa mining s copper sales of 124 million pounds in second-quarter 2016 were higher than second-quarter 2015 copper sales of 104 million pounds, primarily reflecting higher mining rates and timing of sales in the 2015 period. Africa mining s sales for 2016 (through the anticipated closing date) are expected to approximate 440 million pounds of copper and 35 million pounds of cobalt, compared with 467 million pounds of copper and 35 million pounds of cobalt for the year 2015.

Africa mining s unit net cash costs (net of cobalt credits) of $1.34 per pound of copper in second-quarter 2016 were higher than unit net cash costs of $1.07 per pound of copper in second-quarter 2015, primarily reflecting lower cobalt credits. Unit net cash costs (net of cobalt credits) for Africa mining are expected to approximate $1.28 per pound of copper for the year 2016, based on current sales volume and cost estimates and assuming an average cobalt price of $11 per pound for the second half of 2016. Africa mining s unit net cash costs for the year 2016 would change by approximately $0.045 per pound for each $2 per pound change in the average price of cobalt.

Molybdenum Mines. FCX has two wholly owned molybdenum mines in North America the Henderson underground mine and the Climax open-pit mine, both in Colorado. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrate, which is typically further processed into value-added molybdenum chemical products. The majority of molybdenum concentrate produced at the Henderson and Climax mines, as well as from FCX s North and South America copper mines, is processed at FCX s conversion facilities.

Operating and Development Activities. In response to market conditions, the revised plans for the Henderson molybdenum mine incorporate lower operating rates, resulting in an approximate 65 percent reduction in Henderson s annual production volumes. FCX also adjusted production plans at its by-product mines, including reduced production at its Sierrita mine. Additionally, FCX incorporated changes in the commercial pricing structure for its chemicals products to promote continuation of chemical-grade production.

Production from the Molybdenum mines totaled 7 million pounds of molybdenum in second-quarter 2016 and 13 million pounds in second-quarter 2015. Refer to summary operating data on page 4 for FCX s consolidated molybdenum sales, which includes sales of molybdenum produced at the Molybdenum mines, and from FCX s North and South America copper mines.

Average unit net cash costs for the Molybdenum mines of $7.80 per pound of molybdenum in second-quarter 2016 were higher than average unit net cash costs of $7.19 per pound in second-quarter 2015, primarily reflecting lower volumes. Based on current sales volume and cost estimates, unit net cash costs for the Molybdenum mines are expected to average approximately $8.60 per pound of molybdenum for the year 2016.

For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product Revenues and Production Costs, beginning on page XI.

Mining Exploration Activities. FCX s mining exploration activities are generally associated with its existing mines focusing on opportunities to expand reserves and resources to support development of additional future production capacity. Exploration results continue to indicate opportunities for significant future potential reserve additions in North and South America. Exploration spending continues to be constrained by market conditions and is expected to approximate $45 million for the year 2016.

OIL AND GAS OPERATIONS

Through its wholly owned oil and gas subsidiary, FM O&G, FCX s principal oil and gas assets include significant oil production facilities and growth potential in the Deepwater GOM and established oil production facilities in California. For the first six months of 2016, approximately 90 percent of FCX s oil and gas revenues were from oil and NGLs.

During second-quarter 2016, FM O&G completed the sale of certain oil and gas royalty interests for cash consideration of $102 million (before closing adjustments), and in July 2016, completed the sale of its Haynesville shale assets in North Louisiana for cash consideration of $87 million (before closing adjustments). Under full cost accounting rules, the proceeds from these transactions are recorded as a reduction of capitalized oil and gas properties, with no gain or loss recognition.

Impairment of Oil and Gas Properties. FM O&G follows the full cost method of accounting, whereby all costs associated with oil and gas property acquisition, exploration and development activities are capitalized and amortized to expense under the unit-of-production method on a country-by-country basis using estimates of proved oil and gas reserves relating to each country where such activities are conducted. The costs of unproved oil and gas properties are excluded from amortization until the properties are evaluated.

Under full cost accounting rules, a ceiling test is conducted each quarter to review the carrying value of oil and gas properties for impairment. The U.S. Securities and Exchange Commission (SEC) requires the twelve-month average of the first-day-of-the-month historical reference oil price be used in determining the ceiling test limitation. Using West Texas Intermediate (WTI) as the reference oil price, the average price was $43.12 per barrel at June 30, 2016, compared with $46.26 per barrel at March 31, 2016. As a result of the impact of the reduction in twelve-month historical prices, net capitalized costs exceeded the ceiling test limitation under full cost accounting rules, which resulted in the recognition of a second-quarter 2016 impairment charge of $291 million.

If the twelve-month historical average price remains below the June 30, 2016, twelve-month average of $43.12 per barrel, the ceiling test limitation will decrease, potentially resulting in additional ceiling test impairments of FCX s oil and gas properties. The WTI spot oil price was $43.13 per barrel at July 25, 2016. In addition to a decline in the trailing twelve-month average oil and gas prices, other factors that could result in future impairment of FCX s oil and gas properties include costs transferred from unevaluated properties to the full cost pool without corresponding proved oil and gas reserve additions, negative reserve revisions and the capitalization of future exploration and development costs. At June 30, 2016, carrying costs for unevaluated properties excluded from amortization totaled $1.7 billion. These costs will be transferred into the full cost pool as the properties are evaluated and proved reserves are established or if impairment is determined. If these activities do not result in additions to discounted future net cash flows from proved oil and gas reserves at least equal to the related costs transferred (net of related tax effects), additional ceiling test impairments may occur.

Financial and Operating Data. Following is a summary of financial and operating data for the U.S. oil and gas operations for the second quarters and first six months of 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Financial Summary (in millions)				
Realized revenues[a]	$ 405	$ 656 [b]	$ 694	$ 1,203
Cash production costs[a]	(186)	(249)	(378)	(503)
Cash operating margin	$ 219	$ 407	$ 316	$ 700
Capital expenditures[c]	$ 388	$ 777	$ 868	$ 1,795
Sales Volumes				
Oil (MMBbls)	8.7	8.6	17.0	17.0
Natural gas (Bcf)	18.8	23.5	38.4	45.3
NGLs (MMBbls)	0.6	0.6	1.2	1.1
MMBOE	12.4	13.1	24.5	25.6
Average Realized Prices[a]				
Oil (per barrel)	$ 41.10	$ 67.61 [b]	$ 35.21	$ 62.13 [b]
Natural gas (per million British thermal units, or MMBtu)	$ 2.04	$ 2.66	$ 2.02	$ 2.75
NGLs (per barrel)	$ 18.00	$ 20.50	$ 16.44	$ 21.71
Cash Operating Margin per BOE[a]				
Realized revenues	$ 32.70	$ 50.04 [b]	$ 28.29	$ 46.95 [b]
Cash production costs	(15.00)	(19.04)	(15.42)	(19.62)
Cash operating margin	$ 17.70	$ 31.00	$ 12.87	$ 27.33

a. *Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Cash production costs exclude accretion and other costs. For reconciliations of realized revenues (including average realized prices for oil, natural gas and NGLs) and cash production costs to revenues and production and delivery costs reported in FCX s consolidated financial statements, refer to the supplemental schedules, Product*

Revenues and Production Costs, beginning on page XI.

b. *Includes realized cash gains on crude oil derivative contracts of $101 million ($11.79 per barrel of oil and $7.73 per BOE) in second-quarter 2015 and $201 million ($11.88 per barrel of oil and $7.87 per BOE) for the first six months of 2015. FCX currently does not have oil and gas derivative contracts in place for 2016 or future years.*

c. *Excludes international oil and gas expenditures totaling $4 million in second-quarter 2016, $29 million in second-quarter 2015, $47 million for the first six months of 2016 and $44 million for the first six months of 2015, primarily related to the Morocco oil and gas properties.*

FM O&G s average realized price for crude oil was $41.10 per barrel in second-quarter 2016 (87 percent of the average Brent crude oil price of $47.03 per barrel). FM O&G s average realized price for natural gas was $2.04 per MMBtu in second-quarter 2016, compared to the New York Mercantile Exchange natural gas price average of $1.95 per MMBtu for the April through June 2016 contracts.

Lower realized revenues for oil and gas operations of $32.70 per BOE in second-quarter 2016, compared to $50.04 per BOE in second-quarter 2015, primarily reflects lower oil prices and the impact of realized cash gains on derivative contracts of $7.73 per BOE in second-quarter 2015.

Cash production costs for oil and gas operations of $15.00 per BOE in second-quarter 2016 were lower than cash production costs of $19.04 per BOE in second-quarter 2015, primarily reflecting higher production from GOM wells and ongoing cost reduction efforts.

Following is a summary of average oil and gas sales volumes per day by region for the second quarters and first six months of 2016 and 2015:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Sales Volumes (MBOE per day)				
GOM[a]	88	80	85	77
California	32	38	32	39
Haynesville/Madden/Other[b]	16	26	18	26
Total oil and gas operations	136	144	135	142

a. *Includes sales from properties on the GOM Shelf and in the Deepwater GOM, and the Inboard Lower Tertiary/Cretaceous natural gas trend.*

b. *In July 2016, FM O&G completed the sale of the Haynesville shale assets.*

Daily sales volumes averaged 136 MBOE for second-quarter 2016, including 95 thousand barrels (MBbls) of crude oil, 207 million cubic feet (MMcf) of natural gas and 6 MBbls of NGLs. Since year-end 2015, FM O&G has commenced production from six 100-percent-owned Deepwater GOM wells. Oil and gas sales volumes are expected to average 130 MBOE per day for the year 2016, comprised of 73 percent oil, 22 percent natural gas and 5 percent NGLs.

In late June 2016, a fire at a third-party natural gas processing plant in Pascagoula, Mississippi resulted in the shutdown of the plant and the pipeline that transports gas supply from several offshore platforms, including FM O&G s Horn Mountain and Marlin facilities (representing approximately 45 percent of FM O&G s GOM BOE production). As a result, production has been temporarily constrained and FM O&G is currently accessing an alternative pipeline as an interim solution. FM O&G is working with third parties on alternative routes to resume normal production and does not expect long-term impacts from this event.

Based on current sales volume and cost estimates, cash production costs are expected to approximate $15.50 per BOE for the year 2016.

Oil and Gas Exploration, Operating and Development Activities. In second-quarter 2016, FM O&G remained focused on managing costs and enhancing asset values in response to the current market environment. FM O&G achieved a number of important operational milestones during the quarter, including the commencement of production from five 100-percent-owned Deepwater GOM tieback wells, including three at Holstein Deep and two in the Horn

Mountain area. At Lucius and Heidelberg, the operator drilled development wells with favorable results that we believe will further benefit future oil production.

During second-quarter 2016, FCX negotiated the termination and settlement of FM O&G s drilling rig contracts with Noble Drilling (U.S.) LLC (Noble) and Rowan Companies plc (Rowan). As a result of the settlements, FM O&G was released from a total of $1.1 billion in payment obligations under its three drilling rig contracts. In aggregate, reductions in previously contracted commitments for deepwater drillships approximate $350 million. During second-quarter 2016, FCX issued 48 million shares of its common stock (representing a value of $540 million) and paid $85 million cash in connection with the settlements. FCX will fund the remaining $130 million in cash during third-quarter 2016. FCX also agreed to provide contingent payments of up to $105 million, depending on the average price of crude oil over the 12-month period ending June 30, 2017. A net charge of $0.6 billion was recorded in second-quarter 2016 associated with the termination of these contracts.

Since commencing development activities in 2014 at its three 100-percent-owned production platforms in the Deepwater GOM, FM O&G has drilled 14 wells in producing fields with positive results; 10 of these wells have been brought on production, including five wells during second-quarter 2016.

Oil and Gas Capital Expenditures. Capital expenditures for oil and gas operations in second-quarter 2016 totaled $388 million in the U.S. (including $205 million incurred for GOM and approximately $150 million associated with the change in capital expenditure accruals) and $4 million associated with international oil and gas properties.

Capital expenditures for oil and gas operations for the year 2016 are estimated to total $1.4 billion, with approximately 90 percent of the capital budget expected to be directed to the GOM.

Deepwater GOM. FM O&G operates and owns 100-percent working interests in the Holstein, Marlin and Horn Mountain deepwater production platforms, which in total have processing capacity of 250 MBbls of oil per day. In addition, FM O&G has interests in the Lucius, Heidelberg, Ram Powell and Hoover producing oil fields and the Atwater Valley undeveloped area.

During second-quarter 2016, production from six wells in the **Lucius** field in the **Keathley Canyon** area averaged 20 MBOE per day, net to FM O&G s 25-percent working interest. The field has performed well since initial production commenced in first-quarter 2015. In second-quarter 2016, the operator completed the seventh well in the field. Approximately 80 percent of FM O&G s working interest is held through its consolidated subsidiary Plains Offshore Operations Inc. (POI). Third parties hold a preferred interest in POI and are entitled to a liquidation preference and to receive preferred distributions.

In January 2016, first oil production commenced from three initial subsea wells in the **Heidelberg** oil field in the **Green Canyon** area. Heidelberg is a subsea oil development consisting of five subsea wells tied back to a truss spar hull located in 5,300 feet of water. In second-quarter 2016, the operator commenced drilling a fourth well in the field, and in July 2016, logging results confirmed oil pay with similar characteristics to a good offset producing well. The fifth and final well of the initial development phase commenced drilling in third-quarter 2016. Heidelberg field was discovered in February 2009, and the subsequent development project was sanctioned in early 2013. FM O&G has a 12.5 percent working interest in Heidelberg.

At the 100-percent-owned **Holstein Deep**, three wells commenced production in second-quarter 2016 and are currently producing at a gross rate of approximately 9 MBOE per day. The rates are below previous estimates, reflecting lower than expected crude oil quality and lower permeability. The Holstein Deep development is located in Green Canyon Block 643, west of the 100-percent-owned Holstein platform in 3,890 feet of water, with production facilities capable of processing 113 MBbls of oil per day.

FM O&G s 100-percent-owned **Horn Mountain** field is located in the **Mississippi Canyon** area and has production facilities capable of processing 75 MBbls of oil per day. The **Quebec/Victory** and **Kilo/Oscar** wells commenced production in second-quarter 2016. To enhance recovery of remaining oil in place, future development plans will target subsea tieback from multiple stacked sands in the area.

FM O&G s well inventory also includes the **Horn Mountain Deep** discovery well, where successful drilling results in 2015 indicated the presence of sand sections deeper than known pay sections in the field. These positive results and geophysical data support the existence of Middle Miocene reservoir potential for additional development opportunities in the Horn Mountain Deep area, including five 100-percent-owned exploration prospects with significant future potential. FM O&G controls rights to over 55,000 acres associated with these prospects.

FM O&G s 100-percent-owned **Marlin Hub** is located in the Mississippi Canyon area and has production facilities capable of processing 60 MBbls of oil per day. FM O&G has drilled five successful tieback opportunities in the area since 2014. The King D-12 and Dorado wells commenced production in 2015, and the King D-13 well commenced production in first-quarter 2016.

CASH FLOWS, CASH and DEBT TRANSACTIONS

Operating Cash Flows. FCX generated operating cash flows of $874 million (including $278 million in working capital sources and changes in other tax payments) for second-quarter 2016 and $1.6 billion (including $466 million in working capital sources and changes in other tax payments) for the first six months of 2016.

Based on current sales volume and cost estimates and assuming average prices of $2.25 per pound of copper, $1,300 per ounce of gold, $6 per pound of molybdenum and $48 per barrel of Brent crude oil for the second half of 2016, FCX s consolidated operating cash flows are estimated to approximate $4.5 billion for the year 2016 (including $0.7 billion in working capital sources and other tax payments). The impact of price changes for the second half of 2016 on operating cash flows would approximate $260 million for each $0.10 per pound change in the average price of copper, $40 million for each $50 per ounce change in the average price of gold, $35 million for each $2 per pound change in the average price of molybdenum and $55 million for each $5 per barrel change in the average Brent crude oil price.

Capital Expenditures. Capital expenditures totaled $833 million for second-quarter 2016, consisting of $441 million for mining operations (including $350 million for major projects) and $392 million for oil and gas operations. Capital expenditures for the first six months of 2016 totaled $1.8 billion, consisting of $900 million for mining operations (including $0.7 billion for major projects) and $915 million for oil and gas operations.

Capital expenditures are expected to approximate $3.1 billion for the year 2016, consisting of $1.7 billion for mining operations (including $1.3 billion for major projects, primarily for underground development activities at Grasberg and remaining costs for the Cerro Verde expansion) and $1.4 billion for oil and gas operations.

Cash. Following is a summary of the U.S. and international components of consolidated cash and cash equivalents available to the parent company (excluding cash and cash equivalents of $78 million in assets held for sale), net of noncontrolling interests share, taxes and other costs at June 30, 2016 (in millions):

Cash at domestic companies	$ 20
Cash at international operations	332
Total consolidated cash and cash equivalents	352
Noncontrolling interests share	(102)
Cash, net of noncontrolling interests share	250
Withholding taxes and other	(23)
Net cash available	**$ 227**

Debt. FCX continues to focus on cost and capital management and cash flow generation from its operations and is taking actions to reduce debt through asset sales, available cash flows and other transactions. Following is a summary of total debt and the related weighted-average interest rates at June 30, 2016 (in billions, except percentages):

		Weighted-Average Interest Rate
FCX Senior Notes	$ 11.6	3.8%
FCX Term Loan	2.5 [a]	3.2%
FM O&G Senior Notes	2.5	6.6%
Cerro Verde Credit Facility	1.8	2.8%
Other debt	0.9	4.7%
	$ 19.3	4.0%

a. *In accordance with the mandatory prepayment provision of the amended Term Loan, 50 percent of the proceeds associated with the Tenke sale must be applied toward repaying the Term Loan.*

At June 30, 2016, FCX had $40 million in letters of credit issued and availability of $3.5 billion under its $3.5 billion revolving credit facility.

Through July 25, 2016, FCX exchanged $369 million in senior notes (including exchanges totaling $268 million in second-quarter 2016) maturing in 2022, 2023, 2034 and 2043 for 28 million shares of FCX common stock in a series of privately negotiated transactions at a cost of $311 million. FCX has approximately 1.33 billion common shares outstanding, which includes shares issued through July 25, 2016, in connection with the settlement of these privately negotiated transactions.

FINANCIAL POLICY

FCX intends to continue to seek to strengthen its financial position, with a focus on significant debt reduction. In December 2015, FCX s common stock dividend was suspended. FCX s Board of Directors will continue to review its financial policy on an ongoing basis.

FREEPORT-McMoRan INC.

SELECTED MINING OPERATING DATA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
100% North America Copper Mines				
Solution Extraction/Electrowinning (SX/EW) Operations				
Leach ore placed in stockpiles (metric tons per day)	780,700	890,000	807,100	902,500
Average copper ore grade (percent)	0.33	0.26	0.32	0.25
Copper production (millions of recoverable pounds)	303	261	605	508
Mill Operations				
Ore milled (metric tons per day)	300,400	316,000	299,500	308,800
Average ore grades (percent):				
Copper	0.48	0.47	0.49	0.48
Molybdenum	0.03	0.03	0.03	0.03
Copper recovery rate (percent)	86.6	85.8	85.6	85.6
Production (millions of recoverable pounds):				
Copper	219	247	445	488
Molybdenum	8	10	16	19
100% South America Mining				
SX/EW Operations				
Leach ore placed in stockpiles (metric tons per day)	170,400	237,000	155,500	235,300
Average copper ore grade (percent)	0.39	0.41	0.40	0.41
Copper production (millions of recoverable pounds)	82	109	172	223
Mill Operations				
Ore milled (metric tons per day)	352,000	116,500	345,700	117,900
Average ore grades:				
Copper (percent)	0.42	0.46	0.43	0.45
Molybdenum (percent)	0.02	0.01	0.02	0.02
Copper recovery rate (percent)	88.0	78.2	87.1	78.9
Production (recoverable):				
Copper (millions of pounds)	252	79	497	158
Molybdenum (millions of pounds)	4	2	9	4
100% Indonesia Mining				
Ore milled (metric tons per day)[a]				
Grasberg open pit	110,200	134,200	108,000	121,200
Deep Ore Zone underground mine	36,700	42,700	40,500	45,800
Deep Mill Level Zone (DMLZ) underground mine[b]	4,900		4,500	
Grasberg Block Cave underground mine[b]	2,600		2,400	
Big Gossan underground mine[b]	1,000		600	
Total	155,400	176,900	156,000	167,000
Average ore grades:				
Copper (percent)	0.84	0.67	0.77	0.63
Gold (grams per metric ton)	0.48	0.86	0.50	0.78
Recovery rates (percent):				

Copper	90.4	90.6	89.9	90.6
Gold	80.0	83.5	80.3	83.9
Production (recoverable):				
Copper (millions of pounds)	226	205	409	359
Gold (thousands of ounces)	174	360	364	615
100% Africa Mining (Discontinued Operation)				
Ore milled (metric tons per day)	15,900	15,300	15,500	14,900
Average ore grades (percent):				
Copper	4.05	4.02	4.01	4.18
Cobalt	0.43	0.44	0.46	0.40
Copper recovery rate (percent)	94.5	93.9	93.7	93.9
Production (millions of pounds):				
Copper (recoverable)	122	115	232	231
Cobalt (contained)	10	9	19	16
100% Molybdenum Mines				
Ore milled (metric tons per day)	18,600	35,900	18,500	38,200
Average molybdenum ore grade (percent)	0.19	0.20	0.21	0.19
Molybdenum production (millions of recoverable pounds)	7	13	14	26

a. *Amounts represent the approximate average daily throughput processed at PT-FI s mill facilities from each producing mine and from development activities that result in metal production.*

b. *Targeted production rates once the DMLZ underground mine reaches full capacity are expected to approximate 80,000 metric tons of ore per day in 2021; production from the Grasberg Block Cave underground mine is expected to commence in 2018 and production from the Big Gossan underground mine is expected to restart in the first half of 2017.*

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FREEPORT-McMoRan INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In millions, except per share amounts)			
Revenues[a]	$ 3,334	$ 3,938	$ 6,576	$ 7,709
Cost of sales:				
Production and delivery[b]	2,956	2,651	5,455	5,330
Depreciation, depletion and amortization	632	833	1,294	1,699
Impairment of oil and gas properties	291	2,686	4,078	5,790
Total cost of sales	3,879	6,170	10,827	12,819
Selling, general and administrative expenses	160 [c]	148	298 [c]	299
Mining exploration and research expenses	15	30	33	57
Environmental obligations and shutdown costs	11	11	21	24
Net gain on sales of assets	(749)		(749)	(39)
Total costs and expenses	3,316	6,359	10,430	13,160
Operating income (loss)	18	(2,421)	(3,854)	(5,451)
Interest expense, net[d]	(196)	(142)	(387)	(281)
Net gain on early extinguishment of debt	39		36	
Other income, net	25	36 [e]	64	43 [e]
Loss from continuing operations before income taxes and equity in affiliated companies net earnings	(114)	(2,527)	(4,141)	(5,689)
(Provision for) benefit from income taxes[f]	(116)	699	(193)	1,413
Equity in affiliated companies net earnings	1		8	1
Net loss from continuing operations	(229)	(1,828)	(4,326)	(4,275)
Net (loss) income from discontinued operations[g]	(181)	29	(185)	70
Net loss	(410)	(1,799)	(4,511)	(4,205)
Net income attributable to noncontrolling interests:				
Continuing operations	(47)	(16)	(109)	(48)
Discontinued operations	(12)	(26)	(22)	(52)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	(10)	(21)	(20)
Net loss attributable to common stockholders[h]	$ (479)	$ (1,851)	$ (4,663)	$ (4,325)
Basic and diluted net (loss) income per share attributable to common stockholders:				
Continuing operations	$ (0.23)	$ (1.78)	$ (3.54)	$ (4.18)
Discontinued operations	(0.15)		(0.16)	0.02

	$ (0.38)	$ (1.78)	$ (3.70)	$ (4.16)
Basic and diluted weighted-average common shares outstanding	1,269	1,040	1,260	1,040
Dividends declared per share of common stock	$	$ 0.1605	$	$ 0.2105

a. *Revenues include favorable (unfavorable) adjustments to provisionally priced concentrate and cathode copper sales recognized in prior periods (refer to the supplemental schedule, Derivative Instruments, on page VII for a summary of these amounts). Revenues for the 2015 periods also include net noncash mark-to-market losses associated with crude oil derivative contracts (refer to the supplemental schedule, Adjusted Net (Loss) Income, on Page V for a summary of these amounts).*

b. *Refer to the supplemental schedule, Adjusted Net (Loss) Income, on page V for a summary of amounts included in production and delivery costs for net charges at (i) oil and gas operations primarily associated with drillship contract settlements/idle rig costs and inventory write downs and (ii) mining operations for adjustments to inventories.*

c. *Includes net restructuring charges at oil and gas operations. Refer to the supplemental schedule, Adjusted Net (Loss) Income, on page V.*

d. *Consolidated interest expense, excluding capitalized interest, totaled $218 million in second-quarter 2016, $208 million in second-quarter 2015, $436 million for the first six months of 2016 and $411 million for the first six months of 2015.*

e. *Includes a gain for the proceeds received from insurance carriers and other third parties related to a shareholder derivative litigation settlement. Refer to the supplemental schedule, Adjusted Net (Loss) Income, on page V.*

f. *Refer to the supplemental schedule, Income Taxes, on page VI for a summary of income taxes from continuing operations.*

g. *Net of charges for (i) allocated interest expense associated with FCX s term loan that is required to be repaid as a result of the sale of FCX s interest in Tenke Fungurume (Tenke) totaling $11 million in second-quarter 2016, $7 million in second-quarter 2015, $21 million for the first six months of 2016 and $14 million for the first six months of 2015 and (ii) income tax (benefit) provision totaling $(16) million in second-quarter 2016, $12 million in second-quarter 2015, $(23) million for the first six months of 2016 and $31 million for the first six months of 2015. In accordance with accounting guidelines, the second quarter and first six months of 2016 are also net of $177 million for the estimated loss on disposal, which will be adjusted through closing of the transaction.*

h. *FCX defers recognizing profits on intercompany sales until final sales to third parties occur. Refer to the supplemental schedule, Deferred Profits, on page VII for a summary of net impacts from changes in these deferrals.*

FREEPORT-McMoRan INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2016	December 31, 2015
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 352	$ 195
Trade accounts receivable	694	660
Income and other tax receivables	916	1,341
Other accounts receivable	102	154
Inventories:		
Mill and leach stockpiles	1,348	1,539
Materials and supplies, net	1,338	1,594
Product	1,058	1,071
Other current assets	226	164
Held for sale	4,666	744
Total current assets	10,700	7,462
Property, plant, equipment and mining development costs, net	23,609	24,248
Oil and gas properties, net - full cost method:		
Subject to amortization, less accumulated amortization and impairment	1,381	2,262
Not subject to amortization	1,656	4,831
Long-term mill and leach stockpiles	1,742	1,663
Other assets	2,208	2,001
Held for sale		4,110
Total assets	$ 41,296	$ 46,577
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,569	$ 3,255
Current portion of debt	770	649
Current portion of environmental and asset retirement obligations	322	272
Accrued income taxes	55	23
Held for sale	824	108
Total current liabilities	4,540	4,307
Long-term debt, less current portion	18,549	19,779
Deferred income taxes	3,758	3,607
Environmental and asset retirement obligations, less current portion	3,697	3,717
Other liabilities	1,662	1,641
Held for sale		718
Total liabilities	32,206	33,769
Redeemable noncontrolling interest	771	764

Equity:		
Stockholders equity:		
Common stock	145	137
Capital in excess of par value	25,105	24,283
Accumulated deficit	(17,049)	(12,387)
Accumulated other comprehensive loss	(488)	(503)
Common stock held in treasury	(3,710)	(3,702)
Total stockholders equity	4,003	7,828
Noncontrolling interests[a]	4,316	4,216
Total equity	8,319	12,044