

# **FREEPORT-MCMORAN INC**

## **FORM 10-Q** (Quarterly Report)

Filed 11/07/14 for the Period Ending 09/30/14

|             |   |
|-------------|---|
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| Telephone   | 6023668100                                    |
| CIK         | 0000831259                                    |
| Symbol      | FCX   |
| SIC Code    | 1000 - Metal Mining                           |
| Industry    | Metal Mining                                  |
| Sector      | Basic Materials                               |
| Fiscal Year | 12/31   |

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from            to  
Commission File Number: 001-11307-01



**Freeport-McMoRan Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**74-2480931**

(I.R.S. Employer Identification No.)

**333 North Central Avenue**

**Phoenix, AZ**

(Address of principal executive offices)

**85004-2189**

(Zip Code)

**(602) 366-8100**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒      Accelerated filer ☐      Non-accelerated filer ☐      Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

On October 31, 2014, there were issued and outstanding 1,039,118,147 shares of the registrant's common stock, par value \$0.10 per share.

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## Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FREEPORT-McMoRan INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

|  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
|  | (In millions)         |                      |
| ASSETS   |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 658                | \$ 1,985             |
| Trade accounts receivable  | 1,514                 | 1,728                |
| Other accounts receivable  | 793                   | 834                  |
| Inventories:   |                       |                      |
| Mill and leach stockpiles  | 1,967                 | 1,705                |
| Materials and supplies, net  | 1,943                 | 1,730                |
| Product  | 1,579                 | 1,583                |
| Other current assets   | 577                   | 407                  |
| Total current assets   | 9,031                 | 9,972                |
| Property, plant, equipment and mining development costs, net         | 26,304                | 24,042               |
| Oil and gas properties - full cost method                            |                       |                      |
| Subject to amortization, less accumulated amortization               | 11,306                | 12,472               |
| Not subject to amortization  | 11,031                | 10,887               |
| Long-term mill and leach stockpiles                                  | 2,569                 | 2,386                |
| Goodwill   | 1,717                 | 1,916                |
| Other assets   | 2,018                 | 1,798                |
| Total assets   | \$ 63,976             | \$ 63,473            |
| LIABILITIES AND EQUITY   |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable and accrued liabilities                             | \$ 3,784              | \$ 3,708             |
| Current portion of debt  | 1,762                 | 312                  |
| Dividends payable  | 334                   | 333                  |
| Current portion of environmental and asset retirement obligations    | 310                   | 236                  |
| Accrued income taxes   | 153                   | 184                  |
| Total current liabilities  | 6,343                 | 4,773                |
| Long-term debt, less current portion                                 | 17,975                | 20,394               |
| Deferred income taxes  | 7,559                 | 7,410                |
| Environmental and asset retirement obligations, less current portion | 3,654                 | 3,259                |
| Other liabilities  | 1,730                 | 1,690                |
| Total liabilities  | 37,261                | 37,526               |
| Redeemable noncontrolling interest                                   | 749                   | 716                  |
| Equity:  |                       |                      |
| FCX stockholders' equity:  |                       |                      |
| Common stock   | 117                   | 117                  |
| Capital in excess of par value                                       | 22,248                | 22,161               |
| Retained earnings  | 3,306                 | 2,742                |
| Accumulated other comprehensive loss                                 | (394)                 | (405)                |
| Common stock held in treasury  | (3,686)               | (3,681)              |
| Total FCX stockholders' equity                                       | 21,591                | 20,934               |
| Noncontrolling interests   | 4,375                 | 4,297                |
| Total equity   | 25,966                | 25,231               |
| Total liabilities and equity   | \$ 63,976             | \$ 63,473            |

The accompanying notes are an integral part of these consolidated financial statements.

FREEPORT-McMoRan INC.  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2014                                | 2013             | 2014                               | 2013             |
| (In millions, except per share amounts)  |                                     |                  |                                    |                  |
| Revenues   | \$ 5,696                            | \$ 6,165         | \$ 16,203                          | \$ 15,036        |
| Cost of sales:   |                                     |                  |                                    |                  |
| Production and delivery  | 3,152                               | 3,332            | 8,971                              | 8,904            |
| Depreciation, depletion and amortization   | 945                                 | 919              | 2,924                              | 1,778            |
| Impairment of oil and gas properties   | 308                                 | —                | 308                                | —                |
| Total cost of sales  | 4,405                               | 4,251            | 12,203                             | 10,682           |
| Selling, general and administrative expenses   | 158                                 | 158              | 457                                | 457              |
| Mining exploration and research expenses   | 29                                  | 57               | 93                                 | 173              |
| Environmental obligations and shutdown costs   | 18                                  | (8)              | 100                                | 23               |
| Net gain on sales of assets  | (46)                                | —                | (46)                               | —                |
| Total costs and expenses   | 4,564                               | 4,458            | 12,807                             | 11,335           |
| Operating income   | 1,132                               | 1,707            | 3,396                              | 3,701            |
| Interest expense, net  | (158)                               | (162)            | (483)                              | (351)            |
| Net gain (loss) on early extinguishment of debt                                      | 58                                  | —                | 63                                 | (45)             |
| Gain on investment in McMoRan Exploration Co.  | —                                   | —                | —                                  | 128              |
| Other income, net  | 23                                  | 3                | 48                                 | 13               |
| Income before income taxes and equity in affiliated companies' net (losses) earnings | 1,055                               | 1,548            | 3,024                              | 3,446            |
| Provision for income taxes   | (349)                               | (499)            | (1,034)                            | (967)            |
| Equity in affiliated companies' net (losses) earnings                                | (2)                                 | (1)              | —                                  | 3                |
| Net income   | 704                                 | 1,048            | 1,990                              | 2,482            |
| Net income attributable to noncontrolling interests                                  | (142)                               | (218)            | (416)                              | (519)            |
| Preferred dividends attributable to redeemable noncontrolling interest               | (10)                                | (9)              | (30)                               | (12)             |
| Net income attributable to FCX common stockholders                                   | <u>\$ 552</u>                       | <u>\$ 821</u>    | <u>\$ 1,544</u>                    | <u>\$ 1,951</u>  |
| Net income per share attributable to FCX common stockholders:                        |                                     |                  |                                    |                  |
| Basic  | <u>\$ 0.53</u>                      | <u>\$ 0.79</u>   | <u>\$ 1.48</u>                     | <u>\$ 1.97</u>   |
| Diluted  | <u>\$ 0.53</u>                      | <u>\$ 0.79</u>   | <u>\$ 1.47</u>                     | <u>\$ 1.96</u>   |
| Weighted-average common shares outstanding:  |                                     |                  |                                    |                  |
| Basic  | <u>1,039</u>                        | <u>1,038</u>     | <u>1,039</u>                       | <u>989</u>       |
| Diluted  | <u>1,046</u>                        | <u>1,043</u>     | <u>1,045</u>                       | <u>993</u>       |
| Dividends declared per share of common stock   | <u>\$ 0.3125</u>                    | <u>\$ 0.3125</u> | <u>\$ 0.9375</u>                   | <u>\$ 1.9375</u> |

The accompanying notes are an integral part of these consolidated financial statements.

FREEPORT-McMoRan INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

|   | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|---|-------------------------------------|----------|------------------------------------|----------|
|   | 2014                                | 2013     | 2014                               | 2013     |
|   | (In millions)                       |          |                                    |          |
| Net income  | \$ 704                              | \$ 1,048 | \$ 1,990                           | \$ 2,482 |
| Other comprehensive income, net of taxes:                                   |                                     |          |                                    |          |
| Defined benefit plans:  |                                     |          |                                    |          |
| Amortization of unrecognized amounts included in net periodic benefit costs | 5                                   | 6        | 12                                 | 18       |
| Foreign exchange losses   | 2                                   | —        | (1)                                | —        |
| Translation adjustments and unrealized gains (losses) on securities         | —                                   | 4        | —                                  | 3        |
| Other comprehensive income  | 7                                   | 10       | 11                                 | 21       |
| Total comprehensive income  | 711                                 | 1,058    | 2,001                              | 2,503    |
| Total comprehensive income attributable to noncontrolling interests         | (142)                               | (217)    | (416)                              | (518)    |
| Preferred dividends attributable to redeemable noncontrolling interest      | (10)                                | (9)      | (30)                               | (12)     |
| Total comprehensive income attributable to FCX common stockholders          | \$ 559                              | \$ 832   | \$ 1,555                           | \$ 1,973 |

The accompanying notes are an integral part of these consolidated financial statements.

FREEPORT-McMoRan INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

|   | Nine Months Ended<br>September 30, |          |
|---|------------------------------------|----------|
|   | 2014                               | 2013     |
|   | (In millions)                      |          |
| Cash flow from operating activities:  |                                    |          |
| Net income  | \$ 1,990                           | \$ 2,482 |
| Adjustments to reconcile net income to net cash provided by operating activities:   |                                    |          |
| Depreciation, depletion and amortization  | 2,924                              | 1,778    |
| Impairment of oil and gas properties  | 308                                | —        |
| Net losses on crude oil and natural gas derivative contracts  | 56                                 | 205      |
| Gain on investment in McMoRan Exploration Co. (MMR)   | —                                  | (128)    |
| Net charges for environmental and asset retirement obligations, including accretion   | 146                                | 98       |
| Payments for environmental and asset retirement obligations   | (134)                              | (166)    |
| Net (gain) loss on early extinguishment of debt   | (63)                               | 45       |
| Net gain on sales of assets   | (46)                               | —        |
| Deferred income taxes   | 107                                | 169      |
| Increase in long-term mill and leach stockpiles   | (182)                              | (348)    |
| Other, net  | 106                                | 97       |
| Decreases (increases) in working capital and changes in other tax payments, excluding amounts from acquisitions and dispositions: |                                    |          |
| Accounts receivable   | 200                                | 51       |
| Inventories   | (267)                              | (66)     |
| Other current assets  | (26)                               | 162      |
| Accounts payable and accrued liabilities  | (379)                              | (596)    |
| Accrued income taxes and other tax payments   | (227)                              | (40)     |
| Net cash provided by operating activities   | 4,513                              | 3,743    |
| Cash flow from investing activities:  |                                    |          |
| Capital expenditures:   |                                    |          |
| North America copper mines  | (815)                              | (795)    |
| South America   | (1,278)                            | (734)    |
| Indonesia   | (722)                              | (720)    |
| Africa  | (100)                              | (155)    |
| Molybdenum mines  | (45)                               | (128)    |
| U.S. oil and gas operations   | (2,392)                            | (928)    |
| Other   | (63)                               | (163)    |
| Acquisition of Deepwater Gulf of Mexico interests   | (1,421)                            | —        |
| Acquisition of Plains Exploration & Production Company, net of cash acquired  | —                                  | (3,465)  |
| Acquisition of MMR, net of cash acquired  | —                                  | (1,628)  |
| Acquisition of cobalt chemical business, net of cash acquired   | —                                  | (348)    |
| Net proceeds from sale of Eagle Ford shale assets   | 2,971                              | —        |
| Other, net  | 221                                | (24)     |
| Net cash used in investing activities   | (3,644)                            | (9,088)  |
| Cash flow from financing activities:  |                                    |          |
| Proceeds from debt  | 3,346                              | 11,229   |
| Repayments of debt  | (4,196)                            | (4,816)  |
| Redemption of MMR preferred stock   | —                                  | (227)    |
| Cash dividends and distributions paid:  |                                    |          |
| Common stock  | (979)                              | (1,957)  |
| Noncontrolling interests  | (365)                              | (157)    |
| Contributions from noncontrolling interests   | 24                                 | —        |
| Stock-based awards net proceeds (payments), including excess tax benefit  | 7                                  | (100)    |
| Debt financing costs and other, net   | (33)                               | (113)    |
| Net cash (used in) provided by financing activities   | (2,196)                            | 3,859    |
| Net decrease in cash and cash equivalents   | (1,327)                            | (1,486)  |
| Cash and cash equivalents at beginning of year  | 1,985                              | 3,705    |
| Cash and cash equivalents at end of period  | \$ 658                             | \$ 2,219 |



FREEPORT-McMoRan INC.  
CONSOLIDATED STATEMENT OF EQUITY (Unaudited)

|  | FCX Stockholders' Equity |              |                                |                   |                                      |                               |           |                                |                           |              |
|--|--------------------------|--------------|--------------------------------|-------------------|--------------------------------------|-------------------------------|-----------|--------------------------------|---------------------------|--------------|
|  | Common Stock             |              | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Common Stock Held in Treasury |           | Total FCX Stockholders' Equity | Non-controlling Interests | Total Equity |
|  | Number of Shares         | At Par Value |                                |                   |                                      | Number of Shares              | At Cost   |                                |                           |              |
|  |                          |              |                                |                   |                                      |                               |           |                                |                           |              |
|  | (In millions)            |              |                                |                   |                                      |                               |           |                                |                           |              |
| Balance at December 31, 2013   | 1,165                    | \$ 117       | \$ 22,161                      | \$ 2,742          | \$ (405)                             | 127                           | \$(3,681) | \$ 20,934                      | \$ 4,297                  | \$ 25,231    |
| Exercised and issued stock-based awards                              | 2                        | —            | 13                             | —                 | —                                    | —                             | —         | 13                             | —                         | 13           |
| Stock-based compensation   | —                        | —            | 75                             | —                 | —                                    | —                             | —         | 75                             | —                         | 75           |
| Tender of shares for stock-based awards                              | —                        | —            | —                              | —                 | —                                    | —                             | (5)       | (5)                            | —                         | (5)          |
| Dividends on common stock  | —                        | —            | —                              | (980)             | —                                    | —                             | —         | (980)                          | —                         | (980)        |
| Dividends to noncontrolling interests                                | —                        | —            | —                              | —                 | —                                    | —                             | —         | —                              | (344)                     | (344)        |
| Noncontrolling interests' share of contributed capital in subsidiary | —                        | —            | (1)                            | —                 | —                                    | —                             | —         | (1)                            | 6                         | 5            |
| Net income attributable to FCX common stockholders                   | —                        | —            | —                              | 1,544             | —                                    | —                             | —         | 1,544                          | —                         | 1,544        |
| Net income attributable to noncontrolling interests                  | —                        | —            | —                              | —                 | —                                    | —                             | —         | —                              | 416                       | 416          |
| Other comprehensive income   | —                        | —            | —                              | —                 | 11                                   | —                             | —         | 11                             | —                         | 11           |
| Balance at September 30, 2014  | 1,167                    | \$ 117       | \$ 22,248                      | \$ 3,306          | \$ (394)                             | 127                           | \$(3,686) | \$ 21,591                      | \$ 4,375                  | \$ 25,966    |

The accompanying notes are an integral part of these consolidated financial statements.

FREEPORT-McMoRan INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**NOTE 1. GENERAL INFORMATION**

Effective July 14, 2014, Freeport-McMoRan Copper & Gold Inc. changed its name to Freeport-McMoRan Inc. (FCX) to simplify the corporate name and better reflect FCX's expanded portfolio of assets. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and disclosures required by generally accepted accounting principles (GAAP) in the United States (U.S.). Therefore, this information should be read in conjunction with FCX's consolidated financial statements and notes contained in its annual report on Form 10-K for the year ended December 31, 2013. The information furnished herein reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. With the exception of the oil and gas properties impairment discussed below and certain adjustments associated with the acquisitions of Plains Exploration & Production Company (PXP) and McMoRan Exploration Co. (MMR), collectively known as FCX Oil & Gas Inc. (FM O&G), all such adjustments are, in the opinion of management, of a normal recurring nature. Operating results for the three -month and nine -month periods ended September 30, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

As further discussed in Note 2, FCX completed its acquisitions of PXP on May 31, 2013, and MMR on June 3, 2013. The results included in these financial statements for the nine months ended September 30, 2013, include PXP's results beginning June 1, 2013, and MMR's results beginning June 4, 2013.

**Oil and Gas Properties.** Under the Securities and Exchange Commission's (SEC) full cost accounting rules, FCX reviews the carrying value of its oil and gas properties each quarter on a country-by-country basis. Under these rules, capitalized costs of oil and gas properties (net of accumulated depreciation, depletion and amortization, and related deferred income taxes) for each cost center may not exceed a "ceiling" equal to:

- the present value, discounted at 10 percent, of estimated future net cash flows from the related proved oil and natural gas reserves, net of estimated future income taxes; plus
- the cost of the related unproved properties not being amortized; plus
- the lower of cost or estimated fair value of the related unproved properties included in the costs being amortized (net of related tax effects).

These rules require that FCX price its future oil and gas production at the twelve-month average of the first-day-of-the-month historical reference prices as adjusted for location and quality differentials. FCX's reference prices are West Texas Intermediate for oil and the Henry Hub spot price for natural gas. Such prices are utilized except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts. The reserve estimates exclude the effect of any crude oil and natural gas derivatives FCX has in place. The estimated future net cash flows also exclude future cash outflows associated with settling asset retirement obligations included in the net book value of the oil and gas properties. The rules require an impairment if the capitalized costs exceed this "ceiling."

At September 30, 2014, the net capitalized costs with respect to FCX's U.S. oil and gas properties exceeded the related ceiling; therefore, an impairment charge of \$308 million was recorded in third-quarter 2014, primarily because of higher capitalized costs and the lower twelve-month average of the first-day-of-the-month historical reference oil price at September 30, 2014. During October 2014, oil prices declined from the third-quarter average. Continuation of recent oil price declines, increases in capitalized costs subject to amortization and other factors may result in future additional ceiling test impairments.

**NOTE 2. ACQUISITIONS AND DISPOSITIONS**

**Eagle Ford Disposition.** On June 20, 2014, FCX completed the sale of its Eagle Ford shale assets to a subsidiary of Encana Corporation for cash consideration of \$3.1 billion, before closing adjustments from the April 1, 2014, effective date. Under full cost accounting rules, the proceeds were recorded as a reduction of capitalized oil and gas properties, with no gain or loss recognition, except for \$62 million of deferred tax expense recorded through September 30, 2014, in connection with the allocation of \$221 million of goodwill (for which deferred taxes were not previously provided) to the Eagle Ford shale assets. Approximately \$1.3 billion of proceeds from this transaction was placed in a like-kind exchange escrow and was used to reinvest in additional oil and gas interests, as discussed below. The remaining proceeds were used to repay debt.

**Deepwater Gulf of Mexico (GOM) Acquisitions.** On June 30, 2014 , FCX completed the acquisition of interests in the Deepwater GOM from a subsidiary of Apache Corporation, including interests in the Lucius and Heidelberg oil fields and several exploration leases, for \$919 million . Based on preliminary valuations, and including transaction costs and estimated asset retirement costs, FCX recorded capitalized costs for oil and gas properties subject to amortization of \$460 million and costs not subject to amortization of \$476 million . The Deepwater GOM acquisition was funded by the like-kind exchange escrow.

Additionally, on September 8, 2014 , FCX completed the acquisition of additional Deepwater GOM interests for \$496 million , including an interest in the Vito oil discovery in the Mississippi Canyon area and a significant lease position in the Vito basin area. Based on preliminary valuations, and including purchase price adjustments and transaction costs, FCX recorded capitalized costs for oil and gas properties not subject to amortization of \$509 million . This acquisition was funded in part with the remaining \$414 million of funds from the like-kind exchange escrow.

**PXP and MMR Acquisitions.** The second-quarter 2013 acquisitions of PXP and MMR added a portfolio of oil and gas assets to FCX ' s global mining business, creating a U.S.-based natural resources company. The acquisitions have been accounted for under the acquisition method, with FCX as the acquirer.

During second-quarter 2014, FCX finalized the purchase price allocations, which resulted in a net increase of \$20 million to oil and gas properties, an increase of \$22 million to goodwill and a net decrease of \$42 million to deferred income tax assets.

For further discussion of the PXP and MMR acquisitions and the related financing, refer to Notes 2 and 8 in FCX's annual report on Form 10-K for the year ended December 31, 2013.

*Unaudited Pro Forma Consolidated Financial Information.* The following unaudited pro forma financial information has been prepared to reflect the acquisitions of PXP and MMR. The unaudited pro forma financial information combines the historical statements of income of FCX, PXP and MMR for the nine months ended September 30, 2013 , giving effect to the mergers as if they had occurred on January 1, 2012. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the acquisitions.

|   | Nine Months<br>Ended<br>September 30, 2013<br>(in millions, except per<br>share amounts) |        |
|---|--|--------|
| Revenues  | \$   | 17,190 |
| Operating income  |  | 4,617  |
| Net income from continuing operations                         |  | 2,683  |
| Net income attributable to FCX common stockholders            |  | 2,134  |
| Net income per share attributable to FCX common stockholders: |  |        |
| Basic   | \$   | 2.05   |
| Diluted   |  | 2.04   |

The unaudited pro forma consolidated information for the nine months ended September 30, 2013 , has been prepared for illustrative purposes only and is not intended to be indicative of the results of operations that actually would have occurred, or the results of operations expected in future periods, had the events reflected herein occurred on the date indicated. The most significant pro forma adjustments to net income from continuing operations for the nine months ended September 30, 2013 , were to exclude \$519 million of acquisition-related costs, the net tax benefit of \$183 million of acquisition-related adjustments and the \$128 million gain on the investment in MMR. Additionally, for the nine months ended September 30, 2013 , the pro forma consolidated information excluded a \$77 million gain on the sale of MMR oil and gas properties because of the application of the full cost method of accounting.

**NOTE 3. EARNINGS PER SHARE**

FCX's basic net income per share of common stock was computed by dividing net income attributable to FCX common stockholders by the weighted-average of common stock outstanding during the period. Diluted net income per share of common stock was computed using the most dilutive of (a) the two-class method or (b) the treasury stock method. Under the two-class method, net income is allocated to each class of common stock and participating securities as if all of the earnings for the period had been distributed. FCX's participating securities consist of vested restricted stock units (RSUs) for which the underlying common shares are not yet issued and entitle holders to non-forfeitable dividends.

The following table sets forth the computation of basic and diluted net income per share (in millions, except per share amounts):

|   | Three Months Ended<br>September 30, |                | Nine Months Ended<br>September 30, |                 |
|---|-------------------------------------|----------------|------------------------------------|-----------------|
|   | 2014                                | 2013           | 2014                               | 2013            |
| Net income  | \$ 704                              | \$ 1,048       | \$ 1,990                           | \$ 2,482        |
| Net income attributable to noncontrolling interests                             | (142)                               | (218)          | (416)                              | (519)           |
| Preferred dividends on redeemable noncontrolling interest                       | (10)                                | (9)            | (30)                               | (12)            |
| Undistributed earnings allocable to participating securities                    | (2)                                 | —              | (4)                                | —               |
| Net income allocable to FCX common stockholders                                 | <u>\$ 550</u>                       | <u>\$ 821</u>  | <u>\$ 1,540</u>                    | <u>\$ 1,951</u> |
| Basic weighted-average shares of common stock outstanding                       | 1,039                               | 1,038          | 1,039                              | 989             |
| Add shares issuable upon exercise or vesting of dilutive stock options and RSUs | <u>7</u> <sup>a</sup>               | <u>5</u>       | <u>6</u> <sup>a</sup>              | <u>4</u>        |
| Diluted weighted-average shares of common stock outstanding                     | <u>1,046</u>                        | <u>1,043</u>   | <u>1,045</u>                       | <u>993</u>      |
| Basic net income per share attributable to FCX common stockholders              | <u>\$ 0.53</u>                      | <u>\$ 0.79</u> | <u>\$ 1.48</u>                     | <u>\$ 1.97</u>  |
| Diluted net income per share attributable to FCX common stockholders            | <u>\$ 0.53</u>                      | <u>\$ 0.79</u> | <u>\$ 1.47</u>                     | <u>\$ 1.96</u>  |

a. Excluded shares of common stock associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock that were anti-dilutive totaled approximately 5 million for third-quarter 2014 and 3 million for the nine months ended September 30, 2014 .

Outstanding stock options with exercise prices greater than the average market price of FCX's common stock during the period are excluded from the computation of diluted net income per share of common stock. Excluded stock options totaled 25 million with a weighted-average exercise price of \$42.34 per option for third-quarter 2014 , 28 million with a weighted-average exercise price of \$41.42 per option for the nine months ended September 30, 2014 , 34 million with a weighted-average exercise price of \$40.11 per option for third-quarter 2013 and 32 million with a weighted-average exercise price of \$40.63 per option for the nine months ended September 30, 2013 .

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

The components of inventories follow (in millions):

|  | September 30,<br>2014 | December 31, 2013 |
|--|-----------------------|-------------------|
| Current inventories:                                   |                       |                   |
| Raw materials (primarily concentrates)                 | \$ 335                | \$ 238            |
| Work-in-process <sup>a</sup>                           | 129                   | 199               |
| Finished goods <sup>b</sup>                            | 1,115                 | 1,146             |
| Total product inventories                              | <u>\$ 1,579</u>       | <u>\$ 1,583</u>   |
| Mill stockpiles  | \$ 126                | \$ 91             |
| Leach stockpiles                                       | 1,841                 | 1,614             |
| Total current mill and leach stockpiles                | <u>\$ 1,967</u>       | <u>\$ 1,705</u>   |
| Total materials and supplies, net <sup>c</sup>         | <u>\$ 1,943</u>       | <u>\$ 1,730</u>   |
| Long-term inventories:                                 |                       |                   |
| Mill stockpiles  | \$ 787                | \$ 698            |
| Leach stockpiles                                       | 1,782                 | 1,688             |
| Total long-term mill and leach stockpiles <sup>d</sup> | <u>\$ 2,569</u>       | <u>\$ 2,386</u>   |

a. FCX's mining operations also have work-in-process inventories that are reflected as mill and leach stockpiles.

b. Primarily included molybdenum concentrates; copper concentrates, anodes, cathodes and rod; and various cobalt products.

c. Materials and supplies inventory was net of obsolescence reserves totaling \$22 million at September 30, 2014 , and \$24 million at December 31, 2013 .

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

#### NOTE 5. INCOME TAXES

Variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate. Geographic sources of FCX's provision for income taxes follow (in millions):

|                          | Three Months Ended<br>September 30, |                     | Nine Months Ended<br>September 30, |                    |
|--------------------------|-------------------------------------|---------------------|------------------------------------|--------------------|
|                          | 2014                                | 2013                | 2014                               | 2013               |
| U.S. operations          | \$ 38                               | \$ 104 <sup>a</sup> | \$ 323 <sup>b</sup>                | \$ 85 <sup>a</sup> |
| International operations | 311 <sup>c</sup>                    | 395                 | 711 <sup>c</sup>                   | 882                |
| Total                    | <u>\$ 349</u>                       | <u>\$ 499</u>       | <u>\$ 1,034</u>                    | <u>\$ 967</u>      |

a. As a result of second-quarter 2013 oil and gas acquisitions, FCX recognized a net tax benefit of \$183 million , consisting of income tax benefits of \$190 million associated with net reductions in FCX's valuation allowances and \$69 million related to the release of the deferred tax liability on PXP's investment in MMR common stock; partially offset by income tax expense of \$76 million associated with the write off of deferred tax assets related to environmental liabilities.

b. Included a \$62 million charge for deferred taxes recorded in connection with the allocation of goodwill to the sale of the Eagle Ford shale assets.

c. Included a \$54 million charge related to changes in Chilean tax rules.

FCX's consolidated effective income tax rate was 34 percent for the first nine months of 2014 and 33 percent for the first nine months of 2013 , excluding the net benefit of \$183 million for acquisition-related adjustments.

#### NOTE 6. DEBT AND EQUITY TRANSACTIONS

In September 2014, FCX announced the planned redemption of the \$400 million outstanding aggregate principal amount of its 8.625% Senior Notes due 2019. On October 15, 2014 , the redemption date, these senior notes had a book value of \$441 million , which included purchase accounting fair value adjustments of \$41 million . Holders of these senior notes received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date. As a result of this redemption, FCX will report a gain on early extinguishment of debt of \$24 million in fourth-quarter 2014.

In July 2014, FCX redeemed \$1.7 billion of the aggregate principal amount of outstanding senior notes, which included \$263 million for the 6.125% Senior Notes due 2019, \$525 million for the 6½% Senior Notes due 2020, \$350 million for the 6.75% Senior Notes due 2022 and \$525 million for the 6.875% Senior Notes due 2023. At the redemption date, these senior notes had a book value of \$1.8 billion, which included purchase accounting fair value adjustments of \$167 million. In accordance with the terms of these senior notes, the redemptions were funded with cash contributions to FM O&G by FCX in exchange for additional equity, which is eliminated in the consolidated financial statements. Holders of these senior notes received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date. As a result of these redemptions, FCX recorded a gain on early extinguishment of debt of \$58 million in third-quarter 2014.

In May 2014, FCX, PT Freeport Indonesia (PT-FI) and Freeport-McMoRan Oil & Gas LLC (FM O&G LLC, a wholly owned subsidiary of FM O&G and the successor entity of PXP) amended the senior unsecured \$3.0 billion revolving credit facility to extend the maturity date one year to May 31, 2019, and increase the aggregate principal amount from \$3.0 billion to \$4.0 billion, with \$500 million available to PT-FI. FCX, PT-FI and FM O&G LLC had entered into the \$3.0 billion revolving credit facility on May 31, 2013 (upon completion of the acquisition of PXP). At September 30, 2014, FCX had borrowings of \$1.1 billion and \$45 million of letters of credit issued under the revolving credit facility, resulting in availability of approximately \$2.9 billion, of which \$1.5 billion could be used for additional letters of credit.

In April 2014, FCX redeemed \$210 million of the aggregate principal amount of the outstanding 6.625% Senior Notes due 2021. In accordance with the terms of the senior notes, the redemption was funded with cash contributions to FM O&G by FCX in exchange for additional equity, which is eliminated in the consolidated financial statements. Holders of these senior notes received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date. As a result of the redemption, FCX recorded a gain on early extinguishment of debt of \$6 million in second-quarter 2014.

In March 2014, Sociedad Minera Cerro Verde S.A.A. (Cerro Verde, FCX's mining subsidiary in Peru) entered into a five -year, \$1.8 billion senior unsecured credit facility that is nonrecourse to FCX and the other shareholders of Cerro Verde. The credit facility allows for term loan borrowings up to the full amount of the facility, less any amounts issued and outstanding under a \$500 million letter of credit sublimit. Interest on amounts drawn under the term loan is based on London Interbank Offered Rate (LIBOR) plus a spread (currently 1.90 percent) based on Cerro Verde's total net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio as defined in the agreement. Amounts may be drawn or letters of credit may be issued over a two -year period to fund a portion of Cerro Verde's expansion project and for Cerro Verde's general corporate purposes. The credit facility amortizes in three installments in amounts necessary for the aggregate borrowings and outstanding letters of credit not to exceed 85 percent of the \$1.8 billion commitment on September 30, 2017, 70 percent on March 31, 2018, and 35 percent on September 30, 2018, with the remaining balance due on the maturity date of March 10, 2019. At September 30, 2014, there were no borrowings and no letters of credit issued under Cerro Verde's credit facility.

FCX recorded a loss on early extinguishment of debt of \$45 million in first-quarter 2013 for financing costs incurred for the terminated \$9.5 billion acquisition bridge loan facility, which was entered into in December 2012 to provide interim financing for FCX's second-quarter 2013 acquisitions of PXP and MMR.

Consolidated interest expense (excluding capitalized interest) totaled \$212 million in third-quarter 2014, \$223 million in third-quarter 2013, \$661 million for the first nine months of 2014 and \$465 million for the first nine months of 2013. Capitalized interest included in property, plant, equipment and mining development costs, net, totaled \$34 million in third-quarter 2014, \$26 million in third-quarter 2013, \$113 million for the first nine months of 2014 and \$68 million for the nine months of 2013. Capitalized interest included in oil and gas properties not subject to amortization totaled \$20 million in third-quarter 2014, \$35 million in third-quarter 2013, \$65 million for the first nine months of 2014 and \$46 million for the four months from June 1, 2013, to September 30, 2013.

On September 24, 2014, FCX's Board of Directors declared a quarterly dividend of \$0.3125 per share, which was paid on November 3, 2014, to common shareholders of record at the close of business on October 15, 2014.

In connection with the second-quarter 2013 acquisition of PXP, FCX issued 91 million shares of its common stock.

**NOTE 7. FINANCIAL INSTRUMENTS**

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

**Commodity Contracts.** From time to time, FCX has entered into derivative contracts to hedge the market risk associated with fluctuations in the prices of commodities it purchases and sells. As a result of the acquisition of PXP, FCX assumed a variety of crude oil and natural gas commodity derivatives to hedge the exposure to the volatility of crude oil and natural gas commodity prices. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions. As of September 30, 2014, and December 31, 2013, FCX had no price protection contracts relating to its mine production. A discussion of FCX's derivative contracts and programs follows.

**Derivatives Designated as Hedging Instruments – Fair Value Hedges**

**Copper Futures and Swap Contracts.** Some of FCX's U.S. copper rod customers request a fixed market price instead of the Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange (NYMEX), average copper price in the month of shipment. FCX hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while the customers pay the fixed price they requested. FCX accomplishes this by entering into copper futures or swap contracts. Hedging gains or losses from these copper futures and swap contracts are recorded in revenues. FCX did not have any significant gains or losses during the three -month or nine -month periods ended September 30, 2014 and 2013, resulting from hedge ineffectiveness. At September 30, 2014, FCX held copper futures and swap contracts that qualified for hedge accounting for 54 million pounds at an average contract price of \$3.09 per pound, with maturities through December 2015.

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

|  | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |        |
|--|-------------------------------------|-------|------------------------------------|--------|
|  | 2014                                | 2013  | 2014                               | 2013   |
| Copper futures and swap contracts:       |                                     |       |                                    |        |
| Unrealized gains (losses):               |                                     |       |                                    |        |
| Derivative financial instruments         | \$ (10)                             | \$ 16 | \$ (10)                            | \$ (2) |
| Hedged item – firm sales commitments     | 10                                  | (16)  | 10                                 | 2      |
| Realized gains (losses):                 |                                     |       |                                    |        |
| Matured derivative financial instruments | 1                                   | (3)   | (3)                                | (17)   |

**Derivatives Not Designated as Hedging Instruments**

**Embedded Derivatives.** As described in Note 1 to FCX's annual report on Form 10-K for the year ended December 31, 2013, under "Revenue Recognition," certain FCX copper concentrate, copper cathode and gold sales contracts provide for provisional pricing primarily based on the London Metal Exchange (LME) copper price or the COMEX copper price and the London Bullion Market Association (London) gold price at the time of shipment as specified in the contract. Similarly, FCX purchases copper under contracts that provide for provisional pricing. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host sales agreements since the contracts do not allow for net settlement and always result in physical delivery. Sales and purchases with a provisional sales price contain an embedded derivative (i.e., the price settlement mechanism is settled after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale or purchase of the metals contained in the concentrates or cathodes at the then-current LME or COMEX copper price or the London gold price as defined in the contract. Mark-to-market price fluctuations recorded through the settlement date are reflected in revenues for sales contracts and in cost of sales as production and delivery costs for purchase contracts.

A summary of FCX's embedded commodity derivatives at September 30, 2014 , follows:

|   | Open Positions | Average Price<br>Per Unit |         | Maturities Through |
|---|----------------|---------------------------|---------|--------------------|
|   |                | Contract                  | Market  |                    |
| Embedded derivatives in provisional sales contracts:    |                |                           |         |                    |
| Copper (millions of pounds)                             | 554            | \$ 3.14                   | \$ 3.03 | February 2015      |
| Gold (thousands of ounces)                              | 301            | 1,259                     | 1,214   | January 2015       |
| Embedded derivatives in provisional purchase contracts: |                |                           |         |                    |
| Copper (millions of pounds)                             | 98             | 3.16                      | 3.03    | January 2015       |

**Crude Oil and Natural Gas Contracts.** As a result of the acquisition of PXP, FCX has derivative contracts for 2014 and 2015 that consist of crude oil options and natural gas swaps. These crude oil and natural gas derivatives are not designated as hedging instruments and are recorded at fair value with the mark-to-market gains and losses recorded in revenues.

The crude oil options were entered into by PXP to protect the realized price of a portion of expected future sales in order to limit the effects of crude oil price decreases. At September 30, 2014 , these contracts are composed of crude oil put spreads consisting of put options with a floor limit. The premiums associated with put options are deferred until the settlement period. At September 30, 2014 , the deferred option premiums and accrued interest associated with the crude oil option contracts totaled \$269 million , which was included as a reduction of the fair value of the crude oil options contracts. At September 30, 2014 , the outstanding crude oil option contracts, which settle monthly and cover approximately 10 million barrels in the fourth quarter of 2014 and approximately 31 million barrels in 2015, follow:

| Period    | Instrument Type          | Daily Volumes<br>(thousand<br>barrels) | Average Strike Price (per barrel) <sup>a</sup> |     |             | Average<br>Deferred<br>Premium<br>(per barrel) | Index         |
|-----------|--------------------------|--|--|-----|-------------|--|---------------|
|           |                          |  | Floor  |     | Floor Limit |  |               |
| 2014      |                          |  |  |     |             |  |               |
| Oct - Dec | Put options <sup>b</sup> | 75                                     | \$   | 90  | \$          | 70   | \$ 5.74 Brent |
| Oct - Dec | Put options <sup>b</sup> | 30                                     |  | 95  |             | 75   | 6.09 Brent    |
| Oct - Dec | Put options <sup>b</sup> | 5                                      |  | 100 |             | 80   | 7.11 Brent    |
| 2015      |                          |  |  |     |             |  |               |
| Jan - Dec | Put options <sup>b</sup> | 84                                     |  | 90  |             | 70   | 6.89 Brent    |

a. The average strike prices do not reflect any premiums to purchase the put options.

b. If the index price is less than the per barrel floor, FCX receives the difference between the per barrel floor and the index price up to a maximum of \$20 per barrel less the option premium. If the index price is at or above the per barrel floor, FCX pays the option premium and no cash settlement is received.

In addition, at September 30, 2014 , outstanding natural gas swaps with a weighted-average fixed swap price of \$4.09 per million British thermal units (MMBtu) cover approximately 9 million MMBtu of natural gas, with maturities through December 2014 (on daily volumes of 100,000 MMBtu). If the Henry Hub index price is less than the fixed price, FCX receives the difference between the fixed price and the Henry Hub index price. FCX pays the difference between the index price and the fixed price if the Henry Hub index price is greater than the fixed price.

**Copper Forward Contracts.** Atlantic Copper, FCX's wholly owned smelting and refining unit in Spain, enters into forward copper contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded in cost of sales. At September 30, 2014 , Atlantic Copper held net forward copper purchase contracts for 46 million pounds at an average contract price of \$3.12 per pound, with maturities through November 2014 .

**Summary of Gains (Losses).** A summary of the realized and unrealized gains (losses) recognized in income before income taxes and equity in affiliated companies' net earnings for commodity contracts that do not qualify as hedge transactions, including embedded derivatives, follows (in millions):

|  | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|--------|------------------------------------|----------|
|  | 2014                                | 2013   | 2014                               | 2013     |
| Embedded derivatives in provisional copper and gold sales contracts <sup>a</sup> | \$ (99)                             | \$ 141 | \$ (184)                           | \$ (147) |
| Crude oil options and swaps <sup>a</sup>   | 57                                  | (173)  | (47)                               | (227)    |
| Natural gas swaps <sup>a</sup>   | 7                                   | 3      | (9)                                | 22       |
| Copper forward contracts <sup>b</sup>  | (4)                                 | —      | 1                                  | 3        |

a. Amounts recorded in revenues.

b. Amounts recorded in cost of sales as production and delivery costs.

#### Unsettled Derivative Financial Instruments

A summary of the fair values of unsettled commodity derivative financial instruments follows (in millions):

|  | September 30,<br>2014 | December 31, 2013 |
|--|-----------------------|-------------------|
| <b>Commodity Derivative Assets:</b>  |                       |                   |
| <u>Derivatives designated as hedging instruments:</u>                        |                       |                   |
| Copper futures and swap contracts <sup>a</sup>                               | \$ 1                  | \$ 6              |
| <u>Derivatives not designated as hedging instruments:</u>                    |                       |                   |
| Embedded derivatives in provisional copper and gold sales/purchase contracts | 12                    | 63                |
| Total derivative assets  | <u>\$ 13</u>          | <u>\$ 69</u>      |
| <b>Commodity Derivative Liabilities:</b>                                     |                       |                   |
| <u>Derivatives designated as hedging instruments:</u>                        |                       |                   |
| Copper futures and swap contracts <sup>a</sup>                               | \$ 5                  | \$ —              |
| <u>Derivatives not designated as hedging instruments:</u>                    |                       |                   |
| Embedded derivatives in provisional copper and gold sales/purchase contracts | 75                    | 16                |
| Crude oil options <sup>b</sup>   | 182                   | 309               |
| Natural gas swaps  | —                     | 4                 |
| Copper forward contracts   | 4                     | 1                 |
| Total derivative liabilities   | <u>\$ 266</u>         | <u>\$ 330</u>     |

a. FCX paid \$6 million to brokers at September 30, 2014 , and \$1 million at December 31, 2013 , for margin requirements (recorded in other current assets).

b. Included \$269 million at September 30, 2014 , and \$444 million at December 31, 2013 , for deferred premiums and accrued interest.

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

|  | Assets             |                   | Liabilities        |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Gross amounts recognized:                                    |                    |                   |                    |                   |
| Commodity contracts:   |                    |                   |                    |                   |
| Embedded derivatives on provisional sales/purchase contracts | \$ 12              | \$ 63             | \$ 75              | \$ 16             |
| Crude oil and natural gas derivatives                        | —                  | —                 | 182                | 313               |
| Copper derivatives   | 1                  | 6                 | 9                  | 1                 |
|  | <u>13</u>          | <u>69</u>         | <u>266</u>         | <u>330</u>        |
| Less gross amounts of offset:                                |                    |                   |                    |                   |
| Commodity contracts:   |                    |                   |                    |                   |
| Embedded derivatives on provisional sales/purchase contracts | —                  | 10                | —                  | 10                |
| Crude oil and natural gas derivatives                        | —                  | —                 | —                  | —                 |
| Copper derivatives   | 1                  | —                 | 1                  | —                 |
|  | <u>1</u>           | <u>10</u>         | <u>1</u>           | <u>10</u>         |
| Net amounts presented in balance sheet:                      |                    |                   |                    |                   |
| Commodity contracts:   |                    |                   |                    |                   |
| Embedded derivatives on provisional sales/purchase contracts | 12                 | 53                | 75                 | 6                 |
| Crude oil and natural gas derivatives                        | —                  | —                 | 182                | 313               |
| Copper derivatives   | —                  | 6                 | 8                  | 1                 |
|  | <u>\$ 12</u>       | <u>\$ 59</u>      | <u>\$ 265</u>      | <u>\$ 320</u>     |
| Balance sheet classification:                                |                    |                   |                    |                   |
| Trade accounts receivable                                    | \$ 1               | \$ 53             | \$ 60              | \$ —              |
| Other current assets   | —                  | 6                 | —                  | —                 |
| Accounts payable and accrued liabilities                     | 11                 | —                 | 169                | 205               |
| Other liabilities  | —                  | —                 | 36                 | 115               |
|  | <u>\$ 12</u>       | <u>\$ 59</u>      | <u>\$ 265</u>      | <u>\$ 320</u>     |

**Credit Risk.** FCX is exposed to credit loss when financial institutions with which FCX has entered into derivative transactions (commodity, foreign exchange and interest rate swaps) are unable to pay. To minimize the risk of such losses, FCX uses counterparties that meet certain credit requirements and periodically reviews the creditworthiness of these counterparties. FCX does not anticipate that any of the counterparties it deals with will default on their obligations. As of September 30, 2014, the maximum amount of credit exposure associated with derivative transactions was \$12 million.

**Other Financial Instruments.** Other financial instruments include cash and cash equivalents, accounts receivable, investment securities, legally restricted funds, accounts payable and accrued liabilities, dividends payable and long-term debt. The carrying value for cash and cash equivalents (which included time deposits of \$72 million at September 30, 2014, and \$211 million at December 31, 2013), accounts receivable, accounts payable and accrued liabilities, and dividends payable approximates fair value because of their short-term nature and generally negligible credit losses (refer to Note 8 for the fair values of investment securities, legally restricted funds and long-term debt).

In addition, FCX has non-detachable warrants, which are considered to be embedded derivative instruments, associated with FM O&G's Plains Offshore Operations Inc. (Plains Offshore) 8% Convertible Preferred Stock (Preferred Stock) (refer to Note 8 for the fair value of these instruments).

**NOTE 8. FAIR VALUE MEASUREMENT**

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). FCX recognizes transfers between levels at the end of the reporting period. FCX did not have any significant transfers in or out of Level 1, 2 or 3 for third -quarter 2014 or for the first nine months of 2014.

A summary of the carrying amount and fair value of FCX's financial instruments, other than cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable (refer to Note 7 ), follows (in millions):

|  | At September 30, 2014 |            |         |           |         |
|--|-----------------------|------------|---------|-----------|---------|
|  | Carrying<br>Amount    | Fair Value |         |           |         |
|  |                       | Total      | Level 1 | Level 2   | Level 3 |
| <b>Assets</b>  |                       |            |         |           |         |
| Investment securities: <sup>a,b,c</sup>  |                       |            |         |           |         |
| U.S. core fixed income fund  | \$ 22                 | \$ 22      | \$ —    | \$ 22     | \$ —    |
| Money market funds   | 20                    | 20         | 20      | —         | —       |
| Equity securities  | 4                     | 4          | 4       | —         | —       |
| Total  | 46                    | 46         | 24      | 22        | —       |
| Legally restricted funds: <sup>a,b,d</sup>   |                       |            |         |           |         |
| U.S. core fixed income fund  | 50                    | 50         | —       | 50        | —       |
| Government bonds and notes   | 35                    | 35         | —       | 35        | —       |
| Government mortgage-backed securities  | 33                    | 33         | —       | 33        | —       |
| Corporate bonds  | 26                    | 26         | —       | 26        | —       |
| Asset-backed securities  | 16                    | 16         | —       | 16        | —       |
| Money market funds   | 8                     | 8          | 8       | —         | —       |
| Municipal bonds  | 1                     | 1          | —       | 1         | —       |
| Total  | 169                   | 169        | 8       | 161       | —       |
| Derivatives: <sup>a,e</sup>  |                       |            |         |           |         |
| Embedded derivatives in provisional sales/purchase contracts in a gross asset position     | 12                    | 12         | —       | 12        | —       |
| Copper futures and swap contracts  | 1                     | 1          | 1       | —         | —       |
| Total  | 13                    | 13         | 1       | 12        | —       |
| Total assets   |                       | \$ 228     | \$ 33   | \$ 195    | \$ —    |
| <b>Liabilities</b>   |                       |            |         |           |         |
| Derivatives: <sup>a,e</sup>  |                       |            |         |           |         |
| Embedded derivatives in provisional sales/purchase contracts in a gross liability position | \$ 75                 | \$ 75      | \$ —    | \$ 75     | \$ —    |
| Crude oil options  | 182                   | 182        | —       | —         | 182     |
| Copper futures and swap contracts  | 5                     | 5          | 5       | —         | —       |
| Copper forward contracts   | 4                     | 4          | 2       | 2         | —       |
| Total  | 266                   | 266        | 7       | 77        | 182     |
| Long-term debt, including current portion <sup>f</sup>                                     | 19,737                | 19,882     | —       | 19,882    | —       |
| Total liabilities  |                       | \$ 20,148  | \$ 7    | \$ 19,959 | \$ 182  |

| At December 31, 2013  |                 |            |         |           |         |
|---|-----------------|------------|---------|-----------|---------|
|   | Carrying Amount | Fair Value |         |           |         |
|   |                 | Total      | Level 1 | Level 2   | Level 3 |
| <b>Assets</b>   |                 |            |         |           |         |
| Investment securities: <sup>a,b</sup>   |                 |            |         |           |         |
| U.S. core fixed income fund   | \$ 21           | \$ 21      | \$ —    | \$ 21     | \$ —    |
| Money market funds  | 18              | 18         | 18      | —         | —       |
| Equity securities   | 5               | 5          | 5       | —         | —       |
| Total   | 44              | 44         | 23      | 21        | —       |
| Legally restricted funds: <sup>a,b,d</sup>  |                 |            |         |           |         |
| U.S. core fixed income fund   | 48              | 48         | —       | 48        | —       |
| Government mortgage-backed securities   | 34              | 34         | —       | 34        | —       |
| Corporate bonds   | 28              | 28         | —       | 28        | —       |
| Government bonds and notes  | 28              | 28         | —       | 28        | —       |
| Money market funds  | 28              | 28         | 28      | —         | —       |
| Asset-backed securities   | 15              | 15         | —       | 15        | —       |
| Municipal bonds   | 1               | 1          | —       | 1         | —       |
| Total   | 182             | 182        | 28      | 154       | —       |
| Derivatives: <sup>a,e</sup>   |                 |            |         |           |         |
| Embedded derivatives in provisional sales/purchase contracts in a gross asset position                  | 63              | 63         | —       | 63        | —       |
| Copper futures and swap contracts   | 6               | 6          | 5       | 1         | —       |
| Total   | 69              | 69         | 5       | 64        | —       |
| Total assets  |                 | \$ 295     | \$ 56   | \$ 239    | \$ —    |
| <b>Liabilities</b>  |                 |            |         |           |         |
| Derivatives: <sup>a</sup>   |                 |            |         |           |         |
| Embedded derivatives in provisional sales/purchase contracts in a gross liability position <sup>g</sup> | \$ 16           | \$ 16      | \$ —    | \$ 16     | \$ —    |
| Crude oil options <sup>g</sup>  | 309             | 309        | —       | —         | 309     |
| Natural gas swaps <sup>g</sup>  | 4               | 4          | —       | 4         | —       |
| Copper forward contracts <sup>g</sup>   | 1               | 1          | 1       | —         | —       |
| Plains Offshore warrants <sup>g</sup>   | 2               | 2          | —       | —         | 2       |
| Total   | 332             | 332        | 1       | 20        | 311     |
| Long-term debt, including current portion <sup>f</sup>  | 20,706          | 20,487     | —       | 20,487    | —       |
| Total liabilities   |                 | \$ 20,819  | \$ 1    | \$ 20,507 | \$ 311  |

a. Recorded at fair value.

b. Current portion included in other current assets and long-term portion included in other assets.

c. Excluded \$115 million of time deposits (which approximated fair value) at September 30, 2014 (included in other assets), associated with an assurance bond to support PTFI's commitment for smelter development in Indonesia (refer to Note 9 for further discussion).

d. Excluded time deposits (which approximated fair value) of \$9 million at September 30, 2014 (included in other current assets), associated with a customs audit assessment at PT-FI, and \$15 million included in other current assets and \$210 million in other assets at December 31, 2013 , associated with the Cerro Verde royalty dispute.

e. Refer to Note 7 for further discussion and balance sheet classifications. Crude oil options are net of \$269 million at September 30, 2014 , and \$444 million at December 31, 2013 , for deferred premiums and accrued interest.

f. Recorded at cost except for debt assumed in acquisitions, which were recorded at fair value at the respective acquisition dates.

g. Included in other liabilities.

## Valuation Techniques

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

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

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

FCX's embedded derivatives on provisional copper concentrate, copper cathode and gold purchases and sales have critical inputs of quoted monthly LME or COMEX copper forward prices and the London gold forward price at each reporting date based on the month of maturity; however, FCX's contracts themselves are not traded on an exchange. As a result, these derivatives are classified within Level 2 of the fair value hierarchy.

FCX's derivative financial instruments for crude oil options are valued using an option pricing model, which uses various inputs including IntercontinentalExchange, Inc. crude oil prices, volatilities, interest rates and contract terms. FCX's derivative financial instruments for natural gas swaps are valued using a pricing model that has various inputs including NYMEX price quotations, interest rates and contract terms. Valuations are adjusted for credit quality, using the counterparties' credit quality for asset balances and FCX's credit quality for liability balances (which considers the impact of netting agreements on counterparty credit risk, including whether the position with the counterparty is a net asset or net liability). For asset balances, FCX uses the credit default swap value for counterparties when available or the spread between the risk-free interest rate and the yield rate on the counterparties' publicly traded debt for similar instruments. The 2014 natural gas swaps are classified within Level 2 of the fair value hierarchy because the inputs used in the valuation models are directly or indirectly observable for substantially the full term of the instruments. The 2014 and 2015 crude oil options are classified within Level 3 of the fair value hierarchy because the inputs used in the valuation models are not observable for substantially the full term of the instruments. The significant unobservable inputs used in the fair value measurement of the crude oil options are implied volatilities and deferred premiums. Significant increases (decreases) in implied volatilities in isolation would result in a significantly higher (lower) fair value measurement. The implied volatilities ranged from 17 percent to 33 percent, with a weighted average of 21 percent. The deferred premiums ranged from \$5.15 per barrel to \$7.22 per barrel, with a weighted average of \$6.64 per barrel. Refer to Note 7 for further discussion of these derivative financial instruments.

FCX's derivative financial instruments for copper futures and swap contracts and copper forward contracts that are traded on the respective exchanges are classified within Level 1 of the fair value hierarchy because they are valued using quoted monthly COMEX or LME prices at each reporting date based on the month of maturity (refer to Note 7 for further discussion). Certain of these contracts are traded on the over-the-counter market and are classified within Level 2 of the fair value hierarchy based on COMEX and LME forward prices.

The fair value of warrants associated with the Plains Offshore Preferred Stock was determined with an option pricing model that used unobservable inputs. The inputs used in the valuation model are the estimated fair value of the underlying Plains Offshore common stock, expected exercise price, expected term, expected volatility and risk-free interest rate. The assumptions used in the valuation model are highly subjective because the common stock of Plains Offshore is not publicly traded. As a result, these warrants are classified within Level 3 of the fair value hierarchy.

Long-term debt, including the current portion, is not actively traded and is valued using prices obtained from a readily available pricing source and, as such, is classified within Level 2 of the fair value hierarchy.

The techniques described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FCX believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the techniques used at September 30, 2014 .

A summary of the changes in the fair value of FCX ' s Level 3 instruments follows (in millions):

|  | Crude Oil<br>Options | Plains Offshore<br>Warrants |
|--|----------------------|-----------------------------|
| Fair value at December 31, 2013  | \$ (309)             | \$ (2)                      |
| Net realized losses  | (21) <sup>a</sup>    | —                           |
| Net unrealized (losses) gains included in earnings related to assets and liabilities still held at the end of the period | (29) <sup>b</sup>    | 2 <sup>c</sup>              |
| Settlement payments  | 177                  | —                           |
| Fair value at September 30, 2014   | <u>\$ (182)</u>      | <u>\$ —</u>                 |

a. Included net realized losses of \$20 million recorded in revenues and \$1 million of interest expense associated with the deferred premiums.

b. Included net unrealized losses of \$28 million recorded in revenues and \$1 million of interest expense associated with the deferred premiums.

c. Recorded in other income, net.

## NOTE 9. CONTINGENCIES AND COMMITMENTS

**Litigation.** During third-quarter 2014, there were no significant developments in previously reported legal proceedings included in Note 12 of FCX's annual report on Form 10-K for the year ended December 31, 2013 , as updated in Note 9 of FCX's quarterly report on Form 10-Q for the quarter ended March 31, 2014.

**Tax and Other Matters. Cerro Verde Royalty Dispute.** There were no significant changes to the Cerro Verde royalty dispute during the first nine months of 2014 (refer to Note 12 of FCX's annual report on Form 10-K for the year ended December 31, 2013 , for further discussion of this matter).

**Indonesia Tax Matters.** As reported in Note 12 of FCX's annual report on Form 10-K for the year ended December 31, 2013, PT-FI has received assessments from the Indonesian tax authorities for additional taxes and interest related to various audit exceptions for the years 2005, 2006, 2007, 2008 and 2011. PT-FI has filed objections to these assessments because it believes it has properly determined and paid its taxes.

Required estimated income tax payments for 2012 significantly exceeded PT-FI's 2012 reported income tax liability, which resulted in a \$303 million overpayment (included in other accounts receivable in the condensed consolidated balance sheets at December 31, 2013). During second-quarter 2014, the Indonesian tax authorities issued tax assessments for 2012 of \$137 million and other offsets of \$15 million , and refunded the balance of \$151 million (before foreign exchange adjustments). PT-FI expects to file objections and use other means available under Indonesian tax laws and regulations to recover all overpayments that remain in dispute.

As of September 30, 2014, PT-FI had \$392 million included in other assets for amounts paid on disputed tax assessments, which it believes are collectable.

**Mining Contract - Indonesia.** On July 25, 2014 , PT-FI entered into a Memorandum of Understanding (MOU) with the Indonesian government under which PT-FI and the government agreed to negotiate an amended Contract of Work (COW) to address provisions related to the size of PT-FI's concession area, royalties and taxes, domestic processing and refining, divestment, local content, and continuation of operations post- 2021 .

Under the MOU, provisions to be addressed in the negotiation of an amended COW include provisions for the development of new copper smelting and refining capacity in Indonesia, which will take into consideration an equitable sharing of costs between PT-FI (and any partners in the project) and the Indonesian government through fiscal incentives, provisions for divestment to the Indonesian government and/or Indonesian nationals of up to a 30 percent interest (an additional 20.64 percent interest) in PT-FI at fair value, and continuation of operations from 2022 through 2041 . The MOU provides that negotiations for an amended COW will take into consideration PT-FI's need for assurance of legal and fiscal terms post- 2021 for PT-FI to continue with its large-scale investment program

for the development of its underground reserves. PT-FI is engaged in discussions with the Indonesian government regarding an amended COW.

Effective with the signing of the MOU, PT-FI provided a \$115 million assurance bond to support its commitment for smelter development, agreed to increase royalties to 4.0 percent for copper and 3.75 percent for gold from the previous rates of 3.5 percent for copper and 1.0 percent for gold, and to pay export duties set forth in a new regulation. The Indonesian government revised its January 2014 regulations (as discussed in Note 13 of FCX's annual report on Form 10-K for the year ended December 31, 2013) regarding export duties to incorporate reduced rates for copper concentrate exports for companies engaged in smelter development. The revised regulations provide for duties on copper concentrate exports during smelter development initially at 7.5 percent, declining to 5.0 percent when development progress exceeds 7.5 percent and is eliminated when development progress exceeds 30 percent. In addition, PT-FI is required to apply for renewal of export permits at six-month intervals, with the next renewal date in January 2015.

Under the MOU, no terms of the COW other than those relating to the export duties, smelter bond and royalties described previously will be changed until the completion of an amended COW.

#### **NOTE 10. BUSINESS SEGMENTS**

FCX has organized its operations into six primary divisions – North America copper mines, South America mining, Indonesia mining, Africa mining, Molybdenum mines and U.S. oil and gas operations. Notwithstanding this structure, FCX internally reports information on a mine-by-mine basis for its mining operations. Therefore, FCX concluded that its operating segments include individual mines or operations relative to its mining operations. For oil and gas operations, FCX determines its operating segments on a country-by-country basis. FCX's U.S. oil and gas operations reflect the results of FM O&G beginning June 1, 2013. Operating segments that meet certain thresholds are reportable segments, which are disclosed separately in the following tables.

On November 3, 2014, FCX completed the sale of its 80 percent ownership interests in the Candelaria mine, a separately reported segment, and the Ojos del Salado mine, reported as a component of other South America mines. Refer to Note 13 for further discussion.

*Intersegment Sales.* Intersegment sales between FCX's mining operations are based on similar arms-length transactions with third parties at the time of the sale. Intersegment sales may not be reflective of the actual prices ultimately realized because of a variety of factors, including additional processing, timing of sales to unaffiliated customers and transportation premiums.

FCX defers recognizing profits on sales from its mining operations to other divisions, including Atlantic Copper and on 25 percent of PT-FI's sales to PT Smelting until final sales to third parties occur. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices result in variability in FCX's net deferred profits and quarterly earnings.

*Allocations.* FCX allocates certain operating costs, expenses and capital expenditures to its operating divisions and individual segments. However, not all costs and expenses applicable to an operation are allocated. U.S. federal and state income taxes are recorded and managed at the corporate level, whereas foreign income taxes are recorded and managed at the applicable country level. In addition, most mining exploration and research activities are managed on a consolidated basis, and those costs along with some selling, general and administrative costs are not allocated to the operating divisions or individual segments. Accordingly, the following segment information reflects management determinations that may not be indicative of what the actual financial performance of each operating division or segment would be if it was an independent entity.

## Business Segments

(In millions)

| (In millions)                                | Mining Operations          |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
|--|----------------------------|--------|--------|---------------|---------|--------|----------|-----------|---------------------|--------|----------|---------------------|----------------|-----------------------|------------|-------------------|------------|
|  | North America Copper Mines |        |        | South America |         |        |          | Indonesia | Africa              |        |          |                     |                |                       |            |                   |            |
|  |                            |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
|  |                            |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
|  | Other                      |        |        | Cerro         | Candel- | Other  |          |           |                     | Molyb- | Rod &    | Atlantic            | Other          |                       |            | U.S.              | Corporate, |
|  | Morenci                    | Mines  | Total  | Verde         | aria    | Mines  | Total    | Grasberg  | Tenke               | denum  | Refining | Copper              | Mining         | Total                 | Oil & Gas  | & Elimini-        | FCX        |
|  |                            |        |        |               |         |        |          |           |                     | Mines  |          | Smelting & Refining | & Eliminations | Mining                | Operations | nations           | Total      |
| Three Months Ended September 30, 2014        |                            |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
| Revenues:                                    |                            |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
| Unaffiliated customers                       | \$ 140                     | \$ 79  | \$ 219 | \$ 295        | \$ 141  | \$ 300 | \$ 736   | \$ 1,086  | <sup>a</sup> \$ 379 | \$ —   | \$ 1,219 | \$ 597              | \$ 470         | <sup>b</sup> \$ 4,706 | \$ 990     | <sup>c</sup> \$ — | \$ 5,696   |
| Intersegment                                 | 428                        | 843    | 1,271  | 63            | 48      | —      | 111      | 167       | 49                  | 173    | 8        | 4                   | (1,783)        | —                     | —          | —                 | —          |
| Production and delivery                      | 341                        | 561    | 902    | 178           | 142     | 151    | 471      | 700       | 206                 | 86     | 1,220    | 578                 | (1,283)        | 2,880                 | 273        | (1)               | 3,152      |
| Depreciation, depletion and amortization     | 51                         | 82     | 133    | 41            | 14      | 47     | 102      | 92        | 58                  | 25     | 2        | 11                  | 15             | 438                   | 504        | 3                 | 945        |
| Impairment of oil and gas properties         | —                          | —      | —      | —             | —       | —      | —        | —         | —                   | —      | —        | —                   | —              | —                     | 308        | —                 | 308        |
| Selling, general and administrative expenses | —                          | 1      | 1      | —             | —       | 1      | 1        | 27        | 3                   | —      | —        | 4                   | 7              | 43                    | 55         | 60                | 158        |
| Mining exploration and research expenses     | —                          | 2      | 2      | —             | —       | —      | —        | —         | —                   | —      | —        | —                   | 27             | 29                    | —          | —                 | 29         |
| Environmental obligations and shutdown costs | —                          | (5)    | (5)    | —             | —       | —      | —        | —         | —                   | —      | —        | —                   | 23             | 18                    | —          | —                 | 18         |
| Net gain on sales of assets                  | —                          | (14)   | (14)   | —             | —       | —      | —        | —         | —                   | —      | —        | —                   | (32)           | (46)                  | —          | —                 | (46)       |
| Operating income (loss)                      | 176                        | 295    | 471    | 139           | 33      | 101    | 273      | 434       | 161                 | 62     | 5        | 8                   | (70)           | 1,344                 | (150)      | (62)              | 1,132      |
| Interest expense, net                        | 1                          | —      | 1      | 1             | —       | —      | 1        | —         | —                   | —      | —        | 3                   | 19             | 24                    | 51         | 83                | 158        |
| Provision for (benefit from) income taxes    | —                          | —      | —      | 47            | 4       | 91     | 142      | 181       | 36                  | —      | —        | —                   | —              | 359                   | —          | (10)              | 349        |
| Total assets at September 30, 2014           | 3,689                      | 5,742  | 9,431  | 7,030         | 1,511   | 2,210  | 10,751   | 8,537     | 5,010               | 2,089  | 282      | 948                 | 1,025          | 38,073                | 25,328     | 575               | 63,976     |
| Capital expenditures                         | 158                        | 30     | 188    | 416           | 7       | 16     | 439      | 243       | 40                  | 12     | 1        | 3                   | 11             | 937                   | 908        | 8                 | 1,853      |
| Three Months Ended September 30, 2013        |                            |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
| Revenues:                                    |                            |        |        |               |         |        |          |           |                     |        |          |                     |                |                       |            |                   |            |
| Unaffiliated customers                       | \$ 100                     | \$ 145 | \$ 245 | \$ 434        | \$ 318  | \$ 300 | \$ 1,052 | \$ 1,108  | <sup>a</sup> \$ 406 | \$ —   | \$ 1,247 | \$ 514              | \$ 417         | <sup>b</sup> \$ 4,989 | \$ 1,176   | <sup>c</sup> \$ — | \$ 6,165   |
| Intersegment                                 | 375                        | 681    | 1,056  | 27            | 60      | —      | 87       | 3         | 14                  | 121    | 6        | 2                   | (1,289)        | —                     | —          | —                 | —          |
| Production and delivery                      | 287                        | 520    | 807    | 175           | 163     | 156    | 494      | 617       | 190                 | 82     | 1,245    | 523                 | (916)          | 3,042                 | 288        | 2                 | 3,332      |
| Depreciation, depletion and amortization     | 35                         | 67     | 102    | 35            | 19      | 31     | 85       | 60        | 64                  | 21     | 2        | 10                  | 9              | 353                   | 563        | 3                 | 919        |
| Selling, general and administrative expenses | —                          | 1      | 1      | —             | 1       | 1      | 2        | 29        | 3                   | —      | —        | 5                   | 5              | 45                    | 51         | 62                | 158        |
| Mining exploration and research expenses     | —                          | 2      | 2      | —             | —       | —      | —        | 1         | —                   | —      | —        | —                   | 52             | 55                    | —          | 2                 | 57         |
| Environmental obligations and shutdown costs | —                          | 5      | 5      | —             | —       | —      | —        | —         | —                   | —      | —        | —                   | (13)           | (8)                   | —          | —                 | (8)        |
| Operating income (loss)                      | 153                        | 231    | 384    | 251           | 195     | 112    | 558      | 404       | 163                 | 18     | 6        | (22)                | (9)            | 1,502                 | 274        | (69)              | 1,707      |
| Interest expense, net                        | —                          | —      | —      | —             | —       | —      | —        | —         | —                   | —      | —        | 4                   | 20             | 24                    | 74         | 64                | 162        |
| Provision for income taxes                   | —                          | —      | —      | 92            | 67      | 35     | 194      | 173       | 33                  | —      | —        | —                   | —              | 400                   | —          | 99                | 499        |
| Total assets at September 30, 2013           | 2,915                      | 5,734  | 8,649  | 6,440         | 1,612   | 2,478  | 10,530   | 7,399     | 4,862               | 2,094  | 308      | 691                 | 1,267          | 35,800                | 26,347     | 451               | 62,598     |
| Capital expenditures                         | 172                        | 80     | 252    | 224           | 23      | 17     | 264      | 209       | 52                  | 46     | 1        | 20                  | 51             | 895                   | 738        | 12                | 1,645      |

a. Included PT-FI's sales to PT Smelting totaling \$628 million in third-quarter 2014 and \$458 million in third-quarter 2013.

b. Included revenues from FCX's molybdenum sales company, which included sales of molybdenum produced by the Molybdenum mines and by certain of the North and South America copper mines.

c. Included net mark-to-market gains (losses) associated with crude oil and natural gas derivative contracts totaling \$64 million in third-quarter 2014 and \$(170) million in third-quarter 2013.

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(In millions)

|  | Mining Operations          |             |        |               |            |             |          |                       |          |                  |                |                                     |                             |              |                           |                                 |           |
|--|----------------------------|-------------|--------|---------------|------------|-------------|----------|-----------------------|----------|------------------|----------------|-------------------------------------|-----------------------------|--------------|---------------------------|---------------------------------|-----------|
|  | North America Copper Mines |             |        | South America |            |             |          | Indonesia             | Africa   |                  |                |                                     |                             |              |                           |                                 |           |
|  |                            |             |        |               |            |             |          |                       |          |                  |                |                                     |                             |              |                           |                                 |           |
|  | Morenci                    | Other Mines | Total  | Cerro Verde   | Candelaria | Other Mines | Total    | Grasberg              | Tenke    | Molybdenum Mines | Rod & Refining | Atlantic Copper Smelting & Refining | Other Mining & Eliminations | Total Mining | U.S. Oil & Gas Operations | Corporate, Other & Eliminations | FCX Total |
| <b>Nine Months Ended September 30, 2014</b>  |                            |             |        |               |            |             |          |                       |          |                  |                |                                     |                             |              |                           |                                 |           |
| Revenues:                                    |                            |             |        |               |            |             |          |                       |          |                  |                |                                     |                             |              |                           |                                 |           |
| Unaffiliated customers                       | \$ 215                     | \$ 195      | \$ 410 | \$ 996        | \$ 482     | \$ 905      | \$ 2,383 | \$ 2,071 <sup>a</sup> | \$ 1,071 | \$ —             | \$ 3,599       | \$ 1,808                            | \$ 1,374 <sup>b</sup>       | \$ 12,716    | \$ 3,487 <sup>c</sup>     | \$ —                            | \$ 16,203 |
| Intersegment                                 | 1,346                      | 2,489       | 3,835  | 150           | 238        | 5           | 393      | 175                   | 102      | 469              | 24             | 15                                  | (5,013)                     | —            | —                         | —                               | —         |
| Production and delivery                      | 936                        | 1,622       | 2,558  | 538           | 456        | 483         | 1,477    | 1,594                 | 556      | 243              | 3,601          | 1,784                               | (3,753)                     | 8,060        | 913                       | (2)                             | 8,971     |
| Depreciation, depletion and amortization     | 128                        | 240         | 368    | 120           | 49         | 115         | 284      | 194                   | 172      | 71               | 7              | 31                                  | 51                          | 1,178        | 1,736                     | 10                              | 2,924     |
| Impairment of oil and gas properties         | —                          | —           | —      | —             | —          | —           | —        | —                     | —        | —                | —              | —                                   | —                           | —            | 308                       | —                               | 308       |
| Selling, general and administrative expenses | 1                          | 2           | 3      | 2             | 1          | 2           | 5        | 73                    | 9        | —                | —              | 13                                  | 20                          | 123          | 171                       | 163                             | 457       |
| Mining exploration and research expenses     | —                          | 6           | 6      | —             | —          | —           | —        | —                     | —        | —                | —              | —                                   | 87                          | 93           | —                         | —                               | 93        |
| Environmental obligations and shutdown costs | —                          | (5)         | (5)    | —             | —          | —           | —        | —                     | —        | —                | —              | —                                   | 105                         | 100          | —                         | —                               | 100       |
| Net gain on sales of assets                  | —                          | (14)        | (14)   | —             | —          | —           | —        | —                     | —        | —                | —              | —                                   | (32)                        | (46)         | —                         | —                               | (46)      |
| Operating income (loss)                      | 496                        | 833         | 1,329  | 486           | 214        | 310         | 1,010    | 385                   | 436      | 155              | 15             | (5)                                 | (117)                       | 3,208        | 359                       | (171)                           | 3,396     |
| Interest expense, net                        | 2                          | 1           | 3      | 1             | —          | —           | 1        | —                     | —        | —                | —              | 10                                  | 55                          | 69           | 201                       | 213                             | 483       |
| Provision for income taxes                   | —                          | —           | —      | 177           | 72         | 160         | 409      | 166                   | 93       | —                | —              | —                                   | —                           | 668          | —                         | 366                             | 1,034     |
| Capital expenditures                         | 691                        | 124         | 815    | 1,207         | 29         | 42          | 1,278    | 722                   | 100      | 45               | 3              | 9                                   | 38                          | 3,010        | 2,392                     | 13                              | 5,415     |
| <b>Nine Months Ended September 30, 2013</b>  |                            |             |        |               |            |             |          |                       |          |                  |                |                                     |                             |              |                           |                                 |           |
| Revenues:                                    |                            |             |        |               |            |             |          |                       |          |                  |                |                                     |                             |              |                           |                                 |           |
| Unaffiliated customers                       | \$ 218                     | \$ 266      | \$ 484 | \$ 1,035      | \$ 709     | \$ 922      | \$ 2,666 | \$ 2,443 <sup>a</sup> | \$ 1,199 | \$ —             | \$ 3,842       | \$ 1,730                            | \$ 1,157 <sup>b</sup>       | \$ 13,521    | \$ 1,512 <sup>c</sup>     | \$ 3                            | \$ 15,036 |
| Intersegment                                 | 1,255                      | 2,256       | 3,511  | 222           | 216        | —           | 438      | 190                   | 24       | 408              | 20             | 12                                  | (4,603)                     | —            | —                         | —                               | —         |
| Production and delivery                      | 885                        | 1,574       | 2,459  | 535           | 504        | 446         | 1,485    | 1,743                 | 560      | 240              | 3,835          | 1,726                               | (3,531)                     | 8,517        | 377                       | 10                              | 8,904     |
| Depreciation, depletion and amortization     | 105                        | 207         | 312    | 105           | 44         | 93          | 242      | 173                   | 179      | 62               | 7              | 32                                  | 31                          | 1,038        | 732                       | 8                               | 1,778     |
| Selling, general and administrative expenses | 1                          | 3           | 4      | 2             | 2          | 1           | 5        | 82                    | 9        | —                | —              | 14                                  | 23                          | 137          | 65                        | 255                             | 457       |
| Mining exploration and research expenses     | —                          | 3           | 3      | —             | —          | —           | —        | 1                     | —        | —                | —              | —                                   | 161                         | 165          | —                         | 8                               | 173       |
| Environmental obligations and shutdown costs | —                          | (1)         | (1)    | —             | —          | —           | —        | —                     | —        | —                | —              | —                                   | 24                          | 23           | —                         | —                               | 23        |
| Operating income (loss)                      | 482                        | 736         | 1,218  | 615           | 375        | 382         | 1,372    | 634                   | 475      | 106              | 20             | (30)                                | (154)                       | 3,641        | 338                       | (278)                           | 3,701     |
| Interest expense, net                        | 3                          | 1           | 4      | 2             | —          | —           | 2        | 12                    | 2        | —                | —              | 12                                  | 60                          | 92           | 100                       | 159                             | 351       |
| Provision for income taxes                   | —                          | —           | —      | 215           | 131        | 126         | 472      | 289                   | 99       | —                | —              | —                                   | —                           | 860          | —                         | 107 <sup>d</sup>                | 967       |
| Capital expenditures                         | 529                        | 266         | 795    | 596           | 91         | 47          | 734      | 720                   | 155      | 128              | 3              | 39                                  | 91                          | 2,665        | 928                       | 30                              | 3,623     |

a. Included PT-FI's sales to PT Smelting totaling \$1.5 billion for the first nine months of 2014 and \$1.2 billion for the first nine months of 2013.

b. Included revenues from FCX's molybdenum sales company, which included sales of molybdenum produced by the Molybdenum mines and by certain of the North and South America copper mines.

c. Included net mark-to-market losses associated with crude oil and natural gas derivative contracts totaling \$56 million for the first nine months of 2014 and \$205 million for the period from June 1, 2013 to September 30, 2013.

d. Included \$183 million of net benefits resulting from second-quarter 2013 oil and gas acquisitions.

**NOTE 11. GUARANTOR FINANCIAL STATEMENTS**

In March 2013, FCX completed the sale of \$6.5 billion of senior notes. These notes, along with FCX's senior notes sold in February 2012, are fully and unconditionally guaranteed on a senior basis jointly and severally by FM O&G LLC, as guarantor, which is a 100 percent owned subsidiary of FM O&G and FCX. The guarantee is an unsecured obligation of the guarantor and ranks equal in right of payment with all existing and future indebtedness of FM O&G LLC, including indebtedness under the revolving credit facility. The guarantee ranks senior in right of payment with all of FM O&G LLC's future subordinated obligations and is effectively subordinated in right of payment to any debt of FM O&G LLC's subsidiaries. In the future, FM O&G LLC's guarantee may be released or terminated for certain obligations under the following circumstances: (i) all or substantially all of the equity interests or assets of FM O&G LLC are sold to a third party; or (ii) FM O&G LLC no longer has any obligations under any FM O&G senior notes or any refinancing thereof and no longer guarantees any obligations of FCX under the revolver, the term loan or any other senior debt.

The following condensed consolidating financial information includes information regarding FCX, as issuer, FM O&G LLC, as guarantor, and all other non-guarantor subsidiaries of FCX. Included are the condensed consolidating balance sheets at September 30, 2014, and December 31, 2013, and the related condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2014 and 2013, and condensed consolidating statements of cash flows for the nine months ended September 30, 2014 and 2013 (in millions), which should be read in conjunction with FCX's notes to the consolidated financial statements.

**CONDENSED CONSOLIDATING BALANCE SHEET**  
September 30, 2014

|  | FCX<br>Issuer      | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations       | Consolidated<br>FCX |
|--|--------------------|-------------------------|-------------------------------|--------------------|---------------------|
| <b>ASSETS</b>  |                    |                         |                               |                    |                     |
| Current assets:  |                    |                         |                               |                    |                     |
| Cash and cash equivalents  | \$ —               | \$ 1                    | \$ 657                        | \$ —               | \$ 658              |
| Accounts receivable  | 348                | 1,814                   | 2,187                         | (2,042)            | 2,307               |
| Other current assets   | 104                | 73                      | 5,889                         | —                  | 6,066               |
| Total current assets   | 452                | 1,888                   | 8,733                         | (2,042)            | 9,031               |
| Property, plant, equipment and mining development costs, net         | 23                 | 45                      | 26,236                        | —                  | 26,304              |
| Oil and gas properties, net - full cost method:                      |                    |                         |                               |                    |                     |
| Subject to amortization, less accumulated amortization               | —                  | 4,235                   | 6,727                         | 344                | 11,306              |
| Not subject to amortization  | —                  | 2,346                   | 8,685                         | —                  | 11,031              |
| Investments in consolidated subsidiaries                             | 33,908             | 10,492                  | 13,063                        | (57,463)           | —                   |
| Goodwill   | —                  | 217                     | 1,500                         | —                  | 1,717               |
| Other assets   | 6,512              | 3,913                   | 4,439                         | (10,277)           | 4,587               |
| Total assets   | <u>\$ 40,895</u>   | <u>\$ 23,136</u>        | <u>\$ 69,383</u>              | <u>\$ (69,438)</u> | <u>\$ 63,976</u>    |
| <b>LIABILITIES AND EQUITY</b>  |                    |                         |                               |                    |                     |
| Current liabilities  | \$ 1,664           | \$ 985                  | \$ 5,294                      | \$ (1,600)         | \$ 6,343            |
| Long-term debt, less current portion                                 | 13,355             | 5,301                   | 6,562                         | (7,243)            | 17,975              |
| Deferred income taxes  | 4,233 <sup>a</sup> | —                       | 3,326                         | —                  | 7,559               |
| Environmental and asset retirement obligations, less current portion | —                  | 302                     | 3,352                         | —                  | 3,654               |
| Other liabilities  | 52                 | 3,403                   | 1,751                         | (3,476)            | 1,730               |
| Total liabilities  | 19,304             | 9,991                   | 20,285                        | (12,319)           | 37,261              |
| Redeemable noncontrolling interest                                   | —                  | —                       | 749                           | —                  | 749                 |
| Equity:  |                    |                         |                               |                    |                     |
| Stockholders' equity   | 21,591             | 13,145                  | 44,460                        | (57,605)           | 21,591              |
| Noncontrolling interests   | —                  | —                       | 3,889                         | 486                | 4,375               |
| Total equity   | 21,591             | 13,145                  | 48,349                        | (57,119)           | 25,966              |
| Total liabilities and equity   | <u>\$ 40,895</u>   | <u>\$ 23,136</u>        | <u>\$ 69,383</u>              | <u>\$ (69,438)</u> | <u>\$ 63,976</u>    |

a. All U.S. related deferred income taxes are recorded at the parent company.

CONDENSED CONSOLIDATING BALANCE SHEET  
December 31, 2013

|  | FCX<br>Issuer      | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations       | Consolidated<br>FCX |
|--|--------------------|-------------------------|-------------------------------|--------------------|---------------------|
| <b>ASSETS</b>  |                    |                         |                               |                    |                     |
| Current assets:  |                    |                         |                               |                    |                     |
| Cash and cash equivalents  | \$ —               | \$ —                    | \$ 1,985                      | \$ —               | \$ 1,985            |
| Accounts receivable  | 855                | 659                     | 2,258                         | (1,210)            | 2,562               |
| Other current assets   | 114                | 38                      | 5,273                         | —                  | 5,425               |
| Total current assets   | 969                | 697                     | 9,516                         | (1,210)            | 9,972               |
| Property, plant, equipment and mining development costs, net         | 27                 | 43                      | 23,972                        | —                  | 24,042              |
| Oil and gas properties, net - full cost method:                      |                    |                         |                               |                    |                     |
| Subject to amortization, less accumulated amortization               | —                  | 6,207                   | 6,265                         | —                  | 12,472              |
| Not subject to amortization  | —                  | 2,649                   | 8,238                         | —                  | 10,887              |
| Investments in consolidated subsidiaries                             | 31,162             | 9,712                   | 12,468                        | (53,342)           | —                   |
| Goodwill   | —                  | 437                     | 1,479                         | —                  | 1,916               |
| Other assets   | 7,126              | 4,640                   | 4,128                         | (11,710)           | 4,184               |
| Total assets   | <u>\$ 39,284</u>   | <u>\$ 24,385</u>        | <u>\$ 66,066</u>              | <u>\$ (66,262)</u> | <u>\$ 63,473</u>    |
| <b>LIABILITIES AND EQUITY</b>  |                    |                         |                               |                    |                     |
| Current liabilities  | \$ 1,003           | \$ 758                  | \$ 4,222                      | \$ (1,210)         | \$ 4,773            |
| Long-term debt, less current portion                                 | 13,184             | 7,199                   | 8,056                         | (8,045)            | 20,394              |
| Deferred income taxes  | 4,137 <sup>a</sup> | —                       | 3,273                         | —                  | 7,410               |
| Environmental and asset retirement obligations, less current portion | —                  | 301                     | 2,958                         | —                  | 3,259               |
| Other liabilities  | 26                 | 3,436                   | 1,893                         | (3,665)            | 1,690               |
| Total liabilities  | 18,350             | 11,694                  | 20,402                        | (12,920)           | 37,526              |
| Redeemable noncontrolling interest                                   | —                  | —                       | 716                           | —                  | 716                 |
| Equity:  |                    |                         |                               |                    |                     |
| Stockholders' equity   | 20,934             | 12,691                  | 41,100                        | (53,791)           | 20,934              |
| Noncontrolling interests   | —                  | —                       | 3,848                         | 449                | 4,297               |
| Total equity   | 20,934             | 12,691                  | 44,948                        | (53,342)           | 25,231              |
| Total liabilities and equity   | <u>\$ 39,284</u>   | <u>\$ 24,385</u>        | <u>\$ 66,066</u>              | <u>\$ (66,262)</u> | <u>\$ 63,473</u>    |

a. All U.S. related deferred income taxes are recorded at the parent company.

**CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME**  
**Three and Nine Months Ended September 30, 2014**

Three Months Ended September 30, 2014

|   | FCX<br>Issuer | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations    | Consolidated<br>FCX |
|---|---------------|-------------------------|-------------------------------|-----------------|---------------------|
| Revenues  | \$ —          | \$ 370                  | \$ 5,326                      | \$ —            | \$ 5,696            |
| Total costs and expenses  | 12            | 916                     | 3,966                         | (330)           | 4,564               |
| Operating (loss) income   | (12)          | (546)                   | 1,360                         | 330             | 1,132               |
| Interest expense, net   | (99)          | (38)                    | (37)                          | 16              | (158)               |
| Net gain on early extinguishment of debt                                    | —             | 58                      | —                             | —               | 58                  |
| Other income (expense), net   | 15            | —                       | 24                            | (16)            | 23                  |
| Benefit from (provision for) income taxes                                   | 46            | (104)                   | (166)                         | (125)           | (349)               |
| Equity in affiliated companies' net earnings (losses)                       | 602           | 381                     | (111)                         | (874)           | (2)                 |
| Net income (loss)   | 552           | (249)                   | 1,070                         | (669)           | 704                 |
| Net income and preferred dividends attributable to noncontrolling interests | —             | —                       | (130)                         | (22)            | (152)               |
| Net income (loss) attributable to FCX common stockholders                   | <u>\$ 552</u> | <u>\$ (249)</u>         | <u>\$ 940</u>                 | <u>\$ (691)</u> | <u>\$ 552</u>       |
| Other comprehensive income  | —             | —                       | 7                             | —               | 7                   |
| Total comprehensive income (loss)   | <u>\$ 552</u> | <u>\$ (249)</u>         | <u>\$ 947</u>                 | <u>\$ (691)</u> | <u>\$ 559</u>       |

Nine Months Ended September 30, 2014

|   | FCX<br>Issuer   | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations      | Consolidated<br>FCX |
|---|-----------------|-------------------------|-------------------------------|-------------------|---------------------|
| Revenues  | \$ —            | \$ 1,584                | \$ 14,619                     | \$ —              | \$ 16,203           |
| Total costs and expenses  | 44              | 1,931                   | 11,170                        | (338)             | 12,807              |
| Operating (loss) income   | (44)            | (347)                   | 3,449                         | 338               | 3,396               |
| Interest expense, net   | (268)           | (123)                   | (146)                         | 54                | (483)               |
| Net (loss) gain on early extinguishment of debt                             | (1)             | 64                      | —                             | —                 | 63                  |
| Other income (expense), net   | 52              | 1                       | 49                            | (54)              | 48                  |
| Benefit from (provision for) income taxes                                   | 51              | (121)                   | (836)                         | (128)             | (1,034)             |
| Equity in affiliated companies' net earnings (losses)                       | 1,754           | 637                     | 228                           | (2,619)           | —                   |
| Net income (loss)   | 1,544           | 111                     | 2,744                         | (2,409)           | 1,990               |
| Net income and preferred dividends attributable to noncontrolling interests | —               | —                       | (421)                         | (25)              | (446)               |
| Net income (loss) attributable to FCX common stockholders                   | <u>\$ 1,544</u> | <u>\$ 111</u>           | <u>\$ 2,323</u>               | <u>\$ (2,434)</u> | <u>\$ 1,544</u>     |
| Other comprehensive income  | —               | —                       | 11                            | —                 | 11                  |
| Total comprehensive income (loss)   | <u>\$ 1,544</u> | <u>\$ 111</u>           | <u>\$ 2,334</u>               | <u>\$ (2,434)</u> | <u>\$ 1,555</u>     |

**CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME**  
**Three and Nine Months Ended September 30, 2013**

Three Months Ended September 30, 2013

|   | FCX<br>Issuer | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations      | Consolidated<br>FCX |
|---|---------------|-------------------------|-------------------------------|-------------------|---------------------|
| Revenues  | \$ —          | \$ 512                  | \$ 5,653                      | \$ —              | \$ 6,165            |
| Total costs and expenses  | 11            | 452                     | 3,995                         | —                 | 4,458               |
| Operating (loss) income   | (11)          | 60                      | 1,658                         | —                 | 1,707               |
| Interest expense, net   | (94)          | (51)                    | (40)                          | 23                | (162)               |
| Other income (expense), net   | 24            | —                       | 2                             | (23)              | 3                   |
| Benefit from (provision for) income taxes                                   | 35            | (5)                     | (529)                         | —                 | (499)               |
| Equity in affiliated companies' net earnings (losses)                       | 867           | 187                     | 47                            | (1,102)           | (1)                 |
| Net income (loss)   | 821           | 191                     | 1,138                         | (1,102)           | 1,048               |
| Net income and preferred dividends attributable to noncontrolling interests | —             | —                       | (202)                         | (25)              | (227)               |
| Net income (loss) attributable to FCX common stockholders                   | <u>\$ 821</u> | <u>\$ 191</u>           | <u>\$ 936</u>                 | <u>\$ (1,127)</u> | <u>\$ 821</u>       |
| Other comprehensive income  | —             | —                       | 11                            | —                 | 11                  |
| Total comprehensive income (loss)   | <u>\$ 821</u> | <u>\$ 191</u>           | <u>\$ 947</u>                 | <u>\$ (1,127)</u> | <u>\$ 832</u>       |

Nine Months Ended September 30, 2013

|   | FCX<br>Issuer   | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations      | Consolidated<br>FCX |
|---|-----------------|-------------------------|-------------------------------|-------------------|---------------------|
| Revenues  | \$ —            | \$ 674                  | \$ 14,362                     | \$ —              | \$ 15,036           |
| Total costs and expenses  | 106             | 587                     | 10,642                        | —                 | 11,335              |
| Operating (loss) income   | (106)           | 87                      | 3,720                         | —                 | 3,701               |
| Interest expense, net   | (222)           | (63)                    | (104)                         | 38                | (351)               |
| Loss on early extinguishment of debt  | (45)            | —                       | —                             | —                 | (45)                |
| Gain on investment in MMR   | 128             | —                       | —                             | —                 | 128                 |
| Other income (expense), net   | 39              | —                       | 12                            | (38)              | 13                  |
| Benefit from (provision for) income taxes                                   | 61              | (10)                    | (1,018)                       | —                 | (967)               |
| Equity in affiliated companies' net earnings (losses)                       | 2,096           | 207                     | 1                             | (2,301)           | 3                   |
| Net income (loss)   | 1,951           | 221                     | 2,611                         | (2,301)           | 2,482               |
| Net income and preferred dividends attributable to noncontrolling interests | —               | —                       | (494)                         | (37)              | (531)               |
| Net income (loss) attributable to FCX common stockholders                   | <u>\$ 1,951</u> | <u>\$ 221</u>           | <u>\$ 2,117</u>               | <u>\$ (2,338)</u> | <u>\$ 1,951</u>     |
| Other comprehensive income  | —               | —                       | 22                            | —                 | 22                  |
| Total comprehensive income (loss)   | <u>\$ 1,951</u> | <u>\$ 221</u>           | <u>\$ 2,139</u>               | <u>\$ (2,338)</u> | <u>\$ 1,973</u>     |

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**Nine Months Ended September 30, 2014**

|   | FCX<br>Issuer | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations | Consolidated<br>FCX |
|---|---------------|-------------------------|-------------------------------|--------------|---------------------|
| <b>Cash flow from operating activities:</b>   |               |                         |                               |              |                     |
| Net income (loss)   | \$ 1,544      | \$ 111                  | \$ 2,744                      | \$ (2,409)   | \$ 1,990            |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:              |               |                         |                               |              |                     |
| Depreciation, depletion and amortization  | 3             | 673                     | 2,269                         | (21)         | 2,924               |
| Impairment of oil and gas properties  | —             | 625                     | —                             | (317)        | 308                 |
| Net losses on crude oil and natural gas derivative contracts  | —             | 56                      | —                             | —            | 56                  |
| Net loss (gain) on early extinguishment of debt   | 1             | (64)                    | —                             | —            | (63)                |
| Equity in (earnings) losses of consolidated subsidiaries  | (1,754)       | (637)                   | 4                             | 2,387        | —                   |
| Other, net  | 87            | (17)                    | (73)                          | —            | (3)                 |
| (Increases) decreases in working capital and changes in other tax payments, excluding amounts from dispositions | (217)         | (1,166)                 | 684                           | —            | (699)               |
| Net cash (used in) provided by operating activities   | (336)         | (419)                   | 5,628                         | (360)        | 4,513               |
| <b>Cash flow from investing activities:</b>   |               |                         |                               |              |                     |
| Capital expenditures  | —             | (1,771)                 | (3,644)                       | —            | (5,415)             |
| Acquisition of Deepwater GOM interests  | —             | —                       | (1,421)                       | —            | (1,421)             |
| Intercompany loans  | 1,151         | 734                     | —                             | (1,885)      | —                   |
| Investment in consolidated subsidiary   | (959)         | (97)                    | (696)                         | 1,752        | —                   |
| Net proceeds from sale of Eagle Ford shale assets   | —             | 2,971                   | —                             | —            | 2,971               |
| Other, net  | —             | 32                      | 189                           | —            | 221                 |
| Net cash provided by (used in) investing activities   | 192           | 1,869                   | (5,572)                       | (133)        | (3,644)             |
| <b>Cash flow from financing activities:</b>   |               |                         |                               |              |                     |
| Proceeds from debt  | 2,806         | —                       | 540                           | —            | 3,346               |
| Repayments of debt  | (1,686)       | (1,996)                 | (514)                         | —            | (4,196)             |
| Intercompany loans  | —             | 213                     | (2,098)                       | 1,885        | —                   |
| Cash dividends and distributions paid, and contributions received   | (979)         | 336                     | 691                           | (1,392)      | (1,344)             |
| Other, net  | 3             | (2)                     | (3)                           | —            | (2)                 |
| Net cash provided by (used in) financing activities   | 144           | (1,449)                 | (1,384)                       | 493          | (2,196)             |
| Net increase (decrease) in cash and cash equivalents  | —             | 1                       | (1,328)                       | —            | (1,327)             |
| Cash and cash equivalents at beginning of period  | —             | —                       | 1,985                         | —            | 1,985               |
| Cash and cash equivalents at end of period  | \$ —          | \$ 1                    | \$ 657                        | \$ —         | \$ 658              |

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**Nine Months Ended September 30, 2013**

|   | FCX<br>Issuer | FM O&G LLC<br>Guarantor | Non-guarantor<br>Subsidiaries | Eliminations | Consolidated<br>FCX |
|---|---------------|-------------------------|-------------------------------|--------------|---------------------|
| <b>Cash flow from operating activities:</b>   |               |                         |                               |              |                     |
| Net income (loss)   | \$ 1,951      | \$ 221                  | \$ 2,611                      | \$ (2,301)   | \$ 2,482            |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:              |               |                         |                               |              |                     |
| Depreciation, depletion and amortization  | 3             | 341                     | 1,434                         | —            | 1,778               |
| Net losses on crude oil and natural gas derivative contracts  | —             | 205                     | —                             | —            | 205                 |
| Net loss on early extinguishment of debt  | 45            | —                       | —                             | —            | 45                  |
| Gain on investment in MMR   | (128)         | —                       | —                             | —            | (128)               |
| Equity in (earnings) losses of consolidated subsidiaries  | (2,096)       | (207)                   | 2                             | 2,301        | —                   |
| Other, net  | 8             | (15)                    | (143)                         | —            | (150)               |
| Decreases (increases) in working capital and changes in other tax payments, excluding amounts from acquisitions | 112           | 518                     | (1,119)                       | —            | (489)               |
| Net cash (used in) provided by operating activities   | (105)         | 1,063                   | 2,785                         | —            | 3,743               |
| <b>Cash flow from investing activities:</b>   |               |                         |                               |              |                     |
| Capital expenditures  | —             | (621)                   | (3,002)                       | —            | (3,623)             |
| Acquisitions, net of cash acquired  | (5,437)       | —                       | (4)                           | —            | (5,441)             |
| Intercompany loans  | 793           | —                       | (1,095)                       | 302          | —                   |
| Dividends from consolidated subsidiary  | 321           | —                       | —                             | (321)        | —                   |
| Other, net  | 14            | 32                      | (70)                          | —            | (24)                |
| Net cash (used in) provided by investing activities   | (4,309)       | (589)                   | (4,171)                       | (19)         | (9,088)             |
| <b>Cash flow from financing activities:</b>   |               |                         |                               |              |                     |
| Proceeds from debt  | 11,085        | —                       | 144                           | —            | 11,229              |
| Repayments of debt and redemption of MMR preferred stock  | (4,501)       | (416)                   | (126)                         | —            | (5,043)             |
| Intercompany loans  | —             | (56)                    | 358                           | (302)        | —                   |
| Cash dividends and distributions paid   | (1,957)       | —                       | (478)                         | 321          | (2,114)             |
| Other, net  | (213)         | —                       | —                             | —            | (213)               |
| Net cash provided by (used in) financing activities   | 4,414         | (472)                   | (102)                         | 19           | 3,859               |
| Net increase (decrease) in cash and cash equivalents  | —             | 2                       | (1,488)                       | —            | (1,486)             |
| Cash and cash equivalents at beginning of period  | —             | —                       | 3,705                         | —            | 3,705               |
| Cash and cash equivalents at end of period  | \$ —          | \$ 2                    | \$ 2,217                      | \$ —         | \$ 2,219            |

**NOTE 12. NEW ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU), which outlines a single comprehensive model and supersedes most of the current revenue recognition guidance. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is not permitted. FCX is evaluating this new guidance, but does not expect it to have a significant impact on its current revenue recognition policies.

In April 2014, FASB issued an ASU, which revises the guidance for reporting discontinued operations. This ASU amends the definition of a discontinued operation and requires additional disclosures about disposal transactions that do not meet the definition of a discontinued operation. For public entities, this ASU is effective for annual periods beginning on or after December 15, 2014, and interim periods within that year. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. FCX adopted this ASU in the first quarter of 2014.

### NOTE 13. SUBSEQUENT EVENTS

**Candelaria and Ojos del Salado Disposition.** On November 3, 2014 , FCX completed the sale of its 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations and supporting infrastructure (Candelaria/Ojos) located in Chile to Lundin Mining Corporation for \$1.8 billion in cash, before closing adjustments, and contingent consideration of up to \$200 million . Contingent consideration is calculated as five percent of net copper revenues in any annual period over the next five years when the average realized copper price exceeds \$4.00 per pound . Excluding contingent consideration, after-tax net proceeds approximated \$1.5 billion , and FCX expects to record a gain of approximately \$680 million (approximately \$450 million after tax) associated with this transaction. The transaction has an effective date of June 30, 2014 . FCX expects to use the proceeds from this transaction to repay indebtedness.

The sale of Candelaria/Ojos does not meet the criteria for classification as a discontinued operation.

The following table provides the major classes of assets and liabilities associated with Candelaria/Ojos at September 30, 2014 (in millions):

|                       |    |       |
|-----------------------|----|-------|
| Current assets        | \$ | 449   |
| Long-term assets      |    | 1,160 |
| Current liabilities   |    | 138   |
| Long-term liabilities |    | 92    |

The following table provides net income before income taxes and net income attributable to FCX associated with Candelaria/Ojos (in millions):

|                                | Nine Months Ended<br>September 30, |        |
|--------------------------------|------------------------------------|--------|
|                                | 2014                               | 2013   |
| Net income before income taxes | \$ 236                             | \$ 391 |
| Net income attributable to FCX | 132                                | 199    |

**Other.** FCX evaluated events after September 30, 2014 , and through the date the consolidated financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these consolidated financial statements.

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF  
FREEPORT-McMoRan INC.

We have reviewed the condensed consolidated balance sheet of Freeport-McMoRan Inc. (formerly Freeport-McMoRan Copper & Gold Inc.) as of September 30, 2014 , and the related consolidated statements of income and comprehensive income for the three - and nine -month periods ended September 30, 2014 and 2013 , the consolidated statements of cash flows for the nine -month periods ended September 30, 2014 and 2013 , and the consolidated statement of equity for the nine -month period ended September 30, 2014 . These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Freeport-McMoRan Inc. as of December 31, 2013 , and the related consolidated statements of income, comprehensive income, cash flows, and equity for the year then ended (not presented herein), and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 27, 2014. In our opinion, the accompanying condensed consolidated balance sheet of Freeport-McMoRan Inc. as of December 31, 2013 , is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Phoenix, Arizona  
November 7, 2014

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*In Management's Discussion and Analysis of Financial Condition and Results of Operations, "we," "us" and "our" refer to Freeport-McMoRan Inc. (FCX) and its consolidated subsidiaries. You should read this discussion in conjunction with our financial statements, the related Management's Discussion and Analysis of Financial Condition and Results of Operations and the discussion of our Business and Properties in our annual report on Form 10-K for the year ended December 31, 2013, filed with the United States (U.S.) Securities and Exchange Commission (SEC). The results of operations reported and summarized below are not necessarily indicative of future operating results and future results could differ materially from those anticipated in forward-looking statements (refer to "Cautionary Statement" for further discussion). References to "Notes" are Notes included in our Notes to Consolidated Financial Statements. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, all references to earnings or losses per share are on a diluted basis.*

## OVERVIEW

We are a premier U.S.-based natural resources company with an industry-leading global portfolio of mineral assets, significant oil and gas resources and a growing production profile. We are the world's largest publicly traded copper producer. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in North and South America; the Tenke Fungurume (Tenke) minerals district in the Democratic Republic of Congo (DRC) in Africa; and significant oil and natural gas assets in the U.S., including reserves in the Deepwater Gulf of Mexico (GOM), onshore and offshore California, in the Haynesville shale play in Louisiana, in the Madden area in central Wyoming, and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend in the shallow waters of the GOM and onshore in South Louisiana.

In November 2014, we completed the sale of our 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations and supporting infrastructure (Candelaria/Ojos) to Lundin Mining Corporation (Lundin) for \$1.8 billion in cash and contingent consideration of up to \$0.2 billion. Excluding contingent consideration, after-tax net proceeds from the transaction approximated \$1.5 billion. Refer to Note 13 for further discussion.

As further discussed in Note 2, we completed the sale of our Eagle Ford shale assets for \$3.1 billion (before closing adjustments) in June 2014, and acquired additional interests in the Deepwater GOM totaling \$1.4 billion. Refer to "Operations - Oil and Gas" for further discussion.

Our results for third-quarter 2014, compared with third-quarter 2013, reflect lower oil volumes and price realizations for copper, gold and oil, partly offset by higher copper and gold sales volumes. Our results for the first nine months of 2014, compared with the first nine months of 2013, reflect lower copper volumes and price realizations for copper and gold, partly offset by higher gold sales volumes and a full nine months of results from FCX Oil & Gas Inc. (FM O&G). The third quarter and first nine months of 2014 were also impacted by a ceiling-test impairment charge for our oil and gas properties pursuant to full cost accounting rules (refer to Note 1), which was partly offset by net noncash mark-to-market gains on oil and gas derivative contracts. Refer to "Consolidated Results" for further discussion of our consolidated financial results for the three - and nine -month periods ended September 30, 2014 and 2013.

At September 30, 2014, we had \$0.7 billion in consolidated cash and cash equivalents and \$19.7 billion in total debt. During third-quarter 2014, we redeemed \$1.7 billion aggregate principal amount of senior notes with an average interest rate of 6.6 percent. Additionally, on October 15, 2014, we redeemed the \$400 million aggregate principal amount of our 8.625% Senior Notes. We continue to target significant reductions in debt by the end of 2016 using cash flows generated above capital expenditures and other cash requirements and potentially, net proceeds from asset sales. Refer to Note 6 and "Capital Resources and Liquidity" for further discussion.

## OUTLOOK

We view the long-term outlook for our business positively, supported by limitations on supplies of copper and oil and by the requirements for copper and oil in the world's economy. Our financial results vary as a result of fluctuations in market prices primarily for copper, gold, molybdenum and oil, as well as other factors. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs for our mining operations, cash production costs per barrel of oil equivalent (BOE) for our oil and gas operations and operating cash flow. The outlook for each of these measures follows.

**Sales Volumes.** Following are our projected consolidated sales volumes for the year 2014 :

**Copper** (millions of recoverable pounds):

|                            |                    |
|----------------------------|--------------------|
| North America copper mines | 1,670              |
| South America mining       | 1,090 <sup>a</sup> |
| Indonesia mining           | 710                |
| Africa mining              | 445                |
|                            | <u>3,915</u>       |

**Gold** (thousands of recoverable ounces):

|                                |                 |
|--------------------------------|-----------------|
| Indonesia mining               | 1,150           |
| North and South America mining | 70 <sup>a</sup> |
|                                | <u>1,220</u>    |

**Molybdenum** (millions of recoverable pounds)

|  |                        |
|--|------------------------|
|  | <u>95 <sup>b</sup></u> |
|--|------------------------|

**Oil Equivalents** (million BOE, or MMBOE)

|  |             |
|--|-------------|
|  | <u>56.2</u> |
|--|-------------|

- Excludes estimated fourth-quarter 2014 production from the Candelaria and Ojos del Salado mines (totaling 80 million pounds of copper and 25 thousand ounces of gold).
- Projected molybdenum sales include 50 million pounds produced by our Molybdenum mines and 45 million pounds produced by our North and South America copper mines.

Consolidated sales for fourth-quarter 2014 are expected to approximate 1.0 billion pounds of copper, 350 thousand ounces of gold, 21 million pounds of molybdenum and 11.5 MMBOE. Projected sales volumes are dependent on a number of factors, including operational performance and other factors.

**Mining Unit Net Cash Costs.** Assuming average prices of \$1,250 per ounce of gold and \$10 per pound of molybdenum for fourth-quarter 2014 , and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for our copper mines are expected to average \$1.52 per pound of copper for the year 2014 . Quarterly unit net cash costs vary with fluctuations in sales volumes and average realized prices (primarily gold and molybdenum prices). The impact of price changes for fourth-quarter 2014 on consolidated unit net cash costs would approximate \$0.01 per pound for each \$50 per ounce change in the average price of gold and \$0.005 per pound for each \$2 per pound change in the average price of molybdenum. Refer to "Consolidated Results – Production and Delivery Costs" for further discussion of consolidated production and delivery costs for our mining operations.

**Oil and Gas Cash Production Costs per BOE.** Based on current sales volume and cost estimates for fourth-quarter 2014 , oil and gas cash production costs are expected to approximate \$21 per BOE for the year 2014 and \$24 per BOE for fourth-quarter 2014 . Fourth-quarter 2014 unit cost estimates reflect downtime for maintenance affecting production rates at Marlin in the Deepwater GOM. Refer to "Operations – Oil and Gas" for further discussion of oil and gas production costs.

**Consolidated Operating Cash Flow.** Our consolidated operating cash flows vary with prices realized from copper, gold, molybdenum and oil sales, our sales volumes, production costs, income taxes, other working capital changes and other factors. Based on current sales volume and cost estimates, and assuming average prices of \$3.00 per pound of copper, \$1,250 per ounce of gold, \$10 per pound of molybdenum and \$90 per barrel of Brent crude oil for fourth-quarter 2014 , consolidated operating cash flows are estimated to approximate \$5.8 billion for the year 2014 (net of \$0.4 billion of working capital uses and changes in other tax payments). Projected consolidated operating cash flows for the year 2014 also reflect estimated taxes of \$1.6 billion (refer to "Consolidated Results – Provision

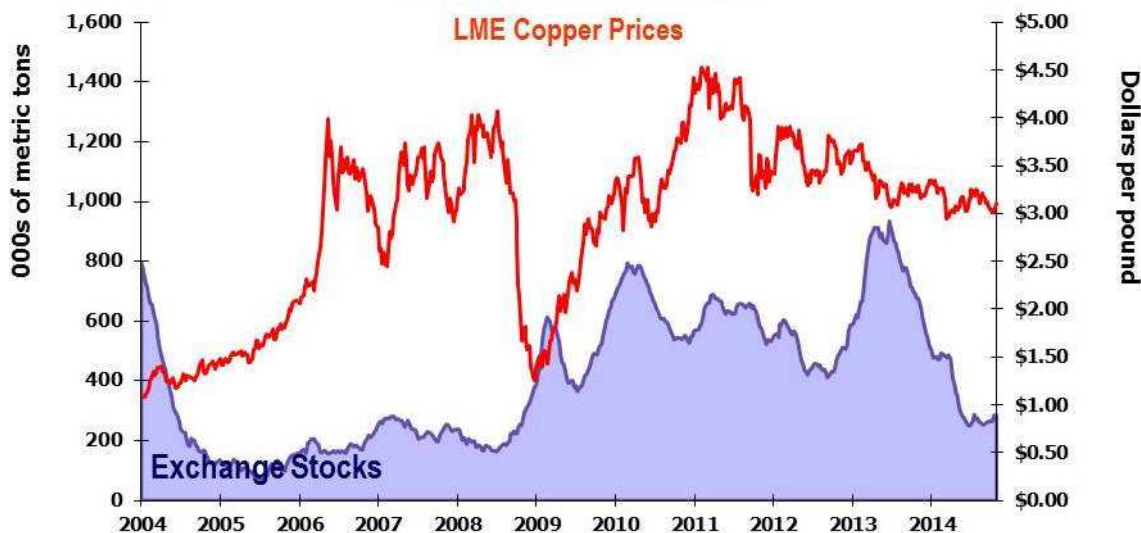
for Income Taxes” for further discussion of our projected consolidated effective annual tax rate for 2014 ). The impact of price changes during fourth-quarter 2014 on operating cash flows would approximate \$90 million for each \$0.10 per pound change in the average price of copper, \$15 million for each \$50 per ounce change in the average price of gold and \$18 million for each \$2 per pound change in the average price of molybdenum. For Brent crude oil, a \$5 per barrel increase above \$90 per barrel in fourth-quarter 2014 would improve 2014 operating cash flows by approximately \$20 million. After giving effect to derivative contracts, which provide price protection between approximately \$70 and \$90 per barrel, a \$5 per barrel decrease below \$90 per barrel in fourth-quarter 2014 would not reduce 2014 operating cash flows.

## MARKETS

Metals. World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2004 through September 2014 , the London Metal Exchange (LME) spot copper price varied from a low of \$1.06 per pound in 2004 to a record high of \$4.60 per pound in 2011, the London Bullion Market Association (London) PM gold price fluctuated from a low of \$375 per ounce in 2004 to a record high of \$1,895 per ounce in 2011, and the *Metals Week* Molybdenum Dealer Oxide weekly average price ranged from a low of \$7.35 per pound in 2004 to a record high of \$39.25 per pound in 2005. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in our “Risk Factors” contained in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2013 .

### Historical LME Copper Prices

Through October 31, 2014



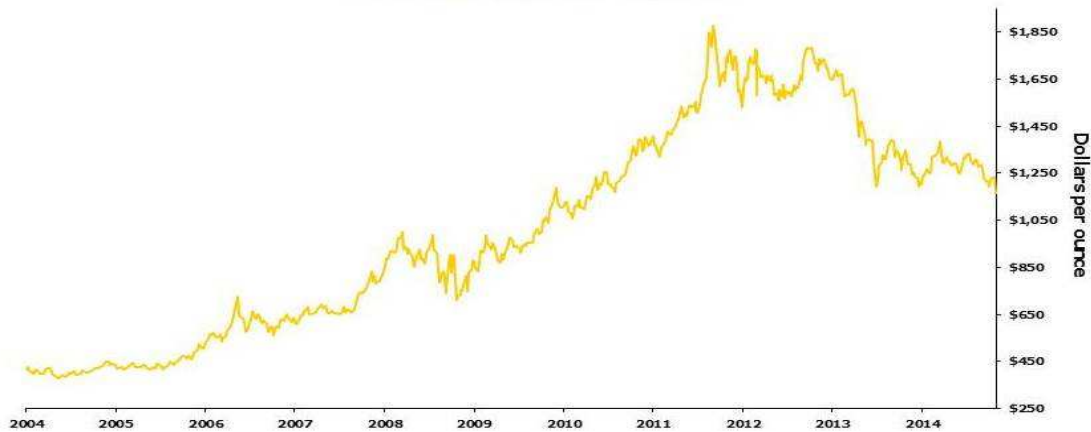
This graph presents LME spot copper prices and the combined reported stocks of copper at the LME, Commodity Exchange Inc., a division of the New York Mercantile Exchange (NYMEX), and the Shanghai Futures Exchange from January 2004 through October 2014 . From 2006 through most of 2008, limited supplies, combined with growing demand from China and other emerging economies, resulted in high copper prices and low levels of inventories. We believe current copper prices are supported by a combination of demand from developing economies and pro-growth monetary and fiscal policy decisions in Europe, China and the U.S. During the first nine months of 2014 , copper prices declined because of concerns about slowing growth rates in China and an outlook for higher near-term supplies. During third-quarter 2014 , LME spot copper prices ranged from a low of \$3.06 per pound to a high of \$3.26 per pound, averaged \$3.17 per pound, and closed at \$3.06 per pound on September 30, 2014 .

We believe the underlying long-term fundamentals of the copper business remain positive, supported by the significant role of copper in the global economy and a challenging long-term supply environment. Future copper

prices are expected to be volatile and are likely to be influenced by demand from China and emerging markets, as well as economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper and production levels of mines and copper smelters. LME spot copper prices closed at \$3.10 per pound on October 31, 2014 .

## London Gold Prices

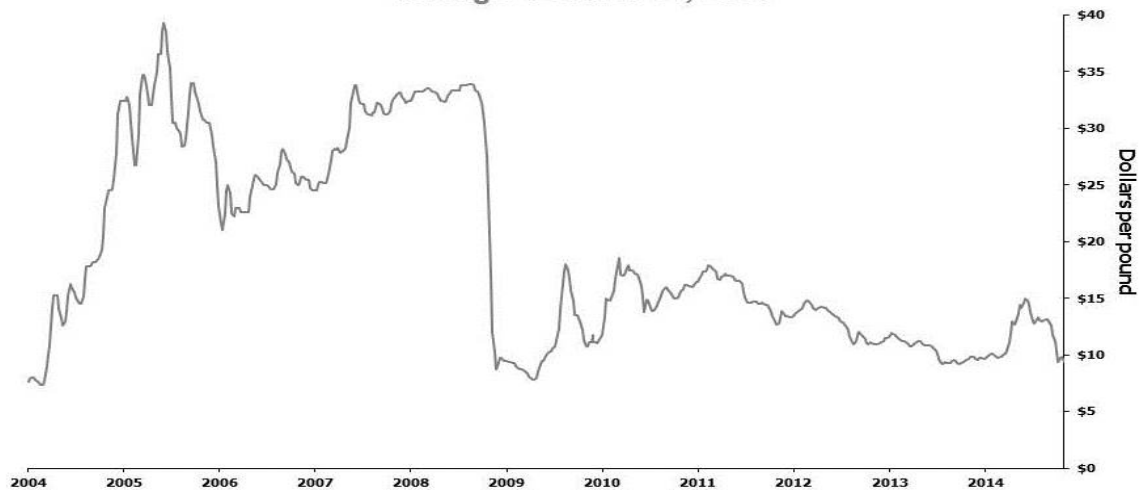
*Through October 31, 2014*



This graph presents London PM gold prices from January 2004 through October 2014 . An improving economic outlook and positive equity performance contributed to lower demand for gold in 2013 and the first nine months of 2014, resulting in generally lower prices. During third-quarter 2014 , London PM gold prices ranged from a low of \$1,214 per ounce to a high of \$1,340 per ounce, averaged \$1,282 per ounce and closed at \$1,217 per ounce on September 30, 2014 . Gold prices closed at \$1,164 per ounce on October 31, 2014 .

## Metals Week Molybdenum Dealer Oxide Prices

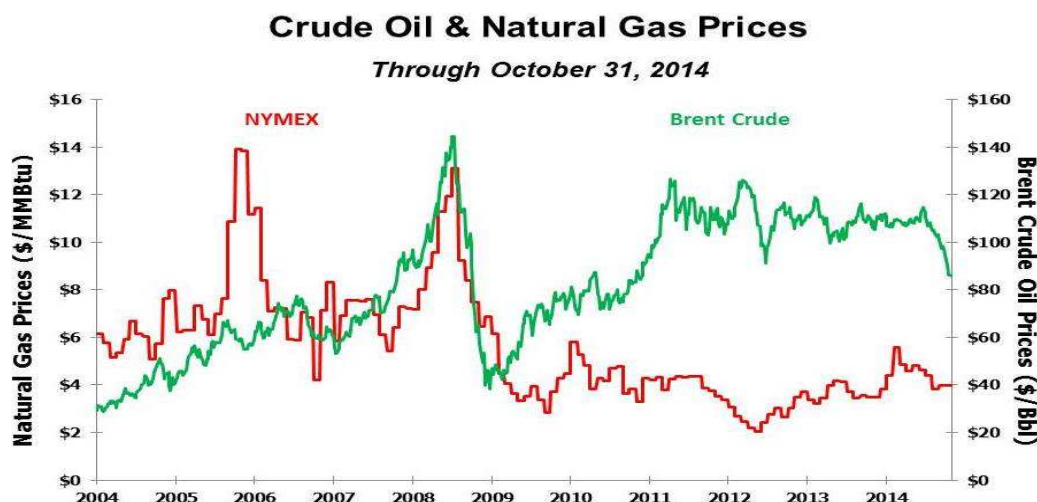
*Through October 31, 2014*



This graph presents the *Metals Week* Molybdenum Dealer Oxide weekly average prices from January 2004 through October 2014 . Molybdenum prices improved during the first nine months of 2014, resulting from improved demand in the metallurgical sector. During third-quarter 2014 , the weekly average price of molybdenum ranged from a low of \$11.21 per pound to a high of \$13.28 per pound, averaged \$12.77 per pound and was \$11.21 on September 30,

2014 . The *Metals Week* Molybdenum Dealer Oxide weekly average price was \$9.38 per pound on October 31, 2014 .

Oil and Gas. Market prices for crude oil and natural gas can fluctuate significantly. During the period from January 2004 through October 2014 , the Brent crude oil price ranged from a low of \$28.83 per barrel in 2004 to a high of \$146.08 per barrel in 2008 and the NYMEX natural gas price fluctuated from a low of \$2.04 per million British thermal units (MMBtu) in 2012 to a high of \$13.91 per MMBtu in 2005. Crude oil and natural gas prices are affected by numerous factors beyond our control as described further in our "Risk Factors" contained in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2013 .



This graph presents Brent crude oil prices and NYMEX natural gas contract prices from January 2004 through October 2014 . During third-quarter 2014 and through October 2014, oil prices have been under pressure from global oversupply primarily attributable to U.S. shale production and increased Libyan output, coupled with weak economic data in Europe and slowing Chinese demand. During third-quarter 2014 , Brent crude oil prices ranged from a low of \$94.67 per barrel to a high of \$112.29 per barrel, averaged \$103.50 per barrel and were \$94.67 per barrel on September 30, 2014 . Brent crude oil prices declined during October 2014 and were \$85.86 per barrel on October 31, 2014 .

## CONSOLIDATED RESULTS

| SUMMARY FINANCIAL DATA   | Three Months Ended                      |                           | Nine Months Ended                 |                                 |
|--|---|---------------------------|-----------------------------------|---------------------------------|
|  | September 30,                           |                           | September 30,                     |                                 |
|  | 2014                                    | 2013                      | 2014                              | 2013 <sup>a</sup>               |
|  | (in millions, except per share amounts) |                           |                                   |                                 |
| Revenues <sup>b</sup>  | \$ 5,696 <sup>c,d</sup>                 | \$ 6,165 <sup>c,d</sup>   | \$ 16,203 <sup>c,d</sup>          | \$ 15,036 <sup>c,d</sup>        |
| Operating income <sup>b</sup>                                    | \$ 1,132 <sup>c,d,e,f,g</sup>           | \$ 1,707 <sup>c,d,g</sup> | \$ 3,396 <sup>c,d,e,f,g</sup>     | \$ 3,701 <sup>c,d,g,h</sup>     |
| Net income attributable to common stockholders <sup>i</sup>      | \$ 552 <sup>c,d,e,f,g,j,k</sup>         | \$ 821 <sup>c,d,g</sup>   | \$ 1,544 <sup>c,d,e,f,g,j,k</sup> | \$ 1,951 <sup>c,d,g,h,j,l</sup> |
| Diluted net income per share attributable to common stockholders | \$ 0.53 <sup>c,d,e,f,g,j,k</sup>        | \$ 0.79 <sup>c,d,g</sup>  | \$ 1.47 <sup>c,d,e,f,g,j,k</sup>  | \$ 1.96 <sup>c,d,g,h,j,l</sup>  |
| Diluted weighted-average common shares outstanding               | 1,046                                   | 1,043                     | 1,045                             | 993                             |
| Operating cash flows <sup>m</sup>                                | \$ 1,926                                | \$ 1,878                  | \$ 4,513                          | \$ 3,743                        |
| Capital expenditures   | \$ 1,853                                | \$ 1,645                  | \$ 5,415                          | \$ 3,623                        |
| At September 30:   |   |                           |                                   |                                 |
| Cash and cash equivalents  | \$ 658                                  | \$ 2,219                  | \$ 658                            | \$ 2,219                        |
| Total debt, including current portion                            | \$ 19,737                               | \$ 21,123                 | \$ 19,737                         | \$ 21,123                       |

a. Includes the results of FM O&G beginning June 1, 2013.

b. As further detailed in Note 10, following is a summary of revenues and operating income (loss) by operating division (in millions):

|   | Three Months Ended |          | Nine Months Ended |           |
|---|--------------------|----------|-------------------|-----------|
|   | September 30,      |          | September 30,     |           |
|   | 2014               | 2013     | 2014              | 2013      |
| <u>Revenues</u>                               |                    |          |                   |           |
| North America copper mines                    | \$ 1,490           | \$ 1,301 | \$ 4,245          | \$ 3,995  |
| South America mining                          | 847                | 1,139    | 2,776             | 3,104     |
| Indonesia mining                              | 1,253              | 1,111    | 2,246             | 2,633     |
| Africa mining                                 | 428                | 420      | 1,173             | 1,223     |
| Molybdenum mines                              | 173                | 121      | 469               | 408       |
| Rod & Refining                                | 1,227              | 1,253    | 3,623             | 3,862     |
| Atlantic Copper Smelting & Refining           | 601                | 516      | 1,823             | 1,742     |
| U.S. oil & gas operations                     | 990                | 1,176    | 3,487             | 1,512     |
| Other mining, corporate, other & eliminations | (1,313)            | (872)    | (3,639)           | (3,443)   |
| Total FCX revenues                            | \$ 5,696           | \$ 6,165 | \$ 16,203         | \$ 15,036 |
| <u>Operating income (loss)</u>                |                    |          |                   |           |
| North America copper mines                    | \$ 471             | \$ 384   | \$ 1,329          | \$ 1,218  |
| South America mining                          | 273                | 558      | 1,010             | 1,372     |
| Indonesia mining                              | 434                | 404      | 385               | 634       |
| Africa mining                                 | 161                | 163      | 436               | 475       |
| Molybdenum mines                              | 62                 | 18       | 155               | 106       |
| Rod & Refining                                | 5                  | 6        | 15                | 20        |
| Atlantic Copper Smelting & Refining           | 8                  | (22)     | (5)               | (30)      |
| U.S. oil & gas operations                     | (150)              | 274      | 359               | 338       |
| Other mining, corporate, other & eliminations | (132)              | (78)     | (288)             | (432)     |
| Total FCX operating income                    | \$ 1,132           | \$ 1,707 | \$ 3,396          | \$ 3,701  |

c. Includes (unfavorable) favorable adjustments to provisionally priced concentrate and cathode sales recognized in prior periods totaling \$(22) million ( \$(10) million to net income attributable to common stockholders or \$(0.01) per share) for third-quarter 2014 , \$73 million ( \$35 million to net income attributable to common stockholders or \$0.03 per share) for third-quarter 2013 , \$(118) million ( \$(65) million to net income attributable to common stockholders or \$(0.06) per share) for the first nine months of 2014 and \$(26) million ( \$(12) million to net income attributable to common stockholders or \$(0.01) per share) for the first nine months of 2013 . Refer to "Revenues" for further discussion.

d. Includes net noncash mark-to-market gains (losses) associated with crude oil and natural gas derivative contracts totaling \$122 million ( \$76 million to net income attributable to common stockholders or \$0.07 per share) for third-quarter 2014 , \$(158) million ( \$(98) million to net income attributable to common stock or \$(0.09) per share) for third-quarter 2013 , \$130 million ( \$80 million to net income attributable to common stockholders or \$0.08 per share) for the first nine months of 2014 , and \$(194) million ( \$(120) million to net income attributable to common stock or \$(0.12) per share) for the four-month period from June 1, 2013, to September 30, 2013. Refer to "Revenues" for further discussion.

- e. Includes a charge of \$308 million ( \$192 million to net income attributable to common stockholders or \$0.18 per share) to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules.
- f. Includes a gain of \$46 million ( \$31 million to net income attributable to common stockholders or \$0.03 per share) primarily from the sale of a metals injection molding plant.
- g. Includes net credits (charges) for adjustments to environmental obligations and related litigation reserves of \$1 million ( \$1 million to net income attributable to common stockholders or less than \$0.01 per share) for third-quarter 2014 , \$22 million ( \$14 million to net income attributable to common stockholders or \$0.01 per share) for third-quarter 2013 , \$(68) million ( \$(67) million to net income attributable to common stockholders or \$(0.06) per share) for the first nine months of 2014 and \$14 million ( \$7 million to net income attributable to common stockholders or \$0.01 per share) for the first nine months of 2013 .
- h. Includes transaction and related costs totaling \$76 million ( \$47 million to net income attributable to common stock or \$0.05 per share) principally associated with oil and gas acquisitions.
- i. We defer recognizing profits on intercompany sales until final sales to third parties occur. Refer to "Operations - Smelting & Refining" for a summary of net impacts from changes in these deferrals.
- j. Includes net gains (losses) on early extinguishment of debt totaling \$58 million ( \$17 million to net income attributable to common stockholders or \$0.02 per share) in third-quarter 2014 and \$63 million ( \$21 million to net income attributable to common stockholders or \$0.02 per share) for the first nine months of 2014 related to the redemption of senior notes and \$(45) million ( \$(36) million to net income attributable to common stockholders or \$(0.04) per share) for the first nine months of 2013 related to the termination of the acquisition bridge loan facilities.
- k. Includes a tax charge of \$54 million (\$47 million net of noncontrolling interests or \$0.04 per share) related to changes in Chilean tax rules. Additionally, the first nine months of 2014 include a tax charge of \$62 million ( \$0.06 per share) associated with deferred taxes recorded in connection with the allocation of goodwill to the sale of Eagle Ford properties.
- l. Includes gains associated with the oil and gas acquisitions, including \$128 million to net income attributable to common stockholders or \$0.13 per share, related to our preferred stock investment in and the subsequent acquisition of McMoran Exploration Co., and \$183 million to net income attributable to common stockholders or \$0.18 per share, associated with net reductions in our deferred tax liabilities and deferred tax asset valuation allowances.
- m. Includes net working capital sources (uses) and changes in other tax payments of \$78 million for third-quarter 2014 , \$(294) million for third-quarter 2013 , \$(699) million for the first nine months of 2014 and \$(489) million for the first nine months of 2013 .

|   | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                   |
|---|-------------------------------------|-----------------|------------------------------------|-------------------|
|   | 2014                                | 2013            | 2014                               | 2013 <sup>a</sup> |
| <b>SUMMARY OPERATING DATA</b>                             |                                     |                 |                                    |                   |
| <b>Copper</b> (recoverable)                               |                                     |                 |                                    |                   |
| Production (millions of pounds)                           | 1,027                               | 1,063           | 2,906                              | 2,952             |
| Sales, excluding purchases (millions of pounds)           | 1,077                               | 1,041           | 2,916                              | 2,946             |
| Average realized price per pound                          | \$ 3.12                             | \$ 3.28         | \$ 3.14                            | \$ 3.31           |
| Site production and delivery costs per pound <sup>b</sup> | \$ 1.91                             | \$ 1.85         | \$ 1.92 <sup>c</sup>               | \$ 1.96           |
| Unit net cash costs per pound <sup>b</sup>                | \$ 1.34 <sup>d</sup>                | \$ 1.46         | \$ 1.52 <sup>c,d</sup>             | \$ 1.62           |
| <b>Gold</b> (recoverable)                                 |                                     |                 |                                    |                   |
| Production (thousands of ounces)                          | 449                                 | 327             | 846                                | 713               |
| Sales, excluding purchases (thousands of ounces)          | 525                                 | 305             | 871                                | 692               |
| Average realized price per ounce                          | \$ 1,220                            | \$ 1,329        | \$ 1,251                           | \$ 1,395          |
| <b>Molybdenum</b> (recoverable)                           |                                     |                 |                                    |                   |
| Production (millions of pounds)                           | 24                                  | 25              | 73                                 | 71                |
| Sales, excluding purchases (millions of pounds)           | 22                                  | 23              | 74                                 | 71                |
| Average realized price per pound                          | \$ 14.71                            | \$ 11.21        | \$ 13.01                           | \$ 12.12          |
| <b>Oil Equivalents</b>                                    |                                     |                 |                                    |                   |
| Sales volumes:  |                                     |                 |                                    |                   |
| MMBOE   | 12.5                                | 16.5            | 44.7                               | 21.5              |
| Thousand BOE (MBOE) per day                               | 136                                 | 179             | 164                                | 176               |
| Cash operating margin per BOE: <sup>e</sup>               |                                     |                 |                                    |                   |
| Realized revenues   | \$ 69.08                            | \$ 80.93        | \$ 75.04                           | \$ 79.40          |
| Cash production costs                                     | 20.93                               | 16.80           | 19.57                              | 16.76             |
| Cash operating margin                                     | <u>\$ 48.15</u>                     | <u>\$ 64.13</u> | <u>\$ 55.47</u>                    | <u>\$ 62.64</u>   |

- a. Includes the results of FM O&G beginning June 1, 2013.

- b. Reflects per pound weighted-average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines, excluding net noncash and other costs. For reconciliations of the per pound unit costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."
- c. Excludes \$0.05 per pound of copper for fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT Freeport Indonesia's (PT-FI) operating rates.
- d. Includes \$0.06 per pound of copper in third-quarter 2014 and \$0.02 per pound of copper for the first nine months of 2014 for export duties and increased royalty rates at PT-FI.
- e. Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude noncash mark-to-market adjustments on derivative contracts, and 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 our consolidated financial statements, refer to "Product Revenues and Production Costs."

## Revenues

Consolidated revenues totaled \$5.7 billion in third-quarter 2014 and \$16.2 billion for the first nine months of 2014, compared with \$6.2 billion in third-quarter 2013 and \$15.0 billion for the first nine months of 2013. Revenues included the sale of copper concentrates, copper cathodes, copper rod, gold, molybdenum, silver, cobalt hydroxide and beginning June 1, 2013, the sale of oil, natural gas and natural gas liquids (NGLs) by our oil and gas operations. Following is a summary of changes in our consolidated revenues between periods (in millions):

|  | Three Months Ended<br>September 30, | Nine Months Ended<br>September 30, |
|--|-------------------------------------|------------------------------------|
| Consolidated revenues - 2013 periods   | \$ 6,165                            | \$ 15,036                          |
| Mining operations:   |                                     |                                    |
| Higher (lower) sales volumes:  |                                     |                                    |
| Copper   | 119                                 | (100)                              |
| Gold   | 293                                 | 250                                |
| Molybdenum   | (9)                                 | 35                                 |
| (Lower) higher price realizations:   |                                     |                                    |
| Copper   | (172)                               | (496)                              |
| Gold   | (57)                                | (126)                              |
| Molybdenum   | 78                                  | 66                                 |
| Unfavorable impact of net adjustments for prior period provisionally priced copper sales | (95)                                | (92)                               |
| Lower revenues from purchased copper   | (189)                               | (324)                              |
| Oil and gas operations:  |                                     |                                    |
| Lower oil sales volumes  | (302)                               | —                                  |
| Lower oil price realizations, including realized cash losses on derivative contracts     | (136)                               | —                                  |
| Higher oil and gas revenues, including realized cash losses on derivative contracts      | —                                   | 1,651 <sup>a</sup>                 |
| Favorable impact of net noncash mark-to-market adjustments on derivative contracts       | 280                                 | 324                                |
| Other, including intercompany eliminations   | (279)                               | (21)                               |
| Consolidated revenues - 2014 periods   | \$ 5,696                            | \$ 16,203                          |

a. Represents the change in oil and gas revenues, excluding impacts from net noncash mark-to-market adjustments on derivative contracts, for the first nine months of 2014 compared to the four-month period from June 1, 2013, to September 30, 2013.

## Mining Sales Volumes

Consolidated copper sales volumes were 1.08 billion pounds in third-quarter 2014 and 2.9 billion pounds for the first nine months of 2014, compared with 1.04 billion pounds in third-quarter 2013 and 2.9 billion pounds for the first nine months of 2013. Consolidated gold sales volumes increased to 525 thousand ounces in third-quarter 2014 and 871 thousand ounces for the first nine months of 2014, compared with 305 thousand ounces in third-quarter 2013 and 692 thousand ounces for the first nine months of 2013, primarily reflecting higher ore grades at PT-FI. Consolidated molybdenum sales volumes were 22 million pounds in third-quarter 2014 and 74 million pounds for the first nine months of 2014, compared with 23 million pounds in third-quarter 2013 and 71 million pounds for the first nine months of 2013. Refer to "Operations" for further discussion of sales volumes at our mining operations.

### *Metal Price Realizations*

Our consolidated revenues can vary significantly as a result of fluctuations in the market prices of copper, gold and molybdenum. Following is a summary of our average price realizations from mining operations for the third quarters and first nine months of 2014 and 2013 :

|                        | Three Months Ended |          | Nine Months Ended |          |
|------------------------|--------------------|----------|-------------------|----------|
|                        | September 30,      |          | September 30,     |          |
|                        | 2014               | 2013     | 2014              | 2013     |
| Copper (per pound)     | \$ 3.12            | \$ 3.28  | \$ 3.14           | \$ 3.31  |
| Gold (per ounce)       | \$ 1,220           | \$ 1,329 | \$ 1,251          | \$ 1,395 |
| Molybdenum (per pound) | \$ 14.71           | \$ 11.21 | \$ 13.01          | \$ 12.12 |

Copper and gold realizations were lower in third-quarter 2014 and for the first nine months of 2014 , compared with third-quarter 2013 and the first nine months of 2013 . Realized molybdenum prices improved in third-quarter 2014 and the first nine months of 2014 , compared with third-quarter 2013 and the first nine months of 2013 . Refer to "Markets."

### *Provisionally Priced Copper Sales*

During the first nine months of 2014 , 43 percent of our mined copper was sold in concentrate, 31 percent as cathode and 26 percent as rod from our North America operations. Impacts of net adjustments for prior period provisionally priced sales primarily relate to copper sales. Substantially all of our copper concentrate and cathode sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date) based primarily on quoted LME monthly average spot copper prices. We receive market prices based on prices in the specified future period, which results in price fluctuations recorded through revenues until the date of settlement. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisionally priced concentrate and cathode sales that is adjusted to fair value through earnings each period, using the period-end forward prices, until final pricing on the date of settlement. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from adjustments to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods; in times of falling copper prices, the opposite occurs.

Following is a summary of the (unfavorable) favorable impacts of net adjustments to the prior periods' provisionally priced copper sales for the third quarters and first nine months of 2014 and 2013 (in millions, except per share amounts):

|  | Three Months Ended |         | Nine Months Ended |           |
|--|--------------------|---------|-------------------|-----------|
|  | September 30,      |         | September 30,     |           |
|  | 2014               | 2013    | 2014              | 2013      |
| Revenues   | \$ (22)            | \$ 73   | \$ (118)          | \$ (26)   |
| Net income attributable to common stockholders           | \$ (10)            | \$ 35   | \$ (65)           | \$ (12)   |
| Net income per share attributable to common stockholders | \$ (0.01)          | \$ 0.03 | \$ (0.06)         | \$ (0.01) |

At September 30, 2014 , we had provisionally priced copper sales at our copper mining operations, primarily South America and Indonesia, totaling 394 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average of \$3.03 per pound, subject to final pricing over the next several months. We estimate that each \$0.05 change in the price realized from the September 30, 2014 , provisional price recorded would have an approximate \$13 million impact on 2014 net income attributable to common stockholders. The LME spot copper price closed at \$3.10 per pound on October 31, 2014 .

### *Purchased Copper*

From time to time, we purchase copper cathode for processing by our Rod & Refining segment when production from our North America copper mines does not meet customer demand.

### *Oil and Gas Revenues*

Oil realizations of \$88.58 per barrel in third-quarter 2014 and \$93.00 per barrel for the first nine months of 2014 , were lower compared with \$104.33 per barrel for third-quarter 2013 and \$102.76 per barrel for the four-month period from June 1, 2013, to September 30, 2013, primarily reflecting lower oil prices and higher realized cash losses on derivative contracts.

Oil sales volumes were 8.6 million barrels (MMBbls) in third-quarter 2014 , 11.5 MMBbls in third-quarter 2013 , 32.1 MMBbls for the first nine months of 2014 and 14.9 MMBbls for the four-month period from June 1, 2013, to September 30, 2013. Lower oil sales volumes in third-quarter 2014 , compared with third-quarter 2013 , primarily reflected the sale of the Eagle Ford properties in June 2014.

Refer to “Operations” for further discussion of average realizations and sales volumes at our oil and gas operations.

In connection with the acquisition of Plains Exploration & Production Company (PXP), we have derivative contracts for 2014 and 2015 that consist of crude oil options and natural gas swaps. These crude oil and natural gas derivative contracts are not designated as hedging instruments; accordingly, they are recorded at fair value with the mark-to-market gains and losses recorded in revenues each period. Following is a summary of the net noncash mark-to-market gains (losses) on crude oil and natural gas derivative contracts for the third quarter s and first nine months of 2014 and 2013 (in millions, except per share amounts):

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |                   |
|--|-------------------------------------|-----------|------------------------------------|-------------------|
|  | 2014                                | 2013      | 2014                               | 2013 <sup>a</sup> |
| Revenues   | \$ 122                              | \$ (158)  | \$ 130                             | \$ (194)          |
| Net income attributable to common stockholders           | \$ 76                               | \$ (98)   | \$ 80                              | \$ (120)          |
| Net income per share attributable to common stockholders | \$ 0.07                             | \$ (0.09) | \$ 0.08                            | \$ (0.12)         |

a. Reflects the four month period from June 1, 2013, to September 30, 2013.

Refer to Note 7 for further discussion of oil and gas derivative contracts.

### Production and Delivery Costs

Consolidated production and delivery costs totaled \$3.2 billion in third-quarter 2014 and \$9.0 billion for the first nine months of 2014 , compared with \$3.3 billion in third-quarter 2013 and \$8.9 billion for the first nine months of 2013 . Higher production and delivery costs for first nine months of 2014 were primarily associated with our oil and gas operations, which included a full nine months of results for 2014 , partly offset by lower costs of cathode purchases in North America and lower costs in Indonesia associated with lower volumes.

#### Mining Unit Site Production and Delivery Costs

Consolidated unit site production and delivery costs (before net noncash and other costs) for our copper mines of \$1.91 per pound of copper in third-quarter 2014 were higher than consolidated unit site production and delivery costs of \$1.85 per pound in third-quarter 2013 , primarily reflecting the impact of lower production rates at PT-FI and lower copper sales volumes in South America, partly offset by higher copper sales volumes in North America.

Consolidated unit site production and delivery costs (before net noncash and other costs) for our copper mines of \$1.92 per pound for the first nine months of 2014 were lower than \$1.96 per pound for the first nine months of 2013 , primarily reflecting higher copper sales volumes in North America, partly offset by the impact of lower production rates at PT-FI. Additionally, consolidated unit site production and delivery costs for the first nine months of 2014 exclude fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates totaling \$0.05 per pound of copper.

Assuming achievement of current volume and cost estimates, consolidated unit site production and delivery costs are expected to average \$1.91 per pound of copper for the year 2014 . Refer to “Operations – Unit Net Cash Costs” for further discussion of unit net cash costs associated with our operating divisions and to “Product Revenues and Production Costs” for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements.

Our mining operations require significant energy, principally diesel, electricity, coal and natural gas, most of which is obtained from third parties under long-term contracts. Energy costs are expected to approximate 20 percent of our consolidated copper production costs for the year 2014 , including purchases of approximately 260 million gallons of diesel fuel; 8,000 gigawatt hours of electricity at our North America, South America and Africa copper mining operations (we generate all of our power at our Indonesia mining operation); 650 thousand metric tons of coal for our coal power plant in Indonesia; and 1 MMBtu of natural gas at certain of our North America mines.

#### *Oil and Gas Cash Production Costs per BOE*

Cash production costs for our oil and gas operations of \$20.93 per BOE in third-quarter 2014 and \$19.57 for the first nine months of 2014 , were higher than the \$16.80 per BOE in third-quarter 2013 and \$16.76 for the four months from June 1, 2013, to September 30, 2013, primarily reflecting the sale of lower cost Eagle Ford properties in June 2014 and higher operating costs in California.

Assuming achievement of current volume and cost estimates for fourth-quarter 2014 , cash production costs are expected to approximate \$21 per BOE for the year 2014 and \$24 per BOE for fourth-quarter 2014 . Fourth-quarter 2014 unit cost estimates reflect downtime for maintenance affecting production rates at Marlin in the Deepwater GOM.

Refer to "Operations" for further discussion of cash production costs at our oil and gas operations.

#### **Depreciation, Depletion and Amortization**

Depreciation will vary under the unit-of-production (UOP) method as a result of changes in sales volumes and the related UOP rates at our mining and oil and gas operations. Consolidated depreciation, depletion and amortization totaled \$0.9 billion in both the third quarters of 2014 and 2013, \$2.9 billion for the first nine months of 2014 and \$1.8 billion for the first nine months of 2013 . Higher depreciation, depletion and amortization in the first nine months of 2014 was primarily associated with a full nine months of expense for our acquired oil and gas operations in 2014, compared with the four months in 2013.

#### **Impairment of Oil and Gas Properties**

Under the full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of the oil and gas properties for impairment. At September 30, 2014, the net capitalized costs with respect to FM O&G's U.S. oil and gas properties exceeded the related ceiling, which resulted in the recognition of an impairment charge of \$308 million ( \$192 million to net income attributable to common stockholders), reflecting higher capitalized costs and the lower twelve-month average of the first-day-of-the-month historical reference oil price at September 30, 2014. Refer to Note 1 for further discussion.

#### **Selling, General and Administrative Expenses**

Consolidated selling, general and administrative expenses totaled \$158 million in both the third quarters of 2014 and 2013 , and \$457 million for both the first nine months of 2014 and 2013 . Excluding amounts for our oil and gas operations, which totaled \$171 million for the first nine months of 2014 and \$65 million for the four months from June 1, 2013, to September 30, 2013, selling, general and administrative expenses were lower in the first nine months of 2014 , primarily because of transaction costs incurred during 2013 associated with the oil and gas acquisitions. Consolidated selling, general and administrative expenses were net of capitalized general and administrative expense at our oil and gas operations totaling \$37 million in third-quarter 2014 , \$27 million in third-quarter 2013 , \$111 million for the first nine months of 2014 and \$35 million for the four months from June 1, 2013, to September 30, 2013.

#### **Mining Exploration and Research Expenses**

Consolidated exploration and research expenses for our mining operations decreased to \$29 million in third-quarter 2014 and \$93 million for the first nine months of 2014 , compared with \$57 million in third-quarter 2013 and \$173 million for the first nine months of 2013 . We are actively conducting exploration activities near our existing mines with a focus on opportunities to expand reserves and resources to support development of additional future production capacity in the large mineral districts where we currently operate. Exploration results continue to indicate opportunities for what we believe could be significant future potential reserve additions in North and South America, and in the Tenke minerals district. The drilling data in North America also continue to indicate the potential for significantly expanded sulfide production. Drilling results and exploration modeling in North America have identified large scale potential sulfide resources in the Morenci and Safford/Lone Star districts, providing a long-term pipeline for future growth in reserves and production capacity in an established minerals district.

For the year 2014 , mining exploration and research expenditures are expected to approximate \$130 million , including \$100 million for mining exploration.

Under the full cost method of accounting, exploration costs for our oil and gas operations are capitalized to oil and gas properties.

### Environmental Obligations and Shutdown Costs

Environmental obligation costs reflect net revisions to our long-term environmental obligations, which will vary from period to period because of changes to environmental laws and regulations, the settlement of environmental matters and/or circumstances affecting our operations that could result in significant changes in our estimates. Shutdown costs include care and maintenance costs and any litigation, remediation or related expenditures associated with closed facilities or operations. Net charges (credits) for environmental obligations and shutdown costs totaled \$18 million in third-quarter 2014 and \$100 million for the first nine months of 2014, compared with \$(8) million in third-quarter 2013 and \$23 million for the first nine months of 2013. Refer to "Contingencies" for further discussion of environmental obligations and litigation matters associated with closed facilities or operations.

### Net Gain on Sales of Assets

Net gain on sales of assets totaled \$46 million ( \$31 million to net income attributable to common stockholders) for the third quarter and first nine months of 2014, primarily related to the sale of a metals injection molding plant.

### Interest Expense, Net

Consolidated interest expense (excluding capitalized interest) totaled \$212 million in third-quarter 2014, \$661 million for the first nine months of 2014, \$223 million in third-quarter 2013 and \$465 million for the first nine months of 2013. Increased interest expense for the first nine months of 2014 was primarily associated with acquisition-related debt and assumed debt of PXP.

Capitalized interest is related to the level of expenditures for our development projects and average interest rates on our borrowings, and totaled \$54 million in third-quarter 2014 and \$178 million for the first nine months of 2014, compared with \$61 million in third-quarter 2013 and \$114 million for the first nine months of 2013. Refer to "Operations" and "Capital Resources and Liquidity - Investing Activities" for further discussion of current development projects.

### Net Gain (Loss) on Early Extinguishment of Debt

Net gain (loss) on early extinguishment of debt totaled \$58 million in the third quarter and \$63 million for the first nine months of 2014, primarily related to the redemption of senior notes and \$(45) million for the first nine months of 2013 related to the termination of the bridge loan facilities for the oil and gas acquisitions.

### Gain on Investment in McMoRan Exploration Co. (MMR)

During the first nine months of 2013, we recorded a gain totaling \$128 million related to the carrying value of our preferred stock investment in and the subsequent acquisition of MMR. Refer to Note 2 in our annual report on Form 10-K for the year ended December 31, 2013.

### Provision for Income Taxes

Following is a summary of the approximate amounts used in the calculation of our consolidated provision for income taxes for the first nine months of 2014 and 2013 (in millions, except percentages):

|   | Nine Months Ended<br>September 30, 2014 |                       |                         | Nine Months Ended<br>September 30, 2013 |                       |                                      |
|---|---|-----------------------|-------------------------|---|-----------------------|--------------------------------------|
|   | Income <sup>a</sup>                     | Effective<br>Tax Rate | Income Tax<br>Provision | Income <sup>a</sup>                     | Effective<br>Tax Rate | Income Tax<br>(Provision)<br>Benefit |
| U.S.                                    | \$ 1,165                                | 28%                   | \$ (321) <sup>b</sup>   | \$ 1,007                                | 26%                   | \$ (259)                             |
| South America                           | 1,014                                   | 40%                   | (409) <sup>c</sup>      | 1,325                                   | 36%                   | (472)                                |
| Indonesia                               | 397                                     | 42%                   | (166)                   | 622                                     | 46%                   | (289)                                |
| Africa                                  | 305                                     | 30%                   | (93)                    | 320                                     | 31%                   | (99)                                 |
| Eliminations and other                  | 143                                     | N/A                   | (14)                    | 172                                     | N/A                   | (31)                                 |
| Annualized rate adjustment <sup>d</sup> | —                                       | N/A                   | (31)                    | —                                       | N/A                   | —                                    |
|   | 3,024                                   | 34%                   | (1,034)                 | 3,446                                   | 33%                   | (1,150)                              |
| Adjustments                             | —                                       | N/A                   | —                       | —                                       | N/A                   | 183 <sup>e</sup>                     |
| Consolidated FCX                        | \$ 3,024                                | 34% <sup>f</sup>      | \$ (1,034)              | \$ 3,446                                | 28%                   | \$ (967)                             |

a. Represents income by geographic location before income taxes and equity in affiliated companies' net earnings.

b. Includes a \$62 million charge for deferred taxes recorded in connection with the allocation of goodwill to the sale of Eagle Ford properties.

- c. Includes a \$54 million charge related to changes in Chilean tax rules.
- d. In accordance with applicable accounting rules, we adjust our interim provision for income taxes equal to our estimated annualized tax rate.
- e. Reflects net reductions in our deferred tax liabilities and deferred tax asset valuation allowances resulting from the oil and gas acquisitions.
- f. Our consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which we conduct operations. Accordingly, variations in the relative proportions of jurisdictional income result in fluctuations to our consolidated effective income tax rate. Assuming average prices of \$3.00 per pound for copper, \$1,250 per ounce for gold, \$10 per pound for molybdenum and Brent crude oil of \$90 per barrel for fourth-quarter 2014 and achievement of current sales volume and cost estimates, we estimate that our consolidated effective tax rate will approximate 34 percent for the year 2014 .

## OPERATIONS

### North America Copper Mines

We operate seven open-pit copper mines in North America – Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. All of the North America mining operations are wholly owned, except for Morenci. We record our 85 percent joint venture interest in Morenci using the proportionate consolidation method.

The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and solution extraction/electrowinning (SX/EW) operations. A majority of the copper produced at our North America copper mines is cast into copper rod by our Rod & Refining segment. The remainder of our North America copper sales is in the form of copper cathode or copper concentrate, a portion of which is shipped to Atlantic Copper (our wholly owned copper smelter). Molybdenum concentrate is also produced by certain of our North America copper mines.

Operating and Development Activities. We have increased production from our North America copper mines by approximately 25 percent over the past five years and continue to evaluate a number of opportunities to invest in additional production capacity following positive exploration results. Future investments will be undertaken based on the results of economic and technical feasibility studies and market conditions.

*Morenci Mill Expansion.* The mill expansion project commenced operations in May 2014 and is expected to reach full rates by year-end 2014. The project targets average incremental annual production of approximately 225 million pounds of copper (an approximate 40 percent increase from 2013) through an increase in milling rates from 50,000 metric tons of ore per day to approximately 115,000 metric tons of ore per day. During third-quarter 2014, Morenci's mill rates averaged 77,900 metric tons per day. At full rates, Morenci's copper production is expected to average over 900 million pounds per year over the next five years.

Construction of the expanded Morenci milling facility is substantially complete. Remaining items include completion of the molybdenum circuit, which would add capacity of approximately 9 million pounds of molybdenum per year, and the construction of an expanded tailings storage facility, which is expected to be completed in 2015. As of September 30, 2014 , \$1.5 billion had been incurred for this project ( \$0.5 billion during the first nine months of 2014), with approximately \$0.1 billion remaining to be incurred.

Operating Data. Following is summary operating data for the North America copper mines for the third quarters and first nine months of 2014 and 2013 :

|  | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|---------|------------------------------------|-----------|
|  | 2014                                | 2013    | 2014                               | 2013      |
| <b>Operating Data, Net of Joint Venture Interest</b> |                                     |         |                                    |           |
| <b>Copper</b> (recoverable)                          |                                     |         |                                    |           |
| Production (millions of pounds)                      | 423                                 | 354     | 1,203                              | 1,046     |
| Sales, excluding purchases (millions of pounds)      | 436                                 | 363     | 1,230                              | 1,088     |
| Average realized price per pound                     | \$ 3.17                             | \$ 3.27 | \$ 3.19                            | \$ 3.37   |
| <b>Molybdenum</b> (millions of recoverable pounds)   |                                     |         |                                    |           |
| Production <sup>a</sup>                              | 8                                   | 9       | 25                                 | 26        |
| <b>100% Operating Data</b>                           |                                     |         |                                    |           |
| <u>SX/EW operations</u>                              |                                     |         |                                    |           |
| Leach ore placed in stockpiles (metric tons per day) | 1,003,900                           | 993,100 | 1,010,600                          | 1,015,400 |
| Average copper ore grade (percent)                   | 0.25                                | 0.22    | 0.25                               | 0.22      |
| Copper production (millions of recoverable pounds)   | 244                                 | 216     | 707                                | 651       |
| <u>Mill operations</u>                               |                                     |         |                                    |           |
| Ore milled (metric tons per day)                     | 278,000                             | 247,400 | 264,500                            | 246,300   |
| Average ore grade (percent):                         |                                     |         |                                    |           |
| Copper   | 0.44                                | 0.38    | 0.43                               | 0.39      |
| Molybdenum   | 0.03                                | 0.03    | 0.03                               | 0.03      |
| Copper recovery rate (percent)                       | 87.5                                | 86.3    | 85.5                               | 84.6      |
| Copper production (millions of recoverable pounds)   | 211                                 | 163     | 581                                | 469       |

a. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which include sales of molybdenum produced at the North America copper mines.

Copper sales volumes from our North America copper mines increased to 436 million pounds in third-quarter 2014 and 1.2 billion pounds for the first nine months of 2014 , compared with 363 million pounds in third-quarter 2013 and 1.1 billion pounds for the first nine months of 2013 , reflecting higher mining and milling rates at Morenci and higher ore grades at Chino.

Copper sales from North America are expected to approximate 1.7 billion pounds for the year 2014 , compared with 1.4 billion pounds in 2013 . North America copper production is expected to continue to increase for the year 2015 as a result of higher mill rates from the Morenci expansion. Refer to "Outlook" for projected molybdenum sales volumes.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper and Molybdenum

The following tables summarize unit net cash costs and gross profit per pound at our North America copper mines for the third quarters and first nine months of 2014 and 2013. Refer to "Product Revenues and Production Costs" for an explanation of the "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

|  | Three Months Ended<br>September 30, 2014 |                   |                              | Three Months Ended<br>September 30, 2013 |                   |                              |
|--|--|-------------------|------------------------------|--|-------------------|------------------------------|
|  | By- Product<br>Method                    | Co-Product Method |                              | By- Product<br>Method                    | Co-Product Method |                              |
|  |  | Copper            | Molyb-<br>denum <sup>a</sup> |  | Copper            | Molyb-<br>denum <sup>a</sup> |
| Revenues, excluding adjustments  | \$ 3.17                                  | \$ 3.17           | \$ 13.55                     | \$ 3.27                                  | \$ 3.27           | \$ 10.24                     |
| Site production and delivery, before net noncash and other costs shown below | 1.83                                     | 1.79              | 3.17                         | 2.00                                     | 1.94              | 4.01                         |
| By-product credits   | (0.26)                                   | —                 | —                            | (0.24)                                   | —                 | —                            |
| Treatment charges  | 0.11                                     | 0.11              | —                            | 0.10                                     | 0.09              | —                            |
| Unit net cash costs  | 1.68                                     | 1.90              | 3.17                         | 1.86                                     | 2.03              | 4.01                         |
| Depreciation, depletion and amortization                                     | 0.30                                     | 0.30              | 0.17                         | 0.27                                     | 0.27              | 0.24                         |
| Noncash and other costs, net   | 0.11                                     | 0.10              | 0.03                         | 0.08                                     | 0.07              | 0.03                         |
| Total unit costs   | 2.09                                     | 2.30              | 3.37                         | 2.21                                     | 2.37              | 4.28                         |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.02)                                   | (0.02)            | —                            | 0.02                                     | 0.02              | —                            |
| Gross profit per pound   | <u>\$ 1.06</u>                           | <u>\$ 0.85</u>    | <u>\$ 10.18</u>              | <u>\$ 1.08</u>                           | <u>\$ 0.92</u>    | <u>\$ 5.96</u>               |
| Copper sales (millions of recoverable pounds)                                | 434                                      | 434               |                              | 362                                      | 362               |                              |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup>               |  |                   | 8                            |  |                   | 9                            |

|  | Nine Months Ended<br>September 30, 2014 |                   |                              | Nine Months Ended<br>September 30, 2013 |                   |                              |
|--|---|-------------------|------------------------------|---|-------------------|------------------------------|
|  | By- Product<br>Method                   | Co-Product Method |                              | By- Product<br>Method                   | Co-Product Method |                              |
|  |   | Copper            | Molyb-<br>denum <sup>a</sup> |   | Copper            | Molyb-<br>denum <sup>a</sup> |
| Revenues, excluding adjustments  | \$ 3.19                                 | \$ 3.19           | \$ 11.93                     | \$ 3.37                                 | \$ 3.37           | \$ 11.03                     |
| Site production and delivery, before net noncash and other costs shown below | 1.86                                    | 1.83              | 2.75                         | 2.03                                    | 1.97              | 3.99                         |
| By-product credits   | (0.25)                                  | —                 | —                            | (0.25)                                  | —                 | —                            |
| Treatment charges  | 0.11                                    | 0.11              | —                            | 0.10                                    | 0.10              | —                            |
| Unit net cash costs  | 1.72                                    | 1.94              | 2.75                         | 1.88                                    | 2.07              | 3.99                         |
| Depreciation, depletion and amortization                                     | 0.29                                    | 0.29              | 0.15                         | 0.28                                    | 0.27              | 0.25                         |
| Noncash and other costs, net   | 0.09                                    | 0.08              | 0.03                         | 0.08                                    | 0.08              | 0.03                         |
| Total unit costs   | 2.10                                    | 2.31              | 2.93                         | 2.24                                    | 2.42              | 4.27                         |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.01)                                  | (0.01)            | —                            | —                                       | —                 | —                            |
| Gross profit per pound   | <u>\$ 1.08</u>                          | <u>\$ 0.87</u>    | <u>\$ 9.00</u>               | <u>\$ 1.13</u>                          | <u>\$ 0.95</u>    | <u>\$ 6.76</u>               |
| Copper sales (millions of recoverable pounds)                                | 1,224                                   | 1,224             |                              | 1,084                                   | 1,084             |                              |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup>               |   |                   | 25                           |   |                   | 26                           |

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

Our North America copper mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. Average unit net cash costs (net of by-product credits) of \$1.68 per pound of copper in third-quarter 2014 and \$1.72 per pound for the first nine months of 2014 were lower than unit net cash costs of \$1.86 per pound in third-quarter 2013 and \$1.88 per pound for the first nine months of 2013 , primarily reflecting higher copper sales volumes.

Because certain assets are depreciated on a straight-line basis, North America's average unit depreciation rate may vary with asset additions and the level of copper production and sales.

Assuming achievement of current sales volume and cost estimates, and an average price of \$10 per pound of molybdenum for fourth-quarter 2014 , average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate \$1.73 per pound of copper for the year 2014 , compared with \$1.87 per pound in 2013 . North America's unit net cash costs for fourth-quarter 2014 would change by approximately \$0.007 per pound for each \$2 per pound change in the average price of molybdenum.

### **South America Mining**

We operate four copper mines in South America – Cerro Verde in Peru and El Abra, Candelaria and Ojos del Salado in Chile. We own a 53.56 percent interest in Cerro Verde, a 51 percent interest in El Abra, and an 80 percent interest in the Candelaria and Ojos del Salado mining complex. All operations in South America are consolidated in our financial statements.

South America mining includes open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. Production from our South America mines is sold as copper concentrate or copper cathode under long-term contracts. Our South America mines ship a portion of their copper concentrate inventories to Atlantic Copper. In addition to copper, the Candelaria and Ojos del Salado mines produce gold and silver, and the Cerro Verde mine produces molybdenum concentrates.

**Sale Transaction.** In November 2014, we completed the sale of our 80 percent ownership interests in Candelaria/Ojos to Lundin for \$1.8 billion in cash and contingent consideration of up to \$0.2 billion. Contingent consideration is calculated as five percent of net copper revenues in any annual period over the next five years when the average copper price exceeds \$4.00 per pound. Excluding contingent consideration, we estimate after-tax net proceeds from the transaction of approximately \$1.5 billion.

As of December 31, 2013, we estimated that Candelaria and Ojos del Salado had consolidated recoverable proven and probable reserves totaling 4.0 billion pounds of copper and 1.1 million ounces of gold, determined using a long-term average price of \$2.00 per pound for copper and \$1,000 per ounce for gold. Consolidated production for the first nine months of 2014 totaled 246 million pounds of copper and 62 thousand ounces of gold.

The transaction has an effective date of June 30, 2014. We expect to record an after-tax net gain of approximately \$450 million related to the transaction. Refer to Note 13 for further discussion.

### **Development Activities.**

**Cerro Verde Expansion.** Construction activities associated with a large-scale expansion at Cerro Verde are in progress. Detailed engineering and major procurement activities are complete and construction progress is approaching 40 percent completion. The project will expand the concentrator facilities from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day and provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016. As of September 30, 2014 , \$2.7 billion had been incurred for this project ( \$1.2 billion during the first nine months of 2014), with approximately \$1.9 billion remaining to be incurred.

**El Abra Sulfide.** We continue 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 be dependent on technical studies, economic factors and global copper market conditions.

Operating Data. Following is summary operating data for our South America mining operations for the third quarters and first nine months of 2014 and 2013 :

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2014                                | 2013     | 2014                               | 2013     |
| <b>Copper</b> (recoverable)                          |                                     |          |                                    |          |
| Production (millions of pounds)                      | 284                                 | 347      | 898                                | 944      |
| Sales (millions of pounds)                           | 271                                 | 323      | 888                                | 923      |
| Average realized price per pound                     | \$ 3.10                             | \$ 3.30  | \$ 3.12                            | \$ 3.30  |
| <b>Gold</b> (recoverable)                            |                                     |          |                                    |          |
| Production (thousands of ounces)                     | 20                                  | 30       | 62                                 | 70       |
| Sales (thousands of ounces)                          | 16                                  | 26       | 59                                 | 68       |
| Average realized price per ounce                     | \$ 1,234                            | \$ 1,335 | \$ 1,280                           | \$ 1,415 |
| <b>Molybdenum</b> (millions of recoverable pounds)   |                                     |          |                                    |          |
| Production <sup>a</sup>                              | 3                                   | 4        | 8                                  | 8        |
| <u>SX/EW operations</u>                              |                                     |          |                                    |          |
| Leach ore placed in stockpiles (metric tons per day) | 269,600                             | 287,500  | 279,300                            | 276,600  |
| Average copper ore grade (percent)                   | 0.50                                | 0.48     | 0.50                               | 0.49     |
| Copper production (millions of recoverable pounds)   | 122                                 | 110      | 370                                | 329      |
| <u>Mill operations</u>                               |                                     |          |                                    |          |
| Ore milled (metric tons per day)                     | 192,100                             | 189,900  | 187,700                            | 191,000  |
| Average ore grade:                                   |                                     |          |                                    |          |
| Copper (percent)                                     | 0.50                                | 0.71     | 0.55                               | 0.62     |
| Gold (grams per metric ton)                          | 0.09                                | 0.14     | 0.10                               | 0.11     |
| Molybdenum (percent)                                 | 0.02                                | 0.03     | 0.02                               | 0.02     |
| Copper recovery rate (percent)                       | 86.9                                | 90.5     | 88.6                               | 90.4     |
| Copper production (millions of recoverable pounds)   | 162                                 | 237      | 528                                | 615      |

a. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which include sales of molybdenum produced at Cerro Verde.

Consolidated copper sales volumes from South America of 271 million pounds in third-quarter 2014 and 888 million pounds for the first nine months of 2014 were lower than third-quarter 2013 sales of 323 million pounds and 923 million pounds for the first nine months of 2013 , primarily reflecting anticipated lower ore grades at Candelaria and Cerro Verde.

Sales from South America mining are expected to approximate 1.1 billion pounds of copper for the year 2014 and exclude estimated fourth-quarter 2014 production from the Candelaria and Ojos del Salado mines (totaling approximately 80 million pounds of copper) because of the pending sale transaction. Refer to "Outlook" for projected gold and molybdenum sales volumes.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper

The following tables summarize unit net cash costs and gross profit per pound of copper at the South America mining operations for the third quarters and first nine months of 2014 and 2013 . Unit net cash costs per pound of copper are reflected under the by-product and co-product methods as the South America mining operations also had small amounts of molybdenum, gold and silver sales. Refer to “Product Revenues and Production Costs” for an explanation of the “by-product” and “co-product” methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

|  | Three Months Ended<br>September 30, 2014 |                      | Three Months Ended<br>September 30, 2013 |                      |
|--|--|----------------------|--|----------------------|
|  | By-Product<br>Method                     | Co-Product<br>Method | By-Product<br>Method                     | Co-Product<br>Method |
| Revenues, excluding adjustments  | \$ 3.10                                  | \$ 3.10              | \$ 3.30                                  | \$ 3.30              |
| Site production and delivery, before net noncash and other costs shown below | 1.67                                     | 1.53                 | 1.49                                     | 1.40                 |
| By-product credits   | (0.23)                                   | —                    | (0.22)                                   | —                    |
| Treatment charges  | 0.16                                     | 0.16                 | 0.16                                     | 0.16                 |
| Unit net cash costs  | 1.60                                     | 1.69                 | 1.43                                     | 1.56                 |
| Depreciation, depletion and amortization                                     | 0.37                                     | 0.35                 | 0.26                                     | 0.25                 |
| Noncash and other costs, net   | 0.07                                     | 0.07                 | 0.05                                     | 0.02                 |
| Total unit costs   | 2.04                                     | 2.11                 | 1.74                                     | 1.83                 |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.06)                                   | (0.06)               | 0.15                                     | 0.15                 |
| Gross profit per pound   | \$ 1.00                                  | \$ 0.93              | \$ 1.71                                  | \$ 1.62              |
| Copper sales (millions of recoverable pounds)                                | 271                                      | 271                  | 323                                      | 323                  |

|  | Nine Months Ended<br>September 30, 2014 |                      | Nine Months Ended<br>September 30, 2013 |                      |
|--|---|----------------------|---|----------------------|
|  | By-Product<br>Method                    | Co-Product<br>Method | By-Product<br>Method                    | Co-Product<br>Method |
| Revenues, excluding adjustments  | \$ 3.12                                 | \$ 3.12              | \$ 3.30                                 | \$ 3.30              |
| Site production and delivery, before net noncash and other costs shown below | 1.61                                    | 1.48                 | 1.57                                    | 1.46                 |
| By-product credits   | (0.24)                                  | —                    | (0.25)                                  | —                    |
| Treatment charges  | 0.17                                    | 0.17                 | 0.17                                    | 0.17                 |
| Unit net cash costs  | 1.54                                    | 1.65                 | 1.49                                    | 1.63                 |
| Depreciation, depletion and amortization                                     | 0.32                                    | 0.30                 | 0.26                                    | 0.24                 |
| Noncash and other costs, net   | 0.06                                    | 0.08                 | 0.04                                    | 0.01                 |
| Total unit costs   | 1.92                                    | 2.03                 | 1.79                                    | 1.88                 |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.07)                                  | (0.07)               | (0.04)                                  | (0.04)               |
| Gross profit per pound   | \$ 1.13                                 | \$ 1.02              | \$ 1.47                                 | \$ 1.38              |
| Copper sales (millions of recoverable pounds)                                | 888                                     | 888                  | 923                                     | 923                  |

Our South America mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. Average unit net cash costs (net of by-product credits) of \$1.60 per pound of copper in third-quarter 2014 and \$1.54 per pound for the first nine months of 2014 , were higher than unit net cash costs of \$1.43 per pound in third-quarter 2013 and \$1.49 per pound for the first nine months of 2013 , primarily reflecting lower sales volumes.

Because certain assets are depreciated on a straight-line basis, South America's unit depreciation rate may vary with asset additions and the level of copper production and sales.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods. Refer to “Consolidated Results - Revenues” for further discussion of adjustments to prior period provisionally priced copper sales.

Assuming achievement of current sales volume and cost estimates, and average prices of \$1,250 per ounce of gold and \$10 per pound of molybdenum for fourth-quarter 2014, we estimate that average unit net cash costs (net of by-product credits) for our South America mining operations would approximate \$1.56 per pound of copper for the year 2014, compared with \$1.43 per pound in 2013.

### **Indonesia Mining**

Indonesia mining includes PT-FI's Grasberg minerals district. We own 90.64 percent of PT-FI, including 9.36 percent owned through our wholly owned subsidiary, PT Indocopper Investama.

PT-FI operates a proportionately consolidated joint venture, which produces copper concentrates that contain significant quantities of gold and silver. Substantially all of PT-FI's copper concentrates are sold under long-term contracts, of which approximately one-half is sold to Atlantic Copper and PT Smelting and the remainder to third-party customers.

We have established certain unincorporated joint ventures with Rio Tinto plc (Rio Tinto), under which Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver. Refer to Note 3 in our annual report on Form 10-K for the year ended December 31, 2013, for discussion of our joint ventures with Rio Tinto.

Refer to "Risk Factors" contained in Part II, Item 1A of this quarterly report and in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2013, for discussions of risks associated with operations in Indonesia.

**Regulatory Matters.** On July 25, 2014, PT-FI entered into a Memorandum of Understanding (MOU) with the Indonesian government under which PT-FI and the government agreed to negotiate an amended Contract of Work (COW) to address provisions related to the size of PT-FI's concession area, royalties and taxes, domestic processing and refining, divestment, local content, and continuation of operations post-2021. Execution of the MOU enabled the resumption of concentrate exports in August 2014, which had been suspended since January 2014. In addition, PT-FI is required to apply for renewal of export permits at six-month intervals, with the next renewal date in January 2015.

Under the MOU, provisions to be addressed in the negotiation of an amended COW include provisions for the development of new copper smelting and refining capacity in Indonesia, provisions for divestment to the Indonesian government and/or Indonesian nationals of up to a 30 percent interest (an additional 20.64 percent interest) in PT-FI at fair value, and continuation of operations from 2022 through 2041. The MOU provides that negotiations for an amended COW will take into consideration PT-FI's need for assurance of legal and fiscal terms post-2021 for PT-FI to continue with its large-scale investment program for the development of its underground reserves. The revisions to the COW are expected to result in additional costs for our Indonesian operations. PT-FI is engaged in discussions with the Indonesian government regarding an amended COW.

Effective with the signing of the MOU, PT-FI provided a \$115 million assurance bond to support its commitment for smelter development, agreed to increase royalties to 4.0 percent for copper and 3.75 percent for gold from the previous rates of 3.5 percent for copper and 1.0 percent for gold, and to pay export duties set forth in a new regulation. The Indonesian government revised its January 2014 regulations regarding export duties to incorporate reduced rates for copper concentrate exports for companies engaged in smelter development. The revised regulations provide for duties on copper concentrate exports during smelter development initially at 7.5 percent, declining to 5.0 percent when development progress exceeds 7.5 percent and is eliminated when development progress exceeds 30 percent. During third-quarter 2014, PT-FI paid export duties of \$42 million and increased royalties of \$20 million.

Under the MOU, no terms of the COW other than those relating to the export duties, the smelter bond and royalties described above will be changed until the completion of an amended COW.

**Operating and Development Activities.** We have several projects in progress in the Grasberg minerals district related to the development of the large-scale, long-lived, high-grade underground ore bodies. In aggregate, these underground ore bodies are expected to ramp up over several years to process approximately 240,000 metric tons of ore per day following the transition from the Grasberg open pit, currently anticipated to occur in 2017. Development of the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines is advancing to enable DMLZ to commence production in 2015 and the Grasberg Block Cave mine to commence production in

2017. Over the next five years, estimated aggregate capital spending on these projects is currently expected to average \$0.9 billion per year (\$0.7 billion per year net to PT-FI). Considering the long-term nature and large size of these projects, actual costs could vary from these estimates. Additionally, PT-FI may reduce or defer these activities pending resolution of negotiations for an amended COW.

The following provides additional information on the continued development of the Common Infrastructure project, the Grasberg Block Cave underground mine and development of the DMLZ ore body that lies below the Deep Ore Zone (DOZ) underground mine.

*Common Infrastructure and Grasberg Block Cave Mine.* In 2004, PT-FI commenced its Common Infrastructure project to provide access to its large undeveloped underground ore bodies located in the Grasberg minerals district through a tunnel system located approximately 400 meters deeper than its existing underground tunnel system. In addition to providing access to our underground ore bodies, the tunnel system will enable PT-FI to conduct future exploration in prospective areas associated with currently identified ore bodies. The tunnel system was completed to the Big Gossan terminal, and the Big Gossan mine was brought into production in 2010. Development of the DMLZ and Grasberg Block Cave underground mines is advancing using the Common Infrastructure project tunnels as access.

The Grasberg Block Cave underground mine accounts for more than 40 percent of our recoverable proven and probable reserves in Indonesia. Production at the Grasberg Block Cave mine is expected to commence in 2017, at the end of mining the Grasberg open pit. Targeted production rates once the Grasberg Block Cave mining operation reaches full capacity are expected to approximate 160,000 metric tons of ore per day.

Aggregate mine development capital for the Grasberg Block Cave mine and associated Common Infrastructure is expected to approximate \$5.2 billion (incurred between 2008 and 2021), with PT-FI's share totaling approximately \$4.6 billion . Aggregate project costs totaling \$1.7 billion have been incurred through September 30, 2014 ( \$0.3 billion during the first nine months of 2014 ).

*DMLZ.* The DMLZ ore body lies below the DOZ mine at the 2,590-meter elevation and represents the downward continuation of mineralization in the Ertzberg East Skarn system and neighboring Ertzberg porphyry. We plan to mine the ore body using a block-cave method with production beginning in 2015. Targeted production rates once the DMLZ mining operation reaches full capacity are expected to approximate 80,000 metric tons of ore per day. Drilling efforts continue to determine the extent of this ore body. Aggregate mine development capital costs for the DMLZ mine are expected to approximate \$2.6 billion (incurred between 2009 and 2020), with PT-FI's share totaling approximately \$1.5 billion . Aggregate project costs totaling \$1.1 billion have been incurred through September 30, 2014 ( \$0.2 billion during the first nine months of 2014 ).

Operating Data. Following is summary operating data for our Indonesia mining operations for the third quarters and first nine months of 2014 and 2013 :

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2014                                | 2013     | 2014                               | 2013     |
| <b>Operating Data, Net of Joint Venture Interest</b> |                                     |          |                                    |          |
| <b>Copper</b> (recoverable)                          |                                     |          |                                    |          |
| Production (millions of pounds)                      | 203                                 | 253      | 465                                | 611      |
| Sales (millions of pounds)                           | 258                                 | 237      | 484                                | 593      |
| Average realized price per pound                     | \$ 3.05                             | \$ 3.30  | \$ 3.09                            | \$ 3.27  |
| <b>Gold</b> (recoverable)                            |                                     |          |                                    |          |
| Production (thousands of ounces)                     | 426                                 | 297      | 776                                | 640      |
| Sales (thousands of ounces)                          | 505                                 | 278      | 802                                | 620      |
| Average realized price per ounce                     | \$ 1,219                            | \$ 1,330 | \$ 1,248                           | \$ 1,393 |
| <b>100% Operating Data</b>                           |                                     |          |                                    |          |
| Ore milled (metric tons per day): <sup>a</sup>       |                                     |          |                                    |          |
| Grasberg open pit                                    | 78,100                              | 149,000  | 64,900                             | 122,700  |
| DOZ underground mine <sup>b</sup>                    | 57,600                              | 47,600   | 52,800                             | 45,900   |
| Big Gossan underground mine <sup>c</sup>             | —                                   | 1,600    | 1,200                              | 2,000    |
| Total  | 135,700                             | 198,200  | 118,900                            | 170,600  |
| Average ore grades:                                  |                                     |          |                                    |          |
| Copper (percent)                                     | 0.88                                | 0.74     | 0.78                               | 0.71     |
| Gold (grams per metric ton)                          | 1.28                                | 0.65     | 0.94                               | 0.57     |
| Recovery rates (percent):                            |                                     |          |                                    |          |
| Copper   | 91.4                                | 89.7     | 89.9                               | 89.1     |
| Gold   | 84.6                                | 80.3     | 81.5                               | 76.3     |
| Production (recoverable):                            |                                     |          |                                    |          |
| Copper (millions of pounds)                          | 207                                 | 253      | 476                                | 611      |
| Gold (thousands of ounces)                           | 426                                 | 297      | 777                                | 640      |

a. Amounts represent the approximate average daily throughput processed at PT-FI's mill facilities from each producing mine.

b. Production from the DOZ underground mine is expected to ramp up to the design rate of 80,000 metric tons of ore per day in third-quarter 2015.

c. Production from the Big Gossan underground mine is expected to ramp up to 7,000 metric tons of ore per day in 2017.

Indonesia's sales volumes increased to 258 million pounds of copper and 505 thousand ounces of gold for third-quarter 2014 , compared with 237 million pounds of copper and 278 thousand ounces of gold for third-quarter 2013 , primarily reflecting higher ore grades. Indonesia's sales volumes totaled 484 million pounds of copper and 802 thousand ounces of gold for the first nine months of 2014 , compared with 593 million pounds of copper and 620 thousand ounces of gold for the first nine months of 2013 , reflecting lower mill throughput resulting from the export ban, offset by higher gold ore grades.

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 our Indonesia mining operations are expected to approximate 0.7 billion pounds of copper and 1.15 million ounces of gold for 2014 , compared with 0.9 billion pounds of copper and 1.1 million ounces of gold in 2013 . Sales from Indonesia mining are expected to increase through 2016 as PT-FI gains access to higher grade ore.

On September 27, 2014, four Grasberg workers were fatally injured when a haul truck collided with a light vehicle near the Grasberg open-pit operations. Operations in the Grasberg open pit were temporarily suspended in order to complete internal and government investigations regarding the accident. On October 13, 2014, Indonesian authorities approved the resumption of operations after issuing recommendations on traffic control procedures that have been implemented by PT-FI. Workforce attendance in several operating areas reflect normal levels. However, a large percentage of Grasberg open-pit operators have not reported to their scheduled shifts resulting in reduced production from the open pit during October. These actions conflict with agreed policies and processes in the Collective Labor Agreement (CLA), and PT-FI is working with union leadership regarding this work stoppage to

resume normal operations as soon as possible.

On October 27, 2014, PT-FI received notice from union leadership indicating its intention to conduct a 30-day strike beginning on November 6, 2014. Following constructive dialogue between PT-FI and union leadership, union leadership advised PT-FI on October 31, 2014, that all strike actions had been canceled.

**Unit Net Cash Costs.** Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

#### Gross Profit per Pound of Copper and per Ounce of Gold

The following tables summarize the unit net cash costs and gross profit per pound of copper and per ounce of gold at our Indonesia mining operations for the third quarters and first nine months of 2014 and 2013. Refer to "Production Revenues and Production Costs" for an explanation of "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

|  | Three Months Ended<br>September 30, 2014 |                   |          | Three Months Ended<br>September 30, 2013 |                   |          |
|--|--|-------------------|----------|--|-------------------|----------|
|  | By-Product<br>Method                     | Co-Product Method |          | By-Product<br>Method                     | Co-Product Method |          |
|  |  | Copper            | Gold     |  | Copper            | Gold     |
| Revenues, excluding adjustments  | \$ 3.05                                  | \$ 3.05           | \$ 1,219 | \$ 3.30                                  | \$ 3.30           | \$ 1,330 |
| Site production and delivery, before net noncash and other costs shown below | 2.42                                     | 1.34              | 537      | 2.30                                     | 1.54              | 621      |
| Gold and silver credits  | (2.44)                                   | —                 | —        | (1.65)                                   | —                 | —        |
| Treatment charges  | 0.25                                     | 0.14              | 56       | 0.23                                     | 0.15              | 62       |
| Export duties  | 0.16                                     | 0.09              | 36       | —  | —                 | —        |
| Royalty on metals  | 0.21 <sup>a</sup>                        | 0.12              | 45       | 0.11                                     | 0.08              | 31       |
| Unit net cash costs  | 0.60                                     | 1.69              | 674      | 0.99                                     | 1.77              | 714      |
| Depreciation and amortization  | 0.35                                     | 0.20              | 79       | 0.25                                     | 0.17              | 68       |
| Noncash and other costs, net   | 0.11                                     | 0.06              | 24       | 0.15                                     | 0.10              | 40       |
| Total unit costs   | 1.06                                     | 1.95              | 777      | 1.39                                     | 2.04              | 822      |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.01)                                   | (0.01)            | (1)      | 0.08                                     | 0.08              | 17       |
| PT Smelting intercompany loss  | (0.19)                                   | (0.10)            | (42)     | (0.15)                                   | (0.10)            | (41)     |
| Gross profit per pound/ounce   | \$ 1.79                                  | \$ 0.99           | \$ 399   | \$ 1.84                                  | \$ 1.24           | \$ 484   |
| Copper sales (millions of recoverable pounds)                                | 258                                      | 258               |          | 237                                      | 237               |          |
| Gold sales (thousands of recoverable ounces)                                 |  |                   | 505      |  |                   | 278      |

a. Includes \$0.08 per pound of copper associated with increased royalty rates.

|  | Nine Months Ended<br>September 30, 2014 |                   |          | Nine Months Ended<br>September 30, 2013 |                   |          |
|--|---|-------------------|----------|---|-------------------|----------|
|  | By-Product<br>Method                    | Co-Product Method |          | By-Product<br>Method                    | Co-Product Method |          |
|  |   | Copper            | Gold     |   | Copper            | Gold     |
| Revenues, excluding adjustments  | \$ 3.09                                 | \$ 3.09           | \$ 1,248 | \$ 3.27                                 | \$ 3.27           | \$ 1,393 |
| Site production and delivery, before net noncash and other costs shown below | 2.90                                    | 1.72              | 694      | 2.74                                    | 1.87              | 795      |
| Gold and silver credits  | (2.16)                                  | —                 | —        | (1.52)                                  | —                 | —        |
| Treatment charges  | 0.25                                    | 0.15              | 60       | 0.23                                    | 0.16              | 67       |
| Export duties  | 0.09                                    | 0.05              | 21       | —                                       | —                 | —        |
| Royalty on metals  | 0.16                                    | <sup>a</sup> 0.09 | 39       | 0.12                                    | 0.08              | 36       |
| Unit net cash costs  | 1.24                                    | 2.01              | 814      | 1.57                                    | 2.11              | 898      |
| Depreciation and amortization  | 0.40                                    | 0.24              | 96       | 0.29                                    | 0.20              | 85       |
| Noncash and other costs, net   | 0.41                                    | <sup>b</sup> 0.25 | 98       | 0.21                                    | 0.14              | 60       |
| Total unit costs   | 2.05                                    | 2.50              | 1,008    | 2.07                                    | 2.45              | 1,043    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.11)                                  | (0.11)            | 22       | —                                       | —                 | (2)      |
| PT Smelting intercompany profit  | 0.02                                    | 0.01              | 5        | 0.01                                    | 0.01              | 1        |
| Gross profit per pound/ounce   | \$ 0.95                                 | \$ 0.49           | \$ 267   | \$ 1.21                                 | \$ 0.83           | \$ 349   |
| Copper sales (millions of recoverable pounds)                                | 484                                     | 484               |          | 593                                     | 593               |          |
| Gold sales (thousands of recoverable ounces)                                 |   |                   | 802      |   |                   | 620      |

a. Includes \$0.04 per pound of copper for the first nine months of 2014 associated with increased royalty rates.

b. Includes \$0.30 per pound of fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates.

A significant portion of PT-FI's costs are fixed and unit costs vary depending on production volumes. Indonesia's unit net cash costs (net of gold and silver credits) totaled \$0.60 per pound of copper in third-quarter 2014 and \$1.24 per pound for the first nine months of 2014, compared with \$0.99 per pound in third-quarter 2013 and \$1.57 per pound for the first nine months of 2013, primarily reflecting higher gold and silver credits, partly offset by export duties, increased royalty rates and the impact of lower production rates.

Treatment charges vary with the volume of metals sold and the price of copper, and royalties vary with the volume of metals sold and the prices of copper and gold.

Because certain assets are depreciated on a straight-line basis, PT-FI's unit depreciation rate varies with the level of copper production and sales.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods. Refer to "Consolidated Results - Revenues" for further discussion of adjustments to prior period provisionally priced copper sales.

PT Smelting intercompany profit (loss) represents the change in the elimination of 25 percent of PT-FI's profit on sales to PT Smelting. Refer to "Operations - Smelting & Refining" for further discussion.

Based on current sales volume and cost estimates, and assuming an average gold price of \$1,250 per ounce for fourth-quarter 2014, Indonesia's unit net cash costs (net of gold and silver credits) are expected to approximate \$1.19 per pound of copper for the year 2014, compared with \$1.12 for the year 2013. Indonesia's projected unit net cash costs would change by approximately \$0.05 per pound for each \$50 per ounce change in the average price of gold for fourth-quarter 2014. Because of the fixed nature of a large portion of Indonesia's costs, unit costs vary from quarter to quarter depending on copper and gold volumes.

## Africa Mining

Africa mining includes Tenke Fungurume Mining S.A.R.L's (TFM) Tenke minerals district. We hold an effective 56 percent interest in the Tenke copper and cobalt mining concessions in the Katanga province of the DRC through our consolidated subsidiary TFM, and we are the operator of Tenke.

The Tenke operation includes surface mining, leaching and SX/EW operations. Copper production from the Tenke minerals district is sold as copper cathode. In addition to copper, the Tenke minerals district produces cobalt hydroxide.

**Operating and Development Activities.** TFM completed its second phase expansion project in early 2013, which included increasing mine, mill and processing capacity. We continue to engage in exploration activities and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in future plans for potential expansions of production capacity. Future expansions are subject to a number of factors, including economic and market conditions, and the business and investment climate in the DRC.

**Operating Data.** Following is summary operating data for our Africa mining operations for the third quarters and first nine months of 2014 and 2013 :

|   | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
|   | 2014                                | 2013    | 2014                               | 2013    |
| <b>Copper</b> (recoverable)                   |                                     |         |                                    |         |
| Production (millions of pounds)               | 117                                 | 109     | 340                                | 351     |
| Sales (millions of pounds)                    | 112                                 | 118     | 314                                | 342     |
| Average realized price per pound <sup>a</sup> | \$ 3.11                             | \$ 3.19 | \$ 3.09                            | \$ 3.22 |
| <b>Cobalt</b> (contained)                     |                                     |         |                                    |         |
| Production (millions of pounds)               | 8                                   | 8       | 22                                 | 19      |
| Sales (millions of pounds)                    | 8                                   | 6       | 23                                 | 17      |
| Average realized price per pound              | \$ 9.99                             | \$ 8.57 | \$ 9.68                            | \$ 8.10 |
| Ore milled (metric tons per day)              | 15,500                              | 14,500  | 15,100                             | 14,700  |
| Average ore grades (percent):                 |                                     |         |                                    |         |
| Copper  | 4.13                                | 3.94    | 4.09                               | 4.32    |
| Cobalt  | 0.33                                | 0.43    | 0.33                               | 0.36    |
| Copper recovery rate (percent)                | 91.3                                | 91.6    | 92.8                               | 91.7    |

a. Includes point-of-sale transportation costs as negotiated in customer contracts.

TFM's copper sales of 112 million pounds in third-quarter 2014 and 314 million pounds for the first nine months of 2014 were lower than copper sales of 118 million pounds in third-quarter 2013 and 342 million pounds for the first nine months of 2013 , primarily because of timing of shipments.

For the year 2014 , we expect sales volumes from TFM to approximate 445 million pounds of copper and 30 million pounds of cobalt, compared with 454 million pounds of copper and 25 million pounds of cobalt for the year 2013 .

**Unit Net Cash Costs.** Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

### Gross Profit per Pound of Copper and Cobalt

The following tables summarize the unit net cash costs and gross profit per pound of copper and cobalt at our Africa mining operations for the third quarters and first nine months of 2014 and 2013. Refer to “Production Revenues and Production Costs” for an explanation of “by-product” and “co-product” methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

|  | Three Months Ended<br>September 30, 2014 |                   |         | Three Months Ended<br>September 30, 2013 |                   |         |
|--|--|-------------------|---------|--|-------------------|---------|
|  | By-Product<br>Method                     | Co-Product Method |         | By-Product<br>Method                     | Co-Product Method |         |
|  |  | Copper            | Cobalt  |  | Copper            | Cobalt  |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 3.11                                  | \$ 3.11           | \$ 9.99 | \$ 3.19                                  | \$ 3.19           | \$ 8.57 |
| Site production and delivery, before net noncash and other costs shown below | 1.61                                     | 1.40              | 5.32    | 1.43                                     | 1.38              | 4.14    |
| Cobalt credits <sup>b</sup>  | (0.58)                                   | —                 | —       | (0.27)                                   | —                 | —       |
| Royalty on metals  | 0.07                                     | 0.06              | 0.18    | 0.07                                     | 0.06              | 0.13    |
| Unit net cash costs  | 1.10                                     | 1.46              | 5.50    | 1.23                                     | 1.44              | 4.27    |
| Depreciation, depletion and amortization                                     | 0.51                                     | 0.43              | 1.06    | 0.55                                     | 0.48              | 1.37    |
| Noncash and other costs, net   | 0.05                                     | 0.04              | 0.10    | 0.02                                     | 0.02              | 0.06    |
| Total unit costs   | 1.66                                     | 1.93              | 6.66    | 1.80                                     | 1.94              | 5.70    |
| Revenue adjustments, primarily for pricing on prior period open sales        | 0.01                                     | 0.01              | 0.39    | 0.03                                     | 0.03              | (0.27)  |
| Gross profit per pound   | \$ 1.46                                  | \$ 1.19           | \$ 3.72 | \$ 1.42                                  | \$ 1.28           | \$ 2.60 |
| Copper sales (millions of recoverable pounds)                                | 112                                      | 112               |         | 118                                      | 118               |         |
| Cobalt sales (millions of contained pounds)                                  |  |                   | 8       |  |                   | 6       |

|  | Nine Months Ended<br>September 30, 2014 |                   |         | Nine Months Ended<br>September 30, 2013 |                   |         |
|--|---|-------------------|---------|---|-------------------|---------|
|  | By-Product<br>Method                    | Co-Product Method |         | By-Product<br>Method                    | Co-Product Method |         |
|  |   | Copper            | Cobalt  |   | Copper            | Cobalt  |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 3.09                                 | \$ 3.09           | \$ 9.68 | \$ 3.22                                 | \$ 3.22           | \$ 8.10 |
| Site production and delivery, before net noncash and other costs shown below | 1.51                                    | 1.33              | 5.24    | 1.43                                    | 1.36              | 4.40    |
| Cobalt credits <sup>b</sup>  | (0.51)                                  | —                 | —       | (0.26)                                  | —                 | —       |
| Royalty on metals  | 0.07                                    | 0.06              | 0.16    | 0.06                                    | 0.06              | 0.14    |
| Unit net cash costs  | 1.07                                    | 1.39              | 5.40    | 1.23                                    | 1.42              | 4.54    |
| Depreciation, depletion and amortization                                     | 0.55                                    | 0.47              | 1.04    | 0.52                                    | 0.48              | 0.97    |
| Noncash and other costs, net   | 0.05                                    | 0.05              | 0.10    | 0.06                                    | 0.05              | 0.09    |
| Total unit costs   | 1.67                                    | 1.91              | 6.54    | 1.81                                    | 1.95              | 5.60    |
| Revenue adjustments, primarily for pricing on prior period open sales        | —                                       | —                 | 0.09    | 0.01                                    | 0.01              | 0.14    |
| Gross profit per pound   | \$ 1.42                                 | \$ 1.18           | \$ 3.23 | \$ 1.42                                 | \$ 1.28           | \$ 2.64 |
| Copper sales (millions of recoverable pounds)                                | 314                                     | 314               |         | 342                                     | 342               |         |
| Cobalt sales (millions of contained pounds)                                  |   |                   | 23      |   |                   | 17      |

a. Includes point-of-sale transportation costs as negotiated in customer contracts.

b. Net of cobalt downstream processing and freight costs.

Unit net cash costs (net of cobalt credits) for our Africa operations of \$1.10 per pound of copper in third-quarter 2014 and \$1.07 per pound for the first nine months of 2014 were lower than unit net cash costs of \$1.23 per pound in both the third quarter and first nine months of 2013, primarily reflecting higher cobalt credits, partly offset by higher site production and delivery costs.

Because certain assets are depreciated on a straight-line basis, Africa's unit depreciation rate may vary with the level of copper production and sales.

Assuming achievement of current sales volume and cost estimates, and an average cobalt market price of \$13 per pound for fourth-quarter 2014 , average unit net cash costs (net of cobalt credits) are expected to approximate \$1.16 per pound of copper for the year 2014 , compared with \$1.21 per pound in 2013 . Africa's projected unit net cash costs would change by \$0.02 per pound for each \$2 per pound change in the average price of cobalt during fourth-quarter 2014 .

### **Molybdenum Mines**

We have 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 concentrates, which are typically further processed into value-added molybdenum chemical products. The majority of the molybdenum concentrates produced at the Henderson and Climax mines, as well as from certain of our North and South America copper mines, are processed at our own conversion facilities.

Production from the Molybdenum mines totaled 13 million pounds of molybdenum in third-quarter 2014 , 12 million pounds in third-quarter 2013 , 40 million pounds for the first nine months of 2014 and 37 million pounds for the first nine months of 2013 . Refer to "Consolidated Results" for our consolidated molybdenum operating data, which includes sales of molybdenum produced at our molybdenum mines and at our North and South America copper mines, and refer to "Outlook" for projected consolidated molybdenum sales volumes.

Unit Net Cash Costs Per Pound of Molybdenum. Unit net cash costs per pound of molybdenum is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Average unit net cash costs for our Molybdenum mines decreased to \$7.12 per pound of molybdenum in third-quarter 2014 and \$6.76 per pound for the first nine months of 2014 , compared with \$7.15 per pound in third-quarter 2013 and \$7.08 per pound for the first nine months of 2013 , primarily reflecting higher production volumes. Assuming achievement of current sales volume and cost estimates, unit net cash costs for our Molybdenum mines are expected to average approximately \$7.00 per pound of molybdenum for the year 2014 . Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

### **Smelting & Refining**

Treatment charges for smelting and refining copper concentrates consist of a base rate and, in certain contracts, price participation based on copper prices. Treatment charges represent a cost to our mining operations and income to Atlantic Copper and PT Smelting. Thus, higher treatment charges benefit our smelter operations and adversely affect our mining operations. Our North America copper mines are less significantly affected by changes in treatment charges because these operations are largely integrated with our wholly owned smelter located in Miami, Arizona.

Atlantic Copper, our wholly owned subsidiary located in Spain, smelts and refines copper concentrates and markets refined copper and precious metals in slimes. During the first nine months of 2014 , Atlantic Copper purchased 25 percent of its concentrate requirements from our North America mining operations, 20 percent from our South America copper mines and 9 percent from our Indonesia mining operations, with the remainder purchased from third parties. Through this form of downstream integration, we are assured placement of a significant portion of our concentrate production.

We defer recognizing profits on sales from our mining operations to Atlantic Copper and on 25 percent of Indonesia mining's sales to PT Smelting until final sales to third parties occur. Changes in these deferrals attributable to variability in intercompany volumes resulted in net (reductions) additions to net income attributable to common stockholders totaling \$(20) million in third-quarter 2014 and \$36 million for the first nine months of 2014 , compared with \$2 million in third-quarter 2013 and \$28 million for the first nine months of 2013 . Our net deferred profits on inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income attributable to common stockholders totaled \$87 million at September 30, 2014 . Quarterly variations in ore grades, the timing of

intercompany shipments and changes in product prices will result in variability in our net deferred profits and quarterly earnings.

## Oil and Gas

Our oil and gas operations provide exposure to energy markets with favorable long-term fundamentals, strong margins and cash flows, and a large resource base with financially attractive exploration and development investment opportunities. The portfolio of assets includes significant oil production facilities and growth potential in the Deepwater GOM, established oil production onshore and offshore California, large onshore natural gas resources in the Haynesville shale play in Louisiana, natural gas production from the Madden area in central Wyoming, and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend located in the shallow waters of the GOM and onshore in South Louisiana. More than 90 percent of our oil and gas revenues are from oil and NGLs.

Our oil and gas operations follow the full cost method of accounting whereby all costs associated with oil and gas property acquisition, exploration and development activities are capitalized into cost centers on a country-by-country basis. Capitalized costs, along with estimated future costs to develop proved reserves and asset retirement costs that are not already included in oil and gas properties, net of related salvage value, are amortized to expense under the unit-of-production method using estimates of proved oil and natural gas reserves. The costs of unproved oil and gas properties are excluded from amortization until the properties are evaluated, at which time the related costs are subject to amortization. Our depletion, depreciation and amortization rate is affected by changes to estimates of proved reserves and costs subject to amortization, as further discussed in "Critical Accounting Estimates" in Part II, Item 7 and 7a of our annual report on Form 10-K for the year ended December 31, 2013.

Under full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of our oil and gas properties for impairment. As of September 30, 2014, the net capitalized costs with respect to FM O&G's U.S. oil and gas properties exceeded the related ceiling, which resulted in the recognition of an impairment charge of \$308 million (\$ 192 million to net income attributable to common stock), reflecting higher capitalized costs and the lower twelve-month average of the first-day-of-the-month historical reference oil price at September 30, 2014. We evaluated our goodwill, which totaled \$1.7 billion at September 30, 2014, and is assigned to our U.S. oil and gas reporting unit, and concluded no impairment charge was required at September 30, 2014. As further discussed in "Critical Accounting Estimates" in Part II, Item 7 and 7a of our annual report on Form 10-K for the year ended December 31, 2013, events that could result in impairment of our oil and gas properties in future periods include, but are not limited to, a decline in trailing average oil and gas prices, transfers of costs into the full cost pool without equivalent increased reserve values, increased costs or negative reserve revisions. In the near term, FM O&G expects to conduct significant completion activities to assess certain of its unevaluated properties. As these assessments are completed, related costs currently recorded as unevaluated properties not subject to amortization will be transferred into the full cost pool. If these activities do not result in additions to discounted future net cash flows from proved oil and natural gas reserves at least equal to the related costs transferred (net of related tax effects), additional ceiling test impairments may occur.

During October 2014, oil prices declined significantly from the third-quarter 2014 average. Continuation of recent oil price declines, increases in capitalized costs subject to amortization and other factors discussed above, may result in future additional ceiling test impairments. A ceiling test impairment may also trigger an impairment assessment of our goodwill balance.

Exploration and Development Activities. Our oil and gas business has significant proved, probable and possible reserves, a broad range of development opportunities and high-potential exploration prospects. The business is being managed to reinvest its cash flows in projects with attractive rates of return and risk profiles.

FM O&G has a large, strategic position in the Deepwater GOM with significant current oil production, strong cash margins and existing infrastructure and facilities with excess capacity. These assets, combined with FM O&G's large leasehold interests in an established geologic basin, provide financially attractive investment opportunities for high-impact growth in oil production and cash margins. FM O&G's capital allocation strategy is principally focused on exploitation drilling and development opportunities that can be tied back to existing facilities. Additional oil and gas asset sales and other transactions may be considered to provide incremental funding to accelerate FM O&G's growth plans in the Deepwater GOM.

Capital expenditures for our oil and gas operations approximated \$0.9 billion for third-quarter 2014 , including \$0.5 billion incurred for the Deepwater GOM and \$0.2 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend,

and \$2.4 billion for the first nine months of 2014, including \$1.3 billion incurred for the Deepwater GOM and \$0.5 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend. Capital expenditures for our oil and gas operations, which are expected to be funded by its operating cash flows and oil and gas asset sales, are projected to approximate \$3.4 billion for the year 2014, including \$2.0 billion for the Deepwater GOM and \$0.7 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend. Our future capital spending estimates may be adjusted to incorporate results from our ongoing drilling activities and follow-on development activities, and changes in market conditions.

See "Financial and Operating Data" below for further discussion of our current oil and gas operations.

**Sale and Purchase Transactions.** In June 2014, FM O&G completed the sale of the Eagle Ford shale assets for cash consideration of \$3.1 billion (\$2.6 billion net of taxes and closing adjustments). Approximately \$1.3 billion of the proceeds was placed in a like-kind exchange escrow to reinvest in additional oil and gas interests and the remaining net proceeds were used to repay debt. In June 2014, FM O&G completed the acquisition of Deepwater GOM interests for \$0.9 billion, including interests in the Lucius and Heidelberg oil fields and several exploration leases, and in September 2014, FM O&G acquired additional Deepwater GOM interests for \$0.5 billion, including an 18.67 percent interest in the Vito oil discovery in the Mississippi Canyon area (Blocks 940, 941, 984 and 985) and a significant lease position in the Vito area.

**Financial and Operating Data.** Following is summary operating results for the U.S. oil and gas operations for the third quarters and first nine months of 2014 and 2013 :

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |                   |
|---|-------------------------------------|-----------|------------------------------------|-------------------|
|   | 2014                                | 2013      | 2014 <sup>a</sup>                  | 2013 <sup>b</sup> |
| <b>Sales Volumes</b>  |                                     |           |                                    |                   |
| Oil (MMBbls)  | 8.6                                 | 11.5      | 32.1                               | 14.9              |
| Natural gas (Bcf)   | 20.2                                | 23.5      | 59.9                               | 31.3              |
| NGLs (MMBbls)   | 0.6                                 | 1.0       | 2.7                                | 1.3               |
| MMBOE   | 12.5                                | 16.5      | 44.7                               | 21.5              |
| <b>Average Realizations <sup>c</sup></b>                                |                                     |           |                                    |                   |
| Oil (per barrel)  | \$ 88.58                            | \$ 104.33 | \$ 93.00                           | \$ 102.76         |
| Natural gas (per MMBtu)   | \$ 4.02                             | \$ 3.97   | \$ 4.37                            | \$ 3.94           |
| NGLs (per barrel)   | \$ 39.69                            | \$ 37.16  | \$ 41.77                           | \$ 36.70          |
| <b>Gross (Loss) Profit per BOE</b>                                      |                                     |           |                                    |                   |
| Realized revenues <sup>c</sup>  | \$ 69.08                            | \$ 80.93  | \$ 75.04                           | \$ 79.40          |
| Less: cash production costs <sup>c</sup>                                | 20.93                               | 16.80     | 19.57                              | 16.76             |
| Cash operating margin <sup>c</sup>                                      | 48.15                               | 64.13     | 55.47                              | 62.64             |
| Less: depreciation, depletion and amortization                          | 40.12                               | 34.15     | 38.81                              | 34.07             |
| Less: impairment of oil and gas properties                              | 24.59                               | —         | 6.90                               | —                 |
| Less: accretion and other costs   | 0.85                                | 0.70      | 0.86                               | 0.80              |
| Plus: net noncash mark-to-market gains (losses) on derivative contracts | 9.73                                | (9.58)    | 2.90                               | (9.04)            |
| Plus: other net adjustments   | 0.09                                | 0.06      | 0.05                               | 0.04              |
| Gross (loss) profit   | \$ (7.59)                           | \$ 19.76  | \$ 11.85                           | \$ 18.77          |

a. Includes results from Eagle Ford through June 19, 2014.

b. Include the results of FM O&G beginning June 1, 2013.

c. Cash operating margin for our oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude noncash mark-to-market adjustments on derivative contracts, and cash production costs exclude accretion and other costs. For reconciliations of realized revenues (including average realizations for oil, natural gas and NGLs) and cash production costs per BOE to revenues and production and delivery costs reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."

FM O&G's average realized price for crude oil was \$88.58 per barrel, net of \$6.77 per barrel associated with payments on derivative contracts in third-quarter 2014, and \$93.00 per barrel, net of \$5.41 per barrel associated with payments on derivative contracts for the first nine months of 2014. Excluding the impact of derivative contracts,

the third-quarter 2014 average realized price for crude oil was \$95.35 per barrel ( 92 percent of the average Brent crude oil price of \$103.50 per barrel) and \$98.41 per barrel ( 92 percent of the average Brent crude oil price of \$106.98 per barrel) for the first nine months of 2014 .

FM O&G has derivative contracts that provide price protection averaging between approximately \$70 and \$90 per barrel of Brent crude oil for all of its estimated fourth-quarter 2014 oil production and approximately 80 percent of estimated 2015 oil production. See Note 7 for further discussion.

FM O&G's average realized price for natural gas was \$4.02 per MMBtu in third-quarter 2014 and \$4.37 per MMBtu for the first nine months of 2014 . Excluding the impact of derivative contracts, the third-quarter 2014 average realized price for natural gas was \$4.00 per MMBtu, compared to the NYMEX natural gas price average of \$4.06 per MMBtu for the July through September 2014 contracts, and \$4.58 per MMBtu for the first nine months of 2014 , compared to the NYMEX natural gas price average of \$4.54 per MMBtu for the January through September 2014 contracts.

Realized revenues for oil and gas operations of \$69.08 per BOE in third-quarter 2014 were lower than realized revenues of \$80.93 per BOE in third-quarter 2013, primarily reflecting lower oil prices (the Brent crude oil average price was \$6.09 per barrel lower) and higher realized cash losses on derivative contracts ( \$58 million or \$4.62 per BOE in third-quarter 2014, compared with \$12 million or \$0.74 per BOE in third-quarter 2013). Realized revenues of \$75.04 per BOE for the first nine months of 2014 were lower than realized revenues of \$79.40 per BOE for the four month period from June 1, 2013, to September 30, 2013 primarily reflecting higher realized cash losses on derivative contracts ( \$186 million or \$4.16 per BOE for the first nine months of 2014 , compared with \$11 million or \$0.49 per BOE for the four month period from June 1, 2013, to September 30, 2013).

Cash production costs of \$20.93 per BOE in third-quarter 2014 and \$19.57 per BOE for the first nine months of 2014 were higher than cash production costs of \$16.80 per BOE in third-quarter 2013 and \$16.76 per BOE for the four month period from June 1, 2013, to September 30, 2013, primarily reflecting the sale of lower cost Eagle Ford properties in June 2014 and the higher operating costs in California.

Based on current sales volume and cost estimates for fourth-quarter 2014, cash production costs are expected to approximate \$21 per BOE for the year 2014 and \$24 per BOE for fourth-quarter 2014 . Fourth-quarter 2014 sales volumes and unit cost estimates reflect downtime for maintenance affecting production rates at Marlin in the Deepwater GOM.

The following table presents average sales volumes per day by region for our oil and gas operations for the third quarters and first nine months of 2014 and 2013 :

|                                      | Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |                   |
|--------------------------------------|-------------------------------------|------|------------------------------------|-------------------|
|                                      | 2014                                | 2013 | 2014                               | 2013 <sup>a</sup> |
| <b>Sales Volumes (MBOE per day):</b> |                                     |      |                                    |                   |
| GOM <sup>b</sup>                     | 75                                  | 73   | 74                                 | 71                |
| California                           | 39                                  | 39   | 39                                 | 38                |
| Haynesville/Madden/Other             | 22 <sup>c</sup>                     | 21   | 19 <sup>c</sup>                    | 22                |
| Eagle Ford                           | —                                   | 46   | 32 <sup>d</sup>                    | 45                |
| Total oil and gas operations         | 136                                 | 179  | 164                                | 176               |

a. Includes the results of FM O&G beginning June 1, 2013.

b. Includes sales from properties on the GOM Shelf and in the Deepwater GOM. Production from the GOM Shelf totaled 14 MBOE per day in third-quarter 2014 (18 percent of the GOM total), 12 MBOE per day for the first nine months of 2014 (17 percent of the GOM total) and 13 MBOE per day (18 percent of the GOM total) for both third-quarter 2013 and the four-month period from June 1, 2013, to September 30, 2013.

c. Results include volume adjustments related to Eagle Ford's pre-close sales.

d. FM O&G completed the sale of Eagle Ford on June 20, 2014.

Daily sales volumes averaged 136 MBOE in third-quarter 2014 , including 93 MBbls of crude oil, 219 million cubic feet (MMcf) of natural gas and 6 MBbls of NGLs, and 164 MBOE for the first nine months of 2014 , including 117 MBbls of crude oil, 220 MMcf of natural gas and 10 MBbls of NGLs. The decrease in daily average sales volumes

for the 2014 periods primarily reflects the sale of Eagle Ford properties in June 2014. Oil and gas sales volumes are expected to average 125 MBOE per day for fourth-quarter 2014, comprised of 67 percent oil, 29 percent natural gas and 4 percent NGLs.

*Deepwater Gulf of Mexico.* Multiple development and exploration opportunities have been identified in the Deepwater GOM that are expected to benefit from tie-back opportunities to available production capacity at the FM O&G operated large-scale Holstein, Marlin and Horn Mountain deepwater production platforms. Operations to pursue these opportunities have commenced and activities are expected to accelerate following the delivery of additional contracted drillships in late 2014 and mid-year 2015. Production is also expected to benefit from the commencement of production from the Lucius oil field in late 2014, the Heidelberg oil field in 2016 and longer range development in the Vito basin area.

All major construction and installation projects for the development of the Lucius oil field in Keathley Canyon are finished, and the initial six development wells are being completed. Commissioning work is in progress with first oil production from the 80 MBbls of oil per day spar expected to be achieved in fourth-quarter 2014. The geologic results from the six wells drilled since 2009 confirm a significant oil resource. Lucius is a subsea development consisting of a truss spar hull located in 7,200 feet of water. FM O&G has a 25.1 percent working interest in Lucius.

During third-quarter 2014, fabrication work on the Heidelberg spar hull and load-out was completed in Finland. The hull for this 80 MBbls of oil per day Lucius-look-alike facility arrived in Texas in October 2014, and fabrication of the main topsides module is approximately 60 percent complete. Development drilling is underway and the project remains on track for first production in 2016. Heidelberg is a large, high-quality oil development project located in 5,300 feet of water in the Green Canyon area. FM O&G has a 12.5 percent working interest in Heidelberg.

Holstein, in which FM O&G has a 100 percent working interest, is located in Green Canyon and has production facilities capable of producing in excess of 100 MBOE per day. Drilling from the Holstein platform rig commenced in first-quarter 2014. The first sidetrack well commenced production in June 2014 and a second sidetrack well was completed in third-quarter 2014, commencing initial production in October 2014. Combined production from the first two sidetrack wells is over 4 MBOE per day. Operations to commence the third sidetrack well are under way. FM O&G expects to drill four additional sidetrack wells from the Holstein platform. FM O&G also plans to drill several subsea tie-back wells from contracted drillships to enhance production volumes from the spar.

Delineation drilling for subsalt Miocene objectives on the western flank of the Holstein Deep prospect commenced in third-quarter 2014. In October 2014, interim logging and core results above 28,500 feet from the delineation well indicated 110 net feet of pay with positive reservoir characteristics and good correlation with the discovery well. The delineation well, which is approximately one mile south of the discovery well, is currently drilling below 28,900 feet towards a proposed total depth of 32,000 feet to evaluate the primary objectives. The Holstein Deep development, in which FM O&G has a 100 percent working interest, is located west of the Holstein platform in 3,890 feet of water and is a subsea tie-back opportunity to the Holstein facility. FM O&G acquired the acreage associated with this development in a 2013 lease sale held by the BOEM. Two successful wells with approximately 500 net feet of oil pay had previously been drilled in recent years.

FM O&G drilled two exploration wells at the Copper prospect during third-quarter 2014. The first well encountered multiple hydrocarbon bearing sands in the Pliocene and Miocene totaling approximately 100 feet of net pay. Follow-on drilling at the second location was unsuccessful. FM O&G is currently evaluating future plans for this prospect, which is located southeast of the Holstein field in 4,400 feet of water and is a subsea tie-back opportunity to the Holstein facility. FM O&G has a 100 percent working interest in Copper.

Marlin, in which FM O&G has a 100 percent working interest, is located in Mississippi Canyon and has production facilities capable of producing in excess of 60 MBOE per day. Several tie-back opportunities in the area have been identified. Development drilling at Dorado commenced in October 2014. This multi-well, infill development program will target undrained fault blocks and updip resource potential south of the Marlin facility. FM O&G also plans to commence exploitation drilling at the King M63 prospect in late 2014. King is located south of the Marlin facility in 5,200 feet of water.

FM O&G has an 18.67 percent interest in the Vito oil discovery in the Mississippi Canyon area and a significant lease position in the Vito basin in the Mississippi Canyon and Atwater Valley areas. Vito, a large, deep subsalt Miocene oil discovery made in 2009, is located in approximately 4,000 feet of water and is operated by Shell Offshore Inc. Exploration and appraisal drilling in recent years confirmed a resource in high-quality, subsalt Miocene

sands. Development options are under evaluation. The acquired exploration leases in the Vito basin area (with working interests ranging from 50 percent to 100 percent) provide high potential tie-back opportunities and are complementary to FM O&G's existing lease position in the Mississippi Canyon and Atwater Valley areas.

The Power Nap exploration prospect, in which FM O&G has a 50 percent working interest, commenced drilling in September 2014 towards a proposed total depth of 31,100 feet. The prospect is a Vito analog play. Power Nap is located in the Vito basin in 4,200 feet of water and is operated by Shell Offshore Inc.

*Inboard Lower Tertiary/Cretaceous.* FM O&G has an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend, located on the Shelf of the GOM and onshore in South Louisiana. FM O&G has a large onshore and offshore lease acreage position with high-quality prospects and the potential to develop a significant long-term, low-cost source of natural gas. Data from eight wells drilled to date indicate the presence of geologic formations that are analogous to productive formations in the Deepwater GOM and onshore in the Gulf Coast region. The near-term focus is on defining the trend onshore.

The Highlander discovery well is currently being completed to test Cretaceous/Tuscaloosa objectives found below the salt weld and flow testing is anticipated in fourth-quarter 2014. The Highlander onshore exploratory well, in which FM O&G is the operator and has a 72 percent working interest, located in St. Martin Parish, Louisiana, encountered gas pay in several Wilcox and Cretaceous/Tuscaloosa sands between 24,000 feet and 29,000 feet in January 2014. As previously reported, the wireline log and core data obtained from the Wilcox and Cretaceous sand packages indicated favorable reservoir characteristics with approximately 150 feet of net pay. FM O&G has identified multiple exploratory prospects in the Highlander area where it controls rights to more than 60,000 gross acres.

In September and October 2014, flow testing was performed on middle Miocene sand sections in the Blackbeard West No. 2 well on Ship Shoal Block 188, in which FM O&G has a 69.4 percent working interest. During the testing period, the well flowed at a rate of approximately 2,000 barrels of water per day with flowing tubing pressure of approximately 9,000 pounds per square inch. While the well did not result in hydrocarbon production in commercial quantities, this water rate indicates that subsalt sands on the Shelf below 20,000 feet are capable of substantial production rates. The well will be temporarily abandoned while FM O&G evaluates plans to complete and test shallower upper Miocene sands in the well. A rig will be moved to Blackbeard East in fourth-quarter 2014 to complete and test the middle Miocene sands in this well. FM O&G holds a 90 percent working interest in Blackbeard East. FM O&G plans to temporarily abandon the Davy Jones No. 2 well in order to use certain equipment from the well to advance the completion and testing of the Highlander well. Future plans for Davy Jones will be determined following the Highlander flow test.

The Farthest Gate West onshore exploration prospect, commenced drilling in October 2014 and is currently drilling below 9,100 feet towards a proposed total depth of 29,000 feet. Farthest Gate West is located onshore in Cameron Parish, Louisiana, and is a Lineham Creek analog prospect with Paleogene objectives. FM O&G is currently reviewing completion options for the Lineham Creek discovery, in which FM O&G has a 36 percent working interest.

*California.* FM O&G's California assets benefit from an established oil production base with a stable production profile and access to favorably priced crude markets. Development plans are principally focused on maintaining stable production levels through continued drilling in the long-established producing fields onshore in California. FM O&G's position in California is located onshore in the San Joaquin Valley and Los Angeles Basin and offshore in the Point Arguello and Point Pedernales fields.

*Haynesville.* FM O&G has rights to a substantial natural gas resource, located in the Haynesville shale play in North Louisiana. Drilling activities in recent years have been reduced to maximize cash flows in a low natural gas price environment and to benefit from potentially higher future natural gas prices.

*International Exploration (Morocco).* FM O&G has a farm-in arrangement to earn interests in exploration blocks located in the Mazagan permit area offshore Morocco. The exploration area covers 2.2 million gross acres in water depths of 4,500 to 9,900 feet. The prospects include Miocene, Cretaceous and Jurassic targets. FM O&G expects to commence drilling the first well in early 2015.

## CAPITAL RESOURCES AND LIQUIDITY

Our operating cash flows vary with prices realized from copper, gold, molybdenum and oil sales, our sales volumes, production costs, income taxes, other working capital changes and other factors. We continue to target significant reductions in debt by the end of 2016 using cash flows generated above capital expenditures and other cash requirements. We have taken steps to accelerate our deleveraging plans through asset sales and will continue to evaluate our portfolio for potential future monetizations. We may also take additional steps to reduce or defer capital spending and other costs in response to market conditions.

### Cash

Following is a summary of the U.S. and international components of consolidated cash and cash equivalents, including cash available to the parent company, net of noncontrolling interests' share, taxes and other costs at September 30, 2014 (in millions):

|  |    |                  |
|--|----|------------------|
| Cash at domestic companies                   | \$ | 61               |
| Cash at international operations             |    | 597 <sup>a</sup> |
| Total consolidated cash and cash equivalents |    | 658              |
| Less: noncontrolling interests' share        |    | (161)            |
| Cash, net of noncontrolling interests' share |    | 497              |
| Less: withholding taxes and other            |    | (41)             |
| Net cash available                           | \$ | 456 <sup>a</sup> |

a. Includes \$121 million of consolidated cash and cash equivalents at Candelaria and Ojos del Salado (\$80 million available to the parent company).

Cash held at our international operations is generally used to support our foreign operations' capital expenditures, operating expenses, working capital and other tax payments, or other cash needs. Management believes that sufficient liquidity is available in the U.S. from cash balances and availability from our revolving credit facility and uncommitted lines of credit (see discussion below). With the exception of TFM, we have not elected to permanently reinvest earnings from our foreign subsidiaries, and we have recorded deferred tax liabilities for foreign earnings that are available to be repatriated to the U.S. From time to time, our foreign subsidiaries distribute earnings to the U.S. through dividends that are subject to applicable withholding taxes and noncontrolling interests' share.

### Debt

Following is a summary of our total debt and the related weighted-average interest rates at September 30, 2014 (in billions, except percentages):

|                     |                  | Weighted-<br>Average<br>Interest Rate |
|---------------------|------------------|---------------------------------------|
| FCX Senior Notes    | \$ 9.5           | 3.6%                                  |
| FM O&G Senior Notes | 4.6 <sup>a</sup> | 6.9%                                  |
| FCX Term Loan       | 3.8              | 1.7%                                  |
| Other FCX debt      | 1.8              | 2.8%                                  |
| Total debt          | \$ 19.7          | 3.9%                                  |

a. On October 15, 2014, we redeemed the \$400 million principal amount of our 8.625% Senior Notes. Holders received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date. We expect to report a pre-tax gain of \$24 million in fourth-quarter 2014 associated with this redemption.

On May 30, 2014, we amended our revolving credit facility, extending the maturity date by one year, to May 31, 2019, and increased the aggregate principal amount available from \$3.0 billion to \$4.0 billion. At September 30, 2014, we had \$1.1 billion of borrowings outstanding and \$45 million of letters of credit issued under our revolving credit facility.

We have uncommitted unsecured short-term lines of credit with certain financial institutions, which have terms and pricing that are more favorable than our revolving credit facility. As of September 30, 2014, there were \$250 million of borrowings drawn on these lines of credit.

In March 2014, Cerro Verde entered into a five-year, \$1.8 billion senior unsecured credit facility. Amounts may be drawn or letters of credit issued over a two-year period to fund a portion of the expansion project (see "Operations - South America Mining") and for Cerro Verde's general corporate purposes. At September 30, 2014, there were no borrowings and no letters of credit issued under Cerro Verde's credit facility.

Refer to Note 6 for further discussion of our debt.

### **Operating Activities**

During the first nine months of 2014, we generated consolidated operating cash flows totaling \$4.5 billion (net of \$699 million for working capital uses and changes in other tax payments), compared with consolidated operating cash flows for the first nine months of 2013 of \$3.7 billion (net of \$489 million for working capital uses and changes in other tax payments). Consolidated operating cash flows for the first nine months of 2014 benefited from a full nine months of our oil and gas operations, partly offset by the impact of lower copper and gold price realizations and lower copper sales volumes.

Based on current operating plans and subject to future copper, gold, molybdenum and crude oil prices, we expect estimated consolidated operating cash flows for the year 2014, plus available cash, asset sales proceeds and availability under our revolving credit facility, to be sufficient to fund our budgeted capital expenditures, dividends, noncontrolling interest distributions and other cash requirements for the year. Refer to "Outlook" for further discussion of projected operating cash flows for the year 2014.

### **Investing Activities**

Capital Expenditures. Capital expenditures, including capitalized interest, totaled \$5.4 billion for the first nine months of 2014, including \$2.0 billion for major projects at mining operations and \$2.4 billion for oil and gas operations, compared with \$3.6 billion for the first nine months of 2013, including \$1.4 billion for major projects and \$0.9 billion for oil and gas operations for the four month period from June 1, 2013, to September 30, 2013. Increased capital expenditures at our mining operations for the first nine months of 2014 is primarily associated with the expansion project at Cerro Verde. Refer to "Operations" for further discussion.

Capital expenditures are currently expected to approximate \$7.5 billion for the year 2014, including \$3.0 billion for major projects at mining operations (primarily the expansion projects at Cerro Verde and Morenci, and underground development activities at Grasberg) and \$3.4 billion for oil and gas operations (primarily in the Deepwater GOM). Capital spending plans remain under review and will be revised as market conditions warrant. Refer to "Operations" for further discussion.

Acquisitions and Dispositions. In June 2014, we completed the sale of the Eagle Ford shale assets for cash consideration of \$3.1 billion. Approximately \$1.3 billion of the proceeds was placed in a like-kind exchange escrow to reinvest in additional oil and gas interests and the remaining net proceeds were used to repay debt. In June 2014 and September 2014, we completed acquisitions of Deepwater GOM interests totaling \$1.4 billion. Refer to Note 2 for further discussion of our oil and gas acquisition and disposal transactions.

In second-quarter 2013, we paid \$3.5 billion in cash (net of cash acquired) for the acquisition of PXP and \$1.6 billion in cash (net of cash acquired) for the acquisition of MMR.

In March 2013, we paid \$348 million (net of cash acquired) to fund the acquisition of a cobalt chemical refinery in Kokkola, Finland, and the related sales and marketing business. The acquisition was funded 70 percent by us and 30 percent by Lundin, our joint venture partner.

### **Financing Activities**

Debt Transactions. In third-quarter 2014, we redeemed \$1.7 billion of the aggregate principal amount of outstanding senior notes with an average interest rate of 6.6 percent under the equity clawback provisions of the instruments. Holders received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date.

In second-quarter 2014, we redeemed \$210 million of the aggregate principal amount of the outstanding 6.625% Senior Notes. Holders received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date.

We used available cash and borrowings under the revolving credit facility and uncommitted lines of credit to fund the redemptions. Refer to Note 6 for further discussion of debt transactions for the first nine months of 2014 .

Proceeds from debt for the first nine months of 2013 primarily included amounts from the sale of \$6.5 billion of unsecured senior notes in four tranches with a weighted-average interest rate of 3.9 percent and borrowings of \$4.0 billion under an unsecured term loan with an interest rate of LIBOR plus 1.5 percent. Net proceeds from these borrowings were used to fund the second-quarter 2013 oil and gas acquisitions, repay certain debt of PXP and for general corporate purposes. Repayments of debt for the first nine months of 2013 primarily reflected the repayment of the \$3.9 billion outstanding under PXP's amended credit facility and \$0.4 billion of PXP senior notes that were assumed in the oil and gas acquisitions.

**Dividends.** We paid dividends on our common stock totaling \$1.0 billion for the first nine months of 2014 and \$2.0 billion for the first nine months of 2013 (which included \$1.0 billion for a supplemental dividend of \$1.00 per share paid on July 1, 2013). The current annual dividend rate for our common stock is \$1.25 per share ( \$0.3125 per share quarterly). The declaration of dividends is at the discretion of our Board of Directors (Board) and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant by the Board. The Board will continue to review our financial policy on an ongoing basis.

Cash dividends and other distributions paid to noncontrolling interests totaled \$365 million for the first nine months of 2014 and \$157 million for the first nine months of 2013 . These payments will vary based on the cash requirements of our consolidated subsidiaries.

## **CONTRACTUAL OBLIGATIONS**

Except as discussed in Note 13, there have been no material changes in our contractual obligations since December 31, 2013 . Refer to Item 7 in our annual report on Form 10-K for the year ended December 31, 2013 , for further information regarding our contractual obligations.

## **CONTINGENCIES**

### **Environmental and Asset Retirement Obligations**

Our current and historical operating activities are subject to stringent laws and regulations governing the protection of the environment. We perform a comprehensive annual review of our environmental and asset retirement obligations and also review changes in facts and circumstances associated with these obligations at least quarterly. During third-quarter 2014, we recorded additional asset retirement obligations totaling \$403 million (\$413 million on an undiscounted and unescalated basis) related to increased estimated costs to reclaim a waste stockpile at Grasberg. Additionally, in accordance with the 2011 Chilean legislation regulating mine closure, we will submit revised closure plans for our Chilean mine sites in November 2014. We expect to record additional asset retirement obligations in fourth-quarter 2014 associated with these revised closure plans. Updated cost assumptions, including increases and decreases to cost estimates, changes in the anticipated scope and timing of remediation activities, and settlement of environmental matters may result in additional revisions to certain of our environmental obligations.

Refer to Note 12 in our annual report on Form 10-K for the year ended December 31, 2013 , for further information regarding our environmental and asset retirement obligations.

### **Litigation and Other Contingencies**

There have been no material changes to our contingencies associated with legal proceedings and other matters since December 31, 2013 . Refer to Note 12 and "Legal Proceedings" contained in Part I, Item 3 of our annual report on Form 10-K for the year ended December 31, 2013 , as updated in Note 9 to the financial statements included in our quarterly report on Form 10-Q for the quarter ended March 31, 2014, for further information regarding legal proceedings and other matters.

## NEW ACCOUNTING STANDARDS

We do not expect the impact of recently issued accounting standards to have a significant impact on our future financial statements and disclosures.

## PRODUCT REVENUES AND PRODUCTION COSTS

### Mining Product Revenues and Unit Net Cash Cost

Unit net cash costs per pound of copper and molybdenum are measures intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for the respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measures may not be comparable to similarly titled measures reported by other companies.

We present gross profit per pound of copper in the following tables using both a “by-product” method and a “co-product” method. We use the by-product method in our presentation of gross profit per pound of copper because (i) the majority of our revenues are copper revenues, (ii) we mine ore, which contains copper, gold, molybdenum and other metals, (iii) it is not possible to specifically assign all of our costs to revenues from the copper, gold, molybdenum and other metals we produce, (iv) it is the method used to compare mining operations in certain industry publications and (v) it is the method used by our management and the Board to monitor operations. In the co-product method presentation below, shared costs are allocated to the different products based on their relative revenue values, which will vary to the extent our metals sales volumes and realized prices change.

We show revenue adjustments for prior period open sales as a separate line item. Because these adjustments do not result from current period sales, we have reflected these separately from revenues on current period sales. Noncash and other costs consist of items such as stock-based compensation costs, start-up costs, write-offs of equipment and/or unusual charges. They are removed from site production and delivery costs in the calculation of unit net cash costs. As discussed above, gold, molybdenum and other metal revenues at copper mines are reflected as credits against site production and delivery costs in the by-product method. The following schedules for our mining operations are presentations under both the by-product and co-product methods together with reconciliations to amounts reported in our consolidated financial statements.

### U.S. Oil & Gas Product Revenues and Cash Production Costs per Unit

Realized revenues and cash production costs per unit are measures intended to provide investors with information about the cash operating margin of our oil and gas operations. We use this measure for the same purpose and for monitoring operating performance by our oil and gas operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. Our measures may not be comparable to similarly titled measures reported by other companies.

We show revenue adjustments from derivative contracts as separate line items. Because these adjustments do not result from oil and gas sales, these gains and losses have been reflected separately from revenues on current period sales. Additionally, accretion and other costs are removed from production and delivery costs in the calculation of cash production costs per BOE. The following schedules include calculations of oil and gas product revenues and cash production costs together with a reconciliation to amounts reported in our consolidated financial statements.

## North America Copper Mines Product Revenues, Production Costs and Unit Net Cash Costs

### Three Months Ended September 30, 2014

| (In millions)  | By-Product Method | Co-Product Method |                         |                    | Total    |
|--|-------------------|-------------------|-------------------------|--------------------|----------|
|  |                   | Copper            | Molybdenum <sup>a</sup> | Other <sup>b</sup> |          |
| Revenues, excluding adjustments  | \$ 1,374          | \$ 1,374          | \$ 106                  | \$ 34              | \$ 1,514 |
| Site production and delivery, before net noncash and other costs shown below | 791               | 776               | 25                      | 19                 | 820      |
| By-product credits   | (111)             | —                 | —                       | —                  | —        |
| Treatment charges  | 50                | 49                | —                       | 1                  | 50       |
| Net cash costs   | 730               | 825               | 25                      | 20                 | 870      |
| Depreciation, depletion and amortization                                     | 131               | 128               | 1                       | 2                  | 131      |
| Noncash and other costs, net   | 46                | 45                | —                       | 1                  | 46       |
| Total costs  | 907               | 998               | 26                      | 23                 | 1,047    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (8)               | (8)               | —                       | —                  | (8)      |
| Gross profit   | \$ 459            | \$ 368            | \$ 80                   | \$ 11              | \$ 459   |

|  |     |     |   |
|--|-----|-----|---|
| Copper sales (millions of recoverable pounds)                  | 434 | 434 |   |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup> |     |     | 8 |

### Gross profit per pound of copper/molybdenum:

|  |         |         |          |
|--|---------|---------|----------|
| Revenues, excluding adjustments  | \$ 3.17 | \$ 3.17 | \$ 13.55 |
| Site production and delivery, before net noncash and other costs shown below | 1.83    | 1.79    | 3.17     |
| By-product credits   | (0.26)  | —       | —        |
| Treatment charges  | 0.11    | 0.11    | —        |
| Unit net cash costs  | 1.68    | 1.90    | 3.17     |
| Depreciation, depletion and amortization                                     | 0.30    | 0.30    | 0.17     |
| Noncash and other costs, net   | 0.11    | 0.10    | 0.03     |
| Total unit costs   | 2.09    | 2.30    | 3.37     |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.02)  | (0.02)  | —        |
| Gross profit per pound   | \$ 1.06 | \$ 0.85 | \$ 10.18 |

### Reconciliation to Amounts Reported

| (In millions)   | Revenues | Production and Delivery | Depreciation, Depletion and Amortization |
|---|----------|-------------------------|--|
| Totals presented above  | \$ 1,514 | \$ 820                  | \$ 131                                   |
| Treatment charges   | —        | 50                      | —  |
| Noncash and other costs, net  | —        | 46                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (8)      | —                       | —  |
| Eliminations and other  | (16)     | (14)                    | 2  |
| North America copper mines  | 1,490    | 902                     | 133                                      |
| Other mining & eliminations <sup>c</sup>                              | 3,216    | 1,978                   | 305                                      |
| Total mining  | 4,706    | 2,880                   | 438                                      |
| U.S. oil & gas operations   | 990      | 273                     | 812 <sup>d</sup>                         |
| Corporate, other & eliminations                                       | —        | (1)                     | 3  |
| As reported in FCX's consolidated financial statements                | \$ 5,696 | \$ 3,152                | \$ 1,253 <sup>d</sup>                    |

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

b. Includes gold and silver product revenues and production costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

d. Includes impairment of oil and gas properties of \$308 million .

**North America Copper Mines Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Three Months Ended September 30, 2013**

| (In millions)  | By-Product<br>Method | Co-Product Method |                         |                    | Total    |
|--|----------------------|-------------------|-------------------------|--------------------|----------|
|  |                      | Copper            | Molybdenum <sup>a</sup> | Other <sup>b</sup> |          |
| Revenues, excluding adjustments  | \$ 1,183             | \$ 1,183          | \$ 89                   | \$ 27              | \$ 1,299 |
| Site production and delivery, before net noncash and other costs shown below | 725                  | 701               | 35                      | 18                 | 754      |
| By-product credits   | (87)                 | —                 | —                       | —                  | —        |
| Treatment charges  | 35                   | 34                | —                       | 1                  | 35       |
| Net cash costs   | 673                  | 735               | 35                      | 19                 | 789      |
| Depreciation, depletion and amortization                                     | 100                  | 97                | 2                       | 1                  | 100      |
| Noncash and other costs, net   | 27                   | 27                | —                       | —                  | 27       |
| Total costs  | 800                  | 859               | 37                      | 20                 | 916      |
| Revenue adjustments, primarily for pricing on prior period open sales        | 9                    | 9                 | —                       | —                  | 9        |
| Gross profit   | \$ 392               | \$ 333            | \$ 52                   | \$ 7               | \$ 392   |
| Copper sales (millions of recoverable pounds)                                | 362                  | 362               |                         |                    |          |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup>               |                      |                   | 9                       |                    |          |

## Gross profit per pound of copper/molybdenum:

|  |         |         |          |
|--|---------|---------|----------|
| Revenues, excluding adjustments  | \$ 3.27 | \$ 3.27 | \$ 10.24 |
| Site production and delivery, before net noncash and other costs shown below | 2.00    | 1.94    | 4.01     |
| By-product credits   | (0.24)  | —       | —        |
| Treatment charges  | 0.10    | 0.09    | —        |
| Unit net cash costs  | 1.86    | 2.03    | 4.01     |
| Depreciation, depletion and amortization                                     | 0.27    | 0.27    | 0.24     |
| Noncash and other costs, net   | 0.08    | 0.07    | 0.03     |
| Total unit costs   | 2.21    | 2.37    | 4.28     |
| Revenue adjustments, primarily for pricing on prior period open sales        | 0.02    | 0.02    | —        |
| Gross profit per pound   | \$ 1.08 | \$ 0.92 | \$ 5.96  |

*Reconciliation to Amounts Reported*

| (In millions)   | Revenues | Production and Delivery | Depreciation, Depletion and Amortization |
|---|----------|-------------------------|--|
| Totals presented above  | \$ 1,299 | \$ 754                  | \$ 100                                   |
| Treatment charges   | —        | 35                      | —  |
| Noncash and other costs, net  | —        | 27                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 9        | —                       | —  |
| Eliminations and other  | (7)      | (9)                     | 2  |
| North America copper mines  | 1,301    | 807                     | 102                                      |
| Other mining & eliminations <sup>c</sup>                              | 3,688    | 2,235                   | 251                                      |
| Total mining  | 4,989    | 3,042                   | 353                                      |
| U.S. oil & gas operations   | 1,176    | 288                     | 563                                      |
| Corporate, other & eliminations                                       | —        | 2                       | 3  |
| As reported in FCX's consolidated financial statements                | \$ 6,165 | \$ 3,332                | \$ 919                                   |

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

b. Includes gold and silver product revenues and production costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

**North America Copper Mines Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2014**

| (In millions)  | By-Product<br>Method | Co-Product Method |                         |                    | Total    |
|--|----------------------|-------------------|-------------------------|--------------------|----------|
|  |                      | Copper            | Molybdenum <sup>a</sup> | Other <sup>b</sup> |          |
| Revenues, excluding adjustments  | \$ 3,901             | \$ 3,901          | \$ 297                  | \$ 96              | \$ 4,294 |
| Site production and delivery, before net noncash and other costs shown below | 2,272                | 2,232             | 69                      | 54                 | 2,355    |
| By-product credits   | (310)                | —                 | —                       | —                  | —        |
| Treatment charges  | 144                  | 140               | —                       | 4                  | 144      |
| Net cash costs   | 2,106                | 2,372             | 69                      | 58                 | 2,499    |
| Depreciation, depletion and amortization                                     | 360                  | 352               | 4                       | 4                  | 360      |
| Noncash and other costs, net   | 105                  | 104               | —                       | 1                  | 105      |
| Total costs  | 2,571                | 2,828             | 73                      | 63                 | 2,964    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (7)                  | (7)               | —                       | —                  | (7)      |
| Gross profit   | \$ 1,323             | \$ 1,066          | \$ 224                  | \$ 33              | \$ 1,323 |
| Copper sales (millions of recoverable pounds)                                | 1,224                | 1,224             |                         |                    |          |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup>               |                      |                   | 25                      |                    |          |

## Gross profit per pound of copper/molybdenum:

|  |         |         |          |
|--|---------|---------|----------|
| Revenues, excluding adjustments  | \$ 3.19 | \$ 3.19 | \$ 11.93 |
| Site production and delivery, before net noncash and other costs shown below | 1.86    | 1.83    | 2.75     |
| By-product credits   | (0.25)  | —       | —        |
| Treatment charges  | 0.11    | 0.11    | —        |
| Unit net cash costs  | 1.72    | 1.94    | 2.75     |
| Depreciation, depletion and amortization                                     | 0.29    | 0.29    | 0.15     |
| Noncash and other costs, net   | 0.09    | 0.08    | 0.03     |
| Total unit costs   | 2.10    | 2.31    | 2.93     |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.01)  | (0.01)  | —        |
| Gross profit per pound   | \$ 1.08 | \$ 0.87 | \$ 9.00  |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------|-------------------------|--|
| Totals presented above  | \$ 4,294  | \$ 2,355                | \$ 360                                   |
| Treatment charges   | —         | 144                     | —  |
| Noncash and other costs, net  | —         | 105                     | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (7)       | —                       | —  |
| Eliminations and other  | (42)      | (46)                    | 8  |
| North America copper mines  | 4,245     | 2,558                   | 368                                      |
| Other mining & eliminations <sup>c</sup>                              | 8,471     | 5,502                   | 810                                      |
| Total mining  | 12,716    | 8,060                   | 1,178                                    |
| U.S. oil & gas operations   | 3,487     | 913                     | 2,044 <sup>d</sup>                       |
| Corporate, other & eliminations                                       | —         | (2)                     | 10                                       |
| As reported in FCX's consolidated financial statements                | \$ 16,203 | \$ 8,971                | \$ 3,232 <sup>d</sup>                    |

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

b. Includes gold and silver product revenues and production costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

d. Includes impairment of oil and gas properties of \$308 million .

**North America Copper Mines Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2013**

| (In millions)  | By-Product Method | Co-Product Method |                         |                    |          |
|--|-------------------|-------------------|-------------------------|--------------------|----------|
|  |                   | Copper            | Molybdenum <sup>a</sup> | Other <sup>b</sup> | Total    |
| Revenues, excluding adjustments  | \$ 3,655          | \$ 3,655          | \$ 280                  | \$ 80              | \$ 4,015 |
| Site production and delivery, before net noncash and other costs shown below | 2,201             | 2,130             | 101                     | 56                 | 2,287    |
| By-product credits   | (274)             | —                 | —                       | —                  | —        |
| Treatment charges  | 112               | 109               | —                       | 3                  | 112      |
| Net cash costs   | 2,039             | 2,239             | 101                     | 59                 | 2,399    |
| Depreciation, depletion and amortization                                     | 303               | 293               | 6                       | 4                  | 303      |
| Noncash and other costs, net   | 88                | 87                | 1                       | —                  | 88       |
| Total costs  | 2,430             | 2,619             | 108                     | 63                 | 2,790    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (4)               | (4)               | —                       | —                  | (4)      |
| Gross profit   | \$ 1,221          | \$ 1,032          | \$ 172                  | \$ 17              | \$ 1,221 |
| Copper sales (millions of recoverable pounds)                                | 1,084             | 1,084             |                         |                    |          |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup>               |                   |                   | 26                      |                    |          |

**Gross profit per pound of copper/molybdenum:**

|  |         |         |          |  |
|--|---------|---------|----------|--|
| Revenues, excluding adjustments  | \$ 3.37 | \$ 3.37 | \$ 11.03 |  |
| Site production and delivery, before net noncash and other costs shown below | 2.03    | 1.97    | 3.99     |  |
| By-product credits   | (0.25)  | —       | —        |  |
| Treatment charges  | 0.10    | 0.10    | —        |  |
| Unit net cash costs  | 1.88    | 2.07    | 3.99     |  |
| Depreciation, depletion and amortization                                     | 0.28    | 0.27    | 0.25     |  |
| Noncash and other costs, net   | 0.08    | 0.08    | 0.03     |  |
| Total unit costs   | 2.24    | 2.42    | 4.27     |  |
| Revenue adjustments, primarily for pricing on prior period open sales        | —       | —       | —        |  |
| Gross profit per pound   | \$ 1.13 | \$ 0.95 | \$ 6.76  |  |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------|-------------------------|--|
| Totals presented above  | \$ 4,015  | \$ 2,287                | \$ 303                                   |
| Treatment charges   | —         | 112                     | —  |
| Noncash and other costs, net  | —         | 88                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (4)       | —                       | —  |
| Eliminations and other  | (16)      | (28)                    | 9  |
| North America copper mines  | 3,995     | 2,459                   | 312                                      |
| Other mining & eliminations <sup>c</sup>                              | 9,526     | 6,058                   | 726                                      |
| Total mining  | 13,521    | 8,517                   | 1,038                                    |
| U.S. oil & gas operations   | 1,512     | 377                     | 732                                      |
| Corporate, other & eliminations                                       | 3         | 10                      | 8  |
| As reported in FCX's consolidated financial statements                | \$ 15,036 | \$ 8,904                | \$ 1,778                                 |

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

b. Includes gold and silver product revenues and production costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10.

### South America Mining Product Revenues, Production Costs and Unit Net Cash Costs

Three Months Ended September 30, 2014

| (In millions)  | By-Product Method | Co-Product Method |                    |        |
|--|-------------------|-------------------|--------------------|--------|
|  |                   | Copper            | Other              | Total  |
| Revenues, excluding adjustments  | \$ 840            | \$ 840            | \$ 69 <sup>a</sup> | \$ 909 |
| Site production and delivery, before net noncash and other costs shown below | 451               | 415               | 43                 | 458    |
| By-product credits   | (62)              | —                 | —                  | —      |
| Treatment charges  | 43                | 43                | —                  | 43     |
| Royalty on metals  | 1                 | 1                 | —                  | 1      |
| Net cash costs   | 433               | 459               | 43                 | 502    |
| Depreciation, depletion and amortization                                     | 102               | 96                | 6                  | 102    |
| Noncash and other costs, net   | 18                | 19                | (1)                | 18     |
| Total costs  | 553               | 574               | 48                 | 622    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (15)              | (15)              | —                  | (15)   |
| Gross profit   | \$ 272            | \$ 251            | \$ 21              | \$ 272 |

|   |     |     |
|---|-----|-----|
| Copper sales (millions of recoverable pounds) | 271 | 271 |
|---|-----|-----|

Gross profit per pound of copper:

|  |         |         |
|--|---------|---------|
| Revenues, excluding adjustments  | \$ 3.10 | \$ 3.10 |
| Site production and delivery, before net noncash and other costs shown below | 1.67    | 1.53    |
| By-product credits   | (0.23)  | —       |
| Treatment charges  | 0.16    | 0.16    |
| Royalty on metals  | —       | —       |
| Unit net cash costs  | 1.60    | 1.69    |
| Depreciation, depletion and amortization                                     | 0.37    | 0.35    |
| Noncash and other costs, net   | 0.07    | 0.07    |
| Total unit costs   | 2.04    | 2.11    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.06)  | (0.06)  |
| Gross profit per pound   | \$ 1.00 | \$ 0.93 |

Reconciliation to Amounts Reported

| (In millions)   | Revenues | Production and Delivery | Depreciation, Depletion and Amortization |
|---|----------|-------------------------|--|
| Totals presented above  | \$ 909   | \$ 458                  | \$ 102                                   |
| Treatment charges   | (43)     | —                       | —  |
| Royalty on metals   | (1)      | —                       | —  |
| Noncash and other costs, net  | —        | 18                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (15)     | —                       | —  |
| Eliminations and other  | (3)      | (5)                     | —  |
| South America mining  | 847      | 471                     | 102                                      |
| Other mining & eliminations <sup>b</sup>                              | 3,859    | 2,409                   | 336                                      |
| Total mining  | 4,706    | 2,880                   | 438                                      |
| U.S. oil & gas operations   | 990      | 273                     | 812 <sup>c</sup>                         |
| Corporate, other & eliminations                                       | —        | (1)                     | 3  |
| As reported in FCX's consolidated financial statements                | \$ 5,696 | \$ 3,152                | \$ 1,253 <sup>c</sup>                    |

a. Includes gold sales of 16 thousand ounces ( \$1,234 per ounce average realized price) and silver sales of 684 thousand ounces ( \$18.57 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

c. Includes impairment of oil and gas properties of \$308 million .

**South America Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Three Months Ended September 30, 2013**

| (In millions)  | By-Product<br>Method | Co-Product Method |                    |          |
|--|----------------------|-------------------|--------------------|----------|
|  |                      | Copper            | Other <sup>a</sup> | Total    |
| Revenues, excluding adjustments  | \$ 1,065             | \$ 1,065          | \$ 79              | \$ 1,144 |
| Site production and delivery, before net noncash and other costs shown below | 483                  | 453               | 35                 | 488      |
| By-product credits   | (74)                 | —                 | —                  | —        |
| Treatment charges  | 52                   | 52                | —                  | 52       |
| Net cash costs   | 461                  | 505               | 35                 | 540      |
| Depreciation, depletion and amortization                                     | 85                   | 80                | 5                  | 85       |
| Noncash and other costs, net   | 14                   | 5                 | 9                  | 14       |
| Total costs  | 560                  | 590               | 49                 | 639      |
| Revenue adjustments, primarily for pricing on prior period open sales        | 49                   | 49                | —                  | 49       |
| Gross profit   | \$ 554               | \$ 524            | \$ 30              | \$ 554   |
| Copper sales (millions of recoverable pounds)                                | 323                  | 323               |                    |          |

## Gross profit per pound of copper:

|  |         |         |
|--|---------|---------|
| Revenues, excluding adjustments  | \$ 3.30 | \$ 3.30 |
| Site production and delivery, before net noncash and other costs shown below | 1.49    | 1.40    |
| By-product credits   | (0.22)  | —       |
| Treatment charges  | 0.16    | 0.16    |
| Unit net cash costs  | 1.43    | 1.56    |
| Depreciation, depletion and amortization                                     | 0.26    | 0.25    |
| Noncash and other costs, net   | 0.05    | 0.02    |
| Total unit costs   | 1.74    | 1.83    |
| Revenue adjustments, primarily for pricing on prior period open sales        | 0.15    | 0.15    |
| Gross profit per pound   | \$ 1.71 | \$ 1.62 |

*Reconciliation to Amounts Reported*

| (In millions)   | Revenues | Production and<br>Delivery | Depreciation,<br>Depletion and<br>Amortization |
|---|----------|----------------------------|--|
| Totals presented above  | \$ 1,144 | \$ 488                     | \$ 85  |
| Treatment charges   | (52)     | —                          | —  |
| Noncash and other costs, net  | —        | 14                         | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 49       | —                          | —  |
| Eliminations and other  | (2)      | (8)                        | —  |
| South America mining  | 1,139    | 494                        | 85   |
| Other mining & eliminations <sup>b</sup>                              | 3,850    | 2,548                      | 268  |
| Total mining  | 4,989    | 3,042                      | 353  |
| U.S. oil & gas operations   | 1,176    | 288                        | 563  |
| Corporate, other & eliminations                                       | —        | 2                          | 3  |
| As reported in FCX's consolidated financial statements                | \$ 6,165 | \$ 3,332                   | \$ 919   |

a. Includes gold sales of 26 thousand ounces ( \$1,335 per ounce average realized price) and silver sales of 841 thousand ounces ( \$15.20 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

**South America Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2014**

| (In millions)  | By-Product Method | Co-Product Method |                     |          |
|--|-------------------|-------------------|---------------------|----------|
|  |                   | Copper            | Other               | Total    |
| Revenues, excluding adjustments  | \$ 2,775          | \$ 2,775          | \$ 227 <sup>a</sup> | \$ 3,002 |
| Site production and delivery, before net noncash and other costs shown below | 1,424             | 1,315             | 124                 | 1,439    |
| By-product credits   | (212)             | —                 | —                   | —        |
| Treatment charges  | 151               | 151               | —                   | 151      |
| Royalty on metals  | 4                 | 4                 | —                   | 4        |
| Net cash costs   | 1,367             | 1,470             | 124                 | 1,594    |
| Depreciation, depletion and amortization                                     | 284               | 266               | 18                  | 284      |
| Noncash and other costs, net   | 57                | 64                | (7)                 | 57       |
| Total costs  | 1,708             | 1,800             | 135                 | 1,935    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (66)              | (66)              | —                   | (66)     |
| Gross profit   | \$ 1,001          | \$ 909            | \$ 92               | \$ 1,001 |

Copper sales (millions of recoverable pounds) 888 888

Gross profit per pound of copper:

|  |         |         |
|--|---------|---------|
| Revenues, excluding adjustments  | \$ 3.12 | \$ 3.12 |
| Site production and delivery, before net noncash and other costs shown below | 1.61    | 1.48    |
| By-product credits   | (0.24)  | —       |
| Treatment charges  | 0.17    | 0.17    |
| Royalty on metals  | —       | —       |
| Unit net cash costs  | 1.54    | 1.65    |
| Depreciation, depletion and amortization                                     | 0.32    | 0.30    |
| Noncash and other costs, net   | 0.06    | 0.08    |
| Total unit costs   | 1.92    | 2.03    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.07)  | (0.07)  |
| Gross profit per pound   | \$ 1.13 | \$ 1.02 |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------|-------------------------|--|
| Totals presented above  | \$ 3,002  | \$ 1,439                | \$ 284                                   |
| Treatment charges   | (151)     | —                       | —  |
| Royalty on metals   | (4)       | —                       | —  |
| Noncash and other costs, net  | —         | 57                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (66)      | —                       | —  |
| Eliminations and other  | (5)       | (19)                    | —  |
| South America mining  | 2,776     | 1,477                   | 284                                      |
| Other mining & eliminations <sup>b</sup>                              | 9,940     | 6,583                   | 894                                      |
| Total mining  | 12,716    | 8,060                   | 1,178                                    |
| U.S. oil & gas operations   | 3,487     | 913                     | 2,044 <sup>c</sup>                       |
| Corporate, other & eliminations                                       | —         | (2)                     | 10                                       |
| As reported in FCX's consolidated financial statements                | \$ 16,203 | \$ 8,971                | \$ 3,232 <sup>c</sup>                    |

a. Includes gold sales of 59 thousand ounces ( \$1,280 per ounce average realized price) and silver sales of 2.2 million ounces ( \$19.10 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

c. Includes impairment of oil and gas properties of \$308 million .

**South America Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2013**

| (In millions)  | By-Product Method | Co-Product Method |                    |          |
|--|-------------------|-------------------|--------------------|----------|
|  |                   | Copper            | Other <sup>a</sup> | Total    |
| Revenues, excluding adjustments  | \$ 3,042          | \$ 3,042          | \$ 245             | \$ 3,287 |
| Site production and delivery, before net noncash and other costs shown below | 1,453             | 1,349             | 119                | 1,468    |
| By-product credits   | (230)             | —                 | —                  | —        |
| Treatment charges  | 151               | 151               | —                  | 151      |
| Net cash costs   | 1,374             | 1,500             | 119                | 1,619    |
| Depreciation, depletion and amortization                                     | 242               | 228               | 14                 | 242      |
| Noncash and other costs, net   | 38                | 11                | 27                 | 38       |
| Total costs  | 1,654             | 1,739             | 160                | 1,899    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (29)              | (29)              | —                  | (29)     |
| Gross profit   | \$ 1,359          | \$ 1,274          | \$ 85              | \$ 1,359 |

|   |     |     |
|---|-----|-----|
| Copper sales (millions of recoverable pounds) | 923 | 923 |
|---|-----|-----|

## Gross profit per pound of copper:

|  |         |         |
|--|---------|---------|
| Revenues, excluding adjustments  | \$ 3.30 | \$ 3.30 |
| Site production and delivery, before net noncash and other costs shown below | 1.57    | 1.46    |
| By-product credits   | (0.25)  | —       |
| Treatment charges  | 0.17    | 0.17    |
| Unit net cash costs  | 1.49    | 1.63    |
| Depreciation, depletion and amortization                                     | 0.26    | 0.24    |
| Noncash and other costs, net   | 0.04    | 0.01    |
| Total unit costs   | 1.79    | 1.88    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.04)  | (0.04)  |
| Gross profit per pound   | \$ 1.47 | \$ 1.38 |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------|-------------------------|--|
| Totals presented above  | \$ 3,287  | \$ 1,468                | \$ 242                                   |
| Treatment charges   | (151)     | —                       | —  |
| Noncash and other costs, net  | —         | 38                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (29)      | —                       | —  |
| Eliminations and other  | (3)       | (21)                    | —  |
| South America mining  | 3,104     | 1,485                   | 242                                      |
| Other mining & eliminations <sup>b</sup>                              | 10,417    | 7,032                   | 796                                      |
| Total mining  | 13,521    | 8,517                   | 1,038                                    |
| U.S. oil & gas operations   | 1,512     | 377                     | 732                                      |
| Corporate, other & eliminations                                       | 3         | 10                      | 8  |
| As reported in FCX's consolidated financial statements                | \$ 15,036 | \$ 8,904                | \$ 1,778                                 |

a. Includes gold sales of 68 thousand ounces ( \$1,415 per ounce average realized price) and silver sales of 2.6 million ounces ( \$22.51 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

## Indonesia Mining Product Revenues, Production Costs and Unit Net Cash Costs

### Three Months Ended September 30, 2014

| (In millions)  | By-Product Method | Co-Product Method |        |                     |          |
|--|-------------------|-------------------|--------|---------------------|----------|
|  |                   | Copper            | Gold   | Silver <sup>a</sup> | Total    |
| Revenues, excluding adjustments  | \$ 786            | \$ 786            | \$ 615 | \$ 15               | \$ 1,416 |
| Site production and delivery, before net noncash and other costs shown below | 624               | 346               | 271    | 7                   | 624      |
| Gold and silver credits  | (629)             | —                 | —      | —                   | —        |
| Treatment charges  | 65                | 36                | 28     | 1                   | 65       |
| Export duties  | 42                | 23                | 18     | 1                   | 42       |
| Royalty on metals  | 52                | 29                | 23     | —                   | 52       |
| Net cash costs   | 154               | 434               | 340    | 9                   | 783      |
| Depreciation and amortization  | 92                | 51                | 40     | 1                   | 92       |
| Noncash and other costs, net   | 28                | 16                | 12     | —                   | 28       |
| Total costs  | 274               | 501               | 392    | 10                  | 903      |
| Revenue adjustments, primarily for pricing on prior period open sales        | (3)               | (3)               | (1)    | —                   | (4)      |
| PT Smelting intercompany loss  | (48)              | (27)              | (21)   | —                   | (48)     |
| Gross profit   | \$ 461            | \$ 255            | \$ 201 | \$ 5                | \$ 461   |
| Copper sales (millions of recoverable pounds)                                | 258               | 258               |        |                     |          |
| Gold sales (thousands of recoverable ounces)                                 |                   |                   | 505    |                     |          |

Gross profit per pound of copper/per ounce of gold:

|  |         |         |          |
|--|---------|---------|----------|
| Revenues, excluding adjustments  | \$ 3.05 | \$ 3.05 | \$ 1,219 |
| Site production and delivery, before net noncash and other costs shown below | 2.42    | 1.34    | 537      |
| Gold and silver credits  | (2.44)  | —       | —        |
| Treatment charges  | 0.25    | 0.14    | 56       |
| Export duties  | 0.16    | 0.09    | 36       |
| Royalty on metals  | 0.21    | 0.12    | 45       |
| Unit net cash costs  | 0.60    | 1.69    | 674      |
| Depreciation and amortization  | 0.35    | 0.20    | 79       |
| Noncash and other costs, net   | 0.11    | 0.06    | 24       |
| Total unit costs   | 1.06    | 1.95    | 777      |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.01)  | (0.01)  | (1)      |
| PT Smelting intercompany loss  | (0.19)  | (0.10)  | (42)     |
| Gross profit per pound/ounce   | \$ 1.79 | \$ 0.99 | \$ 399   |

### Reconciliation to Amounts Reported

| (In millions)   | Revenues | Production and Delivery | Depreciation, Depletion and Amortization |
|---|----------|-------------------------|--|
| Totals presented above  | \$ 1,416 | \$ 624                  | \$ 92                                    |
| Treatment charges   | (65)     | —                       | —  |
| Export duties   | (42)     | —                       | —  |
| Royalty on metals   | (52)     | —                       | —  |
| Noncash and other costs, net  | —        | 28                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (4)      | —                       | —  |
| PT Smelting intercompany loss   | —        | 48                      | —  |
| Indonesia mining  | 1,253    | 700                     | 92                                       |
| Other mining & eliminations <sup>b</sup>                              | 3,453    | 2,180                   | 346                                      |
| Total mining  | 4,706    | 2,880                   | 438                                      |
| U.S. oil & gas operations   | 990      | 273                     | 812 <sup>c</sup>                         |
| Corporate, other & eliminations                                       | —        | (1)                     | 3  |
| As reported in FCX's consolidated financial statements                | \$ 5,696 | \$ 3,152                | \$ 1,253 <sup>c</sup>                    |

a. Includes silver sales of 889 thousand ounces ( \$17.11 per ounce average realized price).

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

c. Includes impairment of oil and gas properties of \$308 million .



**Indonesia Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)**Three Months Ended September 30, 2013

| (In millions)  | By-Product Method | Co-Product Method |               |                     |               |
|--|-------------------|-------------------|---------------|---------------------|---------------|
|  |                   | Copper            | Gold          | Silver <sup>a</sup> | Total         |
| Revenues, excluding adjustments  | \$ 782            | \$ 782            | \$ 370        | \$ 16               | \$ 1,168      |
| Site production and delivery, before net noncash and other costs shown below | 545               | 365               | 173           | 7                   | 545           |
| Gold and silver credits  | (391)             | —                 | —             | —                   | —             |
| Treatment charges  | 54                | 36                | 18            | —                   | 54            |
| Royalty on metals  | 27                | 18                | 8             | 1                   | 27            |
| Net cash costs   | 235               | 419               | 199           | 8                   | 626           |
| Depreciation and amortization  | 60                | 40                | 19            | 1                   | 60            |
| Noncash and other costs, net   | 36                | 24                | 11            | 1                   | 36            |
| Total costs  | 331               | 483               | 229           | 10                  | 722           |
| Revenue adjustments, primarily for pricing on prior period open sales        | 19                | 19                | 4             | 1                   | 24            |
| PT Smelting intercompany loss  | (36)              | (24)              | (11)          | (1)                 | (36)          |
| Gross profit   | <u>\$ 434</u>     | <u>\$ 294</u>     | <u>\$ 134</u> | <u>\$ 6</u>         | <u>\$ 434</u> |

|   |     |     |     |
|---|-----|-----|-----|
| Copper sales (millions of recoverable pounds) | 237 | 237 |     |
| Gold sales (thousands of recoverable ounces)  |     |     | 278 |

Gross profit per pound of copper/per ounce of gold:

|  |                |                |               |
|--|----------------|----------------|---------------|
| Revenues, excluding adjustments  | \$ 3.30        | \$ 3.30        | \$ 1,330      |
| Site production and delivery, before net noncash and other costs shown below | 2.30           | 1.54           | 621           |
| Gold and silver credits  | (1.65)         | —              | —             |
| Treatment charges  | 0.23           | 0.15           | 62            |
| Royalty on metals  | 0.11           | 0.08           | 31            |
| Unit net cash costs  | 0.99           | 1.77           | 714           |
| Depreciation and amortization  | 0.25           | 0.17           | 68            |
| Noncash and other costs, net   | 0.15           | 0.10           | 40            |
| Total unit costs   | 1.39           | 2.04           | 822           |
| Revenue adjustments, primarily for pricing on prior period open sales        | 0.08           | 0.08           | 17            |
| PT Smelting intercompany loss  | (0.15)         | (0.10)         | (41)          |
| Gross profit per pound/ounce   | <u>\$ 1.84</u> | <u>\$ 1.24</u> | <u>\$ 484</u> |

*Reconciliation to Amounts Reported*

| (In millions)   | Revenues        | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------------|-------------------------|--|
| Totals presented above  | \$ 1,168        | \$ 545                  | \$ 60                                    |
| Treatment charges   | (54)            | —                       | —  |
| Royalty on metals   | (27)            | —                       | —  |
| Noncash and other costs, net  | —               | 36                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 24              | —                       | —  |
| PT Smelting intercompany loss   | —               | 36                      | —  |
| Indonesia mining  | 1,111           | 617                     | 60                                       |
| Other mining & eliminations <sup>b</sup>                              | 3,878           | 2,425                   | 293                                      |
| Total mining  | 4,989           | 3,042                   | 353                                      |
| U.S. oil & gas operations   | 1,176           | 288                     | 563                                      |
| Corporate, other & eliminations                                       | —               | 2                       | 3  |
| As reported in FCX's consolidated financial statements                | <u>\$ 6,165</u> | <u>\$ 3,332</u>         | <u>\$ 919</u>                            |

a. Includes silver sales of 761 thousand ounces ( \$21.46 per ounce average realized price).

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

**Indonesia Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2014**

| (In millions)  | By-Product       | Co-Product Method |          |                     | Total    |
|--|------------------|-------------------|----------|---------------------|----------|
|  | Method           | Copper            | Gold     | Silver <sup>a</sup> |          |
| Revenues, excluding adjustments  | \$ 1,495         | \$ 1,495          | \$ 1,001 | \$ 29               | \$ 2,525 |
| Site production and delivery, before net noncash and other costs shown below | 1,404            | 831               | 557      | 16                  | 1,404    |
| Gold and silver credits  | (1,048)          | —                 | —        | —                   | —        |
| Treatment charges  | 121              | 72                | 48       | 1                   | 121      |
| Export duties  | 42               | 25                | 16       | 1                   | 42       |
| Royalty on metals  | 79               | 47                | 31       | 1                   | 79       |
| Net cash costs   | 598              | 975               | 652      | 19                  | 1,646    |
| Depreciation and amortization  | 194              | 115               | 77       | 2                   | 194      |
| Noncash and other costs, net   | 200 <sup>b</sup> | 118               | 80       | 2                   | 200      |
| Total costs  | 992              | 1,208             | 809      | 23                  | 2,040    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (55)             | (55)              | 18       | —                   | (37)     |
| PT Smelting intercompany profit  | 10               | 6                 | 4        | —                   | 10       |
| Gross profit   | \$ 458           | \$ 238            | \$ 214   | \$ 6                | \$ 458   |

Copper sales (millions of recoverable pounds)

484

484

Gold sales (thousands of recoverable ounces)

802

Gross profit per pound of copper/per ounce of gold:

|  |                   |         |          |
|--|-------------------|---------|----------|
| Revenues, excluding adjustments  | \$ 3.09           | \$ 3.09 | \$ 1,248 |
| Site production and delivery, before net noncash and other costs shown below | 2.90              | 1.72    | 694      |
| Gold and silver credits  | (2.16)            | —       | —        |
| Treatment charges  | 0.25              | 0.15    | 60       |
| Export duties  | 0.09              | 0.05    | 21       |
| Royalty on metals  | 0.16              | 0.09    | 39       |
| Unit net cash costs  | 1.24              | 2.01    | 814      |
| Depreciation and amortization  | 0.40              | 0.24    | 96       |
| Noncash and other costs, net   | 0.41 <sup>b</sup> | 0.25    | 98       |
| Total unit costs   | 2.05              | 2.50    | 1,008    |
| Revenue adjustments, primarily for pricing on prior period open sales        | (0.11)            | (0.11)  | 22       |
| PT Smelting intercompany profit  | 0.02              | 0.01    | 5        |
| Gross profit per pound/ounce   | \$ 0.95           | \$ 0.49 | \$ 267   |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------|-------------------------|--|
| Totals presented above  | \$ 2,525  | \$ 1,404                | \$ 194                                   |
| Treatment charges   | (121)     | —                       | —  |
| Export duties   | (42)      | —                       | —  |
| Royalty on metals   | (79)      | —                       | —  |
| Noncash and other costs, net  | —         | 200                     | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | (37)      | —                       | —  |
| PT Smelting intercompany profit                                       | —         | (10)                    | —  |
| Indonesia mining  | 2,246     | 1,594                   | 194                                      |
| Other mining & eliminations <sup>c</sup>                              | 10,470    | 6,466                   | 984                                      |
| Total mining  | 12,716    | 8,060                   | 1,178                                    |
| U.S. oil & gas operations   | 3,487     | 913                     | 2,044 <sup>d</sup>                       |
| Corporate, other & eliminations                                       | —         | (2)                     | 10                                       |
| As reported in FCX's consolidated financial statements                | \$ 16,203 | \$ 8,971                | \$ 3,232 <sup>d</sup>                    |

a. Includes silver sales of 1.6 million ounces ( \$18.21 per ounce average realized price).

b. Includes \$143 million ( \$0.30 per pound) of fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

d. Includes impairment of oil and gas properties of \$308 million .

**Indonesia Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2013**

| (In millions)  | By-Product Method | Co-Product Method |               |                     |               |
|--|-------------------|-------------------|---------------|---------------------|---------------|
|  |                   | Copper            | Gold          | Silver <sup>a</sup> | Total         |
| Revenues, excluding adjustments  | \$ 1,938          | \$ 1,938          | \$ 864        | \$ 40               | \$ 2,842      |
| Site production and delivery, before net noncash and other costs shown below | 1,623             | 1,107             | 493           | 23                  | 1,623         |
| Gold and silver credits  | (903)             | —                 | —             | —                   | —             |
| Treatment charges  | 135               | 92                | 41            | 2                   | 135           |
| Royalty on metals  | 74                | 50                | 23            | 1                   | 74            |
| Net cash costs   | 929               | 1,249             | 557           | 26                  | 1,832         |
| Depreciation and amortization  | 173               | 118               | 53            | 2                   | 173           |
| Noncash and other costs, net   | 123               | 84                | 37            | 2                   | 123           |
| Total costs  | 1,225             | 1,451             | 647           | 30                  | 2,128         |
| Revenue adjustments, primarily for pricing on prior period open sales        | 1                 | 1                 | (1)           | —                   | —             |
| PT Smelting intercompany profit  | 3                 | 2                 | 1             | —                   | 3             |
| Gross profit   | <u>\$ 717</u>     | <u>\$ 490</u>     | <u>\$ 217</u> | <u>\$ 10</u>        | <u>\$ 717</u> |
| Copper sales (millions of recoverable pounds)                                | 593               | 593               |               |                     |               |
| Gold sales (thousands of recoverable ounces)                                 |                   |                   | 620           |                     |               |

Gross profit per pound of copper/per ounce of gold:

|  |                |                |               |
|--|----------------|----------------|---------------|
| Revenues, excluding adjustments  | \$ 3.27        | \$ 3.27        | \$ 1,393      |
| Site production and delivery, before net noncash and other costs shown below | 2.74           | 1.87           | 795           |
| Gold and silver credits  | (1.52)         | —              | —             |
| Treatment charges  | 0.23           | 0.16           | 67            |
| Royalty on metals  | 0.12           | 0.08           | 36            |
| Unit net cash costs  | 1.57           | 2.11           | 898           |
| Depreciation and amortization  | 0.29           | 0.20           | 85            |
| Noncash and other costs, net   | 0.21           | 0.14           | 60            |
| Total unit costs   | 2.07           | 2.45           | 1,043         |
| Revenue adjustments, primarily for pricing on prior period open sales        | —              | —              | (2)           |
| PT Smelting intercompany profit  | 0.01           | 0.01           | 1             |
| Gross profit per pound/ounce   | <u>\$ 1.21</u> | <u>\$ 0.83</u> | <u>\$ 349</u> |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues         | Production and Delivery | Depreciation, Depletion and Amortization |
|---|------------------|-------------------------|--|
| Totals presented above  | \$ 2,842         | \$ 1,623                | \$ 173                                   |
| Treatment charges   | (135)            | —                       | —  |
| Royalty on metals   | (74)             | —                       | —  |
| Noncash and other costs, net  | —                | 123                     | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | —                | —                       | —  |
| PT Smelting intercompany profit                                       | —                | (3)                     | —  |
| Indonesia mining  | 2,633            | 1,743                   | 173                                      |
| Other mining & eliminations <sup>b</sup>                              | 10,888           | 6,774                   | 865                                      |
| Total mining  | 13,521           | 8,517                   | 1,038                                    |
| U.S. oil & gas operations   | 1,512            | 377                     | 732                                      |
| Corporate, other & eliminations                                       | 3                | 10                      | 8  |
| As reported in FCX's consolidated financial statements                | <u>\$ 15,036</u> | <u>\$ 8,904</u>         | <u>\$ 1,778</u>                          |

a. Includes silver sales of 1.8 million ounces ( \$22.55 per ounce average realized price).

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .



### Africa Mining Product Revenues, Production Costs and Unit Net Cash Costs

#### Three Months Ended September 30, 2014

| (In millions)  | By-Product<br>Method | Co-Product Method |        |        |
|--|----------------------|-------------------|--------|--------|
|  |                      | Copper            | Cobalt | Total  |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 350               | \$ 350            | \$ 82  | \$ 432 |
| Site production and delivery, before net noncash and other costs shown below | 181                  | 158               | 44     | 202    |
| Cobalt credits <sup>b</sup>  | (64)                 | —                 | —      | —      |
| Royalty on metals  | 8                    | 6                 | 2      | 8      |
| Net cash costs   | 125                  | 164               | 46     | 210    |
| Depreciation, depletion and amortization                                     | 58                   | 49                | 9      | 58     |
| Noncash and other costs, net   | 4                    | 4                 | —      | 4      |
| Total costs  | 187                  | 217               | 55     | 272    |
| Revenue adjustments, primarily for pricing on prior period open sales        | 1                    | 1                 | 3      | 4      |
| Gross profit   | \$ 164               | \$ 134            | \$ 30  | \$ 164 |

|   |     |     |   |
|---|-----|-----|---|
| Copper sales (millions of recoverable pounds) | 112 | 112 |   |
| Cobalt sales (millions of contained pounds)   |     |     | 8 |

Gross profit per pound of copper/cobalt:

|  |         |         |         |
|--|---------|---------|---------|
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 3.11 | \$ 3.11 | \$ 9.99 |
| Site production and delivery, before net noncash and other costs shown below | 1.61    | 1.40    | 5.32    |
| Cobalt credits <sup>b</sup>  | (0.58)  | —       | —       |
| Royalty on metals  | 0.07    | 0.06    | 0.18    |
| Unit net cash costs  | 1.10    | 1.46    | 5.50    |
| Depreciation, depletion and amortization                                     | 0.51    | 0.43    | 1.06    |
| Noncash and other costs, net   | 0.05    | 0.04    | 0.10    |
| Total unit costs   | 1.66    | 1.93    | 6.66    |
| Revenue adjustments, primarily for pricing on prior period open sales        | 0.01    | 0.01    | 0.39    |
| Gross profit per pound   | \$ 1.46 | \$ 1.19 | \$ 3.72 |

#### *Reconciliation to Amounts Reported*

| (In millions)   | Revenues | Production and<br>Delivery | Depreciation,<br>Depletion and<br>Amortization |
|---|----------|----------------------------|--|
| Totals presented above  | \$ 432   | \$ 202                     | \$ 58  |
| Royalty on metals   | (8)      | —                          | —  |
| Noncash and other costs, net  | —        | 4                          | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 4        | —                          | —  |
| Africa mining   | 428      | 206                        | 58   |
| Other mining & eliminations <sup>c</sup>                              | 4,278    | 2,674                      | 380  |
| Total mining  | 4,706    | 2,880                      | 438  |
| U.S. oil & gas operations   | 990      | 273                        | 812 <sup>d</sup>                               |
| Corporate, other & eliminations                                       | —        | (1)                        | 3  |
| As reported in FCX's consolidated financial statements                | \$ 5,696 | \$ 3,152                   | \$ 1,253 <sup>d</sup>                          |

a. Includes point-of-sale transportation costs as negotiated in customer contracts.

b. Net of cobalt downstream processing and freight costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

d. Includes impairment of oil and gas properties of \$308 million .

**Africa Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Three Months Ended September 30, 2013**

| (In millions)  | By-Product<br>Method | Co-Product Method |        |        |
|--|----------------------|-------------------|--------|--------|
|  |                      | Copper            | Cobalt | Total  |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 374               | \$ 374            | \$ 53  | \$ 427 |
| Site production and delivery, before net noncash and other costs shown below | 168                  | 162               | 25     | 187    |
| Cobalt credits <sup>b</sup>  | (32)                 | —                 | —      | —      |
| Royalty on metals  | 8                    | 7                 | 1      | 8      |
| Net cash costs   | 144                  | 169               | 26     | 195    |
| Depreciation, depletion and amortization                                     | 64                   | 56                | 8      | 64     |
| Noncash and other costs, net   | 3                    | 2                 | 1      | 3      |
| Total costs  | 211                  | 227               | 35     | 262    |
| Revenue adjustments, primarily for pricing on prior period open sales        | 3                    | 3                 | (2)    | 1      |
| Gross profit   | \$ 166               | \$ 150            | \$ 16  | \$ 166 |

Copper sales (millions of recoverable pounds)

118 118

Cobalt sales (millions of contained pounds)

6

Gross profit per pound of copper/cobalt:

|  |         |         |         |
|--|---------|---------|---------|
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 3.19 | \$ 3.19 | \$ 8.57 |
| Site production and delivery, before net noncash and other costs shown below | 1.43    | 1.38    | 4.14    |
| Cobalt credits <sup>b</sup>  | (0.27)  | —       | —       |
| Royalty on metals  | 0.07    | 0.06    | 0.13    |
| Unit net cash costs  | 1.23    | 1.44    | 4.27    |
| Depreciation, depletion and amortization                                     | 0.55    | 0.48    | 1.37    |
| Noncash and other costs, net   | 0.02    | 0.02    | 0.06    |
| Total unit costs   | 1.80    | 1.94    | 5.70    |
| Revenue adjustments, primarily for pricing on prior period open sales        | 0.03    | 0.03    | (0.27)  |
| Gross profit per pound   | \$ 1.42 | \$ 1.28 | \$ 2.60 |

**Reconciliation to Amounts Reported**

| (In millions)   | Revenues | Production and<br>Delivery | Depreciation,<br>Depletion and<br>Amortization |
|---|----------|----------------------------|--|
| Totals presented above  | \$ 427   | \$ 187                     | \$ 64  |
| Royalty on metals   | (8)      | —                          | —  |
| Noncash and other costs, net  | —        | 3                          | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 1        | —                          | —  |
| Africa mining   | 420      | 190                        | 64   |
| Other mining & eliminations <sup>c</sup>                              | 4,569    | 2,852                      | 289  |
| Total mining  | 4,989    | 3,042                      | 353  |
| U.S. oil & gas operations   | 1,176    | 288                        | 563  |
| Corporate, other & eliminations                                       | —        | 2                          | 3  |
| As reported in FCX's consolidated financial statements                | \$ 6,165 | \$ 3,332                   | \$ 919   |

a. Includes point-of-sale transportation costs as negotiated in customer contracts.

b. Net of cobalt downstream processing and freight costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

**Africa Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2014**

| (In millions)  | By-Product Method | Co-Product Method |        |          |
|--|-------------------|-------------------|--------|----------|
|  |                   | Copper            | Cobalt | Total    |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 972            | \$ 972            | \$ 222 | \$ 1,194 |
| Site production and delivery, before net noncash and other costs shown below | 477               | 420               | 120    | 540      |
| Cobalt credits <sup>b</sup>  | (161)             | —                 | —      | —        |
| Royalty on metals  | 22                | 18                | 4      | 22       |
| Net cash costs   | 338               | 438               | 124    | 562      |
| Depreciation, depletion and amortization                                     | 172               | 148               | 24     | 172      |
| Noncash and other costs, net   | 16                | 14                | 2      | 16       |
| Total costs  | 526               | 600               | 150    | 750      |
| Revenue adjustments, primarily for pricing on prior period open sales        | (1)               | (1)               | 2      | 1        |
| Gross profit   | \$ 445            | \$ 371            | \$ 74  | \$ 445   |
| Copper sales (millions of recoverable pounds)                                | 314               | 314               |        |          |
| Cobalt sales (millions of contained pounds)                                  |                   |                   | 23     |          |

## Gross profit per pound of copper/cobalt:

|  |         |         |         |
|--|---------|---------|---------|
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 3.09 | \$ 3.09 | \$ 9.68 |
| Site production and delivery, before net noncash and other costs shown below | 1.51    | 1.33    | 5.24    |
| Cobalt credits <sup>b</sup>  | (0.51)  | —       | —       |
| Royalty on metals  | 0.07    | 0.06    | 0.16    |
| Unit net cash costs  | 1.07    | 1.39    | 5.40    |
| Depreciation, depletion and amortization                                     | 0.55    | 0.47    | 1.04    |
| Noncash and other costs, net   | 0.05    | 0.05    | 0.10    |
| Total unit costs   | 1.67    | 1.91    | 6.54    |
| Revenue adjustments, primarily for pricing on prior period open sales        | —       | —       | 0.09    |
| Gross profit per pound   | \$ 1.42 | \$ 1.18 | \$ 3.23 |

*Reconciliation to Amounts Reported*

| (In millions)   | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------|-------------------------|--|
| Totals presented above  | \$ 1,194  | \$ 540                  | \$ 172                                   |
| Royalty on metals   | (22)      | —                       | —  |
| Noncash and other costs, net  | —         | 16                      | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 1         | —                       | —  |
| Africa mining   | 1,173     | 556                     | 172                                      |
| Other mining & eliminations <sup>c</sup>                              | 11,543    | 7,504                   | 1,006                                    |
| Total mining  | 12,716    | 8,060                   | 1,178                                    |
| U.S. oil & gas operations   | 3,487     | 913                     | 2,044 <sup>d</sup>                       |
| Corporate, other & eliminations                                       | —         | (2)                     | 10                                       |
| As reported in FCX's consolidated financial statements                | \$ 16,203 | \$ 8,971                | \$ 3,232 <sup>d</sup>                    |

a. Includes point-of-sale transportation costs as negotiated in customer contracts.

b. Net of cobalt downstream processing and freight costs.

c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

d. Includes impairment of oil and gas properties of \$308 million .

**Africa Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)****Nine Months Ended September 30, 2013**

| (In millions)  | By-Product<br>Method | Co-Product Method |        |          |
|--|----------------------|-------------------|--------|----------|
|  |                      | Copper            | Cobalt | Total    |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 1,101             | \$ 1,101          | \$ 140 | \$ 1,241 |
| Site production and delivery, before net noncash and other costs shown below | 488                  | 465               | 76     | 541      |
| Cobalt credits <sup>b</sup>  | (90)                 | —                 | —      | —        |
| Royalty on metals  | 23                   | 20                | 3      | 23       |
| Net cash costs   | 421                  | 485               | 79     | 564      |
| Depreciation, depletion and amortization                                     | 179                  | 163               | 16     | 179      |
| Noncash and other costs, net   | 19                   | 17                | 2      | 19       |
| Total costs  | 619                  | 665               | 97     | 762      |
| Revenue adjustments, primarily for pricing on prior period open sales        | 2                    | 2                 | 3      | 5        |
| Gross profit   | \$ 484               | \$ 438            | \$ 46  | \$ 484   |
| Copper sales (millions of recoverable pounds)                                | 342                  | 342               |        |          |
| Cobalt sales (millions of contained pounds)                                  |                      |                   | 17     |          |

Gross profit per pound of copper/cobalt:

|   |         |         |         |
|---|---------|---------|---------|
| Revenues, excluding adjustments <sup>a</sup>                                    | \$ 3.22 | \$ 3.22 | \$ 8.10 |
| Site production and delivery, before net noncash<br>and other costs shown below | 1.43    | 1.36    | 4.40    |
| Cobalt credits <sup>b</sup>   | (0.26)  | —       | —       |
| Royalty on metals   | 0.06    | 0.06    | 0.14    |
| Unit net cash costs   | 1.23    | 1.42    | 4.54    |
| Depreciation, depletion and amortization  | 0.52    | 0.48    | 0.97    |
| Noncash and other costs, net  | 0.06    | 0.05    | 0.09    |
| Total unit costs  | 1.81    | 1.95    | 5.60    |
| Revenue adjustments, primarily for pricing<br>on prior period open sales        | 0.01    | 0.01    | 0.14    |
| Gross profit per pound  | \$ 1.42 | \$ 1.28 | \$ 2.64 |

***Reconciliation to Amounts Reported***

| (In millions)   | Revenues  | Production and<br>Delivery | Depreciation,<br>Depletion and<br>Amortization |
|---|-----------|----------------------------|--|
| Totals presented above  | \$ 1,241  | \$ 541                     | \$ 179   |
| Royalty on metals   | (23)      | —                          | —  |
| Noncash and other costs, net  | —         | 19                         | —  |
| Revenue adjustments, primarily for pricing on prior period open sales | 5         | —                          | —  |
| Africa mining   | 1,223     | 560                        | 179  |
| Other mining & eliminations <sup>c</sup>                              | 12,298    | 7,957                      | 859  |
| Total mining  | 13,521    | 8,517                      | 1,038  |
| U.S. oil & gas operations   | 1,512     | 377                        | 732  |
| Corporate, other & eliminations                                       | 3         | 10                         | 8  |
| As reported in FCX's consolidated financial statements                | \$ 15,036 | \$ 8,904                   | \$ 1,778                                       |

- a. Includes point-of-sale transportation costs as negotiated in customer contracts.
- b. Net of cobalt downstream processing and freight costs.
- c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 .

### Molybdenum Mines Product Revenues, Production Costs and Unit Net Cash Costs

| (In millions)  | Three Months Ended September 30, |        |
|--|----------------------------------|--------|
|  | 2014                             | 2013   |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 184                           | \$ 132 |
| Site production and delivery, before net noncash and other costs shown below | 83                               | 75     |
| Treatment charges and other  | 11                               | 11     |
| Net cash costs   | 94                               | 86     |
| Depreciation, depletion and amortization                                     | 25                               | 21     |
| Noncash and other costs, net   | 3                                | 7      |
| Total costs  | 122                              | 114    |
| Gross profit   | \$ 62                            | \$ 18  |
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup>               | 13                               | 12     |

Gross profit per pound of molybdenum:

|  |          |          |
|--|----------|----------|
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 13.93 | \$ 10.92 |
| Site production and delivery, before net noncash and other costs shown below | 6.29     | 6.27     |
| Treatment charges and other  | 0.83     | 0.88     |
| Unit net cash costs  | 7.12     | 7.15     |
| Depreciation, depletion and amortization                                     | 1.89     | 1.71     |
| Noncash and other costs, net   | 0.21     | 0.54     |
| Total unit costs   | 9.22     | 9.40     |
| Gross profit per pound   | \$ 4.71  | \$ 1.52  |

#### *Reconciliation to Amounts Reported*

(In millions)

|  | Revenues | Production and Delivery | Depreciation, Depletion and Amortization |
|--|----------|-------------------------|--|
| <u>Three Months Ended September 30, 2014</u>           |          |                         |  |
| Totals presented above                                 | \$ 184   | \$ 83                   | \$ 25                                    |
| Treatment charges and other                            | (11)     | —                       | —  |
| Noncash and other costs, net                           | —        | 3                       | —  |
| Molybdenum mines                                       | 173      | 86                      | 25                                       |
| Other mining & eliminations <sup>b</sup>               | 4,533    | 2,794                   | 413                                      |
| Total mining   | 4,706    | 2,880                   | 438                                      |
| U.S. oil & gas operations                              | 990      | 273                     | 812 <sup>c</sup>                         |
| Corporate, other & eliminations                        | —        | (1)                     | 3  |
| As reported in FCX's consolidated financial statements | \$ 5,696 | \$ 3,152                | \$ 1,253 <sup>c</sup>                    |

#### Three Months Ended September 30, 2013

|  |          |          |        |
|--|----------|----------|--------|
| Totals presented above                                 | \$ 132   | \$ 75    | \$ 21  |
| Treatment charges and other                            | (11)     | —        | —      |
| Noncash and other costs, net                           | —        | 7        | —      |
| Molybdenum mines                                       | 121      | 82       | 21     |
| Other mining & eliminations <sup>b</sup>               | 4,868    | 2,960    | 332    |
| Total mining   | 4,989    | 3,042    | 353    |
| U.S. oil & gas operations                              | 1,176    | 288      | 563    |
| Corporate, other & eliminations                        | —        | 2        | 3      |
| As reported in FCX's consolidated financial statements | \$ 6,165 | \$ 3,332 | \$ 919 |

- a. Reflects sales of the Molybdenum mines' production to our molybdenum sales company at market-based pricing. On a consolidated basis, realizations are based on the actual contract terms for sales to third-parties; as a result, our consolidated average realized price per pound of molybdenum will differ from the amounts reported in this table.
- b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 . Also includes amounts associated with our molybdenum sales company, which includes sales of molybdenum produced by the molybdenum mines and by certain of the North and South America copper mines.
- c. Includes impairment of oil and gas properties of \$308 million .

**Molybdenum Mines Product Revenues, Production Costs and Unit Net Cash Costs (continued)**

| (In millions)  | Nine Months Ended September 30, |        |
|--|---------------------------------|--------|
|  | 2014                            | 2013   |
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 502                          | \$ 443 |
| Site production and delivery, before net noncash and other costs shown below | 237                             | 229    |
| Treatment charges and other  | 33                              | 35     |
| Net cash costs   | 270                             | 264    |
| Depreciation, depletion and amortization                                     | 71                              | 62     |
| Noncash and other costs, net   | 6                               | 11     |
| Total costs  | 347                             | 337    |
| Gross profit   | \$ 155                          | \$ 106 |

|  |    |    |
|--|----|----|
| Molybdenum sales (millions of recoverable pounds) <sup>a</sup> | 40 | 37 |
|--|----|----|

Gross profit per pound of molybdenum:

|  |          |          |
|--|----------|----------|
| Revenues, excluding adjustments <sup>a</sup>                                 | \$ 12.56 | \$ 11.87 |
| Site production and delivery, before net noncash and other costs shown below | 5.92     | 6.15     |
| Treatment charges and other  | 0.84     | 0.93     |
| Unit net cash costs  | 6.76     | 7.08     |
| Depreciation, depletion and amortization                                     | 1.77     | 1.66     |
| Noncash and other costs, net   | 0.14     | 0.29     |
| Total unit costs   | 8.67     | 9.03     |
| Gross profit per pound   | \$ 3.89  | \$ 2.84  |

*Reconciliation to Amounts Reported*

(In millions)

| <u>Nine Months Ended September 30, 2014</u>            | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|--|-----------|-------------------------|--|
| Totals presented above                                 | \$ 502    | \$ 237                  | \$ 71                                    |
| Treatment charges and other                            | (33)      | —                       | —  |
| Noncash and other costs, net                           | —         | 6                       | —  |
| Molybdenum mines                                       | 469       | 243                     | 71                                       |
| Other mining & eliminations <sup>b</sup>               | 12,247    | 7,817                   | 1,107                                    |
| Total mining   | 12,716    | 8,060                   | 1,178                                    |
| U.S. oil & gas operations                              | 3,487     | 913                     | 2,044 <sup>c</sup>                       |
| Corporate, other & eliminations                        | —         | (2)                     | 10                                       |
| As reported in FCX's consolidated financial statements | \$ 16,203 | \$ 8,971                | \$ 3,232 <sup>c</sup>                    |

| <u>Nine Months Ended September 30, 2013</u>            | Revenues  | Production and Delivery | Depreciation, Depletion and Amortization |
|--|-----------|-------------------------|--|
| Totals presented above                                 | \$ 443    | \$ 229                  | \$ 62                                    |
| Treatment charges and other                            | (35)      | —                       | —  |
| Noncash and other costs, net                           | —         | 11                      | —  |
| Molybdenum mines                                       | 408       | 240                     | 62                                       |
| Other mining & eliminations <sup>b</sup>               | 13,113    | 8,277                   | 976                                      |
| Total mining   | 13,521    | 8,517                   | 1,038                                    |
| U.S. oil & gas operations                              | 1,512     | 377                     | 732                                      |
| Corporate, other & eliminations                        | 3         | 10                      | 8  |
| As reported in FCX's consolidated financial statements | \$ 15,036 | \$ 8,904                | \$ 1,778                                 |

a. Reflects sales of the Molybdenum mines' production to our molybdenum sales company at market-based pricing. On a consolidated basis, realizations are based on the actual contract terms for sales to third-parties; as a result, our consolidated average realized price per pound of molybdenum will differ from the amounts reported in this table.

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 10 . Also includes amounts associated with our molybdenum sales company, which includes sales of molybdenum produced by the molybdenum mines and by certain of the North and South America copper mines.

c. Includes impairment of oil and gas properties of \$308 million .



**U.S. Oil & Gas Product Revenues, Cash Production Costs and Realizations**Three Months Ended September 30, 2014

| (In millions)  | Oil           | Natural Gas  | NGLs         | Total<br>U.S. Oil & Gas |
|--|---------------|--------------|--------------|-------------------------|
| Oil and gas revenues before derivatives                        | \$ 821        | \$ 81        | \$ 23        | \$ 925                  |
| Realized cash losses on derivative contracts                   | (58)          | —            | —            | (58)                    |
| Realized revenues  | <u>\$ 763</u> | <u>\$ 81</u> | <u>\$ 23</u> | <u>867</u>              |
| Less: cash production costs                                    |               |              |              | 263                     |
| Cash operating margin  |               |              |              | 604                     |
| Less: depreciation, depletion and amortization                 |               |              |              | 504                     |
| Less: impairment of oil and gas properties                     |               |              |              | 308                     |
| Less: accretion and other costs                                |               |              |              | 10                      |
| Plus: net noncash mark-to-market gains on derivative contracts |               |              |              | 122                     |
| Plus: other net adjustments                                    |               |              |              | 1                       |
| Gross loss   |               |              |              | <u>\$ (95)</u>          |

|                         |     |      |     |      |
|-------------------------|-----|------|-----|------|
| Oil (MMBbls)            | 8.6 |      |     |      |
| Gas (Bcf)               |     | 20.2 |     |      |
| NGLs (MMBbls)           |     |      | 0.6 |      |
| Oil Equivalents (MMBOE) |     |      |     | 12.5 |

|  | Oil<br>(per barrel) | Natural Gas<br>(per MMBtu) | NGLs<br>(per barrel) | Per BOE          |
|--|---------------------|----------------------------|----------------------|------------------|
| Oil and gas revenues before derivatives                        | \$ 95.35            | \$ 4.00                    | \$ 39.69             | \$ 73.70         |
| Realized cash (losses) gains on derivative contracts           | (6.77)              | 0.02                       | —                    | (4.62)           |
| Realized revenues  | <u>\$ 88.58</u>     | <u>\$ 4.02</u>             | <u>\$ 39.69</u>      | <u>69.08</u>     |
| Less: cash production costs                                    |                     |                            |                      | 20.93            |
| Cash operating margin  |                     |                            |                      | 48.15            |
| Less: depreciation, depletion and amortization                 |                     |                            |                      | 40.12            |
| Less: impairment of oil and gas properties                     |                     |                            |                      | 24.59            |
| Less: accretion and other costs                                |                     |                            |                      | 0.85             |
| Plus: net noncash mark-to-market gains on derivative contracts |                     |                            |                      | 9.73             |
| Plus: other net adjustments                                    |                     |                            |                      | 0.09             |
| Gross loss   |                     |                            |                      | <u>\$ (7.59)</u> |

*Reconciliation to Amounts Reported*

| (In Millions)  | Revenues        | Production and Delivery | Depreciation,<br>Depletion and<br>Amortization |
|--|-----------------|-------------------------|--|
| Totals presented above                                   | \$ 925          | \$ 263                  | \$ 504   |
| Realized cash losses on derivative contracts             | (58)            | —                       | —  |
| Net noncash mark-to-market gains on derivative contracts | 122             | —                       | —  |
| Accretion and other costs                                | —               | 10                      | —  |
| Impairment of oil and gas properties                     | —               | —                       | 308  |
| Other net adjustments                                    | 1               | —                       | —  |
| U.S. oil & gas operations                                | 990             | 273                     | 812  |
| Total mining <sup>a</sup>                                | 4,706           | 2,880                   | 438  |
| Corporate, other & eliminations                          | —               | (1)                     | 3  |
| As reported in FCX's consolidated financial statements   | <u>\$ 5,696</u> | <u>\$ 3,152</u>         | <u>\$ 1,253</u>                                |

a. Represents the combined total for mining operations and the related eliminations, as presented in Note 10 .

**U.S. Oil & Gas Product Revenues, Cash Production Costs and Realizations (continued)**Three Months Ended September 30, 2013

| (In Millions)   | Oil             | Natural Gas  | NGLs         | Total U.S. Oil & Gas |
|---|-----------------|--------------|--------------|----------------------|
| Oil and gas revenues before derivatives                         | \$ 1,220        | \$ 86        | \$ 39        | \$ 1,345             |
| Realized cash (losses) gains on derivative contracts            | (19)            | 7            | —            | (12)                 |
| Realized revenues   | <u>\$ 1,201</u> | <u>\$ 93</u> | <u>\$ 39</u> | <u>1,333</u>         |
| Less: cash production costs                                     |                 |              |              | 277                  |
| Cash operating margin   |                 |              |              | 1,056                |
| Less: depreciation, depletion and amortization                  |                 |              |              | 563                  |
| Less: accretion and other costs                                 |                 |              |              | 11                   |
| Plus: net noncash mark-to-market losses on derivative contracts |                 |              |              | (158)                |
| Plus: other net adjustments                                     |                 |              |              | 1                    |
| Gross profit  |                 |              |              | <u>\$ 325</u>        |
| Oil (MMBbls)  | 11.5            |              |              |                      |
| Gas (Bcf)   |                 | 23.5         |              |                      |
| NGLs (MMBbls)   |                 |              | 1.0          |                      |
| Oil Equivalents (MMBOE)   |                 |              |              | 16.5                 |

|   | Oil<br>(per barrel) | Natural Gas<br>(per MMBtu) | NGLs<br>(per barrel) | Per BOE         |
|---|---------------------|----------------------------|----------------------|-----------------|
| Oil and gas revenues before derivatives                         | \$ 106.00           | \$ 3.67                    | \$ 37.16             | \$ 81.67        |
| Realized cash (losses) gains on derivative contracts            | (1.67)              | 0.30                       | —                    | (0.74)          |
| Realized revenues   | <u>\$ 104.33</u>    | <u>\$ 3.97</u>             | <u>\$ 37.16</u>      | <u>80.93</u>    |
| Less: cash production costs                                     |                     |                            |                      | 16.80           |
| Cash operating margin   |                     |                            |                      | 64.13           |
| Less: depreciation, depletion and amortization                  |                     |                            |                      | 34.15           |
| Less: accretion and other costs                                 |                     |                            |                      | 0.70            |
| Plus: net noncash mark-to-market losses on derivative contracts |                     |                            |                      | (9.58)          |
| Plus: other net adjustments                                     |                     |                            |                      | 0.06            |
| Gross profit  |                     |                            |                      | <u>\$ 19.76</u> |

*Reconciliation to Amounts Reported*

| (In Millions)   | Revenues        | Production and Delivery | Depreciation, Depletion and Amortization |
|---|-----------------|-------------------------|--|
| Totals presented above                                    | \$ 1,345        | \$ 277                  | \$ 563                                   |
| Realized cash losses on derivative contracts              | (12)            | —                       | —  |
| Net noncash mark-to-market losses on derivative contracts | (158)           | —                       | —  |
| Accretion and other costs                                 | —               | 11                      | —  |
| Other net adjustments                                     | 1               | —                       | —  |
| U.S. oil & gas operations                                 | 1,176           | 288                     | 563                                      |
| Total mining <sup>a</sup>                                 | 4,989           | 3,042                   | 353                                      |
| Corporate, other & eliminations                           | —               | 2                       | 3  |
| As reported in FCX's consolidated financial statements    | <u>\$ 6,165</u> | <u>\$ 3,332</u>         | <u>\$ 919</u>                            |

a. Represents the combined total for mining operations and the related eliminations, as presented in Note 10 .

**U.S. Oil & Gas Product Revenues, Cash Production Costs and Realizations (continued)**

Nine Months Ended September 30, 2014

| (In millions)  | Oil             | Natural Gas   | NGLs          | Total<br>U.S. Oil & Gas |
|--|-----------------|---------------|---------------|-------------------------|
| Oil and gas revenues before derivatives                        | \$ 3,155        | \$ 275        | \$ 111        | \$ 3,541                |
| Realized cash losses on derivative contracts                   | (173)           | (13)          | —             | (186)                   |
| Realized revenues  | <u>\$ 2,982</u> | <u>\$ 262</u> | <u>\$ 111</u> | <u>3,355</u>            |
| Less: cash production costs                                    |                 |               |               | 875                     |
| Cash operating margin  |                 |               |               | 2,480                   |
| Less: depreciation, depletion and amortization                 |                 |               |               | 1,736                   |
| Less: impairment of oil and gas properties                     |                 |               |               | 308                     |
| Less: accretion and other costs                                |                 |               |               | 38                      |
| Plus: net noncash mark-to-market gains on derivative contracts |                 |               |               | 130                     |
| Plus: other net adjustments                                    |                 |               |               | 2                       |
| Gross profit   |                 |               |               | <u>\$ 530</u>           |

|                         |      |      |     |      |
|-------------------------|------|------|-----|------|
| Oil (MMBbls)            | 32.1 |      |     |      |
| Gas (Bcf)               |      | 59.9 |     |      |
| NGLs (MMBbls)           |      |      | 2.7 |      |
| Oil Equivalents (MMBOE) |      |      |     | 44.7 |

|  | Oil<br>(per barrel) | Natural Gas<br>(per MMBtu) | NGLs<br>(per barrel) | Per BOE         |
|--|---------------------|----------------------------|----------------------|-----------------|
| Oil and gas revenues before derivatives                        | \$ 98.41            | \$ 4.58                    | \$ 41.77             | \$ 79.20        |
| Realized cash losses on derivative contracts                   | (5.41)              | (0.21)                     | —                    | (4.16)          |
| Realized revenues  | <u>\$ 93.00</u>     | <u>\$ 4.37</u>             | <u>\$ 41.77</u>      | <u>75.04</u>    |
| Less: cash production costs                                    |                     |                            |                      | 19.57           |
| Cash operating margin  |                     |                            |                      | 55.47           |
| Less: depreciation, depletion and amortization                 |                     |                            |                      | 38.81           |
| Less: impairment of oil and gas properties                     |                     |                            |                      | 6.90            |
| Less: accretion and other costs                                |                     |                            |                      | 0.86            |
| Plus: net noncash mark-to-market gains on derivative contracts |                     |                            |                      | 2.90            |
| Plus: other net adjustments                                    |                     |                            |                      | 0.05            |
| Gross profit   |                     |                            |                      | <u>\$ 11.85</u> |

*Reconciliation to Amounts Reported*

| (In Millions)  | Revenues         | Production and Delivery | Depreciation,<br>Depletion and<br>Amortization |
|--|------------------|-------------------------|--|
| Totals presented above                                   | \$ 3,541         | \$ 875                  | \$ 1,736                                       |
| Realized cash losses on derivative contracts             | (186)            | —                       | —  |
| Net noncash mark-to-market gains on derivative contracts | 130              | —                       | —  |
| Accretion and other costs                                | —                | 38                      | —  |
| Impairment of oil and gas properties                     | —                | —                       | 308  |
| Other net adjustments                                    | <u>2</u>         | <u>—</u>                | <u>—</u>                                       |
| U.S. oil & gas operations                                | 3,487            | 913                     | 2,044  |
| Total mining <sup>a</sup>                                | 12,716           | 8,060                   | 1,178  |
| Corporate, other & eliminations                          | —                | (2)                     | 10   |
| As reported in FCX's consolidated financial statements   | <u>\$ 16,203</u> | <u>\$ 8,971</u>         | <u>\$ 3,232</u>                                |

a. Represents the combined total for mining operations and the related eliminations, as presented in Note 10 .

**U.S. Oil & Gas Product Revenues, Cash Production Costs and Realizations (continued)**

Four months from June 1, 2013 to September 30, 2013

| (In millions)   | Oil             | Natural Gas   | NGLs         | Total<br>U.S. Oil & Gas |
|---|-----------------|---------------|--------------|-------------------------|
| Oil and gas revenues before derivatives                         | \$ 1,550        | \$ 116        | \$ 50        | \$ 1,716                |
| Realized cash (losses) gains on derivative contracts            | (18)            | 7             | —            | (11)                    |
| Realized revenues   | <u>\$ 1,532</u> | <u>\$ 123</u> | <u>\$ 50</u> | <u>1,705</u>            |
| Less: cash production costs                                     |                 |               |              | 360                     |
| Cash operating margin   |                 |               |              | <u>1,345</u>            |
| Less: depreciation, depletion and amortization                  |                 |               |              | 732                     |
| Less: accretion and other costs                                 |                 |               |              | 17                      |
| Plus: net noncash mark-to-market losses on derivative contracts |                 |               |              | (194)                   |
| Plus: other net adjustments                                     |                 |               |              | <u>1</u>                |
| Gross profit  |                 |               |              | <u>\$ 403</u>           |
| Oil (MMBbls)  | 14.9            |               |              |                         |
| Gas (Bcf)   |                 | 31.3          |              |                         |
| NGLs (MMBbls)   |                 |               | 1.3          |                         |
| Oil Equivalents (MMBOE)   |                 |               |              | 21.5                    |

|   | Oil<br>(per barrel) | Natural Gas<br>(per MMBtu) | NGLs<br>(per barrel) | Per BOE         |
|---|---------------------|----------------------------|----------------------|-----------------|
| Oil and gas revenues before derivatives                         | \$ 103.96           | \$ 3.70                    | \$ 36.70             | \$ 79.89        |
| Realized cash (losses) gains on derivative contracts            | (1.20)              | 0.24                       | —                    | (0.49)          |
| Realized revenues   | <u>\$ 102.76</u>    | <u>\$ 3.94</u>             | <u>\$ 36.70</u>      | <u>79.40</u>    |
| Less: cash production costs                                     |                     |                            |                      | 16.76           |
| Cash operating margin   |                     |                            |                      | <u>62.64</u>    |
| Less: depreciation, depletion and amortization                  |                     |                            |                      | 34.07           |
| Less: accretion and other costs                                 |                     |                            |                      | 0.80            |
| Plus: net noncash mark-to-market losses on derivative contracts |                     |                            |                      | (9.04)          |
| Plus: other net adjustments                                     |                     |                            |                      | <u>0.04</u>     |
| Gross profit  |                     |                            |                      | <u>\$ 18.77</u> |

Reconciliation to Amounts Reported for the Nine Months Ended September 30, 2013

| (In Millions)   | Revenues         | Production and<br>Delivery | Depreciation,<br>Depletion and<br>Amortization |
|---|------------------|----------------------------|--|
| Totals presented above                                    | \$ 1,716         | \$ 360                     | \$ 732   |
| Realized cash losses on derivative contracts              | (11)             | —                          | —  |
| Net noncash mark-to-market losses on derivative contracts | (194)            | —                          | —  |
| Accretion and other costs                                 | —                | 17                         | —  |
| Other net adjustments                                     | <u>1</u>         | <u>—</u>                   | <u>—</u>                                       |
| U.S. oil & gas operations                                 | 1,512            | 377                        | 732  |
| Total mining <sup>a</sup>                                 | 13,521           | 8,517                      | 1,038  |
| Corporate, other & eliminations                           | <u>3</u>         | <u>10</u>                  | <u>8</u>                                       |
| As reported in FCX's consolidated financial statements    | <u>\$ 15,036</u> | <u>\$ 8,904</u>            | <u>\$ 1,778</u>                                |

a. Represents the combined total for mining operations and the related eliminations, as presented in Note 10 .

## CAUTIONARY STATEMENT

Our discussion and analysis contains forward-looking statements in which we discuss factors we believe may affect our future performance. Forward-looking statements are all statements other than statements of historical facts, such as projections or expectations relating to ore grades and milling rates, production and sales volumes, unit net cash costs, cash production costs per BOE, operating cash flows, capital expenditures, exploration efforts and results, development and production activities and costs, liquidity, tax rates, the impact of copper, gold, molybdenum, cobalt, crude oil and natural gas price changes, the impact of derivative positions, the impact of deferred intercompany profits on earnings, reserve estimates, and future dividend payments, debt reduction and share purchases. The words “anticipates,” “may,” “can,” “plans,” “believes,” “potential,” “estimates,” “expects,” “projects,” “targets,” “intends,” “likely,” “will,” “should,” “to be” and any similar expressions are intended to identify those assertions as forward-looking statements. The declaration of dividends is at the discretion of the Board and will depend on our financial results, cash requirements, future prospects, and other factors deemed relevant by the Board.

We caution readers that forward-looking statements are not guarantees of future performance and that our actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include supply of and demand for, and prices of copper, gold, molybdenum, cobalt, oil and gas, mine sequencing, production rates, industry risks, regulatory changes, political risks, drilling results, the outcome of negotiations with the Indonesian government regarding an amendment to PT-FI's COW, the potential effects of violence in Indonesia, the ability of the parties to satisfy customary closing conditions and consummate the pending sale of our ownership interest in the Candelaria/Ojos del Salado copper mining operations and supporting infrastructure, the resolution of administrative disputes in the Democratic Republic of Congo, weather- and climate-related risks, labor relations, environmental risks, litigation results, currency translation risks and other factors described in more detail under the heading “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2013, and in Part II Item 1A of this report filed with the SEC as updated by our subsequent filings with the SEC.

Investors are cautioned that many of the assumptions on which our forward-looking statements are based are likely to change after our forward-looking statements are made, including for example commodity prices, which we cannot control, and production volumes and costs, some aspects of which we may or may not be able to control. Further, we may make changes to our business plans that could or will affect our results. We caution investors that we do not intend to update forward-looking statements more frequently than quarterly notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes, and we undertake no obligation to update any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our market risks during the three-month period ended September 30, 2014. For additional information on market risks, refer to “Disclosures About Market Risks” included in Part I, Item 2. of our annual report on Form 10-K for the year ended December 31, 2013. For projected sensitivities of our operating cash flow to changes in commodity prices, refer to “Outlook” in Part I, Item 2. of this quarterly report on Form 10-Q for the period ended September 30, 2014; for projected sensitivities of our provisionally priced copper sales and derivative instruments to changes in commodity prices refer to “Consolidated Results – Revenues” in Part I, Item 2. of this quarterly report on Form 10-Q for the period ended September 30, 2014.

Item 4. Controls and Procedures.

- (a) Evaluation of disclosure controls and procedures. Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report on Form 10-Q. Based on their evaluation, they have concluded that our disclosure controls and procedures are effective as of September 30, 2014.
- (b) Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in numerous legal proceedings that arise in the ordinary course of our business or that are associated with environmental issues arising from legacy operations conducted over the years by Freeport Minerals Corporation (FMC - formerly Freeport-McMoRan Corporation) and its affiliates. We are also involved from time to time in other reviews, investigations and proceedings by government agencies, some of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

Management does not believe, based on currently available information, that the outcome of any proceeding reported in Note 12 and incorporated by reference into Part I, Item 3. “Legal Proceedings” of our annual report on Form 10-K for the year ended December 31, 2013, as updated in Note 9 to the financial statements included in our quarterly report on Form 10-Q for the quarter ended March 31, 2014, will have a material adverse effect on our financial condition; although individual outcomes could be material to our operating results for a particular period, depending on the nature and magnitude of the outcome and the operating results for the period.

Item 1A. Risk Factors.

The risk factor *“Because our Grasberg minerals district is our most significant operating asset, our business may continue to be adversely affected by political, economic and social uncertainties and security risks in Indonesia”*, which was included in FCX’s annual report on Form 10-K for the year ended December 31, 2013, is amended to add the following:

PT Freeport Indonesia (PT-FI) has been engaged in discussions with officials of the Indonesian government since 2012 regarding various provisions of its Contract of Work (COW). The government has sought to modify existing mining contracts, including PT-FI’s COW, to address provisions of Indonesia’s 2009 mining law and subsequent regulations, including with respect to the size of contract concessions, government revenues, domestic processing of minerals, divestment, provision of local services, conversion from a COW to a licensing framework for extension periods, and a requirement that extensions may be applied for only within two years prior to a COW’s expiration.

In January 2014, the Indonesian government published regulations providing that holders of contracts of work with existing processing facilities in Indonesia may continue to export product through January 12, 2017, but established new requirements for the continued export of copper concentrates, including the imposition of a progressive export duty on copper concentrates in the amount of 25 percent in 2014, rising to 60 percent by mid-2016. Regulations published in 2014 require companies to obtain permits issued at six-month intervals to allow exports of products, including copper concentrates.

Despite PT-FI's rights under its COW to export concentrates without the payment of duties, PT-FI was unable to obtain administrative approval for exports and operated at approximately half of its capacity from mid-January 2014 until late-July 2014.

On July 25, 2014, PT-FI and the Indonesian government entered into a Memorandum of Understanding (MOU) under which PT-FI and the government agreed to negotiate an amended COW to address provisions related to the size of PT-FI's concession area, royalties and taxes, domestic processing and refining, divestment, local content, and continuation of operations post-2021. Execution of the MOU enabled the resumption of concentrate exports, which began in August 2014.

Effective with the signing of the MOU, PT-FI agreed to provide a \$115 million assurance bond to support its commitment for smelter development, pay higher royalties on copper, gold and silver and pay export duties set forth in a new regulation issued by the Indonesian government on July 25, 2014.

Among other items, MOU provisions to be addressed in the negotiation of an amended COW include provisions for the development of new copper smelting and refining capacity in Indonesia, which will take into consideration an equitable sharing of costs between PT-FI (and any partners in the project) and the Indonesian government through fiscal incentives and PT-FI's requirement for assurance of fiscal and legal certainty of its operational rights, provisions for divestment to the Indonesian government and/or Indonesian nationals of up to a 30 percent interest (an additional 20.64 percent interest) in PT-FI at fair value, and continuation of operations from 2022 through 2041. The parties agreed to complete negotiations within a six month period. Under the MOU, no terms of the COW other than those relating to the export duties, smelter bond and royalties described above will be changed until the completion of an amended COW.

The MOU also provides that negotiations for an amended COW will take into consideration PT-FI's need for assurance of legal and fiscal terms post-2021 for PT-FI to continue with its large-scale investment program for the development of its underground reserves.

The revisions to the COW are expected to result in additional costs for our Indonesian operations. We cannot predict whether we will be successful in reaching a satisfactory agreement on the terms of our long-term mining rights. If we are unable to reach agreement with the government on our long-term rights, we may be required to reduce or defer investments in our underground development projects, which would negatively impact future production and reserves. In addition, we are required to apply for renewal of export permits at six-month intervals and cannot predict if such permits will be granted on a timely basis or whether we will be permitted to export concentrates after January 12, 2017.

In October 2014, Joko "Jokowi" Widodo took office as the president of Indonesia, elected in July 2014, to serve for a five-year term. PT-FI's COW negotiations are taking place during a period of transition for the Indonesian national government, and we cannot predict what impact the transition will have on the progress or outcome of the negotiations.

On September 27, 2014, four Grasberg workers were fatally injured when a haul truck collided with a light vehicle near the Grasberg open-pit operations. Operations in the Grasberg open pit were temporarily suspended in order to complete internal and government investigations regarding the accident. On October 13, 2014, Indonesian authorities approved the resumption of operations after issuing recommendations on traffic control procedures that have been implemented by PT-FI. Workforce attendance in several operating areas reflect normal levels. However, a large percentage of Grasberg open-pit operators have not reported to their scheduled shifts resulting in reduced production from the open pit during October. These actions conflict with agreed policies and processes in the Collective Labor Agreement (CLA) and PT-FI is working with union leadership regarding this work stoppage to resume normal operations as soon as possible.

On October 27, 2014, PT-FI received notice from union leadership indicating its intention to conduct a 30-day strike beginning on November 6. Following constructive dialogue between PT-FI and union leadership, union leadership advised PT-FI on October 31, 2014, that all strike actions had been canceled.

Except as described above, there have been no material changes to our risk factors as discussed in Part I Item 1A. "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table sets forth information with respect to shares of our common stock purchased by us during the three months ended September 30, 2014 :

| Period               | (a) Total Number<br>of Shares Purchased | (b) Average<br>Price Paid Per Share | (c) Total Number of<br>Shares Purchased as Part<br>of Publicly Announced Plans or<br>Programs <sup>a</sup> | (d) Maximum Number<br>of Shares That May<br>Yet Be Purchased Under the Plans<br>or Programs <sup>a</sup> |
|----------------------|---|-------------------------------------|--|--|
| July 1-31, 2014      | —                                       | \$ —                                | —  | 23,685,500   |
| August 1-31, 2014    | —                                       | \$ —                                | —  | 23,685,500   |
| September 1-30, 2014 | —                                       | \$ —                                | —  | 23,685,500   |
| Total                | —                                       | \$ —                                | —  | 23,685,500   |

a. On July 21, 2008, our Board of Directors approved an increase in our open-market share purchase program for up to 30 million shares. There have been no purchases under this program since 2008. This program does not have an expiration date.

Item 4. Mine Safety Disclosure.

The safety and health of all employees is our highest priority. Management believes that safety and health considerations are integral to, and compatible with, all other functions in the organization and that proper safety and health management will enhance production and reduce costs. Our approach towards the safety and health of our workforce is to continuously improve performance through implementing robust management systems and providing adequate training, safety incentive and occupational health programs. The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this quarterly report on Form 10-Q.

Item 5. Other Information.

(a) Completion of Disposition of Assets; Pro Forma Financial Information.

The following unaudited pro forma condensed financial statements (the Pro Forma Financial Statements) have been prepared to reflect the sale of FCX's 80 percent ownership interests in the Candelaria and Ojos del Salado mining operations to Lundin Mining Corporation (Lundin), which was completed on November 3, 2014 (the sale transaction). For additional information, see Part I, Item II "Operations - South America Mining" in this report on Form 10-Q.

The unaudited pro forma condensed balance sheet is presented as if the sale transaction had occurred on September 30, 2014. The unaudited pro forma condensed statements of income for the year ended December 31, 2013, and the nine months ended September 30, 2014, are presented as if the sale transaction had occurred on January 1, 2013. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the sale transaction and, with respect to the statements of income only, expected to have a continuing impact on the combined results.

The Pro Forma Financial Statements have been prepared using the sale of assets method of accounting under accounting principles generally accepted in the United States (U.S.). The sale transaction is subject to closing adjustments that have not yet been finalized. Accordingly, the pro forma adjustments are preliminary, and have been made solely for the purpose of providing Pro Forma Financial Statements as required by the U.S. Securities and Exchange Commission (SEC) rules. Differences between these preliminary estimates and the final sale accounting may be material.

The Pro Forma Financial Statements are provided for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of FCX would have been had the sale transaction occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. The Pro Forma Financial Statements should be read in conjunction with (i) the accompanying notes to the Pro Forma Financial Statements; (ii) the audited consolidated financial statements and accompanying notes of FCX contained in its annual report on Form 10-K for the year ended December 31, 2013; and (iii) the unaudited condensed consolidated financial statements and accompanying notes of FCX contained in this quarterly report on Form 10-Q for the quarterly period ended September 30, 2014.

Affiliates of FCX own an effective 56 percent interest in Tenke Fungurume Mining S.A.R.L. (TFM), with the remaining ownership interests held by affiliates of Lundin (an effective 24 percent interest) and La Generale des Carrieres et des Mines (Gecamines), which is wholly owned by the government of the Democratic Republic of Congo (DRC) (a 20 percent non-dilutable interest). TFM holds copper and cobalt mining concessions in the Katanga province of the DRC, and affiliates of FCX operate the mine. Affiliates of FCX also own and operate a cobalt chemical refinery in Kokkola, Finland, and related sales and marketing business, through a joint venture with affiliates of Lundin and Gecamines, with ownership interests similar to the interests in TFM. The consideration in the sale transaction was determined through arms-length bargaining.

**FREEPORT-McMoRan INC.**  
**UNAUDITED PRO FORMA CONDENSED BALANCE SHEET**  
**AT SEPTEMBER 30, 2014**  
(in millions)

|   | Historical       |                            | Adjustments              |                     | Pro Forma        |
|---|------------------|----------------------------|--------------------------|---------------------|------------------|
|   | FCX              | Candelaria/Ojos del Salado | Pro Forma <sup>(1)</sup> | Sale <sup>(2)</sup> | Pro Forma        |
| <b>ASSETS</b>   |                  |                            |                          |                     |                  |
| Current assets:   |                  |                            |                          |                     |                  |
| Cash and cash equivalents                                       | \$ 658           | \$ 121                     | \$ —                     | \$ 1,852            | A \$ 2,389       |
| Trade and other accounts receivable                             | 2,307            | 197                        | 94                       | —                   | 2,204            |
| Inventories   | 5,489            | 124                        | —                        | —                   | 5,365            |
| Other current assets  | 577              | 7                          | (1)                      | —                   | 569              |
| Total current assets  | 9,031            | 449                        | 93                       | 1,852               | 10,527           |
| Property, plant, equipment and development costs, net           | 26,304           | 663                        | —                        | —                   | 25,641           |
| Oil and natural gas properties, net - full cost method          | 22,337           | —                          | —                        | —                   | 22,337           |
| Long-term mill and leach stockpiles                             | 2,569            | 438                        | —                        | —                   | 2,131            |
| Goodwill and other assets                                       | 3,735            | 59                         | (19)                     | 1                   | 3,658            |
| Total assets  | <u>\$ 63,976</u> | <u>\$ 1,609</u>            | <u>\$ 74</u>             | <u>\$ 1,853</u>     | <u>\$ 64,294</u> |
| <b>LIABILITIES AND EQUITY</b>                                   |                  |                            |                          |                     |                  |
| Current liabilities   | \$ 6,343         | \$ 138                     | \$ 94                    | \$ 405              | A \$ 6,704       |
| Long-term debt, less current portion                            | 17,975           | —                          | —                        | —                   | 17,975           |
| Deferred income taxes   | 7,559            | —                          | —                        | (179)               | B 7,380          |
| Reclamation and environmental obligations, less current portion | 3,654            | 36                         | —                        | —                   | 3,618            |
| Other liabilities   | 1,730            | 56                         | 3                        | —                   | 1,677            |
| Total liabilities   | 37,261           | 230                        | 97                       | 226                 | 37,354           |
| Redeemable noncontrolling interest                              | 749              | —                          | —                        | —                   | 749              |
| Total stockholders' equity                                      | 21,591           | 1,140                      | (23)                     | 1,627               | 22,055           |
| Noncontrolling interests  | 4,375            | 239                        | —                        | —                   | 4,136            |
| Total equity  | 25,966           | 1,379                      | (23)                     | 1,627               | 26,191           |
| Total liabilities and equity                                    | <u>\$ 63,976</u> | <u>\$ 1,609</u>            | <u>\$ 74</u>             | <u>\$ 1,853</u>     | <u>\$ 64,294</u> |

**NOTES TO THE UNAUDITED PRO FORMA CONDENSED BALANCE SHEET**

**(1) Pro Forma Adjustments**

Pro forma adjustments reflect reversal of the elimination of intercompany balances (such as intercompany receivables/payables) primarily between the Candelaria and Ojos del Salado mining complex (Candelaria/Ojos) and Atlantic Copper, FCX's wholly owned copper smelter.

**(2) Sale Adjustments**

A. Represents adjusted gross cash proceeds of \$1.85 billion from the sale of Candelaria/Ojos and \$405 million for income taxes related to the sale of Candelaria/Ojos.

B. Adjustment reflects the reversal of \$179 million of deferred withholding taxes associated with FCX's tax liability for its share of undistributed earnings from Candelaria/Ojos.

**FREEPORT-McMoRan INC.**  
**UNAUDITED PRO FORMA CONDENSED STATEMENTS OF INCOME**  
(in millions, except per share amounts)

|   | Year Ended December 31, 2013         |                            |                                      |                 |
|---|--------------------------------------|----------------------------|--------------------------------------|-----------------|
|   | Historical                           |                            | Pro Forma Adjustments <sup>(1)</sup> | Pro Forma       |
|   | FCX                                  | Candelaria/Ojos del Salado |                                      |                 |
| Revenues  | \$ 20,921                            | \$ 1,518                   | \$ 274                               | \$ 19,677       |
| Total operating costs and expenses  | 15,570                               | 834                        | 222                                  | 14,958          |
| Operating income  | 5,351                                | 684                        | 52                                   | 4,719           |
| Interest expense and other, net   | (438)                                | 5                          | —                                    | (443)           |
| Income before taxes and equity in affiliated companies' net earnings        | 4,913                                | 689                        | 52                                   | 4,276           |
| Provision for income taxes  | (1,475)                              | (252)                      | (18)                                 | (1,241)         |
| Equity in affiliated companies' net earnings                                | 3                                    | —                          | —                                    | 3               |
| Net income  | 3,441                                | 437                        | 34                                   | 3,038           |
| Net income and preferred dividends attributable to noncontrolling interests | (783)                                | (96)                       | (8)                                  | (695)           |
| Net income attributable to FCX common stockholders                          | <u>\$ 2,658</u>                      | <u>\$ 341</u>              | <u>\$ 26</u>                         | <u>\$ 2,343</u> |
| Net income per share attributable to FCX common stockholders:               |                                      |                            |                                      |                 |
| Basic   | \$ 2.65                              |                            |                                      | \$ 2.34         |
| Diluted   | \$ 2.64                              |                            |                                      | \$ 2.33         |
| Weighted-average common shares outstanding:                                 |                                      |                            |                                      |                 |
| Basic   | 1,002                                |                            |                                      | 1,002           |
| Diluted   | 1,006                                |                            |                                      | 1,006           |
|   | Nine Months Ended September 30, 2014 |                            |                                      |                 |
|   | Historical                           |                            | Pro Forma Adjustments <sup>(1)</sup> | Pro Forma       |
|   | FCX                                  | Candelaria/Ojos del Salado |                                      |                 |
| Revenues  | \$ 16,203                            | \$ 769                     | \$ 238                               | \$ 15,672       |
| Total operating costs and expenses  | 12,807                               | 541                        | 214                                  | 12,480          |
| Operating income  | 3,396                                | 228                        | 24                                   | 3,192           |
| Interest expense and other, net   | (372)                                | 8                          | —                                    | (380)           |
| Income before taxes and equity in affiliated companies' net earnings        | 3,024                                | 236                        | 24                                   | 2,812           |
| Provision for income taxes  | (1,034)                              | (80)                       | (8)                                  | (962)           |
| Equity in affiliated companies' net earnings                                | —                                    | —                          | —                                    | —               |
| Net income  | 1,990                                | 156                        | 16                                   | 1,850           |
| Net income and preferred dividends attributable to noncontrolling interests | (446)                                | (24)                       | (3)                                  | (425)           |
| Net income attributable to FCX common stockholders                          | <u>\$ 1,544</u>                      | <u>\$ 132</u>              | <u>\$ 13</u>                         | <u>\$ 1,425</u> |
| Net income per share attributable to FCX common stockholders:               |                                      |                            |                                      |                 |
| Basic   | \$ 1.48                              |                            |                                      | \$ 1.37         |
| Diluted   | \$ 1.47                              |                            |                                      | \$ 1.36         |
| Weighted-average common shares outstanding:                                 |                                      |                            |                                      |                 |
| Basic   | 1,039                                |                            |                                      | 1,039           |
| Diluted   | 1,045                                |                            |                                      | 1,045           |

**NOTE TO THE UNAUDITED PRO FORMA CONDENSED STATEMENTS OF INCOME**

**(1) Pro Forma Adjustments**

Candelaria/Ojos revenues include sales to Atlantic Copper that are eliminated in FCX's consolidated results. The pro forma adjustments primarily reflect recognition of these previously eliminated intercompany sales and purchases.

Item 6. Exhibits.

The exhibits to this report are listed in the Exhibit Index beginning on Page E-1 hereof.

FREEPORT-McMoRan INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FREEPORT-McMoRan INC.

By: /s/ C. Donald Whitmire, Jr.

C. Donald Whitmire, Jr.

Vice President and

Controller - Financial Reporting

(authorized signatory

and Principal Accounting Officer)

Date: November 7, 2014

**FREEPORT-McMoRan INC.**  
**EXHIBIT INDEX**

| Exhibit<br>Number   | Exhibit Title  | Filed<br>with this<br>Form 10-Q | Incorporated by Reference |              |            |
|---------------------|--|---------------------------------|---------------------------|--------------|------------|
|                     |  |                                 | Form                      | File No.     | Date Filed |
| <a href="#">2.1</a> | Stock Purchase Agreement, dated as of October 6, 2014, among LMC Candelaria SpA, LMC Ojos del Salado SpA and Freeport Minerals Corporation   | X                               |                           |              |            |
| 3.1                 | Composite Certificate of Incorporation of FCX  |                                 | 10-Q                      | 001-11307-01 | 8/8/2014   |
| 3.2                 | Composite By-Laws of FCX as of July 14, 2014   |                                 | 8-K                       | 001-11307-01 | 7/2/2014   |
| 4.1                 | Indenture dated as of February 13, 2012, between FCX and U.S. Bank National Association, as Trustee (relating to the 1.4% Senior Notes due 2015, the 2.15% Senior Notes due 2017, and the 3.55% Senior Notes due 2022)   |                                 | 8-K                       | 001-11307-01 | 2/13/2012  |
| 4.2                 | First Supplemental Indenture dated as of February 13, 2012, between FCX and U.S. Bank National Association, as Trustee (relating to the 1.4% Senior Notes due 2015)  |                                 | 8-K                       | 001-11307-01 | 2/13/2012  |
| 4.3                 | Second Supplemental Indenture dated as of February 13, 2012, between FCX and U.S. Bank National Association, as Trustee (relating to the 2.15% Senior Notes due 2017)  |                                 | 8-K                       | 001-11307-01 | 2/13/2012  |
| 4.4                 | Third Supplemental Indenture dated as of February 13, 2012, between FCX and U.S. Bank National Association, as Trustee (relating to the 3.55% Senior Notes due 2022)   |                                 | 8-K                       | 001-11307-01 | 2/13/2012  |
| 4.5                 | Fourth Supplemental Indenture dated as of May 31, 2013, among FCX, Freeport-McMoRan Oil & Gas LLC and U.S. Bank National Association, as Trustee (relating to the 1.4% Senior Notes due 2015, the 2.15% Senior Notes due 2017, and the 3.55% Senior Notes due 2022)  |                                 | 8-K                       | 001-11307-01 | 6/3/2013   |
| 4.6                 | Indenture dated as of March 7, 2013, between FCX and U.S. Bank National Association, as Trustee (relating to the 2.375% Senior Notes due 2018, the 3.100% Senior Notes due 2020, the 3.875% Senior Notes due 2023, and the 5.450% Senior Notes due 2043)   |                                 | 8-K                       | 001-11307-01 | 3/7/2013   |
| 4.7                 | Supplemental Indenture dated as of May 31, 2013, among FCX, Freeport-McMoRan Oil & Gas LLC and U.S. Bank National Association, as Trustee (relating to the 2.375% Senior Notes due 2018, the 3.100% Senior Notes due 2020, the 3.875% Senior Notes due 2023, and the 5.450% Senior Notes due 2043)   |                                 | 8-K                       | 001-11307-01 | 6/3/2013   |
| 4.8                 | Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto, and Wells Fargo Bank, N.A., as Trustee (relating to the 8.625% Senior Notes due 2019, the 7.625% Senior Notes due 2020, the 6.625% Senior Notes due 2021, the 6.75% Senior Notes due 2022, the 6.125% Senior Notes due 2019, the 6.5% Senior Notes due 2020, and the 6.875% Senior Notes due 2023) |                                 | 8-K                       | 001-31470    | 3/13/2007  |

**FREEPORT-McMoRan INC.**  
**EXHIBIT INDEX**

| Exhibit<br>Number | Exhibit Title  | Filed<br>with this<br>Form 10-Q | Incorporated by Reference |              |            |
|-------------------|--|---------------------------------|---------------------------|--------------|------------|
|                   |  |                                 | Form                      | File No.     | Date Filed |
| 4.09              | Tenth Supplemental Indenture dated as of September 11, 2009 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 8.625% Senior Notes due 2019)  |                                 | 8-K                       | 001-31470    | 9/11/2009  |
| 4.10              | Eleventh Supplemental Indenture dated as of March 29, 2010 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 7.625% Senior Notes due 2020)   |                                 | 8-K                       | 001-31470    | 3/29/2010  |
| 4.11              | Twelfth Supplemental Indenture dated as of March 29, 2011 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 6.625% Senior Notes due 2021)  |                                 | 8-K                       | 001-31470    | 3/29/2011  |
| 4.12              | Thirteenth Supplemental Indenture dated as of November 21, 2011 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 6.75% Senior Notes due 2022)   |                                 | 8-K                       | 001-31470    | 11/22/2011 |
| 4.13              | Fourteenth Supplemental Indenture dated as of April 27, 2012 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 6.125% Senior Notes due 2019)   |                                 | 8-K                       | 001-31470    | 4/27/2012  |
| 4.14              | Sixteenth Supplemental Indenture dated as of October 26, 2012 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 6.5% Senior Notes due 2020)  |                                 | 8-K                       | 001-31470    | 10/26/2012 |
| 4.15              | Seventeenth Supplemental Indenture dated as of October 26, 2012 to the Indenture dated as of March 13, 2007, among Plains Exploration & Production Company, the Subsidiary Guarantors parties thereto and Wells Fargo Bank, N.A., as Trustee (relating to the 6.875% Senior Notes due 2023)  |                                 | 8-K                       | 001-31470    | 10/26/2012 |
| 4.16              | Eighteenth Supplemental Indenture dated as of May 31, 2013 to the Indenture dated as of March 13, 2007, among Freeport-McMoRan Oil & Gas LLC, as Successor Issuer, FCX Oil & Gas Inc., as Co-Issuer, FCX, as Parent Guarantor, Plains Exploration & Production Company, as Original Issuer, and Wells Fargo Bank, N.A., as Trustee (relating to the 8.625% Senior Notes due 2019, the 7.625% Senior Notes due 2020, the 6.625% Senior Notes due 2021, the 6.75% Senior Notes due 2022, the 6.125% Senior Notes due 2019, the 6.5% Senior Notes due 2020, and the 6.875% Senior Notes due 2023) |                                 | 8-K                       | 001-11307-01 | 6/3/2013   |
| 4.17              | Form of Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and The Chase Manhattan Bank, as Trustee (relating to the 7.125% Senior Notes due 2027, the 9.50% Senior Notes due 2031, and the 6.125% Senior Notes due 2034)  |                                 | S-3                       | 333-36415    | 9/25/1997  |

**FREEPORT-McMoRan INC.**  
**EXHIBIT INDEX**

| Exhibit Number | Exhibit Title   | Filed with this Form 10-Q | Incorporated by Reference |              |            |
|----------------|---|---------------------------|---------------------------|--------------|------------|
|                |   |                           | Form                      | File No.     | Date Filed |
| 4.18           | Form of 7.125% Debenture due November 1, 2027 of Phelps Dodge Corporation issued on November 5, 1997, pursuant to the Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and The Chase Manhattan Bank, as Trustee (relating to the 7.125% Senior Notes due 2027)  |                           | 8-K                       | 01-00082     | 11/3/1997  |
| 4.19           | Form of 9.5% Note due June 1, 2031 of Phelps Dodge Corporation issued on May 30, 2001, pursuant to the Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and First Union National Bank, as successor Trustee (relating to the 9.50% Senior Notes due 2031)       |                           | 8-K                       | 01-00082     | 5/30/2001  |
| 4.20           | Form of 6.125% Note due March 15, 2034 of Phelps Dodge Corporation issued on March 4, 2004, pursuant to the Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and First Union National Bank, as successor Trustee (relating to the 6.125% Senior Notes due 2034) |                           | 10-K                      | 01-00082     | 3/7/2005   |
| 10.1           | Memorandum of Understanding dated as of July 25, 2014, between the Directorate General of Mineral and Coal, the Ministry of Energy and Mineral Resources and PT Freeport Indonesia on Adjustment of the Contract of Work.   |                           | 8-K                       | 001-11307-01 | 7/28/2014  |
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**STOCK PURCHASE AGREEMENT**

dated as of

October 6, 2014

among

LMC CANDELARIA SPA,

LMC OJOS DEL SALADO SPA

and

FREEPORT MINERALS CORPORATION

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## STOCK PURCHASE AGREEMENT

AGREEMENT (this “**Agreement**”) dated as of October 6, 2014 among LMC CANDELARIA SPA, a Chilean corporation and LMC OJOS DEL SALADO SPA, a Chilean corporation (each, a “**Buyer**” and collectively, “**Buyers**”), and FREEPORT MINERALS CORPORATION (formerly known as Freeport-McMoRan Corporation), a Delaware corporation (“**Freeport**”).

### WITNESSETH:

WHEREAS, Freeport is the record and beneficial owner of all of the issued and outstanding capital stock of each of PD Candelaria, Inc., a Delaware corporation (“**PD Candelaria**”), and PD Ojos del Salado, Inc., a Delaware corporation (“**PD Ojos**” and each of PD Candelaria and PD Ojos, a “**Freeport Subsidiary Seller**” and collectively, “**Freeport Subsidiary Sellers**”);

WHEREAS, PD Candelaria is the record and beneficial owner of (i) all of the issued and outstanding shares (the “**Candelaria Series A Shares**”) of Candelaria Series A Stock (as defined herein) and (ii) all of the issued and outstanding shares (the “**Candelaria Series C Shares**”) of Candelaria Series C Stock (as defined herein);

WHEREAS, PD Ojos is the record and beneficial owner of (i) all of the issued and outstanding shares (the “**Ojos Series A Shares**”) of Ojos Series A Stock (as defined herein) and (ii) all of the issued and outstanding shares (the “**Ojos Series C Shares**” and, together with the Candelaria Series A Shares, the Candelaria Series C Shares and the Ojos Series A Shares, the “**Freeport Subject Shares**”) of Ojos Series C Stock (as defined herein);

WHEREAS, SMMA Candelaria Inc., Sumitomo Corporation and Sumitomo Metal Mining Co., Ltd. are the record and beneficial owners of (i) all of the issued and outstanding shares (the “**Candelaria Series B Shares**”) of Candelaria Series B Stock and (ii) all of the issued and outstanding shares (the “**Ojos Series B Shares**”) of Ojos Series B Stock;

WHEREAS, Freeport desires to cause the Freeport Subsidiary Sellers to sell the Freeport Subject Shares to Buyers, and Buyers desire to purchase the Freeport Subject Shares from the Freeport Subsidiary Sellers, upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, if the SMMA Participant (as hereinafter defined) elects to sell the Candelaria Series B Shares held by such SMMA Participant pursuant to its rights under Section 9.5 of the Candelaria Shareholders’ Agreement (the “**SMMA Candelaria Tag-Along Right**”), Buyers desire to purchase the Candelaria Series B Shares from SMMA Candelaria Inc., Sumitomo Corporation and Sumitomo Metal Mining Co., Ltd., and if the SMMA Participant elects to sell the Ojos Series B Shares pursuant to its rights under Section 9.5 of the Ojos Shareholders’ Agreement (the “**SMMA Ojos Tag-Along Right**”), Buyers desire to purchase the Ojos Series B Shares from SMMA Candelaria Inc., in each case, upon the terms and subject to the conditions set forth in this Agreement; and

---

WHEREAS, concurrently with the execution and delivery of this Agreement, Lundin Mining Corporation, a Canadian corporation (the “**Guarantor**”), executed and delivered a guarantee, dated as of the date hereof (the “**Guarantee**”), pursuant to which Guarantor has guaranteed to Sellers the prompt and full discharge by each Buyer of the obligations of such Buyer under this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

## ARTICLE 1 DEFINITIONS

Section 1.01. *Definitions.* As used in this Agreement, the following terms have the following meanings:

“**Accrued Preferred Dividend Amount**” means 20% of the amount payable as a dividend in respect of the Candelaria Series C Shares, calculated in accordance with Article 30 of the Estatutos of Candelaria, as amended, as if June 30, 2014 were the last date of the fiscal year in respect of which such payment was due.

“**Allocable Share**” means, with respect to each Seller, the portion of the Purchase Price (expressed as a percentage) allocated to the Subject Shares of such Seller, as set forth on Schedule 2.01. For the avoidance of doubt, if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right, Freeport’s Allocable Share shall be 100%.

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided* that neither Company nor any Subsidiary shall be considered an Affiliate of any of Freeport, the Freeport Subsidiary Sellers, the Tag-Along Sellers or the Tag-Along Subsidiary Sellers. For purposes of this definition, “**control**” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “**controlling**” and “**controlled**” have correlative meanings.

“**Antitrust Law**” means any Applicable Law that prohibits, restricts or regulates actions that have the purpose or effect of creating a monopoly, lessening competition or restraining trade.

“**Applicable Law**” means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

“ **Atlantic Copper Concentrate Sales Agreement** ” means the Concentrate Sales Agreement to be entered into at the Closing and effective as of January 1, 2015 between Candelaria and Atlantic Copper S.A.U., substantially in the form attached as Exhibit B.

“ **Aurex** ” means Minera Freeport McMoRan South America Limitada (formerly known as Minera Aurex (Chile) Limitada).

“ **Balance Sheets** ” means the unaudited balance sheet of Candelaria as of June 30, 2014 and the unaudited balance sheet of Ojos as of June 30, 2014 (each, a “ **Balance Sheet** ”).

“ **Balance Sheet Date** ” means June 30, 2014.

“ **Base Purchase Price** ” means (i) if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right, US\$1,800,000,000 *plus* the Accrued Preferred Dividend Amount (rounded to the nearest hundred thousand) *plus* 0.8 *multiplied by* the excess (rounded to the nearest hundred thousand) of Working Capital over Target Working Capital or (ii) if the SMMA Participant exercises both the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, US\$2,250,000,000 *plus* the excess (rounded to the nearest hundred thousand) of Working Capital over Target Working Capital.

“ **Business Day** ” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York, Toronto, Ontario or Santiago, Chile are authorized or required by Applicable Law to close.

“ **Candelaria** ” means Compañía Contractual Minera Candelaria, a Chilean contractual mining company.

“ **Candelaria Operator’s Agreement** ” means the Amended and Restated Operator’s Agreement, dated as of June 1, 1993, between Aurex (as successor to Phelps Dodge Mining Services Inc.) and Candelaria.

“ **Candelaria Services Agreement** ” means the Services Agreement, dated as of January 3, 2005, between Aurex and Candelaria.

“ **Candelaria Series A Stock** ” means the Series A Stock, par value US\$10,000 per share of Candelaria.

“ **Candelaria Series B Stock** ” means the Series B Stock, par value US\$10,000 per share, of Candelaria.

“ **Candelaria Series C Stock** ” means the Series C Stock, par value US\$10,000 per share, of Candelaria.

“ **Candelaria Shareholders’ Agreement** ” means the Shareholders Agreement, dated as of September 21, 1992, among the SMMA Participant, PD Candelaria and Candelaria, as amended from time to time.

“ **Cash** ” means the aggregate amount of all cash and cash equivalents of the Companies determined in accordance with IFRS as at June 30, 2014.

“ **Cash Adjustment Amount** ” means an amount equal to Cash (rounded to the nearest thousand) *less* the aggregate amount of all Permitted Distributions.

“ **Closing Date** ” means the date of the Closing.

“ **Closing Date Representations** ” means the representations and warranties set forth in Sections 3.01, 3.02, 3.03, 3.04, 3.05, 3.06, 3.07, 3.11, 3.15, 3.20 and 3.25.

“ **Code** ” means the United States Internal Revenue Code of 1986, as amended.

“ **Companies** ” means Candelaria and Ojos (each, a “ **Company** ”).

“ **Companies Disclosure Schedule** ” means the disclosure schedule dated as of the date hereof delivered by Sellers to Buyers in connection with the execution and delivery of this Agreement.

“ **Company Employee** ” means an employee of either of the Companies.

“ **Company Intellectual Property Rights** ” means all Intellectual Property Rights owned by the Companies.

“ **Confidentiality Agreement** ” means the confidentiality agreement, dated as of March 7, 2014 between Freeport and Lundin Mining Corporation, as amended from time to time.

“ **Earn-out Payments** ” has the meaning set forth in Appendix A.

“ **Employee Benefit Plan** ” means any employee benefit plan (as such term is defined in Section 3(3) of ERISA) or other similar plan, any collective bargaining agreement or labor agreement, each employment, severance or similar contract, plan, arrangement or policy and each other written plan, policy, program, agreement or arrangement providing for compensation, bonuses, retention, incentives, equity or equity-based incentive or deferred compensation, paid time off benefits, life insurance, health or welfare benefits, disability or sick leave benefits, workers’ compensation, and post-employment or retirement benefits, in each case that is sponsored or maintained by either of the Companies for the benefit of any Company Employee or Specified Service Provider.

“ **Environmental Law** ” means any Applicable Law that has as its principal purpose the protection of the environment.

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974.

“ **Farellón Easement Amendment** ” means the Modificación Servidumbre Minera, dated as of July 18, 2014, by and among Holdings and Trading S.A., Tierra Amarilla S.A. and Candelaria.

“ **Foreign Corrupt Practices Act** ” means the Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. § 78dd-1, et seq.

“ **Foreign Investment Contracts** ” means each agreement set forth under Item 3 of Section 3.04 of the Companies Disclosure Schedule.

“ **Freeport Concentrate Sales Agreements** ” means each of (i) the Concentrate Sales Agreement, dated as of December 31, 2006, between Freeport (as successor to Phelps Dodge Corporation) and Candelaria, as amended and (ii) the Concentrate Sales Agreement, dated as of September 30, 2010, between Freeport and Candelaria, as amended.

“ **Freeport Sales Agency Agreements** ” means each of (i) the Concentrate Sales Agency Agreement, dated as of May 2, 1995, between Freeport-McMoRan Sales Company Inc. (as successor to Phelps Dodge Sales Company) and Candelaria, as amended and (ii) the Concentrate Sales Agency Agreement, dated as of May 2, 1995, between Freeport-McMoRan Sales Company Inc. (as successor to Phelps Dodge Sales Company) and Ojos, as amended.

“ **Governmental Authority** ” means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority, department, court, agency or official, including any political subdivision thereof.

“ **IFRS** ” means International Financial Reporting Standards issued by the International Accounting Standards Board.

“ **Income Tax** ” means any Tax that is, in whole or in part, based on or measured by net income or gains, and any similar Tax.

“ **Indebtedness** ” means the aggregate amount of all Indebtedness of the Companies determined in accordance with IFRS as at June 30, 2014.

“ **Intellectual Property Right** ” means any trademark, service mark, trade name, mask work, invention, patent, trade secret, copyright, know-how (including any registrations or applications for registration of any of the foregoing) or any other similar type of proprietary intellectual property right.

“ **Interim Period Return** ” means any Tax Return required to be filed by Freeport or the Companies during the period from and including the date of this Agreement to the Closing Date.

“ **Key Employee** ” means each individual set forth on Section 1.01 of the Companies Disclosure Schedule.

“ **Knowledge** ” means (i) with respect to Sellers, the actual knowledge of Francisco Costabal, Mario Orellana and Mario Larenas, and, unless such person becomes an employee of either Buyer, either Company or any of their respective Affiliates following the Closing, Peter Quinn and Julie Lewis, and the actual knowledge of such Persons after due inquiry directed to such other Person or Persons who by virtue of the position of such Person or Persons, or otherwise, could reasonably be expected to be informed as to the subject matter of the inquiry; and (ii) with respect to Buyers, the actual knowledge of Paul Conibear, Marie Inkster and Julie Lee Harris and the actual knowledge of such Persons after due inquiry directed to such other Person or Persons who by virtue of the position of such Person or Persons, or otherwise, could reasonably be expected to be informed as to the subject matter of the inquiry.

“ **Labor Laws** ” means all Applicable Laws relating to employment and employment practices, fair employment practice, social security and equal employment opportunity.

“ **Leakage** ” means any of the following, in each case, other than Permitted Leakage:

(A) any dividend or distribution declared, paid or made, any return of capital or any payment of principal of, or interest on, any loan or other debt obligation, in each case by either Company to any of Sellers, Subsidiary Sellers or their respective Affiliates;

(B) any waiver or release in favor of any of Sellers, Subsidiary Sellers or their respective Affiliates of any sum or obligation owed by any of Sellers, Subsidiary Sellers or their respective Affiliates to either Company, or of any claims or rights of a Company against any of Sellers, Subsidiary Sellers or their respective Affiliates;

(C) any payments of any nature (including management fees, monitoring fees, consulting fees, license fees or royalties) made to any of Sellers, Subsidiary Sellers or their respective Affiliates by either Company;

(D) the transfer or surrender of any asset to, or liabilities assumed or incurred for the benefit of, any of Sellers, Subsidiary Sellers or their respective Affiliates by either Company;

(E) any amount paid by Candelaria pursuant to Section 3 of the Farellón Easement Amendment; and

(F) any agreement or arrangement to give effect to any of the matters referred to in paragraphs (A) to (E).

“ **Legal Action** ” means any court or arbitral action, suit, investigation or proceeding.

“ **Lien** ” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, option, right or any other encumbrance in respect of such property or asset.

“ **Material Adverse Effect** ” means a material adverse effect on the business, financial condition, or results of operations of the Companies, taken as a whole, excluding any effect resulting from (A) changes in IFRS or changes in the regulatory accounting requirements applicable to the Companies, (B) changes in general economic or political conditions (whether international, national or local), (C) changes (including changes of Applicable Law) in conditions generally affecting the industry in which the Companies operate, (D) acts of war, sabotage or terrorism or natural disasters, (E) the announcement or consummation of the transactions contemplated by this Agreement or any other Transaction Agreement, (F) any action taken (or omitted to be taken) at the express written request or with the express written permission of Buyers or (G) any action taken by either Company that is required or permitted pursuant to this Agreement; provided that in each of subsections (A), (B), (C) or (D), such effects do not affect the Companies in a materially disproportionate manner relative to comparable companies operating in the mining industry in Chile.

“ **Ojos** ” means Compañía Contractual Minera Ojos del Salado, a Chilean contractual mining company.

“ **Ojos Mandate Agreement** ” means the Mandate Agreement, dated as of December 22, 2005, between Aurex and Ojos.

“ **Ojos Series A Stock** ” means the Series A Preferential Stock, no par value per share, of Ojos.

“ **Ojos Series B Stock** ” means the Series B Preferential Stock, no par value per share, of Ojos.

“ **Ojos Series C Stock** ” means the Series C Preferential Stock, no par value per share, of Ojos.

“ **Ojos Services Agreement** ” means the Operator Mine Services Agreement, dated as of March 1, 2004, between Ojos and Aurex.

“ **Ojos Shareholders’ Agreement** ” means the Shareholders Agreement, dated as of December 22, 2005, among the SMMA Participant, Sumitomo Metal Mining Arizona, Inc., a Delaware corporation, Sumitomo Metal Mining Co., Ltd., a Japanese corporation, Sumitomo Corporation, a Japanese Corporation, PD Ojos, Freeport (as successor to Phelps Dodge Corporation, a New York corporation) and Ojos, as amended from time to time.

“ **Ordinary Course of Business** ” means actions taken in connection with the ordinary course of business of the Companies or in accordance with the requirements of Applicable Law.

“ **Organizational Documents** ” means, with respect to any Person, each of the articles of incorporation, certificate of incorporation, charter, by-laws, articles of formation, certificate of formation, operating agreement or other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, formation, or organization of such Person, including any amendments thereto.

“ **Permit** ” means any authorization, consent, license, permit, registration, variance or other approval, waiver or clearance granted or issued by any Governmental Authority, including any application for any of the foregoing.

“ **Permitted Distribution** ” means any dividend or distribution paid in cash from and including July 1, 2014 to and including the Closing Date by either Company to any of its shareholders. Notwithstanding the foregoing, dividends paid with respect to the Candelaria Series C Shares or Ojos Series C Shares in accordance with Article 30 of the Estatutos of each Company shall not be deemed a Permitted Distribution.

“ **Permitted Leakage** ” means any of the following:

(A) Permitted Distributions;

(B) settlement of Intercompany Accounts in accordance with Section 6.09;

(C) payments made or accruals in respect of such payments to be made to any of Sellers, Subsidiary Sellers or their respective Affiliates by either Company, *provided* that any such payments or accruals are made or arise in the Ordinary Course of Business consistent with past practice;

(D) payments made or accruals in respect of payments to be made or liabilities otherwise incurred to the extent that any such payment, accrual or liability has been or will be reimbursed to either Company prior to the Closing; and

(E) any other payments, accruals, assumptions, indemnifications or the incurrence of any other liabilities by either Company to which the Buyers have given prior consent in writing.

“ **Person** ” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

“ **Post-Balance Sheet Tax Period** ” means any Tax period beginning after the Balance Sheet Date and, with respect to a Straddle Tax Period, the portion of such Tax period beginning after the Balance Sheet Date.

“ **Pre-Balance Sheet Tax Period** ” means any Tax period ending on or before the Balance Sheet Date and, with respect to a Straddle Tax Period, the portion of such Tax period ending on the Balance Sheet Date.

“ **Pre-Balance Sheet Tax** ” means any Tax related to the Pre-Balance Sheet Tax Period; provided that in the case of any Tax (other than a Transfer Tax) that is payable for a Straddle Tax Period, the portion of such Tax related to the Pre-Balance Sheet Tax Period shall (i) in the case of any Taxes other than gross receipts, sales or use Taxes, Income Taxes and other Taxes more accurately determined using the closing of the books approach described in clause (ii) below, be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on and including the Balance Sheet Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or related to Income Taxes, any gross receipts, sales or use Tax and any other Tax more accurately determined under this clause (ii) than under clause (i) above, equal to the portion of such Tax that would have been payable if the relevant Tax period ended on and included the Balance Sheet Date. Any credits with respect to a Straddle Period shall be taken into account as though the relevant Taxable period ended on the Balance Sheet Date. All determinations necessary to give effect to the allocation set forth in the foregoing sentence shall be made in a manner consistent with prior practice of Sellers, the Subsidiary Sellers or the Companies, as applicable.

“ **Purchase Price** ” means the Base Purchase Price, as adjusted by any applicable Earn-out Payments and, for Chilean tax purposes, any amount treated as added to or subtracted from the Base Purchase Price pursuant to the last paragraph of Section 2.02.

“ **Sellers** ” means each of Freeport and the Tag-Along Sellers (as applicable). For the avoidance of doubt, if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right or if the Tag-Along Sellers do not become a party to this Agreement in accordance with Section 6.07, each reference to “Seller” or “Sellers” in this Agreement shall mean Freeport and no other Person.

“ **SMMA Participant** ” has the meaning set forth in the Candelaria Shareholders’ Agreement or the Ojos Shareholders’ Agreement, as the applicable context so requires.

“ **SMMA Subject Shares** ” means (i) if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right, the Candelaria Series B Shares and (ii) if the SMMA Participant exercises the SMMA Ojos Tag-Along Right, the Ojos Series B Shares.

“ **Specified Service Provider** ” means each individual set forth on Section 1.01 of the Companies Disclosure Schedule.

“ **Straddle Tax Period** ” means the first Tax period that begins on or before the Balance Sheet Date and ends immediately following the Balance Sheet Date.

“ **Subject Shares** ” means the Freeport Subject Shares and the SMMA Subject Shares.

“ **Subsidiary** ” means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other

persons performing similar functions are at the time directly or indirectly owned by a Company.

“**Subsidiary Sellers**” means each of the Freeport Subsidiary Sellers and the Tag-Along Subsidiary Seller (as applicable). For the avoidance of doubt, if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right or if the Tag-Along Sellers do not become a party to this Agreement in accordance with Section 6.07, each reference to “Subsidiary Seller” or “Subsidiary Sellers” in this Agreement shall mean the Freeport Subsidiary Sellers and no other Person.

“**Tag-Along Sellers**” means Sumitomo Corporation and Sumitomo Metal Mining Co., Ltd.

“**Tag-Along Subsidiary Sellers**” means, if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and exercises the SMMA Ojos Tag-Along Right, SMMA Candelaria, Inc., Sumitomo Corporation and Sumitomo Metal Mining Co., Ltd., as applicable, each in its capacity as a seller of SMMA Subject Shares. For the avoidance of doubt, if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right or if the Tag-Along Sellers do not become a party to this Agreement in accordance with Section 6.07, this Agreement shall be read as if all references to the “Tag-Along Subsidiary Seller” have been removed.

“**Target Working Capital**” means \$200,000,000.

“**Tax**” means (i) any and all federal, state, provincial, local, foreign and other taxes, levies, imposts, duties, and similar governmental charges (including any interest, fines, assessments, penalties or additions to tax imposed in connection therewith or with respect thereto), including without limitation, (1) taxes imposed on, or measured by, income, franchise, profits or gross receipts; and (2) ad valorem, value added, capital gains, sales, goods and services, use, real or personal property, capital stock, branch, payroll, estimated withholding, employment, social security (or similar), unemployment compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits, transfer and gains taxes, and customs duties (including withholding on amounts paid to or by any Person) imposed by any Governmental Authority (a “**Taxing Authority**”) responsible for the imposition or collection of any such tax (domestic or foreign); (ii) any and all liability for the payment of any items described in clause (i) above as a result of being (or ceasing to be) a member of an affiliated, consolidated, combined, unitary or aggregate group or being included (or being required to be included) in any Tax Return related to such group; and (iii) any and all liability for the payment of any amounts as a result of any express or implied obligation to indemnify any other person, or any successor or transferee liability, in respect of any items described in clause (i) or (ii) above.

“**Tax Asset**” means any net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction or any other credit or tax attribute that could be

carried forward or back to reduce Taxes (including, without limitation, deductions and credits related to alternative minimum taxes) and losses or deductions deferred by the Code or other Applicable Law.

“ **Taxing Authority** ” has the meaning set forth in the definition of “ **Tax** ”.

“ **Tax Return** ” means any report, return, document, declaration or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including information returns and any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information.

“ **Technical Information** ” means, with respect to each Seller, all scientific, geological, engineering and other technical information relating solely to the Companies or the properties or business of the Companies and in the possession of such Seller or its Subsidiary Sellers or any of their Affiliates (and, for the avoidance of doubt, not in the possession of the Companies), whether in writing, graphic, machine readable, electronic or physical form including (i) all drill core wherever located remaining as at the Closing Date, drill logs and other geological information, (ii) all engineering studies, (iii) all geological, geochemical, and geophysical surveys and studies, including all airborne and ground geophysical survey information, carried out in the district, covering partially or entirely the properties of the Companies, for which Freeport has the data sets, (iv) all existing feasibility studies, mine plans or similar materials, (v) all blueprints, process flow sheets, equipment and parts lists, instructions, manuals, and equipment records and procedures, (vi) all transfer pricing documentation and studies (whether internal or external), and (vii) all documentation and records in relationship to the Companies, their properties, business and affairs in the case of each of clauses (i) – (vii), only to the extent such information relates solely to the Companies or the properties or business of the Companies.

“ **Transaction Agreements** ” means this Agreement, the Transition Services Agreement, the Guarantee and the assignment and assumption agreements contemplated in Section 2.02(c).

“ **Transfer Tax** ” means any and all Taxes resulting from the transfer of the Subject Shares in connection with the transactions contemplated by this Agreement (excluding Taxes arising from any gain on the disposition of the Subject Shares), including excise, sales, use, value added, registration stamp, recording, documentary, conveyancing, franchise, property, transfer and similar Taxes, levies, charges and fees (including any penalties and interest).

“ **Transition Services Agreement** ” means the Transition Services Agreement to be entered into at the Closing by and among Lundin Mining Chile SpA and Freeport, substantially in the form attached as Exhibit A.

“**Treasury Regulations**” means the rules and regulations promulgated by the U.S. Treasury Department under the Code.

“**Working Capital**” means an amount (rounded to the nearest thousand) equal to (a) the amount of the current assets of the Companies as of June 30, 2014 *minus* (b) the amount of the current liabilities of the Companies as of June 30, 2014, determined in each case in accordance with IFRS, but excluding from such calculation (x) any provision for deferred tax assets or deferred tax liabilities, (y) all current assets and liabilities included in Cash and Indebtedness and (z) the Intercompany Accounts.

Each of the following terms is defined in the Section set forth opposite such term:

| <b>Term</b>                       | <b>Section</b> |
|-----------------------------------|----------------|
| Actions                           | 5.05(e)        |
| Accounting Referee                | 7.04(c)        |
| Agreement                         | Preamble       |
| Buyer                             | Preamble       |
| Buyer-Filed Income Tax Return     | 7.04(b)        |
| Buyer Fundamental Representations | 10.01          |
| Buyer Warranty Breach             | 10.02(b)       |
| Buyers                            | Preamble       |
| Candelaria Series A Shares        | Recitals       |
| Candelaria Series B Shares        | Recitals       |
| Candelaria Series C Shares        | Recitals       |
| Closing                           | 2.02           |
| Company Securities                | 3.05           |
| Contest                           | 7.05           |
| Continuing Employees              | 8.01           |
| Current Representation            | 6.03           |
| Damages                           | 10.02(a)       |
| Designated Person                 | 6.03           |
| e-mail                            | 12.01          |
| Environmental Matters             | 3.23           |
| Final Determination               | 7.02(b)        |
| Financial Statements              | 3.08           |
| Freeport                          | Preamble       |
| Freeport Subsidiary Seller        | Recitals       |
| Freeport Subsidiary Sellers       | Recitals       |
| Freeport Subject Shares           | Recitals       |
| Guarantee                         | Recitals       |
| Guarantor                         | Recitals       |
| Indemnified Party                 | 10.03(a)       |
| Indemnifying Party                | 10.03(a)       |
| Intercompany Accounts             | 6.09           |
| Material Contract                 | 3.13           |
| Notified Leakage                  | 2.03           |
| Ojos                              | Recitals       |

|                                    |          |
|------------------------------------|----------|
| Ojos Series A Shares               | Recitals |
| Ojos Series B Shares               | Recitals |
| Ojos Series C Shares               | Recitals |
| Other Interests                    | 3.07     |
| PD Candelaria                      | Recitals |
| PD Ojos                            | Recitals |
| Permitted Liens                    | 3.16     |
| Post-Closing Representation        | 6.03     |
| Post-Balance Sheet Taxes           | 7.01(b)  |
| Potential Contributor              | 10.07    |
| Seller Fundamental Representations | 10.01    |
| Seller Warranty Breach             | 10.02(a) |
| SMMA Candelaria Tag-Along Right    | Recitals |
| SMMA Ojos Tag-Along Right          | Recitals |
| Tax Indemnified Buyer Parties      | 7.01(a)  |
| Tax Indemnified Buyer Party        | 7.01(a)  |
| Tax Indemnified Seller Parties     | 7.01(b)  |
| Tax Indemnified Seller Party       | 7.01(b)  |
| Tax Loss                           | 7.01(a)  |
| Tax Losses                         | 7.01(a)  |
| Third Party Claim                  | 10.03(a) |

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; *provided* that with respect to any agreement or contract listed on any schedules hereto, all such amendments, modifications or supplements must also be listed in the appropriate schedule. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively.

References to “law”, “laws” or to a particular statute or law shall be deemed also to include any and all Applicable Law.

## ARTICLE 2 PURCHASE AND SALE

Section 2.01. *Purchase and Sale* . (a) Upon the terms and subject to the conditions of this Agreement, Freeport agrees to cause the Freeport Subsidiary Sellers to sell to Buyers, and Buyers agree to purchase from the Freeport Subsidiary Sellers, the Freeport Subject Shares, and, if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right or the SMMA Ojos Tag-Along Right (it being understood that if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right but not the SMMA Ojos Tag-Along Right or if the SMMA Participant exercises the SMMA Ojos Tag-Along Right but not the SMMA Candelaria Tag-Along Right the provisions of Section 6.07(c) shall apply), the Tag-Along Sellers agree to cause the Tag-Along Subsidiary Sellers to sell to Buyers, and Buyers agree to purchase from the Tag-Along Subsidiary Sellers, the SMMA Subject Shares, at the Closing, for an aggregate purchase price equal to the Purchase Price. For the avoidance of doubt, if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, notwithstanding any failure of either of Sumitomo Corporation or Sumitomo Metal Mining Co., Ltd. to become a party hereto in its capacity as a Tag-Along Seller prior to the Closing Date (as determined in accordance with Section 2.02), the closing of the purchase and sale of the Freeport Subject Shares shall occur in accordance with the terms of this Agreement on the Closing Date (as determined in accordance with Section 2.02). The Purchase Price shall be paid as provided in Section 2.02 and Section 2.04 (as applicable). The Purchase Price shall be allocated to the Subject Shares as set forth in the statement attached hereto as Schedule 2.01.

Section 2.02. *Closing* . The closing (the “ **Closing** ”) of the purchase and sale of the Subject Shares hereunder shall take place at the offices of Bofill Mir & Alvarez Jana, located in Andres Bello, 2711, 8<sup>th</sup> Floor, in Santiago, Chile, as soon as possible, but in no event later than five Business Days, after satisfaction or, to the extent permissible, waiver by the party or parties entitled to the benefit of the conditions set forth in Article 9 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permissible, waiver of those conditions at the Closing), or at such other time or place as Buyers and Sellers may agree; *provided* that the Closing shall not take place prior to (x) five Business Days following the date of written notice from Freeport to Buyers stating (i) that the notice periods required under Section 9.5 of the Candelaria Shareholders’ Agreement and Section 9.5 of the Ojos Shareholders’ Agreement have expired, (ii) that the SMMA Participant shall have confirmed in writing that it wishes to exercise either or both of the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right (it being understood that if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right but not the SMMA Ojos Tag-Along Right or if the SMMA Participant exercises the SMMA Ojos Tag-Along Right but not the SMMA Candelaria Tag-Along Right the provisions of Section 6.07(c) shall apply) or (iii) that the SMMA Participant shall have confirmed in writing that it does not wish to

exercise either of the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, (y) except as Freeport and Lundin may otherwise agree, 30 days from the date of this Agreement and (z) except as Freeport may otherwise agree, the earlier of (A) 30 days from the date of this Agreement and (B) the date of receipt by Freeport of a ruling, resolution or other legally binding written confirmation issued by the Servicio de Impuestos Internos in form and substance satisfactory to Freeport confirming the tax applicable to gains realized by the Freeport Subsidiary Sellers on the sale of the Freeport Subject Shares. At the Closing:

(a) Buyers shall deliver:

(i) to Freeport in respect of the Freeport Subject Shares owned by the Freeport Subsidiary Sellers, an amount equal to (A) its Allocable Share of the Base Purchase Price (calculated as set forth on Schedule 2.03(b)), net of Chilean withholding tax in accordance with Applicable Law plus (B) 80% of the Cash Adjustment Amount (regardless of whether the Cash Adjustment Amount is a positive or negative number) as set forth in the notice delivered by Freeport pursuant to Section 2.03, net of Chilean withholding tax in accordance with Applicable Law, minus (C) 80% of the amount of Notified Leakage that is of the type set forth in clause (E) of the definition of Leakage *plus*, without duplication, 100% of the amount of all other Notified Leakage paid to or of which Freeport or any of its Affiliates have otherwise received the benefit, in each case, as set forth in the notice delivered by Freeport pursuant to Section 2.03, net of Chilean withholding tax in accordance with Applicable Law, in immediately available funds by wire transfer to one or more bank accounts, which bank accounts shall be designated by Freeport by notice to Buyers not later than two Business Days prior to the Closing Date;

(ii) if applicable, to the Tag-Along Sellers in respect of the SMMA Subject Shares owned by the Tag-Along Subsidiary Sellers, an amount equal to (A) its Allocable Share of the Base Purchase Price (calculated as set forth on Schedule 2.03(b)), net of Chilean withholding tax in accordance with Applicable Law plus (B) 20% of the Cash Adjustment Amount (regardless of whether the Cash Adjustment Amount is a positive or negative number) as set forth in the notice delivered by Freeport pursuant to Section 2.03, net of Chilean withholding tax in accordance with Applicable Law, minus (C) 20% of the amount of Notified Leakage that is of the type set forth in clause (E) of the definition of Leakage *plus*, without duplication, 100% of the amount of all other Notified Leakage paid to or of which a Tag-Along Seller or any of its Affiliates have otherwise received the benefit, in each case, as set forth in the notice delivered by Freeport pursuant to Section 2.03, net of Chilean withholding tax in accordance with Applicable Law, in immediately available funds by wire transfer to one or more bank accounts, which bank accounts shall be designated by the Tag-Along Sellers by notice to Buyers not later than two Business Days prior to the Closing Date;

For the avoidance of doubt, any amounts required to be added to or subtracted from the Base Purchase Price pursuant to this Section 2.02(a) (other than amounts

required to be deducted or withheld by Applicable Law) shall be treated as an adjustment to the Purchase Price for Chilean tax law purposes.

(b) each Buyer shall, and each Seller shall cause the its Subsidiary Sellers to, execute notarial deeds for the transfer of the Subject Shares set forth opposite the name of such Buyer and such Subsidiary Seller, as applicable, on Schedule 2.02(b), in each case, substantially in the form attached as Exhibit C;

(c) each Seller shall deliver documents evidencing the removal of all the members of the Administration Committee ( *Comite de Administracion* ) and any Subcommittee of the Companies appointed by such Seller as well as documents evidencing the resignation of the Chief Executive Officer ( *Presidente Ejecutivo* ), on terms and conditions acceptable to Buyers, acting reasonably;

(d) a Buyer or its Affiliate shall assume the obligations of Aurex under each of the Candelaria Operator's Agreement, the Candelaria Services Agreement, the Ojos Services Agreement and the Ojos Mandate Agreement, in each case, in accordance with the terms of the applicable agreement by way of assignment and assumption agreements that are acceptable to Buyers and Freeport, acting reasonably;

(e) each of the Freeport Sales Agency Agreements shall be terminated, on terms and conditions acceptable to Buyers, acting reasonably;

(f) Candelaria and Freeport shall enter into agreements terminating the Freeport Concentrate Sales Agreements, effective as of December 31, 2014, on terms and conditions acceptable to Buyers, acting reasonably;

(g) Freeport and Lundin Mining Chile SpA shall enter into the Transition Services Agreement;

(h) the Companies and Atlantic Copper S.A.U. shall enter into the Atlantic Copper Concentrate Sales Agreement;

(i) (A) if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right or does not exercise the SMMA Ojos Tag-Along Right, Buyer and the Freeport Subsidiary Sellers will enter into assignment and assumption agreements with respect to the Candelaria Shareholders' Agreement and/or the Ojos Shareholders' Agreement, as applicable, in accordance with its respective terms or (B) if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, the Candelaria Shareholders' Agreement and the Ojos Shareholders' Agreement shall be terminated;

(j) Each Seller shall cause each of its Subsidiary Sellers to deliver an irrevocable direction to the Buyers agreeing that payment in respect of such Subsidiary Seller's Subject Shares shall be made in accordance with Section 2.02(a);

(k) Freeport shall cause Candelaria to pay all amounts due under Section 3 of the Farellón Easement Amendment as of the Closing Date, and Freeport shall cause

Candelaria to execute and deliver a counterpart to the declaration and amendment contemplated by Sections 2.2.1 and 2.2.2 of the Farellón Easement Amendment; and

(l) each Seller shall deliver or cause to be delivered to Buyers:

(i) all minute books of the Companies and Servicios Educativos de Copiapó S. A. (and their immediate predecessor entities) to the extent in the possession of such Seller or its Affiliates or the Companies; and

(ii) resignations, effective as of immediately after the Closing, of each member of the boards of directors of the Companies and Servicios Educativos de Copiapó S. A. and the committees thereof and of each senior officer of the Companies and Servicios Educativos de Copiapó S. A. who is not a Company Employee or Specified Service Provider, in each case, who are nominees of such Seller or its Affiliates.

Section 2.03. *Notice of Cash Adjustment Amount and Leakage.* (a) No later than five Business Days prior to the Closing Date, Freeport will deliver a notice to Buyers setting forth (i) the Cash Adjustment Amount, (ii) any Permitted Leakage that has occurred from and including July 1, 2014 to and including the Closing Date and (iii) any Leakage that has occurred from and including July 1, 2014 to and including the Closing Date (the “**Notified Leakage**”), and stating the amount of any such Notified Leakage that is of the type set forth in clause (E) of the definition of Leakage and, if the SMMA Participant has exercised the SMMA Candelaria Tag-Along Right and/or the SMMA Ojos Tag-Along Right, for any other amounts of Notified Leakage, whether such amounts were paid to or otherwise for the benefit of Freeport or its Affiliates, on the one hand, or the Tag-Along Sellers or their Affiliates, on the other hand, in each case, together with reasonable supporting documentation.

(b) If the Buyers disagree with any of Freeport's calculations of the Cash Adjustment Amount, the Permitted Leakage, or the Notified Leakage set forth in the notice delivered pursuant to Section 2.03(a) or Freeport's calculations of the Accrued Preferred Dividend Amount, Working Capital, Cash or the Base Purchase Price set forth on Schedule 2.03(b), the Buyers may, within 90 days after the Closing Date, deliver a notice to the Sellers disagreeing with such calculation(s) and, which specifies the Buyers' calculation(s) of such amount(s) and, in reasonable detail, the Buyers' grounds for such disagreement. Any such notice of disagreement shall specify those items or amounts as to which the Buyers disagree and the Buyers shall be deemed to have agreed with all other items and amounts forming a part of the Cash Adjustment Amount, the Permitted Leakage, the Notified Leakage, the Accrued Preferred Dividend Amount, Working Capital, Cash and/or the Base Purchase Price, as applicable.

(c) If a notice of disagreement shall be duly delivered pursuant to Section 2.03(b), the Buyers and Sellers shall, during the 30 days following such delivery, use their reasonable best efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the Cash Adjustment Amount, the Permitted Leakage, the Notified Leakage, the Accrued Preferred Dividend Amount, Working Capital, Cash

and/or the Base Purchase Price, as the case may be. If the Buyers and Sellers are unable to reach such agreement during such period, they shall thereafter cause an independent accountant of nationally recognized standing reasonably satisfactory to the Buyers and Sellers promptly to review this Agreement and the disputed items or amounts for the purpose of calculating the Cash Adjustment Amount, the Permitted Leakage, the Notified Leakage, the Accrued Preferred Dividend Amount, Working Capital, Cash and/or the Base Purchase Price, as the case maybe, and resolving the items or amounts in dispute. In making such calculation(s), such independent accountant shall consider only those items or amounts in the Cash Adjustment Amount, the Permitted Leakage, the Notified Leakage, the Accrued Preferred Dividend Amount, Working Capital, Cash and/or the Base Purchase Price, as the case may be, as to which the Buyers have disagreed. Such independent accountant shall deliver to the Buyers and Sellers, as promptly as practicable, a report setting forth such calculation(s). Such report shall be final and binding upon the Buyers and Sellers. The cost of such review and report shall be borne equally by the Buyers, on the one hand, and Sellers (in accordance with their respective Allocable Shares), on the other hand.

(d) The Buyers and Sellers agree that they will, and agree to cause their respective independent accountants and the Companies to, cooperate and assist in the calculation of the Cash Adjustment Amount, the Permitted Leakage, the Notified Leakage, the Accrued Preferred Dividend Amount, Working Capital, Cash and/or the Base Purchase Price, and in the resolution of any amounts or items of dispute and the conduct of the audits and reviews referred to in this Section 2.03, including the making available to the extent necessary of books, records, work papers and personnel.

(e) If as a result of settlement between the Buyers and Sellers, or as determined by the said independent accountants, it shall be determined that the Buyers have made an overpayment to Sellers on Closing, then the amount of such overpayment shall forthwith be due and owing by the applicable Sellers to the Buyers or, alternatively, if it shall be determined that the Buyers have underpaid Sellers on Closing, then the amount of such underpayment shall forthwith be due and owing by Buyers to the applicable Sellers, subject to withholding in accordance with Applicable Law.

Section 2.04. *Earn-out Payments* . As promptly as practicable, and in no event later than 10 Business Days, after it has been determined that any Earn-out Payment is payable with respect to any Earn-out Year in accordance with Appendix A, Buyers shall deliver to each Seller an amount equal to such Seller's Allocable Share of such Earn-out Payment in immediately available funds by wire transfer to an account designated by such Seller by notice to Buyers (or if not so designated, then by certified or official bank check payable in next day funds to the order of such Seller in such amount), net of any Chilean withholding tax in accordance with Applicable Law. Each capitalized term used in this Section and not otherwise defined herein shall have the meaning assigned such term in Appendix A.

Section 2.05. *Provisional Withholding Obligations*. Buyers shall be entitled to withhold from the consideration otherwise payable to Freeport pursuant to this

Agreement and remit to the Chilean Treasury (Tesorería General de la República) the amount of Chilean withholding tax required by Applicable Law.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLERS

Except as set forth in the Companies Disclosure Schedule, each Seller, severally and not jointly, represents and warrants to Buyers (solely with respect to such Seller and the Companies and, in the case of Freeport, the Freeport Subsidiary Sellers, and in the case of the Tag-Along Sellers, the Tag-Along Subsidiary Sellers) as of the date hereof that:

Section 3.01. *Corporate Existence and Power* . Such Seller, each of its Subsidiary Sellers and each Company is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all corporate or other organizational powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted, except for those licenses, authorizations, permits, consents and approvals the absence of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each of the Companies is duly qualified to do business and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.02. *Corporate Authorization* . The execution, delivery and performance by such Seller and each Company and each of its Subsidiary Sellers of each of the Transaction Agreements to which it is or will be a party and the consummation by such Seller, such Subsidiary Sellers and the Companies of the transactions contemplated thereby are within the corporate or other organizational powers of such Seller, such Subsidiary Sellers and the Companies and have been duly authorized by all necessary corporate action on the part of each of such Seller, such Subsidiary Sellers and the Companies. Each Transaction Agreement to which such Seller, each of its Subsidiary Sellers or a Company is a party constitutes a valid and binding agreement of such Seller, such Subsidiary Seller or the Company, as applicable, enforceable against such Seller, such Subsidiary Sellers and/or the Companies, as applicable, in accordance with its terms, except as such enforceability may be limited by general principles of equity and by bankruptcy, insolvency, reorganization or similar laws and judicial decisions affecting the rights of creditors generally.

Section 3.03. *Governmental Authorization and Other Consents* . The execution, delivery and performance by such Seller, each of its Subsidiary Sellers and each Company of each of the Transaction Agreements to which it is or will be a party and the consummation by such Seller, such Subsidiary Sellers and the Companies of the transactions contemplated thereby require no action by or in respect of, or filing with, any Governmental Authority other than (a) compliance with any applicable requirements of any Antitrust Laws; and (b) any other action or filing as to which the failure to make or obtain would not reasonably be expected to have, individually or in the aggregate, a

Material Adverse Effect. Except as set forth in Section 3.03 of the Companies Disclosure Schedule, no consent or approval of any third Person is required by such Seller, such Subsidiary Sellers or the Companies in connection with the Closing, except as would not reasonably be expected to be, individually or in the aggregate, material to the Companies, taken as a whole, or prevent, materially impair or materially delay the consummation of the transactions contemplated by the Transaction Agreements.

Section 3.04. *Noncontravention* . The execution, delivery and performance by such Seller, each of its Subsidiary Sellers and each Company of the Transaction Agreements to which it is or will be a party and the consummation by such Seller, such Subsidiary Sellers and the Companies of the transactions contemplated thereby do not and will not (a) violate the Organizational Documents of such Seller or any of its Subsidiary Sellers or the Companies, (b) assuming compliance with the applicable requirements of any Antitrust Laws and other actions or filings as referred to in Section 3.03, violate any Applicable Law in any material respect, require any consent or other action by any Person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any material right or obligation of such Seller, such Subsidiary Sellers or the Companies or to a material loss of any benefit to which any of such Seller, such Subsidiary Sellers or the Companies is entitled under any provision of any agreement or other instrument binding upon such Person; or (c) result in the creation or imposition of any material Lien on any asset of the Companies, except for any Permitted Liens.

Section 3.05. *Capitalization*. (a) The authorized capital stock of Candelaria consists of 4,326 shares of Candelaria Series A Stock, 5,760 shares of Candelaria Series B Stock and 500 shares of Candelaria Series C Stock. As of the date hereof, there are outstanding 4,326 shares of Candelaria Series A Stock, 5,760 shares of Candelaria Series B Stock and 500 shares of Candelaria Series C Stock. The authorized capital stock of Ojos consists of 7,438 shares of Ojos Series A Stock, 2,500 shares of Ojos Series B Stock and 1,000 shares of Ojos Series C Stock. As of the date hereof, there are outstanding 7,438 shares of Ojos Series A Stock, 2,500 shares of Ojos Series B Stock and 1,000 shares of Ojos Series C Stock.

(b) All outstanding shares of capital stock of each of the Companies have been duly authorized and validly issued and are fully paid and non-assessable. Except as set forth in this Section 3.05, there are no outstanding (i) shares of capital stock or voting securities of either Company, (ii) securities of either Company convertible into or exchangeable for shares of capital stock or voting securities of either Company, or (iii) options or other rights to acquire from either Company, or other obligation of either Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of either Company (the items in clauses Section 3.05(b)(i), Section 3.05(b)(ii) and Section 3.05(b)(iii) being referred to collectively as the “ **Company Securities** ”). There are no outstanding obligations of either Company to repurchase, redeem or otherwise acquire any Company Securities.

Section 3.06. *Ownership of Shares* . (a) Freeport is the sole record and direct beneficial owner of all issued and outstanding shares of capital stock of each of the

Freeport Subsidiary Sellers. PD Candelaria is the sole record and direct beneficial owner of the Candelaria Series A Shares and the Candelaria Series C Shares, free and clear of any Lien (other than pursuant to the Candelaria Shareholders' Agreement), and, assuming each Buyer complies with Section 6.07, Freeport will cause PD Candelaria to transfer and deliver to the applicable Buyer set forth on Schedule 2.02(b) at the Closing valid title to the Candelaria Series A Shares and Candelaria Series C Shares free and clear of any Lien (other than, in the event the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right, pursuant to the Candelaria Shareholders' Agreement). PD Ojos is the sole record and direct beneficial owner of the Ojos Series A Shares and the Ojos Series C Shares, free and clear of any Lien (other than pursuant to the Ojos Shareholders' Agreement), and, assuming each Buyer complies with Section 6.07, Freeport will cause PD Ojos to transfer and deliver to the applicable Buyer set forth on Schedule 2.02(b) at the Closing valid title to the Ojos Series A Shares and Ojos Series C Shares, free and clear of any Lien (other than, in the event the SMMA Participant does not exercise the SMMA Ojos Tag-Along Right, pursuant to the Ojos Shareholders' Agreement).

(b) The Tag-Along Subsidiary Sellers are the sole record and direct beneficial owners of the Candelaria Series B Shares and the Ojos Series B Shares, free and clear of any Lien (other than pursuant to the Candelaria Shareholders' Agreement and the Ojos Shareholders' Agreement), and, if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, the applicable Tag-Along Seller will transfer and deliver, or cause to be transferred and delivered, to the applicable Buyer set forth on Schedule 2.02(b) at the Closing valid title to the Candelaria Series B Shares and/or the Ojos Series B Shares, as the case may be, free and clear of any Lien.

Section 3.07. *No Subsidiaries or Other Interests* . Each Company has no Subsidiaries and (a) does not own, directly or indirectly, any shares of capital stock of, other securities or ownership interests of, or investments in, any Person (“**Other Interests**”) and (b) has no rights to and is not bound by any commitment or obligation to acquire by any means, directly or indirectly, any Other Interests or to make any investment in, or contribution or advance to, any Person.

Section 3.08. *Financial Statements* . The audited balance sheets as at December 31, 2012 and December 31, 2013 and the related audited statements of income and cash flows for the years ended December 31, 2012 and December 31, 2013 and the unaudited interim balance sheets as at March 31, 2014 and as at June 30, 2014 and the related unaudited interim statements of income and cash flows for the 3 months ended March 31, 2014 and for the 6 months ended June 30, 2014 (collectively, the “**Financial Statements**”) of each Company fairly present, in conformity with IFRS applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of such Company as of the dates thereof and its results of operations and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements).

Section 3.09. *Absence of Certain Changes* . Since December 31, 2013, the business of the Companies has been conducted in the ordinary course consistent with past

practice and there has not been any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.10. *No Undisclosed Material Liabilities* . There are no liabilities of either Company of any kind, other than:

- (a) liabilities provided for in the Financial Statements or disclosed in the notes thereto;
- (b) liabilities disclosed on Section 3.10 of the Companies Disclosure Schedule;
- (c) liabilities disclosed in, related to or arising under any agreements, instruments or other matters disclosed in this Agreement or any Schedule hereto;
- (d) liabilities arising in the Ordinary Course of Business of such Company or under any agreement to which such Company is a party to the extent not arising from such Company's breach of any such agreement; or
- (e) other undisclosed liabilities which would not reasonably be expected to be, individually or in the aggregate, material to the Companies, taken as a whole.

Section 3.11. *Intercompany Accounts* . Section 3.11 of the Companies Disclosure Schedule contains a complete list of all intercompany receivables, payables and other balances between Freeport or its Affiliates, on the one hand, and the Companies, on the other hand as of the Balance Sheet Date. Since the Balance Sheet Date there has not been any accrual of liability by the Companies to Freeport, the Freeport Subsidiary Sellers or any of their respective Affiliates or other transaction between the Companies and Freeport, the Freeport Subsidiary Sellers and any of their respective Affiliates, except in the Ordinary Course of Business of the Companies consistent with past practice.

Section 3.12. *Leakage* . There has been no Leakage (other than Leakage which is or will become Notified Leakage) from but excluding the Balance Sheet Date to and including the date of this Agreement.

Section 3.13. *Material Contracts*. (a) As of the date hereof, other than as set out in Section 3.13 of the Companies Disclosure Schedule, neither Company is a party to or bound by:

- (i) any lease (whether of real or personal property) providing for annual rentals of US\$10,000,000 or more that cannot be terminated on not more than 60 days' notice without payment of any penalty that is material to the Companies, taken as a whole;
- (ii) any agreement for the purchase of materials, supplies, goods, services, equipment or other assets providing for annual payments by a Company of US\$10,000,000 or more that cannot be terminated on not more than 60 days'

notice without payment of any penalty that is material to the Companies, taken as a whole;

(iii) any sales, distribution or other similar agreement providing for the sale by such a Company of materials, supplies, goods, services, equipment or other assets that provides for annual payments to such Company of US\$10,000,000 or more;

(iv) any material partnership, joint venture or other similar agreement or arrangement;

(v) any agreement relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise);

(vi) any agreement relating to indebtedness for borrowed money or the deferred purchase price of property (in either case, whether incurred, assumed, guaranteed or secured by any asset), except any such agreement with an aggregate outstanding principal amount not exceeding US\$10,000,000;

(vii) any material agreement that limits the freedom of the Companies to compete in any line of business or with any Person or in any area; or

(viii) any material agreement with Freeport, the Freeport Subsidiary Sellers or any of their respective Affiliates or any director or officer of Freeport, the Freeport Subsidiary Sellers or any of their respective Affiliates.

(b) Each agreement, contract, plan, lease, arrangement or commitment required to be disclosed pursuant to this Section (each, a “**Material Contract**”) is a valid and binding agreement of the applicable Company, as the case may be, and is in full force and effect, and neither Company, nor, to the Knowledge of Sellers, any other party thereto is in default or breach in any material respect under the terms of any such Material Contract.

(c) Each Foreign Investment Contract is a valid and binding agreement of Phelps Dodge of Chile S.A. and is in full force and effect, and to the Knowledge of Sellers, no party thereto is in default or breach in any material respect under the terms of any such Foreign Investment Contract.

Section 3.14. *Legal Actions* . There are no Legal Actions pending against, or to the Knowledge of Sellers, threatened against or affecting, such Seller, its Subsidiary Sellers or the Companies or any of their respective properties before any arbitrator or any Governmental Authority which would reasonably be expected to be, individually or in the aggregate, material to the Companies, taken as a whole.

Section 3.15. *Compliance with Laws* . Neither Company is in violation of any Applicable Law, except for violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.16. *Title to Property* . Each Company has good title to, or in the case of leased property and assets have valid leasehold interests in, all property and assets (whether real, personal, tangible or intangible) (save and except for Intellectual Property) reflected on the Balance Sheet of such Company or acquired after the Balance Sheet Date, except for properties and assets sold since the Balance Sheet Date in the Ordinary Course of Business consistent with past practice or where the failure to have such good title or valid leasehold interests would not, individually or in the aggregate, reasonably be expected to materially impair the value or materially interfere with the use of such property or asset. None of such property or assets is subject to any Lien, except:

- (a) Liens disclosed on Section 3.16 of the Companies Disclosure Schedule;
- (b) Liens disclosed on the Balance Sheets or notes thereto or securing liabilities reflected on the Balance Sheets or notes thereto;
- (c) Liens for taxes, assessments and similar charges that are not yet due or are being contested in good faith;
- (d) mechanic's, materialman's, carrier's, repairer's and other similar Liens arising or incurred in the Ordinary Course of Business or that are not yet due and payable or are being contested in good faith;
- (e) Liens incurred in the Ordinary Course of Business since the Balance Sheet Date; or
- (f) other Liens which would not reasonably be expected to have a Material Adverse Effect (paragraphs (a) – (f) of this Section 3.16 are, collectively, the “ **Permitted Liens** ”).

Section 3.17. *Sufficiency of Assets* . At the Closing, the Companies will own or have the right to use all of the assets, properties and rights reasonably necessary to conduct in all material respects the business of the Companies as conducted as of the date of this Agreement (other than cash and cash equivalents); *provided* that this Section does not constitute a representation or warranty as to Intellectual Property Rights (which is covered exclusively in Section 3.18) or as to insurance matters (which is covered exclusively in Section 3.19).

Section 3.18. *Intellectual Property* . (a) Section 3.18(a) of the Companies Disclosure Schedule contains a list of all registrations and applications for registration and other material Intellectual Property Rights included in the Company Intellectual Property Rights.

(b) Section 3.18(b) of the Companies Disclosure Schedule sets forth a list of all agreements to which either Company is a party and pursuant to which any Person is authorized to use any material Company Intellectual Property Right.

(c) No Company Intellectual Property Right is subject to any outstanding judgment, injunction, order, decree or agreement restricting in any material respect the use thereof by either Company or restricting in any material respect the licensing thereof by either Company to any Person.

(d) To the knowledge of the Sellers, the operation of business by the Companies does not infringe, misappropriate or otherwise violate the Intellectual Property Rights of any third person, except for infringements, misappropriations or other violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.19. *Insurance Coverage.* Freeport has made available to Buyers summaries of all insurance policies and fidelity bonds relating to the assets, business, operations, employees, officers or directors of the Companies. There are no material claims by either Company pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds or in respect of which such underwriters have reserved their rights.

Section 3.20. *Finders' Fees.* There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of such Seller, its Subsidiary Sellers or the Companies who might be entitled to any fee or commission in connection with the transactions contemplated by the Transaction Agreements.

Section 3.21. *Labor Matters and Employee Benefits .* (a) Section 3.21 of the Companies Disclosure Schedule sets forth the collective bargaining agreements or similar material labor agreements or union agreements to which either of the Companies is a party. All of the Specified Service Providers spend in excess of 80% of their employment time with Freeport and its Affiliates in connection with matters pertaining to the Companies and the business and operations of the Companies.

(b) There is no Legal Action pending or, to the Knowledge of Sellers, threatened against or affecting the Companies with respect to employment practices, workers' compensation or other Labor Laws which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each Company is, in compliance with all applicable Labor Laws, except for violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.22. *Employee Plans.* (a) Freeport has made available to Buyers complete copies of each material Employee Benefit Plan, and all amendments thereto, together with the most recent annual report, if applicable, prepared in connection therewith.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(i) neither of the Companies or any of their respective predecessors sponsors, maintains or contributes to, or has in the past five years sponsored, maintained or contributed to, any Employee Benefit Plan subject to Title IV of ERISA, and neither of the Companies or any of their respective predecessors contributes to, or has in the past five years contributed to, any multiemployer plan, as defined in Section 3(37) of ERISA;

(ii) each Employee Benefit Plan and related trust agreement, annuity contract or other funding instrument has been administered, operated and maintained in compliance with Applicable Law and if intended to qualify for special tax treatment, meets the requirements for such treatment, and no events have occurred with respect to any Employee Benefit Plan that could result in the payment or assessment by or against the Companies of any excise tax under the Code;

(iii) neither of the Companies has any liability in respect of post-retirement medical, dental or life insurance benefits for Company Employees (other than coverage mandated under Applicable Law);

(iv) no action, suit, investigation, audit, proceeding or claim (other than routine claims for benefits) is pending against or involves or, to the Knowledge of Sellers, is threatened against or threatened to involve, any Employee Benefit Plan before any Governmental Authority; and

(v) there is no labor strike, slowdown or stoppage pending or, to the Knowledge of Sellers, threatened against or affecting the Companies.

(c) Neither the execution of this Agreement or the other Transaction Agreements nor the consummation of the transactions contemplated hereby or thereby (either alone or together with any other event, including a termination of employment) will result in any Company Employee or Specified Service Provider becoming entitled to, or any increase in, any material payment or benefit (including severance pay) or accelerate the timing of payment or vesting of any material compensation or benefits, in either case under any Employee Benefit Plan.

Section 3.23. *Environmental Laws and Conditions* . Except as to matters that would not reasonably be expected to be material to the Companies, taken as a whole:

(a) no written notice, order, request for information, complaint or penalty has been received in the past three years by such Seller, its Subsidiary Sellers or the Companies, and there are no judicial, administrative or other actions, suits or proceedings pending or, to the Knowledge of Sellers, threatened, in each case, that alleges a violation by or liability of either Company of or under any Environmental Law;

(b) each of the Companies is in compliance with all applicable Environmental Laws, and, to the Knowledge of Sellers, within the past three years there are and have been no conditions, circumstances, or occurrences that could reasonably be expected to

result in a failure to be in compliance with any Environmental Law that have not been cured or that are not in the process of being cured; and

(c) the Companies have all Permits necessary for their operations as currently conducted to comply with all applicable Environmental Laws and are in compliance with the terms of such Permits and with all other applicable Environmental Laws.

Except as set forth in this Section 3.23, no representations or warranties are being made by any Seller with respect to matters arising under or relating to Environmental Law (“ **Environmental Matters** ”).

Section 3.24. *Taxes ; Tax Matters.* Except as to matters that would not reasonably be expected, individually or in the aggregate to have a Material Adverse Effect:

(a) (i) the Companies have timely filed (or Freeport has timely filed or caused to be timely filed) all Tax Returns that are required to be filed by or with respect to the Companies and the Companies have submitted all required affidavits and complied with other accessory fiscal obligations and duties that are required to be fulfilled by or with respect to the Companies, including keeping their tax books in compliance with Applicable Law and maintaining their accounting backup documentation; (ii) the Companies have timely paid (or Freeport has timely paid or caused to be timely paid) all Taxes shown as due and payable on such Tax Returns, the taxes paid have been duly determined according to Chilean law, and (iii) such Tax Returns are true, correct and complete;

(b) there is no claim, audit, action, suit, proceeding, examination or investigation now pending against or with respect to either of the Companies in respect of any Tax;

(c) no Taxing Authority has proposed, or, to the Knowledge of Sellers, is threatening to propose any adjustment to any Tax Return of either of the Companies;

(d) neither of the Companies is currently the beneficiary of an extension of time within which to file a Tax Return;

(e) there are no Liens for Taxes (other than Permitted Liens) upon any assets of either Company;

(f) on or prior to the Closing, each of the Companies will have properly and in a timely manner documented its transfer pricing methodology in compliance with applicable Chilean tax laws and have presented all required sworn affidavits required by Chilean tax authorities; and

(g) all related party transactions carried out by the Companies were carried out on arm’s length terms and in material compliance with all Chilean Applicable Laws and transfer pricing rules. The Companies have complied with all applicable transfer pricing documentation requirements.

Except as set forth in this Section 3.24, no representations or warranties are being made in this Article 3 with respect to Tax matters.

Section 3.25. *Anti-Corruption* . None of such Seller, its Subsidiary Sellers, either of the Companies, nor any of their respective directors, officers, agents, employees or any other Persons acting on its behalf has, in connection with the operation of its respective business, used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to government officials, candidates or members of political parties or organizations, or established or maintained any unlawful or unrecorded funds in violation in any material respect of the Foreign Corrupt Practices Act or any other similar Applicable Law.

#### ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BUYERS

Buyers represent and warrant to Sellers as of the date hereof and as of the Closing Date that:

Section 4.01. *Corporate Existence and Power* . Each Buyer is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all corporate or other organizational powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

Section 4.02. *Corporate Authorization* . The execution, delivery and performance by each Buyer of each of the Transaction Agreements to which it is or will be a party and the consummation by such Buyer of the transactions contemplated thereby are within the corporate or other organizational powers of such Buyer and have been duly authorized by all necessary corporate action on the part of such Buyer. Each of the Transaction Agreements to which either Buyer is a party constitute valid and binding agreements of such Buyer, enforceable against such Buyer in accordance with its terms, except as such enforceability may be limited by general principles of equity and by bankruptcy, insolvency, reorganization or similar laws and judicial decisions affecting the rights of creditors generally.

Section 4.03. *Governmental Authorization* . The execution, delivery and performance by each Buyer of each of the Transaction Agreements to which it is or will be a party and the consummation by such Buyer of the transactions contemplated thereby require no material action by or in respect of, or material filing with, any Governmental Authority save and except for: (a) compliance with any applicable requirements of any Antitrust Laws; and (b) any such action or filing as to which the failure to obtain or make would not prevent, materially impair or materially delay the consummation of the transactions contemplated by the Transaction Agreements.

Section 4.04. *Noncontravention* . The execution, delivery and performance by each Buyer of each of the Transaction Agreements to which it is or will be a party and the consummation by such Buyer of the transactions contemplated thereby do not and will

not (i) violate the organizational documents of such Buyer, (ii) assuming compliance with the matters referred to in Section 4.03, violate any Applicable Law, (iii) require any consent or other action by any Person under, constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of such Buyer or to a loss of any benefit to which such Buyer is entitled under any provision of any agreement or other instrument binding upon such Buyer, save and except for the consent required pursuant to the Guarantor's existing senior secured credit facility, which consent shall be obtained by the Guarantor prior to the Closing Date or such credit facility shall otherwise be repaid in full by the Guarantor and terminated on or prior to such date (it being understood that such consent or repayment is not a condition to the obligations of Buyers under this Agreement), or (iv) result in the creation or imposition of any material Lien on any asset of such Buyer.

Section 4.05. *Financing* . Buyers have, or will have prior to the Closing, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to make payment of the Base Purchase Price. Buyers expressly acknowledge and agree that the obligations of Buyers hereunder are not subject to, or conditioned on, receipt of financing.

Section 4.06. *Purchase for Investment* . Each Buyer is purchasing the Subject Shares set forth opposite such Buyer's name on Schedule 2.02 (b) for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Each Buyer (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in such Subject Shares and is capable of bearing the economic risks of such investment.

Section 4.07. *Litigation* . There is no action, suit, investigation or proceeding pending against, or to the knowledge of Buyers threatened against or affecting, either Buyer before any arbitrator or any Governmental Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by the Transaction Agreements.

Section 4.08. *Finders' Fees* . Except for Bank of America Merrill Lynch, whose fees and expenses will be paid by Buyers, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of either Buyer or its Affiliates who might be entitled to any fee or commission in connection with the transactions contemplated by the Transaction Agreements.

Section 4.09. *Inspections; No Other Representations* . Each Buyer is an informed and sophisticated purchaser, and has engaged expert advisors, experienced in the evaluation and purchase of companies such as the Companies as contemplated hereunder. Each Buyer has undertaken such investigation and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of the Transaction Agreements. Buyers acknowledge that Freeport has given Buyers complete and open access to the documents and facilities of the Companies.

Buyers will undertake prior to Closing such further investigation and request such additional documents and information as Buyers deem necessary. Buyers agree to accept the Subject Shares and the Companies in the condition they are in on the Closing Date subject to the terms and conditions hereof based upon their own inspection, examination and determination with respect thereto as to all matters and without reliance upon any express or implied representations or warranties of any nature made by or on behalf of or imputed to Freeport, except as expressly set forth in this Agreement. Without limiting the generality of the foregoing, each Buyer acknowledges that Freeport makes no representation or warranty with respect to (i) any projections, estimates or budgets delivered to or made available to either Buyers of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Companies or the future business and operations of the Companies, or (ii) any other information or documents made available to either Buyer or its counsel, accountants or advisors with respect to the Companies or their respective businesses or operations, except as expressly set forth in this Agreement.

## ARTICLE 5

### COVENANTS OF SELLERS

Section 5.01. *Conduct of the Companies*. From the date hereof until the Closing Date, Freeport shall cause the Companies to conduct their businesses in the Ordinary Course of Business consistent with past practice. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, except as disclosed in Section 5.01 of the Companies Disclosure Schedule, or as required in order to comply with Applicable Law or as otherwise required by this Agreement, Freeport will not permit either Company to:

- (a) amend its organizational documents (whether by merger, consolidation or otherwise);
- (b) split, combine or reclassify any shares of capital stock of such Company;
- (c) (i) issue, deliver or sell, or authorize the issuance, delivery or sale of, any shares of any Company Securities; or (ii) amend any term of any Company Security (whether by merger, consolidation or otherwise);
- (d) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, any businesses, other than acquisitions with a purchase price that does not exceed US\$1,000,000 individually or US\$5,000,000 in the aggregate;
- (e) sell, lease or otherwise transfer any of either of the Companies' material assets or permit the imposition of any Lien (save and except for Permitted Liens), other than (i) sales of inventory in the Ordinary Course of Business consistent with past practice and (ii) sales of assets with a sale price that does not exceed US\$1,000,000 individually or US\$5,000,000 in the aggregate.

(f) except as required to comply with any employee benefit plan or agreement or Applicable Law or for changes made in respect of any Employee Benefit Plan that are generally applicable to all employees participating in such Employee Benefit Plan, (i) grant any severance, retention or termination pay to, or enter into or amend any severance, retention or termination agreement with, or increase the compensation or benefits provided to, any Key Employee, (ii) grant any severance, retention or termination pay to, or enter into or amend any severance, retention or termination agreement with, or materially increase the compensation or benefits provided to any Company Employee, other than in the Ordinary Course of Business consistent with past practice and not in violation of any applicable collective bargaining agreement, (iii) establish, adopt, materially amend or terminate any Employee Benefit Plan, (iv) transfer the employment of any individual other than a Specified Service Provider from Freeport or its Affiliates (other than the Companies) to either of the Companies, or (v) grant any equity or equity-based compensation to any Company Employee or Specified Service Provider; *provided* that to the extent that Freeport reasonably determines that any change to any Employee Benefit Plan permitted under this clause (f) is reasonably expected to be material, Freeport shall provide Buyers with notice of such change;

(g) change its methods of accounting, except as required by concurrent changes in IFRS, as agreed to by its independent public accountants;

(h) settle, or offer or propose to settle, any material litigation, investigation, arbitration, proceeding or other claim;

(i) make or change any material Tax election, change any annual tax accounting period, adopt or change any method of tax accounting, enter into any closing agreement with respect to a material amount of taxes, or settle any material Tax claim, audit or assessment;

(j) incur any material debt other than short-term indebtedness or letters of credit or make any loans or advances to any Persons, in each case, other than in the Ordinary Course of Business, consistent with past practice or as otherwise permitted pursuant to the terms of this Agreement;

(k) agree or commit to do any of the foregoing.

Section 5.02. *No Leakage* . Freeport shall not permit any Leakage (other than Leakage which is or will become Notified Leakage) from the date hereof until the Closing Date.

Section 5.03. *Certain Assignments and Transfers* . (a) Prior to the Closing:

(i) Freeport shall assign, or shall cause the assignment by its Affiliate of, to Lundin Mining Chile SpA, all rights and obligations of Freeport or such Affiliate under the contracts set forth on Section 5.03(a) of the Companies Disclosure Schedule, and Lundin Mining Chile SpA shall, and Buyers shall cause

Lundin Mining Chile SpA to, assume all such rights and obligations thereunder; and

(ii) Each Seller shall use its reasonable best efforts to identify all Technical Information reasonably required in connection with the conduct of the business and operations of the Companies in the Ordinary Course of Business and to deliver on or before the Closing Date the original, modified and interpreted versions of such Technical Information, including all raw data, to the Companies in useable formats.

(b) Prior to the Closing, Freeport shall assign, contribute, convey, transfer and deliver, or shall cause the assignment, contribution, conveyance, transfer and delivery of, from the applicable Company to Freeport or its Affiliates, all right, title and interest of such Company in and to each asset set forth opposite such Company's name on Section 5.03(b) of the Companies Disclosure Schedule, and Freeport or such Affiliate shall pay to the applicable Company the fair market value of each such asset and assume all liabilities to the extent related to each such asset. Following the Closing Date, Freeport shall remove, or shall cause the removal of, all such assets from the property of the Companies at its own sole cost and expense and in accordance with the schedule set forth in Section 5.03(b) of the Companies Disclosure Schedule. Until such removal, the Buyers, the Companies, their Affiliates and their respective agents shall be entitled to use such assets to the extent provided in Section 5.03(b) of the Companies Disclosure Schedule without remitting consideration therefor to Freeport. None of the Buyers, their Affiliates or the Companies shall be responsible or liable for or in respect of obligations related to such assets or for any losses suffered by Freeport or its agents by reason of the existence of such assets on the property of the Companies or the removal by Freeport therefrom; *provided* that the Buyers shall be responsible and liable for the maintenance and safekeeping of such assets by the Companies prior to such removal by Freeport. Freeport shall provide the Buyers with reasonable advance written notice of the date or dates upon which Freeport shall seek to enter on the property of the Companies in order to remove such assets and the Buyers shall use their reasonable efforts to accommodate such requests. Entry by Freeport or its agents as well as activities of Freeport or its agents in connection therewith shall not unreasonably interfere with the normal operations of the Companies. Freeport shall be responsible for maintaining any and all requisite insurance coverage on such assets.

Section 5.04. *Access to Information* . From the date hereof until the Closing Date, each Seller will (a) give, and will cause its Subsidiary Sellers and the Companies to give, each Buyer, its counsel, financial advisors, auditors and other authorized representatives reasonable access to the offices, properties, books and records of the Companies and to the books and records of such Seller and its Subsidiary Sellers relating to the Companies, (b) furnish, and will cause its Subsidiary Sellers and the Companies to furnish, to each Buyer, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the Companies as such Persons may reasonably request, and (c) instruct the employees, counsel and financial advisors of such Seller, its Subsidiary Sellers and the Companies to cooperate with each Buyer in its investigation of the Companies. Any investigation pursuant to this Section

shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of such Seller, its Subsidiary Sellers or the Companies. Notwithstanding the foregoing, Buyers shall not (i) have access to personnel records of the Companies relating to individual performance or evaluation records, medical histories or other information which in a Seller's good faith opinion is sensitive or the disclosure of which could subject the Companies to risk of liability or (ii) conduct or cause to be conducted any sampling, testing or other invasive investigation of the air, soil, soil gas, surface water, groundwater, building materials or other environmental media.

Section 5.05. *Tax Matters* . During the period from the date of this Agreement to the Closing Date, Freeport shall cause the Companies to:

- (a) prepare, in the Ordinary Course of Business and consistent with past practice (except as otherwise required by a change in applicable law), and timely file all Interim Period Returns;
- (b) consult with Buyers with respect to all Interim Period Returns and deliver drafts of such Interim Period Returns to Buyers no later than ten (10) Business Days prior to the date (including extensions) on which such Interim Period Returns are required to be filed;
- (c) fully and timely pay all Taxes due and payable in respect of such Interim Period Returns that are so filed;
- (d) properly accrue in accordance with its methods of accounting and in accordance with past practice, and in the Ordinary Course of Business, for all Taxes payable;
- (e) promptly notify Buyers of any federal, state, local or foreign income or franchise and any other suit, claim, action, investigation, proceeding or audit (collectively, "**Actions**") pending or threatened against or with respect to the Companies in respect of any Tax matter, including without limitation, Tax liabilities and refund claims, and not settle or compromise any such Tax matter or Action without Buyers' consent;
- (f) not make or revoke any election with regard to Taxes or file any amended Tax Returns;
- (g) not make any change in any Tax or accounting methods or systems of internal accounting controls (including procedures with respect to the payment of accounts payable and collection of accounts receivable), except as may be appropriate to conform to changes in Tax laws or regulatory accounting requirements or IFRS; and
- (h) terminate as of the date of this Agreement all tax sharing agreements to which the Companies are a party such that there is no further liability thereunder.

ARTICLE 6  
COVENANTS OF BUYERS AND SELLERS

Section 6.01. *Confidentiality.* (a) Any information provided by any Seller, Subsidiary Seller, the Companies or any of their respective Affiliates and representatives to either Buyer or their respective Affiliates and representatives in connection with this Agreement and the transactions contemplated hereby shall be subject to the provisions of the Confidentiality Agreement, which shall survive the execution and delivery of this Agreement and shall continue in full force and effect in accordance with its terms until the Closing (at which time the parties agree it shall terminate automatically and be of no further force and effect without any further action required by any party thereto). For the avoidance of doubt, the Tag-Along Sellers agree that the terms and conditions of the Confidentiality Agreement shall apply to each Tag-Along Seller as if it were party thereto to the same extent such terms and conditions apply to Freeport.

(b) Prior to Closing and for a period of one year after the Closing or until termination of this Agreement (and, in the case of all material written, oral or other information obtained in confidence from Buyers in connection with any Earn-out Payment, until one year after the Earn-out Termination Date (as defined in Appendix A)), as applicable, each Seller shall maintain in confidence, and will cause its Affiliates and its and their respective representatives to maintain in confidence all material written, oral, or other information obtained in confidence from Buyers in connection with this Agreement or the transactions contemplated hereby, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by such Seller, (ii) in the public domain through no fault of such Seller or (iii) later lawfully acquired by such Seller from sources other than Buyers or to the extent such information is required to be disclosed by Applicable Law or the applicable rules or regulations of any securities exchange or legal process.

Section 6.02. *Access; Seller Confidentiality.* Buyers will cause the Companies, on and after the Closing Date for a period of six years to afford promptly to each Seller and its agents reasonable access to their properties, books, records, employees and auditors to the extent necessary to permit such Seller to determine any matter relating to its rights and obligations hereunder or to any period ending on or before the Closing Date; *provided* that any such access by such Seller shall not unreasonably interfere with the conduct of the business of Buyers or the Companies. In addition, Buyers will cause the Companies after the Closing Date to provide financial information to each Seller with respect to the fiscal quarter and month or portions thereof ending on or prior to the Closing Date, in a manner and within a time period consistent with the Companies' past practice, in order to enable such Seller to satisfy its financial reporting obligations with respect to such pre-Closing periods. Each Seller will hold, and will use its best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of Applicable Law, all confidential documents and information concerning the Companies provided to it pursuant to this Section. Each Seller will be liable for a breach by its representatives of such confidentiality obligations.

To the extent practicable, each Seller shall give Buyers at least ten days' prior written notice (unless less time is required by Applicable Law or the applicable rules or regulations of any securities exchange or legal process) before disclosing any of the said confidential documents and information and, in making such disclosures, such Seller shall and shall use its reasonable best efforts to cause its representatives to disclose only that portion thereof required to be disclosed and, at Buyers' request, shall take all reasonable best efforts, at Buyers' expense, to preserve the confidentiality thereof, including supporting Buyers in obtaining protective orders.

Section 6.03. *Waiver of Conflicts Regarding Representation; Nonassertion of Attorney-Client Privilege.* (a) Each Buyer waives and will not assert, and agrees to cause the Companies to waive and not to assert, any conflict of interest arising out of or relating to the representation, after the Closing (the “**Post-Closing Representation**”), of any Seller or any Subsidiary Seller or any of their respective Affiliates or any shareholder, officer, employee or director of any of them or either Company (any such Person, a “**Designated Person**”) in any matter involving the Transaction Agreements or any other agreements or transactions contemplated thereby, by any legal counsel currently representing any Seller, Subsidiary Sellers or the Companies in connection with the Transaction Agreements or any other agreements or transactions contemplated thereby (the “**Current Representation**”).

(b) Each Buyer waives and will not assert, and agrees to cause the Companies to waive and to not assert, any attorney-client privilege with respect to any communication between any legal counsel and any Designated Person occurring during the Current Representation in connection with any Post-Closing Representation, including in connection with a dispute with either Buyer, and following the Closing, with the Companies, it being the intention of the parties hereto that all such rights to such attorney-client privilege and to control such attorney-client privilege shall be retained by the applicable Seller; *provided* that the foregoing waiver and acknowledgement of retention shall not extend to any communication not involving the Transaction Agreements or any other agreements or transactions contemplated thereby, or to communications with any Person other than the Designated Persons and their advisers.

Section 6.04. *Reasonable Best Efforts; Further Assurances.* (a) Subject to the terms and conditions of this Agreement, Buyers and Sellers will use their reasonable best efforts to take, or cause to be taken, both before and after Closing, all actions and to do, or cause to be done, all things necessary or desirable under Applicable Law to consummate or implement expeditiously the transactions contemplated by the Transaction Agreements including, in the case of Freeport, co-operating in connection with the assignment of the Foreign Investment Contracts. Freeport agrees to cause each Freeport Subsidiary Seller, and Freeport, prior to the Closing, and Buyers, after the Closing, agree to cause each Company, to execute and deliver such other documents, certificates, agreements and other writings (including notarial deeds for the assignment to the Buyers of each of the Foreign Investment Contracts in the form proposed by the Chilean Foreign Investment Committee after the consent of the Chilean Foreign Investment Committee is obtained) and to take such other actions as may be necessary or

desirable in order to consummate or implement expeditiously the transactions contemplated by the Transaction Agreements.

(b) In furtherance and not in limitation of the foregoing, each of Sellers and Buyers shall provide or cause to be provided to any Governmental Authority information and documents required or requested by any such Governmental Authority, including by (i) filing any notification and report form and related material required under any Antitrust Law with respect to the transactions contemplated by the Transaction Agreements as promptly as practicable after the date hereof and (ii) supplying as promptly as practicable any additional information and documentary material that may be requested by any Governmental Authority pursuant to any Antitrust Law.

(c) Each of Sellers and Buyers shall, and shall cause their respective Affiliates to, cooperate reasonably with one another and keep the other party reasonably informed of material matters relating to or in connection with the taking of the actions contemplated by this Section, including promptly informing the other party(ies) of all material communications with any Governmental Authority. In furtherance and not in limitation of the foregoing, Sellers and Buyers shall (i) consult with one another in advance of any meeting or teleconference with such Governmental Authority, (ii) provide one another with an opportunity to attend or participate in such meeting or teleconference, (iii) afford one another the right to review any written materials to be submitted to such Governmental Authority in advance of the submission thereof, and (iv) furnish one another with copies of all written materials received by or on behalf of such party from such Governmental Authority, in each case to the extent permitted by Applicable Law.

Section 6.05. *Certain Filings* . Sellers and Buyers shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals or waivers are required to be obtained from the parties to any material contracts, in connection with the consummation of the transactions contemplated by the Transaction Agreements; and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

Section 6.06. *Notices of Certain Events* . Each party shall promptly notify the other party(ies) of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by the Transaction Agreements;

(b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by the Transaction Agreements, including the registration of the relevant notarial deeds referred to in Section 2.02(b) of this Agreement, in the relevant shareholders' registry and the property of mines in Santiago in accordance with Applicable Law; and

(c) (i) with respect to each Seller, any actions, suits, claims, investigations or proceedings commenced relating to such Seller, its Subsidiary Sellers or the Companies that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Article 3; and (ii) with respect to Buyers, any actions, suits, claims, investigations or proceedings commenced relating to either Buyer or its Affiliates that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.06.

Section 6.07. *Shareholders Agreements of the Companies; SMMA Tag-Along Rights.* (a) Unless the SMMA Participant exercises either or both of the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right (in which case, as applicable, the Candelaria Shareholders' Agreement and/or the Ojos Shareholders' Agreement shall be terminated in accordance with Section 2.02(i)), Buyers shall take all action and execute such documents and agreements (including principals agreements) that are necessary or desirable in order to comply with the requirements of each of Section 9.7 of the Candelaria Shareholders' Agreement and Section 9.7 of the Ojos Shareholders' Agreement and to effect the transfer of the Freeport Subject Shares and related rights from the Freeport Subsidiary Sellers to the applicable Buyer, and Freeport will, and will cause Freeport Subsidiary Sellers to, cooperate with Buyers in satisfying such requirements and Freeport will comply with all such requirements applicable to Freeport or the Freeport Subsidiary Sellers.

(b) If the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, Freeport and Buyers will promptly comply with the requirements of Section 9.7 of the Candelaria Shareholders' Agreement and the Ojos Shareholders' Agreement, as applicable (it being understood Buyers shall elect to purchase the applicable SMMA Subject Shares in accordance with the terms of the Candelaria Shareholders' Agreement and the Ojos Shareholders' Agreement), and each of Sumitomo Corporation and Sumitomo Metal Mining Co., Ltd. shall execute a counterpart to this Agreement and shall become a party hereto in its capacity as a Tag-Along Seller on or before the fifth Business Day prior to the Closing Date (as determined in accordance with Section 2.02); *provided, however*, notwithstanding any failure of either Sumitomo Corporation or Sumitomo Metal Mining Co., Ltd. (or, at the option of Buyers, another SMMA Participant) to become a party hereto in its capacity as a Tag-Along Seller, all of the terms and conditions of this Agreement as between Freeport and Buyers shall remain in full force and effect, the closing of the purchase and sale of the Freeport Subject Shares shall occur in accordance with the terms of this Agreement and Buyers shall have the sole obligation to purchase the SMMA Subject Shares from the SMMA Participant at the same pro rata price and on the same terms and conditions as those applicable to the purchase of the Freeport Subject Shares from Freeport and the Freeport Subsidiary Sellers.

(c) If the SMMA Participant exercises the SMMA Candelaria Tag-Along Right but not the SMMA Ojos Tag-Along Right or if the SMMA Participant exercises the SMMA Ojos Tag-Along Right but not the SMMA Candelaria Tag-Along Right, Freeport and Buyers agree to negotiate in good faith to (i) amend this Agreement to provide for the purchase by Buyers of the applicable SMMA Subject Shares with respect to which the

SMMA Candelaria Tag-Along Right or the SMMA Ojos Tag-Along Right was exercised and otherwise modify this Agreement such that the terms and conditions of this Agreement as so modified reflect as nearly as practicable the original intent of Freeport and Buyers (including as evidenced by the amount of the Purchase Price and the Allocable Share allocated to each of the Subject Shares in accordance with Section 2.01) and (ii) arrange for agreements to be entered into to allow the respective businesses of Candelaria and Ojos to continue to operate substantially as such businesses operate as of the date hereof, without interruption or delay, and Freeport and Buyers shall execute, or shall cause the execution of, such documents and agreements (including principals agreements) that are necessary or desirable in order to comply with the requirements of Section 9.7 of the Candelaria Shareholders' Agreement, if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and Section 9.7 of the Ojos Shareholders' Agreement if the SMMA Participant exercises the Ojos Tag-Along Right. Notwithstanding any provision of this Agreement to the contrary, no party shall have any obligation to effect the Closing unless and until such amendments and arrangements referred to in the preceding clauses (i) and (ii) have been agreed upon and implemented.

Section 6.08. *Public Announcements.* The parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except for any press releases and public announcements the making of which may be required by Applicable Law or any listing agreement with any national securities exchange or as may be required in order for the Buyers or their Affiliates to obtain requisite financing in connection with the transactions contemplated in this Agreement, will not issue any such press release or make any such public statement prior to such consultation.

Section 6.09. *Intercompany Accounts.* All intercompany receivables, payables and other balances between a Seller or its Affiliates, on the one hand, and the Companies, on the other hand existing as of the Closing (other than those arising as a result of concentrate sales, which shall be settled in the ordinary course pursuant to the terms of payment thereof) (the “**Intercompany Accounts**”) shall be settled in the manner provided in this Section. Each Seller shall, and shall cause its Affiliates and the Companies to, use good faith efforts to settle on or prior to the Closing Date, all such Intercompany Accounts (other than Intercompany Accounts arising as a result of concentrate sales) by one or more cash payments in satisfaction of such amounts. From and after the Closing Date, each Seller shall, and Buyers shall cause the Companies to, use good faith efforts to settle any such Intercompany Accounts (other than Intercompany Accounts arising as a result of concentrate sales) that are not settled as of the Closing Date and each Buyer shall provide its reasonable cooperation in connection therewith; *provided* that any claim by a Seller and its Affiliates, on the one hand, or the Companies, on the other hand, with respect to any such Intercompany Account must be made in writing within 90 days of the Closing Date, and any such Intercompany Account that is not settled, or that a claim in respect of is not made in compliance with this Section 6.09, within such 90 day period shall be deemed waived and released without any further action by either party.

Section 6.10. *Nature of Obligations* . Each Buyer hereby agrees that it shall be jointly and severally liable for the obligations of each Buyer and the Buyers under this Agreement, including pursuant to Article 2 and Article 10.

## ARTICLE 7 TAX MATTERS

### Section 7.01. *Tax Indemnification* .

(a) *Indemnification by Freeport* . From and after the Closing Date, each Seller shall, severally and not jointly, indemnify Buyers, the Companies and their Affiliates (each a “ **Tax Indemnified Buyer Party** ” and collectively, the “ **Tax Indemnified Buyer Parties** ”) against and hold them harmless from any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties (including without limitation, reasonable fees for both in-house and outside counsel, accountants and other outside consultants) suffered or incurred (each a “ **Tax Loss** ” and collectively, the “ **Tax Losses** ”) arising out of (i) Taxes of the Companies for Pre-Balance Sheet Taxes; or (ii) without duplication, Pre-Balance Sheet Taxes imposed on a Tax Indemnified Buyer Party as a result of (1) a breach of a representation or warranty set forth in Section 3.24 of this Agreement or (2) a breach of a covenant or agreement set forth in Section 5.05 of this Agreement; *provided* that neither Freeport nor the Tag-Along Sellers shall have an obligation or liability to indemnify any Tax Indemnified Buyer Party pursuant to this Section 7.01 for the amount of any Tax Loss reflected as a liability in the relevant Balance Sheet; *provided further* , that in the case of Tax Losses suffered or incurred by the Companies, the amounts recoverable by any Tax Indemnified Buyer Party in respect of such Tax Losses shall be limited to 80% of the amount of such Tax Losses, unless the SMMA Participant exercises the SMMA Candelaria Tag-Along Right or the SMMA Ojos Tag-Along Right.

(b) *Indemnification by Buyer* . From and after the Closing Date, Buyers shall indemnify each Seller and its Affiliates (each, a “ **Tax Indemnified Seller Party** ” and collectively, the “ **Tax Indemnified Seller Parties** ”) against and hold them harmless from any and all Tax Losses arising out of Taxes of the Companies for periods or portions thereof beginning after the Balance Sheet Date (“ **Post-Balance Sheet Taxes** ”) other than amounts for which a Tax Indemnified Buyer Party is indemnified by a Seller under Section 7.01(a).

Section 7.02. *Tax Indemnification Procedures* . (a) After the Closing, each party to this Agreement (whether Buyers or any Seller, as the case may be) shall promptly notify the other party in writing of any demand, claim or notice of the commencement of an audit received by such party from any Taxing Authority or any other Person with respect to Taxes for which such other party is liable pursuant to Section 7.01; *provided* , however, that a failure to give such notice will not affect such other party’s rights to indemnification under this Article 7, except to the extent that such party is actually prejudiced thereby. Such notice shall contain factual information (to the extent known) describing the asserted Tax liability and shall include copies of the relevant portion of

any notice or other document received from any Taxing Authority or any other Person in respect of any such asserted Tax liability.

(b) Payment by an indemnitor of any amount due to an indemnitee under Article 7 of this Agreement shall be made within ten days following written notice by the indemnitee that payment of such amounts to the appropriate Taxing Authority or other applicable third party is due by the indemnitee, provided that the indemnitor shall not be required to make any payment earlier than five Business Days before it is due to the appropriate Taxing Authority or applicable third party. In the case of a Tax that is contested in accordance with the provisions of Section 7.05, payment of such contested Tax will not be considered due earlier than the date a Final Determination to such effect is made by such Taxing Authority or a court. For this purpose, a “ **Final Determination** ” shall mean a settlement, compromise, or other binding agreement, such as a closing agreement or other comparable agreement, with the relevant Taxing Authority, a deficiency notice with respect to which the period for filing a petition, claim or remedy with the relevant state, local or foreign tribunal has expired or a final decision of any court of competent jurisdiction that is not subject to any appeal or remedy or as to which the time for appeal has expired.

(c) All amounts required to be paid pursuant to this Article 7 shall be paid promptly in immediately available funds by wire transfer to a bank account designated by the indemnified party.

Section 7.03. *Tax Covenants.* Each Buyer covenants that it shall not cause or permit the Companies or any Affiliate of either Buyer:

(a) to take any action on the Closing Date other than in the Ordinary Course of Business, including but not limited to the distribution of any dividend or the effectuation of any redemption that could give rise to any Tax liability or reduce any Tax Asset of the Subsidiary Sellers or give rise to any loss of the Subsidiary Sellers under this Agreement; or

(b) without the prior written consent of each of the Sellers (such consent not to be unreasonably withheld) (i) to make or change any Tax election; (ii) to amend, or request or permit the amendment of, or make or lodge any objection or appeal in relation to any Tax Returns contemplated in Section 7.05(d); (iii) apply to any Tax Authority for any binding or non-binding opinion, ruling or other determination in relation to any act, matter or transaction covered by any such Tax Returns or to any act, matter or transaction occurring on or before the Balance Sheet Date; or (iv) furnish to any Tax Authority any information (in writing or otherwise) in relation to any such Tax Returns or to any act, matter or transaction occurring on or before the Balance Sheet Date.

Without limitation on the foregoing, for the period after Closing and through the close of each such Company’s then current taxable year (as defined in the Code), Buyers shall not cause or permit such Company to engage in the following prohibited transactions:

- (i) declare or pay a dividend unless required by the terms of the Candelaria Shareholders' Agreement or the Ojos Shareholders' Agreement;
- (ii) make or cause to be made any investment in U.S. property within the meaning of Section 956 of the Code; or
- (iii) conduct business outside the Ordinary Course of Business or engage in any transaction outside the Ordinary Course of Business (in either case based upon the Company's historic activities) if such business or activities would reasonably be expected to impact (1) the amount or character of the Subsidiary

Sellers' gross income reportable under Section 1248 of the Code; (2) the amount of the Subsidiary Sellers' associated deemed-paid foreign taxes within the meaning of Section 902 of the Code that are associated with the Section 1248 inclusion; or (3) the amount of Subsidiary Sellers' subpart F income within the meaning of Section 952 of the Code.

Section 7.04. *Tax Returns.*

(a) Freeport shall file or cause to be filed, when due (taking into account any extension of a required filing date), all Tax Returns with respect to the Companies that are required to be filed on or prior to the Closing Date and timely cause the Companies to pay all Taxes shown as due on such Tax Returns. With respect to Tax Returns that relate to the Post-Balance Sheet Tax Period, any Tax Return shall be prepared in a manner consistent with past practice and without a change of any election or any accounting method (unless otherwise required by applicable law). Such Tax Returns shall be submitted by Freeport to Buyers (together with schedules, statements and, to the extent reasonably requested by Buyers, supporting documentation) at least 30 days prior to the due date (including any applicable extension) of such return. With respect to Tax Returns that relate to the Post-Balance Sheet Tax Period, Buyers shall have the right to review and comment on such Tax Returns, and such returns shall reflect Buyers' reasonable comments.

(b) Buyers shall file, or cause to be filed, when due (taking into account any extensions of a required filing date), all Tax Returns for Income Taxes with respect to the Companies that are required to be filed with any taxing authority by either of the Companies after the Closing Date with respect to a Pre-Balance Sheet Tax Period or a Straddle Tax Period (each a "**Buyer-Filed Income Tax Return**"). Any Buyer-Filed Income Tax Return shall be prepared in a manner consistent with past practice and without a change of any election or any accounting method (unless otherwise required by applicable law). Buyer-Filed Income Tax Returns shall be submitted by Buyers to Freeport (together with schedules, statements and, to the extent reasonably requested by Freeport, supporting documentation) at least 30 days prior to the due date (including any applicable extension) of such return. Freeport shall have the right to review and comment on such Buyer-Filed Income Tax Return, which shall not be filed without Freeport's consent, which consent shall not be unreasonably withheld.

(c) If Freeport, within ten Business Days after receipt of any such Buyer-Filed Income Tax Return, notifies Buyers in writing that it objects to any items in such return, the disputed item shall be resolved in a manner mutually agreeable to both parties, and if not so resolved, then by a jointly retained nationally recognized accounting firm, who shall not have any material relationship with Buyers, Sellers, Subsidiary Sellers or their Affiliates (an “ **Accounting Referee** ”) within a reasonable time, taking into account the deadline for filing such return. Upon resolution of all such items, the relevant Buyer-Filed Income Tax Return shall be adjusted to reflect such resolution and shall be binding upon the parties without further adjustment. The costs, fees and expenses of such Accounting Referee shall be borne equally by Buyers, on the one hand, and Freeport, on the other hand. Neither Company shall amend any Tax Return with respect to Income Tax for a Pre-Balance Sheet Tax Period or a Straddle Tax Period without the prior written consent of Freeport, such consent not to be unreasonably withheld.

(d) Buyers shall pay or cause to be paid to the appropriate Taxing Authority all Taxes with respect to any Buyer-Filed Income Tax Return filed under this Article in accordance with Applicable Law. To the extent the amount of any Pre-Balance Sheet Taxes shown as due and payable on any Buyer-Filed Income Tax Return prepared in compliance with this Article, exceeds the amount, if any, of such Taxes reflected as a liability in the relevant Balance Sheet, (i) Freeport shall pay to the applicable Buyer(s), without set-off or deduction, an amount equal to 80% of such excess within ten days after request therefore by the Buyers by submission of an invoice to Freeport evidencing such payment and a statement showing the allocation to Pre-Balance Sheet Taxes and (ii) if the SMMA Participant has exercised the Candelaria Tag-Along Right and the Ojos Tag-Along Right, the Tag-Along Sellers shall pay to the applicable Buyer(s), without set-off or deduction, an amount equal to 20% of such excess within ten days after request therefore by the Buyers by submission of an invoice to the Tag-Along Sellers evidencing such payment and a statement showing the allocation to Pre-Balance Sheet Taxes.

(e) The parties hereto will, to the extent permitted by Applicable Law, elect with the relevant Taxing Authority to treat a portion of any Straddle Tax Period as a short taxable period ending as of the close of business on the Closing Date.

(f) Except as provided in this Section, Freeport will be entitled to 80%, and, if the SMMA Participant has exercised the Candelaria Tag-Along Right and the Ojos Tag-Along Right, the Tag-Along Sellers shall be entitled to 20%, of any refunds (including interest received thereon) in respect of any Pre-Balance Sheet Tax Period net of any income taxes imposed thereon, except to the extent any such refund was taken into account as a current asset in the relevant Balance Sheet. Nothing in this Section will preclude the Companies from making an election under Section 172(h) of the Code or any comparable provision of Tax law or regulations for any taxable year beginning after the Closing Date.

(g) Buyers shall pay to each Seller any refund to which it is entitled pursuant to paragraph (f) of this Section no later than ten days following receipt of such refund, net of any income taxes imposed thereon. If any Pre-Balance Sheet Income Tax paid by any Seller, the Companies, Subsidiary Sellers or any predecessor or Affiliate thereof has the

effect of reducing any Tax liability with respect to a Post-Balance Sheet Tax Period, Buyers or the Companies shall promptly pay or cause to be paid to Freeport 80%, and, if the SMMA Participant has exercised the Candelaria Tag-Along Right and the Ojos Tag-Along Right, to the Tag-Along Sellers 20%, of the amount of such reduction in Tax liability when either Buyer, any Affiliate of either Buyer or the Companies are entitled thereto, net of any income taxes imposed thereon, except to the extent any such credit or reduction in Tax liability was taken into account as a current asset in the relevant Balance Sheet. Unless such treatment is contrary to Applicable Law, the parties agree that any amounts paid to either of the Sellers pursuant to paragraphs (f) and (g) of this Section will be treated as an adjustment to the Purchase Price for Chilean tax law purposes.

(h) If Buyers notify Sellers in writing that the Companies have become entitled to a refund of Taxes described above, and such refund (or any portion thereof) is attributable solely to the carryback of losses, credits or similar items of the Companies, as the case may be, from a Post-Balance Sheet Tax Period, the Companies will file a claim for a refund with respect to such losses, credits or similar items and the Companies will be entitled to retain the amount of any such refund received (together with interest thereon).

(i) Except as provided in paragraphs (f) and (g) of this Section 7.04, the Companies will be entitled to any refunds (including any interest received thereon), in respect of any federal, state, local or foreign Tax liability of the Companies.

(j) Notwithstanding anything to the contrary in this Agreement, all Transfer Taxes incurred in connection with the transactions contemplated by this Agreement shall be borne by Buyers. Buyers will, at their own expense, file all necessary Tax Returns with respect to all such Transfer Taxes, and, if required by Applicable Law, each Seller will join in the execution of any such Tax Returns.

Section 7.05. *Cooperation on Tax and Accounting Matters* .

(a) In the case of any audit, claim for refund, or administrative or judicial proceeding involving any asserted Tax liability or refund with respect to the Companies (any such audit, claim for refund, or proceeding relating to an asserted Tax liability referred to herein as a “ **Contest** ”) after the Closing Date that relates solely to Pre-Balance Sheet Taxes, Freeport shall control the conduct of such Contest, but Buyers shall have the right to participate in such Contest at Buyers’ own expense, and Freeport shall not be able to settle, compromise and/or concede any portion of such Contest that is reasonably likely to affect the Tax liability of the Companies for any taxable year (or portion thereof) beginning after the Balance Sheet Date without the consent of Buyers, which consent shall not be unreasonably withheld, delayed or conditioned; *provided* , that, with respect to any such Contest, if Freeport notifies Buyers that it does not intend to pursue the Contest following the receipt by Freeport of notice of such Contest, Buyers shall have the right to assume control of such Contest and shall be able to settle, compromise and/or concede such Contest in Buyers’ sole discretion.

(b) In the case of a Contest after the Closing Date that relates to a Straddle Tax Period Buyers shall control the conduct of such Contest, but Freeport shall have the right to participate in such Contest at its own expense, and Buyers shall not settle, compromise and/or concede such Contest without the consent of Freeport, which consent shall not be unreasonably withheld, delayed or conditioned.

(c) Buyers and each Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Companies (including access to books and records) as is reasonably necessary for the filing of all Tax Returns (including any report required pursuant to Section 6043A of the Code and all Treasury Regulations promulgated thereunder), the making of any election relating to Taxes, the preparation for any Contest, and the prosecution or defense of any claim, suit or proceeding relating to any Tax. Buyers and each Seller shall reasonably cooperate with each other in the conduct of any Contest or other proceeding involving or otherwise relating to the Companies (or their income or assets) with respect to any tax and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 7.05(c). Any information obtained under this Section 7.05(d) shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or in the conduct of a Contest or other Tax proceeding.

(d) Buyers and each Seller shall (i) retain all books and records with respect to Taxes pertaining to the Companies for a period of at least six years following the Closing Date and abide by all record retention agreements entered into with any Taxing Authority for all periods required by such Taxing Authority; and (ii) provide the other party with at least 30 days' prior written notice before destroying any such books and records, during which period the party receiving the notice can elect to take possession, at its own expense, of such books and records.

## ARTICLE 8 EMPLOYEE BENEFITS

Section 8.01. *Continuing Employees.* (a) Prior to the Closing, the Buyers shall, or shall cause a Company to, make an offer of employment to each Specified Service Provider on terms consistent with those provided under this Section 8.01. In addition, as of the Closing Date, Buyers shall cause the Companies to continue the employment of all Company Employees provided that it is understood that the foregoing statement does not constitute a guarantee of continued employment. As of the Closing, or such other later date as set forth in the Transition Services Agreement, the Company Employees who are employed by the Companies and the Specified Service Providers who have accepted employment with a Company (the “**Continuing Employees**”) shall cease to be covered by the employee benefit plans of Freeport and its Affiliates (which, for the avoidance of doubt, shall not include the Companies from and after the Closing) and instead shall be covered by the employee benefit plans of a Buyer or its Affiliates, including, commencing on the Closing Date, the Companies, as applicable. In addition to any obligation either Buyer or its Affiliates may have under Applicable Law, for the period

beginning on the Closing Date and continuing through the first anniversary of the Closing Date, Buyers shall, or shall cause the Companies to, provide the Continuing Employees, to the extent that the Continuing Employees remain so employed, with (i) fixed cash compensation that is no less favorable than the compensation of each such Continuing Employee immediately prior to the Closing Date, (ii) incentive compensation opportunities comparable to those provided to each such Continuing Employee immediately prior to the Closing Date and (iii) benefits (including severance) substantially comparable in the aggregate to the benefits (including severance) provided by the Companies to each such Continuing Employee immediately prior to the Closing Date.

(b) Prior to the Closing, each Company shall assume all liabilities related to Company Employees and Specified Service Providers set forth opposite such Company's name in Section 8.01(b) of the Companies Disclosure Schedule.

Section 8.02. *Buyer Plans.* In addition to any obligation either Buyer or its Affiliates may have under Applicable Law:

(a) With respect to any employee benefit plan maintained by either Buyer or its Affiliates in which any Continuing Employee becomes a participant, for purposes of determining eligibility to participate, vesting and benefit accrual (other than benefit accrual under a defined benefit pension plan of such Buyer or its Affiliates), each Continuing Employee's service with Freeport, the Companies and any of their respective Affiliates (as well as service with any predecessor employer, to the extent service with the predecessor employer is so recognized) shall be treated as service with such Buyer and its Affiliates; *provided, however*, that such service need not be recognized to the extent that such recognition would result in any duplication of benefits.

(b) Each Buyer shall waive, or shall cause its Affiliates to waive, unless legally unable to do so, any preexisting conditions, limitations, exclusions, actively-at-work requirements and waiting periods under any welfare benefit plan maintained by such Buyer or any of its Affiliates in which Continuing Employees (and their eligible dependents) will be eligible to participate from and after the Closing Date. Each Buyer shall recognize, or shall cause its Affiliates to recognize, all co-payments, deductibles and similar expenses and out-of-pocket maximums incurred by each Continuing Employee (and his or her eligible dependents) prior to the Closing Date for purposes of satisfying any analogous deductible and co-payment limitations and out-of-pocket requirements under the relevant welfare benefit plans in which such Continuing Employee (and his or her eligible dependents) will be eligible to participate from and after the Closing Date.

Section 8.03. *No Third-Party Beneficiaries.* Without limiting the generality of Section 12.09, no provision of this Article 8, express or implied: (a) is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person (including, without limitation, any Continuing Employees and any dependent or beneficiary thereof) other than the parties hereto and their respective successors and permitted assigns, (b) shall constitute an amendment of, or an undertaking to amend, any Employee Benefit Plan or any employee benefit plan, program or arrangement

maintained by Freeport, Buyers or any of their respective Affiliates or (c) is intended to prevent either Buyer or its Affiliates from amending or terminating any Employee Benefit Plan in accordance with its terms.

## ARTICLE 9 CONDITIONS TO CLOSING

Section 9.01. *Conditions to Obligations of Buyers and Sellers* . The obligations of Buyers and Sellers to consummate the Closing are subject to the satisfaction of the following conditions:

(a) No provision of Applicable Law or any Governmental Authority having competent jurisdiction shall prohibit the consummation of the Closing, no judgment, injunction, order or decree issued by any Governmental Authority having competent jurisdiction shall prohibit the consummation of the Closing and no proceeding or lawsuit shall be pending by any Governmental Authority having competent jurisdiction for the purpose of obtaining any injunction, order or decree prohibiting the consummation of the Closing; and

(b) The parties shall have received all consents, authorizations or approvals from the Governmental Authorities set forth in Schedule 9.01 (b).

Section 9.02. *Conditions to Obligation of Buyers* . The obligation of Buyers to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) (i) Each Seller shall have performed in all material respects all of its obligations hereunder required to be performed by it on or prior to the Closing Date, including without limitation, those obligations set forth in Section 5.03(a)(i); (ii) the representations and warranties of each Seller contained in this Agreement and in any certificate or other writing delivered by each Seller pursuant hereto shall be true at and as of the Closing Date, (in each case, as such representation or warranty would be read if all qualifications as to materiality, including each reference to the defined term “Material Adverse Effect” were deleted therefrom), as if made at and as of such date, with only such exceptions as would not in the aggregate reasonably be expected to have a Material Adverse Effect; and (iii) Buyers shall have received a certificate signed by an officer of each Seller with respect to such Seller to the foregoing effect;

(b) Buyers shall have received all documents they may reasonably request from each Seller, the Subsidiary Sellers, and the Companies relating to the existence of such Seller, the Subsidiary Sellers and the Companies and the authority of Freeport for the Transaction Agreements, all in form and substance reasonably satisfactory to Buyers; and

(c) Each Seller shall deliver a certificate, reasonably satisfactory to Buyers, to the effect that no powers of attorney granted by the Companies to such Seller and/or its respective Affiliates and/or members of the Administration Committee or any subcommittee thereof remain outstanding.

Section 9.03. *Conditions to Obligation of Sellers* . The obligation of each Seller to consummate the Closing is subject to the satisfaction of the following additional conditions:

(a) (i) Buyers shall have performed in all material respects all of their obligations hereunder required to be performed by Buyers at or prior to the Closing Date, (ii) the representations and warranties of Buyers contained in this Agreement and in any certificate or other writing delivered by Buyers pursuant hereto shall be true in all material respects at and as of the Closing Date, as if made at and as of such date, and (iii) Sellers shall have received a certificate signed by an officer of each Buyer to the foregoing effect; and

(b) Each Seller shall have received all documents it may reasonably request from Buyers relating to the existence of Buyers and the authority of Buyers for this Agreement, all in form and substance reasonably satisfactory to such Seller.

## ARTICLE 10 SURVIVAL; INDEMNIFICATION

Section 10.01. *Survival* . The representations and warranties of the parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing for a period of 18 months following the Closing Date; *provided* that the representations and warranties of Sellers in Sections 3.01, 3.02 and 3.06 (the “ **Seller Fundamental Representations** ”) and the representations and warranties of Buyers in Sections 4.01 and 4.03 (the “ **Buyer Fundamental Representations** ”) shall survive the Closing until the expiration of the applicable statute of limitations; *provided further* that the representation and warranty of Sellers in Section 3.12 shall survive the Closing for a period of 90 days. The covenants and agreements of the parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing indefinitely or for the shorter period explicitly specified therein, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely or until the latest date permitted by law; *provided* that the covenants and agreements of Freeport in Sections 2.03 and 5.02, including breaches thereof, shall survive the Closing for a period of 90 days. Notwithstanding the foregoing, any breach of representation, warranty, covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the foregoing, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

Section 10.02. *Indemnification*. (a) Effective at and after the Closing, each Seller hereby, severally and not jointly, indemnifies Buyers and their Affiliates (including, following the Closing, the Companies) against and agrees to hold each of them harmless from (x) any and all damage, loss and expense (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses in connection with any action,

suit or proceeding) (“**Damages**”) actually suffered by Buyers or any of their Affiliates arising out of the failure of any representation or warranty made by such Seller in this Agreement to be true and correct on and as of the date hereof or, in the case of the Closing Date Representations only, the Closing Date (or with respect to any representation or warranty that is made as of a specific date, the failure of such representation or warranty to be true and correct as of such date) (each such failure, a “**Seller Warranty Breach**”) or breach of covenant or agreement made or to be performed by such Seller pursuant to this Agreement, other than any Damages arising out of any Specified Matter (as defined in Schedule 10.02), and (y) Specified Matter Indemnifiable Costs (as defined in Schedule 10.02); *provided* that with respect to indemnification by any Seller for Seller Warranty Breaches pursuant to clause (x) of this Section 10.02(a) (other than Seller Warranty Breaches in respect of the Seller Fundamental Representations), (i) no Seller shall be liable with respect to any individual claim unless the Damages with respect to the underlying Seller Warranty Breach (or series of related Seller Warranty Breaches) exceeds US\$200,000, (ii) no Seller shall be liable unless the aggregate amount of Damages with respect to all Seller Warranty Breaches, disregarding any Damages for which no Seller is liable pursuant to clause (i), exceeds (A) if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right, US\$18,000,000 or (B) if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, US\$22,500,000, and then only to the extent of such excess and (iii) Sellers’ maximum liability for all such Seller Warranty Breaches shall not exceed (A) if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right, US\$270,000,000 or (B) if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, US\$337,500,000; *provided, further*, that each Seller’s maximum liability for all such Seller Warranty Breaches (including in respect of the Seller Fundamental Representations) and for all Specified Matter Indemnifiable Costs, shall not exceed such Seller’s Allocable Share of the Base Purchase Price. Notwithstanding the foregoing, (i) the sole remedy for any Seller Warranty Breach of Section 3.12 or any breach of Section 2.03 or Section 5.02 shall be as set forth in Section 2.03, and neither Buyer nor any of its Affiliates shall be entitled to indemnification therefor and (ii) neither Seller shall have any indemnification obligation with respect to any Seller Warranty Breach of any representation or warranty in respect of, or any breach of any covenant or agreement of, the other Seller or such other Seller’s Subsidiary Sellers, and each Seller’s indemnification liability with respect to any Seller Warranty Breach of any representation or warranty in respect of the Companies and with respect to any Specified Matter Indemnifiable Costs shall be limited to such Seller’s Allocable Share of the Damages or Specified Matter Indemnifiable Costs for which indemnification is owed in accordance with this Article 10.

(b) Effective at and after the Closing, Buyers hereby indemnify Sellers, the Subsidiary Sellers and their respective Affiliates against and agrees to hold each of them harmless from any and all Damages actually suffered by any Seller, the Subsidiary Sellers or any of their respective Affiliates arising out of the failure of any representation or warranty made by Buyers in this Agreement to be true and correct on and as of the

date hereof or the Closing Date (or with respect to any representation or warranty that is made as of a specific date, the failure of such representation or warranty to be true and correct as of such date) (each such failure, a “**Buyer Warranty Breach**”) or breach of covenant or agreement made or to be performed by either Buyer pursuant to this Agreement; *provided* that with respect to indemnification by Buyers for Buyer Warranty Breaches pursuant to this Section (other than Buyer Warranty Breaches in respect of the Buyer Fundamental Representations), (i) Buyers shall not be liable with respect to any individual claim unless the Damages with respect to the underlying Buyer Warranty Breach (or series of related Buyer Warranty Breaches) exceeds \$200,000, (ii) Buyers shall not be liable unless the aggregate amount of Damages with respect to such Buyer Warranty Breaches, disregarding any Damages for which Buyers are not liable pursuant to clause (i), exceeds (A) if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right, US\$18,000,000 or (B) if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, US\$22,500,000, and then only to the extent of such excess and (iii) Buyers’ maximum liability for all such Buyer Warranty Breaches shall not exceed (A) if the SMMA Participant does not exercise the SMMA Candelaria Tag-Along Right and does not exercise the SMMA Ojos Tag-Along Right, US\$270,000,000 or (B) if the SMMA Participant exercises the SMMA Candelaria Tag-Along Right and the SMMA Ojos Tag-Along Right, US\$337,500,000; *provided, further*, that Buyers’ maximum liability for all such Buyer Warranty Breaches (including in respect of the Buyer Fundamental Representations) shall not exceed the Base Purchase Price paid by Buyers.

Section 10.03. *Third Party Claim Procedures*. (a) The party seeking indemnification under Section 10.02 (the “**Indemnified Party**”) agrees to give prompt notice in writing to the party against whom indemnity is to be sought (the “**Indemnifying Party**”) of the assertion of any claim or the commencement of any suit, action or proceeding by any third party (a “**Third Party Claim**”) in respect of which indemnity may be sought under such Section. Such notice shall set forth in reasonable detail such Third Party Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have actually prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth in this Section, shall be entitled to control and appoint lead counsel for such defense, in each case at its own expense (it being understood that Freeport shall be entitled to control the defense of any Third Party Claims with respect to which indemnification is sought from all Sellers). Notwithstanding the foregoing sentence, Buyers and their Affiliates shall control and appoint lead counsel for the defense of any Specified Matter subject to Section 10.06 below.

(c) If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 10.03, (i) the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which

shall not be unreasonably withheld) before entering into any settlement of such Third Party Claim, if the settlement does not fully and unconditionally release the Indemnified Party and its Affiliates from all liabilities and obligations with respect to such Third Party Claim or the settlement imposes injunctive or other equitable relief against the Indemnified Party or any of its Affiliates and (ii) the Indemnified Party shall be entitled to participate in the defense of any Third Party Claim and to employ separate counsel of its choice for such purpose. The fees and expenses of such separate counsel shall be paid by the Indemnified Party.

(d) Each party shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

Section 10.04. *Direct Claim Procedures.* In the event an Indemnified Party has a claim for indemnity under Section 10.02 against an Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party agrees to give prompt notice in writing of such claim to the Indemnifying Party. Such notice shall set forth in reasonable detail such claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have actually prejudiced the Indemnifying Party.

Section 10.05. *Calculation of Damages.* (a) The amount of any Damages payable under Section 10.02 by the Indemnifying Party shall be net of any (i) amounts actually recovered by the Indemnified Party under applicable insurance policies or from any other Person alleged to be responsible therefor, and (ii) Tax benefit actually realized by the Indemnified Party arising from the incurrence or payment of any such Damages. Each Indemnified Party shall use reasonable best efforts to collect any amounts available under insurance coverage, or from any other Person alleged to be responsible, for any Damages payable under Section 10.02. If the Indemnified Party receives any amounts under applicable insurance policies, or from any other Person alleged to be responsible for any Damages, subsequent to an indemnification payment by the Indemnifying Party, then such Indemnified Party shall promptly reimburse the Indemnifying Party for any payment made or expense incurred by such Indemnifying Party in connection with providing such indemnification payment up to the amount received by the Indemnified Party, net of any expenses incurred by such Indemnified Party in collecting such amount, and without interest.

(b) The Indemnifying Party shall not be liable under Section 10.02 for (i) any Damages reflected as a liability in the relevant Balance Sheet other than with respect to Specified Matters, (ii) any matter that is the subject of Section 2.03, (iii) any consequential, special, indirect or punitive Damages (except for punitive Damages awarded against an Indemnified Party in a Third Party Claim or consequential, special or indirect damages with respect to Specified Matters), or (iv) Damages for lost profits.

(c) In the case of any Damages suffered or incurred by the Companies (including with respect to Specified Matters), the amounts recoverable by any Indemnified Party in respect of such Damages shall be limited to 80% of the amount of such Damages, unless the SMMA Participant exercises either the SMMA Candelaria Tag-Along Right or the SMMA Ojos Tag-Along Right.

(d) Each Indemnified Party must use commercially reasonable efforts to mitigate in accordance with Applicable Law any loss for which such Indemnified Party seeks indemnification under this Agreement. If such Indemnified Party mitigates its loss after the Indemnifying Party has paid the Indemnified Party under any indemnification provision of this Agreement in respect of that loss, the Indemnified Party must notify the Indemnifying Party and promptly pay to the Indemnifying Party the extent of the value of the benefit to the Indemnified Party of that mitigation (less the Indemnified Party's reasonable costs of mitigation) and without interest.

Section 10.06. *Environmental Procedures*. (a) Notwithstanding any other provision of this Agreement to the contrary, no Seller shall be liable under this Agreement for, and neither Buyer nor any of its Affiliates shall be indemnified for, any Damages relating to Environmental Matters to the extent such Damages: (i) arise out of any sampling, testing or other invasive investigation of the air, soil, soil gas, surface water, groundwater, building materials or other environmental media, or any disclosure, report or communication relating to any Environmental Matter to any Governmental Authority or other third Person, unless such sampling, testing, investigation, disclosure, report or communication is required by Applicable Law or is necessary to respond to any Third Party Claim against any of Buyers or their Affiliates; (ii) result from any material construction, renovation, expansion, demolition, shutdown or closure of any asset, facility or real property following the Closing; or (iii) exceed those Damages that must be incurred to satisfy, in a reasonably cost-effective manner, the minimum requirements of a Governmental Authority pursuant to applicable Environmental Law using where possible risk-based standards, engineering, use or institutional controls or deed or other restrictions.

(b) Other than with respect to any Specified Matter (control of which is addressed in Section 10.03(b)), as between Sellers and any of Buyers or their Affiliates, Freeport shall have the right at its option to control, or cause its Affiliates to control, any Environmental Matter that is subject to indemnification under this Agreement, including the disclosure, investigation, negotiation, performance, remediation, monitoring, settlement and resolution of such matter. With respect to any Environmental Matter (including any Specified Matter) subject to indemnification under this Agreement, (i) the controlling party shall keep the other party reasonably informed and (ii) to the extent Freeport or any of its Affiliates is the controlling party, each Buyer shall, and shall cause its Affiliates to, cooperate with Freeport and its Affiliates and representatives, provide to Freeport and its Affiliates and representatives reasonable access to properties, facilities, information and documents and reasonably promptly provide to Freeport and its Affiliates and representatives copies of all communications received from or delivered to any other Person. With respect to any Specified Matter, (A) Buyers shall and shall cause their Affiliates to keep Freeport and its Affiliates and representatives reasonably

informed, provide to Freeport and its Affiliates and representatives such other information and documents as they may reasonably request and provide to Freeport and its Affiliates and representatives copies of all communications received from or delivered to any other Person, (B) Freeport shall be entitled to participate in the defense of such Specified Matter and to employ, at Freeport's expense, separate counsel of its choice for such purpose and (C) the Buyers shall obtain prior written consent of Freeport (which shall not be unreasonably withheld) before entering into any settlement of such Specified Matter if the settlement does not fully and unconditionally release Freeport and its Affiliates from all liabilities and obligations with respect to such Specified Matter or the settlement imposes injunctive or other equitable relief against Freeport or its Affiliates.

(c) Notwithstanding any other provision of this Agreement to the contrary, no Seller shall have any liability for, and neither Buyer nor any of its Affiliates shall be indemnified for any Damages relating to or arising out of any Specified Matter, except to the extent Specified Matter Indemnifiable Costs are payable pursuant to clause (y) of Section 10.02(a). For the avoidance of doubt, Specified Matter Indemnifiable Costs shall not include, and no Seller shall have any liability for, (i) any attorneys' or other legal fees, or expenses of investigation, arising out of or relating to any Specified Matter; or (ii) any expenses, costs or liabilities to the extent relating to factual allegations or claims not alleged in the Original Matter (as defined in Schedule 10.02) or which otherwise relate to conditions first existing after the Closing Date.

Section 10.07. *Assignment of Claims* . If the Indemnified Party receives any payment from an Indemnifying Party in respect of any Damages or Specified Matter Indemnifiable Costs pursuant to Section 10.02 and the Indemnified Party could have recovered all or a part of such Damages or Specified Matter Indemnifiable Costs from a third party (a "**Potential Contributor** ") based on the underlying Claim asserted against the Indemnifying Party, the Indemnified Party shall assign such of its rights to proceed against the Potential Contributor as are necessary to permit the Indemnifying Party to recover from the Potential Contributor the amount of such payment.

Section 10.08. *Exclusivity* . Except as specifically set forth in this Agreement, effective as of the Closing Date, each Buyer, on behalf of itself and its Affiliates, waives any rights and claims such Buyer or its Affiliates may have against each Seller or its Affiliates, whether in law or in equity, relating to the Company or the Subject Shares or the transactions contemplated hereby, including with respect to any Specified Matter. The rights and claims waived by Buyers include claims for contribution or other rights of recovery arising out of or relating to any Environmental Law (whether now or hereinafter in effect), claims for breach of contract, breach of representation or warranty, negligent misrepresentation and all other claims for breach of duty. After the Closing, Section 10.02 will provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement or other claim arising out of this Agreement or the transactions contemplated hereby.

Section 10.09. *Adjustment to the Purchase Price*. Unless such treatment is contrary to Applicable Law, any amount paid by Sellers or Buyers under this Article 10, notwithstanding any other provision of this Agreement, will be treated as an adjustment

to the Purchase Price, with the applicable withholding to be made with respect to any such payments in accordance with Applicable Law. It is the intention of the parties to treat any amount paid by Sellers or Buyers under this Article 10 as an adjustment to the Purchase Price for all federal, state, local and foreign Tax purposes, and the parties agree to file their Tax Returns accordingly, except as otherwise required by a change in Applicable Law or a final determination.

## ARTICLE 11 TERMINATION

Section 11.01. *Grounds for Termination* . This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written agreement of Sellers and Buyers;
- (b) by any party if the Closing shall not have been consummated on or before December 26, 2014;

*provided* that the right to terminate this Agreement pursuant to this Section shall not be available to any party whose breach of any representation or warranty, or failure to perform any covenant or obligation under this Agreement, shall have been the cause of the failure of the Closing to occur prior to such date; or

(c) by any party if consummation of the transactions contemplated hereby would violate any non-appealable final order, decree or judgment of any Governmental Authority having competent jurisdiction.

The party(ies) desiring to terminate this Agreement pursuant to Section 11.01(a) or Section 11.01(b) shall give notice of such termination to the other party(ies).

Section 11.02. *Effect of Termination* . If this Agreement is terminated as permitted by Section 11.01, such termination shall be without liability of any party (or any stockholder, director, officer, employee, agent, consultant or representative of such party) to the other party to this Agreement; *provided* that if such termination shall result from the willful (i) failure of any party to fulfill a condition to the performance of the obligations of the other party, (ii) failure to perform a covenant of this Agreement or (iii) breach by any party hereto of any representation or warranty or agreement contained herein, such party shall be fully liable for any and all Damages incurred or suffered by the other party as a result of such failure or breach. The provisions of Sections 6.01, 12.03, 12.05, 12.06 and 12.07 shall survive any termination hereof pursuant to Section 11.01.

## ARTICLE 12 MISCELLANEOUS

Section 12.01. *Notices* . All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail

(" e-mail ") transmission, so long as a receipt of such e-mail is requested and received) and shall be given,

if to either Buyer, to:

Lundin Mining Corporation  
150 King Street West, Suite 1500  
Toronto, Ontario M5H 1J9  
Attention: Julie Lee Harrs  
Facsimile No.: (416) 348-5560  
E-mail: julie.leeharrs@lundinmining.com

with a copy to:

Cassels Brock & Blackwell LLP  
2100 Scotia Plaza  
40 King Street West  
Toronto, Ontario M5H 3C2  
Attention: Mark Bennett and Cathy Mercer  
Facsimile No.: (416) 350-6933 and (416) 350-6927  
E-mail: mbennett@casselsbrock.com  
cmercerc@casselsbrock.com

if to Freeport, to:

Freeport Minerals Corporation  
333 North Central Avenue  
Phoenix, Arizona 85004  
Attention: Dan Kravets  
Facsimile No.: (602) 453-1634  
E-mail: Dan\_Kravets@fmi.com

with a copy to:

Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017  
Attention: Paul R. Kingsley  
Marc O. Williams  
Facsimile No.: (212) 701-5800  
E-mail: paul.kingsley@davispolk.com  
marc.williams@davispolk.com

if to Sumitomo Corporation or Sumitomo Metal Mining Co., Ltd. in its capacity as a Seller, to the address or facsimile number specified by such Seller in the counterpart to this Agreement to be signed by such Seller pursuant to this Agreement or such other address or facsimile number as any such party may hereafter specify for the purpose by

notice to the other party hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

Section 12.02. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Except as set forth in Section 10.08, the rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 12.03. *Expenses.* Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

Section 12.04. *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

Section 12.05. *Governing Law.* This Agreement shall be governed by and construed in accordance with the law of the State of New York, without regard to the conflicts of law rules of such state.

Section 12.06. *Jurisdiction.* The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting

the foregoing, each party agrees that service of process on such party as provided in Section 12.01 shall be deemed effective service of process on such party.

Section 12.07. *Agent for Service.* EACH OF THE BUYERS HEREBY IRREVOCABLY DESIGNATES EAGLE MINE LLC (IN SUCH CAPACITY, THE "PROCESS AGENT"), WITH AN OFFICE AT 4547 COUNTY ROAD 601, CHAMPION MI 49814 AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE, FOR AND ON ITS BEHALF, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDINGS WITH RESPECT TO THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION WITH THIS AGREEMENT, AND SUCH SERVICE SHALL BE DEEMED COMPLETE UPON DELIVERY THEREOF TO THE PROCESS AGENT; PROVIDED THAT IN THE CASE OF ANY SUCH SERVICE UPON THE PROCESS AGENT, THE PARTY EFFECTING SUCH SERVICE SHALL ALSO DELIVER A COPY THEREOF TO EACH OTHER SUCH PARTY IN THE MANNER PROVIDED IN SECTION 12.01 OF THIS AGREEMENT. EACH PARTY SHALL TAKE ALL SUCH ACTION AS MAY BE NECESSARY TO CONTINUE SAID APPOINTMENT IN FULL FORCE AND EFFECT OR TO APPOINT ANOTHER AGENT SO THAT SUCH PARTY WILL AT ALL TIMES HAVE AN AGENT FOR SERVICE OF PROCESS FOR THE ABOVE PURPOSES IN THE UNITED STATES. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE PROCESS IN ANY MANNER PERMITTED BY APPLICABLE LAW. EACH PARTY EXPRESSLY ACKNOWLEDGES THAT THE FOREGOING WAIVER IS INTENDED TO BE IRREVOCABLE UNDER THE LAWS OF THE STATE OF MICHIGAN AND OF THE UNITED STATES OF AMERICA.

Section 12.08. *Waiver of Jury Trial.* EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY .

Section 12.09. *Counterparts; Effectiveness; Third Party Beneficiaries .* This Agreement may be signed in any number of counterparts, by original telefacsimile or electronic signature, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective as to each party relative to the other party(ies) hereto when such party shall have signed a counterpart hereof and shall have received a counterpart hereof signed by such other party(ies) hereto. Until and unless a party has received a counterpart hereof signed by any other party(ies), this Agreement shall have no effect with respect to such other party(ies) and such other party(ies) shall not have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the parties and their respective successors and permitted assigns.

Section 12.10. *Entire Agreement.* The Transaction Agreements and the Confidentiality Agreement constitute the entire agreement between the parties with

respect to the subject matter thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter thereof.

Section 12.11. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 12.12. *Disclosure Schedules.* Freeport has set forth information on the Companies Disclosure Schedule in a section thereof that corresponds to the section of this Agreement to which it relates. A matter set forth in one section of the Companies Disclosure Schedules need not be set forth in any other section so long as its relevance to such other section of the Companies Disclosure Schedule or section of the Agreement is reasonably apparent on the face of the information disclosed therein to the Person to which such disclosure is being made. The parties acknowledge and agree that (i) the Companies Disclosure Schedule to this Agreement may include certain items and information solely for informational purposes for the convenience of Buyers and (ii) the disclosure of any matter in the Companies Disclosure Schedule shall not be deemed to constitute an acknowledgment by any Seller that the matter is required to be disclosed by the terms of this Agreement or that the matter is material.

Section 12.13. *Specific Performance.* The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, in addition to any other remedy to which they are entitled at law or in equity.

*[The remainder of this page has been left intentionally blank;  
the next page is the signature page]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LMC CANDELARIA SPA

By: /s/ Paul Conibear  
Name: Paul Conibear  
Title: Legal Representative

LMC OJOS DEL SALADO SPA

By: /s/ Paul Conibear  
Name: Paul Conibear  
Title: Legal Representative

*Signature Page to Stock Purchase Agreement*

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FREEPORT MINERALS CORPORATION

By: /s/ Kathleen Quirk

Name: Kathleen L. Quirk

Title: Executive Vice President and Treasurer

*Signature Page to Stock Purchase Agreement*

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AMENDMENT NO. 1 TO STOCK PURCHASE AGREEMENT

AMENDMENT No. 1 (this “**Amendment**”) dated as of October 29, 2014 to the Stock Purchase Agreement, dated as of October 6, 2014 (the “**Purchase Agreement**”) among LMC Candelaria SpA, a Chilean corporation and LMC Ojos del Salado SpA, a Chilean corporation (each, a “**Buyer**” and collectively, “**Buyers**”) and Freeport Minerals Corporation (formerly known as Freeport-McMoRan Corporation), a Delaware corporation (“**Freeport**”) by and among the parties hereto.

WHEREAS, the Buyers and Freeport desire to amend the Purchase Agreement as provided herein.

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Definitions* . Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Purchase Agreement.

SECTION 2. *Amendments*. The Purchase Agreement is hereby amended as follows:

(a) The following definition of “**Azul**” is hereby added to Section 1.01 of the Purchase Agreement after the definition of “Aurex” and before the definition of “Balance Sheets”:

“**Azul**” means Azul SpA, a Chilean corporation.

(b) The definition of “**Transaction Agreements**” in Section 1.01 of the Purchase Agreement is hereby amended by replacing the reference to “Section 2.02(c)” to “Section 2.02(d)”.

(c) The definition of “**Transition Services Agreement**” in Section 1.01 of the Purchase Agreement is hereby amended by replacing the reference to “Lundin Mining Chile SpA” with a reference to “Azul”.

(d) Section 2.02(d) of the Purchase Agreement is hereby amended by replacing the words “a Buyer or its Affiliate” with the word “Azul”.

(e) Sections 2.02(g) and 5.03(a)(i) of the Purchase Agreement are hereby amended by replacing each reference to “Lundin Mining Chile SpA” with a reference to “Azul”.

(f) Section 2.02 of the Purchase Agreement is hereby amended by adding the following language as paragraph (m):

(m) An Affiliate of Lundin and Minera Freeport McMoRan South America Limitada shall enter into a stock purchase agreement, substantially in the form attached as Exhibit D.

(g) Section 8.01(a) of the Purchase Agreement is hereby amended and restated in its entirety as set forth below:

“(a) Prior to the Closing, Seller shall, or shall cause one of its Affiliates to, transfer to Azul the employment of each Specified Service Provider who is listed in Item 16 of Section 1.01 of the Companies Disclosure Schedule and is employed by Seller or one of its Affiliates as of immediately prior to Closing. As soon as practicable after Closing on a date or dates to be mutually agreed between Freeport and Buyer, but in no event later than December 31, 2014, (1) Seller shall, or shall cause one of its Affiliates to, terminate each Specified Service Provider (other than those that have been transferred to Azul prior to Closing or those that have resigned) and (2) the Buyers shall, or shall cause a Company to, make an offer of employment to each Specified Service Provider (other than those that have been transferred to Azul prior to Closing) on terms consistent with those provided under this Section 8.01. In addition, as of the Closing Date, the Buyers shall cause the Companies to continue the employment of all Company Employees provided that it is understood that the foregoing statement does not constitute a guarantee of continued employment. As of the Closing, or such other later date as set forth in the Transition Services Agreement, the Company Employees who are employed by the Companies, the Specified Service Providers who are employed by Azul, and the Specified Service Providers who have accepted employment with a Company, Azul or an Affiliate of the Buyer (the “**Continuing Employees**”) shall cease to be covered by the employee benefit plans of Freeport and its Affiliates (which, for the avoidance of doubt, shall not include the Companies or Azul from and after the Closing) and instead shall be covered by the employee benefit plans of a Buyer or its Affiliates, including, commencing on the Closing Date, the Companies and Azul, as applicable. In addition to any obligation either Buyer or its Affiliates may have under Applicable Law, for the period beginning on the Closing Date and continuing through the first anniversary of the Closing Date, the Buyers shall, or shall cause the Companies, Azul or Affiliates of the Buyer to, provide the Continuing Employees, to the extent that the Continuing Employees remain so employed, with (i) fixed cash compensation that is no less favorable than the compensation of each such Continuing Employee immediately prior to the Closing Date, (ii) incentive compensation opportunities comparable to those provided to each such Continuing Employee immediately prior to the Closing Date and (iii) benefits (including severance) substantially comparable in the aggregate to the benefits (including severance) provided by the Companies to each such Continuing Employee immediately prior to the Closing Date.”

(h) Schedule 2.01 to the Purchase Agreement is hereby amended and restated in its entirety as set forth in Annex 1 to this Amendment.

(i) Exhibit A to the Purchase Agreement is hereby amended and restated in its entirety as set forth in Annex 2 to this Amendment.

(j) Exhibit D is hereby added to the Purchase Agreement as set forth in Annex 3 to this Amendment.

SECTION 3. *Miscellaneous*. Sections 12.01, 12.04, 12.05, 12.06, 12.07, 12.08, 12.09 and 12.11 of the Purchase Agreement are expressly incorporated herein by reference (and read to apply to this Amendment, *mutatis mutandis* ). Except as modified or amended by the terms and conditions of this Amendment, the Purchase Agreement remains in full force and effect in accordance with its terms.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed on the date first written above by their respective duly authorized officers.

LMC CANDELARIA SPA

By: /s/ Paul Conibear  
Name: Paul Conibear  
Title: Legal Representative

LMC OJOS DEL SALADO SPA

By: /s/ Paul Conibear  
Name: Paul Conibear  
Title: Legal Representative

[ *Signature Page to Amendment No. 1 to Stock Purchase Agreement* ]

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FREEPORT MINERALS CORPORATION

By: /s/ Kathleen Quirk

Name: Kathleen L. Quirk

Title: Executive Vice President and Treasurer

[ *Signature Page to Amendment No. 1 to Stock Purchase Agreement* ]

To the Board of Directors and Stockholders of Freeport-McMoRan Inc.:

We are aware of the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-3 No. 333-179420) of Freeport-McMoRan Copper & Gold Inc.,
- 2) Registration Statement (Form S-8 No. 333-85803) pertaining to the Freeport-McMoRan Copper & Gold Inc. 1999 Stock Incentive Plan,
- 3) Registration Statement (Form S-8 No. 333-105535) pertaining to the Freeport-McMoRan Copper & Gold Inc. 2003 Stock Incentive Plan,
- 4) Registration Statement (Form S-8 No. 333-115292) pertaining to the Freeport-McMoRan Copper & Gold Inc. 2004 Director Compensation Plan,
- 5) Registration Statement (Form S-8 No. 333-136084) pertaining to the Freeport-McMoRan Copper & Gold Inc. 2006 Stock Incentive Plan,
- 6) Registration Statement (Form S-8 No. 333-141358) pertaining to the Phelps Dodge 2003 Stock Option and Restricted Stock Plan and the Phelps Dodge 1998 Stock Option and Restricted Stock Plan,
- 7) Registration Statement (Form S-8 No. 333-147413) pertaining to the Amended and Restated Freeport-McMoRan Copper & Gold Inc. 2006 Stock Incentive Plan, and
- 8) Registration Statement (Form S-8 No. 333-189047) pertaining to the Plains Exploration & Production Company 2010 Incentive Award Plan; the Plains Exploration & Production 2004 Stock Incentive Plan; the McMoRan Exploration Co. Amended and Restated 2008 Stock Incentive Plan; the McMoRan Exploration Co. 2005 Stock Incentive Plan, as amended and restated; the McMoRan Exploration Co. 2004 Director Compensation Plan, as amended and restated; the McMoRan Exploration Co. 2003 Stock Incentive Plan, as amended and restated; the McMoRan Exploration Co. 2001 Stock Incentive Plan, as amended and restated; the McMoRan Exploration Co. 2000 Stock Incentive Plan, as amended and restated; the McMoRan Exploration Co. 1998 Stock Option Plan, as amended and restated; and the McMoRan Exploration Co. 1998 Stock Option Plan for Non-Employee Directors, as amended and restated;

of our report dated November 7, 2014 relating to the unaudited condensed consolidated interim financial statements of Freeport-McMoRan Inc. (formerly Freeport-McMoRan Copper & Gold Inc.) that is included in its Form 10-Q for the quarter ended September 30, 2014 .

/s/ ERNST & YOUNG LLP

Phoenix, Arizona  
November 7, 2014

## Certification

I, Richard C. Adkerson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freeport-McMoRan Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2014

By: /s/ Richard C. Adkerson

Richard C. Adkerson  
Vice Chairman,  
President and Chief Executive Officer

## Certification

I, Kathleen L. Quirk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freeport-McMoRan Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2014

By: /s/ Kathleen L. Quirk

Kathleen L. Quirk  
Executive Vice President,  
Chief Financial Officer and Treasurer

Certification Pursuant to 18 U.S.C. Section 1350  
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Freeport-McMoRan Copper & Gold Inc. (the "Company") for the quarter ending September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Richard C. Adkerson, as Vice Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2014

By: /s/ Richard C. Adkerson  
Richard C. Adkerson  
Vice Chairman,  
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

Certification Pursuant to 18 U.S.C. Section 1350  
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Freeport-McMoRan Copper & Gold Inc. (the "Company") for the quarter ending September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kathleen L. Quirk, as Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2014

By: /s/ Kathleen L. Quirk

Kathleen L. Quirk  
Executive Vice President,  
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.

## Mine Safety and Health Administration (MSHA) Safety Data

FCX's U.S. mining operations are subject to regulations issued by MSHA under the U.S. Federal Mine Safety and Health Act of 1977 (the Mine Act). MSHA inspects our U.S. mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation. Citations or orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments varies depending on the size and type (underground or surface) of the mine, among other factors.

The following disclosures have been provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act).

Mine Safety Data. Following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- **Section 104 S&S Citations** : Citations issued by MSHA under Section 104(a) of the Mine Act for violations of health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.
  - **Section 104(b) Orders** : Orders issued under Section 104(b) of the Mine Act, which represent a failure to abate a citation under Section 104(a) within the period prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
  - **Section 104(d) Citations and Orders** : Citations and orders issued by MSHA under Section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards. These types of violations could significantly and substantially contribute to a serious injury; however, the conditions do not cause imminent danger (refer to discussion of imminent danger orders below).
  - **Section 110(b)(2) Violations** : Flagrant violations identified by MSHA under Section 110(b)(2) of the Mine Act. The term flagrant with respect to a violation is defined as "a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have expected to cause, death or serious bodily injury."
  - **Section 107(a) Orders** : Orders issued by MSHA under Section 107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed. Orders issued under Section 107(a) of the Mine Act require the operator of the mine to cause all persons (except authorized persons) to be withdrawn from the mine until the imminent danger and the conditions that caused such imminent danger cease to exist.
-

The following table details the violations, citations and orders issued to us by MSHA during the three months ended September 30, 2014 :

| Mine ID <sup>(1)</sup>                 | Mine or Operation Name                       | Section       | Section          | Section                  | Section        | Section    | Proposed Assessments <sup>(2)</sup> | Mining Related Fatalities | Pattern of Violations | Potential to Have Pattern of Violation |
|--|--|---------------|------------------|--------------------------|----------------|------------|-------------------------------------|---------------------------|-----------------------|--|
|  |  | 104 S&S       | 104(b)           | 104(d)                   | 110(b)(2)      | 107(a)     |                                     |                           | Under Section 104(e)  | Under Section 104(e)                   |
|  |  | Citations (#) | Orders (#)       | Citations and Orders (#) | Violations (#) | Orders (#) |                                     |                           | (yes/no)              | (yes/no)                               |
| 0200137                                | Freeport-McMoRan Bagdad Inc. (Bagdad)        | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 2900708                                | Freeport-McMoRan Chino Mines Company (Chino) | 18            | —                | —                        | —              | —          | 39,524                              | —                         | No                    | No                                     |
| 0200112                                | Freeport-McMoRan Miami Inc (Miami)           | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 0200024                                | Freeport-McMoRan Morenci Inc (Morenci)       | 36            | —                | —                        | —              | —          | 73,534                              | —                         | No                    | No                                     |
| 0203131                                | Freeport-McMoRan Safford Inc (Safford)       | 4             | —                | —                        | —              | —          | 6,954                               | —                         | No                    | No                                     |
| 0200144                                | Freeport-McMoRan Sierrita Inc (Sierrita)     | —             | —                | —                        | —              | —          | 100                                 | —                         | No                    | No                                     |
| 2900159                                | Tyrone Mine (Tyrone)                         | 6             | —                | —                        | —              | —          | 7,226                               | —                         | No                    | No                                     |
| 0500790                                | Henderson Operations (Henderson)             | 5             | 1 <sup>(3)</sup> | —                        | —              | —          | 11,953                              | —                         | No                    | No                                     |
| 0502256                                | Climax Mine (Climax)                         | 4             | —                | —                        | —              | —          | 3,886                               | —                         | No                    | No                                     |
| Freeport-McMoRan Cobre Mining Company: |  |               |                  |                          |                |            |                                     |                           |                       |  |
| 2900725                                | Open Pit & Continental Surf Comp             | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 2900731                                | Continental Mill Complex                     | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 0201656                                | Copper Queen Branch                          | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 0202579                                | Cyprus Tohono Corporation                    | —             | —                | —                        | —              | —          | 150                                 | —                         | No                    | No                                     |
| 0203262                                | Twin Buttes Mine                             | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 2902395                                | Chieftain 2100 Screening Plant               | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |
| 0203254                                | Warrior 1800 Screening Plant                 | —             | —                | —                        | —              | —          | —                                   | —                         | No                    | No                                     |

(1) MSHA assigns an identification number to each mine or operation and may or may not assign separate identification numbers to related facilities.

(2) Amounts represent the total dollar value of proposed assessments received on or before October 31, 2014 , for citations or orders issued by MSHA during the three months ended September 30, 2014 . FCX is currently contesting approximately \$21,000 of these proposed assessments.

(3) During the quarter ended September 30, 2014 , Henderson was issued a 104(b) citation that was subsequently vacated.

**Pending Legal Actions.** The table below provides a summary of legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as well as the aggregate number of legal actions instituted and resolved during the three months ended September 30, 2014 . The Commission is an independent adjudicative agency established by the Mine Act that provides administrative trial and appellate review of legal disputes arising under the Mine Act. These cases may involve, among other questions, challenges by operators to citations, orders and penalties they have received from MSHA, or complaints of discrimination by miners under Section 105 of the Mine Act.

The following provides additional information of the types of proceedings that may be brought before the Commission:

- **Contest Proceedings** - A contest proceeding may be filed by an operator to challenge the issuance of a citation or order issued by MSHA.
- **Civil Penalty Proceedings** - A civil penalty proceeding may be filed by an operator to challenge a civil penalty MSHA has proposed for a violation contained in a citation or order. FCX does not institute civil penalty proceedings based solely on the assessment amount of proposed penalties. Any initiated adjudications described in the table below address substantive matters of law and policy instituted on conditions that are alleged to be in violation of mandatory standards or the Mine Act.
- **Discrimination Proceedings** - Involves a miner's allegation that he or she has suffered adverse employment action because he or she engaged in activity protected under the Mine Act, such as making a safety complaint. Also includes temporary reinstatement proceedings involving cases in which a miner has filed a complaint with MSHA stating that he or she has suffered discrimination and the miner has lost his or her position.
- **Compensation Proceedings** - A compensation proceeding may be filed by miners entitled to compensation when a mine is closed by certain closure orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due to miners idled by the orders.
- **Temporary Relief** - Applications for temporary relief are applications filed under section 105(b)(2) of the Mine Act for temporary relief from any modification or termination of any order.
- **Appeals** - An appeal may be filed by an operator to challenge judges decisions or orders to the commission, including petitions for discretionary review and review by the commission on its own motion.

| Mine ID <sup>(1)</sup> | Legal Actions Pending at September 30, 2014 |                           |                            |                          |                  |         |       | Legal Actions Instituted <sup>(2)</sup> | Legal Actions Resolved <sup>(3)</sup> |
|------------------------|---|---------------------------|----------------------------|--------------------------|------------------|---------|-------|---|---------------------------------------|
|                        | Contest Proceedings                         | Civil Penalty Proceedings | Discrimination Proceedings | Compensation Proceedings | Temporary Relief | Appeals | Total |   |                                       |
|                        | (#)   | (#)                       | (#)                        | (#)                      | (#)              | (#)     | (#)   | (#)                                     | (#)                                   |
| 0200137                | 2   | —                         | —                          | —                        | —                | —       | 2     | —                                       | —                                     |
| 2900708                | 1   | 2                         | —                          | —                        | —                | —       | 3     | —                                       | —                                     |
| 0200112                | —   | 6                         | —                          | —                        | —                | —       | 6     | 3                                       | —                                     |
| 0200024                | 80  | —                         | —                          | —                        | —                | —       | 80    | 3                                       | 18                                    |
| 0203131                | —   | 1                         | —                          | —                        | —                | —       | 1     | 1                                       | —                                     |
| 0200144                | 5   | —                         | —                          | —                        | —                | —       | 5     | —                                       | —                                     |
| 2900159                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 0500790                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 0502256                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 2900725                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 2900731                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 0201656                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 0202579                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 0203262                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 2902395                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |
| 0203254                | —   | —                         | —                          | —                        | —                | —       | —     | —                                       | —                                     |

- (1) MSHA assigns an identification number to each mine or operation and may or may not assign separate identification numbers to related facilities. Refer to "Mine Safety Data" table for related mine or operation name.
- (2) Legal actions pending at September 30, 2014 , and legal actions instituted during the three month period are based on the date that a docket number was assigned to the proceeding.
- (3) Legal actions resolved during the three month period are based on the date that the settlement motion resolving disputed matters is filed with the Commission and the matter is effectively closed by MSHA.