FREEPORT-MCMORAN INC
Form 8-K
October 26, 2016

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 25, 2016

FREEPORT-McMoRan INC.
(Exact name of registrant as specified in its charter)

Delaware	001-11307-01	74-2480931
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

333 North Central Avenue	
Phoenix, AZ	85004
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

Freeport-McMoRan Inc. (FCX) issued a press release dated October 25, 2016, announcing its third-quarter and nine-month 2016 results referencing supplementary schedules (see exhibit 99.1) and presented slides on its website that accompanied its October 25, 2016, earnings conference call (see exhibit 99.2).

Item 8.01. Other Events.

Freeport-McMoRan
Reports Third-Quarter and Nine-Month 2016 Results

Net income attributable to common stock totaled $217 million, $0.16 per share, for third-quarter 2016.
Consolidated sales (including volumes from Tenke Fungurume (Tenke), which is being reported as discontinued operations) totaled 1.2 billion pounds of copper, 317 thousand ounces of gold, 16 million pounds of molybdenum and 12.0 million barrels of oil equivalents (MMBOE) for third-quarter 2016, compared with 1.0 billion pounds of copper, 294 thousand ounces of gold, 23 million pounds of molybdenum and 13.8 MMBOE for third-quarter 2015.

Consolidated sales for the year 2016 are expected to approximate 4.8 billion pounds of copper (including 485 million pounds from Tenke), 1.26 million ounces of gold and 73 million pounds of molybdenum, including 1.3 billion pounds of copper, 590 thousand ounces of gold and 21 million pounds of molybdenum for fourth-quarter 2016.

Average realized prices were $2.18 per pound for copper, $1,327 per ounce for gold and $40.63 per barrel for oil for third-quarter 2016.
Average unit net cash costs were $1.14 per pound of copper for mining operations and $15.00 per barrel of oil equivalents (BOE) for oil and gas operations for third-quarter 2016. Unit net cash costs for the year 2016 are expected to average $1.20 per pound of copper for mining operations.
Operating cash flows totaled $980 million for third-quarter 2016. Based on current sales volume and cost estimates and assuming average prices of $2.10 per pound for copper, $1,250 per ounce for gold and $7 per pound for molybdenum for fourth-quarter 2016, operating cash flows for the year 2016 are expected to approximate $3.6 billion (including $0.3 billion in working capital sources and changes in other tax payments).
Capital expenditures totaled $494 million for third-quarter 2016, consisting of $333 million for mining operations (including $250 million for major projects) and $160 million for oil and gas operations. Capital expenditures are expected to approximate $2.8 billion for the year 2016, consisting of $1.6 billion for mining operations (including $1.2 billion for major projects) and $1.2 billion for oil and gas operations.
At September 30, 2016, consolidated debt totaled $19.0 billion and consolidated cash totaled $1.1 billion. At September 30, 2016, FCX had no borrowings and $3.5 billion available under its $3.5 billion revolving credit facility.
FCX expects to receive $5.2 billion in gross proceeds during fourth-quarter 2016 in connection with previously announced asset sale transactions.
In July 2016, FCX commenced a registered at-the-market offering of up to $1.5 billion of common stock. Through October 24, 2016, FCX has sold 33.5 million shares of its common stock for gross proceeds of $415 million ($12.39 per share average price).

PHOENIX, AZ, October 25, 2016 - Freeport-McMoRan Inc. (NYSE: FCX) reported net income attributable to common stock of $217 million, $0.16 per share, for third-quarter 2016 and net losses attributable to common stock of $4.4 billion, $3.45 per share, for the first nine months of 2016, $3.8 billion, $3.58 per share, for third-quarter 2015 and $8.2 billion, $7.77 per share, for the first nine months of 2015.

SUMMARY FINANCIAL DATA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Revenues[a,b]	$3,877	$3,382	$10,453	$11,091
Operating income (loss)[a]	$359	$(3,964)	$(3,495)	$(9,415)
Net income (loss) from continuing operations	$292	$(3,815)	$(4,034)	$(8,090)
Net (loss) income from discontinued operations[c]	$(6)	$25	$(191)	$95
Net income (loss) attributable to common stock[d,e]	$217	$(3,830)	$(4,446)	$(8,155)
Diluted net income (loss) per share of common stock:				
Continuing operations	$0.18	$(3.59)	$(3.27)	$(7.80)
Discontinued operations	(0.02)	0.01	(0.18)	0.03
	$0.16	$(3.58)	$(3.45)	$(7.77)
Diluted weighted-average common shares outstanding	1,351	1,071	1,289	1,050
Operating cash flows[f]	$980	$822	$2,594	$2,608
Capital expenditures	$494	$1,527	$2,309	$5,055
At September 30:				
Cash and cash equivalents	$1,108	$233	$1,108	$233
Total debt, including current portion	$18,982	$20,698	$18,982	$20,698

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

b. Includes (unfavorable) favorable adjustments to provisionally priced concentrate and cathode copper sales recognized in prior periods totaling $(15) million ($(7) million to net income attributable to common stock from continuing operations or $(0.01) per share) in third-quarter 2016, $(117) million ($(58) million to net loss attributable to common stock from continuing operations or $(0.05) per share) in third-quarter 2015, $5 million ($2 million to net loss attributable to common stock from continuing operations or less than $0.01 per share) for the first nine months of 2016 and $(100) million ($(48) million to net loss attributable to common stock from continuing operations or $(0.05) per share) for the first nine months of 2015. For further discussion, refer to the supplemental schedule, "Derivative Instruments," on page VI.

c. Net income (loss) from discontinued operations includes charges for (i) allocated interest expense totaling $12 million in third-quarter 2016, $6 million in third-quarter 2015, $33 million for the first nine months of 2016 and $20 million for the first nine months of 2015 associated with the portion of the FCX term loan that is required to be repaid as a result of the sale of FCX's interest in Tenke and (ii) income tax (benefit) provision totaling $(2) million in third-quarter 2016, $(11) million in third-quarter 2015, $(25) million for the first nine months of 2016 and $20 million for the first nine months of 2015. In accordance with accounting guidelines, the first nine months of 2016 are also net of an estimated loss on disposal, which will be adjusted through closing of the transaction.

d. Includes net gains (charges) totaling $39 million ($0.03 per share) in third-quarter 2016, $(3.7) billion ($(3.43) per share) in third-quarter 2015, $(4.4) billion ($(3.43) per share) for the first nine months of 2016 and $(8.1) billion ($(7.71) per share) for the first nine months of 2015.

e. FCX defers recognizing profits on intercompany sales until final sales to third parties occur. For a summary of net impacts from changes in these deferrals, refer to the supplemental schedule, "Deferred Profits," on page VI.

f.

Includes net working capital (uses) sources and changes in other tax payments of $(3) million in third-quarter 2016, $507 million in third-quarter 2015, $463 million for the first nine months of 2016 and $342 million for the first nine months of 2015.

DEBT REDUCTION INITIATIVES

FCX is taking actions to restore its balance sheet strength through a combination of asset sale transactions, cash flow from operations and capital market transactions. During 2016, FCX has announced $6.6 billion in asset sale transactions and has received aggregate cash consideration of $1.4 billion. The remaining $5.2 billion in gross

2

proceeds is expected to be received in fourth-quarter 2016 associated with the pending Tenke and oil and gas transactions. In September 2016, FCX agreed to sell its Deepwater Gulf of Mexico (GOM) properties for cash consideration of $2.0 billion and up to $150 million of contingent payments, and in October 2016, FCX agreed to sell its onshore California oil and gas properties for cash consideration of $592 million and up to $150 million of contingent consideration. Following provides a summary of FCX's completed and pending asset sales (in billions):

	Cash Consideration[a]	
Completed Transactions:		
Morenci (13 percent interest)	$ 1.00	
Timok exploration project in Serbia	0.13	b
Oil and gas transactions	0.19	
Other land sales	0.06	
	1.38	
Pending Transactions:		
Tenke	2.65	b
Deepwater GOM	2.00	b,c
Onshore California	0.59	b
	5.24	
Total, excluding potential transactions and contingent consideration	6.62	
Potential Freeport Cobalt/Kinsanfu transactions[d]	0.15	
Contingent consideration[b]	0.53	
Total	$ 7.30	

a. Reflects aggregate cash consideration, before purchase price adjustments.

b. Excludes contingent consideration of (i) up to $107 million associated with the Timok transaction, which is payable to FCX in stages based upon achievement of defined development milestones, (ii) up to $120 million for the Tenke transaction, consisting of $60 million if the average copper price exceeds $3.50 per pound and $60 million if the average cobalt price exceeds $20 per pound, both for the 24-month period ending December 31, 2019, (iii) up to $150 million for the Deepwater GOM transaction payable to FCX as the buyer realizes future cash flows in connection with FCX's third-party production handling agreement for the Marlin platform, and (iv) up to $150 million for the onshore California transaction, consisting of $50 million per year for 2018, 2019 and 2020, if the price of Brent crude oil averages $70 per barrel or higher in that calendar year.

c. In connection with the Deepwater GOM transaction, FCX Oil & Gas LLC (FM O&G) entered into an agreement to amend the terms of the Plains Offshore Operations Inc. preferred stock to provide FM O&G the right to call these securities for $582 million. FM O&G expects to exercise this option at the time the Deepwater GOM sale closes.

d. FCX has agreed to negotiate exclusively with China Molybdenum Co., Ltd. (CMOC) until December 31, 2016, to enter into a definitive agreement to sell its interests in Freeport Cobalt for $100 million and the Kinsanfu exploration project in the Democratic Republic of Congo (DRC) for $50 million in separate transactions.

In July 2016, FCX commenced a registered at-the-market (ATM) offering of up to $1.5 billion of common stock. Through October 24, 2016, FCX has sold 33.5 million shares of its common stock for gross proceeds of $415 million ($12.39 per share average price).

FCX continues to aggressively manage production, exploration and administrative costs and capital spending. With the successful completion of the Cerro Verde expansion and anticipated access to higher grade ore from the Grasberg mine in future quarters, FCX expects to generate substantial cash flows for debt reduction.

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

3

SUMMARY OPERATING DATA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Copper (millions of recoverable pounds)[a]				
Production	1,217	1,003	3,447	2,895
Sales, excluding purchases	1,231	1,001	3,465	2,925
Average realized price per pound	$2.18	$2.38	$2.16	$2.54
Site production and delivery costs per pound[b]	$1.39	$1.74	$1.44	$1.84
Unit net cash costs per pound[b]	$1.14	$1.52	$1.28	$1.56
Gold (thousands of recoverable ounces)				
Production	308	281	658	907
Sales, excluding purchases	317	294	674	909
Average realized price per ounce	$1,327	$1,117	$1,292	$1,149
Molybdenum (millions of recoverable pounds)				
Production	19	23	58	72
Sales, excluding purchases	16	23	52	69
Average realized price per pound	$9.14	$7.91	$8.36	$9.21
Oil Equivalents				
Sales volumes				
MMBOE	12.0	13.8	36.6	39.4
Thousand BOE (MBOE) per day	131	150	133	144
Cash operating margin per BOE[c]				
Realized revenues	$34.99	$43.00 [d]	$30.50	$45.57 [d]
Cash production costs	(15.00)	(18.85)	(15.28)	(19.42)
Cash operating margin	$19.99	$24.15	$15.22	$26.15

a. Includes production and sales volumes from Tenke, which is reported as discontinued operations. Copper sales from Tenke totaled 118 million pounds in third-quarter 2016, 113 million pounds in third-quarter 2015, 365 million pounds for the first nine months of 2016 and 350 million pounds for the first nine months of 2015. Average realized copper prices (excluding Tenke) were $2.19 per pound in third-quarter 2016, $2.39 per pound in third-quarter 2015, $2.17 per pound for the first nine months of 2016 and $2.54 per pound for the first nine months of 2015.

b. Reflects per pound weighted-average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines, before net noncash and other costs. Excluding Tenke, mining unit net cash costs averaged $1.14 per pound in third-quarter 2016, $1.57 per pound in third-quarter 2015, $1.28 per pound for the first nine months of 2016 and $1.61 per pound for the first nine months of 2015. For reconciliations of per pound unit costs by operating division to production and delivery costs applicable to sales reported in FCX's consolidated financial statements, refer to the supplemental schedules, "Product Revenues and Production Costs," beginning on page X.

c. Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Cash production costs exclude accretion and other costs. For reconciliations of realized revenues and cash production costs per BOE to revenues and production and delivery costs reported in FCX's consolidated financial statements, refer to the supplemental schedules, “Product Revenues and Production Costs,” beginning on page X.

d. Includes realized cash gains on crude oil derivative contracts of $7.44 per BOE in third-quarter 2015 and $7.72 per BOE for the first nine months of 2015.

Consolidated Sales Volumes

Third-quarter 2016 consolidated copper sales (including Tenke) of 1.23 billion pounds were higher than third-quarter 2015 sales of 1.0 billion pounds, primarily reflecting higher volumes from Cerro Verde and PT Freeport Indonesia (PT-FI).

Third-quarter 2016 consolidated gold sales of 317 thousand ounces were higher than third-quarter 2015 sales of 294 thousand ounces.

Third-quarter 2016 consolidated molybdenum sales of 16 million pounds were lower than third-quarter 2015 sales of 23 million pounds, primarily reflecting weak demand.

Third-quarter 2016 sales from oil and gas operations of 12.0 MMBOE, including 9.1 million barrels (MMBbls) of crude oil, 13.8 billion cubic feet (Bcf) of natural gas and 0.6 MMBbls of natural gas liquids (NGLs), were lower than third-quarter 2015 sales of 13.8 MMBOE, primarily reflecting the July 2016 sale of Haynesville.

Sales volumes for the year 2016 are expected to approximate 4.8 billion pounds of copper (including 485 million pounds for Tenke), 1.26 million ounces of gold and 73 million pounds of molybdenum, including 1.3 billion pounds of copper (including 120 million pounds for Tenke), 590 thousand ounces of gold and 21 million pounds of molybdenum for fourth-quarter 2016. Projected sales volumes are dependent on a number of factors, including operational performance, shipping schedules and the timing of completing the pending Tenke transaction.

Consolidated Unit Costs

Mining Unit Net Cash Costs. Consolidated average unit net cash costs (net of by-product credits) for FCX's copper mines (including Tenke) of $1.14 per pound of copper in third-quarter 2016 were lower than unit net cash costs of $1.52 per pound in third-quarter 2015, primarily reflecting higher copper sales volumes and the impact of ongoing cost reduction initiatives.

Assuming average prices of $1,250 per ounce of gold and $7 per pound of molybdenum for fourth-quarter 2016 and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for copper mines (including Tenke) are expected to average $1.20 per pound for the year 2016. The impact of price changes for fourth-quarter 2016 on consolidated unit net cash costs would approximate $0.0075 per pound for each $50 per ounce change in the average price of gold and $0.004 per pound for each $2 per pound change in the average price of molybdenum. Quarterly unit net cash costs vary with fluctuations in sales volumes and realized prices primarily for gold and molybdenum.

Oil and Gas Cash Production Costs per BOE. Cash production costs for oil and gas operations of $15.00 per BOE in third-quarter 2016 were lower than cash production costs of $18.85 per BOE in third-quarter 2015, primarily reflecting ongoing cost reduction efforts in California.

MINING OPERATIONS

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

All of the North America mining operations are wholly owned, except for Morenci. FCX records its 72 percent undivided joint venture interest in Morenci using the proportionate consolidation method.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Copper (millions of recoverable pounds)				
Production	455	499	1,411	1,420
Sales	458	483	1,425	1,441
Average realized price per pound	$2.19	$2.42	$2.18	$2.59
Molybdenum (millions of recoverable pounds)				
Production[a]	9	9	25	28
Unit net cash costs per pound of copper[b]				
Site production and delivery, excluding adjustments	$1.44	$1.68	$1.41	$1.76
By-product credits	(0.17)	(0.12)	(0.12)	(0.15)
Treatment charges	0.10	0.12	0.11	0.12
Unit net cash costs	$1.37	$1.68	$1.40	$1.73

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

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

North America's consolidated copper sales volumes of 458 million pounds in third-quarter 2016 were less than third-quarter 2015 sales of 483 million pounds, primarily attributable to the May 2016 sale of a portion of FCX's interest in Morenci. North America copper sales are estimated to approximate 1.8 billion pounds for the year 2016, compared with 2.0 billion pounds in 2015.

Average unit net cash costs (net of by-product credits) for the North America copper mines of $1.37 per pound of copper in third-quarter 2016 were lower than the unit net cash costs of $1.68 per pound in third-quarter 2015, primarily reflecting cost reduction initiatives.

Average unit net cash costs (net of by-product credits) for the North America copper mines are expected to approximate $1.41 per pound of copper for the year 2016, based on achievement of current sales volume and cost estimates and assuming an average molybdenum price of $7 per pound for fourth-quarter 2016. North America's average unit net cash costs would change by approximately $0.005 per pound for each $2 per pound change in the average price of molybdenum.

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

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Copper (millions of recoverable pounds)				
Production	317	204	986	585
Sales	323	207	973	585
Average realized price per pound	$2.19	$2.37	$2.17	$2.52
Molybdenum (millions of recoverable pounds)				
Production[a]	5	1	14	5
Unit net cash costs per pound of copper[b]				
Site production and delivery, excluding adjustments	$1.27	$1.54	$1.23	$1.68
By-product credits	(0.12)	(0.04)	(0.10)	(0.05)
Treatment charges	0.24	0.18	0.24	0.17
Royalty on metals	0.01	—	—	—
Unit net cash costs	$1.40	$1.68	$1.37	$1.80

a. Refer to summary operating data on page 4 for FCX's consolidated molybdenum sales, which includes sales of molybdenum produced at Cerro Verde.

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

South America's consolidated copper sales volumes of 323 million pounds in third-quarter 2016 were significantly higher than third-quarter 2015 sales of 207 million pounds, reflecting Cerro Verde's expanded operations. Sales from South America mining are expected to approximate 1.3 billion pounds of copper for the year 2016, compared with 871 million pounds of copper in 2015.

Average unit net cash costs (net of by-product credits) for South America mining of $1.40 per pound of copper in third-quarter 2016 were lower than unit net cash costs of $1.68 per pound in third-quarter 2015, primarily reflecting higher copper sales volumes and efficiencies associated with the Cerro Verde expansion and higher by-product credits. Average unit net cash costs (net of by-product credits) for South America mining are expected to approximate $1.42 per pound of copper for the year 2016, based on current sales volume and cost estimates and assuming average prices of $7 per pound of molybdenum for fourth-quarter 2016.

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

Regulatory Matters. PT-FI continues to engage with Indonesian government officials regarding its long-term operating rights under its Contract of Work (COW), and its rights to export concentrate without restriction.

PT-FI and the Indonesian government entered into a Memorandum of Understanding in July 2014, in which subject to concluding an agreement to extend PT-FI's operations beyond 2021 on acceptable terms, PT-FI agreed to construct new smelter capacity in Indonesia and to divest an additional 20.64 percent interest in PT-FI at fair market value. PT-FI also agreed to pay higher royalties and to pay export duties until certain smelter development milestones were met.

In October 2015, the Indonesian government provided a letter of assurance to PT-FI indicating that it would revise regulations allowing it to approve the extension of operations beyond 2021, and provide the same rights and the same level of legal and fiscal certainty provided under its current COW.

In August 2016, PT-FI's export permit was renewed through January 11, 2017. Current regulations published by the Indonesian government prohibit exports of copper concentrate and anode slimes after January 12, 2017. Indonesian government officials have indicated an intent to revise this regulation to protect employment and government revenues. PT-FI is actively engaged with Indonesian government officials on this matter.

Operating and Development Activities. PT-FI is currently mining the final phase of the Grasberg open pit, which contains very high copper and gold ore grades. PT-FI expects to mine high-grade ore over the next several quarters prior to transitioning to the Grasberg Block Cave underground mine in the first half of 2018.

PT-FI has several projects in progress in the Grasberg minerals district related to the development of its large-scale, long-lived, high-grade underground ore bodies. In aggregate, these underground ore bodies are expected to produce large-scale quantities of copper and gold following the transition from the Grasberg open pit. From 2017 to 2020, estimated aggregate capital spending on these projects is currently expected to average $1.0 billion per year ($0.8 billion per year net to PT-FI). Considering the long-term nature and size of these projects, actual costs could vary from these estimates. In response to market conditions and Indonesian regulatory uncertainty, the timing of these expenditures continues to be reviewed.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Copper (millions of recoverable pounds)				
Production	321	192	694	551
Sales	332	198	702	549
Average realized price per pound	$2.20	$2.35	$2.17	$2.45
Gold (thousands of recoverable ounces)				
Production	301	272	637	887
Sales	307	285	653	891
Average realized price per ounce	$1,327	$1,117	$1,292	$1,149
Unit net cash costs per pound of copper[a]				
Site production and delivery, excluding adjustments	$1.37	$2.16	$1.70	$2.39
Gold and silver credits	(1.29)	(1.59)	(1.28)	(1.93)
Treatment charges	0.27	0.31	0.29	0.31
Export duties	0.10	0.17	0.09	0.16
Royalty on metals	0.12	0.13	0.12	0.16
Unit net cash costs	$0.57	$1.18	$0.92	$1.09

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

Indonesia's consolidated copper sales totaled 332 million pounds in third-quarter 2016 and were higher than third-quarter 2015 sales of 198 million pounds, primarily reflecting higher copper ore grades. Indonesia's third-quarter 2016 gold sales of 307 thousand ounces were higher than third-quarter 2015 sales of 285 thousand ounces.

Third-quarter 2016 sales volumes were below previous estimates because of lower mining rates that affected the timing of access to higher grade ore and a deferral of production into future periods resulting from labor productivity issues and a 10-day work stoppage beginning in late September.

At the Grasberg mine, the sequencing of mining areas with varying ore grades causes fluctuations in quarterly and annual production of copper and gold. Consolidated sales volumes from Indonesia mining operations are expected to approximate 1.2 billion pounds of copper and 1.24 million ounces of gold for the year 2016, compared with 744 million pounds of copper and 1.2 million ounces of gold for the year 2015. Ore grades are expected to further improve in 2017 because of increased access to higher grade sections of the Grasberg open pit.

A significant portion of PT-FI's costs are fixed and unit costs vary depending on volumes and other factors. Indonesia's unit net cash costs (including gold and silver credits) of $0.57 per pound of copper in third-quarter 2016 were lower than unit net cash costs of $1.18 per pound in third-quarter 2015, primarily reflecting higher sales volumes, partly offset by lower by-product credits.

Based on current sales volume and cost estimates, and assuming an average gold price of $1,250 per ounce for fourth-quarter 2016, unit net cash costs (net of gold and silver credits) for Indonesia mining are expected to approximate $0.62 per pound for the year 2016. Indonesia mining's unit net cash costs for the year 2016 would

change by approximately $0.03 per pound for each $50 per ounce change in the average price of gold for fourth-quarter 2016. Because of the fixed nature of a large portion of Indonesia mining's costs, unit costs vary from quarter to quarter depending on copper and gold volumes. Anticipated higher ore grades from the Grasberg mine are expected to result in lower unit net cash costs in fourth-quarter 2016 and for the year 2017.
Indonesia mining's projected sales volumes are dependent on a number of factors, including operational performance, the timing of shipments and approval by the Indonesian government to continue the export of copper concentrate and anode slimes.
Africa Mining. In May 2016, FCX entered into an agreement to sell its interest in TF Holdings Limited (TFHL), through which FCX holds an effective 56 percent interest in the Tenke copper and cobalt mining concessions in the Southeast region of the DRC. In accordance with accounting guidelines, the operating results of Africa mining have been separately reported as discontinued operations in FCX’s consolidated statements of operations for all periods presented. The closing of the transaction is currently subject to customary closing conditions including the resolution of the right of first offer of Lundin Mining Corporation (holds a 30 percent interest in TFHL) and the parties are working towards a satisfactory resolution. In addition, La Générale des Carrières et des Mines (Gécamines), which is wholly owned by the DRC government (holds a 20 percent non-dilutable interest in Tenke Fungurume Mining S.A.) recently filed an arbitration proceeding with the International Court of Arbitration challenging the transaction; however, FCX believes that Gecamines’ claims have no legal basis. FCX and the purchaser, China Molybdenum Co., Ltd. are committed to closing the transaction and we expect to close in the fourth quarter of 2016.
Operating Data. Following is a summary of operating data for the Africa mining operations for the third quarters and first nine months of 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Copper (millions of recoverable pounds)				
Production	124	108	356	339
Sales	118	113	365	350
Average realized price per pound[a]	$2.07	$2.32	$2.07	$2.52
Cobalt (millions of contained pounds)				
Production	9	9	28	25
Sales	9	10	29	26
Average realized price per pound	$7.83	$8.96	$7.15	$9.04
Unit net cash costs per pound of copper[b]				
Site production and delivery, excluding adjustments	$1.57	$1.63	$1.61	$1.58
Cobalt credits[c]	(0.46)	(0.53)	(0.39)	(0.47)
Royalty on metals	0.05	0.05	0.05	0.06
Unit net cash costs	$1.16	$1.15	$1.27	$1.17

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

Africa mining's copper sales of 118 million pounds in third-quarter 2016 were slightly higher than third-quarter 2015 copper sales of 113 million pounds. Africa mining's sales for 2016 are expected to approximate 485 million pounds of copper and 38 million pounds of cobalt, compared with 467 million pounds of copper and 35 million pounds of cobalt for the year 2015. Africa mining's projected sales for the year 2016 would be impacted by the timing of the completion of the sale of FCX's interest in TFHL.

Africa mining's unit net cash costs (net of cobalt credits) of $1.16 per pound of copper in third-quarter 2016 were slightly higher than unit net cash costs of $1.15 per pound of copper in third-quarter 2015. Unit net cash costs (net of cobalt credits) for Africa mining are expected to approximate $1.26 per pound of copper for 2016, based on current sales volume and cost estimates and assuming an average cobalt price of $11 per pound for fourth-quarter of 2016.

Molybdenum Mines. FCX has two wholly owned molybdenum mines in North America - the Henderson underground mine and the Climax open-pit mine, both in Colorado. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrate, which is typically further processed into value-added molybdenum chemical products. The majority of molybdenum concentrate produced at the Henderson and Climax mines, as well as from FCX's North and South America copper mines, is processed at FCX's conversion facilities.
Operating and Development Activities. In response to market conditions, the revised plans for the Henderson molybdenum mine incorporate lower operating rates, resulting in an approximate 65 percent reduction in Henderson's annual production volumes. FCX also adjusted production plans at its by-product mines, including reduced production at its Sierrita mine. Additionally, FCX incorporated changes in the commercial pricing structure for its chemicals products to promote continuation of chemical-grade production.
Production from the Molybdenum mines totaled 5 million pounds of molybdenum in third-quarter 2016 and 13 million pounds in third-quarter 2015. Refer to summary operating data on page 4 for FCX's consolidated molybdenum sales, which includes sales of molybdenum produced at the Molybdenum mines, and from FCX's North and South America copper mines.
Average unit net cash costs for the Molybdenum mines of $10.28 per pound of molybdenum in third-quarter 2016 were higher than average unit net cash costs of $6.93 per pound in third-quarter 2015, primarily reflecting lower volumes. Based on current sales volume and cost estimates, unit net cash costs for the Molybdenum mines are expected to average approximately $8.50 per pound of molybdenum for the year 2016.
For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX's consolidated financial statements, refer to the supplemental schedules, "Product Revenues and Production Costs," beginning on page X.

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

OIL AND GAS OPERATIONS
Through its wholly owned oil and gas subsidiary, FM O&G, FCX's principal oil and gas assets include oil production facilities in the Deepwater GOM and California.
In September 2016, FCX entered into an agreement to sell its Deepwater GOM properties to Anadarko Petroleum Corporation (Anadarko) for cash consideration of $2.0 billion (before closing adjustments) and up to $150 million in contingent payments. The contingent payments would be received over time as Anadarko realizes future cash flows in connection with FCX's third-party production handling agreement for the Marlin platform. The transaction has an effective date of August 1, 2016, and is expected to close in fourth-quarter 2016, subject to customary closing conditions. In connection with the sale of the Deepwater GOM properties, FM O&G entered into an agreement to amend the terms of the Plains Offshore Operations Inc. preferred stock to provide FM O&G the right to call these securities for $582 million. FM O&G expects to exercise this option at the time the Deepwater GOM sale closes.
In October 2016, FCX entered into an agreement to sell its onshore California oil and gas properties to Sentinel Peak Resources California LLC for cash consideration of $592 million (before closing adjustments) and contingent consideration of up to $150 million, consisting of $50 million per year for 2018, 2019 and 2020 if the price of Brent crude oil averages $70 per barrel or higher in each of these calendar years. The transaction has an effective date of July 1, 2016, and is expected to close in fourth-quarter 2016, subject to customary closing conditions.
Impairment of Oil and Gas Properties. FCX follows the full cost method of accounting for its oil and gas operations, whereby all costs associated with oil and gas property acquisition, exploration and development activities are capitalized and amortized to expense under the unit-of-production method on a country-by-country basis using estimates of proved oil and gas reserves relating to each country where such activities are conducted. The costs of unproved oil and gas properties are excluded from amortization until the properties are evaluated.

Under full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of oil and gas properties for impairment. The U.S. Securities and Exchange Commission (SEC) requires the twelve-month average of the first-day-of-the-month historical reference oil price be used in determining the ceiling test limitation. Using West Texas Intermediate (WTI) as the reference oil price, the average price was $41.68 per barrel at September 30, 2016, compared with $43.12 per barrel at June 30, 2016. As a result of the impact of the reduction in twelve-month historical prices and reserve revisions, net capitalized costs exceeded the ceiling test limitation under full cost accounting rules, which resulted in the recognition of a third-quarter 2016 impairment charge of $239 million.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Financial Summary (in millions)				
Realized revenues[a]	$421	$593 [b]	$1,115	$1,796 [b]
Cash production costs[a]	(180)	(260)	(558)	(765)
Cash operating margin	$241	$333	$557	$1,031
Capital expenditures[c]	$160	$635	$1,028	$2,430
Sales Volumes				
Oil (MMBbls)	9.1	9.3	26.1	26.3
Natural gas (Bcf)	13.8	22.8	52.2	68.1
NGLs (MMBbls)	0.6	0.7	1.8	1.8
MMBOE	12.0	13.8	36.6	39.4
Average Realized Prices[a]				
Oil (per barrel)	$40.63	$55.88 [b]	$37.11	$59.92 [b]
Natural gas (per million British thermal units, or MMBtu)	$2.84	$2.72	$2.24	$2.74
NGLs (per barrel)	$17.65	$16.68	$16.85	$19.78
Cash Operating Margin per BOE[a]				
Realized revenues	$34.99	$43.00 [b]	$30.50	$45.57 [b]
Cash production costs	(15.00)	(18.85)	(15.28)	(19.42)
Cash operating margin	$19.99	$24.15	$15.22	$26.15

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

b. Includes realized cash gains on crude oil derivative contracts of $103 million ($11.03 per barrel of oil and $7.44 per BOE) in third-quarter 2015 and $304 million ($11.58 per barrel of oil and $7.72 per BOE) for the first nine months of 2015.

c. Excludes international oil and gas expenditures totaling $37 million in third-quarter 2015, $47 million for the first nine months of 2016 and $81 million for the first nine months of 2015, primarily related to the Morocco oil and gas properties.

The average realized price for crude oil was $40.63 per barrel in third-quarter 2016 (86 percent of the average Brent crude oil price of $46.99 per barrel). The average realized price for natural gas was $2.84 per MMBtu in third-quarter 2016, compared to the New York Mercantile Exchange natural gas price average of $2.81 per MMBtu for the July through September 2016 contracts.

Lower realized revenues for oil and gas operations of $34.99 per BOE in third-quarter 2016, compared to $43.00 per BOE in third-quarter 2015, primarily reflects the impact of realized cash gains on derivative contracts of $7.44 per BOE in third-quarter 2015.

Cash production costs for oil and gas operations of $15.00 per BOE in third-quarter 2016 were lower than cash production costs of $18.85 per BOE in third-quarter 2015, primarily reflecting ongoing cost reduction efforts.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Sales Volumes (MBOE per day)	2016	2015	2016	2015
GOM[a]	92	91	87	82
California[b]	33	35	32	37
Haynesville/Madden/Other[c]	6	24	14	25
Total oil and gas operations	131	150	133	144

a. In September 2016, FCX entered into an agreement to sell its Deepwater GOM properties; this transaction is expected to close in fourth-quarter 2016.
b. In October 2016, FCX entered into an agreement to sell its onshore California properties; this transaction is expected to close in fourth-quarter 2016.
c. In July 2016, FCX completed the sale of its Haynesville shale assets.

Daily sales volumes averaged 131 MBOE for third-quarter 2016, including 99 thousand barrels (MBbls) of crude oil, 150 million cubic feet (MMcf) of natural gas and 7 MBbls of NGLs.

Following completion of the Deepwater GOM and onshore California transactions, FCX’s portfolio of oil and gas assets would include oil and natural gas production onshore in South Louisiana and on the GOM Shelf, oil production offshore California and natural gas production from the Madden area in Central Wyoming. In third-quarter 2016, these properties produced an average of 7 MBbls of oil and NGLs per day and 74 MMcf of natural gas per day.

Oil and Gas Capital Expenditures. Capital expenditures for oil and gas operations in third-quarter 2016 totaled $160 million (including $75 million incurred for GOM and $97 million associated with the change in capital expenditure accruals).

CASH FLOWS, CASH, DEBT and EQUITY TRANSACTIONS

Operating Cash Flows. FCX generated operating cash flows of $980 million for third-quarter 2016 and $2.6 billion (including $463 million in working capital sources and changes in other tax payments) for the first nine months of 2016.

Based on current sales volume and cost estimates and assuming average prices of $2.10 per pound of copper, $1,250 per ounce of gold, $7 per pound of molybdenum and $51 per barrel of Brent crude oil for fourth-quarter 2016, FCX's consolidated operating cash flows are estimated to approximate $3.6 billion for the year 2016 (including $0.3 billion in working capital sources and other tax payments). The impact of price changes during fourth-quarter 2016 on operating cash flows would approximate $150 million for each $0.10 per pound change in the average price of copper, $20 million for each $50 per ounce change in the average price of gold, $15 million for each $2 per pound change in the average price of molybdenum and $28 million for each $5 per barrel change in the average Brent crude oil price.

Capital Expenditures. Capital expenditures totaled $494 million for third-quarter 2016, consisting of $333 million for mining operations (including $250 million for major projects primarily for the development of underground mines by PT-FI) and $160 million for oil and gas operations. Capital expenditures for the first nine months of 2016 totaled $2.3 billion, consisting of $1.2 billion for mining operations (including $0.9 billion for major projects) and $1.1 billion for oil and gas operations.

Capital expenditures are expected to approximate $2.8 billion for the year 2016, consisting of $1.6 billion for mining operations (including $1.2 billion for major projects, primarily for the development of underground mines by PT-FI and for the Cerro Verde expansion, which was completed earlier in the year) and $1.2 billion for oil and gas operations.

Cash. Following is a summary of the U.S. and international components of consolidated cash and cash equivalents available to the parent company (excluding cash and cash equivalents of $68 million in assets held for sale), net of noncontrolling interests' share, taxes and other costs at September 30, 2016 (in millions):

Cash at domestic companies	$709
Cash at international operations	399
Total consolidated cash and cash equivalents	1,108
Noncontrolling interests' share	(97)
Cash, net of noncontrolling interests' share	1,011
Withholding taxes and other	(30)
Net cash available	$981

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

		Weighted-Average Interest Rate
FCX Senior Notes	$11.5	3.8%
FCX Term Loan[a]	2.5	3.3%
FM O&G Senior Notes	2.5	6.6%
Cerro Verde Credit Facility	1.6	2.7%
Other debt	0.9	4.9%
	$19.0	4.0%

a. In accordance with the mandatory prepayment provision of the amended Term Loan, 50 percent of the proceeds associated with FCX's pending asset sale transactions must be applied toward repaying the Term Loan.

At September 30, 2016, FCX had no borrowings, $43 million in letters of credit issued and availability of $3.5 billion under its revolving credit facility.

Equity. In July 2016, FCX commenced a registered ATM offering of up to $1.5 billion of common stock. Through October 24, 2016, FCX has sold 33.5 million shares of its common stock for gross proceeds of $415 million ($12.39 per share average price). As of September 30, 2016, FCX has 1.36 billion common shares outstanding.

FINANCIAL POLICY

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

FREEPORT-McMoRan INC.
SELECTED MINING OPERATING DATA (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
100% North America Copper Mines				
Solution Extraction/Electrowinning (SX/EW) Operations				
Leach ore placed in stockpiles (metric tons per day)	681,400	927,900	764,900	911,100
Average copper ore grade (percent)	0.31	0.27	0.32	0.26
Copper production (millions of recoverable pounds)	316	300	921	808
Mill Operations				
Ore milled (metric tons per day)	300,500	311,500	299,900	309,700
Average ore grades (percent):				
Copper	0.47	0.50	0.48	0.48
Molybdenum	0.03	0.03	0.03	0.03
Copper recovery rate (percent)	87.8	85.6	86.3	85.6
Production (millions of recoverable pounds):				
Copper	216	240	661	728
Molybdenum	9	9	25	28
100% South America Mining				
SX/EW Operations				
Leach ore placed in stockpiles (metric tons per day)	163,000	192,300	158,100	220,800
Average copper ore grade (percent)	0.41	0.46	0.41	0.43
Copper production (millions of recoverable pounds)	78	107	250	330
Mill Operations				
Ore milled (metric tons per day)	355,300	131,200	348,900	122,400
Average ore grades:				
Copper (percent)	0.41	0.49	0.42	0.46
Molybdenum (percent)	0.02	0.02	0.02	0.02
Copper recovery rate (percent)	84.4	79.2	86.1	79.0
Production (recoverable):				
Copper (millions of pounds)	239	97	736	255
Molybdenum (millions of pounds)	5	1	14	5
100% Indonesia Mining				
Ore milled (metric tons per day)[a]				
Grasberg open pit	135,600	117,300	117,200	118,400
Deep Ore Zone underground mine	35,100	40,400	38,700	44,000
Deep Mill Level Zone (DMLZ) underground mine[b]	6,000	3,800	5,000	2,700
Grasberg Block Cave underground mine[b]	2,800	—	2,600	—
Big Gossan underground mine[b]	1,000	—	700	—
Total	180,500	161,500	164,200	165,100
Average ore grades:				

Copper (percent)	1.02	0.68	0.86	0.65
Gold (grams per metric ton)	0.69	0.71	0.58	0.76
Recovery rates (percent):				
Copper	91.4	89.6	90.5	90.2
Gold	82.7	81.1	81.4	83.1
Production (recoverable):				
Copper (millions of pounds)	327	192	736	551
Gold (thousands of ounces)	300	272	664	887
100% Africa Mining (Discontinued Operations)				
Ore milled (metric tons per day)	15,300	14,000	15,400	14,600
Average ore grades (percent):				
Copper	4.31	4.02	4.11	4.13
Cobalt	0.43	0.43	0.45	0.41
Copper recovery rate (percent)	93.5	94.0	93.6	94.0
Production (millions of pounds):				
Copper (recoverable)	124	108	356	339
Cobalt (contained)	9	9	28	25

a. Amounts represent the approximate average daily throughput processed at PT-FI's mill facilities from each producing mine and from development activities that result in metal production.
b. Targeted production rates once the DMLZ underground mine reaches full capacity are expected to approximate 80,000 metric tons of ore per day in 2021; production from the Big Gossan underground mine is expected to restart in the first half of 2017 and production from the Grasberg Block Cave underground mine is expected to commence in 2018.

I

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(In millions, except per share amounts)			
Revenues[a]	$3,877	$3,382	$10,453	$11,091
Cost of sales:				
Production and delivery[b]	2,509	2,595	7,957	7,862
Depreciation, depletion and amortization	643	823	1,937	2,522
Impairment of oil and gas properties	239	3,652	4,317	9,442
Metals inventory adjustments	20	91	27	154
Total cost of sales	3,411	7,161	14,238	19,980
Selling, general and administrative expenses	110 [c]	122	408 [c]	421
Mining exploration and research expenses	13	26	46	83
Environmental obligations and shutdown (credits) costs	(3)	37	18	61
Net gain on sales of assets	(13)	—	(762)	(39)
Total costs and expenses	3,518	7,346	13,948	20,506
Operating income (loss)	359	(3,964)	(3,495)	(9,415)
Interest expense, net[d]	(187)	(157)	(574)	(438)
Net gain on early extinguishment of debt	15	—	51	—
Other (expense) income, net	(10)	(41)	54	2 [e]
Income (loss) from continuing operations before income taxes and equity in affiliated companies' net earnings (losses)	177	(4,162)	(3,964)	(9,851)
Benefit from (provision for) income taxes[f]	114	349	(79)	1,762
Equity in affiliated companies' net earnings (losses)	1	(2)	9	(1)
Net income (loss) from continuing operations	292	(3,815)	(4,034)	(8,090)
Net (loss) income from discontinued operations[g]	(6)	25	(191)	95
Net income (loss)	286	(3,790)	(4,225)	(7,995)
Net income attributable to noncontrolling interests:				
Continuing operations	(37)	(13)	(146)	(61)
Discontinued operations	(22)	(16)	(44)	(68)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	(11)	(31)	(31)
Net income (loss) attributable to common stockholders[h]	$217	$(3,830)	$(4,446)	$(8,155)
Basic and diluted net income (loss) per share attributable to common stockholders:				
Continuing operations	$0.18	$(3.59)	$(3.27)	$(7.80)
Discontinued operations	(0.02)	0.01	(0.18)	0.03
	$0.16	$(3.58)	$(3.45)	$(7.77)
Basic weighted-average common shares outstanding	1,346	1,071	1,289	1,050
Diluted weighted-average common shares outstanding	1,351	1,071	1,289	1,050
Dividends declared per share of common stock	$—	$0.05	$—	$0.2605

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

b. Includes charges (i) at oil and gas operations associated with drillship settlements/idle rigs, inventory adjustments, asset impairments and other net charges and (ii) at mining operations for asset retirement/impairment and restructuring charges.

c. Includes net restructuring-related charges at oil and gas operations.

d. Consolidated interest expense, excluding capitalized interest, totaled $211 million in each of third quarter 2016 and 2015, $647 million for the first nine months of 2016 and $622 million for the first nine months of 2015.

e. Includes a gain for the proceeds received from insurance carriers and other third parties related to a shareholder derivative litigation settlement.

f. Refer to the supplemental schedule, "Income Taxes," on page V for a summary of FCX's benefit from (provision for) income taxes.

g. Net of charges for (i) allocated interest expense associated with FCX's term loan that is required to be repaid as a result of the sale of FCX's interest in TF Holdings Limited totaling $12 million in third-quarter 2016, $6 million in third-quarter 2015, $33 million for the first nine months of 2016 and $20 million for the first nine months of 2015 and (ii) income tax (benefit from) provision for totaling $(2) million in third-quarter 2016, $(11) million in third-quarter 2015, $(25) million for the first nine months of 2016 and $20 million for the first nine months of 2015. In accordance with accounting guidelines, the first nine months of 2016 also include an estimated loss on disposal, which will be adjusted through closing of the transaction.

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

FREEPORT-McMoRan INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2016	December 31, 2015
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$1,108	$195
Trade accounts receivable	788	660
Income and other tax receivables	857	1,341
Other accounts receivable	97	154
Inventories:		
Materials and supplies, net	1,349	1,594
Mill and leach stockpiles	1,312	1,539
Product	1,025	1,071
Other current assets	299	164
Held for sale	4,663	744
Total current assets	11,498	7,462
Property, plant, equipment and mining development costs, net	23,415	24,246
Oil and gas properties, net - full cost method:		
Subject to amortization, less accumulated amortization and impairment	979	2,262
Not subject to amortization	1,644	4,831
Long-term mill and leach stockpiles	1,723	1,663
Other assets	2,141	1,989
Held for sale	—	4,124
Total assets	$41,400	$46,577
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$2,347	$3,255
Current portion of debt	802	649
Current portion of environmental and asset retirement obligations	357	272
Accrued income taxes	161	23
Held for sale	821	108
Total current liabilities	4,488	4,307
Long-term debt, less current portion	18,180	19,779
Deferred income taxes	3,549	3,607
Environmental and asset retirement obligations, less current portion	3,725	3,717
Other liabilities	1,618	1,641
Held for sale	—	718
Total liabilities	31,560	33,769
Redeemable noncontrolling interest	774	764
Equity:		
Stockholders' equity:		
Common stock	149	137

Capital in excess of par value	25,601	24,283
Accumulated deficit	(16,832)	(12,387)
Accumulated other comprehensive loss	(476)	(503)
Common stock held in treasury	(3,710)	(3,702)
Total stockholders' equity	4,732	7,828
Noncontrolling interests[a]	4,334	4,216
Total equity	9,066	12,044
Total liabilities and equity	$41,400	$46,577

a. Includes noncontrolling interests of $1.2 billion at September 30, 2016, and December 31, 2015, associated with Tenke.

III

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

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Cash flow from operating activities:		
Net loss	$(4,225)	$(7,995)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	2,017	2,717
Impairment of oil and gas properties	4,317	9,442
Non-cash oil and gas drillship settlements	606	—
Other asset impairments, inventory adjustments, restructuring and other	119	104
Metals inventory adjustments	27	154
Net gain on sales of assets	(762)	(39)
Net charges for environmental and asset retirement obligations, including accretion	149	174
Payments for environmental and asset retirement obligations	(190)	(135)
Net gain on early extinguishment of debt	(51)	—
Deferred income taxes	(22)	(1,926)
Estimated loss on disposal of discontinued operations	182	—
Increase in long-term mill and leach stockpiles	(84)	(183)
Net gains on crude oil derivative contracts	—	(87)
Other, net	48	40
Changes in working capital and other tax payments, excluding amounts from dispositions:		
Accounts receivable	257	990
Inventories	251	83
Other current assets	(120)	(13)
Accounts payable and accrued liabilities	(80)	(150)
Accrued income taxes and changes in other tax payments	155	(568)
Net cash provided by operating activities	2,594	2,608
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(87)	(308)
South America	(332)	(1,339)
Indonesia	(715)	(660)
Molybdenum mines	(2)	(10)
U.S. oil and gas operations	(1,028)	(2,430)
Other	(145)	(308)
Net proceeds from sale of additional interest in Morenci	996	—
Net proceeds from sales of other assets	410	151
Other, net	9	(37)
Net cash used in investing activities	(894)	(4,941)
Cash flow from financing activities:		
Proceeds from debt	3,463	6,552
Repayments of debt	(4,539)	(4,693)

Net proceeds from sale of common stock	442	999
Cash dividends and distributions paid:		
Common stock	(5)	(547)
Noncontrolling interests	(87)	(89)
Stock-based awards net payments, including excess tax benefit	(5)	(8)
Debt financing costs and other, net	(17)	(7)
Net cash (used in) provided by financing activities	(748)	2,207
Net increase (decrease) in cash and cash equivalents	952	(126)
(Increase) decrease in cash and cash equivalents in assets held for sale	(39)	42
Cash and cash equivalents at beginning of year	195	317
Cash and cash equivalents at end of period	$1,108	$233

IV

FREEPORT-McMoRan INC.
INCOME TAXES

Following is a summary of the approximate amounts used in the calculation of FCX's consolidated income tax benefit (provision) for the first nine months of 2016 and 2015 (in millions, except percentages):

	Nine Months Ended September 30,					
	2016			2015		
	Income (Loss)[a]	Effective Tax Rate	Income Tax Benefit (Provision)	Income (Loss)[a]	Effective Tax Rate	Income Tax Benefit (Provision)
U.S.	$(616)	47%	$ 292 [b]	$(1,033)[c]	42%	$ 435
South America	290	39%	(114)	76	42%	(32)
Indonesia	544	39%	(212)	327	44%	(145)
Impairment of oil and gas properties	(4,317)	38%	1,632	(9,442)	37%	3,497
Valuation allowance, net[d]	—	N/A	(1,632)	—	N/A	(1,910)
Eliminations and other	135	N/A	(46)	221	N/A	(70)
Rate adjustment[e]	—	N/A	1	—	N/A	(13)
Continuing operations	$(3,964)	(2)% [f]	$ (79)	$(9,851)	18%	$ 1,762

a. Represents income (loss) from continuing operations by geographic location before income taxes and equity in affiliated companies' net earnings (losses).

b. Includes net tax credits of $290 million for the first nine months of 2016 associated with FCX's election to monetize alternative minimum tax credits, changes to valuation allowances and net operating loss carryback claims.

c. Includes a gain of $92 million related to net proceeds received from insurance carriers and other third parties related to the shareholder derivative litigation settlement for which there was no related tax provision.

d. As a result of the impairment to U.S. oil and gas properties, FCX recorded tax charges to establish valuation allowances against U.S. federal and state deferred tax assets that will not generate a future benefit.

e. In accordance with applicable accounting rules, FCX adjusts its interim provision for income taxes equal to its consolidated tax rate.

f. The consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which FCX operates. Accordingly, variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate. Assuming achievement of current sales volume and cost estimates and average prices of $2.10 per pound for copper, $1,250 per ounce for gold, $7 per pound for molybdenum and $51 per barrel of Brent crude oil for fourth-quarter 2016, FCX estimates its consolidated effective rate related to continuing operations for the year 2016 will approximate 40 percent, excluding U.S. domestic losses.

V

FREEPORT-McMoRan INC.
DERIVATIVE INSTRUMENTS
Provisional Pricing. During the first nine months of 2016, FCX's mined copper (excluding volumes from Tenke) was sold 56 percent in concentrate, 22 percent as cathode and 22 percent as rod from North America operations. Under the long-established structure of sales agreements prevalent in the industry, copper contained in concentrates and cathodes is provisionally priced at the time of shipment. The provisional prices are finalized in a contractually specified future month (generally one to four months from the shipment date) primarily based on quoted monthly average spot copper prices on the London Metal Exchange (LME). Because a significant portion of FCX's copper concentrate and cathode sales in any quarterly period usually remain subject to final pricing, the quarter-end forward price is a major determinant of recorded revenues and the average recorded copper price for the period. LME spot copper prices averaged $2.16 per pound during third-quarter 2016, compared to FCX's average realized price (excluding Tenke) of $2.19 per pound. Following is a summary of the (unfavorable) favorable impacts of net adjustments to prior periods' provisionally priced copper sales for the third quarters and first nine months of 2016 and 2015 (in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$(15)	$(117)	$5	$(100)
Net income attributable to common stock from continuing operations	$(7)	$(58)	$2	$(48)
Net income per share of common stock from continuing operations	$(0.01)	$(0.05)	$—	$(0.05)

At September 30, 2016, FCX had provisionally priced copper sales at its copper mining operations (excluding volumes from Tenke) totaling 521 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average of $2.20 per pound, subject to final pricing over the next several months. FCX estimates that each $0.05 change in the price realized from the September 30, 2016, provisional price recorded would have an approximate $17 million effect on 2016 net income attributable to common stock from continuing operations.

DEFERRED PROFITS
FCX defers recognizing profits on sales from its mining operations to Atlantic Copper and on 25 percent of PT Freeport Indonesia's (PT-FI) sales to PT Smelting (PT-FI's 25 percent-owned Indonesian smelting unit) until final sales to third parties occur. Changes in these deferrals attributable to variability in intercompany volumes resulted in net additions to net income (loss) attributable to common stock of $17 million in third-quarter 2016, less than $1 million in third-quarter 2015, $6 million for the first nine months of 2016 and $37 million the first nine months of 2015. FCX's net deferred profits on its inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income attributable to common stock from continuing operations totaled $19 million at September 30, 2016. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices will result in variability in FCX's net deferred profits and quarterly earnings.

FREEPORT-McMoRan INC.
BUSINESS SEGMENTS

FCX has organized its continuing mining operations into four primary divisions – North America copper mines, South America mining, Indonesia mining and Molybdenum mines, and operating segments that meet certain thresholds are reportable segments. For oil and gas operations, FCX determines its operating segments on a country-by-country basis. Separately disclosed in the following table are FCX's reportable segments, which include the Morenci, Cerro Verde and Grasberg copper mines, the Rod & Refining operations, the Atlantic Copper Smelting & Refining operation and U.S. Oil & Gas operations.

FCX's reportable segments previously included Africa mining, which consisted of the Tenke Fungurume (Tenke) mine. In May 2016, FCX entered into a definitive agreement to sell its effective 56 percent interest in Tenke, and as a result, Tenke has been removed from continuing operations and reported as discontinued operations for all periods presented.

On May 31, 2016, FCX completed the sale of an additional 13 percent undivided joint venture interest in the Morenci unincorporated joint venture. As a result, FCX's undivided interest in Morenci was prospectively reduced from 85 percent to 72 percent.

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. In addition, intersegment sales from Tenke to FCX's other consolidated subsidiaries have been eliminated in discontinued operations.

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 (included in Corporate, Other & Eliminations), 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.

VII

FREEPORT-McMoRan INC.
BUSINESS SEGMENTS (continued)

(In millions)	Mining Operations[a]														
	North America Copper Mines			South America			Indonesia								
				Cerro				Molyb-denum	Rod &	Atlantic Copper Smelting &	Other Mining & Elimi-	Total	U.S. Oil & Gas	Corporate, Other & Elimi-	FCX
	Morenci	Other	Total	Verde	Other	Total	Grasberg	Mines	Refining	Refining	nations	Mining	Operations	nations	Total
Three Months Ended September 30, 2016															
Revenues:															
Unaffiliated customers	$115	$112	$227	$505	$112	$617	$984 [b]	$—	$930	$445	$247 [c]	$3,450	$427	$—	$3,877
Intersegment	358	499	857	54	—	54	2	46	7	—	(966)	—	—	—	—
Production and delivery	275	458	733	333	91	424	478 [d]	51	931	416	(777)	2,256	231 [e]	22 [e]	2,509
Depreciation, depletion and amortization	51	78	129	109	25	134	110	15	2	7	19	416	223	4	643
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	238	1	239
Metals inventory adjustments	—	6	6	—	—	—	—	6	—	—	8	20	—	—	20
Selling, general and administrative expenses	1	—	1	1	1	2	24	—	—	5	3	35	31	44	110
Mining exploration and research expenses	—	1	1	—	—	—	—	—	—	—	12	13	—	—	13
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	(3)	(3)	—	—	(3)
Net gain on sale of assets	1	—	1	—	—	—	—	—	—	—	—	1	(7)	(7)	(13)
Operating income (loss)	145	68	213	116	(5)	111	374	(26)	4	17	19	712	(289)	(64)	359
	1	—	1	21	—	21	—	—	—	3	21	46	102	39	187

Interest expense, net															
Provision for (benefit from) income taxes	—	—	—	36	(4)	32	158	—	—	—	—	190	—	(304)	(114)
Total assets at September 30, 2016	2,881	4,540	7,421	9,139	1,551	10,690	9,830	1,953	238	565	6,170 [f]	36,867	3,462	1,071	41,400 [f]
Capital expenditures	6	5	11	38	1	39	256	1	—	5	21 [g]	333	160	1	494
Three Months Ended September 30, 2015															
Revenues:															
Unaffiliated customers	$165	$58	$223	$238	$187	$425	$557 [b]	$—	$946	$438	$267 [c]	$2,856	$525 [h]	$1	$3,382
Intersegment	332	614	946	13	—	13	52	83	5	1	(1,100)	—	—	—	—
Production and delivery	357	616 [d]	973	177	167 [d]	344	417	83 [d]	946	410	(873) [d]	2,300	293 [e]	2 [d]	2,595
Depreciation, depletion and amortization	51	85	136	57	32	89	90	26	2	10	16	369	450	4	823
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	3,480	172 [i]	3,652
Metals inventory adjustments	—	55	55	—	—	—	—	3	—	—	33	91	—	—	91
Selling, general and administrative expenses	1	—	1	1	—	1	24	—	—	4	5	35	37	50	122
Mining exploration and research expenses	—	1	1	—	—	—	—	—	—	—	25	26	—	—	26
Environmental obligations and shutdown costs	—	3	3	—	—	—	—	—	—	—	33	36	—	1	37
Operating income (loss)	88	(88)	—	16	(12)	4	78	(29)	3	15	(72)	(1)	(3,735)	(228)	(3,964)
Interest expense, net	1	—	1	—	—	—	—	—	—	3	19	23	51	83	157
Provision for (benefit from) income taxes	—	—	—	—	2	2	21	—	—	—	—	23	—	(372)	(349)

Total assets at September 30, 2015	3,720	5,159	8,879	9,136	1,843	10,979	8,965	2,017	235	699	6,426 [f]	38,200	11,911	272	50,383 [f]
Capital expenditures	61	33	94	421	16	437	222	3	1	10	78 [g]	845	635 [j]	47	1,527

a. Excludes the results of Tenke, which is reported as discontinued operations. Net (loss) income from discontinued operations totaled $(6) million in third-quarter 2016 and $25 million in third-quarter 2015. Refer to the supplemental schedules, "Product Revenues and Production Costs," beginning on page X for a summary of the results of discontinued operations.

b. Includes PT-FI's sales to PT Smelting totaling $348 million in third-quarter 2016 and $61 million in third-quarter 2015.

c. Includes revenues from FCX's molybdenum sales company, which includes sales of molybdenum produced by the Molybdenum mines and by certain of the North and South America copper mines.

d. Third-quarter 2016 includes asset retirement charges of $17 million at Indonesia mining. Third-quarter 2015 includes asset impairment and restructuring charges totaling $75 million at other North America copper mines, and restructuring charges totaling $11 million at other South America copper mines, $2 million at Molybdenum mines, $2 million at Other Mining & Eliminations and $2 million at Corporate, Other & Eliminations.

e. Includes net charges for oil and gas operations totaling $50 million in third-quarter 2016 and $21 million in third-quarter 2015, primarily for idle rig costs, inventory adjustments, asset impairments and other net charges,

f. Includes assets held for sale totaling $4.7 billion at September 30, 2016, and $4.9 billion at September 30, 2015, primarily associated with the Tenke disposal group.

g. Includes capital expenditures of $15 million in third-quarter 2016 and $69 million in third-quarter 2015 associated with the Tenke disposal group.

h. Includes net mark-to-market gains of $29 million associated with crude oil derivative contracts.

i. Reflects impairment charges for international oil and gas properties primarily in Morocco.

j. Excludes international oil and gas capital expenditures totaling $37 million, primarily related to the Morocco oil and gas properties, which are included in Corporate, Other & Eliminations.

VIII

FREEPORT-McMoRan INC.
BUSINESS SEGMENTS (continued)

(In millions)	Mining Operations[a] North America Copper Mines			South America			Indonesia								
	Morenci	Other	Total	Cerro Verde	Other	Total	Grasberg	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Other Mining & Eliminations	Total Mining	U.S. Oil & Gas Operations	Corporate Other & Eliminations	FCX Total
Nine Months Ended September 30, 2016															
Revenues:															
Unaffiliated customers	$356	$211	$567	$1,485	$379	$1,864	$2,014[b]	$—	$2,820	$1,360	$696 [c]	$9,321	$1,132	$—	$10,4
Intersegment	1,119	1,594	2,713	155	—	155	59	136	22	3	(3,088)	—	—	—	—
Production and delivery	913	1,334	2,247	927	313	1,240	1,228 [d]	147	2,820	1,275	(2,562)	6,395	1,527 [e]	35[e]	7,957
Depreciation, depletion and amortization	170	237	407	319	83	402	284	51	7	22	57	1,230	696	11	1,937
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	4,299	18[f]	4,317
Metals inventory adjustments	—	6	6	—	—	—	—	12	—	—	9	27	—	—	27
Selling, general and administrative expenses	2	2	4	5	1	6	60	—	—	13	9	92	161 [g]	155	408
Mining exploration and research expenses	—	2	2	—	—	—	—	—	—	—	44	46	—	—	46
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	17	17	—	1	18
Net gain on sale of assets	(576)	—	(576)	—	—	—	—	—	—	—	(172)	(748)	(7)	(7)	(762
Operating income (loss)	966	224	1,190	389	(18)	371	501	(74)	15	53	206	2,262	(5,544)	(213)	(3,49
	2	1	3	63	—	63	—	—	—	11	60	137	266	171	574

Interest expense, net															
Provision for (benefit from) income taxes	—	—	—	126	(12)	114	212	—	—	—	—	326	—	(24)	779
Capital expenditures	71	16	87	329	3	332	715	2	1	12	84 h	1,233	1,028 i	48	2,309

Nine Months Ended September 30, 2015

Revenues: