


SIERRITA PRODUCTION CURTAILMENT WATER MANAGEMENT PLAN



In June 2006, Sierrita signed a Mitigation Order on Consent (MOC) with the Arizona Department of Environmental Quality (ADEQ). Under the MOC, Sierrita is to undertake mitigation so that drinking water supplies do not exceed 250 mg/l of sulfate at the point of drinking water use as a result of the operation of Sierrita's Tailings Impoundment (STI). The mitigation is accomplished through the installation and operation of groundwater wells, monitoring, groundwater modeling, and reporting to ADEQ to ensure that the mitigation is functioning as required by the MOC.

More information on the MOC can be found at: fcx.com/sierrita/home.htm.

In January 2016, Sierrita began implementation of a production curtailment plan, in response to low copper and molybdenum prices, reducing mining and milling operations to 75% of capacity. A full curtailment of mining and milling operations is anticipated in mid-2016. Before implementing the full curtailment, the Company will construct a system to effectively manage the water being pumped under the MOC. This is intended to be a temporary measure until full production at Sierrita resumes. While we cannot predict the timeframe of this temporary situation, we have a positive outlook for the long-term global demand and supply fundamentals for the copper and molybdenum markets. Sierrita has a large ore reserve position and has a bright future for many decades to come.

Currently 100% of the water pumped from the MOC wells is transported to the Sierrita concentrator to be used in the production of copper and molybdenum concentrates. Without an actively producing concentrator, water being pumped from the MOC wells will need to be managed differently. The plan for managing this temporary situation is described in this fact sheet.

WATER MANAGEMENT ACTION PLAN

Pumping from the MOC wells will be reduced from a current average pumping rate of approximately 12,000 gallons per minute (GPM) to 7,750 GPM, accomplished by reducing pumping rates from wells nearer to the STI while increasing pumping rates at the downgradient edge of the sulfate plume. The reduced pumping will continue to prevent migration of sulfate affected water toward the drinking water supply wells east of the plume. The increased pumping on the downgradient edge of the plume will reduce downgradient migration to the north. Modeling indicates that this approach can be used for at least five years and continue to meet the mitigation action objective.

A system is under construction to transport MOC well water to the STI to be distributed on the surface through evaporators that will increase the rate of evaporation of this MOC well water. As an initial step prior to implementation of the STI evaporation system, and as a contingency for management of excess water, a pipeline to the Twin Buttes pit is under construction that will be used to place MOC well water into the Twin Buttes pit.

The water in the Twin Buttes pit will be managed carefully so that the water level in the pit remains below that which would alter the current groundwater capture zone of the pit. As an additional contingency step, Sierrita is evaluating the construction of a pipeline to the Sierrita pit if an unforeseen situation in which the water level in the Twin Butte pit is nearing its maximum and the evaporation system on the STI is not able to handle additional water. Water in an operating open-pit mine is a normal condition and can be pumped out when operations at the Sierrita mine resume.

REGULATORY PROCESS

Sierrita submitted a contingency plan to ADEQ on November 9, 2015 that included the reduced pumping rate at the MOC well field to 7,750 GPM; the deposition and evaporation of the affected water on the STI; and the contingency plan to place water in the Sierrita pit. ADEQ concurred with the plan and reduced pumping commenced on January 9. Additionally, ADEQ has given verbal authorization for the use of the Twin Buttes pit for storage of water from MOC wells. The November 2015 contingency plan has been amended to add use of the Twin Buttes pit for water storage and submitted to ADEQ.

SIERRITA COMMITTED TO SULFATE MITIGATION

Sierrita is taking extraordinary steps in response to the current downturn in the commodities markets that are negatively impacting the prices of copper and molybdenum. We are nevertheless confident that a recovery in the markets will occur and production at Sierrita will eventually be resumed to full capacity. In the meantime, we are committed to remaining in compliance with the Sulfate Mitigation Order on Consent while Sierrita's production curtailment is in effect.

