

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 March 31, 2021
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	FCX	The New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On April 30, 2021, there were issued and outstanding 1,465,526,823 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.
CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2021	December 31, 2020
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,580	\$ 3,657
Trade accounts receivable	1,248	892
Income and other tax receivables	522	520
Inventories:		
Materials and supplies, net	1,596	1,594
Mill and leach stockpiles	1,007	1,014
Product	1,542	1,285
Other current assets	361	341
Total current assets	10,856	9,303
Property, plant, equipment and mine development costs, net	29,775	29,818
Long-term mill and leach stockpiles	1,475	1,463
Other assets	1,537	1,560
Total assets	\$ 43,643	\$ 42,144
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,866	\$ 2,708
Current portion of debt	656	34
Accrued income taxes	647	324
Current portion of environmental and asset retirement obligations	331	351
Dividends payable	111	—
Total current liabilities	4,611	3,417
Long-term debt, less current portion	9,153	9,677
Deferred income taxes	4,446	4,408
Environmental and asset retirement obligations, less current portion	3,720	3,705
Other liabilities	2,140	2,269
Total liabilities	24,070	23,476
Equity:		
Stockholders' equity:		
Common stock	160	159
Capital in excess of par value	26,080	26,037
Accumulated deficit	(10,963)	(11,681)
Accumulated other comprehensive loss	(580)	(583)
Common stock held in treasury	(3,777)	(3,758)
Total stockholders' equity	10,920	10,174
Noncontrolling interests	8,653	8,494
Total equity	19,573	18,668
Total liabilities and equity	\$ 43,643	\$ 42,144

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(In millions, except per share amounts)	
Revenues	\$ 4,850	\$ 2,798
Cost of sales:		
Production and delivery	2,786	2,545
Depreciation, depletion and amortization	419	341
Metals inventory adjustments	1	222
Total cost of sales	3,206	3,108
Selling, general and administrative expenses	100	110
Mining exploration and research expenses	7	16
Environmental obligations and shutdown costs	5	26
Net loss on sales of assets	—	11
Total costs and expenses	3,318	3,271
Operating income (loss)	1,532	(473)
Interest expense, net	(145)	(127)
Net loss on early extinguishment of debt	—	(32)
Other income, net	11	20
Income (loss) before income taxes and equity in affiliated companies' net (losses) earnings	1,398	(612)
(Provision for) benefit from income taxes	(443)	60
Equity in affiliated companies' net (losses) earnings	(2)	3
Net income (loss)	953	(549)
Net (income) loss attributable to noncontrolling interests	(235)	58
Net income (loss) attributable to common stockholders	\$ 718	\$ (491)
Net income (loss) per share attributable to common stockholders:		
Basic	\$ 0.49	\$ (0.34)
Diluted	\$ 0.48	\$ (0.34)
Weighted-average common shares outstanding:		
Basic	1,462	1,452
Diluted	1,477	1,452
Dividends declared per share of common stock	\$ 0.075	\$ —

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Net income (loss)	\$ 953	\$ (549)
Other comprehensive income, net of taxes:		
Defined benefit plans:		
Actuarial losses arising during the period	(1)	—
Amortization of unrecognized amounts included in net periodic benefit costs	4	12
Foreign exchange losses	(1)	(5)
Other comprehensive income	2	7
Total comprehensive income (loss)	955	(542)
Total comprehensive (income) loss attributable to noncontrolling interests	(234)	59
Total comprehensive income (loss) attributable to common stockholders	\$ 721	\$ (483)

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2021	2020
(In millions)		
Cash flow from operating activities:		
Net income (loss)	\$ 953	\$ (549)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	419	341
Metals inventory adjustments	1	222
Net loss on sales of assets	—	11
Stock-based compensation	41	27
Net charges for environmental and asset retirement obligations, including accretion	39	60
Payments for environmental and asset retirement obligations	(54)	(71)
Net charges for defined pension and postretirement plans	—	18
Pension plan contributions	(21)	(26)
Net loss on early extinguishment of debt	—	32
Deferred income taxes	38	(118)
Charges for Cerro Verde royalty dispute	5	9
Payments for Cerro Verde royalty dispute	(38)	(57)
Other, net	28	(56)
Changes in working capital and other:		
Accounts receivable	(361)	205
Inventories	(225)	154
Other current assets	6	(89)
Accounts payable and accrued liabilities	(42)	(149)
Accrued income taxes and timing of other tax payments	286	(2)
Net cash provided by (used in) operating activities	<u>1,075</u>	<u>(38)</u>
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(26)	(184)
South America	(21)	(74)
Indonesia	(310)	(326)
Molybdenum mines	(1)	(7)
Other	(12)	(19)
Proceeds from sales of assets	5	66
Other, net	(3)	(2)
Net cash used in investing activities	<u>(368)</u>	<u>(546)</u>
Cash flow from financing activities:		
Proceeds from debt	130	1,478
Repayments of debt	(32)	(1,242)
Cash dividends paid on common stock	—	(73)
Contributions from noncontrolling interests	41	32
Proceeds from exercised stock options	106	1
Payments for withholding of employee taxes related to stock-based awards	(19)	(5)
Debt financing costs and other, net	(1)	(18)
Net cash provided by financing activities	<u>225</u>	<u>173</u>
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	932	(411)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	3,903	2,278
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	<u>\$ 4,835</u>	<u>\$ 1,867</u>

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
THREE MONTHS ENDED MARCH 31

	Stockholders' Equity									
	Common Stock			Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value			Number of Shares	At Cost			
	(In millions)									
Balance at December 31, 2020	1,590	\$ 159	\$ 26,037	\$(11,681)	\$ (583)	132	\$ (3,758)	\$ 10,174	\$ 8,494	\$ 18,668
Exercised and issued stock-based awards	7	1	105	—	—	—	—	106	—	106
Stock-based compensation, including the tender of shares	—	—	29	—	—	1	(19)	10	(3)	7
Dividends	—	—	(111)	—	—	—	—	(111)	(93)	(204)
Contributions from noncontrolling interests	—	—	20	—	—	—	—	20	21	41
Net income attributable to common stockholders	—	—	—	718	—	—	—	718	—	718
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	235	235
Other comprehensive income (loss)	—	—	—	—	3	—	—	3	(1)	2
Balance at March 31, 2021	<u>1,597</u>	<u>\$ 160</u>	<u>\$ 26,080</u>	<u>\$(10,963)</u>	<u>\$ (580)</u>	<u>133</u>	<u>\$ (3,777)</u>	<u>\$ 10,920</u>	<u>\$ 8,653</u>	<u>\$ 19,573</u>

	Stockholders' Equity									
	Common Stock			Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value			Number of Shares	At Cost			
	(In millions)									
Balance at December 31, 2019	1,582	\$ 158	\$ 25,830	\$(12,280)	\$ (676)	131	\$ (3,734)	\$ 9,298	\$ 8,150	\$ 17,448
Exercised and issued stock-based awards	1	—	1	—	—	—	—	1	—	1
Stock-based compensation, including the tender of shares	—	—	29	—	—	—	(5)	24	—	24
Contributions from noncontrolling interests	—	—	15	—	—	—	—	15	17	32
Net loss attributable to common stockholders	—	—	—	(491)	—	—	—	(491)	—	(491)
Net loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(58)	(58)
Other comprehensive income (loss)	—	—	—	—	8	—	—	8	(1)	7
Balance at March 31, 2020	<u>1,583</u>	<u>\$ 158</u>	<u>\$ 25,875</u>	<u>\$(12,771)</u>	<u>\$ (668)</u>	<u>131</u>	<u>\$ (3,739)</u>	<u>\$ 8,855</u>	<u>\$ 8,108</u>	<u>\$ 16,963</u>

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

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 Freeport-McMoRan Inc.'s (FCX) consolidated financial statements and notes contained in its annual report on Form 10-K for the year ended December 31, 2020 (2020 Form 10-K). 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. All such adjustments are, in the opinion of management, of a normal recurring nature. Operating results for the three-month period ended March 31, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

Trade Accounts Receivable Agreements. In first-quarter 2021, PT Freeport Indonesia (PT-FI) entered into agreements to sell certain trade accounts receivables to unrelated third-party financial institutions. The agreements were entered into in the normal course of business to fund the working capital for the additional quantity of copper to be supplied by PT-FI to PT Smelting (a smelter in Gresik, Indonesia owned 25 percent by PT-FI through April 30, 2020, and 39.5 percent thereafter. See "Acquisition of Minority Interest in PT Smelting" below) beginning January 1, 2021. The balances sold under the agreements were excluded from trade accounts receivable on the consolidated balance sheet at March 31, 2021. Receivables are considered sold when (i) they are transferred beyond the reach of PT-FI and its creditors, (ii) the purchaser has the right to pledge or exchange the receivables, and (iii) PT-FI has no continuing involvement in the transferred receivables. In addition, PT-FI provides no other forms of continued financial support to the purchaser of the receivables once the receivables are sold.

For the three-month period ended March 31, 2021, gross amounts sold under these arrangements totaled \$52.5 million (\$52.4 million net of discount).

Acquisition of Minority Interest in PT Smelting. On April 30, 2021, PT-FI acquired 14.5 percent of the outstanding common stock of PT Smelting for \$33 million, increasing its ownership interest from 25 percent to 39.5 percent. The remaining shares of PT Smelting continue to be owned by Mitsubishi Materials Corporation. PT-FI will continue to account for its investment in PT Smelting using the equity method since it does not have control over PT Smelting.

Subsequent Events. FCX evaluated events after March 31, 2021, 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.

NOTE 2. EARNINGS PER SHARE

FCX calculates its basic net income (loss) per share of common stock under the two-class method and calculates its diluted net income (loss) per share of common stock using the more dilutive of the two-class method or the treasury-stock method. Basic net income (loss) per share of common stock was computed by dividing net income (loss) attributable to common stockholders (after deducting accumulated dividends and undistributed earnings to participating securities) by the weighted-average shares of common stock outstanding during the period. Diluted net income (loss) per share of common stock was calculated by including the basic weighted-average shares of common stock outstanding adjusted for the effects of all potential dilutive shares of common stock.

Reconciliations of net income (loss) and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted net income (loss) per share follow (in millions, except per share amounts):

	Three Months Ended March 31,	
	2021	2020
Net income (loss)	\$ 953	\$ (549)
Net (income) loss attributable to noncontrolling interests	(235)	58
Undistributed earnings allocated to participating securities	(4)	(3)
Net income (loss) attributable to common stockholders	\$ 714	\$ (494)
Basic weighted-average shares of common stock outstanding	1,462	1,452
Add shares issuable upon exercise or vesting of dilutive stock options and restricted stock units (RSUs)	15	— ^a
Diluted weighted-average shares of common stock outstanding	1,477	1,452
Basic net income (loss) per share attributable to common stockholders:	\$ 0.49	\$ (0.34)
Diluted net income (loss) per share attributable to common stockholders:	\$ 0.48	\$ (0.34)

a. Excludes approximately 10 million shares associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock and RSUs that were anti-dilutive.

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 (loss) per share of common stock. Stock options for 10 million shares of common stock in first-quarter 2021 and 40 million shares of common stock in first-quarter 2020, were excluded.

NOTE 3. INVENTORIES, INCLUDING LONG-TERM MILL AND LEACH STOCKPILES

The components of inventories follow (in millions):

	March 31, 2021	December 31, 2020
Current inventories:		
Total materials and supplies, net ^a	\$ 1,596	\$ 1,594
Mill stockpiles	\$ 177	\$ 205
Leach stockpiles	830	809
Total current mill and leach stockpiles	\$ 1,007	\$ 1,014
Raw materials (primarily concentrate)	\$ 419	\$ 366
Work-in-process	165	174
Finished goods	958	745
Total product	\$ 1,542	\$ 1,285
Long-term inventories:		
Mill stockpiles	\$ 245	\$ 223
Leach stockpiles	1,230	1,240
Total long-term mill and leach stockpiles ^b	\$ 1,475	\$ 1,463

a. Materials and supplies inventory was net of obsolescence reserves totaling \$35 million at March 31, 2021, and \$32 million at December 31, 2020.

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

FCX recorded net realizable value inventory adjustments to decrease long-term metals inventory carrying values totaling \$1 million in first-quarter 2021, associated with lower market prices for molybdenum, and \$222 million in first-quarter 2020, associated with lower market prices for copper (\$205 million) and molybdenum (\$17 million) (refer to Note 9 for metals inventory adjustments by business segment).

NOTE 4. INCOME TAXES

Geographic sources of FCX's (provision for) benefit from income taxes follow (in millions):

	Three Months Ended March 31,	
	2021	2020
U.S. operations	\$ —	\$ 5
International operations	(443)	55
Total	\$ (443)	\$ 60

FCX's consolidated effective income tax rate was 32 percent for first-quarter 2021 and 10 percent for first-quarter 2020. Because FCX's U.S. jurisdiction generated pre-tax losses in the first three months of 2020 that did not result in a realized tax benefit, applicable accounting rules required FCX to adjust its estimated annual effective tax rate to exclude the impact of U.S. pre-tax losses. Variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate.

In connection with the negative impacts of the COVID-19 pandemic on the global economy, governments throughout the world are announcing measures that are intended to provide tax and other financial relief. Such measures include the American Rescue Plan Act of 2021 (ARPA), enacted on March 11, 2021, and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020. None of these measures resulted in material impacts to FCX's provision for income taxes for the three months ended March 31, 2021 and 2020. However, certain provisions of the CARES Act provided FCX with the opportunity to accelerate collections of tax refunds, primarily those associated with the U.S. alternative minimum tax. FCX collected U.S. alternative minimum tax credit refunds of \$221 million in July 2020 and \$24 million in October 2020. FCX collected the remaining U.S. alternative minimum tax credit refund of \$23 million in March 2021. FCX continues to evaluate income tax accounting considerations of COVID-19 measures as they develop, including any impact on its measurement of existing deferred tax assets and deferred tax liabilities. FCX will recognize any impact from COVID-19 related changes to tax laws in the period in which the new legislation is enacted.

NOTE 5. DEBT AND EQUITY

The components of debt follow (in millions):

	March 31, 2021	December 31, 2020
Senior notes and debentures:		
Issued by FCX	\$ 8,785	\$ 8,783
Issued by Freeport Minerals Corporation (FMC)	356	356
Cerro Verde Term Loan	524	523
Other	144	49
Total debt	9,809	9,711
Less current portion of debt	(656)	(34)
Long-term debt	\$ 9,153	\$ 9,677

Revolving Credit Facility. At March 31, 2021, FCX had no borrowings outstanding and approximately \$10 million in letters of credit issued under its revolving credit facility, resulting in availability of approximately \$3.5 billion, of which approximately \$1.5 billion could be used for additional letters of credit. Availability under FCX's revolving credit facility consists of \$3.28 billion maturing April 2024 and \$220 million maturing April 2023.

In March 2021, FCX delivered a Covenant Reversion Notice (as defined in the third amendment to the revolving credit facility dated June 3, 2020), which provided notification of its election to end the Covenant Increase Period (as defined in the third amendment to the revolving credit facility dated June 3, 2020). As a result, the leverage ratio limit reverted to 5.25x through the quarter ending June 30, 2021 (stepping down to 3.75x beginning with the quarter ending September 30, 2021), and the interest expense coverage ratio minimum reverted to 2.25x. Additionally, following FCX's election to end the Covenant Increase Period, the additional limits on priority debt and liens, and the provisions related to minimum liquidity and restricted payments (which included restrictions on the payment of common stock dividends) are no longer applicable. At March 31, 2021, FCX was in compliance with its revolving credit facility covenants.

Interest Expense, Net. Consolidated interest costs (before capitalization) totaled \$160 million in first-quarter 2021 and \$171 million in first-quarter 2020. Capitalized interest added to property, plant, equipment and mine development costs, net, totaled \$15 million in first-quarter 2021 and \$44 million in first-quarter 2020. The decrease in capitalized interest in first-quarter 2021, compared with first-quarter 2020, is primarily related to significant assets at PT-FI's underground mines being placed in service.

Common Stock. In February 2021, FCX's Board of Directors (the Board) reinstated a cash dividend on FCX's common stock. On March 24, 2021, FCX declared a quarterly cash dividend of \$0.075 per share on its common stock, which was paid on May 3, 2021, to common stockholders of record as of April 15, 2021.

NOTE 6. 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. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions.

A discussion of FCX's other 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 and cathode customers request a fixed market price instead of the Commodity Exchange Inc. (COMEX) 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 resulting from hedge ineffectiveness during the three-month periods ended March 31, 2021 and 2020. At March 31, 2021, FCX held copper futures and swap contracts that qualified for hedge accounting for 66 million pounds at an average contract price of \$3.73 per pound, with maturities through March 2023.

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, including the unrealized gains (losses) on the related hedged item follows (in millions):

	Three Months Ended	
	March 31,	
	2021	2020
Copper futures and swap contracts:		
Unrealized gains (losses):		
Derivative financial instruments	\$ 3	\$ (33)
Hedged item – firm sales commitments	(3)	33
Realized gains (losses):		
Matured derivative financial instruments	24	(9)

Derivatives Not Designated as Hedging Instruments

Embedded Derivatives. Certain FCX 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. FCX receives market prices based on prices in the specified future month, which results in price fluctuations recorded in revenues until the date of settlement. FCX records revenues and invoices customers at the time of shipment based on then-current LME or COMEX copper prices and the London gold prices as specified in the contracts, which results in an embedded derivative (i.e., a pricing mechanism that is finalized after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrate or cathode at the then-current LME or COMEX copper price, and the London gold price. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host contract in its concentrate or cathode sales agreements since these contracts do not allow for net settlement and always result in physical delivery. The embedded derivative does not qualify for hedge accounting and is adjusted to fair value through earnings each period, using the period-end LME or COMEX copper forward prices and the adjusted London gold prices, until the date of final pricing. Similarly, FCX purchases copper under contracts that provide for provisional pricing. Mark-to-market price fluctuations from these embedded derivatives are recorded through the settlement date and are reflected in revenues for sales contracts and in inventory for purchase contracts.

A summary of FCX's embedded derivatives at March 31, 2021, follows:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	486	\$ 3.83	\$ 3.99	August 2021
Gold (thousands of ounces)	151	1,755	1,689	June 2021
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	123	3.77	3.99	July 2021

Copper Forward Contracts. Atlantic Copper, FCX's wholly owned smelting and refining unit in Spain, enters into copper forward 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 production and delivery costs. At March 31, 2021, Atlantic Copper held net copper forward purchase contracts for 23 million pounds at an average contract price of \$4.09 per pound, with maturities through May 2021.

Summary of Gains (Losses). A summary of the realized and unrealized gains (losses) recognized in operating income for commodity contracts that do not qualify as hedge transactions, including embedded derivatives, follows (in millions):

	Three Months Ended	
	March 31,	
	2021	2020
Embedded derivatives in provisional sales contracts: ^a		
Copper	\$ 207	\$ (238)
Gold and other metals	(28)	7
Copper forward contracts ^b	(8)	24

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):

	March 31, 2021	December 31, 2020
Commodity Derivative Assets:		
<u>Derivatives designated as hedging instruments:</u>		
Copper futures and swap contracts	\$ 18	\$ 15
<u>Derivatives not designated as hedging instruments:</u>		
Embedded derivatives in provisional sales/purchase contracts	105	169
Copper forward contracts	3	—
Total derivative assets	<u>\$ 126</u>	<u>\$ 184</u>
Commodity Derivative Liabilities:		
<u>Derivatives not designated as hedging instruments:</u>		
Embedded derivatives in provisional sales/purchase contracts	67	21
Copper forward contracts	1	—
Total derivative liabilities	<u>\$ 68</u>	<u>\$ 21</u>

FCX's commodity contracts have netting arrangements with counterparties with which the right of offset exists, and it is FCX's policy to generally offset balances by contract on its balance sheet. FCX's embedded derivatives on provisional sales/purchase contracts are netted with the corresponding outstanding receivable/payable balances.

A summary of these unsettled commodity contracts that are offset in the balance sheets follows (in millions):

	Assets		Liabilities	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Gross amounts recognized:				
Embedded derivatives in provisional sales/purchase contracts	\$ 105	\$ 169	\$ 67	\$ 21
Copper derivatives	21	15	1	—
	<u>126</u>	<u>184</u>	<u>68</u>	<u>21</u>
Less gross amounts of offset:				
Embedded derivatives in provisional sales/purchase contracts	7	1	7	1
Copper derivatives	1	—	1	—
	<u>8</u>	<u>1</u>	<u>8</u>	<u>1</u>
Net amounts presented in balance sheet:				
Embedded derivatives in provisional sales/purchase contracts	98	168	60	20
Copper derivatives	20	15	—	—
	<u>\$ 118</u>	<u>\$ 183</u>	<u>\$ 60</u>	<u>\$ 20</u>
Balance sheet classification:				
Trade accounts receivable	\$ 92	\$ 168	\$ 23	\$ —
Other current assets	19	15	—	—
Other assets	1	—	—	—
Accounts payable and accrued liabilities	6	—	37	20
	<u>\$ 118</u>	<u>\$ 183</u>	<u>\$ 60</u>	<u>\$ 20</u>

Credit Risk. FCX is exposed to credit loss when financial institutions with which it 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. As of March 31, 2021, the maximum amount of credit exposure associated with derivative transactions was \$128 million.

Other Financial Instruments. Other financial instruments include cash and cash equivalents, restricted cash, restricted 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 \$0.3 billion at March 31, 2021, and December 31, 2020), restricted cash, restricted cash equivalents, 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 7 for the fair values of investment securities, legally restricted funds and long-term debt).

In addition, as of March 31, 2021, FCX has contingent consideration assets related to the sales of certain oil and gas properties (refer to Note 7 for the related fair values).

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents. The following table provides a reconciliation of total cash, cash equivalents, restricted cash and restricted cash equivalents presented in the consolidated statements of cash flows (in millions):

	March 31, 2021	December 31, 2020
Balance sheet components:		
Cash and cash equivalents	\$ 4,580	\$ 3,657
Restricted cash and restricted cash equivalents included in:		
Other current assets	106	97
Other assets	149	149
Total cash, cash equivalents, restricted cash and restricted cash equivalents presented in the consolidated statements of cash flows	<u>\$ 4,835</u>	<u>\$ 3,903</u>

NOTE 7. 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) and the lowest priority to unobservable inputs (Level 3). FCX did not have any significant transfers in or out of Level 3 during first-quarter 2021.

FCX's financial instruments are recorded on the consolidated balance sheets at fair value except for contingent consideration associated with the sale of the Deepwater Gulf of Mexico (GOM) oil and gas properties (which was recorded under the loss recovery approach) and debt. A summary of the carrying amount and fair value of FCX's financial instruments (including those measured at net asset value (NAV) as a practical expedient), other than cash and cash equivalents, restricted cash, restricted cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable (refer to Note 6) follows (in millions):

	At March 31, 2021					
	Carrying Amount	Total	NAV	Level 1	Level 2	Level 3
Assets						
Investment securities: ^{a,b}						
U.S. core fixed income fund	\$ 29	\$ 29	\$ 29	\$ —	\$ —	\$ —
Equity securities	6	6	—	6	—	—
Total	35	35	29	6	—	—
Legally restricted funds: ^a						
U.S. core fixed income fund	63	63	63	—	—	—
Government bonds and notes	46	46	—	—	46	—
Corporate bonds	40	40	—	—	40	—
Government mortgage-backed securities	28	28	—	—	28	—
Asset-backed securities	12	12	—	—	12	—
Money market funds	12	12	—	12	—	—
Collateralized mortgage-backed securities	4	4	—	—	4	—
Municipal bonds	1	1	—	—	1	—
Total	206	206	63	12	131	—
Derivatives:						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position ^c	105	105	—	—	105	—
Copper futures and swap contracts ^c	18	18	—	15	3	—
Copper forward contracts ^c	3	3	—	1	2	—
Total	126	126	—	16	110	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties ^a	104	88	—	—	—	88
Liabilities						
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	67	67	—	—	67	—
Copper forward contracts	1	1	—	—	1	—
Total	68	68	—	—	68	—
Long-term debt, including current portion ^d	9,809	10,891	—	—	10,891	—

	At December 31, 2020					
	Carrying Amount	Fair Value				
		Total	NAV	Level 1	Level 2	Level 3
Assets						
Investment securities: ^{a,b}						
U.S. core fixed income fund	\$ 29	\$ 29	\$ 29	\$ —	\$ —	\$ —
Equity securities	7	7	—	7	—	—
Total	36	36	29	7	—	—
Legally restricted funds: ^a						
U.S. core fixed income fund	65	65	65	—	—	—
Government bonds and notes	49	49	—	—	49	—
Corporate bonds	43	43	—	—	43	—
Government mortgage-backed securities	30	30	—	—	30	—
Asset-backed securities	16	16	—	—	16	—
Money market funds	5	5	—	5	—	—
Collateralized mortgage-backed securities	4	4	—	—	4	—
Municipal bonds	1	1	—	—	1	—
Total	213	213	65	5	143	—
Derivatives:						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position ^c	169	169	—	—	169	—
Copper futures and swap contracts ^c	15	15	—	13	2	—
Total	184	184	—	13	171	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties ^a						
	108	88	—	—	—	88
Liabilities						
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	21	21	—	—	21	—
Long-term debt, including current portion ^d	9,711	10,994	—	—	10,994	—

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

b. Excludes time deposits (which approximated fair value) included in (i) other current assets of \$106 million at March 31, 2021, and \$97 million at December 31, 2020, and (ii) other assets of \$148 million at both March 31, 2021 and December 31, 2020, primarily associated with an assurance bond to support PT-FI's commitment for the development of a greenfield smelter in Indonesia and PT-FI's closure and reclamation guarantees.

c. Refer to Note 6 for further discussion and balance sheet classifications.

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

Valuation Techniques. The U.S. core fixed income fund is valued at NAV. The fund strategy seeks total return consisting of income and capital appreciation primarily by investing in a broad range of investment-grade debt securities, including U.S. government obligations, corporate bonds, mortgage-backed securities, asset-backed securities and money market instruments. There are no restrictions on redemptions (which are usually within one business day of notice).

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.

Fixed income securities (government securities, corporate bonds, asset-backed securities, collateralized mortgage-backed securities and municipal bonds) are valued using a bid-evaluation price or a mid-evaluation price. 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.

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

FCX's embedded derivatives on provisional copper concentrate, copper cathode and gold purchases and sales are valued using quoted monthly LME or COMEX copper forward prices and the adjusted London gold prices at each reporting date based on the month of maturity (refer to Note 6 for further discussion); 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 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 6 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.

In December 2016, FCX's sale of its Deepwater GOM oil and gas properties included up to \$150 million in contingent consideration that was recorded at the total amount under the loss recovery approach. The contingent consideration is being received over time as cash flows are realized from a third-party production handling agreement for an offshore platform, with the related payments commencing in third-quarter 2018. The contingent consideration included in (i) other current assets totaled \$18 million at March 31, 2021, and \$12 million at December 31, 2020, and (ii) other assets totaled \$86 million at March 31, 2021, and \$96 million at December 31, 2020. The fair value of this contingent consideration was calculated based on a discounted cash flow model using inputs that include third-party estimates for reserves, production rates and production timing, and discount rates. Because significant inputs are not observable in the market, the contingent consideration is classified within Level 3 of the fair value hierarchy.

Long-term debt, including current portion, is primarily valued using available market quotes and, as such, is classified within Level 2 of the fair value hierarchy.

The techniques described above may produce a fair value 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 March 31, 2021, as compared with those techniques used at December 31, 2020.

A summary of the changes in the fair value of FCX's Level 3 instrument, contingent consideration for the sale of the Deepwater GOM oil and gas properties, during the first three months of 2021 follows (in millions):

Fair value at January 1, 2021	\$	88
Net unrealized gain related to assets still held at the end of the period		5
Settlements		(5)
Fair value at March 31, 2021	\$	<u>88</u>

NOTE 8. CONTINGENCIES AND COMMITMENTS

Litigation

There were no significant updates to previously reported legal proceedings included in Note 12 of FCX's 2020 Form 10-K, other than the matters discussed below.

Asbestos and Talc Claims. As previously disclosed, since approximately 1990, various FCX affiliates have been named as defendants in a large number of lawsuits alleging personal injury from, among other things, exposure to asbestos or talc allegedly contained in industrial products, and more recently alleging the presence of asbestos contamination in talc-based cosmetic and personal care products. Cyprus Amax Minerals Company (CAMC), an indirect wholly owned subsidiary of FCX, and Cyprus Mines Corporation (Cyprus Mines), a wholly owned subsidiary of CAMC, are among the targets of such lawsuits. Cyprus Mines and subsidiaries were engaged in talc mining and processing from 1964 until 1992 when Cyprus Mines exited its talc business. On February 13, 2019, Imerys Talc America (Imerys), the current owner of the talc business assets and liabilities previously owned by Cyprus Mines, filed for Chapter 11 bankruptcy protection. On December 22, 2020, Imerys filed an amended bankruptcy plan disclosing a global settlement with Cyprus Mines and CAMC, which provides a framework for a full and comprehensive resolution of all current and future potential liabilities arising out of the Cyprus Mines talc business,

including claims against FCX, its affiliates, Cyprus Mines, and CAMC. On January 21, 2021, in connection with the proposed global settlement, Imerys sought an injunction temporarily staying up to approximately 950 talc-related lawsuits against CAMC and Cyprus Mines. On February 22, 2021, the bankruptcy court granted the requested preliminary injunction, which is currently in place until June 30, 2021. The global settlement is subject to, among other things, bankruptcy court approvals of both the Imerys bankruptcy plan and the Cyprus Mines bankruptcy plan, and there can be no assurance that the global settlement will be successfully implemented.

Other Matters

PT-FI and PT Smelting Export Licenses. In March 2021, PT-FI received a one-year extension of its export license through March 15, 2022, and in January 2021, PT Smelting received a six-month extension of its anodes slimes export license, which currently expires July 18, 2021.

Development Progress of Greenfield Smelter at East Java. On January 7, 2021, the Indonesia government levied an administrative fine of \$149 million for the period from March 30, 2020, through September 30, 2020 (additional fines could be levied on exports after September 30, 2020), on PT-FI for failing to achieve physical development progress on the greenfield smelter as of July 31, 2020. PT-FI responded to the Indonesia government objecting to the fine because of events outside of its control that caused a delay in development progress for the greenfield smelter at East Java. PT-FI believes that its communications during 2020 with the Indonesia government were not properly considered before the administrative fine was levied. PT-FI is continuing to discuss this matter with the Indonesia government as well as provide additional documentation to support its position on the cause of delays in development progress on the greenfield smelter. During first-quarter 2021, PT-FI recorded a \$13 million charge for a potential settlement of the administrative fine which is expected to include a revised construction schedule for the greenfield smelter. The final settlement could differ from the amount recorded in first-quarter 2021.

NOTE 9. BUSINESS SEGMENTS

FCX has organized its 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. Separately disclosed in the following tables are FCX's reportable segments, which include the Morenci, Cerro Verde and Grasberg (Indonesia Mining) copper mines, the Rod & Refining operations and Atlantic Copper Smelting & Refining.

Intersegment sales between FCX's business segments are based on terms similar to 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 mines to other segments, including Atlantic Copper Smelting & Refining, and until April 30, 2021 on 25 percent of PT-FI's sales to PT Smelting, until final sales to third parties occur. See Note 1 regarding PT-FI's increased ownership in PT Smelting as of April 30, 2021. 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.

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 Financial Information by Business Segment 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.

Product Revenues. FCX's revenues attributable to the products it sold for the first quarters of 2021 and 2020 follow (in millions):

	Three Months Ended March 31,	
	2021	2020
Copper:		
Concentrate	\$ 1,709	\$ 849
Cathode	1,234	837
Rod and other refined copper products	684	542
Purchased copper ^a	218	235
Gold	518	270
Molybdenum	244	243
Other ^b	253	157
Adjustments to revenues:		
Treatment charges	(97)	(80)
Royalty expense ^c	(63)	(20)
Export duties ^d	(29)	(4)
Revenues from contracts with customers	4,671	3,029
Embedded derivatives ^e	179	(231)
Total consolidated revenues	\$ 4,850	\$ 2,798

a. FCX purchases copper cathode primarily for processing by its Rod & Refining operations.

b. Primarily includes revenues associated with cobalt and silver.

c. Reflects royalties on sales from PT-FI and Cerro Verde that will vary with the volume of metal sold and prices.

d. Reflects PT-FI export duties.

e. Refer to Note 6 for discussion of embedded derivatives related to FCX's provisionally priced concentrate and cathode sales contracts.

Financial Information by Business Segment

(In millions)

	North America Copper Mines			South America Mining			Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Eliminations	FCX Total
	Morenci	Other	Total	Cerro Verde	Other	Total						
Three Months Ended March 31, 2021												
Revenues:												
Unaffiliated customers	\$ 4	\$ 28	\$ 32	\$ 917	\$ 175	\$ 1,092	\$ 1,383 ^a	\$ —	\$ 1,309	\$ 687	\$ 347 ^b	\$ 4,850
Intersegment	564	742	1,306	45	—	45	52	70	7	—	(1,480)	—
Production and delivery	269	480	749	436	103	539	455	57	1,316	673	(1,003) ^c	2,786
Depreciation, depletion and amortization	34	46	80	89	12	101	199	15	1	7	16	419
Metals inventory adjustments	—	—	—	—	—	—	—	1	—	—	—	1
Selling, general and administrative expenses	—	1	1	2	—	2	26	—	—	7	64	100
Mining exploration and research expenses	—	—	—	—	—	—	—	—	—	—	7	7
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	5	5
Operating income (loss)	265	243	508	435	60	495	755	(3)	(1)	—	(222)	1,532
Interest expense, net	—	—	—	13	—	13	1	—	—	1	130	145
Provision for (benefit from) income taxes	—	—	—	173	21	194	315	—	—	—	(66)	443
Total assets at March 31, 2021	2,629	5,283	7,912	8,723	1,738	10,461	17,551	1,753	235	997	4,734	43,643
Capital expenditures	10	16	26	20	1	21	310	1	1	6	5	370

Three Months Ended March 31, 2020

Revenues:

Unaffiliated customers	\$ 2	\$ 7	\$ 9	\$ 376	\$ 98	\$ 474	\$ 445 ^a	\$ —	\$ 1,115	\$ 429	\$ 326 ^b	\$ 2,798
Intersegment	442	534	976	38	—	38	—	71	8	11	(1,104)	—
Production and delivery	349	511	860	424	110	534	343	66	1,119	411	(788)	2,545
Depreciation, depletion and amortization	44	48	92	93	15	108	101	16	2	7	15	341
Metals inventory adjustments	4	141	145	—	60	60	—	4	—	—	13	222
Selling, general and administrative expenses	1	—	1	2	—	2	28	—	—	5	74	110
Mining exploration and research expenses	—	1	1	—	—	—	—	—	—	—	15	16
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	1	—	25	26
Net loss on sales of assets	—	—	—	—	—	—	—	—	—	—	11	11
Operating income (loss)	46	(160)	(114)	(105)	(87)	(192)	(27)	(15)	1	17	(143)	(473)
Interest expense, net	1	—	1	28	—	28	1	—	—	3	94	127
(Benefit from) provision for income taxes	—	—	—	(52)	(26)	(78)	12	—	—	—	6	(60)
Total assets at March 31, 2020	2,814	5,093	7,907	8,471	1,655	10,126	16,711	1,788	231	635	2,821	40,219
Capital expenditures	44	140	184	59	15	74	326	7	2	6	11	610

a. Includes PT-FI's sales to PT Smelting totaling \$792 million in first-quarter 2021 and \$380 million in first-quarter 2020.

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

c. Includes charges associated with the major maintenance turnaround at the Miami smelter totaling \$68 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Freeport-McMoRan Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of Freeport-McMoRan Inc. (the Company) as of March 31, 2021, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for the three-month periods ended March 31, 2021 and 2020, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2020, the related consolidated statements of operations, comprehensive income (loss), cash flows and equity for the year then ended, and the related notes (not presented herein); and in our report dated February 16, 2021, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

/s/ Ernst & Young LLP

Phoenix, Arizona
May 5, 2021

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 (MD&A), "we," "us" and "our" refer to Freeport-McMoRan Inc. (FCX) and its consolidated subsidiaries. You should read this discussion in conjunction with our consolidated financial statements, the related MD&A and the discussion of our Business and Properties in our annual report on Form 10-K for the year ended December 31, 2020 (2020 Form 10-K), 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 (refer to "Cautionary Statement" for further discussion). References to "Notes" are Notes included in our Notes to Consolidated Financial Statements (Unaudited). Throughout MD&A, all references to income or losses per share are on a diluted basis.

OVERVIEW

We are a leading international mining company with headquarters in Phoenix, Arizona. We operate large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. We are one of the world's largest publicly traded copper producers. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; and significant mining operations in North America and South America, including the large-scale Morenci minerals district in Arizona and the Cerro Verde operation in Peru.

Our financial results for first-quarter 2021 reflect solid operational execution, building a strong foundation for near-term growth in volumes and cash flows and we have a favorable operational and market outlook. We believe that we have a high-quality portfolio of long-lived copper assets positioned to generate long-term value.

The ramp-up of underground mining at PT Freeport Indonesia (PT-FI) is advancing on schedule and Cerro Verde's concentrator facilities exceeded planned milling rates, averaging 390,100 metric tons of ore per day. Our Lone Star copper leach project, which was successfully completed in the second half of 2020, is on track to achieve expected annual copper production of approximately 200 million pounds beginning in 2021. Refer to "Operations" for further discussion.

Net income (loss) attributable to common stock totaled \$718 million in first-quarter 2021 and \$(491) million in first-quarter 2020. First-quarter 2021 results, compared with first-quarter 2020, primarily reflect higher copper prices and volumes, partly offset by a higher provision for income taxes. The first-quarter 2020 net loss included unfavorable metals inventory adjustments totaling \$182 million. Refer to "Consolidated Results" for further discussion.

At March 31, 2021, we had \$4.6 billion in consolidated cash and cash equivalents and \$9.8 billion in total debt, with no borrowings and \$3.5 billion available under our revolving credit facility. In 2022, we have scheduled debt maturities associated with our 3.55% Senior Notes (\$0.5 billion) and the Cerro Verde Term Loan (\$0.5 billion). Refer to Note 5 and "Capital Resources and Liquidity" for further discussion.

OUTLOOK

We continue to view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper in the world's economy. Our financial results vary as a result of fluctuations in market prices primarily for copper, gold and, to a lesser extent, molybdenum, as well as other factors. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Refer to "Markets" below and "Risk Factors" in Part I, Item 1A. of our 2020 Form 10-K for further discussion. Because we cannot control the prices of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs, operating cash flows and capital expenditures.

Consolidated Sales Volumes

Following are our projected consolidated sales volumes for the year 2021:

Copper (millions of recoverable pounds):

North America copper mines	1,465
South America mining	1,045
Indonesia mining	1,340
Total	3,850

Gold (millions of recoverable ounces)

1.3

Molybdenum (millions of recoverable pounds)85^a

- a. Projected molybdenum sales include 25 million pounds produced by our Molybdenum mines and 60 million pounds produced by our North America and South America copper mines.

Consolidated sales volumes in second-quarter 2021 are expected to approximate 975 million pounds of copper, 330 thousand ounces of gold and 21 million pounds of molybdenum. Projected sales volumes are dependent on operational performance, continued progress of the ramp-up of underground mining at PT-FI, impacts and duration of the COVID-19 pandemic, weather-related conditions, timing of shipments, and other factors.

For other important factors that could cause results to differ materially from projections, refer to "Cautionary Statement" and "Risk Factors" contained in Part I, Item 1A. of our 2020 Form 10-K.

Consolidated Unit Net Cash Costs

Assuming average prices of \$1,750 per ounce of gold and \$11.00 per pound of molybdenum for the remainder of 2021 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 \$1.33 per pound of copper for the year 2021 (including \$1.42 per pound of copper in second-quarter 2021). The impact of price changes for the remainder of 2021 on consolidated unit net cash costs for the year 2021 would approximate \$0.03 per pound of copper for each \$100 per ounce change in the average price of gold and \$0.02 per pound of copper 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.

Consolidated Operating Cash Flows

Our consolidated operating cash flows vary with sales volumes; prices realized from copper, gold and molybdenum sales; production costs; income taxes; other working capital changes; and other factors. Based on current sales volume and cost estimates, and assuming average prices of \$4.00 per pound for copper, \$1,750 per ounce for gold, and \$11.00 per pound for molybdenum for the remainder of 2021, our consolidated operating cash flows are estimated to approximate \$6.5 billion (net of \$0.1 billion of working capital and other uses) for the year 2021. Estimated consolidated operating cash flows for the year 2021 also reflect an estimated income tax provision of \$2.3 billion (refer to "Consolidated Results – Income Taxes" for further discussion of our projected income tax rate for the year 2021). The impact of price changes for the remainder of 2021 on operating cash flows would approximate \$265 million for each \$0.10 per pound change in the average price of copper, \$70 million for each \$100 per ounce change in the average price of gold and \$90 million for each \$2 per pound change in the average price of molybdenum.

Consolidated Capital Expenditures

Consolidated capital expenditures are expected to approximate \$2.3 billion for the year 2021, including \$1.4 billion for major projects, primarily associated with underground development activities in the Grasberg minerals district and exclude estimates associated with Indonesia smelter development.

We expect capital expenditures for the development of a greenfield smelter in East Java, Indonesia to approximate \$0.1 billion in 2021. PT-FI plans to finance the smelter development with debt which, pursuant to the shareholders agreement, would be shared 51 percent by PT Indonesia Asahan Aluminium (Persero) (PT Inalum, also known as MIND ID) and 49 percent by FCX.

MARKETS

World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2011 through March 2021, the London Metal Exchange (LME) copper settlement price varied from a low of \$1.96 per pound in 2016 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 \$1,049 per ounce in 2015 to a record high of \$2,067 per ounce in 2020; and the *Metals Week* Molybdenum Dealer Oxide weekly average price ranged from a low of \$4.46 per pound in 2015 to a high of \$17.88 per pound in 2011. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in “Risk Factors” contained in Part I, Item 1A. of our 2020 Form 10-K.

**LME Copper Prices
Through March 31, 2021**



This graph presents LME copper settlement prices and the combined reported stocks of copper at the LME, Commodity Exchange Inc., and the Shanghai Futures Exchange from January 2011 through March 2021. During first-quarter 2021, LME copper settlement prices ranged from a low of \$3.52 per pound to a high of \$4.36 per pound, averaged \$3.86 per pound and settled at \$4.01 per pound on March 31, 2021. Copper prices, which increased in 2020 as China’s economy began to recover from the COVID-19 pandemic, have continued to rise in 2021 on improved investor sentiment towards commodities, supported by forecasts for a strong post-pandemic recovery and copper’s prominent role in the clean energy transition. The LME copper settlement price was \$4.51 per pound on April 30, 2021.

Expectations for longer-term copper demand growth remain in place. We expect future demand to be supported by the global transition to renewable energy and other carbon-reduction initiatives, and continued urbanization in developing countries. The limited number of approved, large-scale projects scheduled, the long lead times required to permit and build new mines and declining ore grades at existing operations highlight the supply challenges for copper.

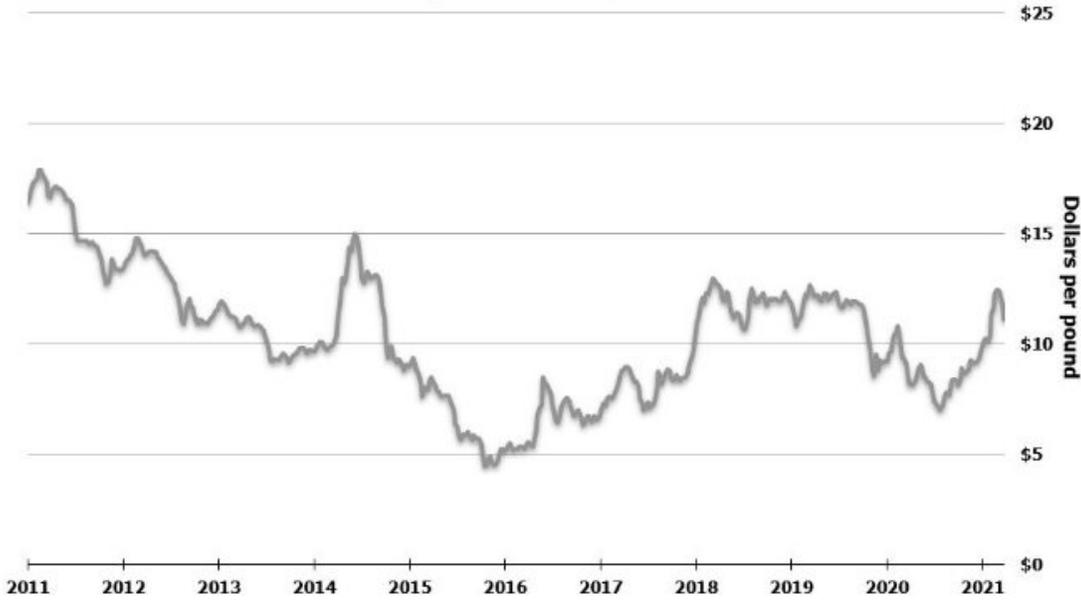
London Gold Prices Through March 31, 2021



This graph presents London PM gold prices from January 2011 through March 2021. During first-quarter 2021, London PM gold prices ranged from a low of \$1,684 per ounce to a high of \$1,943 per ounce, averaged \$1,794 per ounce, and closed at \$1,691 per ounce on March 31, 2021. While the global economic recovery has put downward pressure on gold prices, many analysts expect gold prices to remain supported by the effects of elevated debt levels associated with large pandemic-related stimulus efforts, historically low U.S. interest rates and a weaker U.S. dollar. The London PM gold price was \$1,767 per ounce on April 30, 2021.

Metals Week Molybdenum Dealer Oxide Prices

Through March 31, 2021



This graph presents the *Metals Week* Molybdenum Dealer Oxide weekly average price from January 2011 through March 2021. During first-quarter 2021, the weekly average price of molybdenum ranged from a low of \$10.09 per pound to a high of \$12.46 per pound, averaged \$11.33 per pound, and was \$11.05 per pound on March 31, 2021. Molybdenum prices have reacted to supply concerns as mines in both Chile and Peru reported lower production and logistics challenges continued globally. The *Metals Week* Molybdenum Dealer Oxide weekly average price was \$11.44 per pound on April 30, 2021.

CONSOLIDATED RESULTS

	Three Months Ended March 31,	
	2021	2020
SUMMARY FINANCIAL DATA	(in millions, except per share amounts)	
Revenues ^{a,b}	\$ 4,850	\$ 2,798
Operating income (loss) ^{a,c,d}	\$ 1,532 ^e	\$ (473) ^f
Net income (loss) attributable to common stock ^g	\$ 718 ^h	\$ (491) ^{i,j}
Diluted net income (loss) per share of common stock	\$ 0.48	\$ (0.34)
Diluted weighted-average common shares outstanding	1,477	1,452
Operating cash flows ^k	\$ 1,075	\$ (38)
Capital expenditures	\$ 370	\$ 610
At March 31:		
Cash and cash equivalents	\$ 4,580	\$ 1,602
Total debt, including current portion	\$ 9,809	\$ 10,074

- a. Refer to Note 9 for a summary of revenues and operating income (loss) by operating division.
- b. Includes favorable (unfavorable) adjustments to prior period provisionally priced concentrate and cathode copper sales totaling \$146 million (\$57 million to net income attributable to common stock or \$0.04 per share) in first-quarter 2021 and \$(107) million (\$(45) million to net loss attributable to common stock or \$(0.03) per share) in first-quarter 2020 (refer to Note 6).
- c. Includes net unfavorable metals inventory adjustments totaling \$1 million (\$1 million to net income attributable to common stock or less than \$0.01 per share) in first-quarter 2021 and \$222 million (\$182 million to net loss attributable to common stock or \$0.12 per share) in first-quarter 2020.
- d. Includes net credits (charges) associated with environmental obligations and related litigation reserves totaling \$3 million (\$3 million to net income attributable to common stock or less than \$0.01 per share) in first-quarter 2021 and \$(14) million (\$(14) million to net loss attributable to common stock or \$(0.01) per share) in first-quarter 2020.
- e. Includes net charges totaling \$23 million (\$20 million to net income attributable to common stock or \$0.01 per share), primarily associated with employee separation charges, international tax matters and asset retirement obligation adjustments.
- f. Includes net losses on sales of assets totaling \$11 million (\$11 million to net loss attributable to common stock or \$0.01 per share).
- g. We defer recognizing profits on intercompany sales until final sales to third parties occur. Refer to "Operations – Smelting and Refining" for a summary of net impacts from changes in these deferrals.
- h. Includes net charges associated with contested matters at PT-FI totaling \$20 million (\$0.01 per share) associated with an administrative fine levied by the Indonesia government and historical tax audits. These charges, before income taxes and noncontrolling interests, were recorded to production and delivery (\$13 million), interest expense, net (\$4 million) and other income, net (\$5 million).
- i. Includes after-tax net losses on early extinguishment of debt totaling \$32 million (\$0.02 per share).
- j. Includes net charges totaling \$17 million (\$0.01 per share), primarily associated with (i) COVID-19-related net charges of \$9 million associated with idle facility costs at Cerro Verde and contract cancellation costs at El Abra, and (ii) other net charges of \$8 million, primarily related to a change in a tax position at Cerro Verde and asset impairments. These charges, before income taxes and noncontrolling interests, were recorded to production and delivery (\$25 million), depreciation, depletion and amortization (\$8 million), interest expense, net (\$7 million) and other income, net (\$4 million).
- k. Working capital and other (uses) sources totaled \$(336) million in first-quarter 2021 and \$119 million in first-quarter 2020.

	Three Months Ended March 31,	
	2021	2020
SUMMARY OPERATING DATA		
Copper (millions of recoverable pounds)		
Production	910	731
Sales, excluding purchases	825	729
Average realized price per pound	\$ 3.94	\$ 2.43
Site production and delivery costs per pound ^a	\$ 1.86	\$ 2.19 ^b
Unit net cash costs per pound ^a	\$ 1.39	\$ 1.90
Gold (thousands of recoverable ounces)		
Production	297	156
Sales, excluding purchases	258	144
Average realized price per ounce	\$ 1,713	\$ 1,606
Molybdenum (millions of recoverable pounds)		
Production	20	19
Sales, excluding purchases	21	21
Average realized price per pound	\$ 11.62	\$ 11.10

- a. 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. For reconciliations of 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.”
- b. Excludes COVID-19 related costs of \$0.03 per pound of copper, primarily associated with idle facility costs at Cerro Verde and contract cancellation costs at El Abra.

Revenues

Consolidated revenues totaled \$4.9 billion in first-quarter 2021 and \$2.8 billion in first-quarter 2020. Revenues from our mining operations primarily include the sale of copper concentrate, copper cathode, copper rod, gold in concentrate and molybdenum. Refer to Note 9 for a summary of product revenues.

Following is a summary of changes in our consolidated revenues between periods (in millions):

	Three Months Ended March 31	
Consolidated revenues - 2020 period	\$	2,798
Higher (lower) sales volumes:		
Copper		233
Gold		183
Molybdenum		(6)
Higher average realized prices:		
Copper		1,245
Gold		28
Molybdenum		11
Adjustments for prior period provisionally priced copper sales		253
Higher Atlantic Copper revenues		247
Lower revenues from purchased copper		(17)
Higher treatment charges		(17)
Higher royalties and export duties		(68)
Other, including intercompany eliminations		(40)
Consolidated revenues - 2021 period	\$	4,850

Sales Volumes. Consolidated copper and gold sales volumes increased in first-quarter 2021, compared to first-quarter 2020, primarily reflecting continued progress of the ramp-up of underground mining at PT-FI, partly offset by timing of shipments. Refer to “Operations” for further discussion of sales volumes at our mining operations.

Realized Prices. Our consolidated revenues can vary significantly as a result of fluctuations in the market prices of copper, gold and molybdenum. Average realized prices for first-quarter 2021, compared with first-quarter 2020, were 62 percent higher for copper, 7 percent higher for gold and 5 percent higher for molybdenum.

Average realized copper prices include net favorable (unfavorable) adjustments to current period provisionally priced copper sales totaling \$61 million in first-quarter 2021 and \$(131) million in first-quarter 2020. As discussed in Note 6, 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 copper prices. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on 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.

Prior Period Provisionally Priced Copper Sales. Net favorable (unfavorable) adjustments to prior periods' provisionally priced copper sales (*i.e.*, provisionally priced sales at December 31, 2020 and 2019) recorded in consolidated revenues totaled \$146 million in first-quarter 2021 and \$(107) million in first-quarter 2020. Refer to Notes 6 and 9 for a summary of total adjustments to prior period and current period provisionally priced sales.

At March 31, 2021, we had provisionally priced copper sales totaling 276 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average of \$3.99 per pound, subject to final pricing over the next several months. We estimate that each \$0.05 change in the price realized from the March 31, 2021, provisional price recorded would have an approximate \$8 million effect on our 2021 net income attributable to common stock. The LME copper price settled at \$4.51 per pound on April 30, 2021.

Atlantic Copper Revenues. Atlantic Copper revenues totaled \$687 million in first-quarter 2021, compared with \$440 million in first-quarter 2020. Higher revenues in first-quarter 2021, compared with first-quarter 2020, primarily reflect higher copper prices.

Purchased Copper. We purchase copper cathode primarily for processing by our Rod & Refining operations. The volumes of copper purchases vary depending on cathode production from our operations and totaled 53 million pounds in first-quarter 2021 and 88 million pounds in first-quarter 2020.

Treatment Charges. Revenues from our concentrate sales are recorded net of treatment charges (*i.e.*, fees paid to smelters that are generally negotiated annually), which will vary with the sales volumes and the price of copper.

Royalties and Export Duties. Royalties are primarily on PT-FI sales and vary with the volume of metal sold and the prices of copper and gold. PT-FI will continue to pay export duties until development progress for a greenfield smelter in Indonesia exceeds 50 percent. Refer to "Operations – Indonesia Mining" for further discussion of the current progress on a greenfield smelter in Indonesia and to Note 9 for a summary of royalty expense and export duties.

Production and Delivery Costs

Consolidated production and delivery costs totaled \$2.8 billion in first-quarter 2021 and \$2.5 billion in first-quarter 2020. Higher consolidated production and delivery costs in first-quarter 2021 primarily reflect higher sales volumes.

Site Production and Delivery Costs Per Pound. Site production and delivery costs for our copper mining operations primarily include labor, energy and commodity-based inputs, such as sulphuric acid, reagents, liners, tires and explosives. Consolidated site production and delivery costs (before net noncash and other costs) for our copper mines averaged \$1.86 per pound of copper in first-quarter 2021 and \$2.19 per pound of copper in first-quarter 2020. Consolidated site production and delivery costs per pound of copper for first-quarter 2020 exclude certain charges associated with the COVID-19 pandemic totaling \$0.03 per pound of copper. Lower consolidated site production and delivery costs per pound in the 2021 periods, compared with the 2020 periods, primarily reflect higher sales volumes and lower mining costs. 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.

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 operations. Consolidated depreciation, depletion and amortization (DD&A) totaled \$419 million in first-quarter 2021 and \$341 million in first-quarter 2020. Higher DD&A in first-quarter 2021 primarily related to assets placed in service associated with the ramp-up of underground mining at PT-FI.

Metals Inventory Adjustments

Unfavorable net realizable value metals inventory adjustments totaled \$1 million in first-quarter 2021 and \$222 million in first-quarter 2020. Metals inventory adjustments in 2020 were related to volatility in copper and molybdenum prices associated with the COVID-19 pandemic.

Interest Expense, Net

Consolidated interest costs (before capitalization) totaled \$160 million in first-quarter 2021 and \$171 million in first-quarter 2020.

Capitalized interest varies with the level of qualifying assets associated with our development projects and average interest rates on our borrowings, and totaled \$15 million in first-quarter 2021 and \$44 million in first-quarter 2020. The decrease in capitalized interest in first-quarter 2021, compared with first-quarter 2020, is primarily related to significant assets at PT-FI's underground mines being placed in service. Refer to "Capital Resources and Liquidity - Investing Activities" for discussion of capital expenditures associated with our major development projects.

Income Taxes

Following is a summary of the approximate amounts used in the calculation of our consolidated income tax (provision) benefit (in millions, except percentages):

	Three Months Ended March 31,					
	2021			2020		
	Income (Loss) ^a	Effective Tax Rate	Income Tax (Provision) Benefit	Income (Loss) ^a	Effective Tax Rate	Income Tax (Provision) Benefit
U.S. ^b	\$ 185	— %	\$ — ^c	\$ (451)	1 %	\$ 4 ^d
South America	493	39 %	(194)	(202)	39 %	78
Indonesia	757	42 %	(315)	(19)	(63) %	(12) ^e
Eliminations and other	(37)	N/A	4	60	N/A	(11)
Rate adjustment ^f	—	N/A	62	—	N/A	1
Consolidated FCX	<u>\$ 1,398</u>	<u>32 %^g</u>	<u>\$ (443)</u>	<u>\$ (612)</u>	<u>10 %^{g,h}</u>	<u>\$ 60</u>

- Represents income (loss) before income taxes and equity in affiliated companies' net (losses) earnings.
- In addition to our North America mining operations, the U.S. jurisdiction reflects corporate-level expenses, which include interest expense associated with senior notes, general and administrative expenses, and environmental obligations and shutdown costs.
- Includes valuation allowance release on prior year unbenefited net operating losses.
- Includes a tax credit of \$6 million associated with the removal of a valuation allowance on deferred tax assets.
- Includes a tax charge of \$8 million (\$7 million net of noncontrolling interest) associated with an unfavorable 2012 Indonesia Supreme Court ruling.
- In accordance with applicable accounting rules, we adjust our interim provision for income taxes equal to our consolidated tax rate.
- Our consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which we operate.
- Our U.S. jurisdiction generated net losses in the first three months of 2020 that did not result in a realized tax benefit; applicable accounting rules required us to adjust our estimated annual effective tax rate to exclude the impact of U.S. net losses.

Assuming achievement of current sales volume and cost estimates and average prices of \$4.00 per pound for copper, \$1,750 per ounce for gold and \$11.00 per pound for molybdenum for the remainder of 2021, we estimate our consolidated effective tax rate for the year 2021 would approximate 32 percent. Changes in projected sales volumes and average prices during 2021 would incur tax impacts at estimated effective rates of 40 percent for Peru, 38 percent for Indonesia and 0 percent for the U.S.

OPERATIONS

Responsible Production

2020 Annual Report on Sustainability. In April 2021, we published our 2020 Annual Report on Sustainability, which is available on our website at fcx.com. We have a long history of environmental, social and governance programs and are continuously striving to improve and embrace evolving stakeholder expectations. This report marks our 20th year of reporting on our sustainability progress and our first year reporting in alignment with the Sustainability Accounting Standards Board (SASB) Metals & Mining industry framework. We are committed to building upon our achievements in sustainability and seek to contribute positively to society by supplying the world with responsibly produced copper.

The Copper Mark. In April 2021, the Morenci operations were awarded the Copper Mark - a new, robust assurance framework demonstrating the copper industry's responsible production practices and contribution to the United Nations Sustainable Development Goals. We now have six sites that have achieved the Copper Mark (the Morenci operations, Miami smelter and mine, and El Paso refinery in North America; Cerro Verde and El Abra mines in South America; and Atlantic Copper smelter and refinery in Spain). We have future plans to validate all of our copper producing sites against the Copper Mark requirement.

North America Copper Mines

We operate seven open-pit copper mines in North America – Morenci, Bagdad, Safford (including Lone Star), Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. In addition to copper, certain of these mines produce molybdenum concentrate, gold and silver. All of the North America mining operations are wholly owned, except for Morenci. We record our 72 percent undivided 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 production is sold as copper cathode or copper concentrate, a portion of which is shipped to Atlantic Copper (our wholly owned smelter). Molybdenum concentrate, gold and silver are also produced by certain of our North America copper mines.

Operating and Development Activities. Our North America operating sites continue to focus on strong execution of operating plans. We successfully completed the initial development of the Lone Star copper leach project in the second half of 2020, and we are on track to achieve expected annual copper production of approximately 200 million pounds beginning in 2021. We are advancing studies for potential near-term incremental oxide expansions and long-term development options for our large-scale sulfide resources at Lone Star.

During first-quarter 2021, mining activities at the Chino mine were restarted at a rate of approximately 100 million pounds of copper per year (approximately 50 percent of capacity).

We have substantial resources in the U.S., primarily associated with existing mining operations, and will continue to assess options for further growth.

Operating Data. Following is summary consolidated operating data for the North America copper mines:

	Three Months Ended March 31,	
	2021	2020
Operating Data, Net of Joint Venture Interests		
Copper (millions of recoverable pounds)		
Production	353	346
Sales, excluding purchases	308	355
Average realized price per pound	\$ 3.88	\$ 2.56
Molybdenum (millions of recoverable pounds)		
Production ^a	8	8
100% Operating Data		
<u>Leach operations</u>		
Leach ore placed in stockpiles (metric tons per day)	705,100	728,100
Average copper ore grade (percent)	0.28	0.27
Copper production (millions of recoverable pounds)	262	235
<u>Mill operations</u>		
Ore milled (metric tons per day)	268,000	333,400
Average ore grade (percent):		
Copper	0.37	0.32
Molybdenum	0.03	0.02
Copper recovery rate (percent)	78.7	87.0
Copper production (millions of recoverable pounds)	151	178

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

Our consolidated production volumes from North America in first-quarter 2021 approximated first-quarter 2020. Consolidated copper sales volumes of 308 million pounds in first-quarter 2021 were lower than first-quarter 2020 copper sales volumes of 355 million pounds, primarily reflecting the timing of shipments. North America copper sales are estimated to approximate 1.5 billion pounds for the year 2021 compared to 1.4 billion pounds for the year 2020.

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. generally accepted accounting principles (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 (Loss) per Pound of Copper and Molybdenum

The following table summarizes unit net cash costs and gross profit (loss) per pound at our North America copper mines. 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 March 31,					
	2021			2020		
	By- Product Method	Co-Product Method		By- Product Method	Co-Product Method	
	Copper	Molybdenum ^a		Copper	Molybdenum ^a	
Revenues, excluding adjustments	\$ 3.88	\$ 3.88	\$ 10.49	\$ 2.56	\$ 2.56	\$ 9.69
Site production and delivery, before net noncash and other costs shown below	2.04	1.89	6.67	2.15	1.97	8.93
By-product credits	(0.30)	—	—	(0.22)	—	—
Treatment charges	0.11	0.10	—	0.11	0.10	—
Unit net cash costs	1.85	1.99	6.67	2.04	2.07	8.93
DD&A	0.26	0.24	0.46	0.26	0.24	0.73
Metals inventory adjustments	—	—	—	0.41	0.40	—
Noncash and other costs, net	0.13	0.13	0.06	0.10	0.09	0.23
Total unit costs	2.24	2.36	7.19	2.81	2.80	9.89
Revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	—	(0.06)	(0.06)	—
Gross profit (loss) per pound	\$ 1.66	\$ 1.54	\$ 3.30	\$ (0.31)	\$ (0.30)	\$ (0.20)
Copper sales (millions of recoverable pounds)	308	308		354	354	
Molybdenum sales (millions of recoverable pounds) ^a			8			8

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) for the North America copper mines of \$1.85 per pound of copper in first-quarter 2021 were lower than unit net cash costs of \$2.04 per pound in first-quarter 2020, primarily reflecting lower mining costs and higher by-product credits, partly offset by lower 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.

Average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate \$1.92 per pound of copper for the year 2021, based on achievement of current sales volume and cost estimates and assuming an average molybdenum price of \$11.00 per pound for the remainder of 2021. North America’s average unit net cash costs for the year 2021 would change by approximately \$0.04 per pound for each \$2 per pound change in the average price of molybdenum for the remainder of 2021.

South America Mining

We operate two copper mines in South America – Cerro Verde in Peru (in which we own a 53.56 percent interest) and El Abra in Chile (in which we own a 51 percent interest), which are consolidated in our financial statements.

South America mining includes open-pit mining, sulfide ore concentrating, leaching and SX/EW operations. Production from our South America mines is sold as copper concentrate or cathode under long-term contracts. Our South America mines also sell a portion of their copper concentrate production to Atlantic Copper. In addition to copper, the Cerro Verde mine produces molybdenum concentrate and silver.

Operating and Development Activities. During first-quarter 2021, Cerro Verde’s concentrator facilities exceeded planned milling rates and averaged 390,100 metric tons of ore per day. Operating plan assumptions, which reflect strict COVID-19 restrictions and protocols, include an estimated milling rate of 360,000 metric tons of ore per day for the remainder of 2021, with plans to return to pre-COVID-19 pandemic levels of approximately 400,000 metric tons of ore per day in 2022.

El Abra is implementing plans to increase operating rates during 2021 to pre-COVID-19 pandemic levels, subject to ongoing monitoring of public health conditions in Chile. Stacking rates at El Abra are expected to increase to over 100,000 metric tons of ore per day by mid-2022, resulting in incremental annual production of approximately 70 million pounds of copper.

We continue to evaluate a large-scale expansion at El Abra to process additional sulfide material and to achieve higher copper recoveries. El Abra's large sulfide resource could potentially support a major mill project similar to facilities constructed at Cerro Verde in 2015. Technical and economic studies continue to be evaluated to determine the optimal scope and timing for the sulfide project in parallel with extending the life of the current leaching operation.

Operating Data. Following is summary consolidated operating data for South America mining:

	Three Months Ended March 31,	
	2021	2020
Copper (millions of recoverable pounds)		
Production	259	245
Sales	259	247
Average realized price per pound	\$ 3.96	\$ 2.33
Molybdenum (millions of recoverable pounds)		
Production ^a	5	4
Leach operations		
Leach ore placed in stockpiles (metric tons per day)	153,800	182,500
Average copper ore grade (percent)	0.36	0.37
Copper production (millions of recoverable pounds)	61	63
Mill operations		
Ore milled (metric tons per day)	390,100	349,600 ^b
Average ore grade (percent):		
Copper	0.31	0.35
Molybdenum	0.01	0.01
Copper recovery rate (percent)	87.6	78.4
Copper production (millions of recoverable pounds)	198	182

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

b. Cerro Verde mill operations were impacted as a result of the Peruvian government's issuance of a Supreme Decree and declaration of a National Emergency in mid-March 2020 associated with its efforts to contain the outbreak of COVID-19.

Our consolidated copper sales volumes from South America of 259 million pounds in first-quarter 2021 were higher than first-quarter 2020 copper sales volumes of 247 million pounds, primarily reflecting higher milling rates at Cerro Verde. Copper sales from South America mining are expected to approximate 1.0 billion pounds for the year 2021, consistent with the year 2020.

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 (Loss) per Pound of Copper

The following table summarizes unit net cash costs and gross profit (loss) per pound of copper at our South America mining operations. 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 sales of molybdenum and silver. 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 March 31,			
	2021		2020	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	\$ 3.96	\$ 3.96	\$ 2.33	\$ 2.33
Site production and delivery, before net noncash and other costs shown below	2.01	1.90	2.00	1.85
By-product credits	(0.21)	—	(0.17)	—
Treatment charges	0.13	0.13	0.16	0.16
Royalty on metals	0.01	0.01	0.01	0.01
Unit net cash costs	1.94	2.04	2.00	2.02
DD&A	0.39	0.37	0.44	0.40
Metals inventory adjustments	—	—	0.24	0.24
Noncash and other costs, net	0.04	0.03	0.12 ^a	0.11
Total unit costs	2.37	2.44	2.80	2.77
Revenue adjustments, primarily for pricing on prior period open sales	0.32	0.32	(0.30)	(0.30)
Gross profit (loss) per pound	\$ 1.91	\$ 1.84	\$ (0.77)	\$ (0.74)
Copper sales (millions of recoverable pounds)	259	259	247	247

a. Includes COVID-19 related costs of \$0.08 per pound of copper, primarily associated with idle facility costs at Cerro Verde and contract cancellation costs at El Abra.

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) for the South America copper mines of \$1.94 per pound of copper in first-quarter 2021 were lower than unit net cash costs of \$2.00 per pound in first-quarter 2020, primarily reflecting higher sales volumes and by-product credits and lower mining costs, partly offset by higher profit sharing costs.

Revenues from Cerro Verde’s concentrate sales are recorded net of treatment charges, which will vary with Cerro Verde’s sales volumes and the price of copper.

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.

Average unit net cash costs (net of by-product credits) for South America mining are expected to approximate \$1.94 per pound of copper for the year 2021, based on current sales volume and cost estimates and assuming an average price of \$11.00 per pound of molybdenum for the remainder of 2021.

Indonesia Mining

PT-FI operates one of the world’s largest copper and gold mines at the Grasberg minerals district in Papua, Indonesia. PT-FI produces copper concentrate that contains significant quantities of gold and silver. We have a 48.76 percent interest in PT-FI and manage its mining operations. As further discussed in Note 2 of our 2020 Form 10-K, under the terms of the shareholders agreement, our economic interest in PT-FI approximates 81 percent through 2022. PT-FI’s results are consolidated in our financial statements.

Substantially all of PT-FI’s copper concentrate is sold under long-term contracts. During first-quarter 2021, 55 percent of PT-FI’s concentrate production was sold to PT Smelting.

Operating and Development Activities. The ramp-up of underground production at the Grasberg minerals district in Indonesia continues to advance on schedule. First-quarter 2021 highlights include:

- Production approximated 75 percent of the projected ultimate annualized level.
- A total of 50 new drawbells were constructed at the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines, bringing cumulative open drawbells to over 420.
- Combined average production from the Grasberg Block Cave and DMLZ underground mines approximated 98,500 metric tons of ore per day.

The successful completion of this ramp up is expected to enable PT-FI to generate average annual production for the next several years of 1.55 billion pounds of copper and 1.6 million ounces of gold at an attractive unit net cash cost, providing significant margins and cash flows. PT-FI expects production for the year 2021 to approximate 1.3 billion pounds of copper and 1.3 million ounces of gold, which is nearly double 2020 levels.

PT-FI's estimated annual capital spending on underground mine development projects is expected to average approximately \$0.9 billion per year for the two-year period 2021 through 2022, net of scheduled contributions from PT Inalum. In accordance with applicable accounting guidance, aggregate costs (before scheduled contributions from PT Inalum), which are expected to average \$1.1 billion per year for the two-year period 2021 through 2022, will be reflected as an investing activity in our cash flow statement, and contributions from PT Inalum will be reflected as a financing activity.

Additional Indonesia Smelter Capacity. In connection with PT-FI's 2018 agreement with the Indonesia government associated with the extension of its long-term mining rights, PT-FI committed to construct new domestic smelting capacity totaling 2 million metric tons of concentrate per year by December 2023. Prior to the COVID-19 pandemic, PT-FI selected a site for a greenfield smelter in East Java and initiated ground preparation and commenced engineering and commercial negotiations.

During 2020, PT-FI notified the Indonesia government of schedule delays resulting from the COVID-19 pandemic and continues to discuss with the government a revised schedule for the greenfield smelter project at East Java. On January 7, 2021, the Indonesia government levied an administrative fine of \$149 million on PT-FI for failing to achieve physical development progress on the greenfield smelter as of July 31, 2020. PT-FI does not think the fine is warranted and is continuing to discuss this matter with the Indonesia government as well as provide additional documentation to support its position on the cause of delays in development progress for the greenfield smelter project. During the first quarter of 2021, PT-FI recorded a \$13 million charge for a potential settlement of the administrative fine, which is expected to include a revised construction schedule for the greenfield smelter. The final settlement could differ from the amount recorded in first-quarter 2021. Refer to Note 8 for further discussion.

In addition, PT-FI has explored alternatives to the greenfield smelter and has advanced discussions with the other shareholders of the existing Indonesia smelter (PT Smelting) regarding an expansion to increase smelter concentrate treatment capacity by approximately 30 percent (300,000 metric tons of concentrate per year). This additional capacity provided by the PT Smelting expansion is expected to reduce the commitment to additional smelter capacity in Indonesia from 2 million metric tons of concentrate per year to 1.7 million metric tons. Commercial and financial arrangements for the PT Smelting expansion are being advanced and engineering is in progress. The current estimate for the cost of the expansion, which would be funded by PT-FI, approximates \$250 million. We currently expect the expansion of PT Smelting to be completed by the end of 2023.

As part of its exploration of alternatives to the greenfield smelter at East Java, PT-FI has also engaged in discussions with a third party to develop the greenfield smelter capacity at an alternate location in Indonesia to fulfill its remaining smelter commitment. To date, commercial discussions have not resulted in a mutually acceptable agreement.

In the interim, PT-FI is continuing planning for the development of a greenfield smelter and related refinery in East Java with a capacity to process approximately 1.7 million metric tons of concentrate per year. The estimated capital cost associated with this project approximates \$3 billion. Under this option, PT-FI would finance development of the greenfield smelter with debt which, pursuant to the shareholders agreement, would be shared 51 percent by PT Inalum and 49 percent by us. Construction of the greenfield smelter capacity would result in the elimination of export duties, providing an offset to the economic cost associated with such smelter development.

Operating Data. Following is summary consolidated operating data for Indonesia mining:

	Three Months Ended March 31,	
	2021	2020
Operating Data		
Copper (millions of recoverable pounds)		
Production	298	140
Sales	258	127
Average realized price per pound	\$ 4.00	\$ 2.28
Gold (thousands of recoverable ounces)		
Production	294	152
Sales	256	139
Average realized price per ounce	\$ 1,713	\$ 1,606
Operating Data		
Ore extracted and milled (metric tons per day):		
Grasberg Block Cave underground mine ^a	51,800	19,000
DMLZ underground mine ^a	46,700	18,500
DOZ underground mine	18,600	20,200
Big Gossan underground mine	6,800	6,800
Grasberg open pit	—	7,500 ^b
Total	124,100 ^c	72,000
Average ore grades:		
Copper (percent)	1.41	1.15
Gold (grams per metric ton)	1.08	0.99
Recovery rates (percent):		
Copper	91.3	91.8
Gold	78.9	76.7

a. Reflects ore extracted, including ore from development activities that result in metal production.

b. Represents ore from the Grasberg open-pit stockpiles.

c. Does not foot because of rounding.

Our consolidated sales from PT-FI of 258 million pounds of copper and 256 thousand ounces of gold in first-quarter 2021 were higher than first-quarter 2020 consolidated sales of 127 million pounds of copper and 139 thousand ounces of gold, primarily reflecting higher mining rates and ore grades. Consolidated sales volumes from PT-FI are expected to approximate 1.34 billion pounds of copper and 1.3 million ounces of gold in 2021, compared with 0.8 billion pounds of copper and 0.8 million ounces of gold in 2020.

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 (Loss) per Pound of Copper and per Ounce of Gold

The following table summarizes the unit net cash costs and gross profit (loss) per pound of copper and per ounce of gold at our Indonesia mining operations. Refer to “Product 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 March 31,					
	2021			2020		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
	Copper	Gold		Copper	Gold	
Revenues, excluding adjustments	\$ 4.00	\$ 4.00	\$ 1,713	\$ 2.28	\$ 2.28	\$ 1,606
Site production and delivery, before net noncash and other (credits) costs shown below	1.48	1.02	438	2.68	1.49	1,052
Gold and silver credits	(1.79)	—	—	(1.85)	—	—
Treatment charges	0.25	0.17	74	0.30	0.17	118
Export duties	0.11	0.08	33	0.03	0.02	11
Royalty on metals	0.24	0.16	71	0.15	0.09	50
Unit net cash costs	0.29	1.43	616	1.31	1.77	1,231
DD&A	0.77	0.53	228	0.79	0.44	310
Noncash and other (credits) costs, net	(0.03) ^a	(0.02)	(10)	0.21	0.12	82
Total unit costs	1.03	1.94	834	2.31	2.33	1,623
Revenue adjustments, primarily for pricing on prior period open sales	0.25	0.25	(19)	(0.16)	(0.16)	33
PT Smelting intercompany (loss) profit	(0.20)	(0.14)	(56)	0.20	0.11	77
Gross profit (loss) per pound/ounce	\$ 3.02	\$ 2.17	\$ 804	\$ 0.01	\$ (0.10)	\$ 93
Copper sales (millions of recoverable pounds)	258	258		127	127	
Gold sales (thousands of recoverable ounces)			256			139

a. Primarily includes credits of \$0.12 per pound of copper associated with adjustments to prior year treatment and refining costs and charges of \$0.05 per pound of copper associated with a potential settlement of an administrative fine levied by the Indonesia government.

Because of the fixed nature of a large portion of PT-FI's costs, unit net cash costs can vary significantly from quarter to quarter depending on copper and gold volumes. PT-FI's unit net cash costs (including gold and silver credits) of \$0.29 per pound of copper in first-quarter 2021 were significantly lower than unit net cash costs of \$1.31 per pound in first-quarter 2020, primarily reflecting higher sales volumes.

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.

PT-FI's export duties totaled \$29 million in first-quarter 2021 and \$4 million in first-quarter 2020. PT-FI will continue to pay export duties until development progress for the greenfield smelter in Indonesia exceeds 50 percent. PT-FI's royalties totaled \$61 million in first-quarter 2021 and \$19 million in first-quarter 2020. The increase in export duties and royalties for first-quarter 2021, compared with first-quarter 2020, primarily reflects higher sales volumes and metals prices.

Because certain assets are depreciated on a straight-line basis, PT-FI's unit depreciation rate may vary with asset additions and the level of copper production and sales. DD&A per pound of copper under the by-product method was \$0.77 per pound in first-quarter 2021, compared with \$0.79 per pound in first-quarter 2020. The decrease in the rate per pound of copper primarily reflects the ramp up of underground mining, which resulted in significantly higher copper production and sales volumes, partly offset by increased underground development assets placed into service.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods.

PT Smelting intercompany (loss) profit represents the change in the deferral of 25 percent of PT-FI's profit on sales to PT Smelting. Refer to “Smelting and Refining” below for further discussion.

Assuming an average gold price of \$1,750 per ounce for the remainder of 2021 and achievement of current sales volume and cost estimates, unit net cash costs (including gold and silver credits) for PT-FI are expected to approximate \$0.21 per pound of copper for the year 2021. PT-FI's unit net cash costs for the year 2021 would change by approximately \$0.08 per pound for each \$100 per ounce change in the average price of gold for the remainder of 2021.

PT-FI's projected sales volumes and unit net cash costs for the year 2021 are dependent on a number of factors, including continued progress of the ramp-up of underground mining, operational performance and timing of shipments. In March 2021, PT-FI received a one-year extension of its export license through March 15, 2022. Export licenses are valid for one year periods, subject to review and approval by the Indonesia government every six months, depending on smelter construction progress. Refer to "Risk Factors" in our 2020 Form 10-K for a discussion of the ongoing discussions with the Indonesia government regarding a deferred schedule for the completion of the greenfield smelter project as well as other alternatives in light of the ongoing COVID-19 pandemic and volatile global economic conditions.

Molybdenum Mines

We operate two wholly owned molybdenum mines in Colorado – the Henderson underground mine and the Climax open-pit mine. 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 the molybdenum concentrate produced at the Henderson and Climax mines, as well as from our North America and South America copper mines, is processed at our own conversion facilities.

Operating and Development Activities. Production from the Molybdenum mines totaled 7 million pounds of molybdenum in both first-quarter 2021 and first-quarter 2020. Refer to "Consolidated Results" for our consolidated molybdenum operating data, which includes sales of molybdenum produced at our Molybdenum mines and from our North America and South America copper mines. 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 of \$8.98 per pound of molybdenum in first-quarter 2021 were lower than average unit net cash costs of \$10.03 per pound in first-quarter 2020, primarily reflecting higher ore grades and lower input and labor costs. Based on current sales volume and cost estimates, average unit net cash costs for the Molybdenum mines are expected to approximate \$9.50 per pound of molybdenum for the year 2021.

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 and Refining

We wholly own and operate a smelter in Arizona (Miami smelter), a refinery in Texas (El Paso refinery) and a smelter and refinery in Spain (Atlantic Copper). PT-FI also has an ownership interest in a smelter and refinery in Gresik, Indonesia (PT Smelting). Effective April 30, 2021, PT-FI's ownership increased from 25 percent to 39.5 percent of PT Smelting (refer to Note 1). Treatment charges for smelting and refining copper concentrate consist of a base rate per pound of copper and per ounce of gold and are generally fixed. 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 Miami smelter and El Paso refinery. Through this form of downstream integration, we are assured placement of a significant portion of our concentrate production.

During first-quarter 2021, we incurred charges totaling \$68 million associated with a major maintenance turnaround at our Miami smelter.

Atlantic Copper smelts and refines copper concentrate and markets refined copper and precious metals in slimes. During first-quarter 2021, Atlantic Copper's concentrate purchases included 27 percent from our copper mining operations and 73 percent from third parties.

PT-FI's contract with PT Smelting provides for PT-FI to supply 100 percent of the copper concentrate requirements (subject to a minimum or maximum treatment charge rate) necessary for PT Smelting to produce 205,000 metric tons of copper annually on a priority basis. PT-FI may also sell copper concentrate to PT Smelting at market rates for quantities in excess of 205,000 metric tons of copper annually. During first-quarter 2021, PT-FI supplied the substantial majority of PT Smelting's concentrate requirements. In January 2021, PT Smelting received a six-month extension of its anode slimes export license through July 18, 2021.

We defer recognizing profits on sales from our mining operations to Atlantic Copper and on PT-FI's sales to PT Smelting (on 25 percent through April 30, 2021, and on 39.5 percent after April 30, 2021) until final sales to third parties occur. Changes in these deferrals attributable to variability in intercompany volumes resulted in net (reductions) additions to operating income (loss) totaling \$(85) million (\$63) million to net income attributable to common stock) in first-quarter 2021 and \$11 million (\$7 million to net loss attributable to common stock) in first-quarter 2020. Our net deferred profits on our inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income attributable to common stock totaled \$121 million at March 31, 2021. 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. We currently expect second-quarter 2021 results to reflect an increase in net deferred profits, totaling an approximate \$60 million reduction to net income, mostly associated with an anticipated increase in sales to Atlantic Copper, which will be recognized in future periods as Atlantic Copper sells final refined products to third parties.

CAPITAL RESOURCES AND LIQUIDITY

Our consolidated operating cash flows vary with sales volumes; prices realized from copper, gold and molybdenum sales; production costs; income taxes; other working capital changes; and other factors. In addition to the strong execution of operation plans, our first-quarter 2021 results and cash flows benefited from higher copper prices.

We believe that we have a high-quality portfolio of long-lived copper assets positioned to generate long-term value. PT-FI has several projects in the Grasberg minerals district related to the development of its large-scale, long-lived, high-grade underground ore bodies. We are also evaluating other opportunities to enhance net present values, and we continue to consider future development of our copper resources, the timing of which will be dependent on market conditions. We believe that our cash generating capability and financial condition, together with our credit facility, will be adequate to meet our operating, investing and financing needs.

Subject to future commodity prices for copper, gold, and molybdenum, we expect estimated consolidated operating cash flows of \$6.5 billion in 2021, plus available cash, to be sufficient to fund our capital expenditures of \$2.3 billion in 2021, as well as projected spending on the greenfield smelter in Indonesia and other cash requirements for the year, including common stock dividends and noncontrolling interest distributions. Refer to "Outlook" for further discussion of projected operating cash flows and capital expenditures for 2021.

At March 31, 2021, we had \$8.1 billion in liquidity, comprised of \$4.6 billion in consolidated cash and \$3.5 billion of availability under our revolving credit facility.

In February 2021, our Board of Directors (Board) adopted a financial policy for the allocation of cash flows aligned with our strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth. The policy includes a base dividend of \$0.30 per share per year and a performance-based payout framework to be implemented following achievement of a net debt (total consolidated debt less total consolidated cash and cash equivalents) target in the range of \$3 billion to \$4 billion, excluding project debt for additional smelting capacity in Indonesia. Under the performance-based payout framework, up to 50 percent of available cash flows generated after planned capital spending and distributions to noncontrolling interests would be allocated to shareholder returns and the balance to debt reduction and investments in value enhancing growth projects, subject to the Board's discretion. Available cash flows for such performance-based payout distributions in excess of the base dividend will be assessed at least annually (refer to "Cautionary Statement"). As of March 31, 2021, our consolidated debt of \$9.8 billion less our consolidated cash of \$4.6 billion resulted in net debt of \$5.2 billion. Using current commodity prices for copper, gold and molybdenum, and based on current sales volumes and cost estimates, we currently expect to achieve a net debt target of \$3 billion to \$4 billion by the end of

2021. The declaration and payment of future dividends is at the discretion of the Board and will be assessed on an ongoing basis, taking into account our financial results, cash requirements, future prospects, global economic conditions, and other factors deemed relevant by the Board.

Cash

Following is a summary of the U.S. and international components of consolidated cash and cash equivalents available to the parent company, net of noncontrolling interests' share, taxes and other costs at March 31, 2021 (in billions):

Cash at domestic companies	\$	3.5
Cash at international operations		1.1
Total consolidated cash and cash equivalents		4.6
Noncontrolling interests' share		(0.5)
Cash, net of noncontrolling interests' share		4.1
Withholding taxes		— ^a
Net cash available	\$	4.1

a. Rounds to less than \$0.1 billion.

Cash held at our international operations is generally used to support our foreign operations' capital expenditures, operating expenses, debt repayment, 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. 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

At March 31, 2021, our consolidated debt totaled \$9.8 billion, with a weighted-average interest rate of 4.6 percent. We had no borrowings outstanding and approximately \$10 million in letters of credit issued under our revolving credit facility, resulting in availability of approximately \$3.5 billion.

In March 2021, we delivered a covenant reversion notice, which provided notification of our election to end the covenant increase period for our revolving credit facility. Refer to Note 5 for further discussion.

Our 3.55% Senior Notes are due March 2022 (\$524 million principal amount) and the Cerro Verde Term Loan matures in June 2022 (\$525 million principal amount). We have no other senior note maturities until March 2023.

Refer to Note 5 for further discussion of debt. For additional information regarding our debt arrangements, refer to Note 8 included in our 2020 Form 10-K.

Operating Activities

We reported consolidated cash provided by (used in) operating activities of \$1.1 billion (net of \$0.3 billion of working capital and other uses) in first-quarter 2021 and \$(38) million (including \$0.1 billion from working capital and other sources) in first-quarter 2020. Higher operating cash flows in first-quarter 2021 compared with first-quarter 2020, primarily reflect higher copper prices and sales volumes, partly offset by increases in accounts receivable and inventories.

Investing Activities

Capital Expenditures. Capital expenditures, including capitalized interest, totaled \$0.4 billion in first-quarter 2021, including approximately \$0.3 billion for major projects primarily associated with underground development activities in the Grasberg minerals district. Capital expenditures, including capitalized interest, totaled \$0.6 billion in first-quarter 2020, including approximately \$0.3 billion for major projects. Refer to "Outlook" for further discussion of projected capital expenditures for the year 2021.

Proceeds from Sales of Assets. Proceeds from sales of assets totaled \$5 million in first-quarter 2021 and \$66 million in first-quarter 2020, primarily associated with the contingent consideration of \$60 million from the 2016 sale of TF Holdings Limited.

Financing Activities

Debt Transactions. Net borrowings of debt totaled \$0.1 billion in first-quarter 2021 and \$0.2 billion in first-quarter 2020.

During first-quarter 2020, we completed the sale of \$1.3 billion in senior notes and used the proceeds to purchase a portion of our senior notes due 2021 and 2022. On April 3, 2020, we used the remaining net proceeds to redeem the remainder of our senior notes due 2021. We recorded losses on early extinguishment of debt totaling \$32 million in first-quarter 2020 related to these transactions. Refer to Note 5 for further discussion.

Cash Dividends and Distributions Paid. We paid cash dividends on our common stock totaling \$73 million in first-quarter 2020 associated with the \$0.05 per share common stock cash dividend declared in December 2019.

On March 24, 2021, we declared a quarterly cash dividend of \$0.075 per share on our common stock, which was paid on May 3, 2021, to shareholders of record as of April 15, 2021. The declaration and payment of future dividends is at the discretion of the Board and will be assessed on an ongoing basis, taking into account our financial results, cash requirements, future prospects, global economic conditions, and other factors deemed relevant by the Board. Refer to "Cautionary Statement" and, for a discussion of the allocation of cash flows, the discussion above regarding the financial policy adopted by the Board in February 2021.

There were no cash dividends or distributions paid to noncontrolling interests in the first quarters of 2021 or 2020. Cash dividends and distributions to noncontrolling interests vary based on the operating results and cash requirements of our consolidated subsidiaries.

Contributions from Noncontrolling Interests. We received equity contributions totaling \$41 million in first-quarter 2021 and \$32 million in first-quarter 2020 from PT Inalum for their share of capital spending on PT-FI underground mine development projects and development of increased smelter capacity in Indonesia.

Stock-based awards. Following an increase in our stock price, proceeds from exercised stock options totaled \$106 million and payments for related employee taxes totaled \$19 million during first-quarter 2021. See Note 10 in our 2020 Form 10-K for a discussion of stock-based awards.

CONTRACTUAL OBLIGATIONS

Refer to Note 5 for a discussion of the covenant reversion notice for our revolving credit facility that was delivered in March 2021.

There have been no other material changes in our contractual obligations since December 31, 2020. Refer to Part II, Items 7. and 7A. in our 2020 Form 10-K, for 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.

There have been no material changes to our environmental and asset retirement obligations since December 31, 2020. 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 2020 Form 10-K, for further information regarding our environmental and asset retirement obligations.

Litigation and Other Contingencies

Other than as discussed in Note 8, there have been no material changes to our contingencies associated with legal proceedings, environmental and other matters since December 31, 2020. Refer to Note 12 and "Legal Proceedings" contained in Part I, Item 3. of our 2020 Form 10-K, as updated by Note 8, for further information regarding legal proceedings, environmental and other matters.

NEW ACCOUNTING STANDARDS

There were no significant updates to previously reported accounting standards included in Note 1 of our 2020 Form 10-K.

PRODUCT REVENUES AND PRODUCTION COSTS

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. These measures are 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 (loss) 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 (loss) 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 and (iv) it is the method used by our management and Board to monitor our mining operations and to compare mining operations in certain industry publications. In the co-product method presentations, 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, these amounts have been reflected separately from revenues on current period sales. Noncash and other costs (credits), which are removed from site production and delivery costs in the calculation of unit net cash costs, consist of items such as stock-based compensation costs, long-lived asset impairments, idle facility costs, restructuring and/or unusual charges (credits). 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 are presentations under both the by-product and co-product methods together with reconciliations to amounts reported in our consolidated financial statements.

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

Three Months Ended March 31, 2021					
(In millions)					
	By-Product Method	Co-Product Method			Total
		Copper	Molybdenum ^a	Other ^b	
Revenues, excluding adjustments	\$ 1,193	\$ 1,193	\$ 88	\$ 34	\$ 1,315
Site production and delivery, before net noncash and other costs shown below	627	580	56	21	657
By-product credits	(92)	—	—	—	—
Treatment charges	33	31	—	2	33
Net cash costs	568	611	56	23	690
DD&A	80	74	4	2	80
Noncash and other costs, net	41	40	—	1	41
Total costs	689	725	60	26	811
Other revenue adjustments, primarily for pricing on prior period open sales	7	7	—	—	7
Gross profit	\$ 511	\$ 475	\$ 28	\$ 8	\$ 511
Copper sales (millions of recoverable pounds)	308	308			
Molybdenum sales (millions of recoverable pounds) ^a			8		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	\$ 3.88	\$ 3.88	\$ 10.49		
Site production and delivery, before net noncash and other costs shown below	2.04	1.89	6.67		
By-product credits	(0.30)	—	—		
Treatment charges	0.11	0.10	—		
Unit net cash costs	1.85	1.99	6.67		
DD&A	0.26	0.24	0.46		
Noncash and other costs, net	0.13	0.13	0.06		
Total unit costs	2.24	2.36	7.19		
Other revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	—		
Gross profit per pound	\$ 1.66	\$ 1.54	\$ 3.30		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	\$ 1,315	\$ 657	\$ 80
Treatment charges	(5)	28	—
Noncash and other costs, net	—	41	—
Other revenue adjustments, primarily for pricing on prior period open sales	7	—	—
Eliminations and other	21	23	—
North America copper mines	1,338	749	80
Other mining ^c	4,645	3,040	323
Corporate, other & eliminations	(1,133)	(1,003)	16
As reported in our consolidated financial statements	\$ 4,850	\$ 2,786	\$ 419

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 our other segments, as presented in Note 9.

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

Three Months Ended March 31, 2020					
(In millions)					
	By-Product Method	Co-Product Method			Total
		Copper	Molybdenum ^a	Other ^b	
Revenues, excluding adjustments	\$ 906	\$ 906	\$ 77	\$ 25	\$ 1,008
Site production and delivery, before net noncash and other costs shown below	760	698	71	18	787
By-product credits	(75)	—	—	—	—
Treatment charges	38	36	—	2	38
Net cash costs	723	734	71	20	825
DD&A	92	84	6	2	92
Metals inventory adjustments	145	142	—	3	145
Noncash and other costs, net	34	29	2	3	34
Total costs	994	989	79	28	1,096
Other revenue adjustments, primarily for pricing on prior period open sales	(22)	(22)	—	—	(22)
Gross loss	\$ (110)	\$ (105)	\$ (2)	\$ (3)	\$ (110)
Copper sales (millions of recoverable pounds)	354	354			
Molybdenum sales (millions of recoverable pounds) ^a			8		
Gross loss per pound of copper/molybdenum:					
Revenues, excluding adjustments	\$ 2.56	\$ 2.56	\$ 9.69		
Site production and delivery, before net noncash and other costs shown below	2.15	1.97	8.93		
By-product credits	(0.22)	—	—		
Treatment charges	0.11	0.10	—		
Unit net cash costs	2.04	2.07	8.93		
DD&A	0.26	0.24	0.73		
Metals inventory adjustments	0.41	0.40	—		
Noncash and other costs, net	0.10	0.09	0.23		
Total unit costs	2.81	2.80	9.89		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.06)	(0.06)	—		
Gross loss per pound	\$ (0.31)	\$ (0.30)	\$ (0.20)		
<i>Reconciliation to Amounts Reported</i>					
	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments	
Totals presented above	\$ 1,008	\$ 787	\$ 92	\$ 145	
Treatment charges	(8)	30	—	—	
Noncash and other costs, net	—	34	—	—	
Other revenue adjustments, primarily for pricing on prior period open sales	(22)	—	—	—	
Eliminations and other	7	9	—	—	
North America copper mines	985	860	92	145	
Other mining ^c	2,591	2,473	234	64	
Corporate, other & eliminations	(778)	(788)	15	13	
As reported in our consolidated financial statements	\$ 2,798	\$ 2,545	\$ 341	\$ 222	

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 our other segments, as presented in Note 9.

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

Three Months Ended March 31, 2021				
(In millions)				
	By-Product Method	Co-Product Method		
		Copper	Other ^a	Total
Revenues, excluding adjustments	\$ 1,026	\$ 1,026	\$ 65	\$ 1,091
Site production and delivery, before net noncash and other costs shown below	520	491	39	530
By-product credits	(55)	—	—	—
Treatment charges	35	35	—	35
Royalty on metals	2	2	—	2
Net cash costs	502	528	39	567
DD&A	101	95	6	101
Noncash and other costs, net	10	9	1	10
Total costs	613	632	46	678
Other revenue adjustments, primarily for pricing on prior period open sales	83	83	—	83
Gross profit	\$ 496	\$ 477	\$ 19	\$ 496
Copper sales (millions of recoverable pounds)	259	259		
Gross profit per pound of copper:				
Revenues, excluding adjustments	\$ 3.96	\$ 3.96		
Site production and delivery, before net noncash and other costs shown below	2.01	1.90		
By-product credits	(0.21)	—		
Treatment charges	0.13	0.13		
Royalty on metals	0.01	0.01		
Unit net cash costs	1.94	2.04		
DD&A	0.39	0.37		
Noncash and other costs, net	0.04	0.03		
Total unit costs	2.37	2.44		
Other revenue adjustments, primarily for pricing on prior period open sales	0.32	0.32		
Gross profit per pound	\$ 1.91	\$ 1.84		
<i>Reconciliation to Amounts Reported</i>				
	Revenues	Production and Delivery	DD&A	
Totals presented above	\$ 1,091	\$ 530	\$ 101	
Treatment charges	(35)	—	—	
Royalty on metals	(2)	—	—	
Noncash and other costs, net	—	10	—	
Other revenue adjustments, primarily for pricing on prior period open sales	83	—	—	
Eliminations and other	—	(1)	—	
South America mining	1,137	539	101	
Other mining ^b	4,846	3,250	302	
Corporate, other & eliminations	(1,133)	(1,003)	16	
As reported in our consolidated financial statements	\$ 4,850	\$ 2,786	\$ 419	

a. Includes silver sales of 0.9 million ounces (\$26.13 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 our other segments, as presented in Note 9.

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

Three Months Ended March 31, 2020				
(In millions)				
	By-Product Method	Co-Product Method		
		Copper	Other ^a	Total
Revenues, excluding adjustments	\$ 575	\$ 575	\$ 54	\$ 629
Site production and delivery, before net noncash and other costs shown below	494	457	49	506
By-product credits	(42)	—	—	—
Treatment charges	40	40	—	40
Royalty on metals	1	1	—	1
Net cash costs	493	498	49	547
DD&A	107	98	9	107
Metals inventory adjustments	60	60	—	60
Noncash and other costs, net	30 ^b	28	2	30
Total costs	690	684	60	744
Other revenue adjustments, primarily for pricing on prior period open sales	(75)	(75)	—	(75)
Gross loss	\$ (190)	\$ (184)	\$ (6)	\$ (190)
Copper sales (millions of recoverable pounds)	247	247		
Gross profit per pound of copper:				
Revenues, excluding adjustments	\$ 2.33	\$ 2.33		
Site production and delivery, before net noncash and other costs shown below	2.00	1.85		
By-product credits	(0.17)	—		
Treatment charges	0.16	0.16		
Royalty on metals	0.01	0.01		
Unit net cash costs	2.00	2.02		
DD&A	0.44	0.40		
Metals inventory adjustments	0.24	0.24		
Noncash and other costs, net	0.12 ^b	0.11		
Total unit costs	2.80	2.77		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.30)	(0.30)		
Gross loss per pound	\$ (0.77)	\$ (0.74)		
Reconciliation to Amounts Reported				
	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	\$ 629	\$ 506	\$ 107	\$ 60
Treatment charges	(40)	—	—	—
Royalty on metals	(1)	—	—	—
Noncash and other costs, net	—	30	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	(75)	—	—	—
Eliminations and other	(1)	(2)	1	—
South America mining	512	534	108	60
Other mining ^c	3,064	2,799	218	149
Corporate, other & eliminations	(778)	(788)	15	13
As reported in our consolidated financial statements	\$ 2,798	\$ 2,545	\$ 341	\$ 222

a. Includes silver sales of 0.9 million ounces (\$17.71 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Includes COVID-19 related costs of \$20 million (\$0.08 per pound of copper), primarily associated with idle facility costs at Cerro Verde and contract cancellation costs at El Abra.

c. Represents the combined total for our other segments, as presented in Note 9.

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

Three Months Ended March 31, 2021					
(In millions)					
	By-Product Method	Co-Product Method			Total
		Copper	Gold	Silver ^a	
Revenues, excluding adjustments	\$ 1,032	\$ 1,032	\$ 437	\$ 30	\$ 1,499
Site production and delivery, before net noncash and other credits shown below	383	264	112	7	383
Gold and silver credits	(462)	—	—	—	—
Treatment charges	65	45	19	1	65
Export duties	29	20	8	1	29
Royalty on metals	61	42	18	1	61
Net cash costs	76	371	157	10	538
DD&A	199	137	58	4	199
Noncash and other credits, net	(8) ^b	(6)	(2)	—	(8)
Total costs	267	502	213	14	729
Other revenue adjustments, primarily for pricing on prior period open sales	65	65	(5)	—	60
PT Smelting intercompany loss	(49)	(34)	(14)	(1)	(49)
Gross profit	\$ 781	\$ 561	\$ 205	\$ 15	\$ 781
Copper sales (millions of recoverable pounds)	258	258			
Gold sales (thousands of recoverable ounces)			256		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	\$ 4.00	\$ 4.00	\$ 1,713		
Site production and delivery, before net noncash and other credits shown below	1.48	1.02	438		
Gold and silver credits	(1.79)	—	—		
Treatment charges	0.25	0.17	74		
Export duties	0.11	0.08	33		
Royalty on metals	0.24	0.16	71		
Unit net cash costs	0.29	1.43	616		
DD&A	0.77	0.53	228		
Noncash and other credits, net	(0.03) ^b	(0.02)	(10)		
Total unit costs	1.03	1.94	834		
Other revenue adjustments, primarily for pricing on prior period open sales	0.25	0.25	(19)		
PT Smelting intercompany loss	(0.20)	(0.14)	(56)		
Gross profit per pound/ounce	\$ 3.02	\$ 2.17	\$ 804		
Reconciliation to Amounts Reported					
	Revenues	Production and Delivery	DD&A		
Totals presented above	\$ 1,499	\$ 383	\$ 199		
Treatment charges	(65)	—	—		
Export duties	(29)	—	—		
Royalty on metals	(61)	—	—		
Noncash and other credits, net	31	23	—		
Other revenue adjustments, primarily for pricing on prior period open sales	60	—	—		
PT Smelting intercompany loss	—	49	—		
Indonesia mining	1,435	455	199		
Other mining ^c	4,548	3,334	204		
Corporate, other & eliminations	(1,133)	(1,003)	16		
As reported in our consolidated financial statements	\$ 4,850	\$ 2,786	\$ 419		

a. Includes silver sales of 1.2 million ounces (\$24.61 per ounce average realized price).

b. Primarily includes credits of \$31 million (\$0.12 per pound of copper) associated with adjustments to prior year treatment and refining costs and charges of \$13 million (\$0.05 per pound of copper) associated with a potential settlement of an administrative fine levied by the Indonesia government.

c. Represents the combined total for our other segments, as presented in Note 9.

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

Three Months Ended March 31, 2020

(In millions)	By-Product Method	Co-Product Method			Total
		Copper	Gold	Silver ^a	
Revenues, excluding adjustments	\$ 290	\$ 290	\$ 223	\$ 8	\$ 521
Site production and delivery, before net noncash and other costs shown below	341	190	146	5	341
Gold and silver credits	(236)	—	—	—	—
Treatment charges	38	21	16	1	38
Export duties	4	2	2	—	4
Royalty on metals	19	12	7	—	19
Net cash costs	166	225	171	6	402
DD&A	101	56	43	2	101
Noncash and other costs, net	27	15	12	—	27
Total costs	294	296	226	8	530
Other revenue adjustments, primarily for pricing on prior period open sales	(20)	(20)	5	—	(15)
PT Smelting intercompany profit	25	14	11	—	25
Gross profit (loss)	\$ 1	\$ (12)	\$ 13	\$ —	\$ 1
Copper sales (millions of recoverable pounds)	127	127			
Gold sales (thousands of recoverable ounces)			139		
Gross profit (loss) per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	\$ 2.28	\$ 2.28	\$ 1,606		
Site production and delivery, before net noncash and other costs shown below	2.68	1.49	1,052		
Gold and silver credits	(1.85)	—	—		
Treatment charges	0.30	0.17	118		
Export duties	0.03	0.02	11		
Royalty on metals	0.15	0.09	50		
Unit net cash costs	1.31	1.77	1,231		
DD&A	0.79	0.44	310		
Noncash and other costs, net	0.21	0.12	82		
Total unit costs	2.31	2.33	1,623		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.16)	(0.16)	33		
PT Smelting intercompany profit	0.20	0.11	77		
Gross profit (loss) per pound/ounce	\$ 0.01	\$ (0.10)	\$ 93		
<i>Reconciliation to Amounts Reported</i>					
	Revenues	Production and Delivery	DD&A		
Totals presented above	\$ 521	\$ 341	\$ 101		
Treatment charges	(38)	—	—		
Export duties	(4)	—	—		
Royalty on metals	(19)	—	—		
Noncash and other costs, net	—	27	—		
Other revenue adjustments, primarily for pricing on prior period open sales	(15)	—	—		
PT Smelting intercompany profit	—	(25)	—		
Indonesia mining	445	343	101		
Other mining ^b	3,131	2,990	225		
Corporate, other & eliminations	(778)	(788)	15		
As reported in our consolidated financial statements	\$ 2,798	\$ 2,545	\$ 341		

a. Includes silver sales of 0.6 million ounces (\$14.09 per ounce average realized price).

b. Represents the combined total for our other segments, as presented in Note 9.

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

(In millions)	Three Months Ended March 31,	
	2021	2020
Revenues, excluding adjustments ^a	\$ 76	\$ 77
Site production and delivery, before net noncash and other costs shown below	54	64
Treatment charges and other	6	6
Net cash costs	60	70
DD&A	15	16
Metals inventory adjustments	1	4
Noncash and other costs, net	3	2
Total costs	79	92
Gross loss	\$ (3)	\$ (15)
Molybdenum sales (millions of recoverable pounds) ^a	7	7
Gross loss per pound of molybdenum:		
Revenues, excluding adjustments ^a	\$ 11.38	\$ 10.97
Site production and delivery, before net noncash and other costs shown below	8.13	9.17
Treatment charges and other	0.85	0.86
Unit net cash costs	8.98	10.03
DD&A	2.23	2.29
Metals inventory adjustments	0.13	0.51
Noncash and other costs, net	0.42	0.30
Total unit costs	11.76	13.13
Gross loss per pound	\$ (0.38)	\$ (2.16)

Reconciliation to Amounts Reported

Three Months Ended March 31, 2021	Revenues	Production and Delivery	DD&A	Metals
				Inventory Adjustments
Totals presented above	\$ 76	\$ 54	\$ 15	\$ 1
Treatment charges and other	(6)	—	—	—
Noncash and other costs, net	—	3	—	—
Molybdenum mines	70	57	15	1
Other mining ^b	5,913	3,732	388	—
Corporate, other & eliminations	(1,133)	(1,003)	16	—
As reported in our consolidated financial statements	\$ 4,850	\$ 2,786	\$ 419	\$ 1
Three Months Ended March 31, 2020				
Totals presented above	\$ 77	\$ 64	\$ 16	\$ 4
Treatment charges and other	(6)	—	—	—
Noncash and other costs, net	—	2	—	—
Molybdenum mines	71	66	16	4
Other mining ^b	3,505	3,267	310	205
Corporate, other & eliminations	(778)	(788)	15	13
As reported in our consolidated financial statements	\$ 2,798	\$ 2,545	\$ 341	\$ 222

- 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 our other segments, as presented in Note 9. 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 America and South America copper mines.

GUARANTOR SUMMARIZED FINANCIAL INFORMATION

All of the senior notes issued by FCX are fully and unconditionally guaranteed on a senior basis jointly and severally by Freeport-McMoRan Oil & Gas LLC (FM O&G LLC), as guarantor, which is a 100-percent-owned subsidiary of FCX Oil & Gas LLC (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 our 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. The indentures provide that FM O&G LLC's guarantee obligations may be released or terminated upon: (i) the sale of all or substantially all of the equity interests or assets of FM O&G LLC to a third party that is not our subsidiary or our affiliate; (ii) FM O&G LLC no longer having any obligations under any FM O&G senior notes or any refinancing thereof and no longer being a co-borrower or guarantor of any of our obligations under the revolving credit facility or any other senior debt or, in each case, any refinancing thereof; or (iii) the discharge of our obligations under the indentures in accordance with their terms.

The following summarized financial data includes information regarding FCX, as issuer, FM O&G LLC, as guarantor, and all our other non-guarantor subsidiaries at March 31, 2021, and December 31, 2020, and for three months ended March 31, 2021.

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
As of March 31, 2021					
Current assets	\$ 187	\$ 681	\$ 10,880	\$ (892)	\$ 10,856
Noncurrent assets	273	6	32,756	(248)	32,787
Current liabilities	735	32	4,752	(908)	4,611
Noncurrent liabilities	8,960	11,283	14,467	(15,251)	19,459
As of December 31, 2020					
Current assets	\$ 65	\$ 697	\$ 9,287	\$ (746)	\$ 9,303
Noncurrent assets	785	6	32,806	(756)	32,841
Current liabilities	187	31	3,964	(765)	3,417
Noncurrent liabilities	9,433	11,208	15,075	(15,657)	20,059
Three Months Ended March 31, 2021					
Revenues	\$ —	\$ 14	\$ 4,836	\$ —	\$ 4,850
Operating (loss) income	(12)	4	1,540	—	1,532
Net income (loss)	718 ^a	(45) ^a	955	(675)	953

a. Net income (loss) equals net income (loss) attributable to common stockholders because net income attributable to noncontrolling interests is zero for issuer and guarantor.

CAUTIONARY STATEMENT

Our discussion and analysis contains forward-looking statements in which we discuss our potential future performance. Forward-looking statements are all statements other than statements of historical facts, such as plans, projections, or expectations relating to ore grades and milling rates; business outlook; production and sales volumes; unit net cash costs; cash flows; capital expenditures; liquidity; operating costs; operating plans; our financial policy; our expectations regarding PT-FI's ramp-up of underground mining activities and future cash flows through 2022; PT-FI's development, financing, construction and completion of new domestic smelting capacity in Indonesia totaling 2 million metric tons of concentrate per year by December 2023; our commitments to deliver responsibly produced copper, including plans to implement and validate all of our operating sites under specific frameworks; improvements in operating procedures and technology; exploration efforts and results; development and production activities, rates and costs; tax rates; export quotas and duties; the impact of copper, gold and molybdenum price changes; the impact of deferred intercompany profits on earnings; mineralization and reserve estimates; execution of the settlement agreements associated with the Louisiana coastal erosion cases and talc-related litigation; descriptions of our objectives, strategies, plans, goals or targets, including our net debt target; and future dividend payments, share purchases and sales. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "could," "to be," "potential," "assumptions," "guidance," "future" and any similar expressions are intended to identify those assertions as forward-looking statements. The declaration of future dividends is at the discretion of the Board and will depend on our financial results, cash requirements, future prospects, global economic conditions, and other factors deemed relevant by the Board.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, expected, 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, but are not limited to, changes in our credit rating; changes in our cash requirements, financial position, financing plans or investment plans; changes in general market, economic, tax, regulatory or industry conditions; the duration and scope of and uncertainties associated with the COVID-19 pandemic, and the impact thereof on commodity prices, our business and the global economy, and any related actions taken by governments and businesses; our ability to contain and mitigate the risk of spread or major outbreak of COVID-19 at our operating sites, including at PT-FI's remote operating site in Papua; supply of and demand for, and prices of, copper, gold and molybdenum; mine sequencing; changes in mine plans or operational modifications, delays, deferrals or cancellations; production rates; timing of shipments; results of feasibility studies; potential inventory adjustments; potential impairment of long-lived mining assets; the potential effects of violence in Indonesia generally and in the province of Papua; the Indonesia government's extension of PT-FI's export license after March 15, 2022; risks associated with underground mining; satisfaction of requirements in accordance with PT-FI's special mining license to extend mining rights from 2031 through 2041; the Indonesia government's approval of a deferred schedule for completion of new domestic smelting capacity in Indonesia; expected results from improvements in operating procedures and technology, including innovation initiatives; industry risks; regulatory changes; political and social risks; labor relations, including labor-related work stoppages; weather- and climate-related risks; environmental risks; litigation results; cybersecurity incidents; changes in general market, economic and industry conditions; financial condition of our customers, suppliers, vendors, partners and affiliates, particularly during weak economic conditions and extended periods of volatile commodity prices; reductions in liquidity and access to capital; our ability to comply with its responsible production commitments under specific frameworks and any changes to such frameworks; and other factors described in more detail under the heading "Risk Factors" contained in Part I, Item 1A. of our 2020 Form 10-K.

Investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the 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 not be able to control. Further, we may make changes to our business plans that could affect our results. We caution investors that we undertake no obligation to update any forward-looking statements, which speak only as of the date made, notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes.

This report on Form 10-Q also contains financial measures such as net debt and unit net cash costs per pound of copper and molybdenum, which are not recognized under U.S. GAAP. Net debt equals consolidated debt less consolidated cash. 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.

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 March 31, 2021.

For additional information on market risks, refer to “Disclosures About Market Risks” included in Part II, Items 7. and 7A. of our 2020 Form 10-K. 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 projected sensitivities of our provisionally priced copper sales to changes in commodity prices refer to “Consolidated Results – Revenues” in Part I, Item 2. of this quarterly report on Form 10-Q.

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 were effective as of March 31, 2021.

(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 March 31, 2021, 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 are associated with environmental issues. We are also involved periodically in reviews, inquiries, investigations and other proceedings initiated by or involving 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 legal proceeding reported in Part I, Item 3. “Legal Proceedings” and Note 12 of our 2020 Form 10-K, and Note 8 herein, will have a material adverse effect on our financial condition; although individual or cumulative 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.

There have been no material changes to legal proceedings previously disclosed in Part I, Item 3. “Legal Proceedings” and Note 12 of our 2020 Form 10-K, except as described in Note 8 herein.

Item 1A. Risk Factors.

There have been no material changes to our risk factors previously disclosed in Part I, Item 1A. “Risk Factors” of our 2020 Form 10-K. For additional information on risk factors, refer to Part I, Item 1A. “Risk Factors” of our 2020 Form 10-K.

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

There were no unregistered sales of equity securities during the three months ended March 31, 2021.

The following table sets forth information with respect to shares of FCX common stock purchased by us during the three months ended March 31, 2021.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^a	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs ^a
January 1-31, 2021	—	\$ —	—	23,685,500
February 1-28, 2021	—	\$ —	—	23,685,500
March 1-31, 2021	14,749 ^b	\$ 24.08	—	23,685,500
Total	14,749	\$ 24.08	—	23,685,500

a. On July 31, 2008, our Board approved an increase in our open-market share purchase program for up to 30 million shares, which does not have an expiration date.

b. Consists of shares acquired in connection with stock option exercises during the periods shown.

We have a Board-approved open-market share purchase program for up to 30 million shares, which does not have an expiration date. There have been no purchases under this program since 2008. At March 31, 2021, there were 23.7 million shares that could still be purchased under the program.

Item 4. Mine Safety Disclosures.

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 6. [Exhibits](#).

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
2.1*	PTFI Divestment Agreement dated as of September 27, 2018 among FCX, International Support LLC, PT Freeport Indonesia, PT Indocopper Investama and PT Indonesia Asahan Aluminium (Persero).		10-Q	001-11307-01	11/9/2018
2.2	Supplemental and Amendment Agreement to the PT-FI Divestment Agreement, dated December 21, 2018, among FCX, PT Freeport Indonesia, PT Indonesia Papua Metal Dan Mineral (f/k/a PT Indocopper Investama), PT Indonesia Asahan Aluminium (Persero) and International Support LLC.		10-K	001-11307-01	2/15/2019
3.1	Amended and Restated Certificate of Incorporation of FCX, effective as of June 8, 2016.		8-K	001-11307-01	6/9/2016
3.2	Amended and Restated By-Laws of FCX, effective as of June 3, 2020.		8-K	001-11307-01	6/3/2020
15.1	Letter from Ernst & Young LLP regarding unaudited interim financial statements.	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350.	X			
95.1	Mine Safety and Health Administration Safety Data.	X			
101.INS	XBRL Instance Document- the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	X			
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL.	X			

* The registrant agrees to furnish supplementally to the Securities and Exchange Commission (SEC) a copy of any omitted schedule or exhibit upon the request of the SEC in accordance with Item 601(a)(5) of Regulation S-K.

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 thereunto 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: May 5, 2021

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-8 No. 333-105535) pertaining to the Freeport-McMoRan Copper & Gold Inc. 2003 Stock Incentive Plan,
- 2) Registration Statement (Form S-8 No. 333-115292) pertaining to the Freeport-McMoRan Copper & Gold Inc. 2004 Director Compensation Plan,
- 3) Registration Statement (Form S-8 No. 333-136084) pertaining to the Freeport-McMoRan Copper & Gold Inc. 2006 Stock Incentive Plan,
- 4) Registration Statement (Form S-8 No. 333-147413) pertaining to the Amended and Restated Freeport-McMoRan Copper & Gold Inc. 2006 Stock Incentive Plan,
- 5) 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,
- 6) Registration Statement (Form S-8 No. 333-212523) pertaining to the Freeport-McMoRan Inc. 2016 Stock Incentive Plan, and
- 7) Registration Statement (Form S-3 No. 333-226675) pertaining to the Freeport-McMoRan Inc. 2018 Automatic Shelf Registration Statement, as amended.

of our report dated May 5, 2021, relating to the unaudited consolidated interim financial statements of Freeport-McMoRan Inc. that is included in its Form 10-Q for the quarter ended March 31, 2021.

/s/ Ernst & Young LLP

Phoenix, Arizona
May 5, 2021

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: May 5, 2021

By: /s/ Richard C. Adkerson
Richard C. Adkerson
Chairman of the Board 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: May 5, 2021

By: /s/ Kathleen L. Quirk
Kathleen L. Quirk
President and Chief Financial Officer

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 Inc. (the “Company”) for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Richard C. Adkerson, as Chairman of the Board and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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: May 5, 2021

By: /s/ Richard C. Adkerson
Richard C. Adkerson
Chairman of the Board 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 Section 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 Inc. (the “Company”) for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Kathleen L. Quirk, as President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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: May 5, 2021

By: /s/ Kathleen L. Quirk
Kathleen L. Quirk
President and Chief Financial 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 Section 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 following table 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 March 31, 2021:

Mine ID ⁽¹⁾	Mine or Operation Name	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Proposed Assessments (\$)	Mining Related Fatalities (#)	Pattern of Violations Under Section 104(e) (yes/no)	Potential to Have Pattern of Violation Under Section 104(e) (yes/no)
0200137	Freeport-McMoRan Bagdad Inc. (Bagdad)	5	—	—	—	1	—	—	No	No
2900708	Freeport-McMoRan Chino Mines Company (Chino)	1	—	—	—	—	6,744	—	No	No
0200112	Freeport-McMoRan Miami Inc (Miami)	—	—	—	—	—	—	—	No	No
0200024	Freeport-McMoRan Morenci Inc (Morenci)	11	—	—	—	—	61,565	—	No	No
0203131	Freeport-McMoRan Safford Inc (Safford)	—	—	—	—	—	—	—	No	No
0200144	Freeport-McMoRan Sierrita Inc (Sierrita)	10	—	—	—	—	—	—	No	No
2900159	Tyrone Mine (Tyrone)	—	—	—	—	—	—	—	No	No
0500790	Henderson Operations (Henderson)	2	—	1	—	—	11,052	—	No	No
0502256	Climax Mine (Climax)	—	—	—	—	—	—	—	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	—	—	—	—	—	—	—	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.

Pending Legal Actions. The following table provides a summary of legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as of March 31, 2021, as well as the aggregate number of legal actions instituted and resolved during first-quarter 2021. 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 an 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 ⁽¹⁾	Legal Actions Pending at March 31, 2021						Total (#)	Legal Actions Instituted ⁽²⁾ (#)	Legal Actions Resolved ⁽³⁾ (#)
	Contest Proceedings (#)	Civil Penalty Proceedings (#)	Discrimination Proceedings (#)	Compensation Proceedings (#)	Temporary Relief (#)	Appeals (#)			
0200137	2	—	—	—	—	—	2	—	—
2900708	—	—	—	—	—	—	—	—	—
0200112	—	—	—	—	—	—	—	—	—
0200024	1	—	—	—	—	—	1	—	5
0203131	—	1	—	—	—	—	1	—	—
0200144	—	1	1	—	—	—	2	1	—
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 March 31, 2020, and legal actions instituted during first-quarter 2021 are based on the date that a docket number was assigned to the proceeding.
- (3) Legal actions resolved during first-quarter 2021 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.