

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2023 and 2022, and for the years then ended
with independent auditor's report
(amounts in United States dollars)

PT Freeport Indonesia
Plaza 89, 5th Floor
Jl. H.R. Rasuna Said Kav. X-7 No. 6
Jakarta 12940, Indonesia
P.O. BOX 3148 Jakarta 10001
Website : www.ptfi.co.id

Telephone : 62-21-259-1818 (Hunting System)
FAX. : 62-21-259-1897

**BOARD OF DIRECTORS' STATEMENT
REGARDING THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023
AND FOR THE YEAR THEN ENDED
PT FREEPORT INDONESIA**

We, the undersigned below:

- | | |
|------------------|---|
| 1. Name | : Robert Charles Schroeder |
| Office address | : Plaza 89, 5 th Floor.
Jalan H. Rasuna Said Kav. X-7 No. 6
Jakarta 12490, Indonesia |
| Telephone number | : +62-21 2591705 |
| Title | : Director, Executive Vice President – PT Freeport Indonesia |

declare that:

1. We are responsible for the preparation and presentation of the consolidated financial statements of PT Freeport Indonesia;
2. The consolidated financial statements of PT Freeport Indonesia have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information in the consolidated financial statements of PT Freeport Indonesia have been fully disclosed in a complete and truthful manner; and
b. The consolidated financial statements of PT Freeport Indonesia do not contain any incorrect information or material fact, nor do they omit any information or material fact;
4. We are responsible for the internal control system of PT Freeport Indonesia.

This statement is made truthfully.

Jakarta, March 8, 2024



Robert Charles Schroeder

Director, Executive Vice President PT Freeport Indonesia

Ant *g-*



**PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITOR'S REPORT**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	
Consolidated Statements of Financial Position	1-2
Consolidated Statements of Profit or Loss and Other Comprehensive Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements	6-67

Independent Auditor's Report

Report No. 00184/2.1032/AU.1/02/0694-6/1/III/2024

The Shareholders and the Boards of Commissioners and Directors PT Freeport Indonesia

Opinion

We have audited the accompanying consolidated financial statements of PT Freeport Indonesia ("the Company") and its Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of December 31, 2023, and its consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants ("IICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements paragraph of our report. We are independent of the Company and its Subsidiaries in accordance with the ethical requirements relevant to our audit of the consolidated financial statements in Indonesia, and we have fulfilled our other ethical responsibilities in accordance with such requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Such key audit matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on such key audit matters. For the key audit matter below, our description of how our audit addressed such key audit matter is provided in such context.



Independent Auditor's Report (continued)

Report No. 00184/2.1032/AU.1/02/0694-6/1/III/2024 (continued)

Key audit matters (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements paragraph of our report, including in relation to the key audit matter communicated below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the key audit matter below, provide the basis for our opinion on the accompanying consolidated financial statements.

Recognition and Measurement of Uncertain tax position

Description of the key audit matter:

As described in Note 14 to the consolidated financial statements, the Company is involved in certain tax claims and assessments for which it has either (i) recognized provisions for probable costs and expenses which may be incurred, and/or recognized claims for probable refund; or (ii) disclosed the relevant information about such tax assessments.

This matter was identified as a key audit matter because assessment for uncertain tax position involves significant judgment and estimate in predicting the outcome of the tax assessments which could be material to the consolidated financial statements as a whole. The inherent uncertainty over the outcome is brought about by the differences in the interpretation and implementation of the relevant tax laws and regulations.

Audit response:

We obtained an understanding of the Company's process of assessing uncertain tax position and tested the related key controls. We obtained the management's assessments, including the list of ongoing tax matters and tested the completeness and accuracy of the relevant data and documents used in such assessments. We involved our auditor's expert in evaluating the management's assessment on whether any provisions/claims should be recognized, and the estimation of such amounts. We assessed whether there were any potential sources of contrary information in such assessments. We obtained tax confirmation from management's consultants and evaluated their replies. We also assessed the adequacy of the disclosures made to the consolidated financial statements on these tax claims and assessments.

Independent Auditor's Report (continued)

Report No. 00184/2.1032/AU.1/02/0694-6/1/III/2024 (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company and its Subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless management either intends to liquidate the Company and its Subsidiaries or to cease their operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company and its Subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing established by the IICPA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Standards on Auditing established by the IICPA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

Independent Auditor's Report (continued)

Report No. 00184/2.1032/AU.1/02/0694-6/1/III/2024 (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with Standards on Auditing established by the IICPA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its Subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its Subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company and its Subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report (continued)

Report No. 00184/2.1032/AU.1/02/0694-6/1/III/2024 (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe such key audit matters in our independent auditor's report unless laws or regulations preclude public disclosure about such key audit matters or when, in extremely rare circumstances, we determine that a key audit matter should not be communicated in our independent auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KAP Purwantono, Sungkoro & Surja

Feniwati Chendana, CPA
Public Accountant Registration No. AP.0694

March 8, 2024



PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022
(Expressed in thousand United States dollars)

	<u>Notes</u>	<u>As of December 31,</u>	
		<u>2023</u>	<u>2022</u>
		<u>US\$</u>	<u>US\$</u>
ASSETS			
Current assets:			
Cash and cash equivalents	2d,3	1,259,142	2,479,873
Restricted cash and cash equivalents	2d,3,16,18	1,205,509	106,051
Trade receivables:			
Third parties	2q,4,19	713,887	407,543
Related parties	2i,2m,4,5	38,159	361,487
Other receivables:			
Third parties	4	23,335	60,481
Related parties	2i,4,5	1,540	1,980
Inventories, net of allowance for obsolescence of US\$26,377 as of December 31, 2023, and US\$28,856 as of December 31, 2022	2e,6	1,258,070	804,574
Prepaid taxes	2p,14a	372,396	327,443
Prepaid expenses and other		38,307	25,212
Total current assets		<u>4,910,345</u>	<u>4,574,644</u>
Non-current assets:			
Investment in PT Smelting - associated company	2b,7	125,675	52,512
Property, plant, equipment, development cost and mine properties, net of accumulated depreciation of US\$7,920,106 as of December 31, 2023, and US\$7,689,207 as of December 31, 2022	2f,2g,2j,8	19,329,213	17,135,232
Long-term notes and accounts receivable:			
Third parties	9,14e	91,392	77,170
Related parties	2i,5,9	234,016	108,430
Other assets	3,18	158,479	174,711
Total non-current assets		<u>19,938,775</u>	<u>17,548,055</u>
Total assets		<u><u>24,849,120</u></u>	<u><u>22,122,699</u></u>

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

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
AS OF DECEMBER 31, 2023 AND 2022
(Expressed in thousand United States dollars)

	<u>Notes</u>	<u>As of December 31,</u>	
		<u>2023</u>	<u>2022</u>
		US\$	US\$
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables:			
Third parties	2q,10,19	383,983	380,798
Related parties	2i,5,10	26	63
Accrued liabilities:			
Third parties	11	863,769	1,046,612
Related parties	2i,5,11	91,581	87,238
Taxes payable	2p,14b	430,416	334,195
Government revenues payable	1a	351,500	363,411
Unearned customer receipts - third parties	2q,19	113,926	5,319
Royalties payable	1a	10,239	36,517
Current portion of finance lease obligation	2j,12	50,705	7,397
Current portion of asset retirement obligations	2k,16	119,314	115,776
Total current liabilities		<u>2,415,459</u>	<u>2,377,326</u>
Non-current liabilities:			
Long-term debt	2q,5,13,23	2,980,171	2,977,534
Deferred income taxes	2p,14d	2,467,965	2,326,109
Asset retirement obligations	2k,16	975,132	1,044,690
Finance lease obligations	2j,12	200,632	152,357
Provision for employee benefits	2n,15	28,301	18,428
Other non-current liabilities	14e,17,18	203,558	147,298
Total non-current liabilities		<u>6,855,759</u>	<u>6,666,416</u>
Total liabilities		<u>9,271,218</u>	<u>9,043,742</u>
Equity:			
Share capital, US\$100 par value (full amount) for all years; 379,150 shares (full amount) authorized, issued and fully paid	20	37,915	37,915
Additional paid-in capital	2o,5,20	4,514,580	4,466,609
Retained earnings		11,031,853	8,576,555
Accumulated other comprehensive loss	2n,15	(6,446)	(2,122)
Net equity		<u>15,577,902</u>	<u>13,078,957</u>
Total liabilities and equity		<u>24,849,120</u>	<u>22,122,699</u>

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

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousand United States dollars)

	Notes	Years Ended December 31,	
		2023	2022
		US\$	US\$
Net revenues	2i,2m,5,19,21	8,436,577	8,426,222
Cost of sales	2i,5,22	3,661,264	3,514,616
Gross profit		4,775,313	4,911,606
Expenses:			
General and administrative expenses	2i,5,22	116,656	107,811
Selling and marketing expenses	2i,5,22	10,681	7,966
Operating profit		4,647,976	4,795,829
Interest expense	14e	(33,245)	(38,426)
Interest income		115,621	43,587
Other income, net	14e	6,482	62,518
Equity in associated company's net earnings	2b,7	10,579	21,823
Profit before income tax expense		4,747,413	4,885,331
Income tax expense	2p,14c,14e	(1,232,415)	(1,251,221)
Net profit before government revenues		3,514,998	3,634,110
Non-tax state revenue (4%)	1a	(140,600)	(145,364)
Regional governments revenue (6%)	1a	(210,900)	(218,047)
Net profit		3,163,498	3,270,699
Other comprehensive (loss) income:			
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (losses) gains on pension plans	2n,15	(5,858)	9,647
Tax recognized	2p	1,490	(2,172)
Equity investment in PT Smelting	2b,7	86	(471)
Foreign exchange impact	2c	(42)	878
Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods		(4,324)	7,882
Total comprehensive income attributable to stockholders		3,159,174	3,278,581
Basic earnings per share attributable to stockholders (full amount)	2r	8,343.66	8,626.40
Average shares outstanding (full amount)		379,150	379,150
Dividends declared and paid per share of common stock (full amount)	20	1,868	8,110

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

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousand United States dollars)

	Notes	Issued and Fully Paid Share Capital	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Net Equity
		US\$	US\$	US\$	US\$	US\$
Balance at December 31, 2021		37,915	4,298,326	8,380,856	(10,004)	12,707,093
Net profit		—	—	3,270,699	—	3,270,699
Dividends declared and paid	20	—	—	(3,075,000)	—	(3,075,000)
Other comprehensive income	2c,2n,2p,15	—	—	—	7,882	7,882
Capital contributions from MIND ID	20	—	189,250	—	—	189,250
Distributions for exercised/vested parent company (FCX) equity awards to employees	2i,2o,5	—	(23,583)	—	—	(23,583)
Amortization of parent company (FCX) equity awards to employees	2i,2o,5	—	2,616	—	—	2,616
Balance at December 31, 2022		37,915	4,466,609	8,576,555	(2,122)	13,078,957
Net profit		—	—	3,163,498	—	3,163,498
Dividends declared and paid	20	—	—	(708,200)	—	(708,200)
Other comprehensive loss	2c,2n,2p,15	—	—	—	(4,324)	(4,324)
Capital contributions from MIND ID	20	—	49,920	—	—	49,920
Distributions for exercised/vested parent company (FCX) equity awards to employees	2i,2o,5	—	(4,606)	—	—	(4,606)
Amortization of parent company (FCX) equity awards to employees	2i,2o,5	—	2,657	—	—	2,657
Balance at December 31, 2023		37,915	4,514,580	11,031,853	(6,446)	15,577,902

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

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousand United States dollars)

	Notes	Years Ended December 31,	
		2023	2022
		US\$	US\$
Cash flow from operating activities:			
Net profit		3,163,498	3,270,699
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation, depletion and amortization	8,22	1,003,580	1,002,259
Deferred income taxes	2p,14d	143,393	120,817
Tax reserves		20,515	(11,765)
Net credits for asset retirement obligations, including accretion	2k	(25,087)	(52,242)
Payments for asset retirement obligations	2k,16	(83,611)	(102,573)
Changes in deferred profit on sales to PT Smelting	7,22	(111,696)	(14,007)
Charges for social investment programs		84,366	84,262
Payments for social investment programs		(44,411)	(11,496)
Other		1,535	3,036
Changes in working capital and other:			
Accounts receivable		61,683	(103,984)
Inventories		(340,802)	(119,773)
Prepaid taxes		(44,953)	188,437
Prepaid expenses and other		(13,095)	(782)
Accounts payables, accrued liabilities and royalties payable		(18,931)	(123,201)
Accrued income taxes and timing of other tax		81,267	(331,131)
Net cash provided by operating activities		3,877,251	3,798,556
Cash flow from investing activities:			
Capital expenditures	8	(3,266,980)	(2,363,290)
Loans to PT Smelting for expansion	7,9	(128,835)	(69,674)
Cash (outflow) inflow for restricted cash	18	(1,063,293)	5,849
Dividends received from PT Smelting	7	51,508	12,877
Proceeds from sales of assets and other		1,103	27
Net cash used in investing activities		(4,406,497)	(2,414,211)
Cash flow from financing activities:			
Proceeds from debt	13,24	—	3,171,000
Repayment of debt	13,24	—	(614,000)
Common dividends paid	20	(708,200)	(3,075,000)
Capital contribution from MIND ID	20	49,920	189,250
Finance lease payments	12	(20,824)	(6,908)
Distributions for exercised/vested parent company (FCX) equity awards to employees	5	(4,606)	(23,583)
Financing costs and other		(7,775)	(31,925)
Net cash used in financing activities		(691,485)	(391,166)
Net (decrease) increase in cash and cash equivalents		(1,220,731)	993,179
Cash and cash equivalents at beginning of year		2,479,873	1,486,694
Cash and cash equivalents at end of year	3	1,259,142	2,479,873

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

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL

a. Establishment and General Information

Freeport Indonesia Incorporated, a United States of America (US) company, entered into a Contract of Work (COW) with the Government of the Republic of Indonesia (GOI) in 1967. Commercial production began in 1972. On December 26, 1991, PT Freeport Indonesia Company became the corporate successor to Freeport Indonesia Incorporated. PT Freeport Indonesia Company was established as a limited liability company organized under the laws of the Republic of Indonesia based on notarial deed No. 102 of R. Arie Soetardjo, S.H. The deed of establishment was approved by the Ministry of Justice in decision letter No. C2.8171.HT.01.01.TH.91 dated December 27, 1991, and was published in the State Gazette No. 105 dated December 31, 1991, Supplement No. 5121. On April 26, 2000, the Ministry of Justice in decision letter No. C-9305 HT.01.04-TH.2000 approved, among other matters, the change of the company's name to PT Freeport Indonesia (the Company). The latest amended and restated Articles of Association of the Company were approved by the Ministry of Law and Human Rights in decision letter No. AHU-0032023.AH.01.02.Tahun 2018 dated December 21, 2018, and was published in the State Gazette No. 101 dated December 17, 2019, Supplement No. 49546.

In accordance with article 3 of the Company's Articles of Association, the Company is engaged in the exploration for and mining and processing of ore containing copper, gold and silver in Indonesia and in the marketing of concentrate and its refined products containing such metals.

The Company's principal office is located at Plaza 89, 5th Floor, JL. HR. Rasuna Said Kav. X-7 No. 6, Jakarta, Indonesia, with its primary operations office at Office Building I, JL. Mandala Raya Selatan No. 1, Kuala Kencana, Timika, Indonesia.

Transaction with the GOI

On December 21, 2018, Freeport-McMoRan Inc. (FCX) completed a transaction with the GOI regarding the Company's long-term mining rights and share ownership (the 2018 Transaction). Pursuant to the divestment agreement and related documents, PT Mineral Industri Indonesia (MIND ID), an Indonesia state-owned enterprise, acquired all of Rio Tinto plc's (Rio Tinto) interests associated with its joint venture with the Company (the former Rio Tinto Joint Venture) and 100% of FCX's interests in PT Indonesia Papua Metal Dan Mineral (PT IPMM).

In connection with the 2018 Transaction, the Company acquired all of the common stock of PT Rio Tinto Indonesia that held the former Rio Tinto Joint Venture interest. After the 2018 Transaction, MIND ID's (26.24%) and PT IPMM's (25.00%) collective share ownership of the Company totals 51.24% and FCX's share ownership totals 48.76%. The arrangements provide for FCX and the other pre-transaction the Company shareholders (i.e., MIND ID) to retain the economics of the revenue and cost sharing arrangements under the former Rio Tinto Joint Venture.

FCX, the Company, PT IPMM and MIND ID entered into a shareholders agreement, which includes provisions related to the governance and management of the Company.

Special Mining License (IUPK)

Concurrent with the closing of the 2018 Transaction, the GOI granted the Company an IUPK to replace its former COW, enabling the Company to conduct operations in the Grasberg minerals district in Papua, Indonesia, through 2041. Under the terms of the IUPK, the Company has been granted an extension of mining rights through 2031, with rights to extend mining rights through 2041, subject to the Company completing the development of additional smelting capacity in Indonesia and fulfilling its defined fiscal obligations to the GOI. The IUPK, and related documentation, contains legal and fiscal terms and is legally enforceable through 2041, assuming the additional extension is received. In addition, FCX, as a foreign investor, has rights to resolve investment disputes with the GOI through international arbitration.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

a. Establishment and General Information (continued)

Special Mining License (IUPK) (continued)

The key fiscal terms set forth in the IUPK include a 25% corporate income tax rate, a 4% non-tax state revenue obligation calculated on net profits, a 6% regional governments revenue obligation calculated on net profits, and royalty rates of 4% for copper, 3.75% for gold and 3.25% for silver. The Company recorded charges for both the 4% non-tax state revenue obligation and 6% regional governments revenue obligation totaling US\$351.5 million for the year 2023 and US\$363.4 million for the year 2022. The Company's royalties totaled US\$337.9 million in 2023 and US\$356.6 million in 2022 (Note 21).

The Company is actively engaged in the following projects for additional smelting and refining capacity in Indonesia:

- In December 2023, PT Smelting commissioned the expansion of its capacity by 30% to 1.3 million metric tons of copper concentrate per year. The project was successfully completed on time and within budget. The project was funded by the Company with borrowings totaling approximately US\$250 million that are expected to convert to equity in 2024, increasing the Company's ownership in PT Smelting to approximately 65% from 39.5%.
- Construction progress of the Manyar smelter in Gresik, Indonesia (with a capacity to process approximately 1.7 million metric tons of copper concentrate per year) is advancing on schedule with a target of May 2024 for mechanical completion, followed by a ramp-up period through December 2024. Construction of the smelter has an estimated cost of US\$3.0 billion, including \$2.8 billion for a construction contract (excluding capitalized interest, owner's costs and commissioning) and US\$0.2 billion for investment in a desalination plant.
- The precious metals refinery (PMR) is being constructed to process gold and silver from the Manyar smelter and PT Smelting. Construction is in progress with commissioning expected during 2024. Current cost estimates for the PMR total US\$665 million.

The Company had capitalized costs, including capitalized interest, for the Manyar smelter and PMR (collectively, the Indonesia smelter projects) totaling US\$3,386.5 million as of December 31, 2023, and US\$1,815.2 million as of December 31, 2022.

The IUPK required the Company to pay export duties of 5%, declining to 2.5% when smelter development progress exceeded 30% and eliminated when development progress for additional smelting and refining capacity in Indonesia exceeded 50%. In December 2022, the Company received approval, based on construction progress achieved, for a reduction in export duties from 5% to 2.5%, which was effective immediately. In March 2023, the GOI further verified that construction progress of the Manyar smelter exceeded 50% and the Company's export duties were eliminated effective March 29, 2023.

In July 2023, the Indonesia Ministry of Finance (MOF) issued a revised regulation on duties for various exported products, including copper concentrates. Under the revised regulation the Company was assessed export duties for copper concentrates at 7.5% in the second half of 2023 (totaling \$306.6 million). For 2024, the revised regulation assesses export duties for copper concentrates at 10% for companies with smelter progress of 70% to 90% and at 7.5% for companies with smelter progress exceeding 90%. As of December 31, 2023, construction progress of the Indonesia smelter projects exceeded 90%; however, the Company was subject to the 10% export duty in 2024 until it received a revised concentrate export license in February 2024 (after which the Company was subject to the 7.5% export duty). The Company's export duties charged against revenues totaled US\$306.6 million in 2023 and US\$325.1 million in 2022. The Company also continues to discuss the applicability of Ministry of Finance Regulation No. 71/2023 with the GOI because of inconsistencies with its IUPK.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

a. Establishment and General Information (continued)

Special Mining License (IUPK) (continued)

In June 2023, export licenses for several Indonesian exporters, including the Company and PT Smelting, expired. In addition, a change in regulations during 2023 required the Company to follow a new administrative process for the export of anode slimes. During 2023, the GOI issued various regulations to address exports of unrefined metals, including regulations by Ministry of Energy and Mineral Resources (MEMR) to allow continued exports of copper concentrates through May 2024 for companies engaged in ongoing smelter development projects with construction progress greater than 50%, and regulations by the Ministry of Trade on the permitted export of various products, including copper concentrates.

In July 2023, the Company was granted an export license for copper concentrate and in December 2023, the Company was granted an export license for anode slimes, which are valid through May 2024. In February 2024 and March 2024, the Company obtained approval for revised quotas for estimated concentrate and anode slime exports, respectively, through May 2024. The Company is working with the GOI to obtain approvals to continue exports of copper concentrates and anode slimes subsequent to May 2024 until the Indonesia smelter projects are fully commissioned and reach designed operating conditions.

There can be no assurance that future regulatory changes affecting the mining industry in Indonesia will not be introduced or unexpectedly repealed, or that new interpretations of existing laws and regulations will not be issued, which could adversely affect the Company's business, financial condition and results of operations.

Mineral Reserves (unaudited)

Proven and probable mineral reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry. Mineral reserves, as used in the reserve data presented here, mean an estimate of tonnage and grade of measured and indicated mineral resources that, in the opinion of the qualified person, can be the basis of an economically viable project. Proven mineral reserves are the economically mineable part of a measured mineral resource. To classify an estimate as a proven mineral reserve, the qualified person must possess a high degree of confidence of tonnage, grade and quality. Probable mineral reserves are the economically mineable part of an indicated or, in some cases, a measured mineral resource. The qualified person's level of confidence will be lower in determining a probable mineral reserve than it would be in determining a proven mineral reserve. To classify an estimate as a probable mineral reserve, the qualified person's confidence must still be sufficient to demonstrate that extraction is economically viable considering reasonable investment and market assumptions.

All of the Company's current proven and probable mineral reserves, shown below, are located in the operations area of the Company's IUPK. The Company's reserve amounts reflect estimates of minerals that can be recovered through the end of 2041, and the Company's current mine plan and planned operations are based on the assumption that the Company will extend its mining rights through 2041. As a result, the Company will not mine all of these ore reserves during the initial extension of the IUPK. Prior to the end of 2031, under its current mine plan, the Company expects to mine approximately 43% of aggregate proven and probable ore at December 31, 2023, representing approximately half of recoverable copper and gold reserves.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

a. Establishment and General Information (continued)

Mineral Reserves (unaudited) (continued)

Estimated recoverable reserves at December 31, 2023, were determined using metals price assumptions of US\$3.00 per pound for copper, US\$1,500 per ounce for gold and US\$20.00 per ounce for silver. For the three-year period ended December 31, 2023, the London Metal Exchange (LME) copper settlement prices averaged US\$4.02 per pound, the London Bullion Market Association (London) gold prices averaged US\$1,846 per ounce and London silver settlement prices averaged US\$23.41 per ounce. The recoverable proven and probable mineral reserves in the following table represent the estimated metal quantities from which the Company expects to be paid after application of estimated metallurgical recoveries and smelter recoveries, where applicable.

	Estimated Recoverable Proven and Probable Mineral Reserves		
	Copper (billion pounds)	Gold (million ounces)	Silver (million ounces)
<u>Ore Body Estimates as of December 31, 2023</u>			
Production stage mines:			
Grasberg Block Cave	14.7	11.3	48.5
Deep Mill Level Zone Cave	4.9	5.3	26.0
Big Gossan	2.2	1.0	13.7
Development stage mine:			
Kucing Liar	7.1	6.3	31.4
Total	29.0^a	23.9	119.5^a

a. Total does not sum as a result of rounding.

The following table summarizes the changes in the Company's estimated recoverable mineral reserves during 2023:

	Estimated Recoverable Proven and Probable Mineral Reserves		
	Copper (billion pounds)	Gold (million ounces)	Silver (million ounces)
Beginning of year	30.8	26.3	121.3
Additions (revisions)	(0.2)	(0.4)	4.8
Production	(1.7)	(2.0)	(6.6)
End of year	29.0^a	23.9	119.5

a. Total does not sum as a result of rounding.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

a. Establishment and General Information (continued)

Production, Sales and Average Realized Prices

	Years Ended December 31,	
	2023	2022
Copper (thousands of recoverable pounds)		
Production:		
Deep Mill Level Zone	404,118	525,989
Grasberg Block Cave	1,118,665	905,248
Big Gossan	136,952	135,790
Deep Ore Zone	—	164
Total production	1,659,735	1,567,191
Sales	1,524,712	1,582,601
Average realized price per pound	US\$3.81	US\$3.80
Gold (recoverable ounces)		
Production:		
Deep Mill Level Zone	463,573	622,047
Grasberg Block Cave	1,426,941	1,103,343
Big Gossan	87,293	71,841
Deep Ore Zone	—	276
Total production	1,977,807	1,797,507
Sales	1,697,504	1,811,111
Average realized price per ounce	US\$1,972.13	US\$1,787.31
Silver (recoverable ounces)		
Production:		
Deep Mill Level Zone	2,717,699	3,156,637
Grasberg Block Cave	3,234,174	2,234,782
Big Gossan	996,097	811,506
Deep Ore Zone	—	1,052
Total production	6,947,970	6,203,977
Sales	5,977,768	6,263,535
Average realized price per ounce	US\$23.37	US\$21.41

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries and Associates

The Company has direct or indirect ownership interests of more than 50% in the following subsidiaries, which are included in the consolidated financial statements:

Subsidiaries	Domicile	Percentage of Ownership		Start of Commercial Operations
		Years Ended December 31, 2023	2022	
PT Rio Tinto Indonesia	Indonesia	99.9999%	99.9999%	1996
PT Kencana Infra Nusakarya	Indonesia	99.9900%	99.9900%	1993
PT Kencana Wisata Nusakarya	Indonesia	99.9999%	99.9999%	1994
PT Freeport Management Indonesia	Indonesia	99.9900%	99.9900%	1992
PT Mitradaya Vulkanisindo ^a	Indonesia	—	99.9999%	2000
PT Freeport Manyar Refinery ^b	Indonesia	99.9900%	99.9900%	-

a. PT Mitradaya Vulkanisindo was liquidated on March 16, 2023.

b. PT Freeport Manyar Refinery (formerly PT Manyar Maju Refinery) (PT FMR) was established on November 7, 2019. In accordance with its Articles of Association, PT FMR is engaged in the processing of precious metals. Operations have not begun.

PT Rio Tinto Indonesia

In connection with the 2018 Transaction (Note 1a), the Company acquired all of the common stock of PT Rio Tinto Indonesia, which holds the interests in the Rio Tinto Joint Venture.

Other subsidiaries

PT Kencana Infra Nusakarya leases all of its assets to the Company. The leased assets, all of which are located in the area near the Company's operations, are directly used by the Company's employees and contractors working in its mining and related operations, and include residential apartments, recreation and office buildings, shopping centers, service centers, transportation facility buildings and health facilities. PT Kencana Wisata Nusakarya (PT KWN) owns a hotel and recreational facility located in the area near the Company's operations, and the Company compensates PT KWN for providing services associated with the operation of these facilities. PT Freeport Management Indonesia provides management consultation services to the Company (formerly invested in venture capital enterprises in the area near the Company's operations). PT Mitradaya Vulkanisindo, which was liquidated in March 2023, previously provided purchasing and logistics services, event organizing services and property management development services as requested by the Company. PT FMR, once it begins operations, will process gold and silver from the Company's Manyar smelter in Indonesia that is being constructed by the Company to comply with its obligations under the IUPK, and from PT Smelting.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries and Associates (continued)

Total assets of the Company's subsidiaries before eliminations are as follows:

	December 31,	
	2023	2022
PT Rio Tinto Indonesia	2,665,571	2,069,541
PT Freeport Manyar Refinery	319,344	115,895
PT Kencana Infra Nusakarya	134,758	135,260
PT Kencana Wisata Nusakarya	17,211	19,313
PT Freeport Management Indonesia	906	891
PT Mitradaya Vulkanisindo ^a	—	—

a. PT Mitradaya Vulkanisindo was liquidated on March 16, 2023.

Associates

Information on the Company's associates (in which the Company has direct or indirect ownership interest of less than 50%) is as follows:

Associates	Domicile and Year Commercial Operations Started	Business Activities	Percentage of Ownership
PT Smelting	Indonesia, 1999	Copper smelting and refining	39.5%
PT Airfast Aviation Facilities Company (AVCO)	Indonesia, 1995	Operator of Timika airport	25.0%

See Note 7 for a discussion of PT Smelting and AVCO.

c. Boards of Commissioners and Directors, and Employees

The members of the Company's Boards of Commissioners and Directors, who were appointed at the Company's General Meeting of Shareholders for each of the periods shown below, were as follows:

	2023	2022
Commissioners		
Richard Carl Adkerson, President	✓	✓
Hendi Prio Santoso, Vice President ^a	✓	✓
Abdurrahman Mohammad Fachir	✓	✓
Hinsa Siburian	✓	✓
Kathleen Lynne Quirk	✓	✓
Adrianto Machribie Reksohadiprodjo	✓	✓
Directors		
Clayton Allen Wenas, President	✓	✓
Jenpino Ngabdi, Vice President	✓	✓
Claus Oscar Ronald Wamafma	✓	✓
Clementino Enrico Navito Lamury	✓	✓
Mark Jerome Johnson	✓	✓
Robert Charles Schroeder Junior	✓	✓

a. Appointed as Vice President Commissioner effective February 7, 2022.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

1. GENERAL (continued)

c. Boards of Commissioners and Directors, and Employees (continued)

The Company pays fees and other benefits to support the operational duties of the Board of Commissioners. The total commissioner fees were US\$600 thousand in 2023 and US\$390 thousand in 2022.

The Company provides compensation and other benefits to support the operational duties of the Board of Directors. The total direct costs of such benefits are as follows:

	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and benefits	1,924	1,920
Performance incentives and holiday bonus	10,474	15,426
Total	<u>12,398</u>	<u>17,346</u>

The number of direct employees and contract workers follows (full amount, unaudited):

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Direct employees	7,056	5,894
Contract workers	185	284
Papuans included in total number of direct employees and contract workers	2,469	2,570

In addition to these direct employees and contract workers, the Company employs contractors that have personnel at its operations totaling 31,928 at the Manyar smelter development site and 23,926 at the Grasberg Minerals District at December 31, 2023, and 10,674 at the Manyar smelter development site and 23,124 at the Grasberg Minerals District at December 31, 2022.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesia Financial Accounting Standards (PSAK), which comprise the Statements and Interpretations of Financial Accounting Standards (ISAK) issued by the Indonesia Financial Accounting Standards Board (DSAK). The consolidated financial statements are prepared in accordance with PSAK No. 1 (Revised 2013), "Presentation of Financial Statements."

The consolidated financial statements are prepared on the accrual basis, using the historical cost concept, except for certain accounts that are measured at fair value as described in the related accounting policies. The consolidated statement of cash flows is prepared using the indirect method by classifying cash flows on the basis of operating, investing and financing activities.

Certain accounting principles applied by the Company that conform with PSAK may not conform with generally accepted accounting principles and financial standards in other countries.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

a. Basis of Preparation of the Consolidated Financial Statements (continued)

Changes to PSAKs and ISAKs

The adoption of the new standards, amendments and interpretations issued and effective for the financial year beginning January 1, 2023, did not have a material impact to the consolidated financial statements of the Company, and are as follows:

- Amendments to PSAK No. 1, "Presentation of Financial Statements – Classification of a Liability as current or non-current" was adopted from the amendment to IAS (International Accounting Standards) No. 1. The amendments specify the requirements for classifying liabilities as current or non-current and clarify:
 - what is meant by a right to defer settlement,
 - the right to defer must exist at the end of the reporting period,
 - classification is not affected by the likelihood that an entity will exercise its deferral right, and
 - only if an embedded derivative in a convertible liability is an equity instrument would the terms and conditions of a liability not impact its classification.
- Amendment of PSAK No. 1, "Presentation of Financial Statement - Disclosure of Accounting Policies," was adopted from the amendment to IAS No. 1. This amendment provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendment aims to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- Amendment of PSAK No. 46, "Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction," as adopted from IAS No. 12. This amendment proposes that entities recognize deferred tax assets and liabilities at the time of initial recognition, for example from a lease transaction, to eliminate differences in current practice for such transactions and similar transactions.
- Amendments to PSAK No. 16, "Fixed Assets - Proceeds before Intended Use" was adopted from IAS No. 16. The amendments prohibit entities from deducting from the cost of an item of fixed assets any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in the statement of profit or loss.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

b. Principles of Consolidation and Joint Arrangements

Principles of Consolidation

The Company applies PSAK No. 65 (Revised 2013), “Consolidated Financial Statements,” which among others, requires management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following (three elements of control):

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the Company’s returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Company’s voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All material intercompany transactions and account balances have been eliminated.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (Note 1b).

Joint Arrangements

The Company applies PSAK No. 66, “Joint Arrangements,” which defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with the type of joint arrangement. The Company has joint arrangements in the form of joint ventures and associates.

Joint Ventures and Associates

A joint venture is a type of arrangement in which the parties with joint control of the arrangement have rights to the net assets of the arrangement, which is recognized as an investment. The Company applies PSAK No. 15 (Revised 2013), “Investments in Associates and Joint Ventures,” which prescribes the accounting for investments in associated companies with respect to the determination of significant influence, accounting method to be applied and whether it is necessary to recognize impairments to the net investment.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

b. Principles of Consolidation and Joint Arrangements (continued)

The Company's investment in PT Smelting is accounted for using the equity method. Under the equity method, the investment is initially recognized at cost. In subsequent periods, the investment is increased or decreased by the Company's share in net earnings or losses and dividends received from the investee since the date of acquisition. The consolidated statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of PT Smelting. Unrealized gains and losses resulting from transactions between the Company and PT Smelting are eliminated to the extent of the Company's interest.

The Company's investment in AVCO is accounted for using the cost method.

Where there has been a change recognized directly in the equity of an associate, the Company recognizes its share of any such changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The Company determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value, and recognizes the impairment amount in the consolidated statement of profit or loss and other comprehensive income.

c. Foreign Currency Transactions

The Company applies PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates," which prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency. The Company considers the primary indicators and other indicators in determining its functional currency. If indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that represents the economic effects of the underlying transactions, events and conditions.

The Company has determined its functional currency is the US\$, and its reporting currency, as authorized by its IUPK, is the US\$. Transactions in currencies other than the US\$ are initially recorded in the functional currency at the respective functional currency exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the spot rate of exchange on the reporting date. All differences are recorded in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured at historical cost in such currency are translated using the exchange rate at the date of the initial transaction.

The rates of exchange used for one US\$ for the most significant currencies used by the Company other than US\$ were as follows (full amount):

	<u>Source</u>	<u>December 31,</u>	
		<u>2023</u>	<u>2022</u>
Rupiah	Bank Indonesia	15,339	15,652
Australian dollar	Bank of America	1.47	1.47

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

d. Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks and all unrestricted investments with original maturities of three months or less.

The Company's restricted cash and cash equivalents are primarily related to export proceeds required to be temporarily deposited in Indonesia banks in accordance with a 2023 regulation issued by the GOI and assurance bonds to support the Company's commitment for smelter development in Indonesia. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. Restricted cash is comprised of time deposits.

e. Inventories

Inventories consist of materials and supplies, mill stockpiles and finished goods (copper concentrate, copper cathode, anode slimes). Inventories are stated at the lower of weighted-average cost or net realizable value and are removed at weighted-average cost. Weighted-average cost includes the costs of purchase and appropriate overhead costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimate of the selling price in the ordinary course of the business, less the costs of completion and selling expenses.

An allowance for obsolescence is provided to reduce the carrying value of materials and supplies inventories to their net realizable value.

The mill stockpiles represent ores that have been extracted from the ore body that are temporarily stored above ground for processing in future periods. Because it is impracticable to determine copper contained in the mill stockpiles by physical count, reasonable estimation methods are employed.

f. Property, Plant and Equipment

The Company applies PSAK No. 16 (Revised 2011), "Property, Plant and Equipment," which prescribes the accounting treatment for the recognition of the assets, the determination of the carrying amounts and the depreciation charges and impairment losses to be recognized in relation to the assets.

Property, plant and equipment are initially recognized at cost, which comprises purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognized.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

f. Property, Plant and Equipment (continued)

Construction in progress represents the accumulated costs of materials and other costs, including attributable capitalized interest costs and currency exchange gains or losses specifically related to financing the construction in progress up to the date when the asset is complete and ready for service, at which time these costs are transferred to the relevant assets, which could also include transfers to development cost and mine properties. Depreciation for mining and milling life-of-mine assets, infrastructure and other common costs is determined using the unit-of-production (UOP) method based on total estimated recoverable proven and probable copper reserves. In addition, other assets are depreciated on a straight-line basis over the estimated useful lives as follows:

	Years
Machinery and Equipment	3 – 20
Mobile Equipment	5 – 20

Depreciation expense is included in the determination of cost of sales and inventories.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial year end unless required more often.

The Company applies PSAK No. 26 (Revised 2011), "Borrowing Costs," which requires borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset to be capitalized as part of such qualifying asset. Where the funds used to finance a project are from part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Capitalization of borrowing costs commences when the activities to prepare the qualifying asset for its intended use have started and the expenditures for the qualifying asset and the borrowing costs have been incurred. Capitalization of borrowing costs ceases when all the activities necessary to prepare the qualifying asset for its intended use are substantially completed.

g. Development Costs and Mine Properties

Development costs are capitalized in "Under development" mining properties beginning after proven and probable reserves have been established. Development costs include costs incurred resulting from mine pre-production activities undertaken to gain access to proven and probable mineral reserves, including adits, drifts, ramps, permanent excavations, infrastructure and removal of overburden. Additionally, interest expense allocable to the cost of developing mining properties is capitalized up to the date when the development activities are substantially complete.

Upon completion of mine development and upon the commencement of commercial production, the "Under development" assets are transferred to the "Developed and producing mines" account, which are stated at cost, less accumulated depreciation and impairment losses. Mines are depreciated using the UOP method based on estimated recoverable proven and probable copper reserves for the ore body benefited.

Depreciation expense is included in the determination of cost of sales and inventories.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

h. Impairment of Non-Financial Assets

The Company applies PSAK No. 48 (Revised 2014), "Impairment of Assets," which prescribes the procedures to be applied by an entity to ensure that its assets are carried at no more than their recoverable amount. If an asset is carried at more than the amount to be recovered through use or sale of the asset, the asset is impaired and the entity is required to recognize an impairment loss. This PSAK also specifies when an entity should reverse an impairment loss and the required disclosures.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses from assets used in continuing operations are recognized in the consolidated statement of profit or loss and other comprehensive income as "impairment losses" in the categories that are consistent with the functions of the impaired assets. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

Management believes that there were no indications of potential impairment of non-financial assets as of December 31, 2023.

i. Transactions with Related Parties

The Company applies PSAK No. 7 (Revised 2010), "Related Party Disclosures," which requires disclosure of related party relationships, transactions and outstanding balances, including commitments. All significant transactions and balances with related parties are disclosed in the relevant notes herein.

j. Leases

The Company applies PSAK No. 73, "Leases," which is a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Under PSAK No. 73, an arrangement is, or contains, a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under PSAK No. 73, all leases are classified as financing leases. The Company has elected the exemption for leases of low-value assets as well as the short-term lease exemption for all asset classes and does not report a lease liability or right-of-use asset for leases of low-value assets or leases with a term of 12 months or less.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

k. Asset Retirement Obligations (ARO)

The Company records the fair value of estimated AROs associated with tangible long-lived assets in the period incurred. Retirement obligations associated with long-lived assets represent the costs to remove facilities, equipment and other assets and restore related areas for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to cost of sales. Changes to the ARO for the Grasberg open-pit, which was depleted during 2019, are recorded in earnings. In addition, asset retirement costs are capitalized as part of the related asset's carrying value and are depreciated on a UOP basis over the respective asset's useful life. Reclamation costs for future disturbances are recognized as an ARO and as a related asset retirement cost in the period of the disturbance. The Company's AROs consist of costs associated with (i) mine reclamation, closure and other remediation activities and (ii) smelter/refinery land restoration. These activities generally include costs for earthwork, revegetation, water treatment and demolition (Note 16).

l. Reclamation and Closure Guarantees

The Company submits five-year reclamation plans of projected ongoing reclamation activities at its operations to the Indonesia Department of Energy and Mineral Resources in compliance with its commitments under its previously approved environmental management plan. The Company's latest plan for projected ongoing reclamation activities from 2022 through 2026 was submitted in December 2021 and approved by the Ministry of Energy and Mineral Resources in January 2022. In May 2018, the Ministry of Energy and Mineral Resources issued a new regulation that requires a company to provide mine closure and reclamation guarantees. Mine closure guarantees are provided in the form of a time deposit placed in a state-owned bank in Indonesia and reclamation guarantees are provided in the form of a time deposit placed in a state-owned bank in Indonesia or as a bank guarantee issued by a state-owned bank in Indonesia. As a result of the new regulation, the Company provided a time deposit for mine closure and elected to provide a bank guarantee for reclamation activities (Notes 16 and 18). The bank guarantee must be increased each year for that year's projected reclamation activities and may be reduced upon the Company providing evidence to the government that the reclamation activities have been performed, and the government providing a formal notice releasing the guarantee. In July 2019, the Ministry of Energy and Mineral Resources approved the Company's mine closure plan, and the Company is required to fund the next mine closure guarantee in 2025.

m. Revenue Recognition

The Company applies PSAK No. 72, "Revenue from Contracts with Customers." The Company recognizes revenue for its products upon transfer of control in an amount that reflects the consideration it expects to receive in exchange for those products. Transfer of control is in accordance with the terms of customer contracts, which is generally upon shipment or delivery of the product.

Revenues from the Company's copper concentrate sales are initially recorded based on a provisional sales price later adjusted to the final sales price calculated in accordance with the terms specified in the relevant sales contract. Revenues from copper concentrate sales are recorded net of royalties, export duties, treatment and all refining charges (including price participation, if applicable) and the impact of derivative contracts, if any. Moreover, because a portion of the metals contained in copper concentrate is unrecoverable as a result of the smelting process, the Company's revenues from copper concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. These allowances are a negotiated term of the Company's contracts and vary by customer. Treatment and refining charges represent payments to smelters and refiners and are either fixed, or in certain cases, vary with the price of copper.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

m. Revenue Recognition (continued)

The Company's copper concentrate sales agreements, including its sales to Atlantic Copper, S.L.U. (Atlantic Copper, a wholly owned subsidiary of FCX involved in the smelting and refining business in Spain) and PT Smelting (prior to 2023), provide for provisional billings, which are prevalent in the industry, based on world metals prices when shipped, primarily using then-current prices on the LME. Final settlement of the copper portion is generally based on quoted monthly average LME copper settlement prices for a specified future month, generally the first, second or third month after the month of arrival at the customer's facility. Final delivery to customers in Asia generally takes up to 20 days and to customers in Europe generally takes up to 55 days.

Beginning in 2023, the Company's commercial arrangement with PT Smelting changed from a concentrate sales agreement to a tolling arrangement. Under this arrangement, the Company pays PT Smelting a tolling fee to smelt and refine its concentrate and retains title to all products for sale to third parties (i.e., there are no further sales to PT Smelting). The Company's sale of copper cathodes under the tolling arrangement are priced in the month of shipment and are not subject to provisional pricing.

Under PSAK No. 71, the Company's sales based on a provisional sales price contain an embedded derivative. The host contract is the sale of the metals contained in the concentrate at the then-current LME settlement price. The embedded derivative, which does not qualify for hedge accounting, is marked to fair value through earnings each subsequent period until final settlement, using the period-end forward prices for the expected settlement date (Note 19).

Gold sales are priced according to individual contract terms, generally the average London gold settlement price for a specified month near the month of shipment (Note 19). Revenues from gold sold as a component of the Company's copper concentrate are recorded net of treatment charges, royalties, export duties and allowances for unrecoverable metals. Revenues from gold sold in anode slimes, which are a product of the smelting and refining process, are recorded net of royalties and refining charges.

n. Pension Plan

The Company applies PSAK No. 24 (revised 2013), "Employee Benefits," which establishes the accounting and disclosures for employee benefits and requires the recognition of a liability and expense when an employee has provided service and the entity receives an economic benefit arising from the service.

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, adjusted for any effect of the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary using the projected-unit-credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of GOI bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity through other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss. Gains or losses related to a curtailment or settlement are recognized in profit or loss when the curtailment or settlement occurs.

The Company is required to provide a minimum amount of pension benefits in accordance with Job Creation Law No. 6/2023 (formerly No. 11/2020). The Company's pension obligation is calculated by its actuary and provides that the expected benefits under the Company's pension plan will at least equal the minimum requirements of the Law.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

o. Share-Based Payments

The Company does not grant share-based payment awards of its common stock to its employees. Share-based payment awards granted to the Company's employees include options to purchase shares of FCX common stock under FCX's plans. Such stock option awards are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of stock options is determined using the Black-Scholes-Merton option valuation model. In addition, compensation costs for stock-settled and cash-settled restricted stock units (RSUs) granted under FCX plans to the Company's employees are recognized based on FCX's common stock price on the date of grant. FCX estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates through the final vesting date of the awards. See Note 5 for further discussion.

p. Taxes

Income Taxes

The Company applies PSAK No. 46 (revised 2023), which requires the Company to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the statement of financial position, and transactions and other events of the current period that are recognized in the financial statements. As it pertains to underpayments of income tax, the Company presents interest, if any, as part of interest expense, and presents penalties, if any, as part of other expense, rather than in the provision for income taxes.

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Substantially all these differences relate to property, plant, equipment, exploration and development costs. Future tax benefits, such as the carryforward of unused tax losses, are also recognized to the extent that realization of such benefits is probable. The tax effects for the period are allocated to current operations, except for the tax effects from transactions that are directly charged or credited to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position dates. Changes in the carrying amount of deferred tax assets and liabilities as a result of a change in tax rates are credited or charged to current operations, except to the extent that they relate to items previously charged or credited to equity.

Adjustments to tax obligations are recorded when an assessment is received or, if appealed by the Company and its subsidiaries, when the result of the appeal is determined.

The Company's policy associated with uncertain tax positions is to record accrued interest in interest expense and accrued penalties in other expense rather than in the provision for income taxes.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case that VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables are stated with the amount of VAT included.

To the extent the right of offset exists, the net amount of VAT recoverable from, or payable to, the taxation authority is included as part of prepaid taxes or payables in the consolidated statement of financial position.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

q. Financial Instruments

The Company applies PSAK No. 50 (Revised 2014), "Financial Instruments: Presentation," PSAK No. 60 (Revised 2014), "Financial Instrument: Disclosures", and PSAK No. 71.

PSAK No. 50 (Revised 2014) establishes the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities. PSAK No. 60 (Revised 2014) requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. PSAK No. 71 establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Financial assets are classified at amortized cost, fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not recorded at fair value through profit or loss, directly attributable transaction costs.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives during the period that do not qualify for hedge accounting are recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

As described under "Revenue Recognition," certain of the Company's copper concentrate sales contracts allow for final pricing in future periods. The Company applies the normal purchases and normal sales exemption in accordance with derivatives and hedge accounting guidance to the host sales agreements since the contracts do not allow for net settlement and always result in physical delivery.

Under PSAK No. 71, these pricing terms cause a portion of the contracts to be considered embedded derivatives that are required to be recorded at fair value (Note 19). The recorded value of these embedded derivatives is presented with the related host contract in the consolidated statement of financial position line item that appropriately represents the overall future cash flows for the instrument taken as a whole.

At times, the Company has entered into derivative contracts to manage certain market risks resulting from fluctuations in commodity prices (primarily copper and gold) by creating offsetting market exposures. See Note 19 for a summary of the Company's outstanding derivative instruments and a discussion of the Company's risk management strategies.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

q. Financial Instruments (continued)

In accordance with PSAK No. 71, financial assets include cash and cash equivalents, restricted cash and cash equivalents, trade receivables, other receivables, long-term notes and accounts receivables, which can either be classified and measured at amortized cost or at fair value with changes recognized in profit and loss. All of these financial assets are classified and measured at amortized cost, except for trade receivables with a provisional price and long-term employee loans, which are classified and measured at fair value with changes recognized in profit or loss.

Financial liabilities including trade payables, accrued liabilities, unearned customer receipts, royalties payable, finance lease obligation and long-term debt are classified as amortized cost.

These financial instruments are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method. Interest is recognized in the consolidated statement of profit or loss and other comprehensive income for interest-bearing financial assets. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when these financial instruments are derecognized or impaired, as well as through the amortization process. The carrying value of these financial instruments, except for long-term debt, approximates fair value. Long-term debt is recorded at amortized cost, which does not approximate fair value.

The Company applies PSAK No. 68, "Fair Value Measurement," which provides guidance on how to measure fair value when fair value is required or permitted. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value related disclosures for financial instruments are included in Note 19.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

The Company assesses an allowance for expected credit losses (ECLs) for the financial assets classified at amortized cost. The ECLs are based on the difference between the cash flows due in accordance with the contract and the cash flows the Company expects to receive.

The Company assesses an allowance for its financial assets held at the reporting date based on ECLs, which requires consideration of historical experience, current conditions, and reasonable and supportable forecasts.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current EIR.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

q. Financial Instruments (continued)

If an impairment has occurred, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. These financial assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial assets and liabilities

Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

r. Earnings Per Share

The Company applies PSAK No. 56 (Revised 2011), “Earnings Per Share,” which requires the computation of basic earnings per share by dividing net profit by the weighted-average number of shares outstanding during the period. The Company had no dilutive securities for any of the periods presented; therefore, no diluted earnings per share were disclosed.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

s. Segment Information

Segment information is based on PSAK No. 5 (Revised 2009), “Operating Segments,” which requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates. A segment is a distinguishable component of an entity that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. Based on the information used by management in evaluating the performance of the Company and its subsidiaries, the Company has two reportable segments: (i) mining exploration, development and production and (ii) the Manyar smelter and PMR. The construction of the greenfield smelter and PMR is still in progress and recorded in construction in progress as part of property, plant and equipment, development cost and mine properties (Note 8). All of the operational activities of the Company and its subsidiaries are conducted in Indonesia.

t. Source of Estimation Uncertainty

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period that affect the amounts reported in these financial statements and accompanying notes. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in the future periods. The more significant areas requiring the use of management estimates include mineral reserve estimation; useful asset lives for depreciation and amortization; allowances for obsolete inventory; asset retirement costs; pension, postretirement and other employee benefits; deferred taxes and valuation allowances; and future cash flows associated with assets. Actual results could differ from those estimates.

Judgments

Classification of Financial Assets and Liabilities

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 71. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company’s accounting policies disclosed in Note 2q.

Functional Currency

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. The Company has determined its functional currency is the US\$. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders its functional currency if there is a change in events and conditions that determined the primary economic environment.

Production Start Date

The Company assesses the stage of each mine under construction to determine when a mine moves into the production phase. The pre-commercial production phase starts when ore is extracted during the development activity for the purpose of obtaining access to the ore body, while the production phase starts when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature, complexity and location of each mine construction project.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

t. Source of Estimation Uncertainty (continued)

The Company considers various relevant criteria to assess when the production phase is considered to have commenced. When the production phase has commenced, all related amounts are reclassified from construction in progress to appropriate classifications in property, plant and equipment, development cost and mine properties. Some of the criteria used to identify the production start date include, but are not limited to:

- level of capital expenditure incurred compared with the original construction cost estimate;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in salable form (within specifications); and
- ability to sustain ongoing production of metal at mine design capacity.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or charged to expense, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. Depreciation/amortization for completed components of a development project commences as the components are ready for their intended use and placed into service.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change as a result of market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Income Taxes

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions for which the ultimate tax determination is uncertain. The Company recognizes liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due.

Financial Instruments

The Company carries certain financial assets and liabilities at fair value, which requires the use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value could differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities could directly affect the Company's profit or loss. The carrying amount of financial assets and liabilities carried at fair value in the consolidated statement of financial position is disclosed in Note 19.

When the fair values of non-financial assets need to be determined, (e.g., for the purposes of calculating fair value less cost to sell for impairment testing purposes), fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

t. Source of Estimation Uncertainty (continued)

Recoverability of Assets

Impairment assessments require the use of estimates and assumptions, such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recognized in the consolidated statement of profit or loss and other comprehensive income.

Mineral Reserves Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining area. The determination of the Company's mineral reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recoveries. Estimating the quantity and grade of mineral reserves requires the Company to determine the size, depth and shape of its ore bodies by analyzing geological data, such as samplings of drill holes, tunnels and other underground workings. In addition to the geology of its mines, assumptions are required to determine the economic feasibility of mining these mineral reserves, including estimates of foreign exchange rates, future commodity prices and demand, the mining methods the Company uses and the related costs incurred to develop and mine its reserves. The Company's estimates of mineral reserves are prepared by and are the responsibility of its employees, which are reviewed and verified regularly by independent experts in mining, geology and reserve determination. Changes in the mineral reserve estimates may have an impact on the carrying value of fixed assets and mine properties (Note 8), asset retirement obligations (Note 16) and recognition of deferred tax assets (Note 14).

Provision for Employee Benefits (Note 15)

The determination of the Company's obligations and cost for pension, postretirement and other employee benefits is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turn-over rate, disability rate, retirement age and mortality rate. While the Company believes that its assumptions are reasonable and appropriate, because of the long-term nature of these obligations, such estimates are subject to significant uncertainty.

UOP Depreciation (Note 8)

Estimated economically recoverable copper reserves are used in determining the depreciation and/or amortization of mine specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. Each asset's life, which is assessed annually, depends on both its physical life limitations and present assessments of economically recoverable copper reserves of the mine property at which the asset is located. These determinations require the use of estimates and assumptions, including the amount of recoverable copper reserves. Changes in these estimates are accounted for prospectively.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

t. Source of Estimation Uncertainty (continued)

AROs (Note 16)

The Company estimates its AROs using an expected cash flow approach. The fair value of these obligations is measured as the present value of cash flow estimates after considering inflation and then applying a market-risk premium. The Company applies an estimated long-term inflation rate and discounts the projected cash flows at its estimated risk-free interest rate. After discounting the projected cash flows, a market-risk premium (currently 10%) is applied to reflect what a third party might require to assume these AROs. The market-risk premium is based on market-based estimates of rates that a third party would have to pay to insure its exposure to possible future increases in the value of these obligations.

Inventories (Note 6)

Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the Company expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Stockpiles are measured by estimating the number of tons added and removed from the stockpile, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by monthly surveys.

Contingencies (Note 18)

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential amount, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

u. Current Versus Non-current Classification and Reclassifications

The Company presents assets and liabilities in the consolidated statement of financial position based on current and non-current classification. An asset is current when either (a) it is expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) it is held primarily for the purpose of trading; (c) it is expected to be realized within 12 months after the reporting period; or (d) it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is current when either (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for the purpose of trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand	<u>274</u>	<u>272</u>
Cash in banks:		
US dollar accounts	65,625	41,464
Rupiah accounts	<u>47,005</u>	<u>32,248</u>
Total cash in banks	<u>112,630</u>	<u>73,712</u>
Cash equivalents:		
Time deposits:		
Rupiah account	4,238	1,342
US dollar account	—	6,547
Money Market Fund:		
US dollar account	<u>1,142,000</u>	<u>2,398,000</u>
Total cash equivalents	<u>1,146,238</u>	<u>2,405,889</u>
Total cash and cash equivalents	<u><u>1,259,142</u></u>	<u><u>2,479,873</u></u>

As of December 31, 2023, average annual interest rates applicable to the cash equivalent investments above are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Time deposits:		
Rupiah accounts	5.1 %	3.2 %
US dollar accounts	— %	3.5 %
Money Market Fund:		
JPMorgan Chase Bank, N.A. (US dollar account)	4.8 %	1.8 %

Cash in banks earn interest at floating rates based on daily bank deposit rates.

As of December 31, 2023, there were no cash and cash equivalents with related parties or pledged as collateral for borrowings.

A summary of restricted cash and cash equivalents follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Restricted cash and cash equivalents, current	1,205,509 ^a	106,051
Restricted cash and cash equivalents, long-term - included in Other Assets	<u>96,689</u>	<u>132,855</u>
Total restricted cash and cash equivalents	<u><u>1,302,198</u></u>	<u><u>238,906</u></u>

- a. Includes (i) US\$1,059.8 million associated with export proceeds required to be temporarily deposited in Indonesia banks for 90 days in accordance with a 2023 regulation issued by the GOI and (ii) US\$145.7 million in assurance bonds to support the Company's commitment for smelter development in Indonesia. The terms for US\$135 million of the assurance bonds have been fulfilled, and in August 2023, the Company submitted a request to the GOI for their release.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

4. TRADE AND OTHER RECEIVABLES

Trade receivables consist of the following:

	December 31,	
	2023	2022
Third parties:		
Mitsubishi Materials Corporation (MMC)	153,620	27,574
Glencore Ag	144,459	21,035
Aurubis AG	117,621	32,120
Hindalco Industries Limited	75,675	7,834
IXM SA	67,948	—
Philippine Associated Smelting	57,687	48,310
Sumitomo Metal Mining Co., Ltd.	22,362	85,244
Pan Pacific Copper Co., Ltd.	20,630	78,239
Trafigura Asia Trading Pte., Ltd.	9,817	33,636
JCC Guoxing (Yantai) Copper Co	8,194	—
LS-Nikko Copper Inc.	8,077	39,358
Andes Capital Resources AG	5,736	12,013
Other (each below US\$5.0 million)	22,061	22,180
Total for third parties	713,887	407,543
Related parties:		
Atlantic Copper	38,159	84,817
PT Smelting ^a	—	276,670
Total for related parties	38,159	361,487
Total	752,046	769,030

- a. Beginning in 2023, the Company's concentrate purchase and sales agreement with PT Smelting changed to a tolling arrangement. Under the tolling agreement, the Company pays PT Smelting a tolling fee to smelt and refine its concentrate and will retain title to all products for sale to third parties (i.e., there are no further sales from the Company to PT Smelting). Refer to Note 23.

The aging analysis of trade receivables is as follows:

	December 31,	
	2023	2022
0 - 30 days	541,757	400,991
31 - 60 days	63,528	103,796
61 - 90 days	80,072	78,869
> 90 days	66,689	185,374
Total	752,046	769,030

Trade receivables are denominated in US\$ and Rupiah.

Management believes that all trade receivables are current and fully collectible and, therefore, no impairment is considered necessary. As of December 31, 2023, none of the trade receivables have been pledged as collateral or are interest-bearing.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

4. TRADE AND OTHER RECEIVABLES (continued)

Other receivables consist of the following:

	December 31,	
	2023	2022
Third parties:		
Employee loans	7,327	6,011
Contract services	3,439	3,696
Income tax receivables	—	43,369
Other	<u>12,569</u>	<u>7,405</u>
Total for third parties	<u>23,335</u>	<u>60,481</u>
Related parties:		
Other (Note 5)	<u>1,540</u>	<u>1,980</u>
Total for related parties	<u>1,540</u>	<u>1,980</u>

5. TRANSACTIONS WITH RELATED PARTIES

The nature of transactions and relationships with related parties is as follows:

Related Parties	Relationship with the Related Parties	Transactions
PT Smelting	Associated company	Expansion loan and VAT loan, sales of copper concentrate prior to 2023. Beginning January 1, 2023, the Company's commercial arrangement with PT Smelting changed to a tolling arrangement (refer to Notes 7, 23).
AVCO	Associated company	Operates Timika airport
Atlantic Copper	Shareholder's affiliate	Sales of copper concentrate
PT Puncakjaya Power	Shareholder's affiliate	Provider of power and related operation, maintenance and management services
PT Eksplorasi Nusa Jaya	Shareholder's affiliate	Mining consulting services
International Air Capital Inc. (IAC)	Shareholder's affiliate	The Company has previously provided loans for IAC's capital expenditures
International Purveyors Inc.	Shareholder's affiliate	Procurement of materials and supplies and services used in the mining operations
FM Services Company (FMS) and its wholly owned subsidiary, International Administrative Services Company	Shareholder's affiliate	Provides certain technical, management, administrative, financial and other services on behalf of the Company (Note 23)
FCX	Shareholder	Provides loans (Note 13), share-based and other incentive compensation benefits to certain of the Company's employees, capital contributions (Note 20) and insurance to the Company.
Dana Pensiun Freeport Indonesia (DPFI)	The Company is the founder of the pension fund. The fund is for the benefit of the Company's employees	Contributions to the defined benefit pension plan (Note 15)
MIND ID	Shareholder	Capital contributions to the Company (Note 20)
PT IPMM	Shareholder	Capital contributions to the Company (Note 20)

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

5. TRANSACTIONS WITH RELATED PARTIES (continued)

PT Smelting

PT Smelting, an Indonesia company, owns a copper smelter and refinery in Gresik, Indonesia. On April 30, 2021, the Company acquired an additional 14.5% of the outstanding common stock of PT Smelting, increasing its ownership interest to 39.5%. Mitsubishi Materials Corporation (MMC) owns the remaining 60.5% and serves as the operator of PT Smelting.

In November 2021, the Company completed agreements with MMC to expand PT Smelting's capacity by 30% to 1.3 million metric tons of copper concentrate per year. In December 2023, the project was successfully completed on-time and within budget. The project was funded by the Company with borrowings that are expected to convert to equity in 2024, increasing the Company's ownership in PT Smelting to approximately 65%.

See Note 7 for further discussion of the Company's accounting for its investment in PT Smelting and Note 9 for the balance of the expansion-related loans to PT Smelting.

Beginning January 1, 2023, the Company's commercial arrangement with PT Smelting changed from a copper concentrate sales agreement to a tolling arrangement. Under this arrangement, the Company pays PT Smelting a tolling fee to smelt and refine its copper concentrate and PT-FI retains title to all products for sale to third parties (i.e., there are no further sales from the Company to PT Smelting). While the new tolling agreement with PT Smelting does not significantly change the Company's economics, it impacts the timing of sales and working capital requirements. See Note 23 for further discussion of the agreements with PT Smelting.

PT Smelting's anode production from its smelter totaled 251,300 metric tons of copper in 2023 and 316,700 metric tons in 2022. Copper cathode production from its refinery totaled 212,000 metric tons of copper in 2023 and 268,400 metric tons in 2022.

AVCO

AVCO operates the Timika airport in the Papua province of Indonesia under a contract with the Company.

Atlantic Copper

In the regular course of its business, the Company sells copper concentrate at market prices to Atlantic Copper (see Note 23 for further discussion of the agreement).

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

5. TRANSACTIONS WITH RELATED PARTIES (continued)

PT Puncakjaya Power

PT Puncakjaya Power (Puncakjaya Power) is the owner of the assets supplying substantially all of the power needs for the Company's operations, including the 3x65 megawatt coal-fired power facilities located at the Port of Amamapare in Papua, Indonesia. Puncakjaya Power also charges the Company for certain operation, maintenance and management costs associated with the operation of the power facilities. The Company's aggregate payments to Puncakjaya Power totaled US\$22.4 million in 2023 and US\$20.3 million in 2022.

PT Eksplorasi Nusa Jaya

PT Eksplorasi Nusa Jaya, a wholly owned subsidiary of FCX, provides general services associated with the Company's mineral exploration activities, including related management/administrative information systems and logistics support. Services performed are charged to the Company at amounts approximating those that would be incurred if such services were performed by its own employees.

International Air Capital Inc. (IAC)

IAC, a wholly owned subsidiary of FCX, has previously been provided loans from the Company for its capital expenditures.

International Purveyors Inc.

International Purveyors Inc., a wholly owned subsidiary of FMS, is a purchasing agent in Australia that procures materials and supplies and commodities for the Company's mining and milling operations.

FMS

FMS, a wholly owned subsidiary of FCX, provides services necessary to support the Company's operations and activities, including mining operations consultation and advice, exploration, geology, management information technology, other administrative services and other such services as may be requested by the Company. The monthly service fee, which is subject to annual inflation adjustments, was US\$10.8 million for 2023 and US\$10.1 million for 2022.

FCX

FCX provides loans to the Company from time to time under a US\$2.0 billion revolving credit note (see Note 13 for further discussion of the agreement).

FCX has granted stock options and RSUs of its common stock (which is publicly traded on the New York Stock Exchange in the US) to certain Company employees as part of its incentive compensation program. A stock option award gives the recipient the right to buy FCX's common stock at a specified price within a certain period or by a specified date, subject to certain vesting requirements. A RSU is a grant of FCX common stock issued to an individual that is not fully transferable until the vesting requirement is satisfied. FCX charges the related compensation costs in connection with these stock-based awards to the Company. No significant amounts of stock-based compensation costs were capitalized during the periods presented. See the following section, "FCX Stock Awards," for additional information regarding compensation costs relating to FCX stock-based awards charged to the Company.

FCX has adopted other employee benefit plans with performance-based award criteria in which employees of the Company and FMS participate. The costs of such plans as well as FCX stock-based compensation plans related to FMS employees are included in the monthly service fee paid to FMS (see Notes 22 and 23).

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

5. TRANSACTIONS WITH RELATED PARTIES (continued)

FCX Stock Awards

Stock options granted under FCX's plans expire 10 years after the date of grant. Stock options vest in one-third annual increments beginning one year from the date of grant. The award agreements provide that participants will receive the following year's vesting upon retirement. Therefore, on the date of grant, the Company accelerates one year of amortization for retirement-eligible employees. The award agreements provide for accelerated vesting upon certain qualifying terminations of employment within one year following a change of control.

A summary of outstanding FCX stock options granted to the Company's employees as of December 31, 2023, and activity during the year ended December 31, 2023, follows:

	Number of Stock Options	Weighted- Average Exercise Price (US\$ per option)	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (US\$)
Balance as of December 31, 2022	1,122,840	15.01		
Exercised	(164,719)	26.74		
Expired/transferred	<u>(45,750)^a</u>	12.57		
Balance as of December 31, 2023	<u>912,371</u>	13.01	<u>4.3</u>	<u>26,968</u>
Vested and exercisable at December 31, 2023	<u>912,371</u>	13.01	<u>4.3</u>	<u>27,703</u>

a. Includes stock options for employees who transferred from the Company to other FCX subsidiaries.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option valuation model. Expected volatility is based on implied volatilities from traded options on FCX's publicly traded common stock and historical volatility of FCX's publicly traded common stock. Historical data is used to estimate future option exercises, forfeitures and expected life. The expected dividend rate for FCX's publicly traded common stock is calculated using the expected annual dividend at the date of grant. The risk-free interest rate is based on US Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option at the grant date.

There were no stock options granted to the Company's employees during 2023 or 2022.

Stock-settled RSUs granted under FCX's plans vest over three years or at the end of three years for certain employees. Some award agreements allow for participants to receive the following year's vesting upon retirement. Therefore, on the date of grant of these RSU awards, the Company accelerates one year of amortization for retirement-eligible employees. The award agreements provide for accelerated vesting of all RSUs held by employees if they experience a qualifying termination within one year following a change of control. Dividends attributable to stock-settled RSUs accrue and are paid if the award vests.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

5. TRANSACTIONS WITH RELATED PARTIES (continued)

A summary of outstanding stock-settled RSUs granted to the Company's employees as of December 31, 2023, and activity during the year ended December 31, 2023, follows:

	Number of Stock-Settled RSUs	Aggregate Intrinsic Value (US\$)
Balance at December 31, 2022	110,160	
Granted	65,500	
Exercised	(39,501)	
Transferred	<u>(12,333) ^a</u>	
Balance at December 31, 2023	<u>123,826</u>	<u>5,271</u>

a. Represents stock-settled RSUs for employees who transferred from the Company to other FCX subsidiaries.

The total grant-date fair value of stock-settled RSUs was US\$2.9 million during 2023 and US\$2.5 million during 2022.

Cash-settled RSUs are similar to stock-settled RSUs, but are settled in cash rather than in shares of common stock. These cash-settled RSUs vest over three years of service. Some award agreements allow for participants to receive the following year's vesting upon retirement. Therefore, on the date of grant of these cash-settled RSU awards, the Company accelerates one year of amortization for retirement-eligible employees. The cash-settled RSUs are classified as liability awards, and the fair value of these awards is remeasured each reporting period until the vesting dates. The award agreements for cash-settled RSUs provide for accelerated vesting upon certain qualifying terminations of employment within one year following a change of control. Dividends attributable to cash-settled RSUs accrue and are paid if the award vests.

A summary of outstanding cash-settled RSUs granted to the Company's employees as of December 31, 2023, and activity during the year ended December 31, 2023, follows:

	Number of Cash-Settled RSUs	Aggregate Intrinsic Value (US\$)
Balance at December 31, 2022	25,200	
Granted	34,350	
Vested	(8,203)	
Transferred	<u>(6,366) ^a</u>	
Balance at December 31, 2023	<u>44,981</u>	<u>1,915</u>

a. Represents cash-settled RSUs for employees who transferred from the Company to other FCX subsidiaries.

The total grant-date fair value of cash-settled RSUs was US\$1.4 million during 2023 and US\$0.9 million during 2022. The accrued liability associated with cash-settled RSUs totaled US\$1.2 million at December 31, 2023, and US\$1.0 million at December 31, 2022.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

6. INVENTORIES, NET

The components of inventories, net follow:

	December 31,	
	2023	2022
Materials and supplies	834,147	797,886
Mill stockpiles	12,999	10,965
Finished goods ^a	<u>437,301</u>	<u>24,579</u>
Total	1,284,447	833,430
Allowance for material and supplies inventory obsolescence	<u>(26,377)</u>	<u>(28,856)</u>
Inventories, net	<u><u>1,258,070</u></u>	<u><u>804,574</u></u>

- a. The increase in finished goods inventory at December 31, 2023, was primarily associated with the change in the Company's commercial arrangement with PT Smelting (see to Note 5) and the timing of shipments of anode slimes.

As of December 31, 2023, inventories have not been pledged as collateral. Additionally, as of December 31, 2023, the Company's property, plant and equipment and inventories are covered against certain risks under insurance policies maintained by FCX (see Note 18 for further discussion of the Company's insurance program). The Company's management is of the opinion that the insurance coverage is adequate to cover reasonably possible losses that may arise from such risks.

The changes in the allowance for material and supplies inventory obsolescence follow:

	Years Ended December 31,	
	2023	2022
Balance at beginning of year	28,856	29,352
Additional provision	17,250	9,000
Write-off/adjustment	<u>(19,729)</u>	<u>(9,496)</u>
Balance at end of year	<u><u>26,377</u></u>	<u><u>28,856</u></u>

Based on review of the net realizable value of inventories, management believes that the allowance for obsolescence is adequate to cover the reasonably possible losses on obsolete inventories.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

7. INVESTMENTS IN ASSOCIATED COMPANIES

PT Smelting

A summary of changes in the investment in PT Smelting follows:

	Years Ended December 31,	
	2023	2022
Balance at beginning of year	52,512	30,029
Company's share of net earnings	11,890	20,825
Amortization of excess investment	(241)	(241)
Accretion of excess investment of 14.5% interest	1,240	1,240
Dividends	(51,508)	(12,877)
Other comprehensive loss (income)	86	(471)
Intercompany profit recognized (Notes 5 and 22)	111,696	14,007
Balance at end of year	<u>125,675</u>	<u>52,512</u>

On April 30, 2021, the Company acquired 14.5% of the outstanding common stock of PT Smelting for US\$32.6 million, increasing its ownership interest from 25.0% to 39.5%. MMC owns the remaining 60.5% and serves as the operator of PT Smelting.

The Company has determined that PT Smelting is a structured entity, however, as mutual consent of both the Company and MMC is required to make the decisions that most significantly impact the economic performance of PT Smelting, the Company is not the primary beneficiary. As the Company has the ability to exercise significant influence over PT Smelting, it accounts for its investment in PT Smelting under the equity method.

AVCO

AVCO, an Indonesia company, operates the Timika airport in the Papua province of Indonesia. The Company owns 25.0% of the outstanding AVCO common stock and accounts for its investment under the cost method. The Company's investment in AVCO totaled less than US\$0.1 million as of December 31, 2023 and 2022.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT, DEVELOPMENT COST AND MINE PROPERTIES, NET

Property, plant and equipment, development cost and mine properties, including assets under finance leases, for the year ended December 31, 2023, follow:

	Year Ended December 31, 2023			
	Beginning Balance	Additions	Transfers, Retirements And Other	Ending Balance
OWNED ASSETS				
Cost				
Development cost and mine properties	7,240,544	115,298	(293,109)	7,062,733
Buildings, facilities and related assets	3,810,450	151,897	12,529	3,974,876
Machinery and equipment	3,492,662	317,592	(88,088)	3,722,166
Mineral reserves	3,111,558	—	—	3,111,558
Construction in progress	3,671,240	2,496,878	(440,427)	5,727,691
Mobile equipment	1,435,137	76,733	(94,792)	1,417,078
Asset retirement costs	1,395,810	42,678	—	1,438,488
Total	<u>24,157,401</u>	<u>3,201,076</u>	<u>(903,887)</u>	<u>26,454,590</u>
Accumulated Depreciation and Amortization				
Development cost and mine properties	1,484,160	418,159	(608,343)	1,293,976
Buildings, facilities and related assets	1,223,610	191,195	(24,120)	1,390,685
Machinery and equipment	1,848,225	228,060	(140,236)	1,936,049
Mineral reserves	597,836	176,063	—	773,899
Mobile equipment	1,142,957	59,280	(118,679)	1,083,558
Asset retirement costs	1,065,565	17,739	—	1,083,304
Total	<u>7,362,353</u>	<u>1,090,496</u>	<u>(891,378)</u>	<u>7,561,471</u>
ASSETS UNDER FINANCE LEASES				
Cost				
Land	183,137	113,865	(7,969)	289,033
Buildings, facilities and related assets	122,244	—	(94)	122,150
Machinery and equipment	323,113	—	(3,574)	319,539
Construction in progress	21,115	25,938	—	47,053
Mobile equipment	17,429	208	(683)	16,954
Total	<u>667,038</u>	<u>140,011</u>	<u>(12,320)</u>	<u>794,729</u>
Accumulated Depreciation				
Land	16,079	18,906	(7,969)	27,016
Buildings, facilities and related assets	77,335	7,814	(94)	85,055
Machinery and equipment	229,742	13,404	(3,574)	239,572
Mobile equipment	3,698	3,977	(683)	6,992
Total	<u>326,854</u>	<u>44,101</u>	<u>(12,320)</u>	<u>358,635</u>
Net book value	<u>17,135,232</u>			<u>19,329,213</u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT, DEVELOPMENT COST AND MINE PROPERTIES, NET (continued)

Property, plant and equipment, development cost and mine properties including assets under finance leases, for the year ended December 31, 2022, follow:

	Year Ended December 31, 2022			
	Beginning Balance	Additions	Transfers, Retirements And Other	Ending Balance
OWNED ASSETS				
Cost				
Development cost and mine properties	6,692,414	383,394	164,736	7,240,544
Buildings, facilities and related assets	3,653,815	152,676	3,959	3,810,450
Machinery and equipment	3,477,841	92,266	(77,445)	3,492,662
Mineral reserves	3,111,558	—	—	3,111,558
Construction in progress	1,844,892	2,084,103	(257,755)	3,671,240
Mobile equipment	1,448,270	38,070	(51,203)	1,435,137
Asset retirement costs	1,440,061	—	(44,251)	1,395,810
Total	<u>21,668,851</u>	<u>2,750,509</u>	<u>(261,959)</u>	<u>24,157,401</u>
Accumulated Depreciation and Amortization				
Development cost and mine properties	1,113,593	373,324	(2,757)	1,484,160
Buildings, facilities and related assets	1,087,409	146,997	(10,796)	1,223,610
Machinery and equipment	1,758,996	205,752	(116,523)	1,848,225
Mineral reserves	425,535	172,301	—	597,836
Mobile equipment	1,158,313	59,402	(74,758)	1,142,957
Asset retirement costs	1,047,463	18,102	—	1,065,565
Total	<u>6,591,309</u>	<u>975,878</u>	<u>(204,834)</u>	<u>7,362,353</u>
ASSETS UNDER FINANCE LEASES				
Cost				
Land	170,359	13,116	(338)	183,137
Buildings, facilities and related assets	130,879	228	(8,863)	122,244
Machinery and equipment	323,590	—	(477)	323,113
Construction in progress	—	15,224	5,891	21,115
Mobile equipment	2,896	17,394	(2,861)	17,429
Total	<u>627,724</u>	<u>45,962</u>	<u>(6,648)</u>	<u>667,038</u>
Accumulated Depreciation				
Land	4,868	11,528	(317)	16,079
Buildings, facilities and related assets	81,080	3,504	(7,249)	77,335
Machinery and equipment	225,444	4,775	(477)	229,742
Mobile equipment	728	4,294	(1,324)	3,698
Total	<u>312,120</u>	<u>24,101</u>	<u>(9,367)</u>	<u>326,854</u>
Net book value	<u>15,393,146</u>			<u>17,135,232</u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT, DEVELOPMENT COST AND MINE PROPERTIES, NET (continued)

The components of construction in progress as of December 31, 2023, follows:

	<u>Accumulated Costs</u>
Construction in progress:	
Indonesia smelter projects	3,386,498
Grasberg Block Cave	351,144
Deep Mill Level Zone	328,262
Kucing Liar	243,308
Big Gossan	44,475
Mill and power plant development and others, including ongoing infrastructure, machinery and equipment additions	1,421,057
Total	<u>5,774,744</u>

The details of the Company's development cost and mine properties' net book value are as follows:

Ore Body at December 31, 2023

Developed and producing mines:	
Grasberg Block Cave	3,340,102
Deep Mill Level Zone	1,835,226
Big Gossan	383,982
Mill and infrastructure:	
Underground common infrastructure	94,894
Concentrating mill and other infrastructure development	87,442
Under development:	
Kucing Liar	27,111
Total	<u>5,768,757</u>

Borrowing costs attributed to qualifying assets and added to construction in progress totaled US\$182.7 million in 2023 and US\$115.0 million in 2022, based on capitalization rates of 5.79% in 2023 and 5.46% in 2022. The increase in capitalized borrowing costs in 2023 is primarily because of the increase in average debt during 2023. The Company capitalized depreciation totaled US\$18.3 million in 2023 and US\$10.9 million in 2022.

See Note 18 for a discussion of the Company's insurance coverage.

Net non-cash impacts to property, plant and equipment include additions of US\$74.1 million in 2023 and US\$388.9 million in 2022. The decrease in non-cash impacts in 2023 is primarily because of the decrease in trade payables and accruals related with smelter development during 2023.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

9. LONG-TERM NOTES AND ACCOUNTS RECEIVABLE

Long-term notes and accounts receivable consist of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Third parties:		
Royalty overpayments	50,838	37,368
Employee and contractor loans	22,899	20,610
Disputed tax assessments (Note 14e)	9,610	11,870
Advances to contract service providers	4,471	4,080
Other	<u>3,574</u>	<u>3,242</u>
Total for third parties	91,392	77,170
Related parties:		
PT Smelting (Note 7)	234,016	105,178
IAC	<u>—</u>	<u>3,252</u>
Total for related parties	<u>234,016</u>	<u>108,430</u>
Total	<u><u>325,408</u></u>	<u><u>185,600</u></u>

10. TRADE PAYABLES

Trade payables are primarily composed of amounts due to vendors who provide materials and supplies and/or contract services in support of the Company's operations.

Trade payables consist of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Third parties	383,983	380,798
Related parties	<u>26</u>	<u>63</u>
Total	<u><u>384,009</u></u>	<u><u>380,861</u></u>

The aging analysis of trade payables is as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
0 – 30 days	336,141	333,550
31 – 60 days	45,108	34,616
> 60 days	<u>2,760</u>	<u>12,695</u>
Total	<u><u>384,009</u></u>	<u><u>380,861</u></u>

As of December 31, 2023, trade payables are non-interest-bearing and have normal settlement terms.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

11. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	2023	2022
Third parties:		
Contract services and other accruals	711,730	744,790
Salaries, wages, employee benefits and other compensation	63,110	61,937
Interest payable (Note 14e)	44,778	90,321
Provision for withholding taxes (Note 18)	43,338	42,470
Community development commitments (Note 18)	813	1,024
Penalty on income tax assessments (Note 14e)	—	106,070
Total for third parties	<u>863,769</u>	<u>1,046,612</u>
Related parties (Note 5):		
FMS	84,919	80,745
PT Eksplorasi Nusa Jaya	2,542	2,644
International Purveyors Inc.	2,421	1,900
Puncakjaya Power	850	1,122
AVCO	849	827
Total for related parties	<u>91,581</u>	<u>87,238</u>
Total	<u><u>955,350</u></u>	<u><u>1,133,850</u></u>

As of December 31, 2023, accrued liabilities are non-interest-bearing and have normal settlement terms.

12. FINANCE LEASE OBLIGATIONS

This account primarily includes the land lease between the Company and PT Berkah Kawasan Manyar Sejahtera (BKMS) for the land on which the Company is constructing the Indonesia smelter projects located in Gresik, Indonesia.

An analysis of finance lease obligations follows:

	December 31,	
	2023	2022
Balance at beginning of year	159,754	133,664
Additions (Note 8)	108,001	30,738
Interest expense	7,614	3,647
Payments	(20,824)	(6,908)
Other adjustments	<u>(3,208)</u>	<u>(1,387)</u>
Balance at end of year	251,337	159,754
Less: Current portion of finance lease obligations	<u>50,705</u>	<u>7,397</u>
Long-term portion of finance lease obligations	<u><u>200,632</u></u>	<u><u>152,357</u></u>

The following amounts are recognized in the Company's statement of profit or loss and other comprehensive income.

	Years Ended December 31,	
	2023	2022
Depreciation charge for right of use assets (Note 8)	44,101	24,101
Expenses related to variable lease payments, low-value and short-term leases	40,336	33,225
Interest expense on lease liabilities	<u>7,614</u>	<u>3,647</u>
Total	<u><u>92,051</u></u>	<u><u>60,973</u></u>

The Company has certain lease contracts for machinery and equipment used in mine operations that contain variable payments based on the number of hours that machinery or equipment is used in operations.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

13. LONG-TERM DEBT

The components of long-term debt follow:

	December 31,	
	2023	2022
Senior notes	2,980,171	2,977,534

Senior Notes

In April 2022, the Company completed the sale of US\$3.0 billion aggregate principal amount of unsecured senior notes, consisting of US\$750.0 million of 4.763% Senior Notes due 2027, US\$1.5 billion of 5.315% Senior Notes due 2032 and US\$750.0 million of 6.200% Senior Notes due 2052. The Company used US\$614.0 million of the net proceeds to repay the borrowings under its term loan in 2022 and is using the remaining net proceeds to finance its Indonesia smelter projects.

The senior notes are redeemable in whole or in part, at the option of the Company, at a make-whole redemption price prior to the dates stated below and beginning on the dates stated below at 100% of principal.

Debt Instrument	Date
4.763% Senior Notes due 2027	March 14, 2027
5.315% Senior Notes due 2032	January 14, 2032
6.200% Senior Notes due 2052	October 14, 2051

Revolving Credit Facility

In November 2023, the Company amended and restated its senior unsecured revolving credit facility to, among other things, increase the availability to US\$1.75 billion, extend the maturity date under the facility to November 2028 and reduce the applicable margin used in the determination of interest rates. The Company's revolving credit facility is available for its general corporate purposes, including to fund the Company's projects related to the expansion of smelting and refining capacity in Indonesia. As of December 31, 2023, the Company had no borrowings under its revolving credit facility.

The Company's credit facility contains customary affirmative covenants and representations and also contains negative covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company to incur additional indebtedness; create liens on assets; enter into sale and leaseback transactions; sell assets; and modify or amend the shareholders agreement or related governance structure. The credit facility also contains financial ratios governing maximum total leverage and minimum interest expense coverage and certain environmental and social compliance requirements. At December 31, 2023, the Company was in compliance with its credit facility covenants.

FCX Revolving Credit Note (Related Party)

On April 3, 2023, the Company entered into an amended and restated unsecured US\$2.0 billion revolving credit note with FCX. Loans shall be payable either on a stated maturity date or on demand as shall be agreed to between FCX and the Company at the time of each loan. The revolving credit note bears interest at a rate equal to the rate charged to the Company under its US\$1.75 billion revolving credit facility from time to time for borrowings from offshore lenders. The Company had no borrowings during 2023.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

13. LONG-TERM DEBT (continued)

FCX Revolving Credit Facility

FCX and the Company have a US\$3.0 billion, unsecured revolving credit facility that matures in October 2027. Under the terms of the revolving credit facility, FCX may obtain loans and issue letters of credit in an aggregate amount of up to US\$3.0 billion with a US\$1.5 billion sub-limit on the issuance of letters of credit and a US\$500.0 million limit on the Company's borrowing capacity. At December 31, 2023, there were no borrowings outstanding and US\$7.0 million of letters of credit issued under the FCX revolving credit facility. Interest on loans made under the revolving credit facility may, at the option of FCX or the Company, be determined based on the SOFR (Secured Overnight Financing Rate) plus a spread to be determined by reference to a grid based on FCX's credit rating.

The revolving credit facility contains customary affirmative covenants and representations, and also contains various negative covenants that, among other things and subject to certain exceptions, restrict the ability of FCX's subsidiaries that are not borrowers or guarantors to incur additional indebtedness (including guarantee obligations) and the ability of FCX or FCX's subsidiaries to: create liens on assets; enter into sale and leaseback transactions; engage in mergers, liquidations and dissolutions; and sell assets. In addition, the revolving credit facility contains a total leverage ratio financial covenant. At December 31, 2023, the Company was in compliance with its credit facility covenants.

14. TAXATION

a. Prepaid Taxes

Prepaid taxes consist of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
VAT	372,396	327,443
Total	<u>372,396</u>	<u>327,443</u>

b. Taxes Payable

Taxes payable consist of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Income taxes:		
Corporate income taxes - Article 29 (Note 14c)	391,473	179,315
Withholding taxes - Articles 23 and 26	9,314	4,890
Employee taxes - Article 21	7,390	9,569
Corporate income tax assessments (Note 14e)	—	122,766
Other income taxes	3,243	1,952
VAT payable	18,996	15,703
Total	<u>430,416</u>	<u>334,195</u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

14. TAXATION (continued)

c. Income Tax Expense

The reconciliation between consolidated profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income and the estimated taxable profit of the Company is as follows:

	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Consolidated profit before income tax expense	4,747,413	4,885,331
Less subsidiaries' profit before income tax expense	<u>1,855,542</u>	<u>337,516</u>
Profit before income tax expense - Company	2,891,871	4,547,815
Temporary differences:		
Depreciation and amortization	372,003	320,558
Costs of parent company (FCX) equity awards to employees	(1,752)	(7,624)
Provisions for accounting estimates	(49,270)	(97,112)
Development costs	(227,416)	(383,725)
Intercompany profit recognition	<u>(111,696)</u>	<u>(14,007)</u>
	(18,131)	(181,910)
Permanent differences:		
Non-deductible costs	42,083	101,840
Equity in PT Smelting earnings	(10,579)	(21,823)
Penalties (Note 14e)	<u>(1,411)</u>	<u>(77,693)</u>
	30,093	2,324
Estimated taxable profit - Company	<u>2,903,833</u>	<u>4,368,229</u>
Current income tax expense at statutory rate ^a	<u>725,958</u>	<u>1,092,057</u>
Total current income tax expense	725,958	1,092,057
Less prepaid income taxes:		
Article 22	118,214	155,434
Article 25	426,048	757,468
Corporate income tax payable:		
Company	181,696	179,155
Subsidiaries and other, net	<u>209,777</u>	<u>160</u>
Consolidated corporate income tax payable, net (Note 14b)	<u>391,473</u>	<u>179,315</u>

a. Statutory rate was 25% for 2023 and 2022.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

14. TAXATION (continued)

c. Income Tax Expense (continued)

The reconciliation between consolidated income tax expense per the consolidated statement of profit or loss and other comprehensive income and the theoretical tax amount on the Company's profit before income tax expense is as follows:

	Years Ended December 31,	
	2023	2022
Consolidated profit before income tax expense	4,747,413	4,885,331
Less subsidiaries' profit before income tax expense	<u>1,855,542</u>	<u>337,516</u>
Profit before income tax expense - Company	2,891,871	4,547,815
Income tax expense calculated at statutory rate	722,968	1,136,954
Tax effect on permanent differences:		
Equity in PT Smelting earnings	(2,645)	(5,456)
Non-deductible costs	10,521	25,460
Penalties (Note 14e)	<u>(353)</u>	<u>(19,423)</u>
Total tax effect on permanent differences	7,523	581
Mine development cost dispute (Note 14e) - current	—	10,200
Adjustment to current income tax expense - Company	<u>1,821</u>	<u>25,992</u>
	732,312	1,173,727
Adjustment to deferred income tax expense - Company	<u>24,594</u>	<u>(990)</u>
Income tax expense - Company	756,906	1,172,737
Current income tax expense - Subsidiaries	361,243	2,155
Deferred income tax expense - Subsidiaries	<u>114,266</u>	<u>76,329</u>
Consolidated income tax expense	<u><u>1,232,415</u></u>	<u><u>1,251,221</u></u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

14. TAXATION (continued)

d. Deferred Income Taxes

The components of deferred income taxes follow:

	December 31,	
	2023	2022
Company		
Deferred tax assets:		
Employee benefits	42,260	40,696
Reclamation costs	273,612	290,116
Other	<u>133,451</u>	<u>130,038</u>
Total deferred tax assets	449,323	460,850
Deferred tax liabilities:		
Property, plant and equipment	(1,955,586)	(1,948,393)
Other	<u>(8,868)</u>	<u>—</u>
Total deferred tax liabilities	(1,964,454)	(1,948,393)
Subsidiaries		
Deferred tax assets:		
Employee benefits	339	330
Tax loss carryforward	213	125,452
Other	<u>1,937</u>	<u>(219)</u>
Total deferred tax assets	2,489	125,563
Deferred tax liabilities		
Property, plant and equipment	(950,672)	(959,657)
Other	<u>(4,651)</u>	<u>(4,472)</u>
Total deferred tax liabilities	(955,323)	(964,129)
Net deferred tax liabilities	<u>(2,467,965)</u>	<u>(2,326,109)</u>
Consolidated		
Deferred tax assets:		
Employee benefits	42,599	41,026
Reclamation costs	273,612	290,116
Tax loss carryforward	213	125,452
Other	<u>135,388</u>	<u>129,819</u>
Total deferred tax assets	451,812	586,413
Deferred tax liabilities:		
Property, plant and equipment	(2,906,258)	(2,908,050)
Other	<u>(13,519)</u>	<u>(4,472)</u>
Total deferred tax liabilities	(2,919,777)	(2,912,522)
Net deferred tax liabilities	<u>(2,467,965)</u>	<u>(2,326,109)</u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

14. TAXATION (continued)

e. General

The Company has received assessments from the Indonesia tax authorities for additional taxes and interest related to various audit exceptions for income taxes and other taxes. The Company has filed objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

<u>Tax Year</u>	<u>Tax Assessment</u>	<u>Penalties and Interest</u>	<u>Total</u>
2005	61,502	29,521	91,023
2007	45,557	21,867	67,424
2012	11,785	268	12,053
2013	28,912	35,318	64,230
2014	43,913	—	43,913
2015	60,144	—	60,144
2017	6,726	2,874	9,600
	<u>258,539</u>	<u>89,848</u>	<u>348,387</u>

As of December 31, 2023, the Company had paid US\$188.8 million on these disputed tax assessments. A reserve has been applied against these payments totaling US\$179.2 million, resulting in a net receivable of US\$9.6 million (included in long-term notes and accounts receivables in the consolidated statement of financial position) (Note 9).

In 2018, the Company received unfavorable Indonesia Tax Court decisions with respect to its appeal of capitalized mine development costs on its 2012 and 2014 corporate income tax returns. The Company appealed those decisions to the Indonesia Supreme Court. In 2019, the Indonesia Supreme Court communicated an unfavorable ruling regarding the treatment of mine development costs on the Company's 2014 tax return. During the fourth quarter of 2019, the Company met with the Indonesia Tax Office and developed a framework for resolution of the disputed matters.

In 2021, the Company participated in discussions with the Indonesia Tax Office regarding progress on the framework for resolution. As a result of these discussions and the revised positions taken by both the Indonesia Tax Office and the Company, the Company could no longer conclude a resolution of all of the disputed tax items at a more-likely-than-not threshold and the Company recorded additional net charges of US\$425.4 million, including US\$154.8 million for non-deductible penalties recorded to other expense, net, US\$42.5 million for non-deductible interest recorded to interest expense, net, and US\$228.1 million to provision for income tax expense.

During 2022, in conjunction with the framework for resolution of disputed matters and the closure of the 2018 corporate income tax audit, the Company recorded net charges of US\$14.9 million, including US\$4.7 million for non-deductible interest recorded to interest expense, net, and US\$10.2 million to provision for income taxes. The Company continues to engage with the Indonesia Tax Office in pursuit of clarification on certain aspects of the original framework for resolution of the disputed matters.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

14. TAXATION (continued)

e. General (continued)

In 2022, in conjunction with the issuance of Government Regulation Number 50 of 2022, which stipulates that objection, tax court, and judicial review verdicts issued after the issuance of the harmonization law qualify for reduced penalties, the Company recorded credits totaling US\$76.8 million in 2022 to other income, net, which mostly related to the disputed matters discussed above.

In December 2023, the Company received Supreme Court verdicts relative to its 2016 corporate income tax assessment appeals. Included were decisions relative to the disputed development cost matters above which aligned with the Company's measurement and recognition as of December 31, 2023 and 2022.

On February 19, 2024, the Indonesia Tax Office issued an Audit Findings Notification relative to 2021 tax obligations. The results are being evaluated and any related impacts will be recorded in 2024.

15. PROVISION FOR EMPLOYEE BENEFITS

Provision for employee benefits consists of the following:

	December 31,	
	2023	2022
Net defined pension benefits liability	20,936	11,015
Deferred compensation and other postretirement benefits	2,819	3,022
Incentive compensation	4,546	4,391
Total	<u>28,301</u>	<u>18,428</u>

Pension Plans

The Company has a defined benefit pension plan denominated in Rupiah covering substantially all of its Indonesia employees. The Company funds the plan and invests the assets through a separate Indonesia legal entity, DPFI (Note 5), in accordance with Indonesia pension regulations. DPFI holds the assets for the Company's plan, as well as assets for plans sponsored by PT Eksplorasi Nusa Jaya (related party) and PT Kuala Pelabuhan Indonesia.

The pension obligation was valued at an exchange rate of 15,339 Rupiah to one US\$ on December 31, 2023, and 15,652 Rupiah to one US\$ on December 31, 2022. The Company's expected rate of return on plan assets is evaluated at least annually, taking into consideration its historical yield and the long-range estimated return for the plan assets. Based on these factors, the Company expects its pension assets will earn an average of 7.00% per annum beginning January 1, 2024. The discount rate assumption for the Company's plan is based on the Indonesia Government Security Yield Curve. Changes in the discount rate are reflected in the Company's benefit obligation and, therefore, in future pension costs.

The Company's pension obligations were based on management's assessment and the actuarial reports of Kantor Konsultan Aktuaria I Gde Eka Sarmaja, FSAI, an independent actuary, dated January 19, 2024, for the pension obligation as of December 31, 2023; and dated February 9, 2023, for the pension obligation as of December 31, 2022.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

15. PROVISION FOR EMPLOYEE BENEFITS (continued)

Pension Plans (continued)

The Company's pension obligation was calculated using the projected-unit-credit method with the following principal assumptions:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	6.75%	7.00%
Rate of compensation increase ^a	4.00%	4.00%
Weighted-average assumptions used to determine periodic benefit cost for the year:		
Discount rate	7.00%	6.50%
Rate of compensation increase ^a	4.00%	4.00%

a. The rate of compensation increase shown relates to staff employees and non-staff employees.

The Company's pension benefit obligation includes employee service entitlements in accordance with Job Creation Law No. 6/2023 (formerly No 11/2020) for the years ended December 31, 2023 and 2022, which requires that companies provide a minimum level of benefits to employees upon employment termination based on the reason for termination and the employee's years of service.

Information on the Company's pension benefit obligation follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	215,814	238,706
Service cost	12,490	14,085
Interest cost	14,544	14,364
Benefits paid, including settlements	(26,839)	(26,345)
Remeasurements	3,062	(2,858)
Foreign exchange losses (gains)	4,408	(22,138)
Benefit obligation at end of year	<u>223,479</u>	<u>215,814</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	204,799	240,415
Actual return on plan assets	14,137	14,511
Employer contributions	8,919	1,826
Benefits paid	(26,639)	(26,177)
Remeasurements	(2,894)	(4,214)
Foreign exchange gains (losses)	4,221	(21,562)
Fair value of plan assets at end of year	<u>202,543</u>	<u>204,799</u>
Funded status	<u>20,936</u>	<u>11,015</u>
Net defined pension benefits liability	<u>20,936</u>	<u>11,015</u>

To calculate its pension benefit obligation, the Company used 150% of the 2019 Indonesian Mortality Table for the years ended December 31, 2023 and 2022.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

15. PROVISION FOR EMPLOYEE BENEFITS (continued)

Pension Plans (continued)

The components of the net periodic benefit cost for the Company's plan follow:

	Years Ended December 31,	
	2023	2022
Service cost	12,490	14,085
Interest cost	407	498
Net periodic benefit cost	<u>12,897</u>	<u>14,583</u>

DPFI's weighted-average asset allocation for its plan assets, which comply with DPFI's investment guidelines, follows (in percentages):

	December 31,	
	2023	2022
Unquoted investments:		
Bank time deposits	9%	14%
Investments quoted in active markets:		
Equity securities	40	44
Debt securities	51	42
Total	<u>100%</u>	<u>100%</u>

As of December 31, 2023, the expected benefit payments for the Company's pension plan (based on a December 31, 2023, exchange rate of 15,339 Rupiah to one US\$) total US\$29.9 million in 2024, US\$26.9 million in 2025, US\$28.8 million in 2026, US\$29.3 million in 2027, US\$27.2 million in 2028 and US\$128.6 million for 2029 through 2033.

As of December 31, 2023, if the discount rate increased by 25 basis points, with all other variables held constant, the pension benefit obligation would decrease by approximately US\$3.2 million, while a decrease in the discount rate of 25 basis points would increase the pension benefit obligation by approximately US\$3.3 million.

16. ASSET RETIREMENT OBLIGATIONS

The ultimate nature and amount of ARO costs to be incurred at the Company's operations will be determined based on applicable laws and regulations and the Company's assessment of appropriate remedial activities in the circumstances, after consultation with governmental authorities, affected local residents and other affected parties, and cannot currently be projected with precision. Estimates of the ultimate reclamation and closure costs the Company will incur in the future involve complex issues requiring integrated assessments over a period of many years and are subject to revision over time as more complete studies are performed and, based on updated data and assumptions, improved ARO estimates are utilized. Some interim closure and reclamation costs will be incurred during mining activities, while final closure costs and the remaining reclamation costs will be incurred at the cessation of all mining activities, which are currently estimated to continue through 2041. For smelting and refining activities, the ARO costs will be incurred at the end of operations, which are expected to extend beyond 2041, given that the smelter and refinery facilities can source material from third parties, as needed.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

16. ASSET RETIREMENT OBLIGATIONS (continued)

The Company estimated its AROs using an expected cash flow approach. To calculate the fair value of these obligations, the Company applied an estimated long-term inflation rate and discounted the projected cash flows at the Company's estimated risk-free interest rates. After discounting the projected cash flows, a market risk premium of 10% was applied to the total to reflect what a third party might require to assume these AROs. The market risk premium was based on market-based estimates of rates that a third party would have to pay to insure its exposure to possible future increases in the value of these obligations. The Company estimated these aggregate undiscounted obligations, including those before 2042, to be US\$1.1 billion at December 31, 2023, and US\$1.2 billion at December 31, 2022.

Changes in the Company's discounted AROs follow:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	1,160,466	1,359,532
Revisions to cash flow estimates, liabilities incurred and discount rates	9,590	(78,280)
Accretion expense	34,757	14,610
Payments	(83,611)	(102,573)
Settlements	<u>(26,756)</u>	<u>(32,823)</u>
Balance at end of year	1,094,446	1,160,466
Less current portion	<u>(119,314)</u>	<u>(115,776)</u>
Long-term portion	<u>975,132</u>	<u>1,044,690</u>

The components of the Company's AROs follow:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Mine closure	472,174	485,052
Mine reclamation	23,894	31,964
Smelter/Refinery land restoration	43,951	—
Other remediation	<u>554,427</u>	<u>643,450</u>
Total	<u>1,094,446</u>	<u>1,160,466</u>

Mine closure activities are those activities that the Company intends to perform in order to permanently and properly shut down and close mining operations. Mine reclamation activities are those activities that occur during the life of mining operations that the Company performs to comply with Indonesia mining law and reclamation plans filed with the Ministry of Energy and Mineral Resource. In December 2018, the Company, in conjunction with the issuance of the IUPK, submitted a revised mine closure plan to reflect the extension of operations to 2041. At December 31, 2023, the Company had US\$96.7 million in a restricted time deposit account for mine closure guarantees and a US\$15.2 million bank guarantee for reclamation guarantees (Note 18).

Smelter/refinery land restoration activities are those activities that the Company intends to perform in order to permanently and properly close the smelting and refining operations. Other remediation activities are those activities, primarily restoration and remediation of overburden stockpiles, that fulfill the Company's overall mine closure and reclamation obligations and commitments.

17. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities primarily consist of VAT and withholding tax reserves, and contract services obligations.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

18. COMMITMENTS AND CONTINGENCIES

Environmental

The Company has an environmental policy committing it not only to compliance with central, provincial and local environmental statutes and regulations, but also to continuous improvement of its environmental performance at every operational site. The Company believes that its operations are being conducted pursuant to applicable permits and are in compliance in all material respects with applicable environmental laws, rules and regulations.

Social and Economic Development Programs

The Company provides funding and technical assistance to support various community development programs in areas such as health, education, economic development and local infrastructure. In 1996, the Company established a social investment fund with the aim of contributing to social and economic development in the Mimika Regency. Prior to 2019, the fund was mainly managed by the Amungme and Kamoro Community Development Organization, a community-led institution. In 2019, a new foundation, the Amungme and Kamoro Community Empowerment Foundation (Yayasan Pemberdayaan Masyarakat Amungme dan Kamoro, or YPMAK) was established, and in 2020, the Company appointed YPMAK to assist in distributing a significant portion of the Company's funding to support the development and empowerment of the local indigenous Papuan people. YPMAK is governed by a Board of Governors consisting of seven representatives, including four from the Company.

In addition, since 2001, the Company has voluntarily established and contributed to land rights trust funds administered by Amungme and Kamoro representatives that focus on socioeconomic initiatives, human rights and environmental issues.

The Company is committed to the continued funding of YPMAK programs and the land rights trust funds, as well as for other local-community development initiatives through 2041 and has made and expects to continue making annual investments in public health, education and local economic development. The Company recorded charges totaling US\$121.9 million in 2023 and US\$122.7 million in 2022 to cost of sales for social and economic development programs (Note 22).

Commitments

The Company has aggregate commitments for capital expenditures and purchases of materials and supplies to be used in its operations in 2024 totaling US\$1.2 billion as of December 31, 2023.

Restricted Cash

As of December 31, 2023, the Company had US\$1,205.5 million of time deposits that were legally restricted in connection with (a) a regulation issued by the GOI in 2023 that requires 30% of the Company's export proceeds to be temporarily deposited in Indonesia banks for 90 days (US\$1,059.8 million) and (b) a smelter development surety bond placement (US\$145.7 million).

The Company also has a restricted investment recorded in Other Assets related to mine closure (US\$96.7 million).

Insurance

The Company has property damage and business interruption insurance coverage under insurance policies maintained by FCX. These insurance policies have specified deductible amounts or self-insured retentions and policy limits for each of FCX's mining operations and for the consolidated FCX mining business as a whole. In this regard, FCX has established coverage for the Company with a self-insured deductible of up to US\$500 million per occurrence for combined property damage and business interruption risks with coverage of up to a maximum US\$1 billion limit for all of FCX's mining operations. Certain sub-limits are imposed for losses resulting from specific risks, including underground operations as well as price caps on commodities for business interruption coverage determination. Management considers this to be an adequate insurance program to cover reasonably possible losses that may arise from such risks.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

18. COMMITMENTS AND CONTINGENCIES (continued)

Withholding Tax Matter

In January 2019, the Indonesia Supreme Court rendered an unfavorable decision related to the Company's 2005 withholding tax matter. The Company had also received an unfavorable Indonesia Supreme Court decision in November 2017. The Company has other pending cases at the Indonesia Supreme Court related to withholding taxes for employees and other service providers for the year 2005 and the year 2007, which total approximately US\$43.3 million (based on the exchange rate as of December 31, 2023, and is included in accrued liabilities in the consolidated statements of financial position at December 31, 2023), including penalties and interest.

Surface Water Tax

In accordance with IUPK discussed in Note 1a and Local Government regulation, the Company is obligated to pay surface water taxes of US\$15.0 million annually.

Regulatory Matters.

Export Licenses. In June 2023, export licenses for several exporters, including the Company and PT Smelting, expired. In addition, a change in regulations during 2023 required the Company to follow a new administrative process for the export of anode slimes. During 2023, the GOI issued various regulations to address exports of unrefined metals, including regulations by Ministry of Energy and Mineral Resources (MEMR) to allow continued exports of copper concentrates through May 2024 for companies engaged in ongoing smelter development projects with construction progress greater than 50%, and regulations by the MOT on the permitted export of various products, including copper concentrates.

In July 2023, the Company was granted an export license for copper concentrate and in December 2023, the Company was granted an export license for anode slimes, which are valid through May 2024. In February 2024 and March 2024, the Company obtained approval for revised quotas for estimated concentrate and anode slime exports, respectively, through May 2024.

The Company is working with the GOI to obtain approvals to continue exports of copper concentrates and anode slimes subsequent to May 2024 until the Indonesia smelter projects are fully commissioned and reach designed operating conditions.

Export Duties. In July 2023, the MOF issued a revised regulation on duties for various exported products, including copper concentrates. Under the revised regulation the Company was assessed export duties for copper concentrates at 7.5% in the second half of 2023 (totaling \$307 million). For 2024, the revised regulation assesses export duties for copper concentrates at 10% for companies with smelter progress of 70% to 90% and at 7.5% for companies with smelter progress exceeding 90%. As of December 31, 2023, construction progress of the Indonesia smelter projects exceeded 90%; however, the Company was subject to the 10% export duty in 2024 until it received a revised concentrate export license in February 2024 (after which the Company was subject to the 7.5% export duty). The Company's export duties charged against revenues totaled US\$306.6 million in 2023 and US\$325.1 million in 2022. The Company also continues to discuss the applicability of Ministry of Finance Regulation No. 71/2023 with the GOI because of inconsistencies with its IUPK.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

18. COMMITMENTS AND CONTINGENCIES (continued)

Smelter Development Progress. See Note 1a for discussion of the Company's commitment for the development of additional smelting capacity under the terms of its IUPK.

In January 2021, the GOI levied an administrative fine of US\$149 million for the period from March 30, 2020, through September 30, 2020, on the Company for failing to achieve physical development progress on its Manyar smelter as of July 31, 2020. In January 2021, the Company responded to the GOI objecting to the fine because of events outside of its control causing a delay of the Manyar smelter's development progress. The Company believes that its communications during 2020 with the GOI were not properly considered before the administrative fine was levied.

In June 2021, the GOI issued a ministerial decree for the calculation of an administrative fine for lack of smelter development in light of the COVID-19 pandemic, and in 2021, the Company recorded charges totaling US\$16.0 million for a potential settlement of the administrative fine. In January 2022, the GOI submitted a new estimate of the administrative fine totaling US\$56.7 million, and in March 2022, the Company paid the administrative fine and recorded an additional charge of US\$40.7 million.

In May 2023, the GOI issued a new decree prescribing a revised formula for administrative fines for delays in construction of smelting and refining facilities, taking into account allowances for certain delays associated with the COVID-19 pandemic as verified by a third-party. In mid-July 2023, the Company submitted its third-party verified calculation, which resulted in an accrual for a potential administrative fine of \$55 million based on the formula prescribed by the decree related to the period from August 2020 through January 2022. The Company continues to discuss the applicability of this administrative fine with GOI. Based on the Company's revised smelter construction schedule, which was accepted by the GOI in connection with the renewal of the Company's export license in early 2022, the Company does not believe any additional fines should be assessed under the decree.

Smelter Assurance. The decree issued by the GOI in May 2023 also required assurance in the form of an escrow account, which can be withdrawn if smelter development progress is at least 90% on June 10, 2024. During 2023, the Company deposited US\$10 million in a joint account with the GOI while it continues to discuss the applicability of the May 2023 decree. At December 31, 2023, development progress of the Indonesia smelter projects was 90.5%; as such, the Company does not believe additional deposits are necessary.

As of December 31, 2023, the Company has assurance bonds to support the Companies commitment for smelter development in Indonesia totaling US\$145.7 million.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL AND DERIVATIVE INSTRUMENTS

Risk Concentrations

Substantially all of the Company's assets are located in Indonesia. Indonesia's future economic growth is expected to remain positive, driven by ongoing global economic improvements that are driving solid export performance, coupled with growing domestic demand in terms of consumption and investment. Indonesia continues to face political, economic and social uncertainties, including the potential of terrorist attacks and ethnic and religious strife, as well as a low-level separatist movement in Papua province.

Market Risk

The Company's use of financial instruments to manage market risks is conducted by designated personnel in accordance with approved policies, with management oversight. The Company 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 that the Company intends to offset or mitigate. The Company does not enter into any derivative instruments for speculative purposes, but has entered into derivative instruments in limited instances to achieve specific objectives. These objectives principally relate to managing commodity price risk. The fair values of the Company's derivative instruments are based on widely published market closing prices. At December 31, 2023 and 2022, the Company's only outstanding derivative instruments were its embedded derivatives (see following discussion).

Commodity Price Risk

The Company's concentrate sales contracts generally provide for provisional pricing at the time of shipment with final pricing determined in a future period based on market prices. These contract terms create embedded derivatives that are marked to fair value through profit and loss. Also, from time to time, the Company has entered into copper forward sales contracts to hedge the market risk associated with fluctuations in the prices of commodities it sells. Derivative instruments used by the Company to manage its risks do not contain credit risk-related contingent provisions. The Company had no price protection contracts relating to its mine production for any period presented in these consolidated financial statements.

Financial Credit Risk

The Company is exposed to credit loss when financial institutions with which it has entered into commodity contracts, such as copper forward contracts, are unable to pay. To minimize the risk of such losses, the Company uses counterparties that meet certain requirements and periodically reviews the creditworthiness of these counterparties. The Company does not anticipate that any of the counterparties it deals with will default on their obligations. The Company did not have any outstanding commodity contracts with financial institutions for any period presented in these consolidated financial statements and, therefore, did not have any credit exposure associated with commodity contracts.

The Company is also exposed to credit loss when its trade receivables become uncollectible. However, because the Company's sales contracts generally require a provisional payment of at least 90% of the invoice amount upon shipment, the risk of loss is minimal.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL AND DERIVATIVE INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is defined as the risk that short-term revenues are not enough to cover short-term expenditures.

The Company's liquidity requirements have arisen from the need to finance its operations. In the management of liquidity risk, the Company monitors and maintains a level of liquidity adequate to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

In relation to its commitment to develop additional smelting capacity in Indonesia, the Company completed the sale of unsecured senior notes and entered into an unsecured revolving credit facility. In addition, US\$2.0 billion is available under the Company's revolving credit note with FCX. See Note 13 for further discussion.

The current financial liabilities, including trade payables, accrued liabilities, unearned customer receipts and royalties payable, will mature in less than one year. Non-current financial liabilities will mature beyond one year.

Currency Exchange Risk

The Company conducts the majority of its operations in Indonesia where its functional currency is the US\$. All of the Company's revenues and the majority of its costs and expenses are denominated in US\$; however, some costs and certain assets and liabilities are denominated in Indonesian Rupiah, Australian dollars and other currencies. Generally, the Company's results are adversely affected when the US\$ strengthens against these currencies and positively affected when the US\$ weakens against these currencies because of the Company's current net position of Rupiah-denominated assets exceeding Rupiah-denominated liabilities.

The Company recorded gains on foreign exchange totaling US\$7.1 million in 2023 and losses totaling US\$6.7 million in 2022 related to currency transactions, primarily related to revaluation of Rupiah-denominated assets and liabilities. At December 31, 2023, the Company's most significant Rupiah-denominated assets include cash and cash equivalents of US\$47.0 million, VAT receivables of US\$372.4 million, and employee receivables of US\$30.2 million, partially offset by Rupiah-denominated payables and pension liabilities of US\$212.9 million, all of which were recorded at an exchange rate of 15,339 Indonesian Rupiah to one US\$.

If the Rupiah exchange rate strengthened or weakened by 10% as compared to the exchange rate as of December 31, 2023, with other variables held constant, the Company's net monetary Rupiah-denominated assets would be higher by US\$27.4 million or lower by US\$22.4 million, respectively. There were no significant fluctuations of the Australian dollar against the US\$.

Following is a summary of estimated annual payments and the impact of changes in foreign currency rates on the annual operating costs:

	Estimated Annual Payments		10% Change in exchange rate (in millions of US\$) ^a	
	(in stated currency)	(in millions of US\$) ^b	Increase	Decrease
Rupiah	15.7 trillion	\$ 1,024	\$ (93)	\$ 114
Australian dollar	292 million	\$ 199	\$ (18)	\$ 22

a. Reflects the estimated impact on annual operating costs assuming a 10% increase or decrease in the exchange rate reported at December 31, 2023.

b. Based on December 31, 2023, exchange rates of 15,339 Rupiah to one US\$ and 1.47 Australian dollars to one US\$.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL AND DERIVATIVE INSTRUMENTS (continued)

Embedded Derivatives

Certain of the Company's copper concentrate sales contracts provide for provisional pricing primarily based on the LME copper price and the London gold price at the time of shipment as specified in the contract. Sales with a provisional sales price contain an embedded derivative (*i.e.*, the price settlement mechanism that is settled after the time of delivery). The host contract is the sale of the metals contained in the concentrate at the then-current LME copper price or the London gold price. The embedded derivative does not qualify for hedge accounting treatment and fair value fluctuations in the value of embedded derivatives are recorded in revenues.

A summary of embedded derivatives at December 31, 2023, follows:

	Open Positions	Average Price Per Unit (US\$)		Maturities Through
		Contract	Market	
Embedded derivatives in concentrate sales contracts:				
Copper (millions of pounds)	253	3.74	3.87	May 2024
Gold (thousands of ounces)	223	2,013	2,078	May 2024

Movements in the average copper and gold prices of US\$0.05 per pound for copper and US\$25 per ounce for gold will have an approximate US\$9 million and US\$4 million impact, respectively, on the Company's 2024 total comprehensive income.

The Company's embedded derivatives on provisional copper and gold sales are valued using quoted market prices based on the forward LME copper price and the adjusted London gold forward price. Realized and unrealized gains (losses) recognized in revenues for embedded derivatives in concentrate sales contracts totaled US\$138.4 million in 2023 and US\$(296.0) million in 2022. The Company's outstanding embedded derivatives are recorded at fair value and are included in trade receivables and/or trade payables. Embedded derivatives were in a net asset position of US\$46.8 million at December 31, 2023, and US\$99.4 million at December 31, 2022.

Other Financial Instruments

Other financial instruments include: cash, cash equivalents, restricted cash and cash equivalents, trade receivables excluding the embedded derivative, other receivables, long-term notes and accounts receivable, trade payables, accrued liabilities, unearned customer receipts, royalties payable, finance lease obligations and long term debt. The financial statement amount for each of these items excluding long term debt is a reasonable estimate of the fair value because of the short-term nature of these instruments and generally negligible credit losses. The fair value of the Company's long-term debt approximates its book value based on indicative pricing estimates.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL AND DERIVATIVE INSTRUMENTS (continued)

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).

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Company's embedded derivatives on provisional sales are valued using quoted monthly LME copper forward prices and the adjusted London gold forward prices at each reporting date based on the month of maturity; however, the Company's contracts themselves are not traded on an exchange. As a result, these derivatives are classified within Level 2 of the fair value hierarchy.

The Company did not have any transfers between fair value levels during the reporting periods.

20. SHARE CAPITAL

Shareholders and their ownership interests as of December 31, 2023 and 2022, were as follows:

	Number of Shares Issued and Fully Paid	Percentage of Ownership	US\$ Amount
FCX	184,890	48.76	18,489
MIND ID	99,472	26.24	9,947
PT IPMM	94,788	25.00	9,479
Total	<u>379,150</u>	<u>100.00</u>	<u>37,915</u>

As of December 31, 2023 and 2022, MIND ID owned 100% of PT IPMM.

The Company's Board of Directors declared and the Company paid total dividends of US\$708.2 million (US\$1,868 per share) during 2023 and US\$3.1 billion (US\$8,110 per share) during 2022.

In accordance with the Company's shareholders agreement, MIND ID was obligated to make capital contributions over the period from 2019 through 2022. These contributions totaled US\$49.9 million in 2023 and US\$189.3 million in 2022 and are included in additional paid-in capital in the consolidated statement of financial position.

The Company's objectives when managing capital are to (i) maintain a strong capital base so as to maintain investor, creditor and market confidence, and (ii) sustain future development of the business.

The Company regularly reviews and manages its capital structure to optimize the use and earnings potential of the Company's resources and provide returns for its shareholders. The Company takes into consideration the future capital requirements of the Company and projected profitability, operating cash flows, capital expenditures and strategic investment opportunities.

In order to maintain or adjust the Company's capital structure, it may adjust the amount of dividends paid to shareholders or adjust its operating strategy as market conditions change. Management regards net equity as shown in the consolidated statement of financial position as capital, for capital management purposes.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

20. SHARE CAPITAL (continued)

No significant changes have been made in the objectives, policies and processes regarding managing capital of the Company in 2023 and 2022.

21. NET REVENUES

Consolidated net revenues attributable to the products the Company produced follow:

	Years Ended December 31,	
	2023	2022
Copper in concentrate	4,359,616	6,329,172
Gold in concentrate	2,655,746	3,250,574
Silver in concentrate	110,701	133,501
Copper in cathode ^a	1,472,791	—
Gold in slimes ^a	652,195	—
Silver in slimes ^a	28,221	—
Other revenues ^a	17,622	—
Adjustments to revenue:		
Treatment charges	(354,173)	(309,315)
Royalties (Notes 1a):		
Copper	(212,415)	(230,082)
Gold	(121,170)	(123,846)
Silver	(4,227)	(2,721)
Other	(117)	—
Export duties (Notes 1a and 18)	<u>(306,576)</u>	<u>(325,053)</u>
Revenue from contracts with customers	8,298,214	8,722,230
Embedded derivatives (Note 19)	<u>138,363</u>	<u>(296,008)</u>
Total consolidated net revenues	<u><u>8,436,577</u></u>	<u><u>8,426,222</u></u>

- a. Beginning in 2023, the Company's concentrate purchase and sales agreement with PT Smelting changed to a tolling arrangement. Under the tolling agreement, the Company pays PT Smelting a tolling fee to smelt and refine its concentrate and will retain title to all products for sale to third parties (i.e., there are no further sales from the Company to PT Smelting). Refer to Note 23.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

21. NET REVENUES (continued)

Net consolidated revenues from sales to third parties and related parties and the corresponding percentages to total consolidated net revenues follow:

	Years Ended December 31,			
	2023		2022	
	Amount	%	Amount	%
Third-parties:				
Mitsubishi Materials Corporation (MMC)	1,720,828	20	403,153	5
Trafigura Asia Trading Pte Ltd	902,799	11	1,312,958	16
Others ^a	<u>5,165,823</u>	<u>61</u>	<u>3,285,801</u>	<u>39</u>
Total for third parties	7,789,450	92	5,001,912	60
Related parties:				
Atlantic Copper	620,242	8	397,985	5
PT Smelting	<u>26,885</u>	<u>—</u>	<u>3,026,325</u>	<u>35</u>
Total for related parties	<u>647,127</u>	<u>8</u>	<u>3,424,310</u>	<u>40</u>
Total	<u><u>8,436,577</u></u>	<u><u>100</u></u>	<u><u>8,426,222</u></u>	<u><u>100</u></u>

a. No single customer accounted for 10% or more of sales.

Net consolidated revenues based on the geographical location of the customer follow:

	Years Ended December 31,	
	2023	2022
Domestic:		
Indonesia	767,272	3,026,325
International:		
Japan	2,327,296	1,173,197
Switzerland	2,068,534	1,300,740
Singapore	1,019,714	1,371,734
Spain	620,390	397,985
Philippines	396,286	248,784
Germany	355,437	311,346
United States	328,341	80,072
India	288,236	216,247
Korea	120,188	140,332
United Kingdom	89,244	160,239
China	<u>55,639</u>	<u>(779)</u>
Total	<u><u>8,436,577</u></u>	<u><u>8,426,222</u></u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

22. COSTS AND EXPENSES

Cost of sales consists of the following:

	Years Ended December 31,	
	2023	2022
Materials and supplies	882,400	695,206
Employee costs	334,053	356,784
Energy costs	506,952	525,966
Depreciation and amortization:		
Property, plant and equipment, development cost and mine properties, including assets under finance leases (Note 8)	1,116,274	989,020
Contract and consulting services	604,016	541,638
Delivery and handling costs	196,247	183,715
Tolling Fees (Note 5)	175,850	—
Social and economic development programs (Note 18)	121,910	122,656
Administrative fine settlement	55,000	40,731
Mill optimization studies	23,205	17,512
Property, plant and equipment write-offs	12,510	8,596
Royalty penalty	1,334	9,653
ARO adjustments	(33,089)	(34,029)
PT Smelting intercompany profit change (Note 5 and 7)	(111,696)	(14,007)
Inventory impact	(234,120)	24,848
Other	10,418	46,327
Total cost of sales	<u>3,661,264</u>	<u>3,514,616</u>

Following are cost of sales associated with related parties (included above):

	Years Ended December 31,	
	2023	2022
FCX, including FMS	54,822	70,336
Puncakjaya Power	49,712	43,817
International Purveyors Inc.	22,569	14,443
AVCO	3,843	3,885
PT Smelting intercompany profit change (Note 5 and 7)	(111,696)	(14,007)
	<u>19,250</u>	<u>118,474</u>

General and administrative expenses consist of the following:

	Years Ended December 31,	
	2023	2022
Employee costs	61,915	57,859
Professional fees and contract services	31,332	26,705
Rent	5,784	5,134
Other	17,625	18,113
Total general and administrative expenses	<u>116,656</u>	<u>107,811</u>

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

22. COSTS AND EXPENSES (continued)

Following are general and administrative expenses associated with related parties (included in previous table):

	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
FMS (Note 5)	<u>52,171</u>	<u>48,611</u>
Total	<u>52,171</u>	<u>48,611</u>

Selling and marketing expenses consist of the following:

	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Bank and administration fees	8,029	5,639
Employee costs	<u>2,652</u>	<u>2,327</u>
Total selling and marketing expenses	<u>10,681</u>	<u>7,966</u>

23. SIGNIFICANT AGREEMENTS

IUPK (Note 1a)

On December 21, 2018, the Company entered into an IUPK with the GOI. The IUPK replaced the former COW entered into in 1991.

PT Smelting Joint Venture Agreement

The Company, MMC, Mitsubishi Corporation Unimetals Ltd. and JX Nippon Mining and Metals Corporation entered into the second amended and restated joint venture agreement and shareholders agreement for PT Smelting dated December 11, 1996. The Company and MMC jointly constructed PT Smelting's copper smelter and refinery located at Gresik, East Java, Indonesia. PT Smelting, which commenced operations in 1999, was the first and is currently the only operating copper smelter facility in Indonesia. At December 31, 2023, the Company has a 39.5% equity ownership interest and MMC has a 60.5% equity ownership interest in PT Smelting, and MMC serves as the operator of the facilities (see Note 7 for further discussion).

PT Smelting Concentrate Agreement

The Company entered into a concentrate purchase and sales agreement with PT Smelting dated December 11, 1996, as amended. Prior to 2023, PT-FI's contract with PT Smelting provided for PT-FI to supply 100% 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 could also then sell copper concentrate to PT Smelting at market rates for quantities in excess of 205,000 metric tons of copper annually.

PT Smelting Tolling Agreement

Beginning January 1, 2023, the Company's concentrate purchase and sales agreement with PT Smelting changed to a tolling arrangement. Under the tolling agreement, the Company pays PT Smelting a tolling fee (Note 22) to smelt and refine its concentrate and retains title to all products for sale to third parties (i.e., there are no further sales from the Company to PT Smelting).

The tolling agreement is associated with the expansion project at PT Smelting, which was successfully completed on time and within budget in December 2023. The project was funded by the Company with borrowings under a convertible loan agreement, which is expected to convert to equity in 2024, increasing the Company's ownership in PT Smelting to approximately 65% (Note 5).

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

23. SIGNIFICANT AGREEMENTS (continued)

Atlantic Copper Concentrate Agreement

The Company entered into a copper concentrate sales agreement dated January 1, 2008 (the Atlantic Copper Concentrate Agreement), with Atlantic Copper to sell and deliver copper concentrate.

The Atlantic Copper Concentrate Agreement is in effect unless and until terminated by either party. Either party may, at its sole option and discretion, terminate this agreement as of the end of any calendar year subject to giving a twelve-month written notice to the other party.

Under the terms of the Atlantic Copper Concentrate Agreement, the parties have agreed to sell and purchase between 575,000 and 625,000 dry metric tons of copper concentrate in each contractual year. For logistical and/or operational considerations, the parties may mutually agree to defer the delivery of a portion of the contractual tonnage to another contractual year. The parties may cancel any such deferred tonnage during the mutually agreed year of delivery. The Company sold 143,842 dry metric tons of copper concentrate to Atlantic Copper in 2023 and 146,850 dry metric tons in 2022. The purchase price for copper is the price equal to the daily official LME Grade A settlement price quoted in US dollars as published in "Metal Bulletin." The price for gold is equal to the daily average of the London free bullion market "Initial" and "Final" quotations for gold in US dollars as published in "Metal Bulletin." The price for silver is equal to the daily London bullion brokers spot price for silver quoted in US dollars as published in "Metal Bulletin." Under the Atlantic Copper Concentrate Agreement, which is consistent with the terms of third party concentrate sales agreements, the parties deduct the smelting and refining charge from the purchase price of the contractual tonnage. The smelting and refining charge is determined by calculating the weighted average of the combined smelting and refining charge with respect to all quantities of concentrate shipped under all of the Company's and Atlantic Copper's concentrate sales agreements with non-affiliated entities for the contract year for which the determination is being made. The parties also agreed to adjust such calculation by certain factors, including the purity of the concentrate delivered.

Puncakjaya Power Sales Agreement (Note 5)

The Company entered into an amended and restated power sales agreement with Puncakjaya Power dated December 18, 1997 (the Puncakjaya Power Sales Agreement), to purchase electricity from certain of Puncakjaya Power's facilities. The initial term of the Puncakjaya Power Sales Agreement expired in December 2017. The latest contract extension is for a 12-month period through December 17, 2024.

Puncakjaya Power is obliged (i) to provide the Company with electric capacity at the target capacity level, as specified under the agreement, (ii) to provide required electricity at a rate not exceeding the target capacity level and (iii) to use commercially reasonable efforts to satisfy any capacity exceeding the target capacity level.

The Company supplies diesel fuel to Puncakjaya Power under the Puncakjaya Power Sales Agreement. In addition, the Company supplies coal to Puncakjaya Power under an agreement with PT Kaltim Prima Coal.

Under the terms of the Puncakjaya Power Sales Agreement, the Company is obliged to pay quarterly capacity charges and monthly operating and maintenance charges.

FM Services Company Service Agreement (Note 5)

The Company has a service agreement with FMS that was last amended on December 20, 2018. Under the agreement, FMS provides services necessary to support the Company's operations and activities, including mining operations consultation and advice, exploration, geology, management information technology, other administrative services and other such services as may be requested by the Company. The monthly service fee is subject to annual inflation adjustments and was US\$10.8 million for 2023. The monthly service fee for 2024 is US\$11.1 million.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

23. SIGNIFICANT AGREEMENTS (continued)

FCX Revolving Credit Note

The Company entered into an amended and restated unsecured US\$2.0 billion revolving credit agreement on April 3, 2023, with FCX (see Note 13 for further discussion).

Revolving Credit Facility

FCX and the Company have a US\$3.0 billion unsecured revolving credit facility that matures in October 2027 (see Note 13 for further discussion).

24. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in liabilities arising from financing activities in the consolidated statement of cash flows follow:

	Long-Term Debt
Balance at December 31, 2021	431,717
Cash flows for debt repayment	(614,000)
Cash flows from debt, including senior notes	3,171,000
New debt issuance cost	(24,341)
Amortization of debt issuance cost	13,158
Balance at December 31, 2022	2,977,534
Amortization of debt issuance cost	2,637
Balance at December 31, 2023	2,980,171

25. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are accounting standards issued by DSAK that are considered relevant to the financial reporting of the Company but not yet effective for the 2023 financial statements:

Effective on or after January 1, 2024:

- Amendments to PSAK No. 1, "Non-current Liabilities with Covenants" was adopted from the amendment to IAS No. 1. The amendments specify the requirements for classifying liabilities as current or non-current and clarify:
 - what is meant by a right to defer settlement,
 - the right to defer must exist at the end of the reporting period,
 - classification is not affected by the likelihood that an entity will exercise its deferral right, and
 - only if an embedded derivative in a convertible liability is an equity instrument would the terms and conditions of a liability will not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments must be adopted retrospectively.

- Amendment of PSAK No. 73, "Lease Liability in a Sale and Leaseback" was adopted from the amendment to IFRS No. 16. This amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. This amendment applies retrospectively to annual reporting periods beginning on or after January 1, 2024.

PT FREEPORT INDONESIA AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022, AND FOR THE YEARS THEN ENDED
(Amounts in tables in thousand United States dollars, unless otherwise stated)

25. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The following are accounting standards issued by DSAK that are considered relevant to the financial reporting of the Company but not yet effective for the 2023 financial statements: (continued)

Effective on or after January 1, 2024: (continued)

- Amendment of PSAK No. 2 and 60, "Supplier Finance Arrangements," as adopted from IAS No. 7 and IFRS (International Financial Reporting Standards) No. 17. The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024.

The Company is presently evaluating and has not yet determined the impact of these accounting standards on its consolidated financial statements.

26. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the consolidated financial statements that were authorized for issue by the management of the Company on March 8, 2024.